

# HOUSE BILL REPORT

## HB 1022

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**As Passed House:**

February 26, 2021

**Title:** An act relating to Washington state horse racing commission provisions.

**Brief Description:** Modifying Washington state horse racing commission provisions.

**Sponsors:** Representatives MacEwen, Kloba, Peterson, Kirby and Schmick; by request of Horse Racing Commission.

**Brief History:**

**Committee Activity:**

Commerce & Gaming: 1/14/21, 1/21/21 [DP];

Appropriations: 2/8/21, 2/9/21 [DP].

**Floor Activity:**

Passed House: 2/26/21, 92-3.

**Brief Summary of Bill**

- Removes the provision prohibiting the state from paying any salary, wages, expenses, or compensation in connection with the work of the Washington Horse Racing Commission.

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### HOUSE COMMITTEE ON COMMERCE & GAMING

**Majority Report:** Do pass. Signed by 8 members: Representatives Wicks, Vice Chair; MacEwen, Ranking Minority Member; Robertson, Assistant Ranking Minority Member; Chambers, Kirby, Morgan, Vick and Wylie.

**Staff:** Kyle Raymond (786-7190).

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### HOUSE COMMITTEE ON APPROPRIATIONS

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**Majority Report:** Do pass. Signed by 33 members: Representatives Ormsby, Chair; Bergquist, Vice Chair; Gregerson, Vice Chair; Macri, Vice Chair; Stokesbary, Ranking Minority Member; Chambers, Assistant Ranking Minority Member; Corry, Assistant Ranking Minority Member; MacEwen, Assistant Ranking Minority Member; Boehnke, Caldier, Chandler, Chopp, Cody, Dolan, Dye, Fitzgibbon, Frame, Hansen, Harris, Hoff, Jacobsen, Johnson, J., Lekanoff, Pollet, Rude, Ryu, Schmick, Senn, Springer, Steele, Stonier, Sullivan and Tharinger.

**Staff:** Heidi Cao (786-7157).

**Background:**

The Washington Horse Racing Commission (Commission) is responsible for licensing, regulating, and supervising all race meets held in Washington where the parimutuel system of betting is used. The Commission is also responsible for inspecting each race course in the state at least once a year.

Betting or wagering on a horse race is lawful in Washington only if it is by the parimutuel method. The parimutuel method is a wagering system in which the bets of a particular type are pooled, taxes and commissions are removed, and payoffs are calculated by sharing the pool among all of the winning bets. Licensees that operate race meets must withhold and pay to the Commission daily, for each authorized day of parimutuel wagering, a parimutuel tax that is a percentage of all the licensees' daily gross receipts from the licensees' in-state parimutuel machines.

The receipts from the parimutuel tax must be deposited in the Washington Horse Racing Commission Operating Account (Account), in addition to any gifts, grants, or endowments the Commission receives. The Commission, or the Commission's designee, may authorize expenditures from the Account. Moneys in the Account must be used for the Commission's operating expenses, except as otherwise required in the terms of a gift, grant, or endowment.

Sums paid to the Commission, including license fees, but excluding licensee withholdings paid to the Commission related to nonprofit race meets and Washington-bred-only horse race payments, must be retained by the Commission for the payment of salaries to its members, secretary, clerical and office expenses, and all other expenses incurred.

The state may not pay for salary, wages, expenses, or compensation, of any kind, in connection with the work of the Commission.

**Summary of Bill:**

The provision prohibiting the state from paying any salary, wages, expenses, or compensation in connection with the work of the Commission is removed.

**Appropriation:** None.

**Fiscal Note:** Available.

**Effective Date:** The bill takes effect 90 days after adjournment of the session in which the bill is passed.

**Staff Summary of Public Testimony (Commerce & Gaming):**

(In support) The statute this bill amends has not changed since 1933, and circumstances have changed since it was first enacted. Since 2017 the Commission's expenses have increased over 17 percent, driven by salary and benefit increases that are out of the Commission's control. The Commission is a small agency that has been able to manage regulatory costs for years as revenues have decreased. The impacts of the pandemic have further negatively affected revenues due to both the decrease in the number of races, as well as in-person crowds not being allowed at the races held. The Commission's only revenue sources are from the 1.3 percent parimutuel tax and a portion of source marketing fees.

If this bill is not enacted, projections indicate the Commission may not be able to continue operating through the end of the summer. The economic impacts of horse racing expands beyond just the race track, including supporting its own agricultural industry. A relatively small amount of money is needed to keep the Commission in operation, and the Governor's budget includes this assistance. It is imperative that the bill pass in order for the Commission to be able to receive these funds.

(Opposed) None.

**Staff Summary of Public Testimony (Appropriations):**

(In support) This bill has no direct fiscal impact yet allows the Horse Racing Commission (Commission) to ask for state support when needed. Business models have changed over the years and the Commission seeks an update to the provisions to keep up with recent changes to its business and revenue stream. The Commission has also experienced a reduction in revenue since the onset of the pandemic. There is a possibility that the Commission will need to ask for state assistance in the future in order to maintain its regulatory duties.

(Opposed) None.

**Persons Testifying (Commerce & Gaming):** Representative MacEwen, prime sponsor; Matt Zuvich, Washington Federation of State Employees; and Doug Moore, Washington Horse Racing Commission.

**Persons Testifying (Appropriations):** Representative MacEwen, prime sponsor; Doug

Moore, Washington Horse Racing Commission; and Matt Zuvich, Washington Federation of State Employees.

**Persons Signed In To Testify But Not Testifying (Commerce & Gaming):** None.

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