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FISCAL IMPACT REPORT

ORIGINAL DATE 3/1/15

SPONSOR SFC LAST UPDATED _____ HB _____

SHORT TITLE Racehorse Testing Fund and Distributions To It SB 406/SFCs

ANALYST Elkins

REVENUE (dollars in thousands)

Estimated Revenue			Recurring or Nonrecurring	Fund Affected
FY15	FY16	FY17		
	\$251.7	\$251.7	Recurring	Race Horse Testing and Enforcement Fund
	(\$251.7)	(\$251.7)	Recurring	Horse Racing Purses

(Parenthesis () Indicate Revenue Decreases)

SOURCES OF INFORMATION

LFC Files

Responses Received From

State Racing Commission (SRC)

Gaming Control Board (GCB)

SUMMARY

Synopsis of Bill

Senate Finance Committee Substitute for Senate Corporations and Transportation Committee Substitute for Senate Bill 406 changes the name of the racehorse testing fund to the racehorse testing and enforcement fund. The bill expands the purpose of the fund by allowing SRC to use money in the fund for additional resources to enforce the requirements and prohibitions of the Horse Racing Act and commission rules. Currently, money in the fund can only be used for the testing of race horses.

The bill also remits one-tenth percent of racetrack gaming operators net take to the Taxation and Revenue Department for deposit in a subaccount of the racehorse testing and enforcement fund. Also, the bill reduces the amount of net take racetrack gaming operators must distribute for horse racing purses from 20 percent to 19.9 percent.

If as of June 30, 2017, there is an unexpended or unencumbered balance in the subaccount containing the one-tenth percent of net-take payments, then beginning July 1, 2017 the percent of net take remitted to the subaccount decreases to five-hundredths percent and the percent of net-

take going towards horse race purses increases to 19.95 percent.

If as of June 30, 2019, there is an unexpended or unencumbered balance in the subaccount containing the one-tenth percent of net-take payments, then beginning July 1, 2019 the percent of net take remitted to the subaccount cease and the percent of net-take going towards horse race purses increases to 20 percent.

FISCAL IMPLICATIONS

Racetrack gaming operators net take in FY14 was \$251.7 million. LFC staff analysis is one-tenth percent of the net take in FY14 equals \$251.7 thousand. Assuming that net take for racetrack gaming operators remains flat with FY14 or grows slightly, SRC's racehorse testing and enforcement fund would receive approximately \$251.7 thousand in FY16 and FY17.

The bill reduces the amount of net take racetrack gaming operators must distribute for horse racing purses from 20 percent to 19.9 percent, which would reduce horse racing purses by approximately \$251.7 thousand.

If at the end of FY17, there is an unexpended or unencumbered balance in the subaccount containing the one-tenth percent of net-take payments, then beginning in FY18 the percent of net take remitted to the subaccount decreases to five-hundredths percent and the percent of net-take going towards horse race purses increases to 19.95 percent.

If at the end of FY19, there is an unexpended or unencumbered balance in the subaccount containing the one-tenth percent of net-take payments, then beginning FY20 the percent of net take remitted to the subaccount cease and the percent of net-take going towards horse race purses increases to 20 percent.

SIGNIFICANT ISSUES

In the fall of 2014, SRC expressed concerns at an LFC hearing about the length of time to resolve reviews of horse racing sanctions and the number of SRC decisions appealed to district court. Additionally, SRC was concerned about licensees appealing rulings in court and receiving temporary restraining orders that allow the licensee to continue racing until the appeal is resolved.

LFC staff reported to a horse racing subcommittee of the LFC, the most time consuming component of the review and appeal process occurs once the case goes to a hearing officer. SRC contracts one hearing officer at an approximate cost of \$20 thousand per year who is able to address one hearing per week. Currently, the hearing officer is scheduled to hear reviews of stewards' rulings and violations through April 16, 2015, and of the 58 reviews and violations from 2013 and 2014 yet to be heard by the hearing officer, 45 have yet to be scheduled. With the average of one hearing per week, LFC staff estimates the current backlog of hearings will not be cleared until February 2016.

Senate Bill 406 will increase the amount of funding SRC has for enforcing sanctions related to violations of the Horse Racing Act and commission rules. These additional funds will help SRC clear the current backlog of hearings and help expedite the process going forward.