

**Maryland Thoroughbred Racetrack Operating Authority
Fiscal Year 2025 Operating Budget
Response to Department of Legislative Services Analysis**

Senate Budget and Taxation Committee
Public Safety, Transportation and Environment Subcommittee
Chair, Senator Sarah Elfreth
Thursday, February 8, 2024

House Appropriations Committee
Chair, Delegate Benjamin Barnes
Friday, February 9, 2024

Good afternoon, Madame Chair, Chair Barnes and members of the committees.

My name is Greg Cross, the Chair of The Maryland Thoroughbred Racetrack Operating Authority (MTROA). Joining me today are our Executive Director, Marc Broady, and Assistant Attorney General Eric London.

The MTROA has reviewed the analysis and recommendations from the Department of Legislative Services in preparation for this budget hearing. We thank Patrick Frank for his guidance and careful analysis. In addition to my brief remarks, MTROA has provided the committees additional information that complements the analysis.

MTROA is among the newest public entities in the State of Maryland, established in 2023 to return the state of Maryland to a best-in-class location for thoroughbred horse racing.

The Authority is composed of appointees of the Governor, legislative leaders and representatives of horse industry organizations, the Maryland Stadium Authority, the Maryland Economic Development Corporation and areas surrounding Pimlico, Laurel Park and the Bowie Race Course Training Center.

The Authority convened for the first time in August 2023, and has met regularly since as it worked toward recommendations that it views to be in the best interest of Maryland racing and the State's citizens. These recommendations are informed by detailed comparative economic analysis of Maryland Horse Racing and its competitors, along with exhaustive vetting by the leading race track architectural firm in the world.

As required by the General Assembly, the MTROA released its first report in January 2024, providing an update on progress of Pimlico and Laurel Park redevelopment plans, the feasibility of new and replacement thoroughbred training facilities in Maryland and a meticulous review of best practices for thoroughbred racing industry operating models.

The MTROA is recommending a new plan that centers the state's racing industry at its historic home in northern Baltimore. Under the Authority's proposal, which is not yet before the legislature, the Pimlico property would be completely redeveloped and would include parcels that will allow for a new hotel and garage.

A new right-sized clubhouse facility would be reconfigurable and could flex up for larger events. The Pimlico track would be reoriented and constructed to allow horses to race on a synthetic surface for maximum safety. Housing for track workers would be constructed in the community providing a catalyst to ongoing development in the Park Heights area. Pimlico would stable about 650 horses and approximately 140-160 racing days per year would take place there.

As part of this plan, a new horse training facility would be constructed in Maryland at one of several recommended locations, with stables for 700 horses.

The Authority has also proposed that the day-to-day operations of Maryland racing be transitioned to a new not-for-profit organization that would manage between 140-160 racing days per year. Maryland's horse racing operations would follow a successful and sustainable model similar to one used in New York which established the New York Racing Association.

Whereas prior plans came in millions over budget, the plans recommended here are at or below aggregate allocations authorized in enacting legislation. The plan being proposed vests long term control of thoroughbred racing with the Maryland thoroughbred industry, and is modeled after the highly successful operational structure employed by the State of New York. It has widespread industry support, and for the reasons discussed in our report and the studies that accompany it offers what we believe is the best approach to return Maryland's thoroughbred industry to national prominence.

Our mission is to serve the interests of the State, its residents and Thoroughbred Racing Industry to create a sustainable and thriving model in Maryland that present and future generations can enjoy for decades to come.

Thank you, and we would be delighted to answer any questions you may have.

LEGISLATIVE SERVICES/ANALYSIS ISSUE & RESPONSE

The report notes that 1/ST/The Stronach Group would charge a licensing fee for the Preakness and Black-Eyed Susan races but does not identify the amount of the expected fee. The authority notes that the earliest this fee would be paid is calendar 2027. With respect to the training facility, the State will need to purchase land, but the report does not provide cost estimates.

RESPONSE:

Comments with regard to the licensing fee are premature, and are part of ongoing negotiations with the Stronach Group as we work to finalize an agreement. The choice of location for the training facility has not been selected so specific cost estimates are premature, but the cost of all three recommended locations can fit within the economic framework that has been previously authorized.

MTROA should be prepared to discuss the proposed Pimlico Plus and the next steps, including the benefits of a model that has public ownership of tracks that are leased to a nonprofit operator.

RESPONSE:

The MTROA is working to finalize an agreement with the Stronach Group as the next step in its work. The MTROA's investigation revealed that the return on investment from the race track is insufficient for a for-profit owner to make needed capital investments or to sustain a sufficient day-to-day racing calendar to preserve the horse industry's \$2.9 billion statewide economic impact. The proposal aligns control with the significant investment being proposed by the MTROA and which it makes year-to-year thru the State's allocations of VLT revenues to purses.

MTROA should be prepared to brief the committees on how Pimlico Plus will improve accountability and encourage stable operations.

RESPONSE:

The proposal removes the middle man, for lack of a better term, whose profit objectives can often compete with the interests of the horse industry and State. Also, by consolidating operations at Pimlico and making long overdue facilities repairs/replacements the recommendations should decrease operating costs and enhance long term stability.