



House Bill 453 Printer's Number 2410

Gaming

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(Note: This document will be updated as more information becomes available)

The House Republican budget proposal to take \$630.5 million from special funds to balance the General Fund budget would affect several gaming-related funds.

Of this, \$25.8 million would come from the racing and gaming industry, but these revenues **are not taxpayer dollars**. The funding sources for the Racing Fund is from assessments on gaming activities and fees and taxes on racing for regulation of the industry. **If the commonwealth takes money for this unauthorized purpose, it would become highly susceptible to costly litigation.**

The following analysis reflects the House Republican proposal as adopted by the House in HB453 PN2410. This proposal has changed since the Republican press conference on Sept. 5. Since then, Republicans reduced the transfer from the Racing Fund, eliminated the transfer from the Compulsive and Problem Gambling Treatment Fund and added a new transfer from the Race Horse Development Fund.

Racing Fund

- Amount identified: \$15.0 million.
- Non-recurring
- Description: This fund is solely used for the regulation of the horse racing industry by the State Horse Racing Commission and Department of Agriculture. Licenses, fees and taxes specific to the horse racing industry generate the revenue and, therefore, are not intended for General Fund use. Prior to Act 7 of 2016, revenues were insufficient to support the basic operations of the commission, which prompted a threat from the governor to shut down racing if a new funding source was not found. Act 7 provides a temporary funding solution, but a long-term fix is still required by 2020/21.

Impact on the People

- **A transfer of this magnitude would result in a shut-down of the commission, which would then lead to a shut-down of all horse racing and jeopardize the operations of Category 1 casinos.** The ripple effect would be felt throughout the state economy, especially in rural areas. Jobs in the racing industry would be eliminated, which counters the Republican claim that “not one job” would be lost, and breeders would take horses out of state to compete. A shut-down of casinos would also result in additional job losses and reductions to property tax relief.

Cost Shifts to Communities

- Communities near race tracks and casinos heavily depend on the local share taxes generated by gaming, and a shut-down of tracks would result in local tax increases.
- There would also be a negative economic impact on the communities of businesses servicing tracks and casinos.

Balances

- **The Racing Fund does not have a surplus of \$15 million available to transfer to the General Fund.** It is barely self-sustaining. While the June 30 ending balance appears to show excess funds, this does not reflect actual cash flow for the fund.

Legal Consequences

- Raiding this fund will most likely result in costly litigation from casinos and many other stakeholders in the racing and breeding industry. Why? **These are not taxpayer dollars** and therefore cannot be taken for General Fund use.

Pennsylvania Race Horse Development Fund

- Amount Identified: \$10.75 million
- Non-recurring
- Description: This fund supports the racing industry and the horsemen by providing money to purses, breeders and horsemen in the form of pension and healthcare benefits. This fund also transfers money to the State Racing Fund for drug testing of race horses and for promotional costs. Revenues to the fund originate as assessments on gross terminal revenue from slot machine play at all casinos.

Impact on the People

- Transfers from this fund will have a negative impact on the horsemen in Pennsylvania.

Balances

- This fund does not carry an unused balance from year to year. All funds received are distributed each year. Money in the fund is **not taxpayer money**. Revenues are derived from assessments on slot machine play at all casinos.

Legal Consequences

- Various horsemen's organizations and casinos could have standing to file suit against improper use of funds.