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**Commerce & Labor Committee**

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**HB 2678**

**Brief Description:** Modifying distributions of funds by the horse racing commission to nonprofit race meets.

**Sponsors:** Representatives Quall, Priest, Simpson, Sullivan and Conway; by request of Horse Racing Commission.

**Brief Summary of Bill**

- Changes funding of nonprofit horse race purses paid by the Washington Horse Racing Commission (Commission) from \$300,000 distributed on a pro rata basis to \$15,800 per race day.
- Authorizes the Commission to fund nonprofit purses with funds from a hierarchy of funding sources, including a percentage of source market fees on advance deposit wagering.

**Hearing Date:** 1/20/10

**Staff:** Alexa Silver (786-7190).

**Background:**

The Washington Horse Racing Commission (Commission) licenses horse racing facilities and regulates horse racing in Washington. A class 1 racing association owns and operates its own race facility and offers at least 40 race days per year. A nonprofit facility holds meets on 10 days or fewer and has an average daily handle of \$120,000 or less. The Commission currently licenses one class 1 racing association, Emerald Downs in Auburn, and four nonprofit tracks in Kennewick, Waitsburg, Walla Walla, and Dayton.

Funding the Commission.

The Commission's operations are financed primarily through a tax of 1.30 percent on the daily gross receipts of pari-mutuel betting machines at the class 1 racing association, with the

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remainder generated from licensing fees and fines imposed for regulatory violations. An additional 1 percent tax is levied on the daily gross receipts of pari-mutuel machines at the class 1 racing association. These funds are annually distributed for Washington-bred owner bonuses, Washington-bred breeder awards, and capital construction.

Another 0.1 percent tax is levied on the gross receipts of pari-mutuel machines at the class 1 racing association and is used for the nonprofit purse. In 2007 this tax generated \$140,000 per year.

#### Nonprofit Purse.

The Commission is required to annually distribute \$300,000 on a pro rata basis for nonprofit purses. Funding for the nonprofit purse is derived from the following sources: the 0.1 percent tax on pari-mutuel betting machines at the class 1 racing association; interest earned on the Horse Racing Commission Operating Account (Commission Account); fines imposed by the Board of Stewards; and the Commission Account.

Over the last four years, the nonprofit race meets have totaled 19 racing days per year, and the nonprofit tracks have received \$15,789.47 per race day from the Commission.

#### Source Market Fee on Advance Deposit Wagering.

In 2004 the Legislature authorized advance deposit wagering, a form of pari-mutuel wagering in which an individual deposits money in an account which is used to pay for wagers made in person, by telephone, or through communication by other electronic means.

The Commission has implemented rules requiring advance deposit wagering service providers to distribute a source market fee on a monthly basis. A source market fee is defined by administrative rules as the part of a wager made by a Washington resident that is returned to the Commission and the class 1 racing association. Under the rules, 90 percent of the source market fee is directed to the class 1 racing association and 10 percent is directed to the Commission. Of the Commission's share of the source market fee, 0.5 percent is directed to the nonprofit purse.

#### **Summary of Bill:**

The Commission funding of nonprofit purses is made on a per-race-day basis instead of a pro rata basis and equals \$15,800 per race day.

The following hierarchy of funding sources is created to fund the nonprofit purse:

- (1) 0.1 percent tax on pari-mutuel machines at the class 1 racing association;
- (2) fines imposed by the Board of Stewards;
- (3) percentage of any source market fee generated from advance deposit wagering;
- (4) interest earned on the Commission Account; and
- (5) the Commission Account.

The amount of the third source of funding, source market fees, is set at a percentage approved by the Commission.

If the 0.1 percent tax on pari-mutuel machines generates more than \$15,800 per nonprofit race day, the excess must be returned to the class 1 racing association. Excess funds from the other sources of funding are deposited in the Commission Account.

**Appropriation:** None.

**Fiscal Note:** Available.

**Effective Date:** The bill takes effect 90 days after adjournment of the session in which the bill is passed.