

MARYLAND THOROUGHBRED RACETRACK OPERATING AUTHORITY

Testimony in Support of HB 1524

Good afternoon, Madame Chair Atterbeary and members of the Ways and Means Committee.

My name is Greg Cross. I am the chair of the Maryland Thoroughbred Racetrack Operating Authority (“MTROA”). Joining me today are Eric Luedtke, the Governor’s Chief Legislative Officer, and Marc Brody, the MTROA’s executive director. Also with me today is the MTROA’s financial consultant, Craig Gegorek.

I have some brief remarks but want to begin by expressing the MTROA’s appreciation to you, Chair Atterbeary, for introducing HB 1524 and to the entire Committee for scheduling this hearing on short notice.

HB 1524 represents the culmination of efforts, which literally dating back decades, to find a path forward for Maryland Thoroughbred Horse Racing and to address desperately needed repairs at the Maryland racetrack facilities. As this Committee is aware, this is the fourth legislative effort in just the past five years to address these problems. In both 2020 and 2022, the legislature authorized \$375 million to be spent to improve the facilities at Laurel Park and Pimlico. Those efforts were unfortunately a failure. Cost estimates exceeded the budgeted authorization by no less than \$130 million and by as much as \$300 million for some designs. And even if the efforts had not been wildly over budget, no agreements could be reached with the Stronach Group regarding how the funds would be invested or the future for the tracks. At the end of the last session, the MTROA was created and tasked with taking another look at both (i) options for facilities repair or replacement, and (ii) different operating structures for the future of Maryland Thoroughbred Horse Racing if Maryland was going to make an investment.

After months of meetings and investigations, the MTROA made its recommendations on January 5th of this year, setting forth an entirely new approach. Rather than investing in two tracks, the MTROA recommends focusing the investment on Pimlico, the home of the Preakness, and the historic home of Maryland racing. In lieu of the expense of two racetracks, we recommend supplementing Pimlico with a state of the art racing facility and, to that end, have identified three leading options for the training center’s location. This change of approach had the effect of dramatically decreasing investment costs bringing them in-line with the legislature’s prior allocations. Copies of the MTROA’s report and the reports of our consultants are available on the MTROA’s website.

Further, the MTROA recommends that Maryland follow the operational models of Delmar and the New York Racing Association, which vest ownership of the facilities with the State and operational responsibility for all racing with a not-for-profit 501(c)(4) entity. It was the MTROA’s Committee’s view that with this approach the State would be investing in itself and an equine industry that has a \$2 billion dollar direct economic impact rather than subsidizing a private operator. It is also our view that this approach will allow the industry to take

responsibility for itself and, in the case of the Preakness, control the way that the City and State's marquee event is presented to the world.

The MTROA named its plan "Pimlico Plus" and did so for a reason. We want to see the State's investment not just benefit the horse racing industry but maximize collateral benefits of the investment to the Park Heights community and the training center location. In furtherance of those objectives, the proposed plan contemplates:

- (i) 365 days of economic activity as opposed to a two-week Preakness Meet as previously contemplated;
- (ii) \$10 million direct investment in the neighborhood for workforce housing;
- (iii) construction of a 1000 seat flexible use event space in the Clubhouse;
- (iv) construction of a hotel in partnership with BDC;
- (v) construction of a new parking garage in partnership with MEDCO and Lifebridge Health to alleviate persistent parking issues caused by the track and associated events;
- (vi) creation of a multi-purpose field to host festivals and events;
- (vii) the incorporation of workforce training in all phases of the project;
- (viii) the creation of a veterinary facility located in Park Heights adjacent to the track; and
- (ix) six acres of adjoining parcels in Park Heights that can be made available for future development.

The MTROA has committed to do all of the above in partnership with the community and has renewed its commitment to the Pimlico Compact. Our Executive Director, Marc Brody, grew up in Park Heights. He and I have been meeting regularly with community leaders, and pledge to continue to do so.

Our recommendations have received support from both the Maryland Thoroughbred Horseman's Association and the Maryland Breeders Association, as well as positive feedback from community and political leaders; but implementation of the recommendations that were announced in January were contingent upon finalizing agreements with the Stronach Group before any legislation could go forward.

I am pleased to report that subject to completion of the MTROA's due diligence, if HB 1524 is approved and if the transaction between the MTROA and the Stronach Group is approved by the Board of Public Works, all of the following will occur:

Pimlico will transfer to the State of Maryland on July 1st for \$1. The MTROA's operating entity will be permitted to use the Laurel racetrack rent free for three years while Pimlico is rebuilt. All Preakness and Maryland horse racing memorabilia currently owned by the Maryland Jockey Club will transfer to the State with the Woodlawn Vase being made available

on permanent loan. The Stronach Group will transfer to the MTROA's operating entity all rights to conduct day-to-day racing in Maryland commencing January 1, 2025 and the new 501(c)(4) operator will continue to employ virtually all of the people currently employed by the Maryland Jockey Club. Lastly, the State will hold a perpetual license to run the Black Susan and Preakness Stakes beginning in 2027 when Pimlico is scheduled to reopen in exchange for a licensing fee to be paid out of event proceeds.

The changes that HB 1524 makes to the 2020 and 2022 legislation to facilitate these recommendations are minimal. The bill substitutes the MTROA for the Stronach Group as the owner; reallocates funds from two tracks to Pimlico and a training facility; and increases the bonding authority by \$25 million to facilitate the housing investment and purchase of a training center. In order to help offset the increased bonding costs caused by interest rate changes, the bill proposes to redirect future RIFRA funds that would have been paid to the Stronach Group for Rosecroft to subsidize bond debt service, approximately \$1.2 million a year. I want to emphasize however, that the proposed legislation does not seek to take any money away from Ocean Downs, nor does it call for any money to be spent from this year's State budget or for additional State money to be spent to subsidize horse racing operations on a going forward basis.

When I was first asked to help the State in 2010, during the Preakness bankruptcy, I researched the State's efforts to address the condition of Pimlico and the industry and discovered that, dating back to the 1970's, new efforts had been made just about every ten years; but despite the best of intentions, they all failed largely, in my opinion, because they were half steps and because at the end of the day, the State lacked control over the implementation. This time is different. We are recommending an entirely new approach and our timing is good. We will be investing, unencumbered by the past, at a time when the industry is undergoing change and making investments that account for those changes, at a time when our triple crown partners in Kentucky and New York are doing the same. The MTROA believes that if this legislation is enacted, it will position the industry to succeed for the next 100 years.

The MTROA urges your strong consideration of the proposed legislation.