

## HORSE RACING LAW AMENDMENTS

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**House Bill 4611 as introduced**  
**Sponsor: Rep. Dan Lauwers**  
**Committee: Agriculture**  
**Complete to 5-16-17**

Analysis available at  
<http://www.legislature.mi.gov>

### SUMMARY:

House Bill 4611 would amend the Horse Racing Law of 1995 as follows:

- The bill would amend Section 17 to allow a race meeting licensee to use a third party facilitator to assist with wagering at a licensed racetrack.
- The Michigan Gaming Control Board (MGCB) could issue a new class of license: a *third party facilitator* license "for persons contracted by the race meeting licensees to facilitate wagering on live and simulcast racing." The bill would also authorize the MGCB to set the terms and conditions and appropriate fee for the license. In an amendment to Section 8, the bill states that a license issued under this provision would end once the contract with the race meeting licensee to facilitate wagering on live and simulcast racing activities terminates.
- The bill adds a definition of "race meeting" in Section 2 of the act to refer to "activities related to live horse racing with the conducting and overseeing of pari-mutuel wagering on live simulcast wagering by a race meeting licensee." Although the term "race meeting" is used throughout the Horse Racing Law, the term had not been previously defined.
- Section 17 of the Horse Racing Law currently indicates that a holder of a race meeting license may provide a place in the race meeting grounds or enclosure at which to conduct and supervise pari-mutuel wagering on the results of horse races as permitted by this act. House Bill 4611 would strike the phrase "in the race meeting grounds or enclosure."
- The bill would also strike a provision in Section 17 that says, "a person shall not participate or be a party to any act or transaction relative to placing a wager or carrying a wager for placement outside of a race meeting ground. A person shall not provide messenger service for the placing of a bet for another person who is not a patron."
- Current provisions would be rewritten to specify that any form of pari-mutuel wagering on the results of live or simulcast horse races must only occur or be permitted to occur at a licensed race meeting, as determined by the Racing Commissioner (MGCB). The underlined language would be added.

It is our understanding the provisions of House Bill 4611 would effectively authorize the Racing Commissioner to allow the use of Advance Deposit Wagering (ADW) for the first time in Michigan.

## **FISCAL IMPACT:**

House Bill 4611 would have a limited fiscal impact on state government. The bill would authorize the MGCB to issue *third party facilitator* licenses and to set the terms and conditions for third party facilitator licensees. The licensing of third party facilitators would increase MGCB regulatory responsibilities and related regulatory costs. Those additional costs cannot be reasonably estimated at this time.

The bill would also authorize the MGCB to set the appropriate fee for the license. Under the bill, the MGCB would have the authority to set fees sufficient to cover related regulatory costs. The amount of fee revenue cannot be reasonably estimated without knowing the number of potential licensees and the amount of the license fee.

The State of Michigan does not tax live horse racing wagering. The state does impose a 3.5% wagering tax on simulcast racing wagers. That tax, established in Section 22 of the Horse Racing Law, generates approximately \$4.0 million per year for credit to the state-restricted Agriculture Equine Industry Development Fund (AEIDF).

If authorized by the MGCB, and implemented by Michigan race meeting licensees through third party facilitators, ADW could expand the wagering pool subject to the distribution provisions of the Horse Racing Law. This could expand the tax base (simulcast wagering) on which the 3.5% wagering tax is assessed. We cannot reasonably estimate the potential tax revenue increase at this time.

Expanding the wagering pool could also increase the race meeting licensees' commissions and the horsemen's purse pool – the source of prize money paid to the owners of winning and placing horses. Race meeting licensee's commissions, and the Horsemen's purse pool money are private resources.

## **BACKGROUND:**

The Office of Racing Commission is established in Section 3 of the Horse Racing Law. However, on October 8, 2009, Governor Granholm issued Executive Order 2009-45 abolishing the Office of Racing Commissioner and the position of Racing Commissioner, and transferring the functions and powers of the Office of Racing Commissioner from the Michigan Department of Agriculture to the Michigan Gaming Control Board (MGCB). The Executive Order also directed that the Executive Director of the MGCB perform all the functions and exercise the powers of the Racing Commissioner. The effective date of the transfer was January 17, 2010. The transfer is referenced in Michigan law as Executive Reorganization Order 2009-31, MCL 324.99919.

Section 8 of the Horse Racing Law authorizes the MGCB to issue race meeting licenses, "issued annually for the succeeding year to persons to conduct live horse racing, simulcasting, and pari-mutuel wagering on the results of live and simulcast horse races at a licensed race meeting in this state under this act."

Race meeting licensees operate as the promoters and organizers of live horse racing events as well as both live-horse and simulcast wagering. Race meeting licensees receive commissions, i.e. a share of the money wagered at the racetrack. The amount of commission is prescribed in Section 17 of the Horse Racing Law.

A race meeting license authorizes a licensee to conduct live horse racing as well pari-mutuel wagering. A race meeting license is also a precondition for simulcast wagering. There are currently two race meeting licensees offering live horse racing and pari-mutuel wagering in Michigan.

It is our understanding that House Bill 4611 would effectively authorize the MGCB to allow the use of advance deposit wagering for the first time in Michigan.

Advance Deposit Wagering (ADW) is a method of pari-mutuel wagering in which a patron establishes and pre-funds an account with a wagering service. The patron can then place wagers on the results of horse races by telephone or through on-line connection to the wagering service. ADW, which is legal in a number of states, allows a patron to place wagers from any smart phone or computer.

[A company offering advance deposit wagering services was one of the national sponsors of the NBC broadcast of the 2017 Kentucky Derby.]

Currently, ADW is effectively prohibited in Michigan by the language of Section 17(8) of the Horse Racing Law, which restricts pari-mutuel wagering to the licensed race meeting grounds. The section currently prohibits placing a wager outside of a race meeting grounds and prohibits wagering messenger services.

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■ This analysis was prepared by nonpartisan House Fiscal Agency staff for use by House members in their deliberations, and does not constitute an official statement of legislative intent.