



**House  
Legislative  
Analysis  
Section**

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**INTERTRACK BETTING**

**House Bill 4177 (Substitute H-3)  
First Analysis (6-8-89)**

**Sponsor: Rep. Charlie Harrison, Jr.  
Committee: Appropriations**

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***THE APPARENT PROBLEM:***

Horse racing in Michigan benefits tourism and, through the distribution of wagering "handles," it also benefits the Michigan horse industry, county fairs, municipalities containing racetracks, the Pontiac Silverdome, and the state's general fund. A stronger Michigan racing industry can mean more jobs in the labor-intensive industry itself, in supporting fields such as agricultural feeds and advertising, and in related enterprises such as nearby hotels and restaurants.

Various advocates of horse racing in Michigan have long urged that certain restrictions on betting be eased, with the idea that betting would increase as a result. Under the complicated distribution scheme of the Racing Law, increased wagering would increase revenues not only for those who hold the races, but also for the state and others who receive a share of the bets placed on horse races. Wagers also supplement race purses; common wisdom has it that bigger purses attract better horses, better horses mean better races, better races draw more fans, more fans bet more money, and revenues increase for all, with corresponding growth in the racing industry and related fields.

The numbers of quality horses are limited, however, and this may in turn restrict the potential for growth of live horse racing in Michigan. Track representatives point out that the track construction, improvements, and advertising of recent years have failed to counteract a general decline in track attendance and wagering that began about a decade ago. Track representatives and others have argued for a different approach to expanding the industry, one that can increase track attendance and wagering without requiring more races to be run.

In 1986, the Racing Law was amended to allow Michigan licensees to offer betting on live "simulcasts" of horse races being run at out-of-state tracks. Bettor interest was especially high at Triple Crown races since simulcast at Ladbroke DRC. However, the law continues to bar Michigan tracks from conducting simultaneous betting on live races transmitted from one Michigan track to another. Many believe that the time is ripe for Michigan to allow telecasting and betting between Michigan tracks, and thereby join the 17 other states reported to allow intertrack betting.

***THE CONTENT OF THE BILL:***

The Racing Law permits licensees to receive live television transmissions (simulcasts) of horse races occurring outside of the state, and allows patrons to place bets on those races. The bill would provide for intertrack television transmissions and wagering on races run in Michigan, and on races run outside of Michigan and transmitted from one Michigan track to another. Intertrack and on-track wagers would be combined in a common pari-mutuel pool. Intertrack wagering would not require the consent of the racing commissioner, but consent would have to be

obtained from nearby licensees and the association representing horsemen at the receiving track. The bill would delete provisions requiring a commissioner-issued permit before conducting wagering on a simulcast horse race (that is, a live transmission of a race being run on an out-of-state track).

Intertrack betting; conditions of approval. Intertrack wagering could not be conducted in the Detroit area on a given day unless all the area licensees consented. Outside of the Detroit area, intertrack wagering would require the consent of all other race meeting licensees that were within 50 miles of the receiving track. In no case could intertrack wagering be conducted at a receiving racetrack without the consent of the association representing horsemen at the receiving track.

Simulcasts from out of state. The bill would delete requirements for approval from the racing commissioner in order to conduct wagering on simulcasts. With the consent of the association representing horsemen at the receiving track, the use of simulcasting could "represent a diminution" of the licensee's regularly scheduled race program, and the licensee could reduce the number of racing dates or live horse races. The bill would delete the limit on the number of simulcasts per track per year (at present, a licensee may not conduct wagering on more than 25 simulcasts per year). A one-simulcast-per-day limit would remain, however, with exception being made for the Breeders' Cup, a multiple-race event. A Michigan licensee could transmit out-of-state simulcasts to other Michigan tracks if conditions for out-of-state simulcasts and in-state intertrack betting were met.

Wagers, payouts, takeouts. All wagers made in an intertrack betting system would have to be combined with on-track wagers into a common pari-mutuel betting pool for the calculation of odds and the determination of winning payouts from the pool. A payout would have to be the same for all winning tickets, regardless of whether a wager was placed on the inter- or on-track system. Intertrack wagers accepted by a licensee would have to conform in denomination, terms, conditions, and all other aspects related to on-track wagers made for the same race. The takeout (under the bill, the amount of money subtracted from pari-mutuel pools for taxes prior to calculating odds and making payouts) from the combined inter- and on-track betting pari-mutuel pools and disposition of the takeout would be the same as that currently prescribed for on-track wagering.

State taxes. Each receiving racetrack would pay to the state, out of the holder's commission, two percent of all money wagered on intertrack betting.

Implementation, rules. The commissioner would promulgate rules necessary to implement the bill.

MCL 431.72 et al.

H.B. 4177 (6-8-89)

**OVER**

## ***FISCAL IMPLICATIONS:***

Both the Office of the Racing Commissioner and the House Fiscal Agency have noted that any fiscal projection of intertrack wagering would be "highly speculative due to the considerable number of variables involved." (5-31-89 and 6-1-89)

## ***ARGUMENTS:***

### ***For:***

Horse racing in Michigan has the potential to be much more than it is, but statutory changes are needed to allow that potential to be achieved. With recent increases in the numbers of Michigan tracks, and with the numbers of decent horses being finite, the best way to spark interest in Michigan racing might be to allow tracks to televise and conduct wagering on races run at other tracks both in- and out-of-state. With the anticipated increase in wagering would come increased state and local revenues, bigger purses, better horses, and, ultimately, more racing fans. Intertrack betting of the sort proposed by the bill has been successful in other states, and in Michigan it could prove the key to the long-sought rejuvenation of Michigan horse racing.

### ***Against:***

Intertrack betting has been a mixed success in other states. In Michigan, it would bring with it the potential to enrich some elements of the racing industry at the expense of others. If harness tracks, which run races at night, were to telecast and conduct betting on thoroughbred races, which are run in the afternoon, race fans might come to the track earlier, but also leave earlier. Tracks and thoroughbred racing would not suffer, but harness racing would. It would even be possible for a track to devote its facilities entirely to televised races and intertrack betting, unlikely though that may be; the bill has nothing to ensure that a track continues to hold races at all.

***Response:*** Simulcasting and intertrack betting would require the approval of the association representing horsemen at the track, as well as the approval of nearby tracks. These conditions should be enough to ensure that existing racing interests are not harmed.

### ***Against:***

The bill fails to provide for even rudimentary regulation; worse, it strips the racing commissioner of existing authority over simulcast betting. According to the racing commissioner's office, without special provision for simulcasting and intertrack betting, the state's inspection and audit authority is confined to race meetings. If intertrack betting is conducted at a time when no on-site racing is being held, there would be few if any assurances that the state and the public were receiving their fair share of the bets. While the bill would have the commissioner promulgate rules to implement the act, the necessary regulatory authority should be a statutory one. It is difficult to see how rules for audits and other things could be upheld if the underlying statute did not explicitly provide for such matters.

### ***Against:***

By conditioning simulcast and intertrack betting on the approval of the horsemen's association at the track, rather than on the commissioner's approval, the bill would do more than usurp the proper authority of the commissioner; it would complicate enormously contract negotiations

between horsemen and tracks. Horsemen could withhold approval if certain contract terms were not included. Tracks could demand intertrack betting approval in order to accept certain contract terms, or even to accept a contract at all.

## ***POSITIONS:***

The Michigan Racing Association supports the bill. (6-1-89)

The Michigan Harness Horsemen's Association opposes the bill. (6-5-89)

The Office of the Racing Commissioner opposes restricting the ability of the racing commissioner to monitor wagering at receiving tracks. (6-5-89)