

- SUBJECT:** Creating incentives to host the Breeder's Cup races in Texas
- COMMITTEE:** Licensing and Administrative Procedures — committee substitute recommended
- VOTE:** 5 ayes — Wilson, Yarbrough, Haggerty, J. Moreno, A. Reyna  
0 nays  
4 absent — Flores, Goolsby, D. Jones, Wise
- WITNESSES:** For — Dave Appleton; Tom Hart, City of Grand Prairie; David E. Hooper, Texas Thoroughbred Association and Texas Racing Agrindustry Council; Corey S. Johnson, Lone Star Park at Grand Prairie; *Registered but did not testify:* Vic Suhm, North Texas Commission  
Against — Weston Ware, Baptist Christian Life Coalition
- BACKGROUND:** The Texas Racing Act (Art. 179e, V.A.C.S.) provides for the regulation of horse racing and greyhound racing and the control of parimutuel betting in connection with that racing. Under the act, a horse racing association must set aside certain portions of the revenues of each parimutuel pool for state general revenue.  
The Breeder's Cup is a series of eight races held on the same day, with combined prize, or purse, money of about \$13 million.
- DIGEST:** CSHB 1923 would amend the Texas Racing Act by adding a section on national event incentives.  
An association licensed to conduct horse racing with parimutuel wagering could apply for reimbursement of parimutuel taxes that otherwise would be owed to the state so that the association could pay for costs of hosting the Breeder's Cup. The association could be reimbursed either \$2 million or the amount contributed by political subdivisions and development organizations for Breeder's Cup costs, whichever was less.

An association designated to host the Breeder's Cup races could deposit revenues that otherwise would be set aside for the state into the Breeder's Cup developmental account, beginning January 1 of the year in which the association was to host the event. The account would be a dedicated account in the general revenue fund, administered by the Texas Racing Commission. Money in the account could be appropriated only to the commission and could be used only for purposes of reimbursing Breeder's Cup expenses. The fund would not be subject to the provisions of Government Code, sec. 403.095 regarding the use of dedicated revenue.

The association would have to file a request for reimbursement with the commission, which would have to disburse money from the account to reimburse event costs incurred and paid by the association. Disbursements could not exceed either \$2 million or the amount contributed by political subdivisions and development organizations for Breeder's Cup costs, whichever was less.

The association would have to submit a report to the commission not later than January 31 of the year following the year it hosted the Breeder's Cup. The report would have to include the total costs incurred in conjunction with the Breeder's Cup, payments made by political subdivisions and development organizations toward the event's costs, and any other information the commission requested. The commission would have to take steps to verify the report's accuracy. Not later than March 31 of that year, the commission would have to transfer to general revenue any balance remaining in the account after reimbursing any Breeder's Cup costs.

The racing commission could adopt rules required to administer the bill's provisions and to facilitate the conduct of Breeder's Cup races. These rules could include rules or waivers of existing rules for regulation, supervision, and overall conduct of Breeder's Cup races; licensing of participants; stabling and training requirements for horses; and commingling of parimutuel pools. The comptroller could adopt rules for administering the Breeder's Cup developmental account.

The bill would take effect September 1, 2001. It would prevail over any conflicting provision of the Texas Racing Act.

SUPPORTERS  
SAY:

CSHB 1923 could increase the possibility that a Texas track could host the Breeder's Cup, the nation's second most important horse race. Texas' state thoroughbred association has 2,400 members, making it the nation's largest. Hosting this event would bring attention to Texas and Texas horse racing, and the national telecast of the Breeder's Cup would provide valuable advertising opportunities for Texas businesses and opportunities for the state to promote tourism. In the recent past, every other state that has hosted the Breeder's Cup has passed facilitating legislation to provide support for infrastructure development.

The bill would establish a dedicated account in the general revenue fund as a funding mechanism to provide an incentive for hosting the Breeder's Cup. It would not appropriate any funds for this account, nor do the current versions of the general appropriations bill for the next biennium contain any proposed appropriations for this account. The account could be funded only if an association was selected to host the Breeder's Cup. The funding would be for only one year and would have to be matched by local development money. Creating this fund would not create an ongoing obligation for the state. Account money not used to reimburse Breeder's Cup expenses would have to be transferred to general revenue.

To attract the Breeder's Cup, a track and the host area would have to make significant infrastructure improvements. A track hosting the Breeder's Cup would have to spend about \$7 million to \$8 million to make the infrastructure improvements necessary to host the event. CSHB 1923 would provide a maximum of \$2 million through the account funding mechanism, which would have to be matched by funds contributed by local development organizations and political subdivisions, for a possible total of \$4 million. The track would have to raise the other necessary funds.

A Breeder's Cup held in Texas would boost the economy. A track hosting the Breeder's Cup usually schedules other races for the day before and the day after, so that horse racing enthusiasts can make it a weekend event. The influx of people from out of state could bring an estimated \$58 million into the local economy. The state's investment of up to \$2 million would be a small investment for such a potentially large return.

Hosting the Breeder's Cup in Texas would help keep Texas money in Texas. Although it is illegal to place bets by telephone in Texas, many horse racing enthusiasts do place bets via telephone or via the Internet. That money leaves the state.

Horse racing continues to contribute a portion of the parimutuel betting pool funds to the state, in an amount similar to that contributed by tracks in other states. CSHB 1923 would stimulate the sport of horse racing, not slot machines or casino games, and would showcase Texas' horse racing industry. The state already has authorized parimutuel betting on horse racing, and this bill would do nothing to expand that authority.

OPPONENTS  
SAY:

The state should not provide another subsidy for horse racing in Texas. The horse racing industry has not delivered the economic benefits it has promised in the past. As soon as the state authorized parimutuel betting, the racing associations began asking the state for money to pay for horse racing tracks. The state's share of parimutuel betting pools was reduced from 5 percent to 1 percent before any horse racing tracks even opened. CSHB 1923 would provide another handout to the horse racing industry.

The bill also would promote gambling. Expanding horse racing would lead to expanding other forms of gambling. In New Mexico and Louisiana, for example, horse racing tracks also have slot machines on site. Gambling is a serious addiction for some people, and the state should not promote it.

NOTES:

The bill as filed would have created a special account from which disbursements could be made to pay Breeder's Cup costs actually incurred by the association. The committee substitute would create an account in general revenue. It added the provision that money in the account could be used only for purposes specified in the bill and the provisions relating to reimbursement of costs incurred or paid for by host tracks. It also added the provisions for rulemaking authority for the commissioner and the comptroller.

The companion bill, SB 1096 by Cain, passed the Senate by voice vote on April 19 and was reported favorably, without amendment, by the House Licensing and Administrative Procedures Committee, making it eligible to be considered in lieu of HB 1923.