

HOUSE BILL REPORT

HB 1327

As Reported by House Committee On:

State Government & Tribal Relations

Appropriations

Title: An act relating to horse racing.

Brief Description: Concerning horse racing.

Sponsors: Representatives Schmick and Stearns; by request of Horse Racing Commission.

Brief History:

Committee Activity:

State Government & Tribal Relations: 1/22/25, 1/31/25 [DP];

Appropriations: 2/27/25, 2/28/25 [DP].

Brief Summary of Bill

- Amends taxes and fees paid by horse race meet licensees to the Washington Horse Racing Commission (Commission).
- Increases the percentage of pari-mutuel wagering gross receipts that may be retained by a licensee.
- Amends reimbursements and expenditures made by the Commission and regulations on commissioners and Commission employees.
- Revises requirements for satellite locations and simulcasts for class 1 racing associations.

HOUSE COMMITTEE ON STATE GOVERNMENT & TRIBAL RELATIONS

Majority Report: Do pass. Signed by 6 members: Representatives Mena, Chair; Stearns, Vice Chair; Walsh, Assistant Ranking Minority Member; Chase, Doglio and Farivar.

Staff: Connor Schiff (786-7093).

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.

Background:

Horse Racing in Washington.

Betting or wagering on a horse race is lawful in Washington only if it is by the pari-mutuel method. The pari-mutuel 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.

Licensed racetracks must hold between 6 and 11 live races per race day.

Washington Horse Racing Commission.

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

The Commission consists of three commissioners. One commissioner must be a racehorse breeder. Commissioners are not permitted to wager on the outcome of a horse race conducted under the authority of the Commission. A Commission employee is not permitted to serve as an employee of any track that the individual serves for the Commission.

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

Fees and Taxes.

License Fees.

Licensees with gross receipts from pari-mutuel machines in excess of \$50 million in the previous year must pay a license fee of \$500 for each live race day. Any licensee with gross receipts at or below \$50 million and any newly authorized race meets must pay \$200 for each live race day.

Pari-mutuel Wagering Taxes.

Licensees must withhold and pay the Commission for each day of pari-mutuel wagering the following percentages:

- 1.30 percent of all daily gross receipts if the gross receipts of all its in-state pari-mutuel machines exceed \$50 million.
- 1.803 percent of all daily gross receipts if the gross receipts are \$50 million or less.

In addition, a licensee with gross receipts exceeding \$50 million must forward a certain percentage of the daily gross receipts of all its in-state pari-mutuel machines to the Commission for payment to nonprofit race meets. Payments to nonprofit race meets must be distributed on a per-race-day basis and used only for purses that meet certain conditions, including number of operating years.

At the conclusion of each race meet, the Commission must calculate the average daily gross receipts of pari-mutuel wagering conducted on-site if gross receipts of in-state pari-mutuel receipts exceed \$50 million. If the calculation exceeds a certain dollar amount, the licensee must forward to the Commission a percentage of the gross receipts, which is deposited in the Fair Account.

Sums Paid to the Commission.

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 of its members, secretary, clerical and office expenses, and all other expenses incurred.

Funds collected or paid to the Commission that are not expended at the close of the fiscal biennium must be paid to the state treasurer and placed in the Fair Account.

Reimbursements.

The Commission is authorized to reimburse a certain amount to a new licensee for the capital construction of a new racetrack from certain fees paid to the Commission.

Retention by Licensees.

Licensees may retain the following percentages of pari-mutuel wagering:

- 13.70 percent if gross daily receipts of all pari-mutuel machines exceeds \$50 million in the previous calendar year.
- 14.48 percent if gross daily receipts of all pari-mutuel machines are at or less than \$50 million in the previous calendar year.

In addition, race meets may retain a percentage of the daily gross receipts of all pari-mutuel machines from exotic wagers, also known as multiple wagers, at each race meet. A portion of this amount must be paid to the Commission at the end of the race to be deposited in the Breeder Awards Account. A certain amount retained for breeder awards must be retained by a new licensee for reimbursement of capital construction of the new licensee's new racetrack.

Nonprofit Race Meets.

The Commission may license race meets conducted by a nonprofit association. Nonprofit race meets may be held for up to 10 days and have an average daily handle of \$120,000 or less. The daily licensing fee for these meets is \$10. The sponsoring nonprofit association is exempt from all other fees.

Satellite Locations and Simulcasts.

Class 1 racing associations may conduct pari-mutuel wagering at satellite locations within the state upon approval by the Commission and if certain criteria are met. The sale of pari-mutuel pools at satellite locations must be conducted simultaneously with all pari-mutuel

wagering activity conducted at the licensee's live racing facility within the state.

Class 1 racing associations may apply for approval to disseminate imported simulcast race card programs to satellite locations if certain criteria are met, including a minimum number of race days. A simulcast is a simultaneous transmission of the same program on radio and television, or on two or more channels.

Horse Race Handicapping Contests.

Class 1 racing associations are permitted to conduct horse race handicapping contests.

Commission Spending.

The Commission is authorized to spend up to \$300,000 per fiscal year from its operating account for the purpose of developing the equine industry, maintaining and upgrading racing facilities, and assisting equine health research.

Summary of Bill:

The 11 race-per-day maximum is removed.

Washington Horse Racing Commission.

The provision prohibiting the state from paying any salary, wages, expenses, or compensation in connection with the work of the Washington Horse Racing Commission (Commission) is removed. The requirement that one commissioner be a racehorse breeder is removed. Commissioners are permitted to wager on authorized simulcast races that are held out of state. A Commission employee is not permitted to serve as an employee of any track while the individual serves that track for the Commission.

Fees and Taxes.

License Fees.

For the purposes of license fees, types of licensees are no longer differentiated. All licensees must pay \$500 for each live race day.

Pari-mutuel Wagering Taxes.

The threshold for differentiating pari-mutuel wagering tax obligations decreases from \$50 million to \$20 million. If gross receipts of all in-state pari-mutuel machines exceed \$20 million, the licensee must pay 1.3 percent to the Commission. If gross receipts are \$20 million or less, the licensee must pay 1.8 percent of daily gross receipts to the Commission.

The requirement that a nonprofit operate for a certain number of years to receive payments from pari-mutuel taxes is eliminated. Provisions for the distribution and deposit of funds are provided. The additional tax for on-site pari-mutuel wagering for licensees with gross receipts of a certain amount is eliminated.

Sums Paid to the Commission.

In addition to the Fair Account, funds collected or paid to the Commission that are not expended at the close of the fiscal biennium may be granted to equestrian nonprofit organizations and equine-related youth organizations.

Reimbursements.

The Commission is no longer authorized to reimburse a certain amount to a new licensee for the capital construction of a new racetrack. The reimbursement from the Breeder Awards Account to new licensees to fund capital construction of the licensee's new racetrack is eliminated.

Retainment by Licensees.

All licensees may retain up to 15 percent of daily gross receipts of all pari-mutuel machines.

Satellite Locations and Simulcasts.

The requirement that the sale of pari-mutuel pools at satellite locations be conducted simultaneously with wagering activity conducted at the licensee's racing facility within the state is removed.

The requirement that class 1 racing associations meet certain criteria in order to apply for dissemination of imported simulcast race card programs to satellite locations is removed.

Horse Race Handicapping Contests.

Licensed advanced deposit wagering companies are also permitted to conduct horse race handicapping contests.

Commission Spending.

The amount the Commission is authorized to spend per fiscal year for the purpose of developing the equine industry, maintaining and upgrading racing facilities, and assisting equine health research is increased from \$300,000 to \$500,000.

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:

(In support) The statutes regulating horse racing and the Horse Racing Commission (Commission) have not been updated for a long time. The bill broadens who may be a commissioner by removing the requirement that one commissioner be a horserace breeder;

the number of horserace breeders in Washington has decreased. Removing the race per day maximum accommodates the decrease in the number of horses available for racing in the state. There is only one for-profit racetrack in the state; it makes sense to standardize regulations when there is only one track. Standardization would assist in budget projections for the Commission and the racetrack. The statutes need to be updated to align with industry standards and practices.

(Opposed) None.

Persons Testifying: Representative Joe Schmick, prime sponsor; Amanda Benton, Washington Horse Racing Commission; and Doug Moore, Washington Horse Racing Commission.

Persons Signed In To Testify But Not Testifying: None.

HOUSE COMMITTEE ON APPROPRIATIONS

Majority Report: Do pass. Signed by 26 members: Representatives Gregerson, Vice Chair; Macri, Vice Chair; Couture, Ranking Minority Member; Connors, Assistant Ranking Minority Member; Penner, Assistant Ranking Minority Member; Schmick, Assistant Ranking Minority Member; Berg, Bergquist, Burnett, Caldier, Callan, Corry, Cortes, Doglio, Dye, Keaton, Manjarrez, Marshall, Peterson, Pollet, Rude, Ryu, Springer, Stonier, Street and Tharinger.

Minority Report: Without recommendation. Signed by 4 members: Representatives Ormsby, Chair; Fitzgibbon, Leavitt and Thai.

Staff: Xianyu Li (786-7094).

Summary of Recommendation of Committee On Appropriations Compared to Recommendation of Committee On State Government & Tribal Relations:

No new changes were recommended.

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:

(In support) This bill updates the statutes related to the Horse Racing Commission to reflect

practices today. The horse racing industry provides seasonal and year-round jobs. While the industry is facing challenges, it is not dying.

(Opposed) None.

Persons Testifying: Representative Joe Schmick, prime sponsor; Amanda Benton, Washington Horse Racing Commission; and Douglas Moore, Washington Horse Racing Commission.

Persons Signed In To Testify But Not Testifying: None.