



House Office Building, 9 South  
Lansing, Michigan 48909  
Phone: 517/373-6466

## COMPUTERIZED GAMING AT HORSE RACETRACKS

**House Bill 5284**

**Sponsor: Rep. Judith Scranton**

**House Bill 5285**

**Sponsor: Rep. Judith Scranton**

**Committee: Agriculture and Resource  
Management**

**Complete to 11-8-02**

### **A SUMMARY OF HOUSE BILLS 5284 AND 5285 AS INTRODUCED 10-18-01**

House Bill 5284 would amend the Horse Racing Law of 1995 (MCL 431.308 and 431.316) to allow for computerized gaming at horse racing facilities. House Bill 5285, which is tie-barred to House Bill 5284, would amend the Code of Criminal Procedure (MCL 777.14) to define the manipulation of the outcome, prize, or operation of an electronic computerized gaming device to be a crime against the public trust and a Class D felony punishable by imprisonment for a maximum of 10 years.

Under House Bill 5284, the racing commissioner could issue an occupational license to certain individuals participating or involved in electronic computerized gaming at licensed horse races or an electronic computerized gaming machine license to race meeting licensees. Manufacturers, distributors, servers, technical and maintenance providers, and all other employees of a race meeting licensee holding an electronic computerized gaming operator's license who are involved in electronic computerized gaming could be issued a license by the racing commissioner.

An occupational license would not be issued to a person who, within six years of applying for an occupational license, was convicted of a felony involving theft, dishonesty, misrepresentation, fraud, corruption, drug possession, delivery, or use, or other criminal misconduct related to electronic computerized gaming. A person would not be issued an occupational license if, within two years of applying for an occupational license, he or she was convicted of a misdemeanor involving theft, dishonesty, misrepresentation, fraud, corruption, drug possession, delivery, or use or other criminal misconduct related to his or her ability to operate electronic computerized gaming.

An applicant would also be required to disclose (in writing) to the racing commissioner any ownership interest in a racehorse and submit fingerprints and proof of compliance with the Worker's Disability Compensation Act of 1969, in addition to any other information deemed relevant by the racing commissioner. Furthermore, the applicant would consent to any inspections of his or her personal property and to any property related to his or her participation in a race meeting. The racing commissioner would not issue a license to a race meeting licensee that does not have a current contract with a certified horsemen's organization as required in the act.

House Bills 5284 and 5285 (11-8-02)

Under the bill, a person under 18 years of age could not operate an electronic computerized gaming device, and a race meeting licensee would be prohibited from knowingly permitting a person under 18 years of age to play a gaming device. Unless authorized by the racing commissioner, a person who manipulated or intended to manipulate the outcome, payoff, or operation of a gaming device by either physical or electronic means would be guilty of a felony punishable by imprisonment up to 10 years and/or a fine of not less than \$10,000.

Before a gaming operator could operate a gaming device, he or she would enter into a contract with a technology provider licensed by the racing commissioner. In addition, he or she would provide to the racing commissioner a current contract with a certified horsemen's organization.

Each electronic computerized gaming operator would be required to retain 44 percent of the gross win (the total amount wagered less the prizes paid out). He or she would be responsible for any expenses relating to the owning, leasing, operating, and maintenance of the gaming device. Twenty-five percent of the gross win would be paid to the state's general fund minus a sufficient amount for the administration and regulation of the gaming activity, as determined by the racing commissioner. In addition, 3 percent of the gross win would be subtracted from the amount payable to the state's general fund and would be placed into the Agriculture Preservation Fund, which would be created by the bill. Any money in the fund would be used for programs in section 20 of the act for standardbreds and fairs, thoroughbreds, quarter-horses, appaloosas, Arabians, and American paint horses. Any money remain in the fund at the end of the fiscal year would not revert to the general fund.

The remaining 31 percent of the gross win would divided as follows:

- If there is a thoroughbred race meeting license in a city area, 15 percent of the gross win would be payable to a depository designated by the certified horsemen's organization having contracts with thoroughbred race meeting licensees in the state and 15 percent of the gross win would be payable to a depository designated by the certified horsemen's organization having contracts with standardbred race meeting licensees in the state.

- If there is not a thorough bred racing meeting license in a city area, 10 percent of the gross win would be payable to a depository designated by the certified horsemen's organization having contracts with thoroughbred race meeting licensees in the state and 20 percent of the gross win would be payable to a depository designated by the certified horsemen's organization having contracts with standardbred race meeting licensees in the state.

- The remaining 1 percent of the gross win would be payable to a depository designated by the certified horsemen's organization having contracts with mixed-bred licensees.

Any funds distributed in this manner would be for pari-mutuel purses less up to 3 percent for any administration expenses.

The racing commissioner would be required to promulgate rules to do all of the following:

- Protect, encourage, promote, and preserve the best interests of live horse racing.

- Protect, encourage, promote, and preserve the safety, growth, and integrity of electronic computerized gaming activity at licensed race meetings.
- Administer the act and any rules pertaining to the licensing and regulations of any person participating in electronic computerized gaming.
  - Establish the qualifications and requirements for licensure.
  - Establish the rights and duties of licensees who participated in the manufacture, distribution, service, maintenance, or operation of the gaming device.
  - Establish uniform requirements for electronic computerized gaming devices and any related hardware, software, and other equipment; establish requirements for a central on-line telecommunications computer system linking all gaming devices to provide the racing commissioner with information pertaining to play and operations of the gaming device.
  - Establish uniform criteria and requirements for the racing commissioner's review and approval of the computerized games that could be operated, the number and location of the gaming devices, the cost to operate, and the prizes or credits that could be awarded. The racing commissioner, if requested by the gaming operator, would authorize not less than 1,200 gaming devices on the grounds of the racetrack.
  - Require that gaming devices be tested and certified by an independent testing laboratory.
  - Ensure that all gaming devices are linked together by a central on-line telecommunications computer system approved by the racing commissioner. (The computer system could not limit participation to only one manufacturer.)
  - Establish uniform auditing and reporting requirements for all licensees participating in the manufacture, distribution, service, maintenance, or operation of a gaming device.
  - Establish uniform insurance and bonding requirements for race meeting licensees and license technology providers participating in the manufacture, distribution, service, maintenance, or operation of a gaming device.
  - Establish uniform procedures for supervision and enforcement of the act and any rules of the racing commissioner pertaining to the licensing and regulation of electronic computerized gaming.
  - Establish procedures for hearing and determination of violations of the act or any rules promulgated under the act.
  - Establish procedures and define grounds for noncriminal disciplinary actions by the racing commissioner for violating the act.

Analyst: M. Wolf

---

■ This analysis was prepared by nonpartisan House staff for use by House members in their deliberations, and does not constitute an official statement of legislative intent.