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FISCAL IMPACT REPORT

ORIGINAL DATE 2/26/19

SPONSOR Munoz LAST UPDATED _____ HB _____

SHORT TITLE Horse Racing Advance Deposit Wagering SB 564

ANALYST Daly

REVENUE (dollars in thousands)

| Estimated Revenue | | | Recurring or Nonrecurring | Fund Affected |
|-------------------|---------|---------|---------------------------------|------------------|
| FY19 | FY20 | FY21 | | |
| | Minimal | Minimal | Recurring | General Fund |

(Parenthesis () Indicate Revenue Decreases)

ESTIMATED ADDITIONAL OPERATING BUDGET IMPACT (dollars in thousands)

| | FY19 | FY20 | FY21 | 3 Year Total Cost | Recurring or Nonrecurring | Fund Affected |
|--------------|------|--------|--------|----------------------|------------------------------|------------------|
| Total | | \$67.0 | \$65.0 | \$132.0 | Recurring | General Fund |

(Parenthesis () Indicate Expenditure Decreases)

Duplicates HB 636

SOURCES OF INFORMATION

LFC Files

Responses Received From

State Racing Commission (SRC)

New Mexico Attorney General (NMAG)

SUMMARY

Synopsis of Bill

Senate Bill 564 amends the Horse Racing Act to authorize advance deposit wagering (ADW) in the state, and directs the state racing commission to promulgate rules regulating ADW companies in conducting business with racetracks within the state. Section 2 of the bill requires ADW be conducted in compliance with the Act and applicable federal law. That section also spells out specific areas, requirements and conditions that must be addressed in SRC rules.

FISCAL IMPLICATIONS

SRC first reports that ADW potentially may increase the pari-mutuel handle in the state, which would in turn would minimally increase taxes paid to the state, as indicated in the revenue table

above. In addition, it reports increased costs to its operating budget because it will need to hire additional staff with proper expertise to provide oversight under the new rules it will need to promulgate. It projects cost for such a specialized position to be \$65 thousand at a minimum for an auditor position. Additionally, there will be one-time costs attributable to rule-making process, including newspaper publications, which SRC estimates at \$2 thousand. Both of these costs are reflected in the operating budget impact table above.

SIGNIFICANT ISSUES

SB564 authorizes certain forms of off-track betting in New Mexico, either electronically or via the internet. ADW, as defined in the bill, requires bettors, prior to betting, place funds on account, against which wagers are debited and winnings are credited. As SRC explains, New Mexicans are currently unable by law to legally wager on New Mexico's live horse racing through the internet. They (and perhaps out-of-state bettors as well) would be able to make that wager through the internet or by phone if SB564 is enacted. Currently, New Mexicans either must drive several hours to the nearest brick and mortar race track to make a wager, or they can bet on races at tracks in other states or countries through the internet, bypassing New Mexico race tracks' live races. This has been a major complaint of horse bettors in New Mexico.

According to SRC, ADW wagering is already taking place in New Mexico, but it is not regulated. SB564 will provide SRC an opportunity to learn how this type of wagering affects the New Mexico horse racing industry. SRC warns, however, that caution is paramount in the regulation of ADW companies: if the rules or laws become too restrictive, ADW companies can easily choose to not offer New Mexico's live races to their customers throughout the country, resulting in decreased revenue for the race tracks, horsemen and the state.

In addition, SRC reports that telephone wagering in Arizona averaged approximately \$14 million in pari-mutuel handle over a two year period, however the pari-mutuel handle only produced about one-third of the revenue for the track and its horsemen compared with the revenue from wagering at the brick and mortar tracks and its in-state Off Track Betting (OTB) Network. Arizona pulled the plug on telephone wagering on January 9, 2018, as track officials said the telephone wagering cannibalized its on-track pari-mutuel handle. (Gaming Today Jan. 3, 2018). SRC reports in the three years Arizona has conducted phone wagering, the Arizona horse racing industry lost approximately \$3.6 million. (The Paulick Report Jan 1, 2018) SRC warns ADW authorized in HB 636 has the potential to decrease money required by statute to go to the horsemen's purse fund much as it did in Arizona

ADMINISTRATIVE IMPLICATIONS

SRC comments that creating rules to regulate ADW will place a heavy burden on the agency. NMAG, which provides counsel to SRC, also reports the promulgation of those rules will impact its workload efficiency.

DUPLICATION

HB 636 duplicates this bill.

MD/sb