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PERMIT KENO AT HORSE RACETRACKS

House Bill 6142
Sponsor: Rep. Judith Scranton
Committee: Agriculture and Resource
Management

Complete to 8-30-02

A SUMMARY OF HOUSE BILL 6142 AS INTRODUCED 5-29-02

The bill would amend the Horse Racing Law of 1995 (Public Act 279) by adding Part 5, which would permit “keno” operations to be conducted at licensed race meeting facilities.

Administration. The racing commissioner would be charged with administering the provisions of the bill and regulating the keno operations, and would adopt rules regarding the following:

- Regulating the application for and issuance of keno and occupational licenses.
- Establishing license or applications fees.
- Regulating the conduct of keno operations and occupational licensees.
- Establishing record keeping and reporting requirements.
- Regulating the collection of all fees and taxes.
- Establishing internal control procedures ensuring the safekeeping of state funds.
- Establishing procedures for conducting hearings.
- Promoting the safety, security, growth, and integrity of keno operations conducted at licensed race meetings.
- Anything else necessary to the administration of the provisions of the bill.

In addition, the racing commissioner would conduct investigations; review the books, accounts, and records of any current or former keno operator; take disciplinary action against a person for any violations of the provisions of the bill or rules promulgated pursuant to the bill; take testimony and issue subpoenas; and monitor and ensure the collection of taxes and fees.

Licensure. The bill would permit a race meeting licensee (that is, a person licensed to conduct horse races in the state) to apply for a license to conduct keno operations on the race meeting grounds. A keno license would not be transferable. In addition, if an initial keno license were issued, the licensee would apply for renewal in conjunction with his or her annual application for a race meeting license.

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The racing commissioner could deny, suspend, revoke, or refuse to renew a keno license if the applicant violates or fails to comply with the provisions of the bill or any rule promulgated pursuant to the bill; knowingly causes, aids, or conspires with another to cause a person to violate the provisions of the bill or any rule promulgated pursuant to the bill; obtains a license by fraud, misrepresentation, or concealment; or otherwise becomes ineligible for licensure. If a keno license were suspended or revoked, the racing commissioner would be permitted to also suspend the licensee's race meeting license. Likewise, if a race meeting license were suspended or revoked, the racing commissioner would be permitted to suspend or revoke the keno license.

Keno Operations. Under the bill, a keno licensee would only conduct a keno operation at the same facility at which the licensee is authorized to conduct pari-mutuel wagering activities under his or her race meeting license, and on days that the licensee is authorized to accept wagers on horse races. Wagering could not take place more than two hours prior to the start of the first race, nor could it take place more than two hours after the conclusion of the last race. In addition, any person under 18 years of age would be prohibited from participating in a keno operation and a keno licensee would be prohibited from permitting a person under 18 to participate in a keno operation.

Each keno operator would be required to conspicuously post a copy of his or her keno license, the rules regarding the conduct of the casino game, and any wagering limits. In addition, the keno operator would be required to keep and maintain permanent daily records of all financial transactions of the keno operation, maintain those records for not less than three years, make those records available for audit and inspection by the racing commissioner and law enforcement agencies during the normal hours of operation, and file a report containing those records with the racing commissioner. Finally, a keno operation would be subject to inspection by the racing commissioner and law enforcement agencies during the normal hours of operation. The inspection would pertain to the internal control procedures employed to ensure the safekeeping of state funds, including requirements for state monitoring and verification of cash flow and accounting of keno revenues.

Distribution of Earnings. A keno operator would retain 44 percent of the gross win resulting from keno operations, and would be solely responsible for all costs related to the keno operation. In addition, the keno operator would pay 25 percent of the gross win into the state treasury (for credit into the general fund), less an amount to cover the costs for the administration and regulation of the keno operations, and less three percent of the gross win to be paid to the Agriculture Preservation Fund. The remaining 31 percent of the gross win would be paid out as follows:

- If a race meeting licensee is licensed to conduct thoroughbred races in a city area, a depository designated by the certified horsemen's organization having contracts with thoroughbred race meeting licensees, and a depository designated by the certified horsemen's organization having contracts with standardbred licensees would each receive 15 percent of the gross win.

- If no race meeting licensee is licensed to conduct thoroughbred horse racing in a city area, a depository designated by the certified horsemen's organization having contracts with thoroughbred race meeting licensees would receive 10 percent of the gross win, and a depository

designated by the certified horsemen's organization having contracts with standardbred licensees would receive 20 percent of the gross win.

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

[Note: Under the act, a 'city area' is defined as a city having a population of 750,000 or more, and includes the counties wholly or partly within 30 miles of the city limits.]

Funds deposited in the manner set forth above would be distributed to their respective race meeting licensees exclusively for pari-mutuel purses in a manner that best serves pari-mutuel racing in the state, less an amount not exceeding 3 percent for the necessary administrative costs.

Violations. The racing commissioner would be permitted to impose an administrative penalty not exceeding \$1,000 for each violation of the provisions of the bill or any rule promulgated pursuant to the bill. In addition, a person (unless authorized by the racing commissioner) who manipulates the outcome, payoff, or operation of a keno game (and who intended on taking such an action) would be guilty of a felony punishable by imprisonment not exceeding 10 years, or a fine of not less than \$10,000, or both.

Tie-bars. The bill is tie-barred to House Bills 5284–5289, which pertain to electronic computer gaming devices, card games, site-only simulcasting and telephone account wagering, the distribution of 'breaks', and exempting pari-mutuel horse racing from the provisions of the Michigan Gaming Control and Revenue 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.