

CERTIFICATION OF ENROLLMENT

ENGROSSED SECOND SUBSTITUTE SENATE BILL 6562

Chapter 345, Laws of 1998

(partial veto)

55th Legislature
1998 Regular Session

EQUINE INDUSTRY RELIEF

EFFECTIVE DATE: 6/11/98 - Except sections 1 through 9 which become effective on 4/3/98; and sections 10 through 12 become effective on 7/1/2001, if the repeal of RCW 67.16.100, 67.16.105, and 67.16.170 under section 9 become effective.

Passed by the Senate March 9, 1998
YEAS 45 NAYS 3

BRAD OWEN

President of the Senate

Passed by the House March 6, 1998
YEAS 91 NAYS 7

CLYDE BALLARD

**Speaker of the
House of Representatives**

Approved April 3, 1998, with the
exception of section 16, which is
vetoed.

CERTIFICATE

I, Mike O Connell, Secretary of the Senate of the State of Washington, do hereby certify that the attached is **ENGROSSED SECOND SUBSTITUTE SENATE BILL 6562** as passed by the Senate and the House of Representatives on the dates hereon set forth.

MIKE O'CONNELL

Secretary

FILED

April 3, 1998 - 5:35 p.m.

GARY LOCKE

Governor of the State of Washington

**Secretary of State
State of Washington**

ENGROSSED SECOND SUBSTITUTE SENATE BILL 6562

AS AMENDED BY THE HOUSE

Passed Legislature - 1998 Regular Session

State of Washington

55th Legislature

1998 Regular Session

By Senate Committee on Ways & Means (originally sponsored by Senators Schow, Heavey, Rasmussen and Anderson)

Read first time 02/26/98.

1 AN ACT Relating to relief for the equine industry by amending the
2 parimutuel tax on horse racing to provide additional support for
3 licensed racing associations, the state fair account, the state trade
4 fair account, and the Washington horse racing commission, and modifying
5 the membership thereof; amending RCW 15.04.090, 67.16.012, 67.16.100,
6 67.16.105, and 67.16.170; adding a new section to chapter 15.76 RCW;
7 adding a new section to chapter 43.31 RCW; adding new sections to
8 chapter 43.131 RCW; adding new sections to chapter 67.16 RCW; creating
9 a new section; providing a contingent effective date; and declaring an
10 emergency.

11 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF WASHINGTON:

12 **Sec. 1.** RCW 15.04.090 and 1961 c 11 s 15.04.090 are each amended
13 to read as follows:

14 The director of agriculture may, at his discretion, for a period of
15 not to exceed ten years, lease state lands which are now or may
16 hereafter be, under his direction and control, the retention of which
17 he deems unnecessary for present state purposes or needs, to any
18 nonprofit group or organization having educational, agricultural or
19 youth development purposes. Such leases shall be upon such terms as

1 the director deems beneficial to the state. All rental funds received
2 by the director under the provisions of this section shall be deposited
3 in the ((~~"fair fund" provided in RCW 67.16.100~~)) fair fund created
4 under section 2 of this act.

5 NEW SECTION. **Sec. 2.** A new section is added to chapter 15.76 RCW
6 to read as follows:

7 The fair fund is created in the custody of the state treasury. All
8 moneys received by the department of agriculture for the purposes of
9 this fund and from RCW 67.16.105(4) shall be deposited into the fund.
10 Expenditures from the fund may be used only for assisting fairs in the
11 manner provided in this chapter. Only the director of agriculture or
12 the director's designee may authorize expenditures from the fund. The
13 fund is subject to allotment procedures under chapter 43.88 RCW, but no
14 appropriation is required for expenditures.

15 NEW SECTION. **Sec. 3.** A new section is added to chapter 43.31 RCW
16 to read as follows:

17 The state trade fair fund is created in the custody of the state
18 treasury. All moneys received by the department of community, trade,
19 and economic development for the purposes of this fund shall be
20 deposited into the fund. Expenditures from the fund may be used only
21 for the purpose of assisting state trade fairs. Only the director of
22 community, trade, and economic development or the director's designee
23 may authorize expenditures from the fund. The fund is subject to
24 allotment procedures under chapter 43.88 RCW, but no appropriation is
25 required for expenditures.

26 **Sec. 4.** RCW 67.16.012 and 1987 c 453 s 2 are each amended to read
27 as follows:

28 There is hereby created the Washington horse racing commission, to
29 consist of ((~~three~~)) five commissioners, appointed by the governor and
30 confirmed by the senate. The commissioners shall be citizens,
31 residents, and qualified electors of the state of Washington, one of
32 whom shall be a breeder of race horses and shall be of at least one
33 year's standing. The terms of the members shall be six years. Each
34 member shall hold office until his or her successor is appointed and
35 qualified. Vacancies in the office of commissioner shall be filled by
36 appointment to be made by the governor for the unexpired term. Any

1 commissioner may be removed at any time at the pleasure of the
2 governor. Before entering upon the duties of his or her office, each
3 commissioner shall enter into a surety company bond, to be approved by
4 the governor and attorney general, payable to the state of Washington,
5 in the penal sum of five thousand dollars, conditioned upon the
6 faithful performance of his or her duties and the correct accounting
7 and payment of all sums received and coming within his or her control
8 under this chapter, and in addition thereto each commissioner shall
9 take and subscribe to an oath of office of the same form as that
10 prescribed by law for elective state officers.

11 **Sec. 5.** RCW 67.16.100 and 1995 c 399 s 166 are each amended to
12 read as follows:

13 (1) All sums paid to the commission under this chapter, including
14 those sums collected for license fees and excluding those sums
15 collected under RCW 67.16.102(~~(7)~~) and 67.16.105(3)(~~(7—~~and
16 ~~67.16.105(4)~~)), shall be disposed of by the commission as follows:
17 (~~((a) Fifty~~) One hundred percent thereof shall be retained by the
18 commission for the payment of the salaries of its members, secretary,
19 clerical, office, and other help and all expenses incurred in carrying
20 out the provisions of this chapter. No salary, wages, expenses, or
21 compensation of any kind shall be paid by the state in connection with
22 the work of the commission.

23 (~~((b) One percent shall, on the next business day following the~~
24 ~~receipt thereof, be paid to the state treasurer to be deposited in the~~
25 ~~general fund.~~

26 (~~(c) Three percent shall, on the next business day following the~~
27 ~~receipt thereof, be paid to the state treasurer, who is hereby made ex~~
28 ~~officio treasurer of a fund to be known as the "state trade fair fund"~~
29 ~~which shall be maintained as a separate and independent fund, and made~~
30 ~~available to the director of community, trade, and economic development~~
31 ~~for the sole purpose of assisting state trade fairs.~~

32 (~~(d) Forty six percent shall be paid to the state treasurer, who is~~
33 ~~hereby made ex officio treasurer of a fund to be known as the "fair~~
34 ~~fund," which shall be maintained as a separate and independent fund~~
35 ~~outside of the state treasury, and made available to the director of~~
36 ~~agriculture for the sole purpose of assisting fairs in the manner~~
37 ~~provided in Title 15 RCW.))~~

1 (2) Any moneys collected or paid to the commission under the terms
2 of this chapter and not expended at the close of the fiscal biennium
3 shall be paid to the state treasurer and be placed in the (~~general~~)
4 fair fund created in section 2 of this act. The commission may, with
5 the approval of the office of financial management, retain any sum
6 required for working capital.

7 **Sec. 6.** RCW 67.16.105 and 1997 c 87 s 3 are each amended to read
8 as follows:

9 (1) Licensees of race meets that are nonprofit in nature(~~(7)~~) and
10 are of ten days or less(~~(, and have an average daily handle of one~~
11 ~~hundred twenty thousand dollars or less shall withhold and pay to the~~
12 ~~commission daily for each authorized day of racing one half percent of~~
13 ~~the daily gross receipts from all parimutuel machines at each race~~
14 ~~meet)) shall be exempt from payment of a parimutuel tax.~~

15 (2) Licensees that do not fall under subsection (1) of this section
16 shall withhold and pay to the commission daily for each authorized day
17 of parimutuel wagering the following applicable percentage of all daily
18 gross receipts from its in-state parimutuel machines:

19 (a) If the (~~daily~~) gross receipts of all its in-state parimutuel
20 machines are more than (~~two hundred fifty thousand~~) fifty million
21 dollars in the previous calendar year, the licensee shall withhold and
22 pay to the commission daily (~~two and one half~~) 1.30 percent of the
23 daily gross receipts; and

24 (b) If the (~~daily~~) gross receipts of all its in-state parimutuel
25 machines are (~~two hundred fifty thousand~~) fifty million dollars or
26 less in the previous calendar year, the licensee shall withhold and pay
27 to the commission daily (~~one~~) 0.52 percent of the daily gross
28 receipts.

29 (3) In addition to those amounts in subsection(~~(s-1) and~~) (2) of
30 this section, a licensee shall forward one-tenth of one percent of the
31 daily gross receipts of all its in-state parimutuel machines to the
32 commission for payment to those nonprofit race meets as set forth in
33 RCW 67.16.130 and subsection (1) of this section, but said percentage
34 shall not be charged against the licensee. Payments to nonprofit race
35 meets under this subsection shall be distributed on a pro rata per-
36 race-day basis and used only for purses at race tracks that have been
37 operating under RCW 67.16.130 and subsection (1) of this section for
38 the five consecutive years immediately preceding the year of payment.

1 The commission shall transfer funds generated under subsection (2) of
2 this section equal to the difference between funds collected under this
3 subsection (3) in a calendar year and three hundred thousand dollars,
4 and distribute that amount under this subsection (3).

5 (4) Beginning July 1, 1999, at the conclusion of each authorized
6 race meet, the commission shall calculate the mathematical average
7 daily gross receipts of parimutuel wagering that is conducted only at
8 the physical location of the live race meet at those race meets of
9 licensees with gross receipts of all their in-state parimutuel machines
10 of more than fifty million dollars. Such calculation shall include
11 only the gross parimutuel receipts from wagering occurring on live
12 racing dates, including live racing receipts and receipts derived from
13 one simulcast race card that is conducted only at the physical location
14 of the live racing meet, which, for the purposes of this subsection, is
15 "the handle." If the calculation exceeds eight hundred eighty-six
16 thousand dollars, the licensee shall within ten days of receipt of
17 written notification by the commission forward to the commission a sum
18 equal to the product obtained by multiplying 0.6 percent by the handle.
19 Sums collected by the commission under this subsection shall be
20 forwarded on the next business day following receipt thereof to the
21 state treasurer to be deposited in the fair fund created in section 2
22 of this act.

23 **Sec. 7.** RCW 67.16.170 and 1991 c 270 s 8 are each amended to read
24 as follows:

25 (1) Licensees of race meets that are nonprofit in nature(~~((7))~~) and
26 are of ten days or less(~~(, and have an average daily handle of one~~
27 hundred twenty thousand dollars or less)) may retain daily for each
28 authorized day of racing (~~((fourteen and one-half))~~) fifteen percent of
29 daily gross receipts of all parimutuel machines at each race meet.

30 (2) Licensees of race meets that do not fall under subsection (1)
31 of this section may retain daily for each authorized day of (~~((racing))~~)
32 parimutuel wagering the following percentages from the daily gross
33 receipts of all its in-state parimutuel machines (~~((at each race meet))~~):

34 (a) If the daily gross receipts of all its in-state parimutuel
35 machines are more than (~~((two hundred fifty thousand))~~) fifty million
36 dollars in the previous calendar year, the licensee may retain daily
37 (~~((twelve and one-half))~~) 13.70 percent of the daily gross receipts; and

1 (b) If the daily gross receipts of all its in-state parimutuel
2 machines are (~~two hundred fifty thousand~~) fifty million dollars or
3 less in the previous calendar year, the licensee may retain daily
4 (~~fourteen~~) 14.48 percent of the daily gross receipts.

5 NEW SECTION. Sec. 8. A new section is added to chapter 43.131 RCW
6 to read as follows:

7 The reduction in parimutuel taxes and redistributions under
8 sections 5 through 7, chapter . . ., Laws of 1998 (sections 5 through
9 7 of this act) shall be reviewed under this chapter before June 30,
10 2001.

11 NEW SECTION. Sec. 9. A new section is added to chapter 43.131 RCW
12 to read as follows:

13 The following acts or parts of acts, as now existing or hereafter
14 amended, are each repealed, effective June 30, 2001:

15 (1) RCW 67.16.100 and 1998 c ... s 5 (section 5 of this act), 1995
16 c 399 s 166, & 1991 c 270 s 4;

17 (2) RCW 67.16.105 and 1998 c ... s 6 (section 6 of this act), 1997
18 c 87 s 3, 1995 c 173 s 2, 1994 c 159 s 2, 1993 c 170 s 2, 1991 c 270 s
19 6, 1987 c 347 s 4, 1985 c 146 s 7, 1982 c 32 s 3, & 1979 c 31 s 6; and

20 (3) RCW 67.16.170 and 1998 c ... s 7 (section 7 of this act), 1991
21 c 270 s 8, 1987 c 347 s 2, 1985 c 146 s 9, 1983 c 228 s 1, & 1979 c 31
22 s 5.

23 NEW SECTION. Sec. 10. (1) All sums paid to the commission under
24 this chapter, including those sums collected for license fees and
25 excluding those sums collected under RCW 67.16.102 and 67.16.105(3),
26 shall be disposed of by the commission as follows:

27 (a) Fifty percent thereof shall be retained by the commission for
28 the payment of the salaries of its members, secretary, clerical,
29 office, and other help and all expenses incurred in carrying out the
30 provisions of this chapter. No salary, wages, expenses, or
31 compensation of any kind shall be paid by the state in connection with
32 the work of the commission.

33 (b) One percent shall, on the next business day following the
34 receipt thereof, be paid to the state treasurer to be deposited in the
35 general fund.

1 (c) Three percent shall, on the next business day following the
2 receipt thereof, be paid to the state treasurer to be deposited in the
3 state trade fair fund created in section 3 of this act.

4 (d) Forty-six percent shall, on the next business day following the
5 receipt thereof, be paid to the state treasurer to be deposited in the
6 fair fund created in section 2 of this act.

7 (2) Any moneys collected or paid to the commission under the terms
8 of this chapter and not expended at the close of the fiscal biennium
9 shall be paid to the state treasurer and be placed in the general fund.
10 The commission may, with the approval of the office of financial
11 management, retain any sum required for working capital.

12 NEW SECTION. **Sec. 11.** (1) Licensees of race meets that are
13 nonprofit in nature and are of ten days or less shall withhold and pay
14 to the commission daily for each authorized day of parimutuel wagering
15 one-half percent of the gross receipts of its parimutuel machines at
16 each race meet.

17 (2) Licensees that do not fall under subsection (1) of this section
18 shall withhold and pay to the commission daily for each authorized day
19 of parimutuel wagering the following applicable percentage of all daily
20 gross receipts from its in-state parimutuel machines:

21 (a) If the gross receipts of all its in-state parimutuel machines
22 are more than fifty million dollars in the previous calendar year, the
23 licensee shall withhold and pay to the commission daily two and one-
24 half percent of the daily gross receipts; and

25 (b) If the gross receipts of all its in-state parimutuel machines
26 are fifty million dollars or less in the previous calendar year, the
27 licensee shall withhold and pay to the commission daily one percent of
28 the daily gross receipts.

29 (3) In addition to those amounts in subsections (1) and (2) of this
30 section, a licensee shall forward one-tenth of one percent of the daily
31 gross receipts of all its in-state parimutuel machines to the
32 commission for payment to those nonprofit race meets as set forth in
33 RCW 67.16.130 and subsection (1) of this section, but said percentage
34 shall not be charged against the licensee. Payments to nonprofit race
35 meets under this subsection shall be distributed on a pro rata per-
36 race-day basis and used only for purses at race tracks that have been
37 operating under RCW 67.16.130 and subsection (1) of this section for
38 the five consecutive years immediately preceding the year of payment.

1 NEW SECTION. **Sec. 12.** (1) Licensees of race meets that are
2 nonprofit in nature and are of ten days or less may retain daily for
3 each authorized day of racing fourteen and one-half percent of daily
4 gross receipts of all parimutuel machines at each race meet.

5 (2) Licensees of race meets that do not fall under subsection (1)
6 of this section may retain daily for each authorized day of parimutuel
7 wagering the following percentages from the daily gross receipts of all
8 its in-state parimutuel machines:

9 (a) If the daily gross receipts of all its in-state parimutuel
10 machines are more than fifty million dollars in the previous calendar
11 year, the licensee may retain daily twelve and one-half percent of the
12 daily gross receipts; and

13 (b) If the daily gross receipts of all its in-state parimutuel
14 machines are fifty million dollars or less in the previous calendar
15 year, the licensee may retain daily fourteen percent of the daily gross
16 receipts.

17 NEW SECTION. **Sec. 13.** Sections 10 through 12 of this act are each
18 added to chapter 67.16 RCW.

19 NEW SECTION. **Sec. 14.** If any provision of this act or its
20 application to any person or circumstance is held invalid, the
21 remainder of the act or the application of the provision to other
22 persons or circumstances is not affected.

23 NEW SECTION. **Sec. 15.** (1) Sections 1 through 9, and 16 of this
24 act are necessary for the immediate preservation of the public peace,
25 health, or safety, or support of the state government and its existing
26 public institutions, and take effect immediately.

27 (2) Sections 10 through 12 of this act take effect July 1, 2001, if
28 the repeal of RCW 67.16.100, 67.16.105, and 67.16.170 under section 9
29 of this act becomes effective.

30 **NEW SECTION. Sec. 16. If specific funding for the purposes of*
31 *this act, referencing this act by bill or chapter number, is not*
32 *provided by June 30, 1998, in the omnibus appropriations act, this act*
33 *is null and void.*

34 **Sec. 16 was vetoed. See message at end of chapter.*

Passed the Senate March 9, 1998.

Passed the House March 6, 1998.

Approved by the Governor April 3, 1998, with the exception of certain items that were vetoed.

Filed in Office of Secretary of State April 3, 1998.

1 Note: Governor's explanation of partial veto is as follows:

2 "I am returning herewith, without my approval as to section 16,
3 Engrossed Second Substitute Senate Bill No. 6562 entitled:

4 "AN ACT Relating to relief of the equine industry by amending the
5 parimutuel tax on horse racing to provide additional support for
6 licensed racing associations, the state fair account, the state
7 trade fair account and the Washington horse racing commission;"

8 The changes to the parimutuel tax contained in E2SSB 6562 were
9 intended to provide a temporary solution to economic problems of the
10 horse racing industry. Unfortunately the provisions of this
11 legislation leave funding for state, county and trade fairs at risk.
12 By reducing the parimutuel tax rate and redistributing tax revenues,
13 E2SSB 6562 eliminates funding for the fairs in Fiscal Year 1999, and
14 the 1999-01 Biennium.

15 In an effort to temporarily replace lost revenues to the fair
16 funds, sections 906 and 907 of ESSB 6108 (the Omnibus Appropriations
17 Act), direct the Washington State Lottery to conduct two to four
18 lottery games with agricultural themes per year in the 1997-99 Biennium
19 and divert lottery proceeds to the State Fair Fund. I have vetoed
20 sections 906 and 907 of ESSB 6108 because they place unrealistic
21 requirements on the Washington State Lottery to develop new lottery
22 games in a very short time period, and would divert lottery proceeds
23 from the General Fund to replace parimutuel taxes. This would result
24 in lowering the expenditure limit established by Initiative 601.

25 It is my intent that the funding for state, county and trade fairs
26 be maintained. My actions related to E2SSB 6562 and ESSB 6108 will not
27 jeopardize funding for fairs in 1998, since annual distributions to
28 support fairs are made in March of each year. Current fund balances in
29 the state fair funds are sufficient to support all fairs through 1998.
30 It is my intention to propose to the 1999 Legislature a special funding
31 package which will permit the state to fulfill its obligations for
32 ongoing fair funding by March of 1999.

33 Section 16 of E2SSB 6562 is the "null and void" clause which
34 stipulates that if specific funding for the purposes of this act is not
35 provided by June 30, 1998 in the omnibus appropriations act, E2SSB 6562
36 is null and void. I am vetoing this section in order to develop an
37 adequate funding proposal to support the fairs for Fiscal Year 1999 and
38 the 1999-01 Biennium. The funding proposal that is developed should
39 seek to maintain the current level of support for fairs without
40 affecting the Initiative 601 expenditure limit. State, county and
41 trade fairs are important to hundreds of thousands of our citizens and
42 I am committed to ensuring that adequate funding is available to
43 support them.

44 For these reasons, I have vetoed section 16 of Engrossed Second
45 Substitute Senate Bill 6562.

1 With the exception of section 16, Engrossed Second Substitute
2 Senate Bill No. 6562 is approved."