

Department of Legislative Services
 Maryland General Assembly
 2024 Session

FISCAL AND POLICY NOTE
First Reader

Senate Bill 627 (Senator McKay)
 Budget and Taxation

Horse Racing - Satellite Simulcast Betting - Alterations

This bill transfers the regulation of satellite simulcast betting facilities in the State from the Maryland Racing Commission (MRC) to the State Lottery and Gaming Control Agency (SLGCA). The bill must be construed to apply prospectively and may not be interpreted to affect the validity or term of any permit for a satellite simulcast betting facility issued or renewed before October 1, 2024. However, the bill must apply to and be interpreted to affect an application for a permit for a satellite simulcast betting facility in process on October 1, 2024.

Fiscal Summary

State Effect: General fund expenditures increase by approximately \$131,500 beginning in FY 2025. Future year expenditures reflect inflation and annualization. Potential increase in licensing revenue and State racing tax revenue to the extent additional satellite simulcast facilities are licensed; otherwise, revenues are assumed to not be affected.

(in dollars)	FY 2025	FY 2026	FY 2027	FY 2028	FY 2029
Revenues	\$0	\$0	\$0	\$0	\$0
GF Expenditure	131,500	154,000	160,900	168,000	175,300
Net Effect	(\$131,500)	(\$154,000)	(\$160,900)	(\$168,000)	(\$175,300)

Note: () = decrease; GF = general funds; FF = federal funds; SF = special funds; - = indeterminate increase; (-) = indeterminate decrease

Local Effect: None.

Small Business Effect: Potential meaningful.

Analysis

Bill Summary/Current Law: The bill transfers the regulation of satellite simulcast betting facilities from MRC to SLGCA and generally makes necessary conforming changes to provisions of law regarding the regulation of satellite simulcast betting facilities.

The bill also alters the definition of “satellite simulcast betting.” Under current law, “satellite simulcast betting” is defined as pari-mutuel betting at a satellite simulcast facility in the State on a race that is simulcast from a sending track by (1) a mile thoroughbred racing licensee, a harness racing licensee, or the State Fair Society and (2) transmission of the pari-mutuel information regarding bets at the satellite simulcast facility to the sending track. The bill expands what constitutes “satellite simulcast betting” to encompass a sending track being an entity licensed to conduct horse racing in Delaware, Pennsylvania, Virginia, or West Virginia. Accordingly, the bill authorizes a satellite simulcast facility with an agreement or contract with a sending track in another state to (1) own or lease the pari-mutuel betting equipment and (2) operate the equipment, under specified circumstances.

The bill specifies that all money bet at a satellite simulcast facility where the sending track is licensed in another state is subject to the State racing tax.

Maryland Racing Commission

Since 1920, the Maryland Racing Commission has regulated horse racing in the State and sought to protect and promote the public interest in all matters pertaining to horse racing and wagering. The commission has established pari-mutuel betting as the only legal system of wagering on horse races on racetracks over which the commission has jurisdiction. Pari-mutuel betting is a system of betting in which those who successfully bet on horses that finish in specified positions share the mutuel pool. The commission is responsible for regulating, with few exceptions, the conduct of all pari-mutuel betting and other aspects of horse racing in the State.

More specifically, the commission:

- approves racing dates;
- approves specific types of wagering and collects wagering taxes;
- regulates the size of the purse and stake and the price of admission;
- regulates the charge made for an article or service sold at the meets; and
- oversees drug testing laboratories, which protect the integrity of horse racing for the benefit of the betting public and competing jockeys.

An individual, association, or corporation involved with horse racing must be licensed by the commission. The commission licenses owners, trainers, assistant trainers, jockeys, veterinarians, farriers, stable employees, mutuel employees, track employees, and vendors. A person engaged in racing in the State under an assumed name must register with the commission for permission to use the name. The commission may suspend or revoke the license of a person engaged in racing within the State who violates State racing laws or commission rules and regulations.

Live and Simulcast Racing

Maryland offers three types of horse racing in the State – thoroughbred, standardbred, and steeplechase racing. Thoroughbred racing is held at mile tracks: Laurel Park in Prince George’s County; Pimlico Race Course in Baltimore City; and at the Timonium Race Course in Baltimore County during the Maryland State Fair. Standardbred racing is held at two racetracks: Rosecroft Raceway in Prince George’s County; and Ocean Downs Racetrack in Worcester County. Steeplechase racing is held at Fair Hill Races in Cecil County. By law, Fair Hill Races is permitted to have up to eight race days per year. Thoroughbred and standardbred tracks do not have a limit on the number of races they may conduct per year.

In addition to wagering on live races, an individual may wager on races simulcast from around the country to any of the State tracks or off-track betting facilities. There are currently nine off-track betting locations (also known as simulcast betting facilities) operating in the State: Riverboat on the Potomac; Hollywood Casino; Horseshoe Casino; MGM National Harbor Casino; Pimlico Race Course (when not conducting live racing); Timonium Fair Grounds; and establishments in Boonsboro, Frederick, and Hampstead.

State Lottery and Gaming Control Agency

SLGCA administers lottery games and the State’s casino and sports betting programs to generate revenue for the State. The lottery currently offers a mix of instant ticket, Fast Play, and draw games. All games are sold through lottery agents, which are private businesses that receive commissions and fees in exchange for selling the games to the public. SLGCA is also responsible for the regulation of the video lottery terminal (VLT) program, including accounting for VLT revenues, managing the program’s video lottery central system, and regulating and licensing operators. SLGCA regulates the table games at the authorized VLT facilities, sports wagering, and fantasy gaming in the State.

State Revenues: MRC licenses all satellite simulcast facilities. Each licensee pays an annual license fee of \$500, which is deposited into the horse racing special fund. As the bill does not redirect the fee to another fund, this analysis assumes it would be collected by SLGCA under the bill but continue to be distributed as under current law.

To the extent that additional satellite simulcast facilities are licensed, permit fee revenue and State racing tax revenue would increase accordingly.

State Expenditures: As noted, MRC regulates and oversees racetracks as well as all wagering on horse racing, including satellite simulcast wagering. This includes satellite simulcast facilities located in casinos, over which SLGCA has no oversight authority. As such, SLGCA advises that it has no experience in the regulation and oversight of satellite simulcast betting, so the agency will need to hire and train additional staff to regulate the program.

As a result, general fund expenditures for SLGCA increase by \$131,500 in fiscal 2025, which accounts for the bill’s October 1, 2024 effective date. The estimate reflects the cost of hiring one program manager and one certified public accountant to monitor and review satellite simulcast operations and otherwise administer the State’s satellite simulcast betting program. It includes salaries, fringe benefits, and ongoing operating expenses. The agency notes that it may also need to shift current compliance staff to assist with the satellite simulcast betting program when necessary or hire additional staff when the scope of the total workload that is required becomes better known.

Positions	2.0
Salaries and Fringe Benefits	\$116,968
Other Operating Expenses	<u>14,512</u>
Total FY 2025 General Fund Expenditures	\$131,480

Future year expenditures reflect full salaries, with annual increases and employee turnover as well as annual increases in ongoing operating expenses.

No corresponding decrease in expenditures for MRC is assumed, as that agency continues to have regulatory duties related to racing (and possibly satellite simulcast betting).

Small Business Effect: To the extent small businesses qualify for additional satellite simulcast licenses, they may benefit from increased business activity.

Additional Comments: The Department of Legislative Services advises that the bill retains certain duties for MRC related to satellite simulcast betting. It is unclear if this is an oversight or intentional. For example, under § 11-816 of the Business Regulation Article, the bill shifts approval of satellite simulcast facilities to conduct satellite simulcast betting from MRC to SLGCA while at the same time retaining provisions that establish MRC having jurisdiction over all satellite simulcast betting and other activities at a satellite simulcast facility to the same extent as when live racing is held by a licensee.

Additional Information

Recent Prior Introductions: Similar legislation has not been introduced within the last three years.

Designated Cross File: None.

Information Source(s): Comptroller's Office; Maryland Department of Labor; Maryland State Lottery and Gaming Control Agency; Department of Legislative Services

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