

Maryland Lottery and Gaming Control Agency

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DATE: March 3, 2025
BILL NO: Senate Bill 982
BILL TITLE: Sports Wagering – Wagers on Historical Horse Races – Authorization
COMMITTEE: Budget and Taxation
POSITION: Information

The Maryland Lottery and Gaming Control Agency (Agency) provides the following information regarding Senate Bill 982, Sports Wagering – Wagers on Historical Horse Races – Authorization.

Bill Summary:

SB 982 proposes adding language to State Government (SG) Article § 9-1E-01 that would alter the definition of a sporting event to specify that except as otherwise prohibited, sports wagering now includes “live” horse racing held in or out of the State. It would also add a definition of “historical horse race” to the statute.

SB 982 would allow exceptions under SG § 9-1E-09 (F) that would authorize a sports wagering facility licensee to accept wagers on past horse races using Historical Horse Racing (HHR) devices that look and play like a VLT (slot machine) by individuals who are physically present at a thoroughbred or standardbred race course that holds a Class A-2 sports wagering facility license, a license issued by the State Racing Commission to the Maryland State Fairgrounds in Timonium, or a satellite simulcast facility (Off-Track Betting (OTB) facility. SB 982 would prohibit a sports wagering licensee or a mobile sports wagering licensee from accepting wagers on historical horse races under certain conditions.

Finally, SB 982 would add a new section, SG § 9–1E–09.1, that would apply only to a sports wagering facility licensee authorized to offer wagering on historical horse racing in accordance with SB § 9–1E–09.

Background:

This bill would permit HHR devices using modified pari-mutuel system. In a traditional pari-mutuel system, all players must wager on the same race to contribute to a common betting pool. The modified system utilized by HHR allows individual players to bet on different historical races while still maintaining the pooled wagering structure. Here’s how it works according to industry information:

1. Pooled Wagering Without a Shared Race

- Unlike live pari-mutuel racing, where all bettors wager on the same race before post time, HHR systems use a **"synthetic" pari-mutuel pool**.
- Players at different terminals can be assigned different historical races, but their bets are still aggregated into a shared **pari-mutuel pool**.

- The key is that winnings are paid out based on the pari-mutuel formula, not a fixed payable like a slot machine.

2. How Does Pooled Wagering Maintain Pari-Mutuel Integrity?

- HHR operators ensure that enough wagers are placed across various races to simulate a true pari-mutuel pool.
- Even if different players are betting on different races, the wagering system groups bets into categories (e.g., Win, Place, Show) and calculates payouts accordingly.
- Regulatory frameworks often require a minimum number of wagers in the pool to maintain pari-mutuel status.

3. The Workaround: Seeded Pools & Aggregate Betting

- To function as pari-mutuel, HHR machines may use seeded pools or aggregate multiple player bets into a common system.
- Even if players bet on different races, their money goes into a collective pool that determines payouts based on pari-mutuel mechanics.

Rationale:

This bill proposes a new type of slot-machine like gaming device that the Agency believes is an expansion of commercial gaming. In a letter of advice from the Attorney General of Maryland, dated March 15, 2010, it was determined that authorizing a facility to accept wagers on historical horse races under the circumstances described would constitute commercial gaming and therefore be subject to the referendum requirement.

Additionally, there are several concerns regarding how such a program could be implemented.

- The HHR operators take a share of the amount wagered as a hold or rake, similar to poker. There are no guidelines on a maximum amount to be withheld or if the percentage must be disclosed to patrons.
- This allows a select group of sports wagering licensees to offer something different than all the other licensees, even those that paid a significantly higher license fee.
- If these devices are classified as sports wagering, it is likely that operators would be required to pay federal excise taxes on all wagers.
- The current 15% sports wagering tax is significantly less than the 42% to 58% taxes paid on VLT revenues, even though the devices are designed to look and play like a VLT.
- It is unclear if promotional play would be permitted and deductible from the amount retained by the operator.

Furthermore, to the extent that players choose HHR devices instead of going to a Video Lottery Facility, the State's share of revenue generated drops from between 42% - 58% to just 15%. The Agency is unable to determine the potential impact on casino gaming revenue if players start to migrate away from traditional VLTs at the casinos, with the much higher tax rate.

We ask that you consider this information as you debate SB 982.