
Sunset Review: Evaluation of the Maryland Racing Commission

**Presentation to the
Senate Finance Committee**

**Department of Legislative Services
Office of Policy Analysis
Annapolis, Maryland**

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Presentation Outline

- Focus of the 2013 full evaluation
- Overview of the Maryland Racing Commission (MRC) and horse racing industry
- Effects of video lottery terminal (VLT) revenues on racing
- Recent industry developments
- Health and safety of horses and jockeys
- Regulation and resource issues

Focus of the 2013 Sunset Evaluation

- The Department of Legislative Services (DLS) conducted a preliminary evaluation in 2008, which recommended a full evaluation by 2013
- Per the recommendation of that report, this full evaluation focused on the role of the commission, recent developments in the racing industry, and national and State efforts to ensure the health and safety of horses and jockeys
- DLS makes a total of nine recommendations

Maryland Racing Commission

- Established in 1920 to serve as a statewide regulatory and licensing body for the horse racing industry
- Broad regulatory authority to regulate all aspects of horse racing, including pari-mutuel betting, satellite simulcast betting, betting and admission charges, and racing dates
- Administers and approves activities of the Maryland-Bred Race Fund and the Standardbred Race Fund and administers the Maryland Jockey Injury Compensation Fund
- Licenses and registers all individuals employed at or connected with racetracks
- Composed of nine members

Snapshot of the Industry

- Faces significant competition and an aging clientele
- Racetrack attendance and wagering continue to decline
 - From 2008 to 2012, wagering fell 29.8% at thoroughbred tracks and 66.0% at standardbred tracks
- While purses declined to a low of \$24.4 million in 2010, infusion of VLT revenues in 2012 increased total purses to \$40.4 million
- Four tracks remain operational, while three of the four off-track betting facilities have closed in the past two years

Video Lottery Terminal Revenues Sustain Racing

- Industry benefits from significant assistance from VLT revenues for purses, bred funds, and racetrack renewal
- Purse Dedication Account (PDA) generally receives 7% to enhance horse racing purses and funds for the horse breeding industry, not to exceed \$100 million annually
- Racetrack Facility Renewal Account receives funds for construction and capital improvements to facilities, not to exceed \$20 million annually

(\$ in Millions)					
	<u>FY 2014</u>	<u>FY 2015</u>	<u>FY 2016</u>	<u>FY 2017</u>	<u>FY 2018</u>
Purse Dedication Account	\$42.3	\$68.6	\$76.2	\$81.1	\$85.0
Racetrack Renewal Account	10.4	9.7	10.8	13.4	14.0
Total VLT Revenues	\$52.7	\$78.3	\$87.0	\$94.5	\$99.0

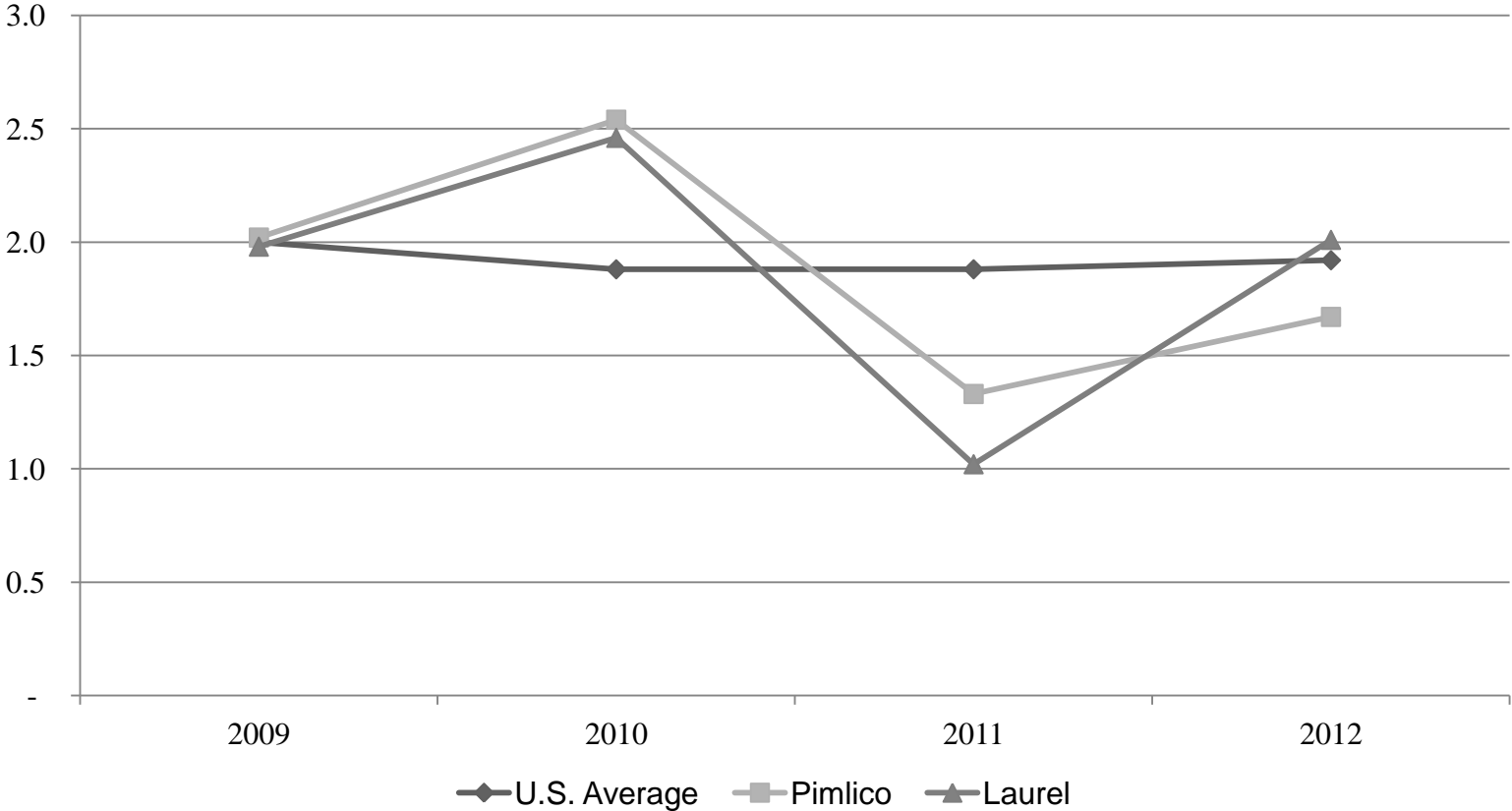
Recent Developments in the Industry

- Maryland Jockey Club, Maryland Thoroughbred Horsemen's Association (MTHA), and Maryland Horse Breeder's Association entered a "10-year Agreement" that governs conduct of thoroughbred racing for the next decade
 - Highlights include minimum number of racing days, closure of Bowie Training Center, construction of new stalls at Laurel and Pimlico, and revenue sharing between MTHA and owners of the mile-thoroughbred tracks
- Purse agreement regarding breeding incentive
 - Statute governing purse supplements from VLT revenues is silent as to whether or how purse monies should be allocated

Recommendation 1: The General Assembly may wish to consider providing further guidance as to the distribution of VLT revenues from the PDA (pp. 15-16).

Health and Safety: Maryland Generally Has Fewer Breakdowns Than National Average

Number of Horse Fatalities per 1,000 Starts



Health and Safety: Enhanced Purses May Impact Safety

- Purses at Maryland racetracks increased from \$29.6 million in 2011 to \$40.4 million in 2012
- Average field per race at thoroughbred tracks increasing to maintain an average field comparable to nearby states
- Larger purses intended to attract higher-quality horses, drivers, and jockeys
- May also impact safety by creating an incentive for trainers to race unfit horses

Health and Safety: MRC Actively Implementing Safety Measures

- MRC responded promptly to breakdowns at Laurel Park by investigating the incidents and recommending:
 - Adoption of uniform medication guidelines
 - Review of future breakdowns
 - Performance of necropsies
 - Review of racing procedures
 - Expansion of pre-race veterinary examinations
- Maryland adopted Mid-Atlantic Uniform Medication Program
- MRC plans to close State laboratory and use contractual services
- MRC has promulgated new claiming regulations
- DLS finds that Maryland safety measures compare well with those of industry leaders

Health and Safety: Recommendations

Recommendation 2: MRC should pursue hiring an Equine Medical Director to implement and enforce equine testing and drug policies (p. 28).

Recommendation 3: MRC should carefully monitor the impact of recently adopted claiming regulations. If additional safety measures are warranted, MRC should consider adoption of a maximum purse-to-claim price ratio (p. 28).

Health and Safety: Recommendations (continued)

Recommendation 4: MRC should move forward with plans to hire a second investigator to further enhance oversight at racetracks (p. 29).

Recommendation 5: MRC should move forward with implementation of the InCompass software system to enhance the efficiency of pre-race veterinary examinations and further enhance horse and jockey safety (p. 29).

Maryland Jockey Injury Compensation Fund

Total Cost of Coverage for Workers' Compensation Coverage of Jockeys Calendar 2003-2014

2003	\$586,640
2004	611,533
2005	655,311
2006	741,868
2007	977,423
2008	723,852
2009	476,211
2010	404,954
2011	508,182
2012	1,544,304
2013	1,648,613
2014	1,200,000*

* Estimated cost of coverage

Regulation and Resource Issues

- All racing participants must be licensed or registered
- Licensing and registration fees have not been increased in decades
- MRC's deputy director position has been mostly vacant for 13 years
- Division of Racing supported by general funds
- Special funds no longer sufficient to meet mandated grants

Regulation and Resource Issues (continued)

- Division of Racing may be underfunded
- General fund support of division should be reexamined
- Special funding options for consideration:
 - Allow MRC to retain licensing and registration fee revenues
 - Divert a portion of VLT revenues designated for purses
 - Increase the racing tax

Regulation and Resource Issues: Recommendations

Recommendation 6: MRC should hire a deputy director (p. 36).

Recommendation 7: A State Racing Commission Special Fund to fund the Division of Racing should be created with appropriate revenue sources identified (p. 43).

Recommendation 8: MRC should conduct an analysis of current licensing and registration fees, with the purpose of possibly increasing fees to support division operations (p. 43).

Conclusion

- Despite recent events, nationally, horse racing remains under duress
- Maryland's racing industry is now competitive with surrounding states
- Racing is highly regulated, complex, and the potential exists for unscrupulous behavior
- MRC maintains public trust in racing, takes its regulatory role seriously, and has been proactive in addressing health and safety issues and brokering stakeholder interests

Recommendation 9: MRC, its two advisory committees, and the laws regulating racing should be continued until July 1, 2024, and MRC and the racing industry should also remain subject to evaluation under the Maryland Program Evaluation Act (p. 46).