

LEGISLATIVE BUDGET BOARD  
Austin, Texas

FISCAL NOTE, 81ST LEGISLATIVE REGULAR SESSION

April 15, 2009

**TO:** Honorable Edmund Kuempel, Chair, House Committee on Licensing & Administrative Procedures

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

**IN RE: HB3839** by Hilderbran (Relating to establishing the Texas Derby.), **As Introduced**

**Estimated Two-year Net Impact to General Revenue Related Funds** for HB3839, As Introduced: a negative impact of (\$1,718,007) through the biennium ending August 31, 2011.

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
2010	(\$1,911,000)
2011	\$192,993
2012	\$231,673
2013	\$222,450
2014	\$218,363

All Funds, Five-Year Impact:

Fiscal Year	Probable Revenue Gain from General Revenue Fund 1	Probable (Cost) from General Revenue Fund 1	Probable Revenue Gain from Texas Racing Comm Acct 597	Probable (Cost) from Texas Racing Comm Acct 597
2010	\$0	(\$1,911,000)	\$4,227,000	(\$3,911,000)
2011	\$2,039,993	(\$1,847,000)	\$6,209,993	(\$5,886,993)
2012	\$1,971,673	(\$1,740,000)	\$6,041,673	(\$5,711,673)
2013	\$1,857,450	(\$1,635,000)	\$5,829,450	(\$5,492,450)
2014	\$1,745,363	(\$1,527,000)	\$5,618,363	(\$5,272,363)

Fiscal Analysis

The bill would amend the Racing Act to create a Texas Derby to be held annually at a class 1 racetrack in Texas on a rotating basis. The bill would require the Texas Racing Commission (TRC) to determine the date and location of the race, to establish two annual races of Texas-bred thoroughbred and quarter horses to qualify horses for entry into the derby, and to appoint a veterinarian to supervise the inspection and examination of each horse entered in a qualifying race.

The bill would require TRC to establish a Texas Derby Purse Fund and to contribute \$3 million annually to the purse fund from funds allocated and available to TRC for any purpose, including funds specifically dedicated to purse funds. Additionally, the bill would require the class 1 racetracks to

collect an entry fee from each owner of a horse entered in a qualifying race and to remit to TRC a portion of the fees to ensure that the Texas Derby purse is at least \$5 million. The bill would require TRC to adopt rules to implement the provisions of the bill.

The bill would take effect September 1, 2009.

## **Methodology**

This analysis assumes that the Texas Derby Purse Fund is established as an account outside of the treasury.

It is anticipated that the portion of the entry fees collected by the class 1 racetracks will result in \$2 million in additional revenue annually to the General Revenue-Dedicated Texas Racing Commission Account No. 597 (GR-D 597). This additional revenue would be transferred from GR-D 597 to the Texas Derby Purse Fund.

The bill would allocate funds from the Escrow Purse Trust Account #0876 to the new Texas Derby Purse Fund. The Escrow Purse Trust Account #0876 is not appropriated to TRC and is outside of the treasury. It is assumed that the bill would help increase the size of average Texas purses, so that the amount of funds from purses deposited into the Escrow Purse Trust Account #0876 and then transferred to the Texas Derby Purse Fund would increase over time. Based on analysis provided by the Comptroller of Public Accounts (CPA), the Escrow Purse Trust Account #0876 fund balance available for transfer to the Texas Derby Purse Fund is anticipated to be \$1,089,000 in fiscal year 2010, \$1,153,000 in fiscal year 2011, \$1,260,000 in fiscal year 2012, \$1,365,000 in fiscal year 2013, and \$1,473,000 in fiscal year 2014.

Based on the amounts allocated to the Texas Derby Purse Fund from the Escrow Purse Trust Account #0876, TRC would be required to allocate additional funds to meet the \$3 million requirement from the bill. Based on analysis provided by TRC and CPA, the additional funds would come from General Revenue in the amounts of \$1,911,000 in fiscal year 2010, \$1,847,000 in fiscal year 2011, \$1,740,000 in fiscal year 2012, \$1,635,000 in fiscal year 2013, and \$1,527,000 in fiscal year 2014.

It is assumed that these funds would be appropriated from General Revenue to TRC to be transferred to the Texas Derby Purse Fund. Vernon's Civil Statutes Texas Racing Act, Section 3.09 (b), requires any amount of General Revenue appropriated to TRC to be reimbursed to General Revenue from GR-D 597 not later than one year after the date the funds are appropriated with 6.75 percent interest. This analysis assumes that this increased cost would be offset with fee-generated revenue to GR-D 597.

Based on analysis provided by CPA, this bill would result in an increase in revenue to GR-D 597 due to an increased number of licensees, increased wagering for live races, increased wagering for simulcast racing, and an increased amount of uncashed winning tickets. This increased revenue is estimated to be \$316,000 in fiscal year 2010, \$323,000 in fiscal year 2011, \$330,000 in fiscal year 2012, \$337,000 in fiscal year 2013, and \$346,000 in fiscal year 2014.

This legislation would do one or more of the following: create or recreate a dedicated account in the General Revenue Fund, create or recreate a special or trust fund either with or outside of the Treasury, or create a dedicated revenue source. Legislative policy, implemented as Government Code 403.094, consolidated special funds (except those affected by constitutional, federal, or other restrictions) into the General Revenue Fund as of August 31, 1993 and eliminated all applicable statutory revenue dedications as of August 31, 1995. Each subsequent Legislature has reviewed bills that affect funds consolidation. The fund, account, or revenue dedication included in this bill would be subject to funds consolidation review by the current Legislature.

**Local Government Impact**

No fiscal implication to units of local government is anticipated.

**Source Agencies:** 304 Comptroller of Public Accounts, 476 Racing Commission

**LBB Staff:** JOB, MW, CH, CL