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FISCAL IMPACT REPORT

SPONSOR Munoz **ORIGINAL DATE** 03/02/21
LAST UPDATED _____ **HB** _____
SHORT TITLE Horse Racing Changes **SB** 378
ANALYST Nichols

ESTIMATED ADDITIONAL OPERATING BUDGET IMPACT (dollars in thousands)

	FY21	FY22	FY23	3 Year Total Cost	Recurring or Nonrecurring	Fund Affected
Total	NFI	NFI	NFI			

(Parenthesis () Indicate Expenditure Decreases)

SOURCES OF INFORMATION

LFC Files

New Mexico Racing Commission Annual Report

Gaming Control Board Revenue Report

Responses Received From

New Mexico Racing Commission (NMRC)

SUMMARY

Synopsis of Bill

Senate Bill 378 amends the Horse Racing Act to provide that no more than two members of the New Mexico Racing Commission can be practical breeders of racehorses within the state.

The bill also adds a provision to apportion money received when winning pari-mutuel tickets are not redeemed or when refunds are not claimed for simulcast races. The bill provides that 60 percent of the money would be retained by the racetrack licensee, 20 percent would be distributed to the New Mexico Horse Breeders' Association for racing purses and 20 percent to the New Mexico Horsemen's Association for racing purses.

SB378 also provides that 10 percent of purse money generated from wagers on live and simulcast races should be paid into a fund created by the New Mexico Breeders Association.

There is no effective date of this bill. It is assumed that the effective date is 90 days following adjournment of the Legislature.

FISCAL IMPLICATIONS

NMRC does not anticipate any fiscal impact from SB378. The bill would not have an impact on state revenues generated from racing.

The bill would provide more money for racetrack licensees from wagers on simulcast races, and less money from racing purses for horse breeder awards.

SIGNIFICANT ISSUES

Currently, at least three members of the Racing Commission must be practical breeders of racehorses within New Mexico. The bill would amend statute to limit that number to two. NMRC notes that changing the makeup of the commission could lead to the addition of members that lack knowledge of the horse racing industry. Currently, the commission does not have any public members. Best practice for regulatory boards often calls for public representation. For example, the Texas Sunset Licensing and Occupational Model, that state's comprehensive model for evaluating occupational licensing and regulatory agencies, recommends that at least one-third of board members be member of the public to maintain the public interest function of a regulatory body. According to the Texas model, a regulatory agency should balance the need for expertise and the need for public or consumer input.

Currently, money received when winning pari-mutuel tickets are not redeemed or when refunds are not claimed is split evenly three ways between the racetrack licensee, the New Mexico Horse Breeders' Association, and the New Mexico Horsemen's Association. SB378 would maintain this split for live races, but change the distribution for simulcast races so the racetrack operator retains 60 percent and the Horse Breeders' Association and the Horsemen's Association split the remaining 40 percent. NMRC points out that the racetrack operator bears more expense when conducting simulcast races, including telecommunication costs, equipment costs, interface fees, and video service fees.

Under current statute, a racetrack operator must pay 10 percent of the winning purse into a New Mexico Horse Breeders Association award fund. SB378 would add language to limit that amount to money generated from live and simulcast races. Since the majority of purse money – approximately three-quarters – comes from a share of casino gaming net win, restricting breeders' awards to the remaining portion that comes from the pari-mutuel handle would reduce the amount going to such awards, while the amount going to racing purses would increase. It is not clear how this shift in award money would impact the industry. While reducing breeder award money could reduce the incentive to breed horses in New Mexico, increased purse money could lead to more, and higher-stakes races for New Mexico-bred horses.

AN/al