

FINAL BILL REPORT

SHB 2575

C 246 L 04

Synopsis as Enacted

Brief Description: Relating to provisions of the Washington horse racing commission's authority.

Sponsors: By House Committee on Commerce & Labor (originally sponsored by Representatives Cairnes, Cody, Conway, Wood and Kenney; by request of Horse Racing Commission).

House Committee on Commerce & Labor
Senate Committee on Commerce & Trade

Background:

Washington's only for-profit owner-operated racetrack, Emerald Downs, is located in Auburn. There are also four non-profit racetracks where horse races take place no more than 10 days per year and a limited amount is wagered. These tracks are located in Kennewick, Waitsburg, Walla Walla, and Dayton. They are known as Class C tracks.

Three taxes are levied on horse race wagering in Washington:

- Washington Bred Owners' Bonus. For-profit tracks pay 1 percent of gross receipts. This money is deposited in the Washington Bred Owners' Bonus Account. For newly built tracks, half of the principal is paid to owners of Washington bred horses that come in first through fourth at the track from which this tax comes. The other half goes to reimburse any new for-profit track for construction costs. Interest on the account is distributed to the non-profit tracks for capital improvements, such as upgrading the tracks or horses quarters.
- Class C Purse. All racetracks pay one-tenth of 1 percent of gross receipts. This money is deposited in the Class C Purse Account and is used for prize money at non-profit tracks that have operated at least five years.
- Operating. For-profit tracks with annual gross receipts over \$50 million pay 1.3 percent of gross receipts. This money is deposited into the operating account of the Commission. Along with fees and fines, this tax covers salaries and all other costs of operating the Commission.

Each year, the Commission must distribute to the non-profit tracks, from its operating funds, the difference between \$300,000 and the amount generated from the one-tenth of 1 percent tax that goes into the Class C Purse Account. In 2004, this difference is about \$161,000.

The Commission has two bank accounts in a local commercial bank, an operating account and a second account with monies from both the Washington Bred Owner's Bonus and the Class C Purse taxes. The operating account does not, because of the volume of transactions, generate interest. Based on historical operating account fund balances and interest rates, the Office of Financial Management estimates that this account would generate \$20,000 annually in interest if it was managed by the State Treasurer.

Gross receipts from horse racing declined from \$165 million in calendar year 2000 to \$139 million in calendar year 2003, continuing a long-term trend in the industry. Declining gross receipts means both a decline in funds available for operation of the Commission and an increase in the amount that the Commission must contribute to the non-profit tracks for prize money.

The Commission fines licensed tracks and individuals for rules violations, based on its general authority to regulate the horse racing industry. Fines are levied by a Board of Stewards, appointed by the Secretary of the Commission to see that horse racing meets are conducted properly.

The State Treasurer's Office (Office) maintains and invests a trust fund comprising money in the custody of the Office, but not required to be in the state treasury. In general, interest earned on the trust fund goes to the State General Fund. However, some accounts within the fund retain the interest earned on their share of the trust fund.

Summary:

The Commission's bank accounts are moved from a local bank to a trust fund in the custody of the State Treasurer. The purpose of this change is to generate interest from the Commission's operating account to support non-profit tracks, in turn reducing the amount from Commission operating funds spent for this purpose.

Three accounts are created in the custody of the State Treasurer: the Washington Bred Owners' Bonus Fund Account, the Class C Purse Fund Account, and the Horse Racing Commission Operating Account. The uses of each fund are specified. The Operating Account is appropriated, while the other two are not. Interest from these accounts stays in the accounts, except that interest from the Operating Account is deposited in the Class C Purse Fund Account.

The Board of Stewards is given specific authority to levy fines. Money generated from fines is deposited in the Class C Purse Fund Account.

It is specified that the Commission will annually make up the difference between \$300,000 and the amount in the Class C Purse Fund. The Class C Purse Account will contain fine money and operating account interest, as well as money from the Class C Purse tax.

Various clarifying and technical changes are made.

Votes on Final Passage:

House 94 0
Senate 45 0

Effective: March 31, 2004