

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 82ND LEGISLATIVE REGULAR SESSION

March 28, 2011

TO: Honorable Mike Hamilton, Chair, House Committee on Licensing & Administrative Procedures

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

IN RE: HB254 by Hilderbran (Relating to establishing the Texas Derby.), **As Introduced**

Estimated Two-year Net Impact to General Revenue Related Funds for HB254, As Introduced: an impact of \$0 through the biennium ending August 31, 2013.

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
2012	\$0
2013	\$0
2014	\$0
2015	(\$1,595,000)
2016	\$108,000

All Funds, Five-Year Impact:

Fiscal Year	Probable Savings/ (Cost) from <i>General Revenue Fund</i> 1	Probable Revenue Gain/(Loss) from <i>General Revenue Fund</i> 1	Probable Revenue Gain from <i>Texas Racing Comm</i> <i>Acct</i> 597	Probable (Cost) from <i>Texas Racing Comm</i> <i>Acct</i> 597
2012	\$0	\$0	\$0	\$0
2013	\$0	\$0	\$0	\$0
2014	\$0	\$0	\$0	\$0
2015	(\$1,595,000)	\$0	\$2,074,000	(\$1,595,000)
2016	(\$1,595,000)	\$1,703,000	\$3,777,000	(\$3,298,000)

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 beginning no earlier than January 1, 2015. 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 and would require TRC to not contribute any funds to the Texas Derby Purse Fund before January 1, 2015.

The bill would take effect September 1, 2011.

Methodology

This analysis assumes that the first Texas Derby would be held in fiscal year 2015 and that the Texas Derby Purse Fund is established as an account outside of the treasury and therefore the fiscal impacts to that fund are not included in the above table.

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. The racetracks would be required to collect an entry fee from horse owners for qualifying races and a portion of these fees must be remitted to TRC to assure a \$5 million purse. Based on the analysis by the Comptroller of Public Accounts (CPA), it is assumed that TRC would adopt fees that would assure enough money to perpetuate the Texas Derby. Based on the analysis by CPA, it is assumed that the additional funds necessary to meet the \$5 million purse would come from General Revenue in the amount of \$1,595,000 annually beginning the first year of the Texas Derby (2015). This analysis assumes 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 General Revenue-Dedicated Account No. 597 (GR-D 597) not later than one year after the date the funds are appropriated with 6.75 percent interest. This analysis assumes that the reimbursement with interest would occur in fiscal year 2016 and that the increased cost would be offset with fee-generated revenue to GR-D 597.

Based on the analysis provided by CPA, the 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 analysis estimates that the net revenue increase would be \$479,000 in fiscal years 2015 and 2016.

Based on the analysis by TRC, it is assumed that all duties and responsibilities associated with implementing the provisions of the bill could be accomplished by utilizing existing agency resources.

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.

Technology

No technology impact is anticipated.

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, AG, MW, CH