

## Department of Planning and Budget

### 2006 Fiscal Impact Statement

**1. Bill Number** HB 5045

<b>House of Origin</b>	<input checked="" type="checkbox"/> Introduced	<input type="checkbox"/> Substitute	<input type="checkbox"/> Engrossed
<b>Second House</b>	<input type="checkbox"/> In Committee	<input type="checkbox"/> Substitute	<input type="checkbox"/> Enrolled

**2. Patron** Hamilton

**3. Committee** General Laws

**4. Title** Historical, or instant, horse racing and resulting allocations

**5. Summary/Purpose:** The proposed legislation would add historical horse racing, or instant racing, to the types of horse racing on which pari-mutuel wagering is permitted in Virginia. Proceeds from the wagering, after the payment of prizes, would be split 49-2-49. Forty nine percent of the profits would go to the Transportation Trust Fund (TTF) for transportation purposes, two percent would go to the horsemen, and 49 percent would go to the licensee. The licensee would also receive any proceeds from unredeemed tickets and breakage.

**6. Fiscal Impact Estimates are:** indeterminate. See item 8, below.

**7. Budget amendment necessary:** Yes, see item 8, below.

**8. Fiscal implications:** Instant horse racing consists of a database of previously run horse races which are sent electronically to terminals at which bets can be placed on the races. Under the bill, these terminals could be installed at the satellite wagering facilities and racetrack. The races are anonymous; the real names of the horses, the date, and place of the race they are betting on, are hidden and the races are replayed at individual terminals when players choose to rerun them. Players have the option of watching the entire race, or just the final few seconds. Like bets on live races, the wagers are pari-mutuel, or winnings that are paid out fluctuate according to the number of people participating in the pool and how much they bet.

Proceeds from existing racing programs in the Commonwealth, apart from payment of prizes to winning wagers, are distributed to the participants in the race meet, the locality in which the satellite facility or race track is located, the licensee, the Commonwealth, the Virginia Breeders Fund, the Virginia-Maryland Regional College of Veterinary Medicine, the Virginia Equine Center Foundation, and the Virginia Horse Industry Board.

Proceeds from instant racing would be distributed differently. The bill provides for payment for all prizes to winning wagers first; the balance would be distributed to the TTF, the licensee, and the horsemen. The TTF and the licensee would each receive 49 percent and the horsemen would receive two percent.

According to a study prepared for Colonial Downs by The Innovation Group, approximately \$660 million would be available for distribution between the TTF, the licensee, and the

horsemen in 2010 (it is not known whether this is calendar year or fiscal year). This fiscal impact assumes that 10,000 instant racing machines are spread among 11 locations in Virginia (the track at Colonial Downs, the nine existing satellite wagering facilities, and a proposed facility in Westmoreland County). In this scenario, approximately \$323 million would be available for distribution to both the licensee and the TTF, and \$13 million would be available for distribution to the horsemen.

The Virginia Racing Commission (VRC) estimates that the bill will have an expenditure impact to the agency of approximately \$2.25 million annually. This assumes 30 additional positions are hired to regulate this new program. These positions would audit the system, including validating the operation of the machines to ensure each machine is calibrated correctly. VRC also estimates that it will require four to six months once the legislation is enacted to develop regulations governing instant racing and up to two years for the program to be fully implemented in the Commonwealth.

The bill is silent regarding any additional funding source for VRC's additional regulatory expenses.

Arkansas is the only state in which instant racing is permitted; and participants may bet on dog and/or horse instant racing. The amount of revenue instant racing might generate for the Commonwealth is indeterminate. However, in calendar year 2005, approximately \$153.9 million was wagered in instant (horse) racing in Arkansas.

**9. Specific agency or political subdivisions affected:** Localities in the Commonwealth, Virginia Racing Commission, Transportation Trust Fund.

**10. Technical amendment necessary:** No.

**11. Other comments:** Oregon is considering permitting instant racing. Wyoming discontinued instant racing in late 2004 due to legal questions; in May, 2006, its Supreme Court prohibited instant racing in Wyoming.

**Date:** 09/22/06/tmw

**Document:** G:\2006 Session\Special Session\HB 5045.Doc

**cc:** Secretary of Commerce and Trade