

FISCAL NOTE

Requested by Legislative Council
01/30/2003

REVISION

Bill/Resolution No.: SB 2285

1A. **State fiscal effect:** *Identify the state fiscal effect and the fiscal effect on agency appropriations compared to funding levels and appropriations anticipated under current law.*

	2001-2003 Biennium		2003-2005 Biennium		2005-2007 Biennium	
	General Fund	Other Funds	General Fund	Other Funds	General Fund	Other Funds
Revenues	\$0	\$0	(\$1,962,000)	(\$654,000)	(\$1,962,000)	(\$654,000)
Expenditures	\$0	\$0	\$0	(\$654,000)	\$0	(\$654,000)
Appropriations	\$0	\$0	\$0	\$0	\$0	\$0

1B. **County, city, and school district fiscal effect:** *Identify the fiscal effect on the appropriate political subdivision.*

2001-2003 Biennium			2003-2005 Biennium			2005-2007 Biennium		
Counties	Cities	School Districts	Counties	Cities	School Districts	Counties	Cities	School Districts
\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0

2. **Narrative:** *Identify the aspects of the measure which cause fiscal impact and include any comments relevant to your analysis.*

This fiscal note has been revised to reflect the 2003-05 biennium Executive Recommendation estimated revenues of \$3.27 million from racing parimutuel taxes. The estimated effect of the reduction in General Fund revenues is \$1,962,000. The estimated other funds revenue reduction is \$654,000.

The General Fund tax assessment and special funds tax assessment against total handle (money bet on horse racing) is divided into two categories. The first category is based on monies wagered on horses to win, place, or show. That is a payoff dependent upon the finishing position of one horse. The second tax category is for monies wagered on exotic wagers. Exotic wagers are bets placed on races that involve the payoff depending on the placing of two or more horses. Senate Bill No. 2285 does not involve changing the current taxation on win, place, and show wagers. It changes NDCC subsection 2 of 53-06.2-11, relating to exotic wagers.

3. **State fiscal effect detail:** *For information shown under state fiscal effect in 1A, please:*

A. **Revenues:** *Explain the revenue amounts. Provide detail, when appropriate, for each revenue type and fund affected and any amounts included in the executive budget.*

This fiscal note has been revised to reflect the 2003-05 biennium Executive Recommendation estimated revenues of \$3.27 million from racing parimutuel taxes. The estimated effect of the reduction in General Fund revenues is \$1,962,000. The estimated other funds revenue reduction is \$654,000.

Last calendar year, the amount of wagers (gross handle) placed on exotics totaled \$133,705,639. The current statute provides revenues to the General Fund equal to 2.5% tax on this gross handle. Therefore, the General Fund revenues for last calendar year were approximately \$3,342,641 based on a 2.5% tax on these exotic wagers.

Senate Bill No. 2285 would reduce the tax amount to 1%. In its simplest terms, the formula multiplies the total amount bet by .01, rather than multiplying it by .025. The other 1.5% would be a General Fund revenue reduction.

Similarly, under the current statute, the racing promotion, purse, and breeders' funds each received .5% of the total exotic wagers. Last year that amounted to a total paid to the horse racing other funds of approximately \$2,389,338.

Senate Bill No. 2285 would reduce that amount from 1.5% to a total of 1% between the three funds. Therefore, the amounts payable to the Racing Commission's other funds would be reduced by one-third, which for last calendar year would then equal \$796,446.

This bill reduces General Fund revenues by 60% and the amounts payable to the other funds by one-third.

B. Expenditures: *Explain the expenditure amounts. Provide detail, when appropriate, for each agency, line item, and fund affected and the number of FTE positions affected.*

This change will result in less monies being available to use for General Fund purposes. It will also result in less money available to pay horse breeders', to supplement winning purse amounts, and less available to promote racing in North Dakota.

C. Appropriations: *Explain the appropriation amounts. Provide detail, when appropriate, of the effect on the biennial appropriation for each agency and fund affected and any amounts included in the executive budget. Indicate the relationship between the amounts shown for expenditures and appropriations.*

The current appropriation and the Executive Recommendation both include an appropriation of \$150,000 from a combination of the purse, breeders' and promotion funds. These monies are required to pay the salaries of the Racing Commission staff members. The impact of this reduction will be felt by the racetracks, the breeders' and in the amount spent on racing promotion.

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