

Department of Planning and Budget 2009 Fiscal Impact Statement

1. Bill Number: HB2604

House of Origin ☐ Introduced ☐ Substitute ☐ Engrossed
Second House ☐ In Committee ☐ Substitute ☒ Enrolled

2. Patron: Scott, E.T.

3. Committee: Passed Both Houses

4. Title: **Racing Commission; advance deposit account wagering.**

5. Summary: This bill sets out the distribution of the proceeds received by advance deposit account wagering licensees for advance deposit account wagers made in Virginia. This bill also repeals §59.1-376.1 of the Code, which deals with temporary licenses to operate advance deposit account wagering.

6. Fiscal Impact Estimates: Final.

7. Budget Amendment Necessary: No.

8. Fiscal Implications: This bill specifies the distribution of proceeds resulting from advance deposit account wagering. It states that the allocation of revenue from advance deposit account wagering shall include three fees: (i) a licensee fee paid to the Virginia Racing Commission (VRC), (ii) a fee equal to 10 percent of all wagers made in Virginia placed through an advance deposit account wagering licensee, out of which shall be paid: (a) one-half to all unlimited licensees and (b) one-half to representative of the recognized majority horseman groups, and (iii) a fee equal to one percent of all wagers made in Virginia placed through an advance deposit account wagering licensee, paid to the Virginia Breeders Fund.

VRC reports that, currently, advance deposit wagering companies operating in Virginia are paying an average source market fee of 8.3 percent and a licensee fee to VRC of 0.5 percent, for a total of 8.8 percent in fees from proceeds resulting from advance deposit account wagering. This bill will increase those fees to a total of 11.5 percent, or an average source market fee of 10 percent (increase of 1.7 percent), a licensee fee to VRC of 0.5 percent (same as current), and a new fee of one percent to the Virginia Breeders' Fund. This increase of 2.7 percent in total fees represents a nearly one-third increase in the amount of fees currently paid by these companies. VRC anticipates that this may result in legal action by these companies who may claim that these fees are unconstitutional.

This bill also repeals §59.1-376.1 of the Code, recently enacted (2007) which deals with temporary licenses to operate advance deposit account wagering.

9. Specific Agency or Political Subdivisions Affected: Virginia Racing Commission

10. Technical Amendment Necessary: None.

11. Other Comments: VRC notes that there are existing source market fee agreements for four of the five advance deposit wagering companies, and that these agreements do not expire for a number of years. It is unclear how these current contracts will be impacted by the new stipulations set forth by this bill.

Date: 2/18/2009 dpb

Document: G:\FIS\2009 Fiscal Impact Statements\VRC\HB2604ER.Doc aek

cc: Secretary of Commerce and Trade