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FISCAL IMPACT REPORT

SPONSOR Papen ORIGINAL DATE 2/13/19
 LAST UPDATED 3/4/19 HB _____

SHORT TITLE Horse Racing Breeder Merit & Incentive Awards SB SB 491/aSCORC

ANALYST Hawker

ESTIMATED ADDITIONAL OPERATING BUDGET IMPACT (dollars in thousands)

	FY19	FY20	FY21	3 Year Total Cost	Recurring or Nonrecurring	Fund Affected
Total	NFI	NFI	NFI			

Parenthesis () indicate expenditure decreases

Duplicates HB 503/aHCEDC

SOURCES OF INFORMATION

LFC Files
 New Mexico Horse Breeders Association (NMHBA)

Responses Received From

Administrative Office of the Courts (AOC)
 Gaming Control Board (GCB)
 New Mexico Attorney General (NMAG)
 State Racing Commission (SRC)

SUMMARY

Synopsis of SCORC Amendment

The State Corporations and Transportation Committee amendment to Senate Bill 503 strikes section E in its entirety section E required the New Mexico Horse Breeders Association to file a fiduciary bond with the Horse Racing Commission in a face amount equal to the total money distributed during the previous calendar year.

Section E is replaced it with a requirement that the State Racing Commission establish rules to create fiduciary, security and insurance safeguards for money deposited with and paid out or distributed by the New Mexico Horse Breeders Association.

Synopsis of Original Bill

Senate Bill 491 amends portions of the Horse Racing Act, Section 60-1A-24 NMSA 1978, breeders' awards.

Merit and incentive payments will be distributed to the breeders of record as recorded by the NMHBA.

Subsection (D) provides 45 percent of the breeders' fund will go to the 1st, 2nd, and 3rd place finishers breeders' of record, which is currently going only to the 1st place winner.

Seven percent of the breeders' awards fund is distributed to the owner of the stallion that sired the 1st place winners at the time the winners were conceive. Forty percent will be divided among owners of New Mexico bred 1st, 2nd, and 3rd place finishers during each race meet, so long as said owners are members of the horse breeders' association. Providing 8% for administrative costs is unchanged.

SB 491 lowers the amount required for the NMHBA fiduciary bond to \$1M, and if a fiduciary bond is not available, the New Mexico Racing Commission will determine and require another manner for the association to ensure fiduciary responsibility.

Checks or other negotiable instruments issued for payment will be valid for one year from date of issue, otherwise forfeited by payee. Forfeited funds shall revert to the breeders' award fund.

Eligible payees under subsection (D) must submit, within 90 days of eligibility, necessary information to NMHBA to comply with state and federal tax law.

FISCAL IMPLICATIONS

No fiscal impact.

SIGNIFICANT ISSUES

The NMHB is a non-profit association tasked by statute to maintain a breed registry and distribute breeder incentive awards.

Currently incentive payments are made to the owners of the dam and sire at the time of foaling. SB 491 will align New Mexico's breeder of record with national organizations, American Quarter Horse Association for quarter horses and The Jockey Club for thoroughbreds.

According to NMHBA the membership requirement for owners to receive incentive payments is patterned after breeder associations in other states (OK, TX, LA, CA).

NMHBA states the association has 28 financial accounts, of which only three have checking abilities. These three accounts only exceed \$1 million when funds from the other accounts are transferred into them for payouts. Instead of carrying a \$2 million fiduciary bond, NMHBA will carry a \$1 million fiduciary bond and obtain cyber-security protection.

SB 491 will allow NMHBA to deposit funds from non-negotiated checks into the merit and incentive award account. Currently funds from non-negotiated checks are placed into a contingency account.

SRC states over time SB 491 should have a positive impact on the New Mexico racing industry by increasing the foal crop due to broader and more enticing breeder incentives. Larger foal crops will result in more horses to run which will increase the pari-mutuel handle.

DUPLICATION

HB 503/aHCEDC is a duplicate.

VKH/gb