

Department of Planning and Budget 2015 Fiscal Impact Statement

1. Bill Number: HB1826

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

2. Patron: Scott

3. Committee: General Laws

4. Title: Virginia Racing Commission (VRC); powers.

5. Summary: Revises the Virginia horse racing statute, as Colonial Downs surrendered its unlimited license to own and operate the racetrack in New Kent County and the nine satellite, or off track betting facilities (OTBs), in Virginia. Specifically, the bill (i) revises the definition of licensee to permit any licensee to own or operate a satellite facility; (ii) adds a definition of recognized majority horsemen's group to clarify that VRC determines which organizations represent horse owners and trainers at race meets; (iii) reduces and reallocates the source market fee paid by online wagering companies (advance deposit account wagering) licensed by VRC, with four percent formerly payable to Colonial Downs going to a nonprofit industry stakeholder organization for specified and VRC-approved purposes; and (iv) establishes a simulcast escrow fund to allow OTB wagering to continue in absence of a contract between a licensee and a recognized majority horsemen's group. Also, increases the percentage from the allocation of revenue from advance deposit account wagering paid to the Virginia Racing Commission's operations fund. The bill contains technical amendments. The bill repeals the Code section providing for the licensing of owners or operators of a steeplechase facility for the purpose of conducting pari-mutuel wagering on steeplechase race meetings at that facility. The bill allows the Commission to grant a license to the owner or operator of a facility for the purpose of conducting pari-mutuel wagering on thoroughbred and standard bred race meetings not to exceed 14 days in any calendar year without a local referendum.

6. Budget Amendment Necessary: No.

7. Fiscal Impact Estimates: Preliminary. See Item 8, below.

7a. Expenditure Impact: None.

7b. Revenue Impact:

<i>Fiscal Year</i>	<i>Dollars</i>	<i>Fund</i>
2015	\$0	State Racing Operations Fund (0228)
2016	\$940,000	State Racing Operations Fund (0228)
2017	\$940,000	State Racing Operations Fund (0228)
2018	\$940,000	State Racing Operations Fund (0228)
2019	\$940,000	State Racing Operations Fund (0228)
2020	\$940,000	State Racing Operations Fund (0228)
2021	\$940,000	State Racing Operations Fund (0228)

- 8. Fiscal Implications:** This bill would modify the allocation of revenue generated from advance deposit account wagering. Currently, the allocation of such revenue is as follows: (1) a license fee paid to the Commission; (2) an additional fee equal to 10 percent of all wagers made within the Commonwealth placed through an advance deposit account wagering licensee, out of which one-half is paid to all unlimited licensees, and one-half to representatives of the recognized majority horsemen groups; and (3) an additional fee equal to one percent of all wagers made in the Commonwealth placed through an advance deposit account wagering licensee is paid to the Virginia Breeders Fund.

Under the provisions of the bill, the allocation of revenue would be as follows: (1) a license fee equal to 1.5 percent paid to the Commission; (2) an additional fee equal to nine percent of all wagers made within the Commonwealth placed through such licensee, out of which 45 percent will be paid to a nonprofit industry stakeholder organization recognized by and with oversight from the Commission for the purpose of promoting, sustaining, and advancing horse racing within the Commonwealth, and 55 percent to representatives of the recognized majority horsemen's groups by breed to be used for purse funds at races conducted in the Commonwealth; and (3) an additional fee equal to one percent of all wagers made within the Commonwealth placed through such licensee, which will be paid to the Virginia Breeders Fund. The nonprofit industry stakeholder organization will make distributions to organizations that provide care for retired race horses, and to the Virginia-Maryland Regional College of Veterinary Medicine, the Virginia Horse Center Foundation, the Virginia Horse Industry Board, and the Virginia Thoroughbred Association based on prescribed percentages; and, thirty-five one-hundredths of one percent of all wagers made within the Commonwealth placed through such advance deposit account wagering licensee to the locality where live racing licensed prior to January 1, 2012, and beginning January 1, 2020 to the locality or localities where such live racing occurs to be shared in a ratio of the number of such annual live races in a locality to the total number of annual live races in the Commonwealth.

According to estimates provided by the Virginia Racing Commission, advance deposit account wagering will generate \$94 million of handle in FY 2015. It is anticipated that such wagering will continue to generate \$94 million in handle per fiscal year. The Commission estimates that under the provisions of the bill, the state fiscal impact would result in a net increase in revenue and deposits to the Virginia Racing Commission's Operations Fund of \$940,000 per fiscal year, or a total of \$1.41 million. The balance of the handle would be returned to bettors, disbursed to recognized horsemen's groups, the nonprofit industry stakeholder organization, and the Virginia-Maryland Regional College of Veterinary Medicine, the Virginia Horse Center Foundation, the Virginia Horse Industry Board, and the Virginia Thoroughbred Association. Additionally, thirty-five one-hundredths of one percent of all wagers made within the Commonwealth will be paid annually to the locality where live racing has occurred prior to January 1, 2012. It is anticipated this provision will generate \$329,000 in annual revenue for the locality. An unlimited licensee would not receive a portion of the revenue.

It is anticipated that the bill will not have an expenditure impact to VRC.

The Racing Commission's operating revenue consists of revenue generated from pari-mutuel taxes on wagering at the racetrack and satellite facilities on live or simulcast horse racing revenue, and advance deposit account wagering. VRC estimates that its operating revenue in FY 2015 will total approximately \$630,000, and expenditures are projected to total approximately \$815,000. At the end of FY 2014, VRC had a cash balance of approximately \$286,000, which is available for expenditure in FY 2015.

In FY 2014, the total amount wagered on horse racing in the Commonwealth decreased from the prior year, as a result of an impasse in the completion of a new contract between the Virginia Horsemen's Benevolent and Protective Association and Colonial Downs. This continued into FY 2015. However, receipts from advance deposit wagering increased in FY 2014 and FY 2015, as more wagering is now occurring online. But the increases in revenue from advance deposit wagering are not enough to mitigate the decrease in revenue from pari-mutuel wagering at the racetrack and satellite facilities.

The general fund revenue in Chapter 3, 2014 Acts of Assembly Special Session I (the 2014 Appropriation Act), assumes a transfer of revenue collected by VRC to the general fund in the amount of \$100,000 in FY 2015 and \$50,000 in FY 2016. Due to the decrease in revenue and deposit to the Commission's operating fund, the transfers are eliminated in SB800/HB1400 as introduced.

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

10. Technical Amendment Necessary: Yes. Line 168, replace "lives" with "live".

11. Other Comments: This bill is the companion to SB1097, as introduced. HB2224 and SB1313, HB1934, HB2313, and HB2335 also pertain to the Virginia Racing Commission.