

Department of Legislative Services
Maryland General Assembly
2007 Session

FISCAL AND POLICY NOTE
Revised

House Bill 348
Ways and Means

(Delegate N. King, *et al.*)

Finance and Budget and Taxation

Horse Racing - Purse and Bred Fund Supplements

This bill requires the one-time distribution of \$15 million of net fiscal 2007 lottery revenues in excess of \$477,372,000 (that would otherwise be paid to the general fund) to a special fund to increase purses at race tracks and to supplement existing bred funds. If lottery revenues do not provide the \$15 million, the Governor may request a deficiency appropriation during the 2008 session to make up the difference.

The bill takes effect June 1, 2007 and terminates June 30, 2008.

Fiscal Summary

State Effect: The \$15 million distribution to the special fund could either reduce general fund revenues in FY 2007 or increase general fund expenditures in FY 2008 if a deficiency appropriation is requested and approved.

Local Effect: None.

Small Business Effect: Potential meaningful. Small businesses involved in the horse racing industry could benefit from increased purses at Maryland race tracks and bred fund supplements.

Analysis

Bill Summary: The bill provides that for each race track licensee, funds provided for purses and bred funds may only be allocated if the Maryland Racing Commission has awarded the same number of live racing days for each race track for calendar 2007 as were run in calendar 2006.

All funds provided for purses and bred funds at harness racing tracks, mile thoroughbred racing tracks, and Timonium Race Course must be in addition to and may not supplant amounts allocated for purses and bred funds under current agreements between the harness racing tracks and the organization that represents a majority of owners and trainers of standardbred horses in the State and amounts otherwise provided in statute for purses and bred funds at mile thoroughbred racing tracks and Timonium Race Course.

The purses must be distributed at mile thoroughbred race tracks and Timonium Race Course according to a formula determined by the State Racing Commission in consultation with the race track licensees and the organization that represents a majority of owners and trainers of thoroughbred horses in the State.

Current Law: State lottery revenues are distributed to the general fund, except for the proceeds from sports lotteries which are conducted for the benefit of the Maryland Stadium Authority and distributed to the Stadium Authority. General fund revenues from the State lottery are estimated to be \$477.4 million in fiscal 2007 per the Board of Revenue Estimates, and the Maryland Stadium Authority is estimated to receive \$21.0 million in lottery revenues in fiscal 2007.

Background: In an effort to help the horse racing industry compete with increasing race purses in Delaware and West Virginia, the General Assembly provided \$5 million in purse supplements for the industry in 1997 which came from overattainment of lottery revenues that would have otherwise gone to the general fund. About 70% of the money went to thoroughbred purses and bred funds and 30% to standardbred purses and bred funds.

Annual purse supplements of approximately \$10 million were also provided in each of the next three years, bringing the total to about \$35 million from 1997-2000.

During the 2000 session, in addition to the purse supplements, the General Assembly established a Maryland Racing Facility Redevelopment Program to assist horse racing facilities with capital improvements.

In 2001, the Senate passed a \$10 million purse supplement bill for the industry, but that bill failed in the House Ways and Means Committee. Continued infighting amongst stakeholders of the racing industry led to the bill's failure. In 2002, a provision of the Budget Reconciliation and Financing Act (BRFA) took up to \$3.5 million from the Racing Facility Redevelopment Bond Fund and provided that money to purse and bred fund supplements.

No purse supplements were provided in 2003 or 2004. In addition, despite the legislative efforts to create the Maryland Racing Facility Redevelopment Program, the race tracks

never developed capital improvement plans and thus never took advantage of the bond fund; it was subsequently repealed during the 2004 legislative session.

Legislation passed in 2005 (Chapter 410) provided for the distribution of the cumulative receipts of at least \$1.04 million in the former Racing Facility Redevelopment Bond Fund to a special fund to be used for purses for the running of the Pimlico Special and for purses at Rosecroft Raceway.

The Governor’s proposed fiscal 2007 budget included \$10 million in general funds for purse enhancements; however, this amount was not included in the budget approved by the General Assembly.

State Fiscal Effect: If fiscal 2007 net lottery revenues exceed \$477.4 million, general fund revenues in fiscal 2007 could decrease by up to \$15 million and would be distributed to the special fund. To the extent lottery revenues do not exceed \$477.4 million by \$15 million, general fund expenditures could increase by up to \$15 million in fiscal 2008 for a deficiency appropriation to make up the difference. Special fund revenues would increase by a corresponding amount in fiscal 2007 or 2008 and would be distributed as follows:

Distribution of \$15 Million to Purses and the Bred Funds

Purses (89%)
\$13,350,000

Bred Funds (11%)
\$1,650,000

<u>Thoroughbred</u>	<u>Standardbred</u>	<u>Maryland-Bred Race Fund</u>	<u>Maryland Standardbred Race Fund</u>
80%	20%	80%	20%
\$10,680,000	\$2,670,000	\$1,320,000	\$330,000

Additional Information

Prior Introductions: This bill is substantially similar to HB 1672 of 2006, as amended by the House Ways and Means Committee and passed by the House. The Senate took no action on the bill.

Cross File: None.

Information Source(s): State Lottery Agency; Department of Labor, Licensing, and Regulation; Department of Legislative Services

Fiscal Note History: First Reader - March 7, 2007
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