

HOUSE BILL REPORT

HB 1845

As Reported By House Committee On:
Revenue

Title: An act relating to horse racing purses.

Brief Description: Modifying certain horse racing purses.

Sponsors: Representatives Lemmon, Locke, R. Fisher, Forner, J. Kohl, Orr, Hansen, R. Meyers, Edmondson, Eide, Rayburn, Grant, Johanson, Leonard and Brough.

Brief History:

Reported by House Committee on:
Revenue, March 4, 1993, DP.

HOUSE COMMITTEE ON REVENUE

Majority Report: Do pass. Signed by 15 members: Representatives G. Fisher, Chair; Holm, Vice Chair; Foreman, Ranking Minority Member; Fuhrman, Assistant Ranking Minority Member; Anderson; Brown; Cothorn; Leonard; Morris; Romero; Rust; Talcott; Thibaudeau; Van Luven; and Wang.

Minority Report: Do not pass. Signed by 1 member: Representative Silver.

Staff: Rick Peterson (786-7150).

Background: The total amount bet on horse racing is called the "handle." A little over 80 percent of this is returned by the race organizers to the betters as prizes. The amount remaining is called the "take-out." "Purses" are amounts paid by race organizers to owners of winning horses. Purses, operating costs, and payments to the Horse Racing Commission are paid from the take-out.

All race organizers pay license fees and pari-mutuel tax revenues to the Horse Racing Commission. In addition, payments to the Washington thoroughbred racing fund are required under certain circumstances described below.

The pari-mutuel tax is 1 percent of the handle for average daily handles of up to \$250,000. If the average daily handle is more than \$250,000, the tax is 2.5 percent of the handle. Revenues from both the pari-mutuel tax and license fees are distributed as follows:

Horse Racing Commission 50 percent
State General Fund 1 percent
Trade Fair Fund 3 percent
Fair Fund (agricultural) 46 percent

The Washington Thoroughbred Racing Fund. Race organizers who are nonprofit corporations and have race meets of 30 days or more per year must pay to the Horse Racing Commission an additional 2.5 percent of the handle. The commission deposits these additional funds in the Washington thoroughbred racing fund in the state treasury. The money in the fund may be spent only after legislative appropriation. Expenditures from the fund are to be used to benefit and support interim continuation of thoroughbred racing, capital construction of a new race track facility, and programs enhancing the general welfare, safety, and advancement of the Washington thoroughbred industry. At the end of the 1992 racing season the thoroughbred racing fund currently contained \$7.1 million. This was accumulated during the last two racing seasons at the Longacres track, which was operated during those seasons by Emerald Racing, a nonprofit corporation. No appropriations have been made from the fund.

Purses. The amount paid in purses is determined by agreement between the race meet organizers and the Horse Owners Association. Emerald Racing set aside 6.5 percent of the handle for purses during the last two seasons at Longacres. With a \$1.3 million average daily handle, purses averaged about \$85,000 per day. Longacres is no longer available for horse racing.

Emerald Racing's summer racing season at Yakima is expected to average \$700,000 to \$800,000 in daily handles. At the current 6.5 percent share for purses there would be about \$50,000 per day for purses.

Summary of Bill: One-half of those moneys that would otherwise be paid into the thoroughbred racing fund are to be retained by the race organizer for enhancing purses, until such time as a permanent racing facility is built and operating in western Washington.

The total amount available for purses would be 7.75 percent of the handle, or about \$60,000 per day, at Yakima for Emerald Racing's next season.

Fiscal Note: Available.

Effective Date: The bill contains an emergency clause and takes effect immediately.

Testimony For: Horseracing is an important industry in our state and this bill would help to keep it that way. Emerald Racing will lose \$400,000 operating the race meet in Yakima. This bill will allow the purses to be enhanced without further reducing the fund held by Emerald Racing. The fund held by Emerald Racing will be used to assist in the construction of a new track in western Washington. All employees associated with horseracing are supported by the purse structure. Even with this bill, the Washington thoroughbred horseracing fund will increase in size.

Testimony Against: The money currently held by Emerald Racing should be used to finance the larger purses. Perhaps the bill should be amended to include a sliding fee scale.

Witnesses: Representative Dave Lemmon, prime sponsor (pro); Senator James West, (pro, with some concerns); Frank Warnke, Thomas O. McLaughlin, and Jack McCann, Emerald Racing Commission (pro); and Carl G. Olson, Horsemen's Benevolent Protective Association (pro).