

**HOUSE OF REPRESENTATIVES STAFF ANALYSIS**

**BILL #:** HB5055 PCB JEC 08-09 Pari-Mutuel Wagering Research  
**SPONSOR(S):** Jobs & Entrepreneurship Council; Reagan  
**TIED BILLS:** **IDEN./SIM. BILLS:**

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<b>REFERENCE</b>	<b>ACTION</b>	<b>ANALYST</b>	<b>STAFF DIRECTOR</b>
Orig. Comm.: Jobs & Entrepreneurship Council	17 Y, 0 N	Smith/Topp	Thorn
1) Policy & Budget Council		Martin	Hansen
2)			
3)			
4)			
5)			

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**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 2007-2008 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." This appropriation was reduced by \$75,000 during Special Session C in October 2007, bringing the recurring appropriation to \$225,000.

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

Per Section 550.135(2), F.S., at the end of every fiscal year, all unappropriated funds collected above \$1.5 million in the Pari-Mutuel Wagering Trust Fund are transferred to the General Revenue Fund. By repealing this section of law related to pari-mutuel research, an additional \$225,000 will be redirected from the Pari-Mutuel Wagering Trust Fund to the General Revenue Fund on an annual basis, once the appropriation has been reduced in the Fiscal Year 2008-2009 General Appropriations Act.

The effective date of the bill is July 1, 2008.

## 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, L.O.F.,<sup>1</sup> authorized pari-mutuel wagering on thoroughbred horses, harness horses, and greyhounds. Pari-mutuel wagering was authorized for jai-alai performances in 1935<sup>2</sup> and for quarter horses in 1941.<sup>3</sup> 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 30<sup>th</sup>, 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.<sup>4</sup> These operations include a blood and urine testing program for racing animals.

For Fiscal Year 1997-1998, the day-to-day operations of the division drug testing laboratory were transferred from the division in Tallahassee to the University of Florida College of Veterinary Medicine. Additionally, the annual state budget for fiscal year 1997-1998, 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

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

<sup>2</sup>Ch. 17074, L.O.F. (1935).

<sup>3</sup>Ch. 25354, L.O.F. (1941).

<sup>4</sup> 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.”<sup>5</sup>

### **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].<sup>6</sup>

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 2007-2008 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 appropriation of \$300,000 was reduced by \$75,000 during 2007 Special Session C.

### **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. The bill will eliminate the remaining \$225,000 appropriated for this contract.

#### **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. Provides an effective date of July 1, 2008.

## **II. FISCAL ANALYSIS & ECONOMIC IMPACT STATEMENT**

#### **A. FISCAL IMPACT ON STATE GOVERNMENT:**

##### **1. Revenues:**

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

<sup>6</sup> Subsection 550.2415(7), F.S.

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

FY 2006-2007	\$34,575
FY 2005-2006	\$34,275
FY 2004-2005	\$28,425
FY 2003-2004	\$30,650
FY 2002-2003	\$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 has been reduced to \$225,000 but still exceeds the actual revenues collected.

The effect of this bill will be to allow for an increase in receipts in the General Revenue Fund by \$225,000 once the appropriation is reduced.

2. Expenditures:

Currently, the Pharmacokinetic and Clearance Study research results in annual expenditures of \$225,000 from the Pari-Mutuel Wagering Trust Fund. This bill will allow for elimination of those expenditures beginning in Fiscal Year 2008-2009.

B. FISCAL IMPACT ON LOCAL GOVERNMENTS:

1. Revenues:

None.

2. Expenditures:

None.

C. DIRECT ECONOMIC IMPACT ON PRIVATE SECTOR:

None.

D. FISCAL COMMENTS:

This repeal will allow \$225,000 to be redirected from the Pari-Mutuel Wagering Trust Fund to the General Revenue Fund on an annual basis.

### 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:

B. RULE-MAKING AUTHORITY:

None

C. DRAFTING ISSUES OR OTHER COMMENTS:

None

D. STATEMENT OF THE SPONSOR

N/A

**IV. AMENDMENTS/COUNCIL SUBSTITUTE CHANGES**