

# HOUSE BILL REPORT

## ESSB 5747

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**As Passed House:**  
March 25, 2011

**Title:** An act relating to Washington horse racing funds.

**Brief Description:** Concerning Washington horse racing funds.

**Sponsors:** Senate Committee on Labor, Commerce & Consumer Protection (originally sponsored by Senators Hewitt, Kohl-Welles and Conway).

**Brief History:**

**Committee Activity:**

State Government & Tribal Affairs: 3/9/11 [DP].

**Floor Activity:**

Passed House: 3/25/11, 93-2.

**Brief Summary of Engrossed Substitute Bill**

- Authorizes the Washington Horse Racing Commission (Commission) to make payments to nonprofit race meets for purses at qualified race tracks that were operating in 2010, as well as at qualified race tracks that have been operating for the five consecutive years preceding the year of payment.
- Authorizes the Commission to receive gifts, grants, and endowments from public or private sources to regulate and support nonprofit race meets.
- Deletes provisions allowing the Commission to supplement insufficient funding of the purses for nonprofit race meets.
- Eliminates the \$15,800 per race day purse cap for nonprofit race meets.

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### HOUSE COMMITTEE ON STATE GOVERNMENT & TRIBAL AFFAIRS

**Majority Report:** Do pass. Signed by 9 members: Representatives Hunt, Chair; Appleton, Vice Chair; Taylor, Ranking Minority Member; Overstreet, Assistant Ranking Minority Member; Alexander, Condotta, Dunshee, Hurst and McCoy.

**Staff:** Miranda Leskinen (786-7291) and Joan Elgee (786-7106).

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*This analysis was prepared by non-partisan legislative staff for the use of legislative members in their deliberations. This analysis is not a part of the legislation nor does it constitute a statement of legislative intent.*

**Background:**

The Washington Horse Racing Commission (Commission) is responsible for licensing, regulating, and supervising horse racing in the state. Accordingly, the Commission determines and announces the time, place, and duration of licensed race meets. Race meet participants, including owners, trainers, and jockeys, are required to obtain a license from the Commission and pay a licensing fee. The Commission may license nonprofit race meets that last no more than 10 days and have an average daily handle of no more than \$120,000 for a daily licensing fee of \$10. The sponsoring nonprofit association is exempt from paying other fees.

Non-exempt licensees must forward a specified percentage of all daily gross receipts from their in-state pari-mutuel machines based on the gross receipts of all their in-state pari-mutuel machines in the previous calendar year. Furthermore, non-exempt licensees must forward 1 percent of the daily gross receipts from all pari-mutuel machines at each race meet to the Commission for deposit in the Washington Horse Racing Commission Washington Bred Owners' Bonus Fund and Breeder Awards Account (Bonus/Awards Account). Interest earnings from the Bonus/Awards Account are equally distributed each year to qualified race tracks that hold nonprofit race meets. These funds must be used to maintain and upgrade the racing tracks and equine quartering areas where the nonprofit race meets are held.

Additionally, non-exempt licensees must forward one-tenth of 1 percent of the daily gross receipts from their in-state pari-mutuel machines to the Commission's Class C Purse Fund for payment to certain nonprofit race meets. Payments are specifically used to fund purses for nonprofit race meets at qualified race tracks that have been operating for the five consecutive years leading up to the year of payment. These payments are distributed by the Commission on a per race day basis, at a rate of \$15,800 per race day. Excess funds are returned to the licensees, while the Commission may supplement insufficient funds with funds from the following sources:

- fines imposed by the Board of Stewards and the Commission in a calendar year;
- a Commission approved percentage of any source market fee generated from advance deposit wagering; or
- the Commission Operating Account (Operating Account), including interest earned from the Operating Account.

The Operating Account is funded by the daily gross receipts collected from in-state pari-mutuel machines and pays for the Commission's operating expenses. Investment earnings from the Operating Account must be distributed to the Class C Purse Fund for nonprofit race meets. In addition, the Commission may spend up to \$300,000 from its Operating Account each fiscal year to provide additional necessary support to nonprofit race meets for the purpose of developing the equine industry, maintaining and upgrading racing facilities, and assisting equine research. The Commission may expend funds for these purposes only when sufficient funds remain for the Commission's operations. The Commission must give first priority to the assistance of nonprofit race meets and equine health research.

**Summary of Bill:**

The Commission is authorized to use Class C Purse funds to make payments to nonprofit race meets to fund purses at qualified race tracks that were operating in 2010, as well as at qualified race tracks that have been operating for the five consecutive years preceding the year of payment. Payments to nonprofit race meets must be distributed by the Commission on a per race day basis at a rate of up to, rather than equal to, \$15,800 per race day. The provision allowing the return of excess funds collected from the daily gross receipts of in-state pari-mutuel machines to licensees is deleted, as is the provision allowing the Commission to utilize authorized funding sources to supplement insufficient funds for the purses at nonprofit race meets.

The Commission is additionally authorized to receive gifts, grants, and endowments from public or private sources to regulate and support nonprofit race meets. These gifts, grants, and endowments must be deposited into the Operating Account and expended only after appropriation and according to the terms of the gift, grant, or endowment. Interest earnings from the Operating Account must be retained in the Operating Account rather than distributed to the Class C Purse Fund.

The Commission may continue to spend up to \$300,000 from the Operating Account each fiscal year to provide needed supplemental support to nonprofit race meets for the purpose of developing the equine industry, maintaining and upgrading racing facilities, and assisting equine research. However, the Commission, when deciding how to allocate these funds, must give first consideration to uses that regulate, as well as assist, nonprofit race meets and equine health research.

**Appropriation:** None.

**Fiscal Note:** Available.

**Effective Date:** The bill contains an emergency clause and takes effect immediately.

**Staff Summary of Public Testimony:**

(In support) Sun Downs is the only race track receiving the Commission's funding for this year to hold nonprofit race meets. Unfortunately, there is just not enough money to fund all nonprofit race meet requests in the current economic climate. Grandfathering in qualified race tracks that operated in 2010, eliminating the \$15,800 per race day purse cap, and allowing the Commission to accept gifts designated to assist nonprofit race meets will help these tracks continue to hold nonprofit race meets at a time when Commission resources are limited.

(Opposed) None.

**Persons Testifying:** Senator Hewitt, prime sponsor; and Robert Lopez, Washington Horse Racing Commission.

**Persons Signed In To Testify But Not Testifying:** None.