

HOUSE BILL REPORT

SHB 2167

As Passed Legislature

Title: An act relating to thoroughbred race track gross receipts and licensing provisions.

Brief Description: Regulating race tracks.

Sponsors: By House Committee on Revenue (originally sponsored by Representatives Heavey, G. Fisher, Lemmon, Forner, Veloria, Roland, Eide, Campbell, Jones, Dorn, Zellinsky, Rayburn, Springer, Leonard and Patterson).

Brief History:

Reported by House Committee on:
Commerce & Labor, January 18, 1994, DP;
Revenue, February 2, 1994, DPS;
Passed House, February 15, 1994, 97-0;
Amended by Senate;
House concurred;
Passed Legislature, March 6, 1994, 88-0.

HOUSE COMMITTEE ON COMMERCE & LABOR

Majority Report: Do pass. Signed by 8 members:
Representatives Heavey, Chair; G. Cole, Vice Chair; Lisk,
Ranking Minority Member; Conway; Horn; King; Springer and
Veloria.

Staff: Jim Kelley (786-7166).

HOUSE COMMITTEE ON REVENUE

Majority Report: The substitute bill be substituted therefor and the substitute bill do pass. Signed by 15 members: Representatives G. Fisher, Chair; Holm, Vice Chair; Foreman, Ranking Minority Member; Fuhrman, Assistant Ranking Minority Member; Anderson; Brown; Caver; Cothorn; Leonard; Romero; Rust; Silver; Thibaudeau; Van Luven and Wang.

Staff: Rick Peterson (786-7150).

Background: In 1991, the Legislature enacted ESHB 1120. Among other provisions, this bill reduced the parimutuel tax on race tracks with an average daily handle of more than

\$250,000 by roughly 2.5 percent. The bill also required licensees who are nonprofit corporations and have race meets of 30 days or more to pay to the Horse Racing Commission 2.5 percent of their daily gross receipts. The commission was required to deposit these additional funds into the Washington Thoroughbred Racing Fund (the fund). The only operator required to contribute to the fund under this provision was the nonprofit Emerald Racing Association (Emerald), when it operated Longacres Park in its final two years of existence.

After Longacres closed in 1992, Emerald was awarded the license to operate the 1993 summer race meet at Yakima Meadows. In 1993, the Legislature enacted EHB 1845, which reduced Emerald's contribution to the fund to 1.25 percent of its daily gross receipts and required Emerald to use the additional money it retained to enhance purses for the owners of winning horses.

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 1993 racing season, the fund contained \$8.37 million.

In the 1993 Capital Budget, \$8.2 million of the fund was appropriated to the Horse Racing Commission. The appropriation was subject to the following conditions and limitations:

- (1) The appropriation is provided solely for the benefit and support of thoroughbred horse racing;
- (2) No expenditures may be made to construct horse race or related facilities until the commission has made a determination that the applicant has the ability to complete the construction of a facility and fund its operation and the applicant has completed all permitting requirements; and
- (3) The commission shall insure that any expenditure will protect the state's long-term interest in the continuation and development of thoroughbred horse racing.

The Horse Racing Commission has not yet distributed any of the money in the fund.

Summary of Bill: Until June 1, 1995, licensees who are nonprofit corporations and have race meets of 30 days or

more do not contribute any portion of their daily gross receipts to the Washington Thoroughbred Racing Fund.

Additional requirements are placed on the use of money retained by race meet licensees who are nonprofit corporations with race meets of 30 days or more. These licensees are required to use 1.25 percent of daily gross receipts for the purpose of increasing purses, and to place 1.25 percent of daily gross receipts into an escrow or trust account and use the money solely for construction of a new thoroughbred race track facility in western Washington.

Effective June 1, 1995, nonprofit licensees who have race meets of 30 days or more must again contribute 2.5 percent of their daily gross receipts to the Washington Thoroughbred Racing Fund.

All funds, including interest, remaining in the newly created escrow or trust account must be forwarded to the state general fund if a new race track is not built by January 1, 2001.

Fiscal Note: Available. Requested for substitute bill February 3, 1994.

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

Testimony For: (Commerce & Labor) The Emerald Racing Association was formed to continue horse racing in Washington while we wait for a new track to be built and to help in the effort of building a new track. This bill is necessary for three reasons: (1) Emerald will have to pay much higher rent for a satellite facility in 1994 than it paid in 1993 because the Longacres site is no longer available for satellite wagering; (2) with the passage of Initiative 601, the dollars in the Thoroughbred Racing Fund may be put in competition with other appropriated money; and (3) Emerald will be more free to use its money for the purposes needed by the builder of the new race track, because its money would not be limited by the constitutional prohibition on the gift of state funds. Control of the money that Emerald is amassing is subject to the restrictions in Emerald's bylaws as a nonprofit corporation, which include the interim continuation of horse racing in Washington and the construction of a new race track in Western Washington. More money may also be needed for purses to continue to attract high quality horses. This proposal is supported by all sectors of the industry.

(Revenue) Emerald Racing (the only race meet organizer subject to the distributions to the Washington Thoroughbred

Racing Fund) faces rising costs of running races at Yakima. Emerald Racing rented Longacres on favorable terms; these favorable terms are not available at Yakima. Funds in the Washington Thoroughbred Racing Fund are subject to the gift of state funds provisions in the state constitution. There is concern over placing additional money into the fund. The bill should be amended to require 1.25 percent be used for increasing purses.

Testimony Against: (Commerce & Labor) None.

(Revenue) None.

Witnesses: (Commerce & Labor) (In favor) Frank Warnke and Marie Clifford, Emerald Racing Association; and Carl Baze, Horsemen's Benevolent and Protective Association.

(Revenue) Representative Michael Heavey, prime sponsor (pro); Frank Warnke, Thoroughbred Racing Industry (pro); Marie Clifford, Emerald Racing (pro); and Ted Martin, Playfair Race Track (pro with amendments).