

# HOUSE BILL REPORT

## ESSB 5762

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### As Reported By House Committee On:

Trade & Economic Development

**Title:** An act relating to benefiting the equine industry by parimutuel satellite and simulcast wagering restricted to live racing facilities and providing lottery games.

**Brief Description:** Benefiting the equine industry.

**Sponsors:** Senate Committee on Commerce & Labor (originally sponsored by Senators Heavey, West, Schow, Deccio, Rasmussen, Brown, McCaslin and Goings).

### Brief History:

#### Committee Activity:

Trade & Economic Development: 3/24/97, 3/31/97, 4/2/97 [DPA].

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## HOUSE COMMITTEE ON TRADE & ECONOMIC DEVELOPMENT

**Majority Report:** Do pass as amended. Signed by 7 members: Representatives Van Luven, Chairman; Dunn, Vice Chairman; Sheldon, Assistant Ranking Minority Member; Alexander; Ballasiotes; Mason and McDonald.

**Minority Report:** Without recommendation. Signed by 2 members: Representatives Veloria, Ranking Minority Member; and Morris.

**Staff:** Kenny Pittman (786-7392).

**Background:** Parimutuel wagering on thoroughbred horse racing has declined from a high of \$240 million in 1992 to \$144 million in 1996. The thoroughbred horse population has declined, as have purses paid at the three major race tracks in Washington, during this period. As a result, concern has been expressed over the long-term viability of the thoroughbred racing industry in Washington.

The Washington Horse Racing Commission (WHRC) is responsible for the regulation of horse racing. The WHRC licenses and regulates the number of race dates a track may operate, the simulcasting of a track's signal to satellite facilities, and the amounts of gross receipts set aside for winnings and payment of purses to owners of race horses.

Full card simulcasting (importing and exporting simulcasts of horse races with common pool wagering) is limited to one out-of-state horse race per day of national or regional interest and the Breeder's Cup Day of races. Common pool wagering (i.e., co-mingling of wagers from in- and out-of-state betters) is not permitted under state law.

A racing association licensed by the WHRC that is running live meets may simulcast their live races to other race tracks and satellite facilities in this state. However, no satellite wagering is allowed in a satellite location within 20 ground miles of the licensee's racing facility and not within 50 ground miles of another licensee's racing facility. The fee charged by the race track sending the signal of such races is negotiated between the parties sending and receiving these simulcasts.

Currently, .01 of 1 percent of all parimutuel wagering is deposited into the nonprofit purse fund. This fund is used to enhance purses at nonprofit race meets in Washington. Any amount received in excess of \$150,000 per year is remitted to the general fund.

In 1994, the Legislature authorized licensees to nonprofit corporations that have race dates of 30 days or more to retain 1.25 percent of daily gross receipts to increase purses, and 1.25 percent of daily gross receipts to be deposited into an escrow account for the construction of a new race track in western Washington. If no race track was built by January 2001, all money in the escrow account would revert to the general fund.

**Summary of Amended Bill:** The promotion of live horse racing and fan attendance at class 1 racing facilities is accomplished through revisions to regulations regarding simulcasting of in-state and out-of-state races.

Simulcasting of In-State Racing: The WHRC may authorize a class 1 racing association to transmit simulcasts of its live races to locations outside Washington. Common pool wagering may be conducted on such races. A class 1 racing association is defined as a licensee who, on an annual basis, conducts at least 40 days of live racing within four successive calendar months.

A class 1 racing association may simulcast its live races to other tracks in Washington. A race track receiving such simulcast must pay a fee of 5.5 percent of the gross parimutuel receipts generated at the receiving track to the track sending the simulcast. A race track receiving such simulcast must contribute at least 50 percent of its share of the parimutuel receipts (less the cost of purchasing the simulcast) to the horseman's purse account established for live races at that racing association's track.

At least 50 percent of the fees (less the simulcast costs) generated by the racing association that simulcasts its races to in-state tracks or out-of-state locations must be

deposited into the horseman's purse account established for live races at that racing association's track.

The restrictions on the simulcasting of live racing from the race association's track to a satellite facility are revised and clarified. A satellite location can not operate within 20 driving miles of any class 1 racing facility. A class 1 racing association cannot conduct satellite wagering at any satellite location within 60 driving miles of any other racing facility conducting a live race meet.

Simulcasting of Out-of-State Racing: The WHRC may authorize a class 1 racing association to simulcast out-of-state races only to its racing facility.

A class 1 racing association running a live race meet may simulcast in one out-of-state race card program (up to 11 races), plus one race of national or regional interest, per day. On non-live race days, the racing association may bring in up to two out-of-state race card programs (up to 22 races), a maximum of two days per week. A racing association may not operate parimutuel wagering more than five days per week. Parimutuel wagering on simulcast of out-of-state races is limited to the live racing facility of the class 1 racing operation. The current practice of permitting the simulcast of one race per day of national or regional interest and the Breeder's Cup Day of races to satellite facilities is continued.

A class 1 racing association that is not running a live race meet may simulcast as many out-of-state race programs as it can in 12 hours during any 24-hour period, for no more than five days per week, and only at its live racing facility. A class 1 racing association that simulcasts out-of-state races must also accept simulcast in-state races from other class 1 racing associations in Washington.

Common pool wagering on out-of-state races is authorized. A class 1 racing association may adjust the takeout rate and breakage rate on out-of-state races to achieve a common pool rate with other participants in the wagering pool. At least 50 percent of the parimutuel revenues (less the simulcast's costs) generated from out-of-state races must be deposited by the racing association into the horseman's purse account established for live races at that racing association track.

General Provisions: Obsolete language regarding the nonprofit corporation's use of a percentage of daily gross receipts from parimutuel machines for increasing purses and construction of a new race facility in western Washington is removed.

Language is added to clarify that the simulcasts of in-state and out-of-state races does not constitute an expansion of gaming or authorize new forms of gaming in the state. It does not allow amending of tribal-state compacts for class III gaming based on revised simulcast provisions.

The current \$150,000 cap on funds deposited into the nonprofit purse fund is eliminated.

**Amended Bill Compared to Engrossed Substitute Bill:** The substitute bill clarifies that the goals are the: (1) preservation of the Washington horse breeding and racing industries; (2) promotion of fan attendance at class 1 racing facilities; and (3) prohibition of expansion of gaming beyond those activities that are presently in effect.

**Appropriation:** None.

**Fiscal Note:** Available.

**Effective Date of Amended Bill:** The bill contains an emergency clause and takes effect immediately.

**Testimony For:** This bill is needed to help the Washington horse racing industry. We need to generate fan support for horse racing. Increasing the amount of the purses will attract more horses back into the state and fans to the race track. Washington needs to regain the horse racing industry it lost during the period when there was not live horse racing in western Washington. The ability to simulcast out-of-state races at track facilities and associated wagering will boost purses. The proposed amendments will hurt racing at the race track and should not be adopted.

**Testimony Against:** This is a flawed bill. We don't need in-state protectionism. All tracks should have the ability to sell the out-of-state signal to any satellite location. The money generated from satellite and casino wagering on horse races would help build purses at the live race facilities. The amendments would address this omission.

**Testified:** Senator Heavey, prime sponsor (Pro); Senator Deccio, sponsor (Pro); Marlyta Deck, Washington State Fairs Association (Pro); Barbara Shinpoch, Bob Plut and Bruce Batson, Washington Horse Racing Commission (Pro); Ron Crockett, Emerald Downs (Pro); Marie Clifton, Northwest Racing; Billy Alimont, Yakima Meadows (Pro); Larry Miller, breeder (Pro); Ralph Vacca (Pro); Chris Clifford (Pro); Jim Hawley, Jack Hodge, Brandi McGaffey, Tom Campbell, Danny Wakgira, and Billie Harris, Emerald Downs (Pro); Michael Koenech, breeder (Pro); Michael Campbell, Sports and Events Council of Seattle/King County (Pro); Noelle Richards, horse owner (Pro); Dean Essex, horse owner (Pro); Lance Williams, breeder (Pro); Rob Fahnstock and David Yoshino, fan (Pro); Jerry Woods, breeder (Pro); Harvey Stanley, breeder (Pro); Phil Ziegler and Steve Worley, Muckelshoot Casino (Pro with amendments); Thomas Blainis, owner-breeder (Pro with amendments); Mike Odom, Horse Racing Association (Con); Kim Rich and Ted Martin, Playfair (Con); Les Wagner, Arabian horses (Con); Tom Blaine, horse breeder (Con); Mike Ryherd, Teamster (Con); Leslie Johnson, owner-breeder (Con); Chuck Fauble; and John Peterson, Appleway Leasing (Con).