

**LEGISLATIVE SERVICES AGENCY  
OFFICE OF FISCAL AND MANAGEMENT ANALYSIS**

200 W. Washington, Suite 301  
Indianapolis, IN 46204  
(317) 233-0696  
<http://www.in.gov/legislative>

**FISCAL IMPACT STATEMENT**

**LS 6967**

**BILL NUMBER:** HB 1270

**NOTE PREPARED:** Feb 18, 2015

**BILL AMENDED:** Feb 17, 2015

**SUBJECT:** Horse Racing Matters.

**FIRST AUTHOR:** Rep. Cherry

**FIRST SPONSOR:**

**BILL STATUS:** CR Adopted - 1<sup>st</sup> House

**FUNDS AFFECTED:**  GENERAL  
 DEDICATED  
 FEDERAL

**IMPACT:** State

**Summary of Legislation:** (Amended) The bill provides that the minimum salary per diem for a member of the Indiana Horse Racing Commission (IHRC) equals the maximum per diem amount that an employee of the executive branch of the federal government receives.

The bill changes the appointment process for members of Breed Development Advisory Committees and the process to appoint new members.

The bill specifies certain funds that a horsemen's association can use for lobbying purposes.

The bill changes the distribution of funds to promote horses and horse racing.

The bill authorizes advance deposit wagers on horse racing.

**Effective Date:** July 1, 2015.

**Explanation of State Expenditures:** (Revised) *IHRC Members per Diem:* The provision increasing the per diem for IHRC members to the federal executive branch maximum level will increase their minimum salary per diem from \$50 to \$159. The IHRC had six meetings in FY 2014. This change would increase expenditures for the IHRC funded by the pari-mutuel wagering tax.

(Revised) *Breed Development Advisory Committees:* The bill makes changes to the membership of the Standardbred Breed Development Advisory Committee, the Thoroughbred Breed Development Advisory Committee, and the Quarter Horse Breed Development Advisory Committee. Currently the 3 members of

the committees and any replacements are appointed by the Governor. The bill changes the appointment criteria for the members. The bill requires that: (1) one member be appointed by the Governor; (2) one member be appointed by the permit holder of the track where that breed of horse races; and (3) one member appointed by the horsemen's association. The bill provides further guidelines for selecting replacement of a member if a vacancy arises on the committee.

(Revised) *Use of Certain Racino AGR*: The bill specifies that the portion of racino AGR distributed to horsemen associations may be used for lobbying.

(Revised) *Indiana Horse Racing Commission*: The bill authorizes account wagering (defined by the bill as "advance deposit wagering") to be conducted in Indiana. Account wagering under the bill would allow a bettor who is an Indiana resident to open a wagering account with a secondary pari-mutuel organization (SPMO). Under the account wagering system, the bettor would be able to make wagers on Indiana or non-Indiana horse races from a location other than at Hoosier Park, Indiana Downs, or the four OTB facilities operated by the racetracks. The bettor could make the wagers with the SPMO in person, by telephone, or by other electronic means, with the bettor's wagering amounts being debited to the account and the bettor's winnings being credited to the account. The SPMO would take the wagers, retaining a percentage of the wagers, and pay a fee to Hoosier Park and Indiana Downs under a contract with the two racetracks.

Under the bill, an SPMO would be licensed by the Indiana Horse Racing Commission (IHRC) but does not have to be located within Indiana. In addition, the SPMO must have a single contract to operate with both Hoosier Park and Indiana Downs, and the contract must be approved by the IHRC. An SPMO must pay a nonrefundable \$5,000 fee to the IHRC to apply for an SPMO license. The bill also requires the SPMO to pay any investigative cost incurred by the IHRC that exceeds the \$5,000 application fee. The annual license renewal fee would be \$1,000. The bill will result in additional administrative responsibilities for the IHRC. Presumably, any additional administrative cost will be paid from application and license fees.

**Explanation of State Revenues:** (Revised) *Advance Deposit Wagering* - The bill authorizes account wagering (defined by the bill as "advance deposit wagering") to be conducted in Indiana. Under the bill, the wagering handle from account wagering would not be subject to the pari-mutuel wagering tax or pari-mutuel satellite facility tax. The extent to which the account wagering system may produce a net increase in wagering handle is unknown. However, any additional wagering handle would not be subject to parimutuel taxes. In addition, account wagering could potentially exacerbate the decline in taxable wagering handle and, as a result, parimutuel taxes from live and simulcast races at Hoosier Park, Indiana Downs, and the four OTB facilities the racetracks operate. The potential impact on revenue from pari-mutuel taxes is indeterminable.

The in-state wagering handle in Indiana on live and simulcast races hit a high of \$189.7 M in CY 2005. Since then, the handle has declined by an average of 8% per year to \$95 M in 2013. Parimutuel taxes have declined by about the same percentage during this period. The pari-mutuel wagering tax is 2% of the wagering handle on live and simulcast races at the racetracks, and 2.5% on simulcast races at the OTB facilities. The satellite facility tax is 0.5% of the wagering handle on simulcast races at the OTB facilities. Approximately \$2.0 M in parimutuel wagering tax revenue was distributed to state funds in FY 2014, while distributions of revenue from the satellite facility tax totaled \$310,046.

The bill requires that 50% of the amount received by a permit holder from a licensed SMPO be distributed to horsemen's associations. It sets the share of this distribution for each of the horsemen's association. This provision would increase the revenue received by the horsemen's associations.

*Racino AGR Distributions:* The bill makes changes to the distribution of racino adjusted gross receipts (AGR) to the horse racing industry. The distribution changes will result in the Thoroughbred Breed Development Fund receiving about \$2.3 M more each year and the direct distribution to the thoroughbred purses and thoroughbred horsemen's associations will be reduced by the same amount.

*Additional Information:* Current law authorizes the horsemen's associations and racino licensees to negotiate the amount of racino AGR used to support the horse racing industry. The distribution agreement must be between 10% and 12% of a licensee's annual AGR. This amount is distributed to equine promotion, backside benevolence, purses, horsemen associations, and breed development funds.

**Explanation of Local Expenditures:**

**Explanation of Local Revenues:**

**State Agencies Affected:** Indiana Horse Racing Commission.

**Local Agencies Affected:**

**Information Sources:** IHRC Annual Report; [http://www.in.gov/hrc/files/13\\_Annual\\_Report\\_book.pdf](http://www.in.gov/hrc/files/13_Annual_Report_book.pdf)  
Racino 12% AGR Distributions, [http://www.in.gov/hrc/files/Combined\\_Slots\\_Breakdown\\_FY13-14.pdf](http://www.in.gov/hrc/files/Combined_Slots_Breakdown_FY13-14.pdf)

**Fiscal Analyst:** Randhir Jha, (317) 232-9556.