

Senate Bill 1314 (as enrolled)
Sponsor: Senator Leon Stille
Senate Committee: Farming, Agribusiness and Food Systems
House Committee: Regulatory Affairs

PUBLIC ACT 505 of 1998

Date Completed: 1-27-99

RATIONALE

The state of the horse racing industry in Michigan is in flux. Live horse racing at one of Michigan's largest tracks, Ladbrooke DRC in Livonia, ceased as of November 8 and the simulcasting of races from other tracks continued at DRC until December 30, when the track closed permanently. The end of racing at the DRC was preceded by the closure in May 1997 of the Muskegon Race Course. By the end of January, however, there will be seven licensed pari-mutuel race tracks, including four harness race tracks, one thoroughbred track, and one mixed breed track, operating in the State. Great Lakes Downs, located at the former Muskegon Race Course, is to open at the end of January for simulcast racing and will conduct thoroughbred racing by the end of April.

Despite the loss of the Muskegon track, the Office of Racing Commissioner in the Department of Agriculture, reported that wagering at the remaining pari-mutuel horse race tracks reached \$474.6 million in 1997, topping the 1996 record set during the first year of legalized full-card simulcasting in Michigan. These increases have been attributed to the enactment of Public Act 279 of 1995, which repealed the Racing Law of 1980 and replaced it with the Horse Racing Law of 1995. While the 1995 law made a number revisions to laws regulating horse racing, some people were concerned that Michigan race tracks again would be at a competitive disadvantage to tracks in other states if changes were not made concerning the payment of outstanding uncashed winning tickets.

CONTENT

The bill amended Public Act 90 of 1951, which regulates racing meets, to delete the requirements that a licensee pay to the Racing Commissioner funds held for the payment of outstanding, unclaimed tickets. Instead, licensees may retain 50% of unclaimed winnings, and 50% is dedicated to race horse

programs (described in BACKGROUND). For 1998, however, all of the unclaimed winnings from thoroughbred races must be used for facility improvements.

Beginning in 1998, all funds held by any licensee for the payment of outstanding winning tickets for any race meeting conducted under the Horse Racing Law, that have not been claimed by the owner of those funds within 60 days after the close of the race meeting, must be retained by the licensee and distributed as follows.

If the licensee is a standardbred or a light horse race meeting licensee, 50% of the funds must be retained by the licensee and 50% must be deposited in the Michigan Agriculture Equine Fund created in the Horse Racing Law and designated for the standardbred or light horse programs, respectively, as described in that Law.

If the licensee is a thoroughbred race meeting licensee, then 100% of the funds for 1998 must be earmarked for development and capital improvement for the purpose of accommodating thoroughbred racing at existing licensed racing facilities that have operated within the two years immediately before the bill's effective date within a city area or at a facility located outside of a city area upon written approval of a certified thoroughbred horsemen's organization and approved by the Racing Commissioner. (The bill specifies that "city area" and "horsemen's organization" mean those terms as defined in the Horse Racing Law. Under the Law, "city area" means a city having a population of at least 750,000 and includes the counties wholly or partly within 30 miles of the city limits. "Certified horsemen's organization" means an organization registered with the Racing Commissioner that can demonstrate the organization's capacity to supply horses and its ability to do the following: assist a race meeting licensee in conducting the licensee's racing

program, monitor and improve physical conditions and controls for individuals and horses participating at licensed race meetings, and protect the financial interests of the individuals participating at licensed race meetings.)

Senate Policy Agency
Lansing, Michigan 48909-7536

SFA



BILL ANALYSIS

a race at a licensed race meeting of fair in the State.

A sum not to exceed 0.25% of all money wagered on live and simulcast horse races in Michigan must be placed in a special standardbred sire stakes fund each year, and used entirely to provide purses for races run exclusively for two-year-old and three-year-old Michigan sired standardbred horses at licensed harness race meetings in the State.

For 1999 and every year thereafter, 50% of the funds must be retained by the thoroughbred race meeting licensee, and 50% deposited in the Michigan Agriculture Equine Fund and designated for thoroughbred programs, as described in the Horse Racing Law.

Funds for uncashed tickets for 1998 held by the Department of Treasury that were remitted by licensees must be distributed as provided in the bill.

The bill also repealed sections that required the Racing Commissioner to deliver funds and records of outstanding tickets to the State Treasurer, as provided in the Uniform Unclaimed Property Act. (Under that Act, property that remains unclaimed by an owner for more than five years after it becomes payable is presumed abandoned and is subject to the custody of the State as unclaimed property. Funds received under the Act are deposited in the General Fund. A person claiming an interest in property paid or delivered to the Treasurer may file a claim and, if it is allowed, the Treasurer must pay the claimant.)

MCL 431.252 et al.

BACKGROUND

The Horse Racing Law requires the following amounts to be paid to standardbred programs:

- A sum not to exceed 75% of the purses for standardbred harness horse races offered by fairs and races at licensed pari-mutuel racetracks.
- A sum to be allotted for paying special purses at fairs on two-year-old and three-year-old standardbred harness horses conceived after January 1, 1992, and sired by a standardbred stallion registered with the Michigan Department of Agriculture that was leased or owned by a resident of the State and did not serve a mare at a location outside of the State from February 1 through July 31 of the calendar year in which the conception occurred.
- A sum to pay breeders' awards in an amount not to exceed 10% of the gross purse to breeders of Michigan bred standardbred harness horses for each time the horse wins

The Law also requires the following amounts to be paid for quarter horse, Appaloosa, and Arabian programs: a sum to supplement the purses for races to be conducted exclusively for Michigan bred quarter horses, Appaloosa, and Arabian horses; a sum to pay not more than 75% of the purses for registered quarter horse, Appaloosa, or Arabian horse races offered by fairs; a sum to pay breeders' awards in an amount not to exceed 10% of a gross purse to breeders of Michigan bred quarter horses, Appaloosa, and Arabian horses for each time one of these horses wins at a county fair or licensed race meeting in the State; and a sum to pay for the collection and laboratory analysis of urine, saliva, blood, and other samples from horses and licensed persons and the taking of blood alcohol tests on jockeys for those races described in this provision and for the conducting of other tests.

The Law requires the following amounts to be paid to thoroughbred programs: a sum to be allotted thoroughbred race meeting licensees to supplement the purses for races to be conducted exclusively for Michigan bred horses; a sum to pay awards to owners of Michigan bred horses that finish first, second, or third in races open to non-Michigan bred horses; a sum to pay breeders' awards in an amount not to exceed 10% of the gross purse to the breeders of Michigan bred thoroughbred horses for each time those horses win at a licensed race meeting in the State; and, a sum to pay purse supplements to licensed thoroughbred race meetings for special four-year-old and older filly and colt horse races. The Law also requires that a sum not to exceed 0.25% of all money wagered on live and simulcast horse races in Michigan be placed in a special thoroughbred sire stakes fund each year, 100% of which must be used to provide purses for races run exclusively for two-year-old and three-year-old and older Michigan sired thoroughbred horses at licensed thoroughbred race meetings in the State and awards for owners of Michigan sired horses or stallions.

ARGUMENTS

(Please note: The arguments contained in this analysis originate from sources outside the Senate Fiscal Agency. The Senate Fiscal Agency neither supports nor opposes legislation.)

Supporting Argument

The bill deleted provisions that required all funds held by a licensee for unclaimed winning tickets, to be paid by the licensee to the Racing Commissioner, and that required the Commissioner to deliver the funds to the State Treasurer pursuant to the Uniform Unclaimed Property Act. Under the bill, beginning in 1998, all funds held by any licensee for the payment of outstanding winning tickets, that have not been claimed by the owners within 60 days after a race, will be retained by the licensee and distributed as outlined in the bill. If the licensee is a standardbred or light horse race track, one-half of the funds must be retained by the licensee and the remaining funds are earmarked for standardbred or light horse race programs, respectively. If a licensee is a thoroughbred race track, all of the funds for 1998 must be earmarked for the development and capital improvement of a thoroughbred racing facility. Beginning in 1999, thoroughbred race meeting licensees will retain 50% of the funds and the balance will be dedicated to thoroughbred programs. The bill thus turns over to the licensees half of the "outs", which are funds received from outstanding uncashed winning pari-mutuel tickets. The licensees then may use the funds to promote the industry as well as to increase purses and upgrade tracks--all of which will make for a stronger racing industry in the State.

Response: The Department of Agriculture's 1998-99 budget includes \$1.8 million anticipated from the passage of legislation depositing unclaimed winnings into the Agriculture Equine Development Fund. By directing this revenue to licensees, the bill may result in a revenue shortfall to the Department, a decrease in racing programs and support provided by the State, and a reduction in State oversight. In addition, by redirecting unclaimed winnings from 1998 and future races, the bill reduces present and future General Fund revenue, since ticket holders historically have recovered very little of unclaimed winnings

Legislative Analyst: L. Arasim

FISCAL IMPACT

The bill will result in a reduction of approximately \$1.8 million in unclaimed property funds (which otherwise would revert to the General Fund for FY

1997-98). Approximately \$450,000 of this will be deposited into the Agriculture Equine Development Fund, for a net anticipated loss of \$1.35 million in State revenue. For FY 1998-99 and thereafter, approximately \$900,000 will be deposited into the Agriculture Equine Development Fund.

The FY 1998-99 Department of Agriculture budget includes appropriation of \$14.3 million in horse racing revenues. This amount includes the anticipated receipt of \$1.8 million in additional horse racing revenue from unclaimed winnings, based on discussions with the industry regarding pending legislation to change current law. This bill instead directly provides approximately \$1,350,000 of these funds to the industry, with a commensurate revenue shortfall in State horse racing programs, and deposits the remaining \$450,000 in the Fund. As a result, there will be a reduction of approximately \$450,000 in standardbred and light horse programs, and approximately \$900,000 in thoroughbred programs.

Fiscal Analyst: G. Cutler

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This analysis was prepared by nonpartisan Senate staff for use by the Senate in its deliberations and does not constitute an official statement of legislative intent.