

HOUSE BILL REPORT

ESHB 1120

As Passed Legislature

Title: An act relating to horse racing.

Brief Description: Modifying disbursement of daily gross receipts in horse racing.

Sponsor(s): By House Committee on Revenue (originally sponsored by Representatives Roland, Forner, Leonard, Holland, Scott, Valle, Day, O'Brien, Prince, Bowman, R. Meyers, Tate, H. Myers, Hine, Fuhrman, Rayburn, Prentice, Jacobsen, R. King, Chandler, Wilson, Inslee, Wood, Rasmussen, Cooper, R. Johnson, Vance, Sheldon, Morris, Appelwick, Brumsickle, Hochstatter, Van Luven, Paris, Haugen, Kremen, Zellinsky, Edmondson, Brough, Phillips, Lisk, Betrozoff, Wynne, Nealey, Miller, Fraser, Wineberry, Sprenkle, Orr, McLean and Anderson).

Brief History:

Reported by House Committee on:
Commerce & Labor, January 24, 1991, DP;
Revenue, January 29, 1991, DPS;
Passed House February 12, 1991, 93-4;
Amended by Senate;
House refused to concur;
Amended by Senate;
House concurred;
Passed Legislature, 95-2.

**HOUSE COMMITTEE ON
COMMERCE & LABOR**

Majority Report: *Do pass.* Signed by 10 members: Representatives Heavey, Chair; Cole, Vice Chair; Fuhrman, Ranking Republican Member; Lisk, Assistant Ranking Republican Member; Franklin; Jones; R. King; O'Brien; Prentice; and Vance.

Staff: Jim Kelley (786-7166).

**HOUSE COMMITTEE ON
REVENUE**

Majority Report: *That Substitute House Bill No. 1120 be substituted therefore, and the substitute bill do pass.* Signed by 13 members: Representatives Wang, Chair; Fraser, Vice Chair; Holland, Ranking Minority Member; Wynne, Assistant Ranking Minority Member; Appelwick; Brumsickle; Day; Leonard; Morris; Morton; Phillips; Silver; and Van Luvan.

Minority Report: *Without recommendation.* Signed by 2 members: Representatives Belcher and Rust.

Staff: Melissa Pailthorp (786-7118).

Background: The "pari-mutuel tax" is a set percentage of the gross receipts of all pari-mutuel machines at each horse racing event in the state. Gross receipts are also referred to as the "handle". The tax is levied in lieu of other business taxes and is deducted from the track's "take out". The "take out" is a track's gross receipts from pari-mutuel machines less returns to bettors. Under current law, the take out for win/place/show wagers is 16%.

The pari-mutuel tax

The pari-mutuel tax is administered by the Horse Racing Commission. The following rates apply to win/place/show wagers: On an average daily handle of up to \$200,000, the tax rate is 0.5% (the association retains 14.5%); on an average daily handle of \$200,001-\$400,000, the tax rate is 1.0% (the association retains 14.0%); on an average daily handle of more than \$400,000, the tax rate is 4.0% (the association retains 11.0%).

The rates are slightly different for satellite locations: On an average daily handle of up to \$400,000, the tax rate is 0.5% (the association retains 14.5%); on an average daily handle of more than \$400,000 the tax rate is 3.0% (the association retains 12.0%).

License fees

If a track received over \$50 million in gross receipts from pari-mutuel machines in the preceding year, the fee to be paid in advance of the next year is \$500 per racing day. If the track received \$50 million or less, the license fee is \$200 per racing day. Newly authorized race meets must pay \$200 per racing day for the first year.

Distribution of Revenues

Revenues from both the pari-mutuel tax and license fees are distributed as follows:

Horse Racing Commission	22%
State General Fund	40%
Trade Fair Fund	3%
Fair Fund (agricultural)	35%

Washington-Bred Owner Award Funds

In addition to other taxes and fees, each licensee must pay 1% of its handle to the commission for Washington-bred owner awards.

Exotic races

An "exotic wager" is any multiple horse wager. The take out for exotic wagers is higher than the take out for win/place/show wagers. For two selection wagers (daily doubles and exactas) the take out is the standard take out plus an additional 5.5%. From this additional portion of the handle, the racing association retains 3% (4.5% on satellite wagers) and the commission receives 2.5% (1% on satellite wagers).

For three or more selection wagers (trifectas and pick-threes) the take out is the standard take out plus an additional 9.5%. Of the additional funds, the racing association retains 6% (8.5% on satellite wagers) and the commission receives 3.5% (1% on satellite wagers). The commission retains 31% of the additional amount it receives from exotic wagers and forwards the remainder to the state general fund.

From the racing association's portion of the additional funds, 1% is dedicated to Washington-bred breeder awards (not to exceed 20% of the winner's share of the purse). The remainder is shared equally between the racing association and the participating horsemen.

Satellite locations

A racing association may conduct pari-mutuel wagering at a satellite location with commission approval. The commission may approve only one satellite location per county, and that location cannot be within 50 air miles of the licensee's racing facility.

The commission may allow a licensee to conduct satellite pari-mutuel wagering at a satellite location within fifty

air miles of another licensee that conducts race meets of thirty days or more, but, only if the licensee conducting satellite wagering has race meets of at least thirty days and suspends its program during the conduct of all licensees within fifty air miles.

The authority to conduct parimutuel wagering at satellite locations expires on June 30, 1992.

Ex officio members

The Horse Racing Commission consists of seven members. In addition to the three voting members of the commission appointed by the governor, there are four ex officio nonvoting members, two members of the Senate and two members of the House of Representatives. The section of the code providing for the ex officio members expires on October 31, 1991.

Summary of Bill: Amendments are made to provisions in the horse racing code relating to: the pari-mutuel tax; the distribution of revenues; wagers on exotic races; satellite locations; and ex officio members of the Horse Racing Commission.

The pari-mutuel tax

The tax rates are made the same for racing facilities and satellite locations. The following rates apply to win/place/show wagers: On an average daily handle of up to \$250,000, including receipts from satellites, the tax rate is 1.0 percent (the association retains 14.0 percent); on an average daily handle of more than \$250,000, including receipts from satellites, the tax rate is 2.5 percent (the association retains 12.5 percent).

Distribution of Revenues

Revenues from both the pari-mutuel tax on win/place/show wagers and license fees are distributed as follows:

Horse Racing Commission	50%
State General Fund	1%
Trade Fair Fund	3%
Fair Fund (agricultural)	46%

One-tenth of one percent of the daily gross receipts of all parimutuel machines is to be disbursed to nonprofit race meets on a pro rata, per-race-day basis and only to race tracks that have been in operation for at least five years. The annual amount disbursed to each race track may not

exceed \$150,000. Funds in excess of the \$150,000 are to be deposited in the General Fund.

The Washington Thoroughbred Racing Fund

Licensees who are nonprofit corporations and have race meets of 30 days or more must pay to the commission an additional 2.5 percent of their daily gross receipts. This percentage is equal to the amount of the reduction of the parimutuel tax for tracks with an average daily handle of more than \$250,000. The commission shall deposit these additional funds into the Washington Thoroughbred Racing Fund which is created in the state treasury. The money in the fund may be spent only after legislative appropriation. Expenditures from the fund are to be used to benefit and support interim continuation of thoroughbred racing, capital construction of a new race track facility, and programs enhancing the general welfare, safety, and advancement of the Washington thoroughbred industry.

Washington-Bred Owner Award Funds

Fifty percent of the funds received by the commission from a new licensee for Washington-bred owner awards may be used to reimburse the new licensee for the capital construction costs of building a new race track, for a period of five years.

Money deposited in the Washington-bred owners fund may not be distributed until the end of the calendar year. This will allow the interest derived from the fund to accrue until the end of the year. The interest derived from the fund is disbursed to nonprofit tracks for the upkeep of tracks and training areas.

Exotic races

For all exotic races, the take out includes an additional 6% of the handle. The racing association retains 5% and 1% is dedicated to Washington-bred breeder awards. Of that 1%, one-fourth is to be retained by a new licensee for reimbursement of capital construction costs for five years.

Satellite locations

A licensee may not conduct satellite betting within 20 ground miles of the licensee's racing facility. "Ground miles" means miles measured from point to point in a straight line.

The commission may allow a licensee that is conducting a live race meet to satellite within 50 ground miles of

another licensee that is conducting a live race meet if the other track's race meet is 30 days or more and if the licensee conducting the satellite wagering suspends its program during the conduct of the meets of all licensee's within 50 ground miles. When a licensee is using another race track as a satellite facility, with the race track owner's permission, that licensee is allowed to use the other race track's satellite facilities, even if they are within a 50 mile ground radius.

The June 30, 1992 expiration of parimutuel wagering at satellite locations is repealed.

Ex officio members

The provision calling for the expiration of the ex officio memberships on the Horse Racing Commission is deleted.

Fiscal Note: Available.

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

Testimony For: (Commerce & Labor) This bill will preserve jobs and preserve the horse racing industry as a whole. It asks for help from the state and from all segments of the industry to insure that a track will be built to replace Longacres. This bill will greatly improve the investment climate. The health of the horse racing industry has wide-ranging, positive effects. The legislative membership on the Horse Racing Commission has been a success and should continue.

Testimony For: (Revenue) This bill will preserve jobs and preserve the horse racing industry as a whole. It asks for help from the state and from all sectors of the industry to insure that a track will be built to replace Longacres. Without the legislation, it is unlikely that a track will be built and so the revenue to the state will decrease.

Testimony Against: (Commerce & Labor) None.

Testimony Against: (Revenue) None.

Witnesses: (Commerce & Labor) Persons speaking in favor of the bill: Representative Judith Roland, Prime Sponsor; Representative Elmira Forner, Sponsor; Hugo Toschi, Emerald Racing Association; Carl Baze, Horsemen's Benevolent and Protective Association; Jack McCann, Emerald Racing Association; Joe LaDuca, Washington Thoroughbred Breeders' Association; Marlyta Deck, Washington State Fairs

Association; Martin Durkan, Horse Racing Industry; and Cindy Zehnder, Teamsters.

Providing information: John Crowley and Margo Smith, Horse Racing Commission.

Witnesses: (Revenue) Persons speaking in favor of the bill: Representative Judith Roland, Prime Sponsor; Martin Durkan, Horse Racing Industry; Hugo Toschi, Emerald Racing Association; Dan Agnew, Washington Thoroughbred Breeders' Association; Jack McCann, Emerald Racing Association; Carl Baze, Horsemen's Benevolent and Protective Association; John Crowley, Horse Racing Commission; Ted Martin, Playfair Race Course; and Marlyta Deck, Washington State Fairs Association.