

SENATE AMENDMENTS

2nd Printing

By: Hilderbran, Anderson of Dallas, Kuempel

H.B. No. 254

A BILL TO BE ENTITLED

AN ACT

relating to establishing the Texas Derbies.

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF TEXAS:

SECTION 1. The Texas Racing Act (Article 179e, Vernon's Texas Civil Statutes) is amended by adding Article 9A to read as follows:

ARTICLE 9A. TEXAS DERBIES

Sec. 9A.001. TEXAS DERBIES. (a) The commission shall establish as Texas Derbies the following annual stakes races:

(1) one race open to three-year-old Thoroughbreds;

(2) one race open only to three-year-old Texas-bred Thoroughbreds;

(3) one race open to three-year-old quarter horses;

and

(4) one race open only to three-year-old Texas-bred quarter horses.

(b) For a Texas Derby open only to Texas-bred horses, the respective official state breed registries and the official horsemen's organization shall develop:

(1) the race conditions and entrance qualifications;

and

(2) the preference system used to determine the race finalists.

(c) Each class 1 racetrack that is awarded a Texas Derby

1 that is not limited to Texas-bred horses shall develop for the
2 derby:

3 (1) the race conditions and entrance qualifications;
4 and

5 (2) the preference system used to determine the race
6 finalists.

7 (d) The race conditions and qualifications and preference
8 systems developed for the Texas Derbies under Subsection (b) or (c)
9 of this section are subject to review and approval by the executive
10 secretary.

11 (e) The commission shall set the date of and the location
12 for each Texas Derby. Each Texas Derby must be held annually at the
13 class 1 racetrack determined by the commission. The commission
14 shall determine the location of each Texas Derby in consultation
15 with:

- 16 (1) each class 1 racetrack;
17 (2) the official state breed registries; and
18 (3) the official horsemen's organization.

19 (f) The commission may sell the right to name a Texas Derby.
20 The commission shall deposit the proceeds from the sale of the right
21 to name a Texas Derby into the Texas Derby escrow purse fund
22 established under Section 9A.003 of this article.

23 (g) The date of the initial Texas Derby may not be earlier
24 than January 1, 2015. This subsection expires January 1, 2016.

25 Sec. 9A.002. INSPECTION AND EXAMINATION OF HORSE. (a) For
26 each Texas Derby, the commission shall appoint a state veterinarian
27 to conduct a prerace examination of each horse entered in the race

1 to determine whether the horse is healthy and meets standards set by
2 commission rule for racing.

3 (b) The examination may include any procedure that the state
4 veterinarian considers necessary to make the determination
5 required by Subsection (a) of this section.

6 (c) The examination may be conducted at any time before the
7 race.

8 Sec. 9A.003. TEXAS DERBY ESCROW PURSE FUND. (a) The
9 commission shall establish a Texas Derby escrow purse fund.

10 (b) The commission shall by rule establish a schedule of
11 entrance fees for participants in each Texas Derby. A portion
12 determined by the commission of each entrance fee shall be
13 deposited in the Texas Derby escrow purse fund.

14 (c) Notwithstanding Section 3.09 of this Act or any other
15 law, the commission by rule shall determine a portion of the fees,
16 charges, and other revenue collected under this Act to be deposited
17 to the credit of the Texas Derby escrow purse fund as reasonably
18 necessary to maintain competitive purses for each Texas Derby.

19 (d) The commission by rule may assess under this Act
20 additional charges and fees, including gate fees, to supplement the
21 funds otherwise deposited in the Texas Derby escrow purse fund
22 under this section.

23 (e) Other than as provided by this section, no other state
24 revenue may be deposited to the credit of the Texas Derby escrow
25 purse fund.

26 SECTION 2. As soon as practicable after the effective date
27 of this Act, the Texas Racing Commission shall adopt the rules

1 necessary to implement Section 9A.003, Texas Racing Act (Article
2 179e, Vernon's Texas Civil Statutes), as added by this Act.

3 SECTION 3. This Act takes effect September 1, 2011.

ADOPTED

MAY 2 2011

FLOOR AMENDMENT NO. 1

Atty. Gen.
Secretary of the Senate

BY:

Wentworth

1 Amend H.B. No. 254 (senate committee printing) as follows:

2 (1) In SECTION 1 of the bill, in added Section 9A.003,
3 Texas Racing Act (Article 179e, Vernon 's Texas Civil Statutes),
4 immediately following Subsection (d) (page 2, between lines 16-
5 17), insert the following:

6 (e) The commission may not:

7 (1) use funds from the Accredited Texas-bred program
8 under Article 9 of this Act or the escrowed purse account under
9 Section 6.091(e) of this Act to fund the Texas Derby escrow
10 purse fund; or

11 (2) order a breed registry to fund a purse for a Texas
12 Derby, make contributions to the Texas Derby escrow purse fund,
13 or pay the expenses of a Texas Derby race.

14 (2) In SECTION 1 of the bill, in added Section 9A.003,
15 Texas Racing Act (Article 179e, Vernon 's Texas Civil Statutes),
16 reletter the subsequent subsections accordingly (page 1, line
17 17).

LEGISLATIVE BUDGET BOARD

Austin, Texas

FISCAL NOTE, 82ND LEGISLATIVE REGULAR SESSION

May 23, 2011

TO: Honorable Joe Straus, Speaker of the House, House of Representatives

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

IN RE: HB254 by Hilderbran (Relating to establishing the Texas Derbies.), **As Passed 2nd House**

There would be an indeterminate revenue gain to the state from the provisions of the bill in fiscal years 2014 through 2016 because it would result in additional horse races and entry fees.

The bill would amend the Texas Racing Act relating to establishing the Texas Derbies as annual horse races beginning on or after January 1, 2015. The bill would require that the races be held at the state's class 1 racetracks. The bill would require the Texas Racing Commission (TRC) to establish four separate annual Texas Derby races for three-year old horses: one for thoroughbreds, one for Texas-bred thoroughbreds, one for quarter horses, and one for Texas-bred quarter horses. The race conditions, entrance qualifications, and preference system for determining race finalists would be left to the official state breed registries, the official horsemen's organization, and in the case of derbies for non-Texas-bred horses, the racetrack that is awarded the race. The bill would require TRC to establish a Texas Derby Escrow Purse Fund, and TRC could not contribute any money to the new fund before January 1, 2015. The bill would authorize TRC to sell the naming rights for a Texas Derby and deposit the proceeds from the sale to the credit of the Texas Derby Escrow Purse Fund.

This bill would take effect on September 1, 2011.

Based on the analysis provided 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.

Based on the analysis provided by the Comptroller of Public Accounts (CPA), the bill does not specify amounts for entry fees, the number of horses that would qualify for each race, purse requirements, or the level of advertising, and therefore the fiscal impact of this legislation, although expected to be positive in fiscal years 2014 through 2016, cannot be estimated.

Based on the analysis provided by CPA, the bill does not specify whether the new fund would be in the state treasury and does not set requirements for its purposes and uses.

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 within 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, KJG, MW, CH, AG

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 82ND LEGISLATIVE REGULAR SESSION

May 18, 2011

TO: Honorable Robert Duncan, Chair, Senate Committee on State Affairs

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

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

There would be an indeterminate revenue gain to the state from the provisions of the bill in fiscal years 2014 through 2016 because it would result in additional horse races and entry fees.

The bill would amend the Texas Racing Act relating to establishing the Texas Derbies as annual horse races beginning on or after January 1, 2015. The bill would require that the races be held at the state's class 1 racetracks. The bill would require the Texas Racing Commission (TRC) to establish four separate annual Texas Derby races for three-year old horses: one for thoroughbreds, one for Texas-bred thoroughbreds, one for quarter horses, and one for Texas-bred quarter horses. The race conditions, entrance qualifications, and preference system for determining race finalists would be left to the official state breed registries, the official horsemen's organization, and in the case of derbies for non-Texas-bred horses, the racetrack that is awarded the race. The bill would require TRC to establish a Texas Derby Escrow Purse Fund, and TRC could not contribute any money to the new fund before January 1, 2015. The bill would authorize TRC to sell the naming rights for a Texas Derby and deposit the proceeds from the sale to the credit of the Texas Derby Escrow Purse Fund.

This bill would take effect on September 1, 2011.

Based on the analysis provided 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.

Based on the analysis provided by the Comptroller of Public Accounts (CPA), the bill does not specify amounts for entry fees, the number of horses that would qualify for each race, purse requirements, or the level of advertising, and therefore the fiscal impact of this legislation, although expected to be positive in fiscal years 2014 through 2016, cannot be estimated.

Based on the analysis provided by CPA, the bill does not specify whether the new fund would be in the state treasury and does not set requirements for its purposes and uses.

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 within 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, KJG, MW, CH, AG

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 82ND LEGISLATIVE REGULAR SESSION

April 19, 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 Derbies.), **Committee Report 1st House, Substituted**

There would be an indeterminate revenue gain to the state from the provisions of the bill in fiscal years 2014 through 2016 because it would result in additional horse races and entry fees.

The bill would amend the Texas Racing Act relating to establishing the Texas Derbies as annual horse races beginning on or after January 1, 2015. The bill would require that the races be held at the state's class 1 racetracks. The bill would require the Texas Racing Commission (TRC) to establish four separate annual Texas Derby races for three-year old horses: one for thoroughbreds, one for Texas-bred thoroughbreds, one for quarter horses, and one for Texas-bred quarter horses. The race conditions, entrance qualifications, and preference system for determining race finalists would be left to the official state breed registries, the official horsemen's organization, and in the case of derbies for non-Texas-bred horses, the racetrack that is awarded the race. The bill would require TRC to establish a Texas Derby Escrow Purse Fund, and TRC could not contribute any money to the new fund before January 1, 2015.

This bill would take effect on September 1, 2011.

Based on the analysis provided 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.

Based on the analysis provided by the Comptroller of Public Accounts (CPA), the bill does not specify amounts for entry fees, the number of horses that would qualify for each race, purse requirements, or the level of advertising, and therefore the fiscal impact of this legislation, although expected to be positive in fiscal years 2014 - 2016, cannot be estimated.

Based on the analysis provided by CPA, the bill does not specify whether the new fund would be in the state treasury and does not set requirements for its purposes and uses.

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 within 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, AG, MW, CH

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