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BILL ANALYSIS



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House Bill 5546 (Substitute H-1 as reported without amendment)

Sponsor: Representative Kevin Daley

House Committee: Agriculture

Senate Committee: Agriculture

CONTENT

The bill would amend the Horse Racing Law to do the following:

- Add a definition of "pari-mutuel", "pari-mutuel gaming activities", and "pari-mutuel wagering".
- Eliminate separate regulations for races and tracks in a "city area" and for those not in a city area.
- Revise the minimum number of live racing dates that an applicant for a race meeting license must request.
- Limit the number of track licenses to five.
- Require each licensed racetrack to pay an annual license fee of \$1,000.
- Require a race meeting licensee to pay a tax of 15% of its commissions from pari-mutuel wagering and gaming activities other than live horse racing or simulcast horse races.
- Allocate three-fourths of the revenue from the 15% tax to the State, and one-eighth each to the municipality and the county where the licensee's races were conducted.
- Increase a race meeting licensee's commission to 35% of all money wagered on or fees paid to participate in any pari-mutuel wagering and gaming activity.
- Increase breeders awards from 10% to 15% of the gross purse.
- Allow a certified horsemen's organization (CHO) to use its horsemen's purse pool money for specific purposes.
- Require the Racing Commissioner to certify a horsemen's organization biannually if it met specified criteria.
- Allow a participating CHO to receive simulcast purse pool money only if it were generated from racing during a time when the CHO had a contract with a race meeting licensee that offered simulcast racing and was making payments into the purse pool, except as allowed for one year after the expiration of a contract.
- Revise the fee that may be charged for simulcasting a horse race.
- Revise requirements for the distribution of money if a license is surrendered, revoked, or escrowed.
- Allow a regulated person to indicate that certain information was confidential and to demonstrate that it should not be disclosed, if the information were requested.
- Reflect the transfer of the Racing Commissioner's office and position to the Michigan Gaming Control Board and its Executive Director.

The bill would define "pari-mutuel", "pari-mutuel gaming activities", and "pari-mutuel wagering" as the form or system of gambling on races, events, games, and activities in which the winner or winners divide the total amount of money bet, after deducting all commissions, fees, and taxes. Pari-mutuel, pari-mutuel gaming activities, and pari-mutuel

wagering allowed under the Horse Racing Law would be limited to wagering on the results of horse races, but would include all technology and innovations related to horse races and wagering on the results of horse races in existence now and in the future.

The terms would not include banked games in which the race meeting licensee is a participant or otherwise holds a stake in the outcome of the game, or in which the licensee establishes a bank against which participants play. The terms also would not include a video lottery that must be authorized under the Lottery Act or any other law of the State.

The bill states that the subdivision adding this definition "is curative, shall be applied retroactively, and is intended to correct any misinterpretation concerning the original intent of the legislature to allow all pari-mutuel wagering on the results of horse races to occur under this act subject to the regulatory authority of the racing commissioner without respect to whether the pari-mutuel wagering on the results of horse races or technology for pari-mutuel wagering on the results of horse races occurred or existed on a specific date".

MCL 431.302 et al.

Legislative Analyst: Suzanne Lowe

FISCAL IMPACT

The bill would create a new tax of 15% of commissions on pari-mutuel wagering and pari-mutuel gaming activities, excluding simulcasting and live horse racing, which would increase State and local revenue by an unknown amount. The proposed tax would apply to the pari-mutuel gaming activities that would be authorized by the bill. The revenue from this new tax would depend on the structure and frequency of pari-mutuel gaming activities. Revenue from the proposed tax would be distributed as follows: 75.0% to the General Fund, 12.5% to the city, township, or village where the track was located, and 12.5% to the county where the track was located.

The bill would change the method of distributing the revenue from the simulcast horse racing tax and also license fee and fine revenue. Currently, revenue from the simulcast horse racing tax, fines, and license fees is deposited directly in the Agriculture Equine Industry Development Fund (AEIDF) and then appropriated from that Fund. Under the bill, the revenue would be used first for the actual costs of the Department of Agriculture and Rural Development (MDARD), the Racing Commissioner, and the Office of Racing Commissioner, and then to fund other programs authorized in the statute including purse supplements, a portion of costs of racing at fairs, and other specified programs, with the balance at year-end deposited into the AEIDF. This appears to be a change from the current appropriations practice.

Revenue credited to the AEIDF in the current fiscal year (FY 2012-13) is used by MDARD for racing-related laboratory costs (\$592,400), information technology (\$80,800), and horse racing grants and purse supplements and administration (\$3,161,700). An additional \$2,472,000 in FY 2012-13 is appropriated to the Michigan Gaming Control Board within the Department of Treasury for regulatory activities associated with horse racing. Whether these appropriated amounts would change would depend upon the amounts wagered on racing and the amount of revenue produced from race meeting license commissions, which cannot be determined at this time.

Date Completed: 12-4-12

Fiscal Analyst: Bruce Baker
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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.