

SENATE BILL REPORT

HB 1022

As Reported by Senate Committee On:
Labor, Commerce & Tribal Affairs, March 17, 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: Passed House: 2/26/21, 92-3.

Committee Activity: Labor, Commerce & Tribal Affairs: 3/11/21, 3/17/21 [DP].

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.

SENATE COMMITTEE ON LABOR, COMMERCE & TRIBAL AFFAIRS

Majority Report: Do pass.

Signed by Senators Keiser, Chair; Conway, Vice Chair, Labor; Stanford, Vice Chair, Commerce & Tribal Affairs; King, Ranking Member; Braun, Honeyford, Robinson, Saldaña and Schoesler.

Staff: Susan Jones (786-7404)

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.

This analysis was prepared by non-partisan legislative staff for the use of legislative members in their deliberations. This analysis is not part of the legislation nor does it constitute a statement of legislative intent.

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.

Creates Committee/Commission/Task Force that includes Legislative members: No.

Effective Date: Ninety days after adjournment of session in which bill is passed.

Staff Summary of Public Testimony: PRO: The bill allows the Horse Racing Commission to ask for appropriations. The bill does not appropriate money or make a request. The horse racing industry has suffered greatly through the pandemic. There was a decline of revenue even before the pandemic. The revenue is necessary to make sure there is a well-regulated and sanctioned industry. Without the Commission, the horse racing industry would not exist in the state. There has been a lot of consolidation of the tracks. The industry has a vital impact on the agricultural industry.

There are about 33 state employees at the Commission, including seasonal compliance officers. Due to a statute from the 1930s, the general fund cannot pay salaries and expenses related to the Commission. Due to industry changes and COVID-19, the Commission had a

drastic reduction in revenue. Without the bill there may be layoffs by summer.

The Commission is the only state agency with this restrictive statute. The Commission does not have control over certain costs, including the central service costs to support state agencies. The Commission has no control over the amount of salaries and benefits. Since 2017, there has been a 17 percent increase in the cost of salaries and benefits. In the last year, there has been a decrease in revenue of about \$300,000 out of a \$1.2 million budget.

Emerald Downs has a 50 day race meet schedule. There is only one track currently running races. Another track was running before COVID-19. They believe they may come back in 2022. One track in Walla Walla needs funding to run their track.

Persons Testifying: PRO: Representative Drew MacEwen, Prime Sponsor; Doug Moore, Washington Horse Racing Commission; Matt Zuvich, Washington Federation of State Employees.

Persons Signed In To Testify But Not Testifying: No one.