

FISCAL NOTE

Requested by Legislative Council
04/16/2003

REVISION

Amendment to: 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	(\$1,385,478)	\$0	(\$1,385,478)	\$0
Expenditures	\$0	\$0	\$0	\$0	\$0	\$0
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.*

The parimutuel General Fund and special funds tax assessments against gross handle (money bet on horse racing) are 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.

As amended, SB 2285 provides for a graduated tax on parimutuel racing. On the first \$5 million in gross handle, the tax rate remains unchanged in both the win, place and show and exotics categories.

For win, place and show gross handle, the tax rate remains the same (2%) on the first \$100 million. On gross handles above \$100 million, the General Fund tax rate is reduced to 1 1/2 percent. The tax rate for the special funds remains unchanged in this wagering category - 1/2% to the purse fund and 1/2% to breeders' fund.

For exotics gross handle, the General Fund tax rate remains the same (2.5%) on the first \$5 million. For the gross handle above \$5 million, the General Fund tax rate decreases to 1%. For the special funds, the total tax rate (1.5%) remains unchanged for the first \$100 million in gross handle. On gross handle above \$100 million, the special funds tax rate decreases to a total of 1%, rather than 1 1/2%.

The estimated effect of the General Fund revenues as a result of the Senate amendments, which stagger the tax rate based on the amount bet is \$(1,385,478). The fiscal impact for both the General Fund and special funds is based on the Executive Recommendation estimated gross handle. As a result, the special fund revenues remain unchanged. If the gross handle significantly increases, special fund revenues will also experience a decrease in revenues available for supplementing parimutuel winnings, horse racing promotion, and amounts paid to horse breeders.

This fiscal note has been revised to reflect the 2003-05 biennium Executive Recommendation estimated revenues of \$3.27 million from racing parimutuel taxes. This fiscal note has been revised to correct a mistake.

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.*

The estimated effect of the Senate amendments is a reduction in General Fund revenues of \$(1,385,478). The fiscal impact for both the General Fund and special funds is based on the Executive Recommendation estimated gross handle.

Last calendar year, the gross handle placed on all horse races totaled \$170,846,000. Current statute provides revenues to the General Fund equal to 2.5% tax on gross handle. General Fund revenues for last calendar year were approximately \$4,271,000 based on a 2.5% tax on gross handle.

Similarly, under the current statute, the racing promotion, purse, and breeders' funds each received .5% (1.5% total) of gross handle. Last year approximately \$2,563,000 was paid to the special funds.

This fiscal note has been revised to reflect the 2003-05 biennium Executive Recommendation estimated revenues of \$3.27 million from racing parimutuel taxes. This fiscal note has been revised to correct a mistake.

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 to fund General Fund and special funds supported operations.

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.*

Since the special funds are established as continuing appropriations, the appropriation to the Office of Attorney General does not require a change.

Name: Paul Bowlinger/Kathy Roll **Agency:** Office of Attorney General
Phone Number: 701-328-4633/328-3622 **Date Prepared:** 04/22/2003