LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 86TH LEGISLATIVE REGULAR SESSION

March 25, 2019

TO: Honorable Tracy O. King, Chair, House Committee on Licensing & Administrative Procedures

FROM: John McGeady, Assistant Director Sarah Keyton, Assistant Director
Legislative Budget Board

IN RE: **HB2463** by King, Tracy O. (Relating to the deposit and allocation of certain funds to the horse industry escrow account.), **As Introduced**

Estimated Two-year Net Impact to General Revenue Related Funds for HB2463, As Introduced: a negative impact of ($96,600,000) through the biennium ending August 31, 2021.

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
2020	($48,200,000)
2021	($48,400,000)
2022	($48,600,000)
2023	($48,800,000)
2024	($49,000,000)

All Funds, Five-Year Impact:

Fiscal Year	Probable Revenue (Loss) from *General Revenue Fund* 1	Probable Revenue Gain from *Racing Commission Escrowed Purse Trust Account*	Probable Revenue Gain from *Texas Racing Comm Acct* 597	Probable (Cost) from *Texas Racing Comm Acct* 597
2020	($48,200,000)	$48,200,000	$59,500	($59,500)
2021	($48,400,000)	$48,400,000	$59,500	($59,500)
2022	($48,600,000)	$48,600,000	$59,500	($59,500)
2023	($48,800,000)	$48,800,000	$59,500	($59,500)
2024	($49,000,000)	$49,000,000	$59,500	($59,500)

Fiscal Year	Change in Number of State Employees from FY 2019
2020	1.0
2021	1.0
2022	1.0
2023	1.0
2024	1.0

Fiscal Analysis

The bill would amend Section 151.801 of the Tax Code to require the deposit of state sales and use taxes collected on the sale, storage, or use of horse feed, horse supplements, and horse tack into Racing Commission Escrowed Purse Trust Account. The bill would require the Comptroller to determine the amount of taxes collected on these items according to the best available data. The Comptroller, in making the determination, could require taxpayers who make taxable sales or uses of these items to report as necessary .

The bill would instruct the Comptroller to deposit sales and use taxes collected from the sale of horse feed, horse supplements, and horse tack into Escrowed Purse Trust Account, until the amount deposited into the account for a biennium equals the greater of $50 million or the legislative appropriation to the Racing Commission for the allocation of escrowed purses. After determining and depositing the amount into the account, the Comptroller would be required to deposit any additional amount into the General Revenue Fund.

The bill would amend Section 2028.204 of the Occupations Code to authorize any of the five state horse breed registries designated in Section 2030.002, to apply for receipt of money in Escrowed Purse Trust Account for events promoting the horse industry. The Texas Racing Commission would be required to limit the allocation of money to horse racetrack associations for use as purses to no more than 70 percent of total deposits annually.

The bill would take effect September 1, 2019.

Methodology

Data on the number of Texas horses not used for ranching and per horse expenditures on horse feed, horse supplements, and horse tack are from a report issued by the Texas A&M Equine Initiative and the Texas A&M AgriLife Extension Service. Total expenditures were multiplied by the sales tax rate to estimate the applicable sales tax, and extrapolated through 2024.

As appropriations to the Racing Commission are unknown, for the purposes of this analysis it is assumed that all sales and use tax collected from the sale of horse feed, horse supplements, and horse tack will be appropriated to the Racing Commission.

Due to the projected increase in administrative duties, the Racing Commission estimates a need for 1.0 full-time equivalent to administer the program. This analysis assumes that any increased cost to the Racing Commission, which is statutorily required to generate sufficient revenue to cover its costs of operation, would be offset by an increase in fee generated revenue.

The 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. The fund, account, or revenue dedication

included in the 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: WP, CLo, SD, KK, MB