

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 88TH LEGISLATIVE REGULAR SESSION

April 28, 2023

TO: Honorable Ken King, Chair, House Committee on Licensing & Administrative Procedures

FROM: Jerry McGinty, Director, Legislative Budget Board

IN RE: HB4115 by Thompson, Senfronia (relating to eligibility for membership on and the regulation of horse racing by the Texas Racing Commission and a prohibition on the conduct of greyhound or other dog racing as live events in this state; creating a criminal offense; authorizing a fee.), **Committee Report 1st House, Substituted**

Estimated Two-year Net Impact to General Revenue Related Funds for HB4115, Committee Report 1st House, Substituted : an impact of \$0 through the biennium ending August 31, 2025.

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:

<i>Fiscal Year</i>	Probable Net Positive/(Negative) Impact to <i>General Revenue Related Funds</i>
2024	\$0
2025	\$0
2026	\$0
2027	\$0
2028	\$0

All Funds, Five-Year Impact:

<i>Fiscal Year</i>	Probable Revenue Gain/(Loss) from <i>Texas-bred Incentive Fund 327</i>	Probable Revenue Gain/(Loss) from <i>New - Texas-bred Escrow Account Trust</i>	Probable Revenue (Loss) from <i>Texas Racing Commission Account 597</i>
2024	(\$2,530,000)	\$2,767,000	(\$883,714)
2025	(\$2,500,000)	\$2,500,000	(\$886,857)
2026	(\$2,500,000)	\$2,500,000	(\$889,714)
2027	(\$2,500,000)	\$2,500,000	(\$892,571)
2028	(\$2,500,000)	\$2,500,000	(\$894,714)

Fiscal Analysis

The bill would amend Occupations Code, Section 2023.053, to specify that any unappropriated money exceeding \$2.0 million, instead of \$750,000 under current law, remaining in the General Revenue Dedicated – Texas Racing Commission Account 0597 at the close of each state fiscal biennium is to be transferred to the General Revenue Fund. The bill would repeal subsection (c) of Section 2023.053, which requires Account 0597 to reimburse any amount of General Revenue appropriated for enforcement of the Texas Racing Act

within one year of the date of the General Revenue appropriation with 6.75 percent interest.

The bill would amend Occupations Code, Section 2028.301, to establish a Texas-bred Escrow Account as a trust fund in the state treasury and amend various sections of Occupations Code, Chapter 2028, relating to money set-aside for or paid to the Texas Racing Commission (TxRC) for deposit to the Texas-bred Incentive Fund 0327 to specify that these receipts are to be deposited to the Texas-bred Escrow Account. The bill would specify that money in this escrow account may not be appropriated for state expenditure. The bill would require money in Fund 0327 to be transferred to the escrow account and abolish Fund 0327 on September 1, 2023.

The bill would repeal provisions of the Occupations Code relating to the regulation and conduct of pari-mutuel greyhound racing and prohibit live greyhound racing or any other form of dog racing in Texas. The bill would authorize a greyhound racetrack association, on or before January 1, 2024, to submit an application to the Texas Racing Commission to convert its current greyhound racetrack license to a class 2 or class 3 horse racetrack license and require the applicant to pay a fee of \$25,000 for the commission's review of the application.

The bill would add new Subchapter D to Chapter 2022 Occupations Code, to establish the Texas Equine Education and Research Council (Council) and create the Texas Equine Education and Research Escrow Account as a special account in the General Revenue Fund. The council would be composed of the executive director of the Racing Commission, and one representative each from the Texas A&M Veterinary Medical Diagnostic Laboratory (TVMDL), Texas A&M AgriLife Extension Service (TAES), Texas A&M School of Veterinary Medicine and Biological Sciences, Animal Health Commission (AHC), and Department of State Health Services (DSHS).

The bill would amend Occupations Code, Section 2033.014, to establish additional state jail felony offenses related to unlawful participation in horseracing.

Note: 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 the Treasury, or create a dedicated revenue source. The fund, account, or revenue dedication included in this bill would be subject to funds consolidation review by the current Legislature.

The bill would take effect on September 1, 2023.

Methodology

The bill would require a transfer of funds upon abolishment of Appropriated Fund 0327 – Texas-bred Incentive Fund to the new Texas Bred Escrow Account Trust Fund on September 1, 2023. Based on the analysis provided by the Comptroller of Public Accounts (CPA), this provision of the bill would result in the transfer of \$267,000 from Fund 0327 to the new escrow trust account in fiscal year 2024 and horseracing pari-mutuel revenues currently deposited to Fund 0327 would be deposited to the new escrow trust account beginning in fiscal year 2024. The CPA indicates other provisions of the bill relating to GR Account 0597 would not result in an impact to general revenue-related funds.

Based on the analysis provided by CPA, the elimination of pari-mutuel greyhound racing would result in a loss of greyhound racetrack licensing fees and related pari-mutuel revenues. The CPA's estimated revenue impacts, based on the Comptroller's *Biennial Revenue Estimate*, are reflected in the table above.

This analysis does not include an estimate of the fiscal impact that may result from the conversion of greyhound racetrack licenses to horse racetrack licenses. It is assumed revenue losses to the state from the elimination of pari-mutuel greyhound racing would be offset by fees and pari-mutuel revenue that may generated from converted racetrack licenses. The fiscal impact would depend on the number of greyhound racetracks that choose to apply to convert their licenses and pay the \$25,000 fee and whether they would apply for a class 2 or class 3 horse racetrack license, for which the current license application fees are less than the greyhound racetrack license fee.

The bill would create new GR Account - Texas Equine Education and Research Escrow Account, but would not dedicate or specify a source of revenue or money to be deposited to the account.

Based on the information provided by TxRC, TVMDL, TAES, AHC, and DSHS, it is assumed any costs or duties associated with implementation of the provisions of the bill could be absorbed within the agencies' existing resources.

It is assumed that any impact on state correctional populations or on the demand for state correctional resources would not be significant.

Local Government Impact

It is assumed that any fiscal impact to units of local government associated with enforcement, prosecution, supervision, or confinement would not be significant.

Source Agencies: 304 Comptroller of Public Accounts, 476 Racing Commission, 537 State Health Services, Department of, 555 Texas A&M AgriLife Extension Service, 557 Texas A&M Veterinary Medical Diagnostic Laboratory

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