LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 83RD LEGISLATIVE REGULAR SESSION

April 10, 2013

TO: Honorable Tommy Williams, Chair, Senate Committee on Finance

FROM: Ursula Parks, Director, Legislative Budget Board

IN RE: **SB1494** by Hinojosa (Relating to the licensing and regulation of horse and greyhound racing; providing penalties; authorizing a fee.), **As Introduced**

Estimated Two-year Net Impact to General Revenue Related Funds for SB1494, As Introduced: a negative impact of ($900,000) through the biennium ending August 31, 2015.

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
2014	($900,000)
2015	$0
2016	$0
2017	$0
2018	$0

All Funds, Five-Year Impact:

Fiscal Year	Probable Savings/(Cost) from *General Revenue Fund* 1	Probable Savings/(Cost) from *Texas Racing Comm Acct* 597	Probable Revenue (Loss) from *Texas Racing Comm Acct* 597	Probable Revenue Gain from *Texas Racing Comm Acct* 597
2014	($900,000)	$66,248	($2,875,000)	$2,808,752
2015	$0	$193,157	($2,927,000)	$2,733,843
2016	$0	$190,927	($2,916,000)	$2,725,073
2017	$0	$190,382	($2,906,000)	$2,715,618
2018	$0	$189,783	($2,897,000)	$2,707,217

Fiscal Year	Change in Number of State Employees from FY 2013
2014	(5.3)
2015	(11.6)
2016	(11.6)
2017	(11.6)
2018	(11.6)

Fiscal Analysis

The bill would amend the Government Code and the Texas Racing Act relating to the licensing and regulation of horse and greyhound racing. The bill would require the State Auditor's Office (SAO) to conduct four audits of the Texas Racing Commission (TRC) and require the TRC to provide explanations on all expenditures made during the 2012-13 biennium.

The bill would prohibit the TRC from employing staff members whose primary job responsibility is to provide legal services, manage information technology services, or maintain information databases. The bill would require the Office of the Attorney General (OAG) to represent the TRC in all legal matters and would require the Department of Information Resources (DIR) to provide all information technology services to the TRC required to administer the Texas Racing Act. The bill would authorize the TRC to pay the OAG and DIR for these services through an interagency agreement.

The bill would provide that the TRC could employ only the presiding judge or steward and one veterinarian for each race meeting.

The bill would cap the annual racetrack fees assessed by the TRC and would eliminate fees for stewards and veterinarians and fees to cover reviews of inactive racetrack licenses conducted by the TRC.

The bill would provide additional authority to the TRC to revoke the licenses of trainers who race horses with stimulants or depressants that have a significant pharmacologic potential to affect performance and have no generally accepted use in the veterinary care of a race animal.

The bill would criminalize the acceptance of unauthorized wagers, whether in person, by telephone, or over the Internet. The bill would also make it an offense to knowingly allow a race animal to participate in a race with pari-mutuel wagering while the animal has a prohibited substance in its system.

The bill would repeal statute relating to the issuance of racetrack licenses, preventing the TRC from issuing any new racetrack licenses. The bill would also repeal provisions requiring the TRC to raise fees sufficient to cover costs of administering the Texas Racing Act.

The bill would take effect September 1, 2013.

Methodology

Based on information provided by the SAO, this analysis assumes that the SAO would require $900,000 in General Revenue and 6.3 full-time equivalents (FTEs) in fiscal year 2014 to conduct the audits required by the provisions of the bill. Expenses include $580,000 in salary costs,

$147,508 in other operating expenses, and estimated benefit costs of $172,492.

Based on information provided by the TRC, removing legal services from TRC would result in a reduction of 2.0 FTEs and realize an annual savings from the General Revenue-Dedicated Texas Racing Account No. 597 (Texas Racing Account) of $158,100 in salary costs and estimated benefits costs of $47,019. This analysis assumes the TRC would utilize the savings resulting from the elimination of FTEs in an interagency contract with the OAG for legal services.

This analysis assumes removing information technology (IT) services from the TRC would result in a reduction of 4.8 FTEs and an annual savings of $294,274 in salary costs. Additional savings from professional fees and services, travel, building rent, other operating costs, and estimated benefits costs total $265,717 each year. Additional savings from avoided replacement costs for computer equipment and software in accordance with the agency's replacement schedule would be realized for in the amounts of $11,696 in fiscal year 2014 and $19,860 in fiscal year 2015. This analysis assumes the TRC would utilize the savings resulting from the elimination of the IT related FTEs in an interagency contract with DIR for information technology services. Based on a rate schedule provided by DIR, the cost for DIR to provide information services to the TRC exceeds the savings realized by the reduction in FTEs from the TRC. This analysis assumes costs of $333,051 in fiscal year 2014, $206,142 in fiscal year 2015, $208,372 in fiscal year 2016, $208,917 in fiscal year 2017, and $209,516 in fiscal year 2018 would be incurred by the TRC to adequately fund the interagency contract with DIR.

Because the bill would only allow TRC to employ one steward or judge and one veterinarian for each race meeting, this analysis assumes the agency would decrease the number of FTEs employed by 4.8 for those positions and would realize a savings of $273,855 in annual salary costs. Additional savings from professional fees and services, travel costs, and estimated benefit costs total $125,444 each year. This analysis assumes that a portion of the savings realized from this decrease in FTEs would be used to cover IT costs discussed above.

Based on information provided by the Comptroller of Public Accounts, the TRC would only be authorized to collect an amount not to exceed $1,325,000 in total racetrack license fees from current licenses. This would result in a revenue loss to the Texas Racing Account based on the projected license fees from the Comptroller's 2014-15 Biennial Revenue Estimate. Since Section 3.09(b) of the Texas Racing Act requires any General Revenue appropriations to the agency to be paid back by the TRC from the Texas Racing Account not later than one year after the date on which the General Revenue funds are appropriated at a 6.75 percent interest rate, this analysis assumes that the TRC would raise licensing fees to cover the loss in revenue for the Texas Racing Account. However, since the bill repeals the ability of the TRC to adjust racetrack license fees to cover appropriations, the agency would have to significantly increase the fees for occupational license holders to raise additional revenue.

Based on information provided by the OAG and the Department of Public Safety, duties and responsibilities associated with implementing the provisions of the bill could be accomplished utilizing existing resources. No significant impact on state correctional populations, programs, or workload is anticipated from any provisions of the bill that authorize or require a change in the sanctions applicable to adults convicted of felony crimes.

Local Government Impact

The bill creates two misdemeanors, the first would be punishable by a fine of not more than $2,000, jail confinement for a term not longer than 180 days, or both; the other would be punishable by a fine of not more than $4,000, jail confinement for a term not longer than one year, or both. Costs associated with enforcement and prosecution could likely be absorbed within existing resources. Increased revenue from new fines imposed and collected is not anticipated to have a significant fiscal impact.

Source Agencies: 302 Office of the Attorney General, 304 Comptroller of Public Accounts, 308 State Auditor's Office, 313 Department of Information Resources, 405 Department of Public Safety, 476 Racing Commission

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