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FISCAL IMPACT REPORT

SPONSOR Munoz **ORIGINAL DATE** 01/31/22
LAST UPDATED 02/04/22 **HB** _____
SHORT TITLE Racing Commission Sunset Date **SB** 123
ANALYST Hitzman

ESTIMATED ADDITIONAL OPERATING BUDGET IMPACT (dollars in thousands)

	FY22	FY23	FY24	3 Year Total Cost	Recurring or Nonrecurring	Fund Affected
Total	NFI	NFI	NFI			

(Parenthesis () Indicate Expenditure Decreases)

SOURCES OF INFORMATION

LFC Files

UNM Department of Economics

Response Received From

State Racing Commission (SRC)

SUMMARY

Synopsis of Bill

Senate Bill 123 extends the State Racing Commission’s (SRC) termination date to July 1, 2027 and extends the repeal of the Horseracing Act to July 1, 2028.

FISCAL IMPLICATIONS

The tables above assume the extension of the State Racing Commission (SRC). The commission has six primary activities: equine drug testing, investigations and enforcement; licensing; auditing and financial oversight, race meet oversight; and administration and support. The commission oversees racing at five racetracks, as well as races at the New Mexico State Fair.

The FY22 operating budget for the commission is nearly \$3.4 million dollars and SRC generates nearly \$900 thousand in license fees, fines, and taxes for the state general fund, as noted by the commission’s annual reports. Additionally, one-half of the daily capital outlay tax is appropriated to the racehorse testing fund and the other half is deposited to the general fund. Actual revenues for the racehorse testing fund were \$663 thousand in FY19 and \$458.7 thousand in FY20, with an equal amount—or the other half of the total daily capital outlay tax—being deposited into the general fund. Further, the agency has generated \$1.17 million for the general fund in 2019 and \$819.5 thousand in 2020.

The agency notes that casinos at racetracks must receive a license to conduct horseracing before they can obtain a gaming license. Gaming revenue from casinos at the racetracks also generated \$64.75 million in 2019 and \$49.92 million in 2020. Further, the agency cites an economic impact study completed by the University of New Mexico Departments of Economics in 2018. That impact study found that horseracing in New Mexico contributed over \$549 million to New Mexico's economic output (see attachment).

WHAT WILL BE THE CONSEQUENCES OF NOT ENACTING THIS BILL

If this bill is not enacted, the Legislature will no longer appropriate a budget for the racing commission and Section 60-1A NMSA 1978, known as the Horseracing Act, will be repealed in July 2022.

If not enacted, the \$2.4 million appropriated as operating funds to the agency will be realized as savings to the general fund, but horseracing will not be regulated and the state will lose out on taxes generated by racing and gaming activities, which in combination would exceed the estimated savings.

Further, if not enacted, casinos at racetracks will not be able to operate without further amendments to the Gaming Control Act.

Attachment

1. The Economic Impact of the Horse Racing Industry in New Mexico

JH/rl/al

The Economic Impact of the Horse Racing Industry in New Mexico

Joaquin A. Rubalcaba, David S. Dixon, and David N. van der Goes
Department of Economics, University of New Mexico

Executive Summary

In 2016, the horse racing industry contributed over \$549 million to New Mexico's economic output, while supporting over 8,000 jobs. Additional analysis of the gaming industry, centered around live horse racing events, suggests that pari-mutuel wagering in New Mexico contributed another \$279 million to economic output, while supporting nearly 4,000 jobs. These numbers haven't changed much in the decade since 2006, which means that, accounting for inflation, the industry has contracted by 24%. This shrinkage is consistent with a forecast by the Jockey Club in 2011.

Introduction

Wild West images notwithstanding, the history of horse racing in New Mexico is long and fabled. The formal industry got its start in 1938 with non-wager racing at the New Mexico State Fair, now the Downs at Albuquerque¹. Racing at La Mesa Park in Raton began in 1946², with Sunland Park near El Paso opening in 1959, and Santa Fe Downs in 1971. Sun Ray Park in Farmington opened in 1997 as San Juan Downs, and Zia Park in Hobbs in 2005.

In its heyday in the 1960s and 1970s, the Land of Enchantment Futurities at La Mesa Park were said to feature the biggest purses west of Chicago². The track closed in 1992 during a national downturn in horse race attendance. Santa Fe Downs, renamed the Downs at Santa Fe after a short closure in 1975, closed for good in 1997.

While the 1990s were hard on the horse racing industry nationwide, an innovation – combining horse racing and casino gambling – saved some New Mexico race tracks and stimulated the developments of Sun Ray Park and Zia Park. The combination of a casino with a race track – now called a racino – buoyed the industry in the 1990s, but regulations imposed on race tracks may constrain their ability to adjust to declining consumer preference for horse racing³.

This report provides a current analysis of the economic activity within the New Mexico horse racing industry and its transformation over the past 10 years. The analysis focuses on racehorse owners, breeders, and trainers as the primary sources of economic activity through demand-driven expenditures. Data detailing the economic expenditures from these groups is analyzed using an input-output model, which is consistent with the literature and is a widely accepted methodological approach. Additional analysis consists of estimating the economic impact of pari-mutuel wagering around live horse racing events. Data for this analysis is provided through the New Mexico Racing Commissions annual report.

¹<http://www.horseracing-tracks.com/tracks/nm/menuNm.html>

²<https://ratonnewmexico.wordpress.com/category/former-raton-track-announcer-speaks-out/>

³Based on comments from New Mexico race track managers