

SENATE BILL REPORT

SB 5791

As of February 28, 2013

Title: An act relating to supporting youth programs through agricultural fairs and the horse racing industry.

Brief Description: Supporting youth programs through agricultural fairs and the horse racing industry.

Sponsors: Senators Fain, Hobbs, Litzow, Eide, Hill, King, Keiser, Murray, Dammeier, Hatfield, Becker, Kohl-Welles, Honeyford and McAuliffe.

Brief History:

Committee Activity: Commerce & Labor: 2/22/13 [DPS-WM, DNP, w/oRec].
Ways & Means: 2/27/13.

SENATE COMMITTEE ON COMMERCE & LABOR

Majority Report: That Substitute Senate Bill No. 5791 be substituted therefor, and the substitute bill do pass and be referred to Committee on Ways & Means.

Signed by Senators Holmquist Newbry, Chair; Braun, Vice Chair; Hewitt, Keiser and King.

Minority Report: Do not pass.

Signed by Senator Conway, Ranking Member.

Minority Report: That it be referred without recommendation.

Signed by Senator Hasegawa.

Staff: Mac Nicholson (786-7445)

SENATE COMMITTEE ON WAYS & MEANS

Staff: Dianne Criswell (786-7433)

Background: State Fair Fund. Agricultural fairs may receive funding from the state fair fund, which is administered by the Department of Agriculture. State law requires an annual \$2 million transfer into the fair fund from the general fund. In fiscal year 2012 and 2013, the required transfer was \$3.5 million.

This analysis was prepared by non-partisan legislative staff for the use of legislative members in their deliberations. This analysis is not a part of the legislation nor does it constitute a statement of legislative intent.

Horse Racing Commission. The Washington Horse Racing Commission (Commission) is the state agency charged with licensing and regulating the horse racing industry, and has a responsibility to encourage the training and development of the equine industry in Washington. Funding for the Commission comes from a number of sources, including a parimutuel tax and daily live race license fees. Additional parimutuel taxes are collected to fund nonprofit race meets and the owners' bonus. Funds in the Commission operating account can only be used to fund Commission operating expenses. The Commission may spend up to \$300,000 per year from the operating account to provide additional support to nonprofit race meets and to develop the equine industry, maintain and upgrade racing facilities, and assist equine health research.

The commission has the authority to receive gifts, grants, and endowments for the use and purpose of regulating or supporting nonprofit meets. Nonprofit meets are those meets that are nonprofit in nature and are of ten days or fewer.

Licensees of race meets that are not considered nonprofit are allowed to retain a percentage of daily gross receipts of all in-state parimutuel machines. If daily gross receipts were more than \$50 million in the previous year, licensees can keep 13.7 percent. If daily gross receipts were less than \$50 million in the previous year, the licensee can keep 14.48 percent.

State Lottery. In fiscal year 2012, the following were Washington Lottery beneficiaries:

- Washington Opportunity Pathways Account, \$121.8 million;
- stadium bonds, \$10 million for the football stadium and \$2.7 million for the baseball stadium;
- problem gambling, \$291,000;
- economic development, \$3 million from unclaimed prizes; and
- the veterans' innovation program.

Summary of Bill (Recommended Substitute): State Lottery. During calendar year 2013, \$5 million must be distributed from the state lottery account as such:

- \$2.5 million to the state fair fund; and
- \$2.5 million to the Horse Racing Commission operating account.

Distribution amounts must increase 2 percent over the previous year. Distributions will stop June 30, 2023.

State Fair Fund. After June 30, 2023, \$2 million per fiscal year must be transferred into the state fair fund from the general fund.

Horse Racing Commission. Collection of the parimutuel tax to support Commission operating expenses and the daily race license fees is suspended until 2023.

The Commission must separately account for the lottery funds received under the legislation as the horse industry support funds (support funds). \$250,000 of the support funds must be allocated annually to nonprofit race meets. Additional uses of funds for nonprofit race meets are authorized and include increasing purses, insurance, and providing educational opportunities.

Expenditures of the support funds can be used for:

- operating expenses of the Commission;
- educational opportunities for children involved in 4-H and other horse owners involved in training;
- increasing the size of purses at race meets that are not considered nonprofit;
- maintaining and upgrading racing facilities; and
- marketing and equine industry educational expenses related to race meets that are not considered nonprofit.

The Commission may receive gifts, grants, and endowments for race meets that are not considered nonprofit.

Licensees can keep an additional 1.3 percent of daily gross receipts of in-state parimutuel machines.

Licensees of race meets that are not considered nonprofit must promote the lottery with any combination of in-kind advertising, sponsorship, or prize promotions valued at 15 percent of the amount distributed to the Commission from the state lottery. The in-kind advertising obligation ends when distributions from the lottery account end.

EFFECT OF CHANGES MADE BY COMMERCE & LABOR COMMITTEE (Recommended Substitute): The proposed substitute increases the amount of support funds that are allocated to nonprofit race meets from \$150,000 to \$250,000 and makes the allocation mandatory rather than permissive. The proposed substitute also adds the obligation that licensees of certain race meets provide in-kind advertising valued at 15 percent of the amount distributed to the Commission from the lottery account.

Appropriation: None.

Fiscal Note: Available.

Committee/Commission/Task Force Created: No.

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

Staff Summary of Public Testimony on Original Bill (Commerce & Labor): PRO: Emerald Downs supports jobs and agriculture throughout the state. The bill also supports fair funding which is also important throughout the state. The funding uses lottery revenue that was going to expire debt on the stadium. The legislation has great benefits. This bill is an education bill, it will help raise charitable donations, help youth raise money for college, produce entertainment, provide workforce development, it is an economic engine, and will enhance revenue for state and local governments.

Persons Testifying (Commerce & Labor): PRO: Senator Fain, prime sponsor; Ron Newbry, Central WA Fair Assn.; Genesee Adkins, King County.

Staff Summary of Public Testimony (Ways & Means): PRO: Revenues increased quickly in the short time after New York State made a public investment in horse racing activities.

Horses generate jobs, especially jobs for people who do not have a secondary education. The work at tracks provides opportunities to people who need seasonal work, like students. The race horse industry employs families. One owner leaving the state can impact many families who rely on those owners for employment. The state should consider investing more resources in purses. The post-2007 economic downturn has decreased business income from horse racing activities. Tax relief would help alleviate the losses. These are agriculture-based activities that reach throughout the state. Tracks provide educational programs and are active members of the community. The Commission supports the proposal, and is aware of its role to create educational opportunities and to support nonprofits.

Persons Testifying (Ways & Means): PRO: Darrin Paul, Andrea Erdahl, Shannon Larson, citizens; Bob Fraser, Jim Halstrom, Sophia McKee, Emerald Downs; Ronald Maus, Mary Ann O'Connell, WA Horsemen's Benevolent and Protective Assn.; Douglas Moore, WA Horse Racing Commission.