LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 80TH LEGISLATIVE REGULAR SESSION

May 25, 2007

TO: Honorable Tom Craddick, Speaker of the House, House of Representatives

FROM: John S. O'Brien, Director, Legislative Budget Board

IN RE: **HB2701** by Flores (Relating to the regulation of horse and dog racing.), **As Passed 2nd House**

Estimated Two-year Net Impact to General Revenue Related Funds for HB2701, As Passed 2nd House: an impact of $0 through the biennium ending August 31, 2009.

The bill would make no appropriation but could provide the legal basis for an appropriation of funds to implement the provisions of the bill.

General Revenue-Related Funds, Five-Year Impact:

Fiscal Year	Probable Net Positive/(Negative) Impact to General Revenue Related Funds
2008	$0
2009	$0
2010	$0
2011	$0
2012	$0

All Funds, Five-Year Impact:

Fiscal Year	Probable Revenue (Loss) from *TEXAS RACING COMM ACCT* 597	Probable Revenue Gain from *TEXAS RACING COMM ACCT* 597
2008	($2,620,250)	$2,620,250
2009	($2,558,250)	$2,558,250
2010	($2,491,250)	$2,491,250
2011	($2,439,250)	$2,439,250
2012	($2,369,250)	$2,369,250

Fiscal Analysis

The bill would amend the Texas Racing Act to restructure the way the Texas Racing Commission (TRC) is funded.

Currently, a portion of moneys from outstanding tickets and pari-mutuel vouchers are turned over to TRC. The bill would allow the race tracks to keep all moneys from outstanding tickets and pari-mutuel vouchers to cover their costs for medication and drug testing. TRC would still be required to test for prohibited substances.

The bill would change the time limit for cashing a winning wagering ticket from the 60th day after the race meeting to the first anniversary from the date of ticket purchase.

The bill would remove expired language related to the percentage of simulcast pari-mutuel pools that go to the state but would make no fiscal change in the simulcast percentage reserved for the state.

Currently, 50 percent of the greyhound breakage must be paid to TRC from the racetrack. The bill would remove this requirement and would allow TRC to replace this funding by setting fees to cover its costs in regulating, overseeing, and licensing both live and simulcast racing at racetracks.

The bill would disallow a person from owning more than a five percent interest in more than three racetracks licensed under the Texas Racing Act.

The bill would authorize a person who owns an interest in two or more racetracks licensed under the Texas Racing Act and who also owns an interest in a license issued under the Texas Alcoholic Beverage Code to also own an interest in the premises of another holder of a license or permit under the Texas Alcoholic Beverage Code, if the premises of that other license or permit holder are part of the premises of a racetrack licensed under the Texas Racing Act.

The bill would require the TRC to review the ownership and management of a license issued under the Texas Racing Act every five years beginning on the fifth anniversary of the issuance of the license and to charge fees for the review in an amount sufficient to implement the provisions of the bill.

The bill would take effect September 1, 2007.

Methodology

The bill would remove two revenue sources, outstanding wagering tickets that are not redeemed and greyhound breakage, and would allow TRC to set fees to replace this lost revenue. The actual fee level is not specified in law and would be set by TRC rules. This lost revenue that would be replaced by fees is estimated to be $2,589,000 in fiscal year 2008, $2,527,000 in fiscal year 2009, $2,460,000 in fiscal year 2010, $2,408,000 in fiscal year 2011, and $2,338,000 in fiscal year 2012.

Based on the analysis of the Comptroller of Public Accounts, it is assumed that there would be no net impact on state revenues because increases in fees would match the losses in revenue from outstanding wagering tickets and greyhound breakage.

It is also assumed that increasing the length of time that a winning ticket remained valid would have a small impact on the amount of outstanding ticket revenue. The bill provides all of the outstanding ticket revenue would stay at the racetracks so this small impact would not be a fiscal impact to the state.

Based on the analysis of the TRC, it is assumed the provision of the bill requiring TRC to review the ownership and management of a racetrack license every five years will result in an average of 2.5 reviews being conducted each fiscal year. It is assumed each review would cost an average of $12,500 and that TRC would collect this cost from the racetrack under review. It is assumed these funds would be used to reimburse the Department of Public Safety for background checks performed on behalf of TRC.

Based on the analysis of the Texas Alcoholic Beverage Commission, it is assumed duties and responsibilities at that agency associated with implementing the provisions of the bill can be accomplished by utilizing existing resources.

Local Government Impact

No fiscal implication to units of local government is anticipated.

Source Agencies: 458 Alcoholic Beverage Commission, 476 Racing Commission, 304 Comptroller of Public Accounts

LBB Staff: JOB, KJG, JRO, MW, SK