

**LEGISLATIVE BUDGET BOARD**  
**Austin, Texas**

**FISCAL NOTE, 85TH LEGISLATIVE REGULAR SESSION**

**April 27, 2017**

**TO:** Honorable Charles Perry, Chair, Senate Committee on Agriculture, Water & Rural Affairs

**FROM:** Ursula Parks, Director, Legislative Budget Board

**IN RE:** **SB1971** by Kolkhorst (relating to the deposit and allocation of certain funds to the Texas Racing Commission escrow account for purses.), **Committee Report 1st House, Substituted**

**Estimated Two-year Net Impact to General Revenue Related Funds** for SB1971, Committee Report 1st House, Substituted: a negative impact of (\$108,691,000) through the biennium ending August 31, 2019.

The bill would take effect only if a specific appropriation for the implementation of the bill is provided in a General Appropriations Act of the Eighty-fifth Legislature.

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
2018	(\$53,923,000)
2019	(\$54,768,000)
2020	(\$55,626,000)
2021	(\$56,500,000)
2022	(\$57,388,000)

**All Funds, Five-Year Impact:**

Fiscal Year	Probable Revenue Gain/(Loss) from General Revenue Fund 1	Probable Revenue Gain/(Loss) from Texas Racing Comm Acct 597	Probable Savings/(Cost) from Texas Racing Comm Acct 597	Probable Revenue Gain/(Loss) from Racing Commission Escrowed Purse Trust Account 0876
2018	(\$53,923,000)	(\$3,216,000)	\$3,216,000	\$57,139,000
2019	(\$54,768,000)	(\$3,212,000)	\$3,212,000	\$57,980,000
2020	(\$55,626,000)	(\$3,207,000)	\$3,207,000	\$58,833,000
2021	(\$56,500,000)	(\$3,203,000)	\$3,203,000	\$59,703,000
2022	(\$57,388,000)	(\$3,198,000)	\$3,198,000	\$60,586,000

## **Fiscal Analysis**

The bill would amend Texas Agriculture Code, Section 12.020(r) to require that the commissioner of the Texas Department of Agriculture (TDA) transfer money from all administrative penalties collected by the agency to the Texas Racing Commission for deposit to the Racing Commission Escrowed Purse Trust Account 0876 ; these penalties are currently deposited to the credit of the General Revenue Fund. The bill would amend the Texas Racing Act (Article 179e, Vernon's Texas Civil Statutes) to require the Texas Racing Commission to deposit certain racing pool set-asides and racing association ATM fees to Account 0876, instead of the General Revenue Fund and GR Account 0597 - Texas Racing Commission, for purses administered by the commission. The bill would amend Chapter 151 of the Tax Code, relating to the limited sales and use tax, to deposit state sales and use taxes collected on the sale, storage, or use of horse feed, horse supplements, and horse tack to the credit of Account 0876 for purses administered by the Texas Racing Commission. The bill would require the Comptroller to determine the amount of taxes collected on these items according to the best available data, for which the Comptroller could require taxpayers who make taxable sales or uses of these items to report to the Comptroller as necessary to make the allocation.

The bill would take effect on September 1, 2017, only if a specific appropriation for the implementation of the bill is provided in a General Appropriations Act of the Eighty-fifth Legislature.

## **Methodology**

The Comptroller's office estimates the bill would result in losses of \$53.9 million to the General Revenue Fund from state sales and use taxes and other general revenues and \$3.2 to Texas Racing Commission Account 597 from other racing revenues that the bill would require to be deposited to Account 0876. Similar revenue losses to the General Revenue Fund and Account 597 and gains to Account 0876 would continue in subsequent fiscal years.

Under current law, the distributions from breakage and other money set aside by the Texas Racing Act for the Texas-bred program are made through an estimated appropriation from Account 0597 to the Texas Racing Commission in Strategy A.2.1, Texas Bred Incentive Program, in the General Appropriations Act for the 2016-17 Biennium. This analysis assumes the distribution of Texas-bred program money would be made from Account 0876 beginning in fiscal year 2018.

The bill would take effect only if a specific appropriation for the implementation of the bill is provided in a General Appropriations Act of the Eighty-fifth Legislature.

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 in, with, or outside of the Treasury, or create a dedicated revenue source. Legislative policy, implemented as Government Code 403.095, 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 significant fiscal implication to units of local government is anticipated.

**Source Agencies:** 304 Comptroller of Public Accounts, 476 Racing Commission, 551  
Department of Agriculture

**LBB Staff:** UP, SZ, EH, TG