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BILL



ANALYSIS

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House Bill 4611 (Substitute H-4 as passed by the House)
Sponsor: Representative Dan Lauwers
House Committee: Agriculture
Senate Committee: Agriculture

Date Completed: 6-7-17

CONTENT

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

- **Allow the Racing Commissioner to issue a third party facilitator license for entities contracted to facilitate wagering on live and simulcast horse racing.**
- **Require the Racing Commissioner to establish the terms and conditions and the appropriate fee for a third party facilitator subject to certain provisions.**
- **Provide that any form of pari-mutuel wagering on live or simulcast horse races could be conducted only by a race meeting licensee or its contracted licensed third party facilitator.**
- **Eliminate prohibitions pertaining to participating in an act or transaction relative to placing a wager outside of a race meeting ground.**
- **Apply a prohibition against soliciting or accepting wagers on horse racing results to a person who did not hold a third party facilitator license.**
- **Specify that only a race meeting licensee or its contracted licensed third party facilitator could process, accept, or solicit wagers on the results of live or simulcast horse races.**

Under the Law, the Commissioner may issue certain general classes of licenses, including occupational licenses, race meeting licenses, and track licenses. The bill also would allow the Commissioner to issue third party facilitator licenses for entities contracted by race meeting licensees to facilitate wagering on live and simulcast racing. The Commissioner would have to set the terms and conditions and the appropriate fee for the license.

The third party facilitator would have to do the following:

- Comply with consumer protections, as determined by the Commissioner.
- Cooperate in any audit of pari-mutuel operations at a racing meeting.
- Comply with the conditions and suitability standards under Section 10(1)(e) and (f) and rules promulgated under the Law.

(Section 10(1)(e) requires a race meeting license applicant to demonstrate to the Commissioner that the applicant and any person associated with the applicant who holds a beneficial or ownership interest in the applicant's business activities, or otherwise has the ability to influence his or her business decisions is a person of good character, honesty, and integrity, possesses sufficient financial resources to conduct a race meeting, and does not pose a threat to the public. Section 10(1)(f) requires an applicant to provide any other information required by rules or by the Commissioner.)

A third party facilitator license would be terminated if any of the following occurred: a) on the date and at the time set by the Commissioner; b) the contract with the race meeting licensee expired; or c) the license was suspended or revoked by the Commissioner.

The Law allows a race meeting licensee to provide a place in the race meeting grounds or enclosure at which he or she may conduct and supervise pari-mutuel wagering on the results of horse races. The bill would remove this language.

The Law specifies that any form of pari-mutuel wagering on the results of live or simulcast horse races must occur or be permitted to occur only at a licensed race meeting, and prohibits a person from participating in an act or transaction relative to placing a wager or carrying a wager for placement outside of a race meeting ground, or providing messenger service for the placing of bets for people who are not patrons. The bill would eliminate these prohibitions. Instead, any form of pari-mutuel wagering could be conducted or operated only by a race meeting licensee or its contracted licensed third party facilitator, as determined and approved by the Commissioner. All wagers placed within the State could be placed only in person at a licensed race meeting or electronically through a licensed third party facilitator.

The Law prohibits a person who does not hold a race meeting license from soliciting or accepting wagers on the results of live or simulcast horse races from individuals in the State. A person who violates this prohibition is guilty of a felony punishable by imprisonment for up to five years, a maximum fine of \$10,000, or both. Under the bill, the prohibition would apply to a person who did not hold a race meeting license or a third party facilitator license.

The bill specifies that only a race meeting licensee or its contracted licensed third party facilitator could process, accept, or solicit wagers on the results of simulcast horse races.

The Law requires a licensed racetrack to pay an annual license fee of \$1,000 to the Commissioner. A race meeting licensee also must pay to the State Treasurer, from the holder's commission, a tax of 3.5% of money wagered on interstate and intertrack simulcast races conducted at its race meetings. Under the bill, the tax would apply to the holder's commission, including any wagers received by licensed third party facilitators.

MCL 431.308 et al.

Legislative Analyst: Jeff Mann

FISCAL IMPACT

The bill could result in additional costs to the Office of the Racing Commission, which is located in the Michigan Gaming Control Board, and additional revenue to the State, by allowing third party facilitator licensees to assist with processing, accepting, or soliciting wagers on live and simulcast races. There is the potential for increased wagers collected from horse races, which would result in additional revenue to the State in the form of the 3.5% tax on the money wagered on races and license fees, which is deposited into the Agriculture and Equine Industry Development Fund. In 2016, 95% of total wagers made were collected under simulcasting, with the remaining collected through live betting. Since the third party facilitator licensees would assist with simulcast wagers, the total amount of wagers collected from races likely would increase. For fiscal year 2015-16, the Racing Commission collected \$3.9 million in total revenue from horse racing. Any additional revenue collected would increase appropriations to the various equine programs and the Racing Commission.

The bill also would likely increase administrative costs to the Racing Commission to oversee third party licensees and conduct audits. Since the bill would allow the Commission to set the appropriate fee amount without a cap, the Commission would be able to cover any additional

administrative costs through license fees. At this time, it is anticipated that the increased administrative costs would be minimal.

The bill would have no fiscal impact on local government.

Fiscal Analyst: Cory Savino

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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.