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OFF-TRACK BETTING

House Bills 4170 and 4171
Sponsor: Rep. Tom Alley
Committee: Agriculture and Forestry

Complete to 2-4-93

A SUMMARY OF HOUSE BILLS 4070 AND 4171 AS INTRODUCED 2-2-93

House Bill 4171 would create the Telecommunications Wagering Act, to permit race meeting licensees to establish a racing corporation to conduct off-track betting (OTB) on licensed Michigan races. (A race meeting license authorizes the holder to conduct a particular type of horse racing with pari-mutuel wagering on specified dates.) House Bill 4170 would amend the Racing Law of 1980 (MCL 431.67 and 431.72) to make it consistent with House Bill 4171 and to provide for off-track facility licenses and off-track employee and agent licenses to be issued under the proposed Telecommunications Wagering Act and its rules. Neither bill could take effect unless both were enacted. A more detailed explanation of House Bill 4171 follows.

Corporation members. A racing corporation could be formed for the operation of OTB facilities and telephone betting operations by some or all of race meeting licensees meeting certain criteria. To be eligible, a licensee would have to have held races at which pari-mutuel wagering was conducted, and the track where those races were held would have to be one that had at least 60 days of racing in a calendar year, and the track would have to be located within a "city area." A city area would be a city with a population of 750,000 or more, and any counties wholly or partly within 30 miles of that city's limits.

Off-track facilities. Each race meeting licensee that had conducted at least 60 days of racing at a city area racetrack could establish OTB facilities on or outside of the premises of a licensed racetrack. Any such off-track facility within a city area would have to have the prior permission of all race meeting licensees within the city area and within 30 miles of the proposed off-track facility. An off-track facility outside of a city area could be established only with the permission of all race meeting licensees within 50 miles of the proposed facility.

Use of race information. An OTB facility could use any racing information necessary to conduct the betting, if compensation was made for that information. An off-track facility would compensate each race meeting licensee for the use of its racing program and race information by paying a percentage of the off-track betting.

OTB expenses. All expenses and operating costs of the off-track facility (including the costs of any needed on-track facilities) would have to be paid by the facility from its operating revenues, which would have to include a surcharge of up to five percent on all winning wagers from off-track betting.

House Bills 4170 and 4171 (2-4-93)

Rules. The racing commissioner would promulgate rules specifying the conditions under which off-track betting could be conducted. Rules would have to prohibit bets by minors; proof of age could be required. Also prohibited would be the placing of wagers on credit. Rules would have to provide for betting by telephone.

Wagering. The off-track betting would be pari-mutuel wagering on the results of Michigan horse races or special event horse races held in other states. Off-track wagers and on-track wagers would have to be pooled for the calculation of odds and the determinations of payouts. The payout would have to be the same for all winning tickets, except for the surcharge of up to five percent that would apply to off-track bets. Off-track bets would have to conform in denomination, terms, and all other respects to on-track wagers accepted for the same race. With the approval of the commissioner, an off-track facility could establish and accept other wager types on out-of-state races.

Takeouts, breaks, state tax. The takeout (that is, the commission) at an off-track facility would be the same as the takeout of a race meeting licensee. The off-track facility would retain the breaks (that is, the odd cents over a multiple of ten) on wagers at off-track facilities. Each off-track facility would pay from its commission a state tax of two percent of all money wagered on pari-mutuel wagering. The time and manner of payment would be determined by the racing commissioner. Tax revenue would be distributed as provided by the racing law.

Racing theaters. A "racing theater" would be an enclosed off-track facility where patrons could view telecasts of live horse races and bet on the results; food and beverage service would be allowed. A race meeting licensee that has conducted at least 60 days of racing in a calendar year, could operate as a racing theater during any 30-day (or longer) period in which no live races were held at the licensee's racetrack. However, if the licensee was in a city area, it would have to have the prior permission of any licensee whose track was within the city area or within 30 miles of the proposed theater. Outside of a city area, permission would have to be obtained from any race meeting licensee within 50 miles of the proposed theater.

Audits. The racing commissioner would provide for the auditing of off-track betting operations. Audit expenses would be borne by the state as part of the commissioner's budget. The commissioner would send daily audit reports on each day's off-track betting to the off-track facility and the holder of that day's race meeting license. The scope of audits would be established in specifications approved by the commissioner. Auditors would have to have free and full access to off-track betting areas and records.