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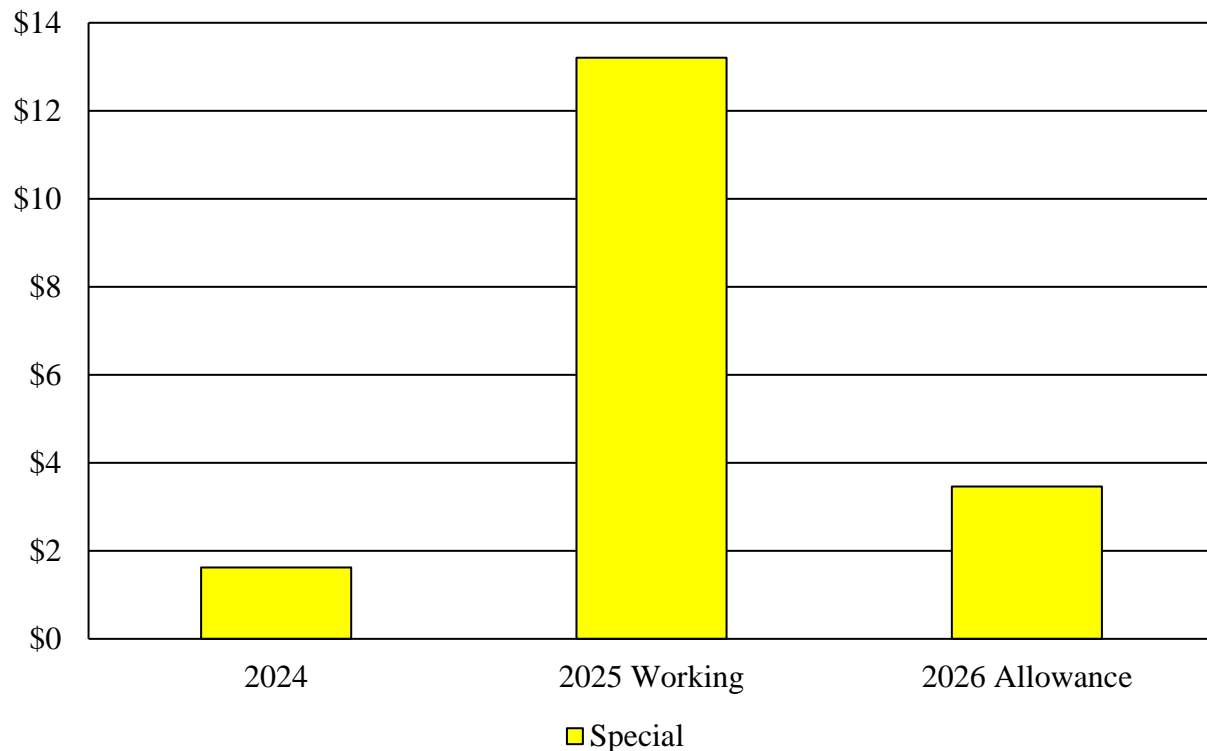
Maryland Thoroughbred Racetrack Operating Authority

Program Description

Chapter 111 of 2023 created the Maryland Thoroughbred Racetrack Operating Authority (MTROA) to rebuild Maryland's horse racing infrastructure and oversee thoroughbred horse racing in the State. The MTROA board is composed of appointees of the Governor and legislative leaders and representatives of horse industry organizations; the Maryland Stadium Authority (MSA); the Maryland Economic Development Corporation; and areas surrounding Pimlico and the proposed training facility. Thoroughbred horse racing activities will eventually be consolidated at Pimlico Race Course and a training facility.

Operating Budget Summary

Fiscal 2026 Budget Decreases \$9.7 Million, or 73.8%, to \$3.5 Million
(\$ in Millions)



Note: The fiscal 2025 working appropriation includes a one-time \$10 million appropriation for working capital from the Racing and Community Development Financing Fund.

For further information contact: Patrick S. Frank

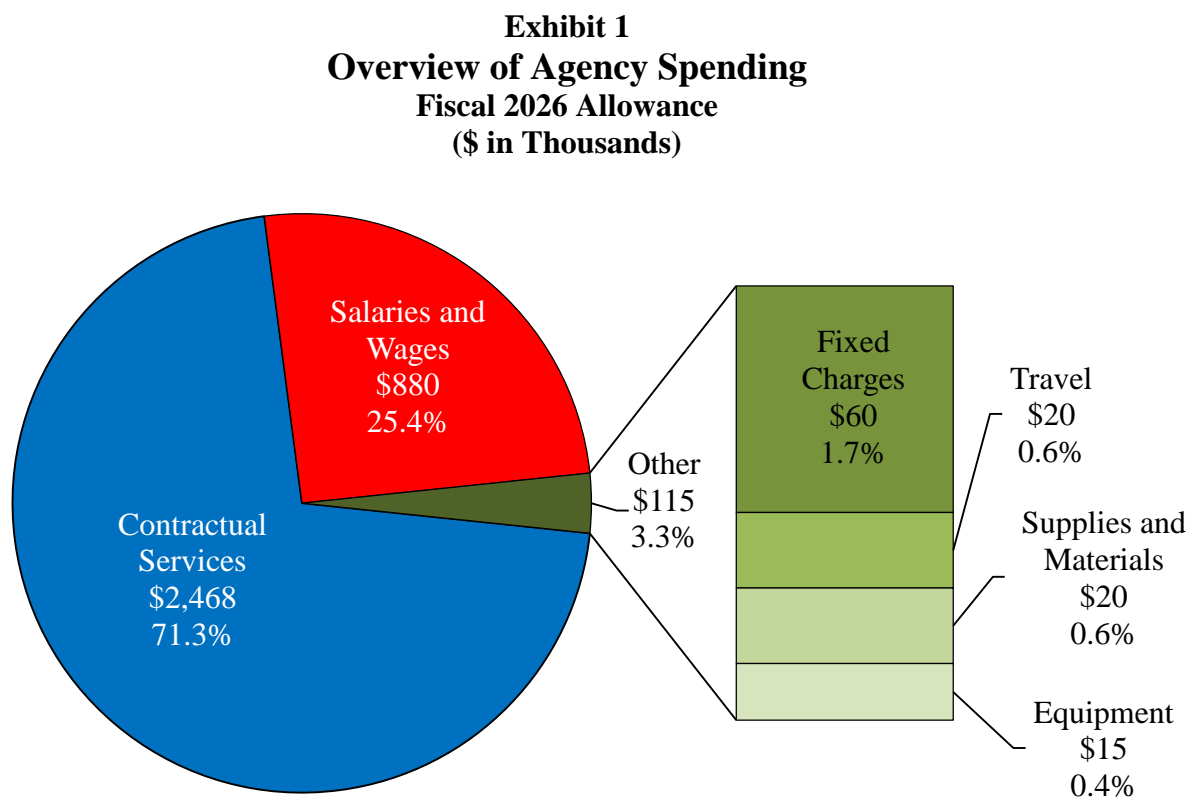
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Fiscal 2025

MTROA received a budget amendment for \$10 million in working capital authorized by Chapter 410 of 2024, which is discussed in the Key Observations section of this analysis. These are passthrough grants to The Maryland Jockey Club (TMJC).

Fiscal 2026 Overview of Agency Spending

Exhibit 1 shows that 71% of MTROA’s budget supports contracts and 25% supports positions. Contracts have supported a wide range of services, including appraisal and titling service to purchase a training facility, marketing consultants to support ticketing strategies, accounting services, preconstruction services for Pimlico and the training facility, and owner representatives during the design phase.



Source: Department of Budget and Management

Proposed Budget Change

The fiscal 2026 budget decreases by \$9.7 million (73.8%) from the fiscal 2025 working appropriation, which included \$10 million added by budget amendment for working capital to renovate Pimlico and a new training facility authorized by Chapter 410. **Exhibit 2** shows that the largest increases are to personnel expenses and include salary and fringe benefit increases and additional funds to reduce the turnover rate. The MTROA budget does not fund employee and retiree health insurance costs in fiscal 2025 or 2026. MTROA advises that budget amendments will be processed to fund health insurance.

Exhibit 2
Proposed Budget
Maryland Thoroughbred Racetrack Operating Authority
(\$ in Thousands)

How Much It Grows:	<u>Special Funds</u>	<u>Total</u>
Fiscal 2024 Actual	\$1,623	\$1,623
Fiscal 2025 Working Appropriation	13,207	13,207
Fiscal 2026 Allowance	<u>3,463</u>	<u>3,463</u>
Fiscal 2025-2026 Amount Change	-\$9,744	-\$9,744
Fiscal 2025-2026 Percent Change	-73.8%	-73.8%

Where It Goes:	<u>Change</u>
Personnel Expenses	
Increments and other compensation	\$148
Employee and retiree health insurance	61
Reduce turnover rate from 16.98% to 14.61%	25
Working Capital	
One-time working capital authorized in Chapter 410 of 2024	-10,000
Operations	
Department of Information Technology services allocation	16
Office of the Attorney General administrative fee	4
Budget system allocation	1
Personnel system allocation	1
Total	-\$9,744

Note: Numbers may not sum to total due to rounding.

Personnel Data

	<u>FY 24</u> <u>Actual</u>	<u>FY 25</u> <u>Working</u>	<u>FY 26</u> <u>Allowance</u>	<u>FY 25-26</u> <u>Change</u>
Regular Positions	6.00	6.00	6.00	0.00
Contractual FTEs	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>
Total Personnel	6.00	6.00	6.00	0.00

Vacancy Data: Regular Positions

Turnover and Necessary Vacancies, Excluding New Positions	0.88	14.61%
Positions and Percentage Vacant as of 12/31/24	3.00	50.00%
Vacancies Above Turnover	2.12	

- As of January 2025, 3 of 6 authorized positions are vacant. Vacant positions include an executive associate, an administrator, and a paralegal. These positions have been vacant since they were created in fiscal 2024.
- Because the budget is relatively small for a State agency, the authority has hired a part-time contractual fiscal administrator instead of a full-time administrator.

Key Observations

1. Chapter 410 of 2024 Increases State’s Commitment to Thoroughbred Horse Racing

In January 2024, MTROA submitted a report to the General Assembly that recommended consolidating horse racing at Pimlico Race Course in Baltimore City. This new plan was referred to as Pimlico Plus. This new plan did not conform with Chapter 590 of 2020, the Racing and Community Development Act, which authorized funding to renovate both Pimlico and Laurel Park. To address this, Chapter 410 amended State law to implement Pimlico Plus. Key financial features of the new law are:

- authorizing funds to purchase and build a training facility;
- increasing total debt issued from \$375 million to \$400 million;
- increasing minimum spending on Pimlico from \$180 million to \$250 million;
- authorizing \$110 million for the training facility;
- authorizing \$40 million in undesignated bond proceeds;
- eliminating authorization for Laurel Park (was \$155 million);
- changing the \$17 million cap on annual debt service costs so that the Racing and Community Development Financing Fund (RCDF) receives at least \$17 million; the annual debt service costs will largely depend on interest rates. The Department of Legislative Services (DLS) estimates that annual debt service is \$23.1 million if the bond sale’s interest rates are 4.00% and \$27.5 million if interest rates are 5.50%; and
- authorizing the transfer of \$10 million in fiscal 2025 from the RCDF by budget amendment to MTROA for working capital, as previously discussed. **MTROA should be prepared to brief the committees on the timeline and planned use of the funds.**

Exhibit 3 shows that \$527.2 million is available to renovate Pimlico and purchase and build a training facility. In addition to the bonds, the RCDF will have five \$17 million lottery revenue appropriations deposited annually from fiscal 2022 to 2026. Another \$34.5 million from the Racetrack Facility Renewal Account is in the RCDF, and the fund has realized \$6.7 million in investment earnings through December 2024, with at least another \$1 million anticipated.

Exhibit 3
Racing and Community Development Financing Fund Receipts
and Bond Proceeds
(\$ in Millions)

<u>Funds Available</u>	<u>Amounts</u>
Par Value of Lottery Bonds	\$400.0
Lottery Appropriations for PAYGO Capital Spending from Fiscal 2022 to 2026	85.0
Racetrack Facility Renewal Account	34.5
Interest Earnings	7.7
Total Available for Capital Costs	\$527.2

PAYGO: pay-as-you-go

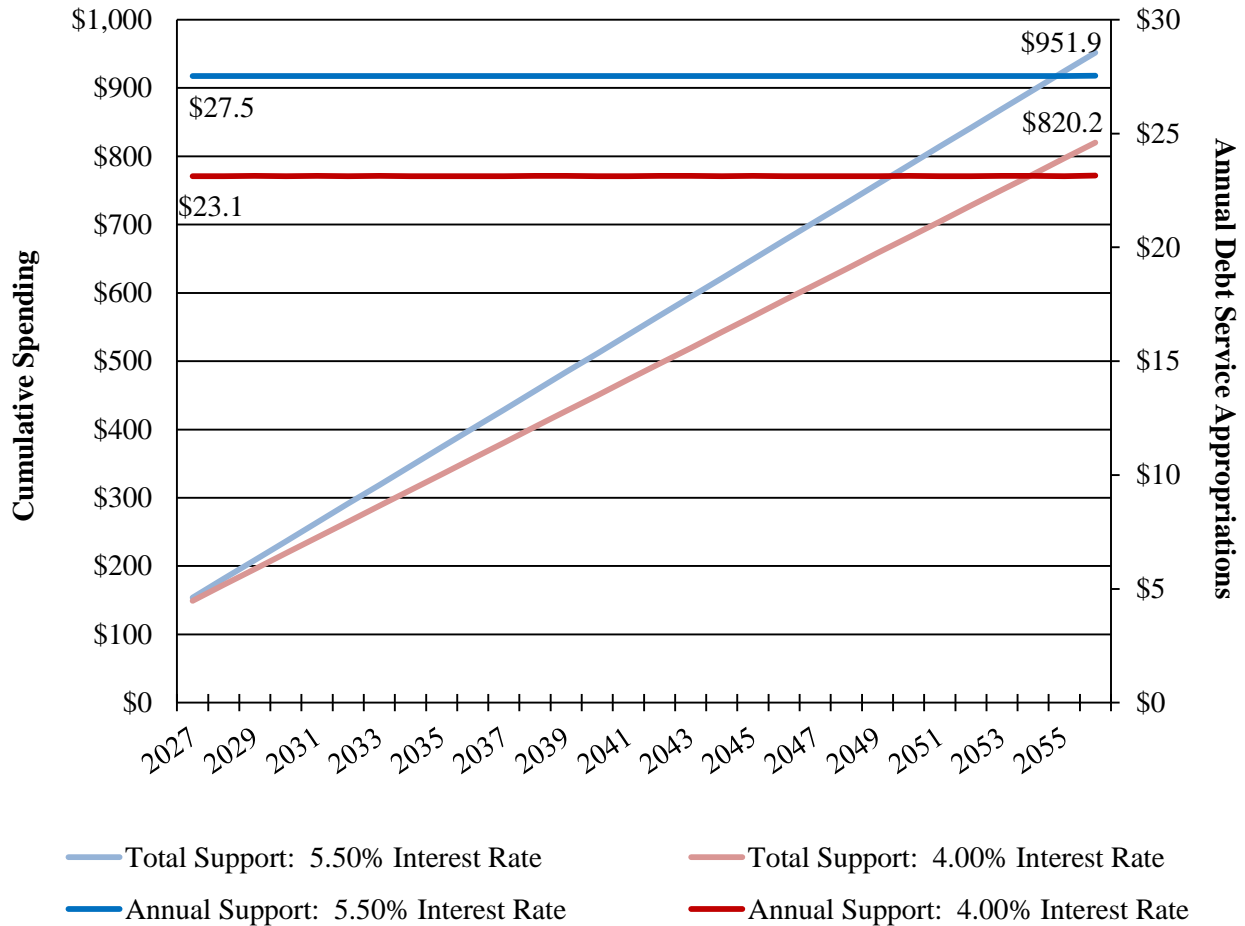
Source: Maryland Stadium Authority; Maryland Thoroughbred Racetrack Operating Authority

Exhibit 3 shows the resources that are available for Pimlico Plus. The RCDFE also supports MTROA operations, which totaled \$1.6 million in fiscal 2024. These resources include bonds supported by lottery revenues whose debt service payments have out-year impacts on State finances. For capital expenditures, it is common for DLS to project out-year costs. The Pimlico Plus out-year costs are debt service costs, so DLS estimates likely ranges of costs.

DLS anticipates that 30-year bonds will be issued. It is unclear when bonds will be sold, how many issuances there will be, and what interest rates will be on the date of the sale. To meet the deadline of having Pimlico renovated by calendar 2027, bonds will be sold in calendar 2025 and 2026. This timing suggests that there will be debt service payments through fiscal 2056.

Since the actual timing of bond sales is unknown, and markets are facing a fair amount of uncertainty, DLS estimates a range of debt service costs. Currently, it seems likely that interest rates will be between 4.00% and 5.50%. **Exhibit 4** shows that annual costs would be \$23.1 million at 4.00% rates and \$27.5 million at 5.50% rates. Total costs through fiscal 2056 range between \$820 million and \$952 million.

Exhibit 4
Effect of Interest Rates on Debt Service and Total Capital Costs
Fiscal 2027-2056
(\$ in Millions)



Source: Maryland Stadium Authority; Maryland Thoroughbred Racetrack Operating Authority; Department of Legislative Services

2. Transfer of Pimlico Ownership and Operating Rights

Chapter 410 also provides for the transfer of ownership and operation of thoroughbred racing facilities in the State from 1/ST Racing to MTROA as part of a long-term horse racing agreement. The Board of Public Works (BPW) approved the transfer of Pimlico in May 2024. BPW's approval included:

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- the sale of Pimlico to MTROA for \$1;
- a lease agreement between 1/ST Racing and MTROA to lease Laurel Park while Pimlico is renovated. The lease is three years, with one renewal option, exercisable by MTROA. The cost is \$1 per year for the first three years and \$3.5 million if the lease is renewed. MTROA is responsible for operating and maintaining Laurel Park during the lease;
- a licensing agreement between 1/ST Racing and MTROA for the intellectual property related to the Preakness and Black-Eyed Susan Stakes. The first licensing payment is in calendar 2027. MTROA will pay 1/ST \$3 million in a base fee that escalates 2.5% annually and 2% of the handle from those race days; and
- 1/ST Racing transferred the right to conduct all thoroughbred horse racing activities in Maryland to MTROA on January 1, 2025, except that 1/ST Racing conducts the Preakness and Black-Eyed Susan Stakes in calendar 2025 and 2026.

The 2025 Preakness Stakes will be held at Pimlico. MTROA advises that renovations at Pimlico should begin soon after the 2025 Preakness, so the 2026 Preakness will be at Laurel Park. The 2027 Preakness is planned for the newly renovated Pimlico, but if the renovations are not completed in time, MTROA can lease Laurel Park for one more year for \$3.5 million.

Operational Changes

In December 2024, the MTROA board approved the 2025 thoroughbred racing calendar, which is shown in **Appendix 3**. The number of racing days are reduced from 162 in 2024 to 127 in 2025. MTROA advises that this was done to coordinate racing between Maryland, Delaware, and Virginia. The tracks compete for the same pool of horses, so coordination is expected to support higher-quality racing. MTROA advises that purse levels supported by the Maryland Thoroughbred Purse Account in calendar 2025 will be approximately \$318,000 (for just overnight races \$383,000 for overnights, stakes and developer bonuses) per race day, which is consistent with calendar 2024. The 127 racing days are as follows:

- Laurel Park – 114 days;
- Pimlico – 6 days; and
- Timonium – 7 days.

To coordinate operations, (TMJC) was created on September 13, 2024. MTROA is the sole member of the TMJC board. During fall 2024, all operational contracts and employee agreements for the prior TMJC were reviewed and assigned to the new MJC. Consistent with the agreement between 1/ST and MTROA, MJC assumed day-to-day control of all horse racing operations in

Maryland on January 1, 2025. **MTROA should be prepared to brief the committee on thoroughbred racing operations.**

3. Facility Improvement Status

Expected capital resources in the RCDFP for Pimlico Plus are (1) \$250 million in bond proceeds for Pimlico; (2) \$110 million in bond proceeds for a new training facility; (3) \$40 million in undesignated bond proceeds; and (4) \$127 million in undesignated lottery revenue appropriations, transfers, and interest earnings. MTROA has leased Laurel Park for racing in calendar 2025 and 2026 for \$1 annually. MTROA can exercise an option to lease Laurel Park for \$3.5 million in calendar 2027. A substantial amount is available for Pimlico Plus and extending the lease into calendar 2027 is expensive. With all these resources, expectations are that MTROA completes the Pimlico and training facility projects on time and on budget.

New Training Facility Update

MTROA procured a consultant to evaluate eight properties to be training sites. The authority's board has approved purchasing the Shamrock Farm in Carroll County. The property, which is an estimated 23-mile drive from Pimlico, is 155 acres and can house 650 horses. MTROA advises that the purchase cost is approximately \$4 million. This sale requires approval by BPW. The authority has begun design. **MTROA should be prepared to brief the committees on the status of the training facility, including when the authority intends to seek BPW approval.**

Pimlico Race Course Update

MTROA has substantial resources for the Pimlico project, and there are costs to delaying. The expectation is that the facilities will be ready in time for the 2027 racing season. To inform the budget committees of the capital project's progress, MTROA advises that it is working with MSA to complete the final programming and site layout for the backstretch and equine related facilities. Demolition activities are anticipated to start after the 2025 Preakness Stakes. **MTROA should be prepared to brief the committees on the status of Pimlico's renovation, including when design will be complete, when construction will begin, how long the renovation will take, and when the facility must be ready to have thoroughbred horse racing at Pimlico in 2027. DLS also recommends that the committees adopt narrative requiring periodic updates on Pimlico and the training center capital projects.**

Operating Budget Recommended Actions

1. Adopt the following narrative:

Pimlico and Training Facility Capital Construction Update: The Maryland Thoroughbred Racetrack Operating Authority (MTROA) is authorized to implement Pimlico Plus, which consolidates thoroughbred horse racing at Pimlico Race Course in Baltimore City. The plan is to renovate Pimlico and purchase a training facility to support Pimlico so that the facilities are ready for the 2027 racing season. To support this, the Racing and Community Development Financing Fund was created and has an estimated \$527 million available for capital projects. MTROA should update the committees on status of Pimlico renovations and the training facility construction by August 29, 2025, and by December 19, 2025. For each project, this update should include (1) how far along design documents are; (2) when construction is scheduled to begin or when it began; (3) how long it will take to complete construction; (4) when the facilities will be ready to operate; and (5) when the facility will need to be done to begin thoroughbred horse racing in Pimlico in January 2027.

Information Request	Author	Due Date
Pimlico and training facility capital construction update	MTROA	August 28, 2025 December 19, 2025

Appendix 1
2024 Joint Chairmen's Report Responses from Agency

The 2024 *Joint Chairmen's Report* (JCR) requested that MTROA prepare one quarterly report. Electronic copies of the full JCR responses can be found on the DLS Library website.

- ***Horse Racetrack Progress Reports:*** MTROA is required to submit quarterly Horse Racetrack Progress Reports to the committees. The reports provide updated information on Pimlico renovations and changes in status of Laurel Park and Bowie Race Track. The committees received the July 2024, October 2024 and January 2025 reports.

Appendix 2
Object/Fund Difference Report
Maryland Thoroughbred Racetrack Operating Authority

<u>Object/Fund</u>	<u>FY 24 Actual</u>	<u>FY 25 Working Appropriation</u>	<u>FY 26 Allowance</u>	<u>FY 25 - FY 26 Amount Change</u>	<u>Percent Change</u>
Positions					
01 Regular	6.00	6.00	6.00	0.00	0%
Total Positions	6.00	6.00	6.00	0.00	0%
Objects					
01 Salaries and Wages	\$ 187,943	\$ 646,101	\$ 880,409	\$ 234,308	36.3%
03 Communication	1	0	0	0	0.0%
04 Travel	0	20,000	20,000	0	0%
08 Contractual Services	1,435,251	2,446,342	2,467,795	21,453	0.9%
09 Supplies and Materials	0	20,000	20,000	0	0%
11 Equipment – Additional	0	15,000	15,000	0	0%
12 Grants, Subsidies, and Contributions	0	10,000,000	0	-10,000,000	-100.0%
13 Fixed Charges	0	60,000	60,000	0	0%
Total Objects	\$ 1,623,195	\$ 13,207,443	\$ 3,463,204	-\$ 9,744,239	-73.8%
Funds					
03 Special Fund	\$ 1,623,195	\$ 13,207,443	\$ 3,463,204	-\$ 9,744,239	-73.8%
Total Funds	\$ 1,623,195	\$ 13,207,443	\$ 3,463,204	-\$ 9,744,239	-73.8%

Appendix 3 2025 Maryland Racing Schedule Approved in December 2024






2025

JANUARY 2025						
S	M	T	W	T	F	S
			1	2	3	4
5	6	7	8	9	10	11
12	13	14	15	16	17	18
19	20	21	22	23	24	25
26	27	28	29	30	31	

FEBRUARY 2025						
S	M	T	W	T	F	S
						1
2	3	4	5	6	7	8
9	10	11	12	13	14	15
16	17	18	19	20	21	22
23	24	25	26	27	28	

MARCH 2025						
S	M	T	W	T	F	S
						1
2	3	4	5	6	7	8
9	10	11	12	13	14	15
16	17	18	19	20	21	22
23	24	25	26	27	28	29
30	31					

APRIL 2025						
S	M	T	W	T	F	S
		1	2	3	4	5
6	7	8	9	10	11	12
13	14	15	16	17	18	19
20	21	22	23	24	25	26
27	28	29	30			

MAY 2025						
S	M	T	W	T	F	S
				1	2	3
4	5	6	7	8	9	10
11	12	13	14	15	16	17
18	19	20	21	22	23	24
25	26	27	28	29	30	31

JUNE 2025						
S	M	T	W	T	F	S
1	2	3	4	5	6	7
8	9	10	11	12	13	14
15	16	17	18	19	20	21
22	23	24	25	26	27	28
29	30					

JULY 2025						
S	M	T	W	T	F	S
		1	2	3	4	5
6	7	8	9	10	11	12
13	14	15	16	17	18	19
20	21	22	23	24	25	26
27	28	29	30	31		

AUGUST 2025						
S	M	T	W	T	F	S
					1	2
3	4	5	6	7	8	9
10	11	12	13	14	15	16
17	18	19	20	21	22	23
24	25	26	27	28	29	30
31						

SEPTEMBER 2025						
S	M	T	W	T	F	S
	1	2	3	4	5	6
7	8	9	10	11	12	13
14	15	16	17	18	19	20
21	22	23	24	25	26	27
28	29	30				

OCTOBER 2025						
S	M	T	W	T	F	S
			1	2	3	4
5	6	7	8	9	10	11
12	13	14	15	16	17	18
19	20	21	22	23	24	25
26	27	28	29	30	31	

NOVEMBER 2025						
S	M	T	W	T	F	S
						1
2	3	4	5	6	7	8
9	10	11	12	13	14	15
16	17	18	19	20	21	22
23	24	25	26	27	28	29
30						

DECEMBER 2025						
S	M	T	W	T	F	S
	1	2	3	4	5	6
7	8	9	10	11	12	13
14	15	16	17	18	19	20
21	22	23	24	25	26	27
28	29	30	31			

6 = Pimlico 120 = MJC Dates

114 = Laurel Park 127 = All Maryland Racing Dates

7 = Timonium

Source: Maryland Thoroughbred Racetrack Operating Authority