

SENATE BILL REPORT

SB 5563

As Reported by Senate Committee On:
Business, Financial Services & Trade, February 13, 2025

Title: An act relating to horse racing.

Brief Description: Concerning horse racing.

Sponsors: Senators Fortunato and Warnick; by request of Horse Racing Commission.

Brief History:

Committee Activity: Business, Financial Services & Trade: 2/06/25, 2/13/25 [DP, DNP, w/oRec].

Brief Summary of Bill

- Modifies certain requirements of commissioners at the Washington Horse Racing Commission (Commission).
- Removes the limit to the number of live races per day for a race meet.
- Reduces the annual threshold that a licensee must withhold 1.3 percent of the daily gross receipts to pay the Commission from \$50 million to \$20 million.
- Clarifies that licensees of race meets that are not nonprofits may retain 15 percent of the daily gross receipts.

SENATE COMMITTEE ON BUSINESS, FINANCIAL SERVICES & TRADE

Majority Report: Do pass.

Signed by Senators Kauffman, Chair; Cortes, Vice Chair; Dozier, Ranking Member; Fortunato, Lovick, McCune and Wilson, J..

Minority Report: Do not pass.

Signed by Senator Stanford.

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.

Minority Report: That it be referred without recommendation.

Signed by Senator Hasegawa.

Staff: Clint McCarthy (786-7319)

Background: The Washington Horse Racing Commission. The Washington Horse Racing Commission (Commission) was established in 1933 and 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. The Commission consists of three commissioners that are appointed by the Governor and confirmed by the Senate and serve six-year terms, with one member required to be a breeder of race horses. In addition to the commissioners, four members of the Washington State Legislature are appointed ex-officio members. These are non-voting members whose duties are to assist in the policy-making rather than the administrative functions of the Commission, to collect data deemed essential to future legislative proposals and to exchange information with the Commission. Horse racing commissioners are bared from making wagers on the outcome of horse races at a race meet conducted in Washington State under the authority of the Commission.

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.

Race Day Meet Requirements for Persons Licensed by the Washington Horse Racing Commission. Persons licensed by the Commission can have race meets with no less than six races and no more than 11 races per day. For each race, the licensee must pay \$500 each day if the licensee has gross receipts from parimutuel machines in excess of \$50 million in the previous year. For licensees that have gross receipts that are less than \$50 million in the previous year, the licensee must pay \$200 per year.

For the purpose of encouraging the breeding of valuable thoroughbred horses in Washington State, at least one race of each day's meet must consist exclusively of Washington bred horses.

Sources and Uses of the Washington Horse Racing Commission Operating Account. *Sources.* 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.

All moneys collected by the Commission and not expended at the end of the biennium must be paid to the state treasurer and be placed in the Washington State Fair Fund.

Uses. The Commission, or the Commission's designee, may authorize expenditures from the Account. The Commission may pay 0.5 percent to a new licensee as reimbursement for the cost of the new licensee's new racetrack for a period of 15 years.

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.

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

Licensee Requirements. For licensees that are not nonprofit by nature and have gross receipts in excess of \$50 million, the licensee must withhold and pay to the Commission 1.3 percent of daily gross receipts. If the receipts are less than \$50 million, the licensee must pay 1.803 percent of the daily gross receipts.

For licensees that are not nonprofit by nature and have gross receipts in excess of \$50 million, the licensee may retain 13.7 percent of the daily gross receipts. If the receipts are less than \$50 million, the licensee may retain 14.48 percent of the daily gross receipts.

Payments to nonprofit race meets must be distributed on a per-race-day basis and used only for purses at race tracks that have been operating for five consecutive years immediately preceding the year of payment. The Commission must distribute funds up to \$15,800 per race day from funds. Since July 1, 1999, the Commission must calculate the average daily gross receipts of parimutuel wagering that is conducted only at the physical location of the live race meet at race locations where the annual gross receipts of all their in-state parimutuel machines exceed \$50 million at the conclusion of each authorized race meet.

New licensees may retain 25 percent of breeder awards for reimbursement of capital construction of the new licensee's new racetrack for a period of 15 years.

Class 1 Racing Associations. For a class 1 racing association, the sale of parimutuel pools at satellite location are conducted simultaneous to all parimutuel wagering activity at the licensee's live racing facility. This type of association may be approved to disseminate

imported simulcast race card programs to satellite locations provided that they conduct at least 40 live racing days with an average track handle on the live racing product of a minimum of \$150,000 per day during the 12 months immediately preceding the application date. To promote the development of a new association facility and to meet the best interest of Washington equine breeding and racing, the Commission may reduce the required minimum average track handle the live racing product from \$150,000 per day to \$30,000 per day. These associations may conduct horse racing contests, and the Commission is directed to establish rules for the conduct of handicapping contests involving the outcome of multiple horse races.

Summary of Bill: Washington Horse Racing Commissioner Membership Requirements and Restrictions. The requirement for one of the three horseracing commissioners be a breeder of racehorses is removed. Commissioners can wager on simulcast races held outside the state of Washington.

Washington Horse Racing Commission Employees. Clarifies that no employee of the Commission can simultaneously work as an employee of a track and as an employee of the Commission.

Licensee Requirements Related to Meets and Races. The limit on licensees to have no more than 11 races per day is removed. The requirement for a licensee to pay \$500 per race is retained and applies to all race days. The lower fee of \$200 per race day for licensees that have gross receipts less than \$50 million is removed.

The requirement that at least one race of each day's meet consist of Washington bred horses is modified to have one race at each meet be offered exclusively for Washington bred horses.

The annual threshold on gross receipts for parimutuel machines requiring a licensee to withhold and pay the Commission 1.3 percent of daily gross receipts is lowered from \$50 million to \$20 million. For licensees with gross receipts less than \$20 million, the licensee must withhold and pay 1.8 percent of the daily gross receipts to the Commission.

Payments to nonprofit race meets must be distributed on a per-race-day basis and used only for purses at racetracks that have been approved for race dates in the current year. If no nonprofit racing dates are approved, any amount in the fund that exceeds \$180,000 at the end of the year must be deposited into the Commission's operating account.

Licensees of race meets that are not nonprofit in nature are authorized to retain no more than 15 percent of the daily gross receipts.

The requirement that the sale of parimutuel pools at satellite locations be conducted simultaneous to all parimutuel wagering activity conducted at the licensee's live racing facility in the state of Washington is removed.

Class 1 Racing Associations. The condition that a class 1 racing association has to have conducted at least 40 live racing days with an average on track handle of a minimum of \$50,000 per racing day during the 12 months immediately preceding the application date before a licensed class 1 racing association may be approved to disseminate imported simulcast race card programs to satellite location is removed.

Licensed Advanced Deposit Wagering Companies. In addition to class 1 racing associations, licensed advanced deposit wagering companies are authorized to conduct horse race handicapping contests. The Commission may establish rules for the approval of handicapping contests involving the outcome of multiple horses.

Commission Use of Funds. The prohibition on the the Commission using license fees for salary, wages, expenses, or compensation of any kind be paid to the state in connection with the work of the Commission is removed.

Moneys in the account at the end of the fiscal year may be be dispersed to Washington State registered equestrian nonprofit organizations or recognized equine-related youth organizations though a grant process setup by the Commission in addition to being sent to the Washington State Fair Fund.

The authorization of the Commission to pay 1 percent collected from a new licensee for reimbursement of capital construction of a new race track for 15 years is removed.

The Commission is required to distribute funds up to \$30,000 per race day from funds generated from the 0.001 percent of the daily gross receipts of all of its in-state parimutuel machines.

The amount that the Commission is authorized to spend up to 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: Requested on February 3, 2025.

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: If we want to have a viable horse racing industry in the state, we need to make reforms. Horse Racing pumps money into the economy, and it is kind of fun. We are trying to streamline regulations so that the industry doesn't need to spend as much money to remain viable. The intent is to modernize the

statutes to reflect the times. This is a regulatory cleanup bill meant to reflect modern times.

Persons Testifying: PRO: Senator Phil Fortunato, Prime Sponsor; Amanda Benton, Washington Horse Racing Commission.

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