

TENNESSEE GENERAL ASSEMBLY
FISCAL REVIEW COMMITTEE



FISCAL NOTE

SB 817 - HB 1421

March 19, 2019

SUMMARY OF BILL: Effective January 1, 2021, enacts the *Horse Racing Control Act of 2019* by authorizing and regulating parimutuel wagering on horse racing in this state. Establishes, within the General Fund, a Transportation Improvement Fund, to allocate state revenue from such wagering for special projects related to transportation. Effective upon becoming a law, creates the Tennessee Horse Racing Commission, attached to the Department of Commerce and Insurance (DCI), Division of Regulatory Boards. Authorizes the Commission to regulate and issue licensure to conduct such races.

Requires a licensed association to pay an admission tax of 15 cents per ticket entering the race grounds, a 1.5 percent tax on the first \$600,000 of the daily parimutuel handle, and 2.5 percent on any amount above that threshold. Tax revenue will be distributed by 30 and 70 percent to the local jurisdiction in which the race is held, and the Fund, respectively. Authorizes a licensed association to retain 33 percent of daily breakage and pay the remaining 67 percent to the Fund.

ESTIMATED FISCAL IMPACT:

**Increase State Expenditures - \$41,900/One-Time/Division of Regulatory Boards
\$174,500/Recurring/Division of Regulatory Boards**

Other Fiscal Impact - Due to various unknown factors, the extent and timing of receipt for any additional state tax revenue cannot be reasonably determined. Any such amounts received are not anticipated to cover expenses in the short term; but is assumed to cover expenses incurred in the long term.

As of June 30, 2018, the Division of Regulatory Boards had a cumulative reserve balance of \$27,499,691.

To the extent that wagered horse racing becomes established in this state, the Department of Revenue and Department of Commerce and Insurance could eventually require additional positions and system integrations; however, due to unknown factors, any determination with regards to such additional positions cannot be made at this time with any reasonable certainty.

Assumptions:

- Due to various unknown factors, including but not limited to, the number of associations that will become licensed, the number and type of tracks that will hold horse race meetings, the number of wagers that will be placed, and the number of physical attendees of horse race meetings, and the base upon which the various taxes imposed by this legislation will be applied, an impact upon state revenue and the timing for any such revenue that will be received cannot be estimated with any reasonable certainty.
- Any tax revenue received is not anticipated to cover expenses associated with passage of this legislation in the short term; however, such revenue would be expected to cover expenses in the long term.
- For the purpose of promulgating rules, an effective date of July 1, 2019. For all other purposes, January 1, 2021.
- The Commission will promulgate rules and create a fee schedule for licensees. The number of licenses that will be issued pursuant to this legislation cannot be determined with any reasonable certainty.
- The Commission will be comprised of seven members.
- The proposed legislation does not authorize compensation for such members; however, members are to receive per diem on meeting days and reimbursement for travel expenses.
- Meetings are to be called by the chair of the Commission; it is estimated the Commission will hold four annual meetings.
- Daily per diem of \$240 and an average estimated mileage of \$117.03 per member per meeting.
- A recurring increase in state expenditures of \$9,997 for four annual meetings [7 members x 4 meetings x (\$117.03 mileage + \$240 per diem)].
- The Commission will be placed under the DCI Division of Regulatory Boards.
- Pursuant to Tenn. Code Ann. § 4-29-121, all regulatory boards are required to be self-supporting over any two-year period. As of June 30, 2018, the Division of Regulatory Boards had a cumulative reserve balance of \$27,499,691.
- The Commission is required to appoint a full-time executive secretary to serve as executive officer, attend all meetings, and keep record of proceedings. Annual salary will be established by rules promulgated by the Commission.
- The Commission's executive secretary is estimated to receive an annual salary equivalent to a regulatory board executive director.
- Based on information provided by DCI, along with the executive secretary position, the Department will require an additional regulatory board administrative assistant 2 position.
- A total recurring increase in state expenditures of \$164,530 (salary \$127,100 + benefits \$34,230 + phone 2,000 + supplies \$1,200); and a one-time state expenditure of \$2,000 for computer/network costs.
- An additional one-time increase in state expenditures of \$1,500 for one rulemaking hearing (court reporter \$500 + transcript copies \$1,000).
- An additional one-time increase in state expenditure of \$38,400 (320 hours x \$120 per hour) for a vendor to perform work on the Division's electronic licensing system.

- The total one-time increase in state expenditures is estimated to be \$41,900 (\$2,000 + \$1,500 + \$38,400).
- The total recurring increase in state expenditures is estimated to be \$174,527 (\$9,997 + \$164,530).
- To the extent that wagered horse racing becomes established in this state, DCI, and the Department of Revenue (DOR), in respect to its Taxpayer Services Division and Audit Division, could eventually require additional positions; however, due to unknown factors, any determination for such additional positions cannot be made at this time with any reasonable certainty.
- If wagered horse racing becomes established in this state, DOR will require programming changes to the integrated tax system in order to process new tax types created by the proposed legislation. Changes to the system would have a one-time cost of \$1,500,000.

CERTIFICATION:

The information contained herein is true and correct to the best of my knowledge.



Krista Lee Carsner, Executive Director

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