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House Bill 4310 (Substitute S-3 as reported)
Sponsor: Representative Hank Vaupel
House Committee: Regulatory Reform
Senate Committee: Agriculture

CONTENT

The bill would amend the Horse Racing Law to do the following:

- Allow the Racing Commissioner to issue a third party facilitator license for entities contracted to facilitate wagering on live and simulcast horse racing.
- Require the Racing Commissioner to establish the terms and conditions and the appropriate fee for a third party facilitator subject to certain provisions.
- Specify that if, after the bill's effective date, the Racing Commissioner issued a race meeting license to a person that had previously held a license but that would be conducting its race meeting under the new license at a different racetrack, that person could not conduct pari-mutuel wagering at a licensed racetrack that was within 35 miles of another licensed racetrack.
- Allow the Commissioner to issue, after the bill's effective date, a track license to a local unit of government that held or had previously held a track license.
- Require the Commissioner to issue a race meeting license to a licensed casino if he or she determined that all of the requirements of the Law for issuing a race meeting license were met.
- Provide that any form of pari-mutuel wagering on live or simulcast horse races could be conducted only by a race meeting licensee.
- Eliminate prohibitions pertaining to participating in an act or transaction relative to placing a wager outside of a race meeting ground.
- Specify that only a race meeting licensee or its contracted licensed third party facilitator could process, accept, or solicit wagers on the results of live or simulcast horse races.
- Specify that purses paid as described in the Law would have to be based on actual purses awarded in a race.
- If the amount allocated to the Fund under the Act or any other source exceeded \$8.0 million in a fiscal year, the excess amount would have to be allocated to the pari-mutuel horse racing disbursement account.
- Modify the percentage of Michigan Agriculture Equine Industry Development Fund deposited into the Compulsive Gaming Prevention Fund.
- Apply a prohibition against soliciting or accepting wagers on horse racing results to a person who did not hold a third party facilitator license.

MCL 431.302

Legislative Analyst: Jeff Mann

FISCAL IMPACT

The bill could result in additional costs to the Office of the Racing Commission, which is located within the Michigan Gaming Control Board, and additional revenue to the State, by allowing

third-party facilitator licensees to assist with processing, accepting, or soliciting wagers on live and simulcast races. There is the potential for increased wagers collected from horse races, which would result in additional revenue to the State in the form of the 3.5% tax on the money wagered on races and license fees, which is deposited into the Agriculture and Equine Industry Development Fund (AEIDF), and an additional 1.0% tax on all wagers. In 2018, 97% of total wagers made were collected under simulcasting, with the remaining collected through live betting. Since the third-party facilitator licensees would assist with simulcast wagers, the total amount of wagers collected from races could increase.

For fiscal year (FY) 2017-18, the Racing Commission collected \$2.7 million in total revenue from horse racing. An additional 1.0% tax would have generated roughly \$900,000, with \$810,000 deposited into the AEIDF, and the remaining \$90,000 to the Horse Racing Advisory Commission. From FY 2013-14 to FY 2017-18, total revenue from horse racing has decreased every year from \$4.2 million to \$2.7 million, which is a \$1.5 million or 35.7% decrease over five years. Total increases are unknown, but could increase horse gaming revenue in the first full implemented year; however, it is unlikely to increase revenue to previously fiscal year levels because of the overall decreased trends in horse gaming activity in the State. However, any additional revenue collected would increase appropriations to the various equine programs and support the Michigan Department of Agriculture and Rural Development and the Racing Commission.

The bill also likely would increase administrative costs to the Racing Commission to oversee third party licensees and conduct audits. Since the bill would allow the Commission to set the appropriate fee amount without a cap, the Commission would be able to cover any additional administrative costs through license fees. At this time, it is anticipated that the increased administrative costs would be minimal.

In addition, the bill would increase the amount required to be paid annually into the Compulsive Gaming Prevention Fund (CGPF), created under Public Act 70 of 1997, from the AEIDF. Currently, an amount equal to 1/100 of 1% of the gross wagers made each year in each of the licensed racetracks must be paid into the CGPF. The bill would increase this percentage to 1/15 of 1% of wagers. The amount paid to the CGPF in FY 2017-18 was \$7,678; for FY 2018-19, it was \$6,192. While it is difficult to predict what would result for future deposits into the CGPF, those deposits would depend on the level of wagering activity, which cannot be determined currently. If the proposed percentage increase had been in place for FY 2018-19, the total deposited amount would have been \$37,152.

The bill would increase the responsibilities for the Michigan Department of Agriculture and Rural Development pertaining to the Horse Racing Advisory Commission and its duties, which include distributing grants, research funding and promoting horse racing. The Department estimates that these added responsibilities would require an additional 3.0 FTEs and \$600,000 to support all payroll, travel, and other related expenses.

The bill would have no fiscal impact on local government.

Date Completed: 12-10-19

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Bill Analysis @ www.senate.michigan.gov/sfa

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