



Senate Fiscal Agency  
P.O. Box 30036  
Lansing, Michigan 48909-7536



Telephone: (517) 373-5383  
Fax: (517) 373-1986

Senate Bill 661 (as introduced 12-3-19)  
Sponsor: Senator Jim Ananich  
Committee: Agriculture

Date Completed: 12-9-19

### **CONTENT**

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

- **Specify that if, after the bill's effective date, the Racing Commissioner issued a race meeting license to a person that had previously held a license but that would be conducting its race meeting under the new license at a different racetrack, that person could not conduct pari-mutuel wagering at a licensed racetrack that was within 35 miles of another licensed racetrack.**
- **Allow the Commissioner to issue, after the bill's effective date, a track license to a local unit of government that held or had previously held a track license issued under the Law.**
- **Require the Commissioner to issue a race meeting license to a licensed casino if he or she determined that all of the requirements of the Law for issuing a race meeting license were met.**
- **Require a race meeting licensee that conducted pari-mutuel wagering on the results of live horse races that were run in the past to pay to the State Treasurer a 2.0% tax of all money wagered on the pari-mutuel wagering, and provide for the distribution of revenue raised from the tax.**
- **Require the Horse Racing Advisory Commission to spend money it received from the 2.0% tax on money wagered on pari-mutuel wagering for the promotion and marketing of horse racing, equine-related research, and horse-racing grants and programs.**

The bill also would repeal Section 19b of the Law. (Section 19b pertains to the use of money held in escrow before July 1, 2016, under an order issued by the Racing Commissioner.)

#### Licensees; Restriction on Wagering

Under the Law, the Commissioner may issue certain general classes of licenses, including occupational licenses, race meeting licenses, and track licenses. The bill specifies that if, after its effective date, the Racing Commissioner issued a race meeting license to a person that had previously held a race meeting license but that would be conducting all or part of its race meeting under the new license at a different racetrack than under the previous license, the person could not conduct pari-mutuel wagering at a licensed racetrack that was within 35 miles of another licensed racetrack at which one or more race meeting licensees could conduct pari-mutuel wagering.

If, after the bill's effective date, the Racing Commission issued a race meeting license to a person that had not held a race meeting licensed before the bill's effective date, that person

could not conduct pari-mutuel wagering at a licensed racetrack that was within 50 miles of another licensed racetrack at which one or more licensees could conduct pari-mutuel wagering.

"Pari-mutuel" and "pari-mutuel wagering" mean the form or system of gambling in which the winner or winners divide the total amount of money bet, after deducting the net commission. Under the bill, the terms instead would mean a system by which the wagers on the outcome of a live horse race, run in the past or to be run in the future, are placed with, or in, a wagering pool conducted by an operator licensed or otherwise permitted to do so under the laws of Michigan and in which the participants do not wager against the operator. The terms would not include wagering on a banked game in which the race meeting licensee was a participant or otherwise held a stake in the outcome of the game, or in which the licensee established a bank against which the participants played. However, the terms would include nonrefundable contribution to the pool to serve as a seed or guarantee. The terms would not include a video lottery required to be authorized under the Lottery Act or any other State law.

#### Track License; Previous Licensee

The Racing Commissioner must issue, without further application, a track license to a person holding a valid track license under former Public Act 327 of 1980, and maintaining or operating a licensed horse racetrack as of January 9, 1996, at which wagering by pari-mutuel methods on the results of horse racing has been conducted by a licensee. Under the bill, after the bill's effective date, the Commissioner could issue, without further application, a track license to a local unit of government that held or had previously held a track license issued under the Law.

#### Grant of Race Meeting License to Casino Licensee

If the Commissioner determined that all of the requirements of the Law for issuing a race meeting license were met, he or she would have to issue a license to the holder of a casino license issued under the Michigan Gaming Control and Revenue Act. The holder of a race meeting license issued as described could not conduct pari-mutuel wagering at a licensed race track that was within 50 miles of another licensed racetrack at which one or more licensees could conduct pari-mutuel wagering.

#### Pari-Mutuel Wager Tax

The Law requires a licensed racetrack to pay an annual license fee to the Commissioner of \$1,000. Each holder of a race meeting license must pay to the State Treasurer from the holder's commission, a 3.5% tax on money wagered on interstate and intertrack simulcast races conducted at the licensee's race meetings. The bill would require a race meeting licensee that conducted pari-mutuel wagering on the results of live horse races that were run in the past to pay to the State Treasurer a 2.0% tax of all money wagered on the pari-mutuel wagering in a manner and time as required by the Commissioner.

The 2.0% tax would have to be allocated as follows:

- 20.0% to the State School Aid Fund.
- 20.0% to the Michigan Transportation Fund (MTF), to be disbursed under the Section 10(1)(l) of the Michigan Transportation Fund law (which prescribes the disbursement formula for MTF money to the State Trunk Line Fund, and to counties, cities, and villages).
- 10.0% to the General Fund.
- 40.0% to the Michigan Agriculture Equine Industry Development Fund.
- 10.0% to the Horse Racing Advisory Commission, to be spent as described below.

## Horse Racing Advisory Commission

The Law establishes the Horse Racing Advisory Commission within the Department of Agriculture and Rural Development and specifies the membership the Commission. The Law also prescribes its duties, which include establishing for the Racing Commissioner procedures governing the operation and promotion of horse racing in Michigan and making recommendations to the Legislature on amendments to the Law that would improve the regulatory structure of horse racing. The bill also would require the Commission to spend money it received from the 2.0% tax on money wagered on pari-mutuel wagering, as appropriated, for the following purposes:

- Promotion and marketing of horse racing.
- Equine-related research.
- Grants for equine-related support and aftercare and programs related to horse racing.

MCL 431.302 et al.

Legislative Analyst: Jeff Mann

### **FISCAL IMPACT**

The bill would increase the responsibilities for the Michigan Department of Agriculture and Rural Development pertaining to the Horse Racing Advisory Commission and its duties, which include distributing grants, research funding and promoting horse racing. The Department estimates that these added responsibilities would require an additional 3.0 FTEs and \$600,000 to support all payroll, travel, and other related expenses.

The bill could result in additional costs to the Office of the Racing Commissioner, within the Michigan Gaming Control Board, and additional revenue to the State, by including a 2.0% tax on pari-mutuel wagering. There is the potential for increased wagers collected from live horse races, which would result in additional revenue to the State in the form of the 2.0% tax on the money wagered on races, which would be distributed to various funds. In 2018 and 2019, there were no live horse races in which pari-mutuel wagering was used held in the State; however, there are plans to hold racing and simulcasting in 2020. Presumably any races held in the future could generate additional revenue.

The bill would distribute revenue from the 2.0% tax to various funds, which would include the following: 20.0% to the School Aid Fund, 20.0% to the Michigan Transportation Fund, 10.0% to the General Fund, 40.0% to the Michigan Agriculture Equine Industry Development Fund, and 10.0% to the Horse Racing Advisory Commission. Because of the uncertainty as to whether races in which pari-mutuel wagering is used will be held, it is difficult to estimate accurately whether significant revenue would be collected and distributed.

The bill also likely would increase administrative costs to the Office of the Racing Commissioner to oversee licenses. The costs would depend on the level of activity of pari-mutuel wagering on races. It is anticipated that the increased administrative costs would be minimal.

The bill would have no fiscal impact on local government.

Fiscal Analyst: Bruce Baker  
Cory Savino

SAS\S1920\s661sa

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.