

TENNESSEE GENERAL ASSEMBLY
FISCAL REVIEW COMMITTEE



FISCAL NOTE

SB 522 - HB 1294

April 4, 2019

SUMMARY OF BILL: Authorizes and regulates parimutuel wagering on horse racing in this state. 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.

Establishes the Backside Improvement Fund, to allocate state revenue from such wagering to promote, enhance, and improve the conditions of the backside of eligible racing associations. Establishes that revenue from a 0.5 percent excise tax on any track whose daily average live handle is less than \$1,200,000 will be allocated to the Fund. Requires a licensed association to pay an admission tax of 15 cents per ticket entering the race grounds and an excise tax of 0.5 percent on all money wagered on live races. Tax revenue will be distributed by 15 and 85 percent to the State Treasury, and the General Fund, respectively.

ESTIMATED FISCAL IMPACT:

**Increase State Expenditures - \$40,900/One-Time/Division of Regulatory Boards
\$46,500/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 all 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 all expenses in the long term.
- 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.
- Public Chapter 1016 of the Public Acts of 2016 created the State Horse Advisory Committee. The fiscal note for Public Chapter 1016 was estimated to be “NOT SIGNIFICANT”; therefore, abolishing this Committee is estimated to result in no significant impact on state expenditures.
- The Tennessee Horse Racing Commission will be comprised of seven members.
- The proposed legislation does not authorize compensation for such members; however, members are to receive reimbursement for travel expenses.
- An average mileage of \$117.03 per member per meeting.
- A recurring increase in state expenditures of \$3,277 for four annual meetings (7 members x 4 meetings x \$117.03).
- 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.
- Based on information provided by DCI, the Department will require an additional regulatory board administrative assistant 2 position.
- A total recurring increase in state expenditures of \$43,300 (salary \$30,132 + benefits \$11,568 + phone \$1,000 + supplies \$600); and a one-time state expenditure of \$1,000 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 expenditures 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 \$40,900 (\$1,000 + \$1,500 + \$38,400).
- The total recurring increase in state expenditures is estimated to be \$46,527 (\$3,227 + \$43,300).
- 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.

A handwritten signature in black ink that reads "Krista Lee Carsner". The signature is written in a cursive, flowing style.

Krista Lee Carsner, Executive Director

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