



SOUTH CAROLINA REVENUE AND FISCAL AFFAIRS OFFICE

STATEMENT OF ESTIMATED FISCAL IMPACT

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This fiscal impact statement is produced in compliance with the South Carolina Code of Laws and House and Senate rules. The focus of the analysis is on governmental expenditure and revenue impacts and may not provide a comprehensive summary of the legislation.

Bill Number:	S. 0344	Introduced on February 13, 2025
Subject:	SC Equine Advancement Act	
Requestor:	Senate Finance	
RFA Analyst(s):	Tipton	
Impact Date:	April 9, 2025	

Fiscal Impact Summary

This bill establishes the South Carolina Equine Advancement Act to provide grant funding to South Carolina's equine industry through the licensure of advance deposit wagering (ADW) applications providing pari-mutuel wagering on horse races. The bill establishes the SC Equine Commission to administer and regulate this program and establishes the Equine Industry Development Fund within the State Treasury to receive funds derived from the bill. The bill establishes a 1 percent license fee on all ADW bets placed within the state to be paid monthly to the commission and an annual license fee of 5 percent of all wagers made within the state to be credited to the Equine Industry Development Fund to provide grants to qualified recipients to promote and improve the equine industry in the state.

The bill specifies requirements of the commission in licensing a prospective ADW operator and provides for application and license fees required to begin the licensure process. The bill specifies requirements of the Equine Industry Development Fund and establishes criteria that must be considered by the commission in its administration of the fund. The bill states that the commission must be formed sixty days upon approval of the act, must promulgate regulations establishing the grant program no later than twelve months from the effective date of the chapter, and requires the commission to authorize and license qualified ADW applicants for full use by April 1, 2026. The bill also establishes fines and penalties for the operation or use of an unlicensed ADW application. The seven commission members will not receive compensation beyond normal mileage, per diem, and subsistence as provided by law for state boards, committees, and commissions. However, as the commission meeting schedule, mileage, and subsistence amounts are currently unknown, the annual cost of commission meetings is undetermined. The administrative and operating costs of the commission are also currently unknown and will depend upon the structure determined by the commission members. As the bill states that the commission may receive and expend funds for the performance of its duties in the administration of its programs, we anticipate that the commission will be wholly funded using the application and license fee revenue generated by the bill.

This bill requires the Department of Revenue (DOR) to provide administrative support to the commission or any of its divisions for functions including, but not limited to, financial management, human resources management, information technology, procurement services, and logistical support. DOR indicates that these requirements will be managed with existing staff and resources and is not expected to have a significant expenditure impact on the agency.

This bill is not expected to have an expenditure impact on the State Treasurer's Office (STO), Judicial, the South Carolina Law Enforcement Division (SLED), the Department of Corrections (SCDOC), the Commission on Prosecution Coordination (CPC), the Commission on Indigent Defense (CID), the Department of Probation, Pardon, and Parole Services (PPP), the House of Representatives, the Senate, or the Governor's Office, as the requirements of the bill of these entities are expected to be managed within existing resources. In the event that this bill significantly increases the caseload for Judicial or CPC, or significantly increases the number of inmates housed by SCDOC, those agencies indicate that additional General Fund appropriations would be requested.

Based on an analysis of the ADW handles of three states with similar programs, Arizona, Virginia, and West Virginia, the 1 percent monthly license fee on all ADW bets placed in the state may increase revenue for the commission by between \$27,000 and \$49,000 per month, totaling between \$326,000 and \$586,000 in total during the first full year of ADW wagering, and between \$34,000 and \$61,000 per month, or between \$408,000 and \$733,000 in each full year thereafter. The 5 percent annual license fee established by the bill may increase revenue for the Equine Industry Development Fund by between \$1,631,000 and \$2,931,000 in FY 2026-27, and between \$2,039,000 and \$3,664,000 in each year thereafter, less any amount required by the commission for operating expenses. This revenue impact is contingent upon wagers placed by residents of the state and may vary depending on consumer behavior and the availability of alternatives to pari-mutuel wagering, such as the South Carolina Education Lottery.

This bill will also generate revenue for the commission for the licensure of ADW operators. The bill prescribes the term of an ADW license to be for one year, subject to renewal for an additional year. Initial required application fees for ADW applicants are \$5,000, and bi-annual license renewal fees are \$1,000 per licensee. We anticipate approximately 4 to 8 ADW applicants will be licensed under the requirements of the bill based on experience from other states. Therefore, this bill will generate application fees for the commission totaling \$20,000 to \$40,000 in FY 2025-26, and renewal fees of \$4,000 to \$8,000 in FY 2026-27. This revenue will follow a two-year cycle as applications are submitted and renewed and may vary depending on the number of ADW operators seeking to offer pari-mutuel wagers in the state.

This bill will have an undetermined impact on General Funds, Other Funds, and local revenue from court fines and fees, as the number of offenses in violation of the bill that might occur in a given year is unknown.

The bill is expected to increase Other Funds revenue for SLED from background checks of prospective licensees by an undetermined amount. SLED is authorized to retain fees from background checks above \$4,461,000, which is allocated to the General Fund pursuant to state law. From FY 2021-22 to FY 2023-24, SLED retained an average of \$13,081,000 per year. Therefore, no increase in General Fund revenue is expected from the additional background checks and the potential increase in Other Funds revenue to SLED is undetermined as it depends on the number of additional background checks.

This bill will have an undetermined local expenditure impact, as the number of inmates that will be housed in local jails as a result of the penalties established by the bill is currently unknown. However, we anticipate that the increase in municipal and magistrates court caseload will be managed within the current budget of the court systems.

Explanation of Fiscal Impact

Introduced on February 13, 2025

This bill establishes the South Carolina Equine Advancement Act to provide grant funding to South Carolina's equine industry through the licensure of ADW applications providing pari-mutuel wagering on horse races. The bill establishes the SC Equine Commission to administer and regulate this program and establishes the Equine Industry Development Fund within the State Treasury to receive funds derived by the bill. The bill establishes a 1 percent license fee on all ADW wagers placed within the state to be paid monthly to the commission and an annual license fee of 5 percent of all wagers made within the state to be credited to the Equine Industry Development Fund to provide grants to qualified recipients to promote and improve the equine industry in the state.

Under this bill, the South Carolina Equine Commission will consist of the following seven members:

- The Director of DOR, ex officio, or his designee, who will serve as chairman,
- Two commissioners appointed by the President of the Senate,
- Two commissioners appointed by the Speaker of the House of Representatives, and
- Two commissioners appointed by the Governor.

The bill establishes requirements for consideration for appointees to the commission, and states that commissioners and their family may not have an ownership interest in an ADW application. This bill grants the commission certain powers necessary to administer the provisions of the bill and to perform its essential duties, including, but not limited to, promulgating rules and regulations as may be necessary to carry out the provisions, establishing advisory committees as the commission deems necessary, to enter into contracts or agreements for the performance of its program and duties, and to administer the Equine Industry Development Fund by making grants to qualified recipients.

The bill further specifies numerous requirements of the commission in licensing a prospective ADW licensee, including SLED and Federal Bureau of Investigation (FBI) background and financial checks of individuals associated with the applicant, a description of the wagers that will be accepted, the applicant's plan of operations, and any other information deemed necessary by the commission. The bill prescribes the term of an ADW license to be for one year, subject to renewal for an additional year. Initial required application fees for ADW applicants are \$5,000, and bi-annual license renewal fees are \$1,000 per licensee. The commission is required to review each license annually to ensure that each licensee is acting in accordance with applicable laws and regulations consistent with the original issuance of the license. A licensee who is found not to be acting in accordance with applicable laws or regulations is subject to suspension or revocation of his license. The bill states that the commission must bear the cost of the applicant

examination, including the fingerprint-based background checks through SLED and the FBI. The bill specifies requirements of the Equine Industry Development Fund, and establishes criteria that must be considered by the commission in its administration of the fund. The bill states that the commission must be formed sixty days upon approval of the act, must promulgate regulations establishing the grant program no later than twelve months from the effective date of the chapter, and requires the commission to authorize and license qualified ADW applicants for full use by April 1, 2026.

Commission members will not receive compensation beyond normal mileage, per diem, and subsistence as provided by law for state boards, committees, and commissions. Pursuant to Proviso 117.19 of the FY 2024-25 Appropriations Act, each member of the commission who is not a current member of the General Assembly will receive per diem of \$50 and subsistence of no more than \$50 per day. Commission members who are also members of the General Assembly will receive per diem of \$50 per day and subsistence of \$240.07 per day for each commission meeting that the General Assembly is not already in session. Proviso 117.20 of the FY 2024-25 Appropriations Act further sets mileage reimbursement rates equal to the standard business mileage rate as established by the Internal Revenue Service currently of 70 cents per mile. However, as the actual commission meeting schedule, mileage, and subsistence amounts are currently unknown, the annual cost of meetings is undetermined. The administrative and operating costs of the commission are also currently unknown and will depend upon the structure determined by the commission members. As the bill states that the commission may receive and expend funds for the performance of its duties in the administration of its programs, we anticipate that the commission will be wholly funded using the application and license fee revenue generated by the bill.

Department of Revenue. This bill requires DOR to provide administrative support to the commission or any of its divisions for functions including, but not limited to, financial management, human resources management, information technology, procurement services, and logistical support. DOR indicates that these requirements will be managed with existing staff and resources and will have no expenditure impact on the agency.

State Treasurer's Office. This bill establishes the Equine Industry Development Fund separate from the General Fund and all Other Funds in which proceeds generated by the license fee on ADW wagers, less any amounts retained by the commission for operating expenses, and any donations, contributions, bequests, or other gifts will be deposited. This fund must be used by the commission to provide grants to qualified recipients to finance the eligible costs of qualified projects, and to promote and improve the equine industry in the state. The bill provides that earnings and interest on this fund must be credited to it and any balance at the end of a fiscal year will carry forward to the fund in the succeeding fiscal year. STO indicates that the fund will be created upon certification by the Comptroller General's Office and follow the standard course of business thereafter. Therefore, this bill will have no impact on STO.

Judicial. This bill prohibits ADW applications not licensed with the commission from providing ADW wagers and establishes a misdemeanor penalty and fine for violation of this provision. In addition, this bill prohibits pari-mutuel wagering by an individual through an unlicensed

application and establishes an additional misdemeanor penalty and fine for violators. Since the bill creates new causes of action, there is no data with which to estimate the number of court filings. Judicial anticipates that any increase in the caseload will be managed with existing staff and resources. In the event that the additional caseload or impact on ancillary court costs are larger than anticipated, Judicial indicates that additional General Fund appropriations would be requested.

State Law Enforcement Division. This bill requires SLED to conduct background checks of prospective licensees for the commission. The commission is required to bear the cost of the background checks of prospective licensees with revenue available for such expenses. Therefore, the requirements of this bill are expected to take place under normal operations for SLED.

Department of Corrections. SCDOC indicates that the bill may result in an undetermined increase in the number of inmates housed by the agency. According to SCDOC, in FY 2023-24, the annual total cost per inmate was \$40,429, of which \$36,553 was state funded. If the bill results in a significant increase in inmate population, SCDOC will request an increase in General Fund appropriations.

Commission on Prosecution Coordination. This bill creates a new offense, which could result in an increase in the number of warrants that are sent to the Offices of Circuit Solicitor for review, prosecution, and disposition; however, whether an increase in warrants will result is unknown. CPC anticipates managing the requirements of the bill with existing staff and resources. In the event that the additional caseload is larger than anticipated, CPC indicates that additional General Fund appropriations would be requested.

Commission on Indigent Defense. This bill creates a new offense, which could result in an increase in the workload for the agency; however, the number of additional cases that will be managed as a result of the bill is currently unknown. CID anticipates that this bill will be managed with existing staff and resources and will have no impact.

Department of Probations, Pardons, and Parole. This bill creates a new offense, which could result in an increase in the workload for the agency; however, the number of additional cases that will be managed as a result of the bill is currently unknown. Based on responses from Judicial, CPC, and CID, we anticipate that PPP will manage the requirements of the bill with existing staff and resources.

House of Representatives and the Senate. The House of Representatives and the Senate previously indicated that appointment requirements for commissions will take place under normal operations and will have no impact.

Governor's Office. The Governor's Office previously indicated that appointment requirements for commissions will take place under normal operations and will have no impact.

State Revenue

This bill establishes the South Carolina Equine Advancement Act to provide grant funding to South Carolina's equine industry through the licensure of ADW applications providing pari-mutuel wagering on horse races. The bill establishes the SC Equine Commission to administer and regulate this program and establishes the Equine Industry Development Fund within the State Treasury to receive funds derived by the bill. The bill establishes a 1 percent license fee on all ADW wagers placed within the state to be paid monthly to the commission for the costs of administering the program, and an additional annual license fee of 5 percent of all wagers made within the state be directed to the Equine Industry Development Fund.

The table below contains information from the Oregon Racing Commission, which requires ADW applications to register and provide financial information on the volume of pari-mutuel wagers placed nationally within a given year. Shown is the total nationwide pari-mutuel handle among ADW operators from 2018 to 2024.

Oregon Racing Commission Multi-Jurisdictional Handle¹	
2018	\$4,216,834,582
2019	\$4,364,756,572
2020	\$6,665,743,116
2021	\$6,657,443,051
2022	\$6,411,059,646
2023	\$6,636,492,617
2024	\$6,533,045,369

Nationwide wagering varies widely due to differing ADW programs and levels of regulation, varying equine industries, and differing per capita income levels in different states. In addition, ADW operators licensed with the Oregon Racing Commission do business in states that do not expressly prohibit ADW wagering, and for which no data are available. Therefore, our analysis uses the select states of Arizona, Virginia, and West Virginia to determine the range of revenue that may be generated by the bill. These states regulate ADW applications similarly to the provisions in the bill. Also, based on data from Arizona and Michigan that implemented the regulation of ADW applications within the last seven years, we estimate that the first year of implementation will be approximately 80 percent of the amount wagered in subsequent years due to lead time on application compliance, establishment of regulations, and adoption by the public. ADW applications in the select states all limit the use of the application to residents of those states at least 18 years or older as required by the bill.

¹ Oregon Racing Commission, *Advance Deposit Wagering Report*, Retrieved March 31, 2025, <https://www.oregon.gov/racing/Parimutuel%20Handle/MJ%20Hubs%20Stats/QT%20HND.pdf>

The table below shows the total amount wagered per legal resident over the two most recent years for which data are available in the select states.

Annual ADW Pari-Mutuel Wagers Per Legal Citizen in Comparable States			
	Arizona ²	Virginia ³	West Virginia ⁴
2023	\$10.35	\$16.91	\$11.73
2024	\$10.88	\$16.97	\$7.12

According to the U.S. Census Bureau,⁵ the total 18 and older population of the sample state of West Virginia with the lowest ADW wager per legal citizen was 1,421,615 in 2024, resulting in an average annual wager per legal resident of \$9.42 based on total wagers in the state from 2023 to 2024. Applying this metric to the estimated 18 and older population of South Carolina of approximately 4,326,760 in 2024 yields total wagers of approximately \$40,779,000. According to the U.S. Census Bureau, the total 18 and older population of the sample state of Virginia with the highest ADW wager per legal citizen in 2024 was 6,927,764, resulting in an average annual wager per legal bettor of \$16.94 based on total wagers in the state from 2023 to 2024. Applying this metric to the estimated 18 and older population of South Carolina in 2024 yields total expected wagers of approximately \$73,285,000. Applying the 20 percent reduction assumption in the first year yields a total handle of between \$32,623,000 and \$58,628,000 in the first full year of ADW wagering beginning on April 1, 2026, and between \$40,779,000 and \$73,285,000 in each year thereafter, upon which the monthly and annual license fee will be applied.

Based on the estimated handle expected upon the commencement of ADW wagering on April 1, 2026, the 1 percent monthly license fee established by this bill will increase revenue for the commission by between \$27,000 and \$49,000 per month, totaling between \$326,000 and \$586,000 during the first full year of ADW wagering, and between \$34,000 and \$61,000 per month, or between \$408,000 and \$733,000 annually in each year thereafter. Further, the 5 percent annual license fee established by the bill will increase revenue for the Equine Industry Development Fund by between \$1,631,000 and \$2,931,000 in FY 2026-27, and between \$2,039,000 and \$3,664,000 in each year thereafter, less any amount required by the commission for operating expenses.

The actual revenue generated by the license fees on pari-mutuel wagers will depend upon the total amount wagered in the state under future regulations and requirements established by the commission. This analysis assumes that consumer behavior of residents of South Carolina will

² Arizona Department of Gaming, *Pari-Mutuel Source Data*, FY 2023 and 2024, <https://gaming.az.gov/sites/default/files/documents/files/FY23%20Pari-Mutuel%20Source%20Data.pdf>, <https://gaming.az.gov/sites/default/files/FY24%20Pari-Mutuel%20source%20data.pdf>

³ Virginia Racing Commission, *HHR Reports*, Retrieved March 31, 2025, <https://vrc.virginia.gov/reports.shtml>

⁴ West Virginia Racing Commission, *Monthly ADW Reconciliation*, 2023 and 2024, <https://racing.wv.gov/SiteCollectionDocuments/Reports/2024/Detailed%20Distribution23.pdf>, https://racing.wv.gov/SiteCollectionDocuments/Reports/2024/Detailed%20Distribution24_1%20%282%29.pdf.

⁵ US Census Bureau, *State Population by Characteristics: 2020-2024*, December 2024, <https://www.census.gov/data/datasets/time-series/demo/popest/2020s-state-detail.html>

be similar to other states as it relates to wagering on horse races. Furthermore, license fee revenues generated by this bill may be impacted by available alternatives to pari-mutuel wagering, such as the South Carolina Education Lottery, online sports wagering, or other potentially available gambling options.

This bill will also generate revenue for the commission related to the licensure of ADW operators. The bill prescribes the term of an ADW license to be for one year, subject to renewal for an additional year. Initial required application fees for ADW applicants are \$5,000, and bi-annual license renewal fees are \$1,000 per licensee. Based on the number of licensees registered with the Oregon Racing Commission, we anticipate approximately 4 to 8 ADW applicants will be licensed under the requirements of the bill. Therefore, this bill will generate application fees for the commission totaling \$20,000 to \$40,000 in FY 2025-26, and renewal fees of \$4,000 to \$8,000 in FY 2026-27. This revenue will follow a two-year cycle as applications are submitted and renewed and may vary depending on the number of ADW operators seeking to offer wagers in the state.

In addition, this bill prohibits ADW applications not licensed with the commission from providing pari-mutuel wagers and establishes a misdemeanor penalty and fine for violations of this provision of up to \$5,000 and imprisonment of up to a year. Further, this bill prohibits pari-mutuel wagering by an individual through an unlicensed application and establishes a misdemeanor penalty with a fine for violators of up to \$2,000 and imprisonment of up to a year. Thus, this bill has the potential to increase General Fund and Other Funds revenue from court fines and fees. However, as the number of such offenses that might occur in a given year is unknown, the revenue impact cannot be determined.

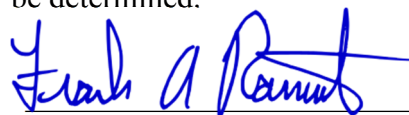
Further, this bill will increase the number of criminal records searches that SLED is required to perform. SLED indicates that the total cost for a criminal records search is \$51.75, of which \$25 is retained by SLED. The vendor, Identogo, receives \$13.50, and the remainder of the fee, \$13.25, is remitted to the FBI. Pursuant to Section 23-3-115(A), revenue generated by criminal records checks performed by SLED up to an amount of \$4,461,000 must be deposited in the General Fund. Any revenue over that amount is retained by SLED. From FY 2021-22 to FY 2023-24, SLED retained an average of \$13,081,000. Therefore, there is no expected increase in General Fund revenue from the additional background checks, and the potential increase in Other Funds to SLED is undetermined as it depends on the number of additional background checks.

Local Expenditure

The number of inmates that will be housed in county prisons or municipal jails as a result of the penalties established by the bill is currently unknown. Therefore, the local expenditure impact is undetermined.

Local Revenue

This bill has the potential to increase local revenue from court fines and fees. However, as the number of such offenses that might occur in a given year is unknown, the revenue impact cannot be determined.



Frank A. Rainwater, Executive Director