

SENATE APPROPRIATIONS COMMITTEE FISCAL NOTE

BILL NO. Senate Bill 352

PRINTER NO. 505

AMOUNT

(\$261,000)
\$12,198,000
(\$11,346,000)

FUND

General Fund
State Racing Fund
Race Horse Development Fund

DATE INTRODUCED

January 28, 2015

PRIME SPONSOR

Senator Vogel

DESCRIPTION AND PURPOSE OF BILL

Senate Bill 352 amends Act 135 of 1981 (The Race Horse Industry Reform Act) by repealing provisions related to the State Horse Racing Commission and State Harness Racing Commission and establishes the State Horse Racing Commission to regulate horse racing and pari-mutuel operations.

Provides for the new commission to be made up of nine (9) members and includes three (3) appointments made by the Governor; the Secretary of Agriculture; the Chairman of the Gaming Control Board; an appointment made by the President Pro Tempore of the Senate; an appointment made by the Minority Leader in the Senate; an appointment made by the Speaker of the House of Representatives; and an appointment made by the Minority Leader of the House of Representatives. Requires the Governor's appointments to include a licensed veterinarian and a member selected from a list of recommendations submitted by the thoroughbred horsemen and another by the standardbred horsemen.

Provides for the commission to include the Office of Horse Racing, a Thoroughbred Bureau and a Standardbred Bureau. Requires each bureau to have a qualified director and appropriate staff. Provides the commission with authority over pari-mutuel wagering, licensed business entities engaged in horse racing activities, out-of-competition drug testing and the conduct of horse racing.

Requires the commission to annually submit an itemized budget to the Secretary of the Budget, Chairman of the Appropriations Committee of the Senate and Chairman of the Appropriations Committee of the House of Representatives consisting of the amounts to be appropriated from the State Racing Fund, the Pennsylvania Horse Race Development Fund or the General Fund to administer and enforce the act. Requires monies in the State Racing Fund for the administration and oversight of the act and the promotion of horse racing to be appropriated annually by the General Assembly.

SENATE APPROPRIATIONS COMMITTEE

FISCAL NOTE

Provides for the Department of Revenue to provide financial administration of pari-mutuel wagering as is allowed under current law. Provides for the Department of Agriculture to provide administrative services, staff and facilities to the commission through a memorandum of understanding which includes a schedule for the reimbursement of actual costs. Maintains provisions from current law related to the Breeding Fund, Sire Stakes Fund and fairs.

Provides for the commission to establish license fees not exceeding \$500 and imposes fines not exceeding \$100,000 per violation day. Provides for the licensing of entities that conduct advance deposit account wagering and includes an annual license and renewal fee of \$500,000. Provides for the licensing of totalisator (computerized wagering systems) operators for a fee not exceeding \$100,000 annually. Funds collected from license fees would be placed in the State Racing Fund. In addition revenue from fines, which are currently deposited in the General Fund, would be deposited in the State Racing Fund.

Eliminates the admissions tax. Maintains the wagering tax and imposes the tax on licensed advance deposit account wagers. Provides for 75% of the breakage to be distributed to the State Racing Fund and 25% to the horsemen.

Provides for the General Assembly to annually authorize the transfer of moneys from the Race Horse Development Fund to the State Racing Fund on a monthly basis to pay for the actual costs associated with drug testing. The transfer shall not exceed 5% of the funding in the Race Horse Development Fund.

FISCAL IMPACT:

The provisions transferring the operations of the State Horse Racing Commission and State Harness Racing Commission to the new State Horse Racing Commission will have no adverse fiscal impact on the State Racing Fund. It is assumed the operations of the new commission, with administrative assistance provided by the Department of Agriculture through a memorandum of understating, will be very similar to the current commissions' operations.

The legislation redirects an estimated \$261,000 in annual fine revenue from the General Fund to the State Racing Fund. The increase in the distribution of breakage deposited in the State Racing Fund from 25% to 75% is estimated to generate an additional \$630,000 annually. The elimination of the admissions tax is estimated to result in a loss of \$39,000 in revenue to the State Racing Fund annually.

The transfer of funding from the Race Horse Development Fund to the State Racing Fund to pay for the actual costs associated with drug testing by the commission as estimated by the Department of Agriculture will result in the transfer of \$11,346,000 in FY 2015-16.

The fiscal impact of the licensing of entities that conduct advance deposit account wagering and imposing the wagering tax on advanced deposit account wagers will be dependent on the number of entities that seek licensure and comply with this law.

SENATE APPROPRIATIONS COMMITTEE FISCAL NOTE

There may be additional revenues that accrue to the State Racing Fund to the extent that totalisator and other license fees and fines set by the new State Racing Commission exceed those established under current law.