

Department of Planning and Budget 2015 Fiscal Impact Statement

1. Bill Number: HB2224

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

2. Patron: Knight

3. Committee: General Laws

4. Title: Virginia Racing Commission; significant infrastructure limited licensee; allocations.

5. Summary: Authorizes the Virginia Racing Commission (VRC) to issue a significant infrastructure limited license to the owner or operator of a significant infrastructure facility, defined as a horse racing facility that has been approved by a local referendum and has a minimum racing infrastructure consisting of (i) a one-mile dirt track, (ii) a seven-eighths-mile turf course, (iii) covered seating for no fewer than 1,000 persons, and (iv) barns with no fewer than 900 permanent stalls. The bill also allocates source market fees paid by online wagering companies (advance deposit account wagering) licensed by the VRC and allows significant infrastructure limited licensees to conduct a race meeting or meetings for a period not to exceed 50 days in any calendar year. Additionally, the bill allows the Commission to permit wagering to proceed on simulcast racing in the absence of a contract between the licensee and the recognized majority horsemen's group provided the licensee deposits the pari-mutuel retainage into the State Racing Operations Fund.

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
	\$0	Virginia Breeders Fund
2016	\$590,000	State Racing Operations Fund
	(\$590,000)	Virginia Breeders Fund
2017	\$590,000	State Racing Operations Fund
	(\$590,000)	Virginia Breeders Fund
2018	\$590,000	State Racing Operations Fund
	(\$590,000)	Virginia Breeders Fund
2019	\$590,000	State Racing Operations Fund
	(\$590,000)	Virginia Breeders Fund
2020	\$590,000	State Racing Operations Fund
	(\$590,000)	Virginia Breeders Fund
2021	\$590,000	State Racing Operations Fund
	(\$590,000)	Virginia Breeders Fund

- 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, for an advance deposit account wagering licensee that is owned by a significant infrastructure limited licensee, the allocation of revenue would be as follows: (1) a license fee equal to 0.5 percent of all wagers made within the Commonwealth placed through the advance deposit account wagering licensee paid to the Commission; (2) an additional fee equal to 9.25 percent of all wagers made within the Commonwealth placed through such licensee, out of which five percent will be paid the licensee to defray the cost of live racing, and 4.25 percent to such licensee to be used for purse funds; 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.

For an advance deposit account wagering licensee that is not a significant infrastructure limited licensee or owned by a significant infrastructure limited licensee, the allocation of revenue would be as follows: (1) a license fee equal to 1.5 percent of all wagers made within the Commonwealth placed through the advance deposit account wagering licensee 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 four percent will be paid to all significant infrastructure limited licensees to defray the costs of live racing operating expenses and five percent to the Commission for purses.

Also, all advance deposit account wagering licensees will pay 0.35 percent of all wagers made within the Commonwealth placed through advance deposit account wagering licensees to the locality or localities in which the significant infrastructure facility or facilities are located. If a significant infrastructure facility or facilities are located in more than one locality, the Commission is tasked with allocating the funds to the affected localities.

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 local and state fiscal impact would be as follows: (1) a net increase in revenue to the Virginia Racing Commission's Operations Fund of \$590,000 per fiscal year, or a total of \$1.1 million; (2) a net decrease in revenue to the Virginia Breeders Fund of \$590,000 per fiscal year, or a total of \$350,000; (3) revenue of \$329,000 to New Kent County, if Colonial Downs holds a significant infrastructure limited license and an advance deposit account wagering license. The balance of the handle would be returned to bettors, disbursed to recognized horsemen's groups, and used to support purses at facilities in the Commonwealth.

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; New Kent County, localities.

10. Technical Amendment Necessary: No.

11. Other Comments: This bill is the companion to SB1313, as introduced. HB1836 and SB1097, HB1934, HB2313, and HB2335 also pertain to the Virginia Racing Commission.