

SENATE BILL REPORT

ESHB 1120

AS REPORTED BY COMMITTEE ON WAYS & MEANS, MARCH 7, 1991

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

SPONSORS: 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).

HOUSE COMMITTEE ON COMMERCE & LABOR

HOUSE COMMITTEE ON REVENUE

SENATE COMMITTEE ON COMMERCE & LABOR

Majority Report: Do pass as amended and be referred to Committee on Ways & Means.

Signed by Senators Matson, Chairman; Anderson, Vice Chairman; McCaslin, McDonald, McMullen, Moore, Murray, and Skratek.

Staff: Traci Anderson (786-7452)

Hearing Dates: February 27, 1991; March 1, 1991

SENATE COMMITTEE ON WAYS & MEANS

Majority Report: Do pass as amended.

Signed by Senators McDonald, Chairman; Bauer, Gaspard, Hayner, Johnson, Matson, Murray, Newhouse, Niemi, Rinehart, Saling, Talmadge, West, Williams, and Wojahn.

Staff: Steve Jones (786-7715)

Hearing Dates: March 6, 1991; March 7, 1991

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 percent.

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 percent (the association retains 14.5 percent); on an average daily handle of \$200,001-\$400,000, the tax rate is 1.0 percent (the association retains 14.0 percent); on an average daily handle of more than \$400,000, the tax rate is 4.0 percent (the association retains 11.0 percent).

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

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 percent 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 percent. From this additional portion of the handle, the racing association retains 3 percent (4.5 percent on satellite wagers) and the commission receives 2.5 percent (1 percent 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 percent. Of the additional funds, the racing association retains 6 percent (8.5 percent on satellite wagers) and the commission receives 3.5 percent (1 percent on satellite wagers). The commission retains 31 percent 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 percent is dedicated to Washington-bred breeder awards (not to exceed 20 percent 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. Under current law, 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 50 air miles of another licensee that conducts race meets of 30 days or more, but only if the licensee conducting satellite wagering has race meets of at least 30 days and suspends its program during the conduct of all licensees within 50 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:

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%

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.

Exotic races

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

Satellite locations

The commission may grant four satellite locations in class AA counties and two satellite locations in class A counties. 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 licensees 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.

SUMMARY OF PROPOSED COMMERCE & LABOR AMENDMENTS:

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

One-fifteenth of 1 percent of the daily gross receipts of all parimutuel machines, including those at satellite facilities, will be collected and disbursed to nonprofit race meets. These funds will be distributed on a pro rata, per-race-day basis and be used for purses at rack tracks that have been in operation for the past five years. The annual amount disbursed may not exceed \$150,000.

SUMMARY OF PROPOSED WAYS & MEANS AMENDMENT:

Satellite betting facilities are limited to one location in each county. The one-fifteenth of 1 percent of gross receipts that is disbursed to nonprofit race meets is increased to one-tenth of 1 percent. The remainder of the bill is unchanged.

Appropriation: none

Revenue: none

Fiscal Note: available

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

TESTIMONY FOR (Commerce & Labor):

The horse racing industry directly contributes over \$114 million a year to the state's economy. This bill is needed to save the horse racing industry in the state. This effort to save the industry involves the participation of the state, horse breeders, Washington bred owners and racing associations. Satellite wagering has had a significant impact on the viability of the industry and has allowed more people to participate in the sport of horse racing.

TESTIMONY AGAINST (Commerce & Labor): None

TESTIFIED (Commerce & Labor): FOR: Representative Judy Roland, original prime sponsor; Martin Durkan, Thoroughbred Industry; Hugo Toschi, Emerald Racing; Carl A. Baze, Horse Breeders Benevolent Protective Association; John Crowley, Horse Racing Commission; Billy Aliment, Yakima Meadows; Dan Sharp, Grays Harbor County; Marlyta Deck, Washington State Fairs Association; Ted Martin, Playfair Race Track; Dan Agnew, Washington Thoroughbred Breeders Association; K.O. Rosenberg, Ferry, Pend Oreille and Stevens counties

TESTIMONY FOR (Ways & Means):

The bill is needed to preserve the horse racing industry, which makes significant contributions to the economy, as well as public enjoyment. The loss of state revenue is a small price to pay for the resulting benefits.

TESTIMONY AGAINST (Ways & Means): None

TESTIFIED (Ways & Means): Rep. Judy Roland; Martin Durkan, Thoroughbred Industry; Dan Agnew, Washington Thoroughbred Breeders Association; Carl A. Baze, Horse Breeders Benevolent Protective Association; Marlyta Deck, Washington State Fairs Association; Hugo Toschi, Emerald Racing Association