

SENATE BILL REPORT

SB 6678

As Passed Senate, February 10, 2000

Title: An act relating to repealing sunset provisions for parimutuel wagering with respect to horse racing.

Brief Description: Repealing parimutuel wagering sunset provisions.

Sponsors: Senators Rasmussen, Roach, Patterson, West, Heavey, Deccio, Winsley, Honeyford, Snyder, Morton, T. Sheldon, Benton, Johnson, Gardner, McDonald, Stevens, Eide, Kohl-Welles, Bauer, Sheahan, Thibaudeau and Shin.

Brief History:

Committee Activity: Commerce, Trade, Housing & Financial Institutions: 2/1/2000 [DP]. Passed Senate, 2/10/2000, 43-3.

SENATE COMMITTEE ON COMMERCE, TRADE, HOUSING & FINANCIAL INSTITUTIONS

Majority Report: Do pass.

Signed by Senators Prentice, Chair; Shin, Vice Chair; Benton, Deccio, Gardner, Hale, Heavey, Rasmussen, T. Sheldon, West and Winsley.

Staff: Catherine Mele (786-7470)

Background: The Horse Racing Commission licenses, regulates, and supervises the conduct of parimutuel wagering on horse racing in the state of Washington. Parimutuel wagering is a system of betting on races in which those wagering on the winners divide, in proportion to their wagers, the total amount wagered minus a percentage for track operators and taxes.

The parimutuel tax is a set percent of gross receipts or "handle" of all parimutuel (betting) machines at each horse racing event in the state.

In 1998 the Legislature passed Chapter 345, Laws of 1998 (E2SSB 6562) which amended parimutuel tax provisions and temporarily reduced the parimutuel tax by approximately 50 percent until June 30, 2001. This legislation also provided that the Joint Legislative Audit and Review Committee (JLARC) conduct a sunset review of the tax reduction prior to June 30, 2001.

JLARC issued its report on December 1, 1999.

Prior to the passage of the 1998 law, the state used revenues from the parimutuel tax and licensing fees to fund the operation of the horse racing commission. In addition, these monies funded the state trade fair fund, the agricultural fair fund, and a small percentage went to the general fund. After the passage of the new law, the Horse Racing Commission became the only recipient of the reduced parimutuel tax and horse racing licensee fees. The

1998 law terminated any tax distributions to the fair fund, the state trade fair fund, and the general fund.

Generally, the JLARC study found that in the calendar year 1999 Emerald Downs (the only operating race track in 1999) reported a financial loss, but that the magnitude of the loss was less than in previous years. In addition, the report concluded that the overall legislative goal of an economically viable horse racing industry has not been achieved. Moreover, allowing the parimutuel tax change to sunset would most likely worsen the financial status of the industry.— As a result of the findings in the report, JLARC recommends that the parimutuel tax reduction not be terminated.

Summary of Bill: Provisions that return the parimutuel tax structure and distribution to the way it was before the passage of Chapter 345, Laws of 1998 (E2SSB 6562) are repealed. The parimutuel tax reduction is continued without a termination date.

Appropriation: None.

Fiscal Note: Available.

Effective Date: Ninety days after adjournment of session in which bill is passed.

Testimony For: If the Legislature does not take action to keep the parimutuel tax reduction, we may lose an industry. The industry is not only Emerald Downs. There are many involved in the industry. The purses at other race tracks have increased because of the parimutuel tax reduction.

The Horse Racing Commission needs this bill desperately. If we do not have a Horse Racing Commission, we cannot run any races in Washington. Most racing states in this country support racing in one way or another. Employees at the race track and those that support racing need this bill to keep their jobs.

Testimony Against: The Fair Association is sympathetic to the horse racing industry; however, at this time the association cannot support the termination of a 60-year relationship without a solution to the fair fund issue. The Office of Financial Management did not agree with the JLARC findings. There is a bill in the Agriculture Committee to have a task force to address the fair funding issue. Although we support the task force bill, the fairs need a permanent solution before all options are taken away from the fairs. This bill is premature.

Testified: Ron Crockett, Jim Johnston, Jim Halstrom, Northwest Racing, Emerald Downs (pro); Barbara Shinpoch, WA State Racing Commission (pro); Ralph Vacca, WA Horse Breeder Assn. (pro); Sid Willoweit, Heather Hansen, WSFA (concerns); Greg Stewart, Central WA State Fair (concerns); Mary Beth Lang, Dept. of Agriculture (con).