

HOUSE OF REPRESENTATIVES STAFF ANALYSIS

BILL #: PCB PBC 07C-09 JEC Pari-Mutuel Wagering
SPONSOR(S): Policy & Budget Council
TIED BILLS: **IDEN./SIM. BILLS:**

REFERENCE	ACTION	ANALYST	STAFF DIRECTOR
Orig. Comm.: Policy & Budget Council		Topp/Martin	Hansen
1) _____	_____	_____	_____
2) _____	_____	_____	_____
3) _____	_____	_____	_____
4) _____	_____	_____	_____
5) _____	_____	_____	_____

SUMMARY ANALYSIS

Currently, the Division of Pari-Mutuel Wagering (division) is a program area in the Department of Business and Professional Regulation (DBPR). In Florida, pari-mutuel wagering is currently conducted on thoroughbred horse racing, harness horse racing, greyhound racing, and jai alai games.

Current law specifies that the racing of an animal with any drug, medication, stimulant, depressant, hypnotic, narcotic, local anesthetic, or drug-masking agent is prohibited. Fines for violations are placed in the Pari-mutuel Wagering Trust Fund to be used for research relating to the medication of racing animals. These revenues may be used by the division to contract with a reputable college or school of veterinary medicine for this research. Currently, the Pharmacokinetic and Clearance Study Agreement provides for the research through the University of Florida College of Veterinary medicine.

The current state budget for fiscal year 2007-08 (chapter 2007-72, Laws of Florida) specifies: "From the funds in Specific Appropriation 2452F, \$300,000 from the Pari-Mutuel Wagering Trust Fund is provided for research that will provide specific recommendations regarding the elimination of performance altering drugs in pari-mutuel industries."

The bill repeals the provisions relating to the use of penalty revenues for research and the bill repeals the statutory provisions providing for the Pharmacokinetic and Clearance Study Agreement between the division and the University of Florida College of Veterinary Medicine.

Currently, s. 1011.93, Florida Statutes (F.S.), relating to funding for universities, specifies that for each fiscal year, the first \$250,000 of the funds credited to the Pari-mutuel Wagering Trust Fund are to be used to fund the establishment and implementation of research and development programs at the University of Florida.

The current state budget for fiscal year 2007-08 (chapter 2007-72, Laws of Florida) specifies: "Funds in Specific Appropriation 2452G [\$300,000] are provided for the pari-mutuel wagering funded research and development program. The University of Florida and the Department of Business and Professional Regulation shall jointly prioritize the programs or projects and administer the distribution of funds."

The bill repeals statutory provisions providing for university funding for pari-mutuel wagering research and development pursuant to chapter 1011, F.S.

Per Section 550.135(2), F.S., at the end of every fiscal year, all funds above \$1.5 million in the Pari-Mutuel Wagering Trust Fund are transferred to the General Revenue Fund. By repealing the two sections of law related to pari-mutuel research and, through a separate bill, reducing the 2007-2008 fiscal year appropriation,

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an additional \$600,000 will be redirected from the Pari-Mutuel Wagering Trust Fund to the General Revenue Fund on an annual basis.

FULL ANALYSIS

I. SUBSTANTIVE ANALYSIS

A. HOUSE PRINCIPLES ANALYSIS:

Provide limited government - The bill is designed to be a transfer of budget resources. This prioritization may result in increased government efficiencies.

B. EFFECT OF PROPOSED CHANGES:

Pari-mutuel Wagering

Chapter 14832, Laws of Florida (L.O.F.),¹ authorized pari-mutuel wagering on thoroughbred horses, harness horses, and greyhounds. Pari-mutuel wagering was authorized for jai-alai performances in 1935² and for quarter horses in 1941.³ The state has traditionally enforced a wide range of regulatory controls over the operations of pari-mutuel permitholders. These controls have been primarily designed to protect the health of the pari-mutuel industry, the integrity of the races and games, and, subsequently, the state revenues generated by wagering activities.

The "Third Annual Report of the Florida State Racing Commission" for the Fiscal Year ending June 30th, 1934, highlights the fact that:

During the past season the Commission inaugurated and waged a campaign to eliminate the practice of doping or stimulating race horses. Having no precedent by which to go, the Commission approached the problem from the angle of prevention, providing also a method of detection...In addition the saliva test was established as a means of identifying stimulants administered to a horse. This was the first time the saliva test had been used in America and was of necessity in its early stage of development.

In 1935 provisions were enacted as chapter 17276, L.O.F., to specify that "...any person who shall stimulate or depress a dog or horse for the purpose of [a]ffecting the results of a race, shall be guilty of a felony..." Similar provisions continue to exist in current law.

Currently, the Division of Pari-Mutuel Wagering (division) is a program area in the Department of Business and Professional Regulation (DBPR). The division's structure is divided between three offices which act under the management of the Office of the Director: the Office of Auditing, the Office of Operations and the Office of Investigations. Each office focuses upon a different aspect of regulation within the pari-mutuel industry in an effort to protect state revenues and maintain the public's confidence in the integrity of the wagering activity.⁴ These operations include a blood and urine testing program for racing animals.

For Fiscal Year 1997/98, the day-to-day operations of the division drug testing laboratory was transferred from the division in Tallahassee to the University of Florida, College of Veterinary Medicine. Additionally, the annual state budget for fiscal year 1997-98, specific appropriation 1590, required the University to complete a feasibility study by January 1, 1998, and report its findings to the Governor and the Legislature. The directive from the Legislature was for the College of Veterinary Medicine to perform a feasibility study assessing the serviceability of the existing equipment, determination of the backlog of samples to be tested, and the annual operating costs to run the laboratory. "At that time, the

¹Provisions dealing with pari-mutuel wagering are presently codified in ch. 550, F.S.

²Ch. 17074, L.O.F. (1935).

³Ch. 25354, L.O.F. (1941).

⁴ Division of Pari-Mutuel Wagering, 75th Annual Report, Fiscal Year 2005-2006, Florida Department of Business and Professional Regulation, pg.3.

Legislature will make the determination as to whether the transfer will be permanent or will revert back to the division.”⁵

Section 550.2415, F.S. - Pharmacokinetic and Clearance Study Agreement

Present situation

Currently, s. 550.2415, F.S., specifies “The racing of an animal with any drug, medication, stimulant, depressant, hypnotic, narcotic, local anesthetic, or drug-masking agent is prohibited.” Subsection (7) of this section requires that fines recovered for violations be placed in the Pari-mutuel Wagering Trust Fund and be used for research relating to the medication of racing animals. These revenues may be “used by the division to contract with a reputable college or school of veterinary medicine [for this research]”.⁶

Subsection (16) of this section requires the division to implement by rule medication levels finalized by the University of Florida and developed pursuant to the Pharmacokinetic and Clearance Study Agreement between the division and the University of Florida, College of Veterinary Medicine. Research on a drug level is considered final when the University of Florida College of Veterinary Medicine completes its research on a particular drug pursuant to the agreement and when the College of Veterinary Medicine provides a final report of its findings, conclusions, and recommendations to the division.

The current state budget for fiscal year 2007-08 (chapter 2007-72, Laws of Florida) specifies:

From the funds in Specific Appropriation 2452F, \$300,000 from the Pari-Mutuel Wagering Trust Fund is provided for research that will provide specific recommendations regarding the elimination of performance altering drugs in pari-mutuel industries.

Effect of proposed changes

The bill repeals the provisions relating to the use of penalty revenues for research pursuant to s. 550,2415(7), F.S.

The bill repeals the provisions of s. 550.2415(16), F.S., providing for the Pharmacokinetic and Clearance Study Agreement between the division and the University of Florida College of Veterinary Medicine.

Section 1011.93, F.S. - University funded research and development programs for pari-mutuel wagering

Present situation

Currently, s. 1011.93, F.S., relating to funding for universities, specifies that for each fiscal year, the first \$250,000 of the funds credited to the Pari-mutuel Wagering Trust Fund are to be used to fund the establishment and implementation of research and development programs at the University of Florida. The University of Florida is authorized to administer the distribution of the funds.

By statute, these programs must include, but are not limited to:

- (1) Research related to the breeding, health, feeding, or training of dogs and horses.
- (2) Development of continuing education programs for individuals involved in the care and treatment of dogs and horses at pari-mutuel facilities.

⁵ Division of Pari-Mutuel Wagering, 66th Annual Report, Fiscal Year 1997-1998, Florida Department of Business and Professional Regulation, pg.4.

⁶ Subsection 550.2415(7), F.S.

- (3) Establishment of a postmortem evaluation program for break-down injuries of dogs and horses.
- (4) Research and development of helmet safety and the improvement of jai alai equipment.

The current state budget for fiscal year 2007-08 (chapter 2007-72, Laws of Florida) specifies:

Funds in Specific Appropriation 2452G [\$300,000] are provided for the pari-mutuel wagering funded research and development program. The University of Florida and the Department of Business and Professional Regulation shall jointly prioritize the programs or projects and administer the distribution of funds.

Effect of proposed changes

The bill repeals the provisions of s. 1011.93, F.S., providing for pari-mutuel wagering funded research and development.

C. SECTION DIRECTORY:

Section 1. Amends s. 550.2415, F.S. to repeal provisions relating to the use of penalty revenues for research and providing for the Pharmacokinetic and Clearance Study Agreement between the division and the University of Florida College of Veterinary Medicine.

Section 2. Repeals s. 1011.93, F.S., relating to certain pari-mutuel wagering funded research and development.

Section 3. Effective date - upon becoming a law.

II. FISCAL ANALYSIS & ECONOMIC IMPACT STATEMENT

A. FISCAL IMPACT ON STATE GOVERNMENT:

1. Revenues:

The department collected the following revenues in accordance with s. 550.2415(7), F.S.:

FY 06/07	\$34,575
FY 05/06	\$34,275
FY 04/05	\$28,425
FY 03/04	\$30,650
FY 02/03	\$36,925

Section 550.2415(7), F.S., provides that these revenues collected from violations are to be used “to contract with a reputable college or school of veterinary medicine or its designee...” Presently, the Department of Business and Professional Regulation is contracting with the University of Florida, College of Veterinary Medicine, for the annually appropriated amount of \$300,000. The annual appropriation exceeds the actual revenues collected.

2. Expenditures:

Currently, the Pharmacokinetic and Clearance Study research and the Pari-Mutuel Wagering Industry research result in annual expenditures of \$600,000 (\$300,000 for each respective research project) from the Pari-Mutuel Wagering Trust Fund.

B. FISCAL IMPACT ON LOCAL GOVERNMENTS:

1. Revenues:

None.

2. Expenditures:

None.

C. DIRECT ECONOMIC IMPACT ON PRIVATE SECTOR:

None.

D. FISCAL COMMENTS:

House Bill 5001C for special session 2007C provides for a full reduction of the \$300,000 for the Grants in Aid Industry Research as well as a \$150,000 reduction to medical drug elimination research. If the proposed budget reductions are adopted, General Revenue will realize an additional \$450,000 in FY 2007-08 and \$600,000 annually thereafter.

III. COMMENTS

A. CONSTITUTIONAL ISSUES:

1. Applicability of Municipality/County Mandates Provision:

Not applicable because this bill does not appear to: require the counties or cities to spend funds or take an action requiring the expenditure of funds; reduce the authority that cities or counties have to raise revenues in the aggregate; or reduce the percentage of a state tax shared with cities or counties.

2. Other:

None noted.

B. RULE-MAKING AUTHORITY:

NA

C. DRAFTING ISSUES OR OTHER COMMENTS:

None noted.

D. STATEMENT OF THE SPONSOR

No statement submitted.

IV. AMENDMENTS/COUNCIL SUBSTITUTE CHANGES