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FISCAL IMPACT REPORT

SPONSOR Lundstrom/Sanchez/Castellano/
Jaramillo/Ezzell LAST UPDATED 2/26/23
ORIGINAL DATE 2/22/23
SHORT TITLE Horse Breeder Fee Distributions BILL NUMBER House Bill 459
ANALYST Anderson

ESTIMATED ADDITIONAL OPERATING BUDGET IMPACT* (dollars in thousands)

	FY23	FY24	FY25	3 Year Total Cost	Recurring or Nonrecurring	Fund Affected
	No fiscal impact	No fiscal impact	No fiscal impact			

Parentheses () indicate expenditure decreases.

*Amounts reflect most recent analysis of this legislation.

Sources of Information

LFC Files

Response Received

State Racing Commission (NMRC)

No Response Received

Gaming Control Board (GCB)

SUMMARY

Synopsis of House Bill 459

House Bill 459 revises the distribution of funds paid to horse breeders in New Mexico. The bill amends sections of the Horse Racing Act, Section 60-1A-24 NMSA 1978, to increase distributions allocated to the New Mexico Horse Breeders' Association (NMHBA) to 12 percent for owners of stallions that sired first-place winners at horseraces. This amendment increases the distribution by 5 percent, as the current statute allocates a distribution of 7 percent to those breeders.

This bill does not contain an effective date, and as a result, would go into effect June 16, 2023, (90 days after the Legislature adjourns) if signed.

FISCAL IMPLICATIONS

The provisions of the bill have no fiscal impact to the state.

In accordance of Section 60-1A-24 NMSA 1978 the New Mexico Horse Breeders' Association,

a registered 501(c)5 organization, administers a fund to pay horse breeders of New Mexico-bred horses merit and incentive awards. <https://www.causeiq.com/organizations/new-mexico-horse-breeders-association,850204494/#personnel> According to the Breeders' awards statute within the New Mexico Horse Racing Act, race track licensees pay 10 percent of purse winnings into the fund (with the exception for stakes-race purses) when a horse race is registered with the Horse Breeders' Association. From stakes-race purses, racetrack licensees pay 10 percent of the added money.

The New Mexico Breeders' Association (NMHBA) is then required by statute to distribute 45 percent of the money to the breeders of record who have horses that are first-, second- and third-place finishers and 12 percent to stallion owners. No more than 8 percent of the funds are to be retained by the Horse Breeders' Association for administering the distribution program.

SIGNIFICANT ISSUES

The New Mexico Racing Commission (NMRC) stated that quality stallions' offspring win a majority of races in New Mexico, but there are few quality stallions within the state. Owners of lower-quality bred stallions would not benefit equally from HB459. The commission also stated concerns about breeding growth in the state, saying "the number of horses being bred in the state ...has decreased 50 percent since 2007." There is a risk that the breeder program might not realize its goals for growth if breeders of lesser-quality stallions benefit disproportionately compared to breeders of higher-quality, more competitive stallions.

NMRC further commented the impact of HB459 would be minimally beneficial to sustaining the horseracing industry and legislation making greater substantive changes would help the breeder program fulfill its role.

The 5 percent increase is specific to the owners of stallions that sired the first-place winners at the time the winners were conceived. The bill does not indicate if the first place win must take place at a race registered by the Horse Breeders' Association.

The New Mexico Breeders Association has submit the following:

The purpose of HB 459 is to increase the percentage of the award funds for stallion owners to entice people to bring new stallions to New Mexico and also to be more competitive with surrounding states. It would also give incentive to stallion owners to keep the stallions that are currently in New Mexico to stay here.

This bill is limited in its direct impact to the breeders and owners of racehorses bred in New Mexico. It only takes the funds we already have and changes the distribution. It does not affect anyone outside of the association.

This does take 5% from the racehorse owners to give to the stallion owners, but the racehorse owners also receive funds from the purses earned at the racetrack, and this is the only incentive for stallion owners.

Bringing in new bloodlines will help to improve the quality of our racehorses, will entice breeders to bring more and better broodmares to breed to these new stallions, and will give breeders more choices in who they want to breed to that they currently do not have.

If implemented, our hope is that this bill will spur growth in the breeding and racing industry in New Mexico and would therefore be of benefit to the New Mexico economy as a whole.

GA/mg/ne/mg/rl/hg