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BILL ANALYSIS

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Senate Bill 411 through 414 (as introduced 6-27-23)

Sponsor: Senator Dan Lauwers (S.B. 411)
Senator Kevin Hertel (S.B. 412)
Senator John Cherry (S.B. 413 & 414)

Committee: Natural Resources and Agriculture

Date Completed: 10-10-23

INTRODUCTION

Collectively, the bills would modify requirements for live horse race dates, the conditions under which simulcast wagering could take place, and provisions concerning the relationships and fees paid from a race track licensee to Certified Horsemen's Organizations (CHOs). The bills would amend the Lawful Internet Gaming Act and the Lawful Sports Betting Act to eliminate caps on revenue allocated to the Michigan Agriculture Equine Industry Development Fund (AEIDF) and delete language regarding the distribution of money to pay outstanding winning tickets for light horse races. Specifically, Senate Bill 411 would modify allocations from the AEIDF to standardbred and fair programs, thoroughbred programs, and breed-specific programs, such as by increasing breeder's and owner's awards and grants for equine industry research. Additionally, the bill would decrease the tax on money wagered on interstate and intertrack simulcast races.

Senate Bill 411 and Senate Bill 414 are tie-barred. Senate Bill 411 is also tie-barred to Senate Bill 412 and Senate Bill 413.

BRIEF FISCAL IMPACT

Senate Bill 411 would lower the tax on simulcast horse racing from 3.5% to 1% and reduce the amount generated from taxes on third-party facilitators that is deposited in the AEIDF. It also would increase the amount to the Horse Racing Advisory Commission. Senate Bill 412 would increase revenue by \$4.7 million to the AEIDF and decrease the amount to the School Aid Fund by the same amount by removing a \$3.0 million cap on contributions to Michigan Agriculture Equine Industry Development Fund. The bill also would remove the requirement that any amount in the AEIDF that exceeds \$8.0 million in deposits must be allocated to the pari-mutuel horse racing disbursement account. Senate Bill 413 would remove a \$3.0 million cap on contributions to the AEIDF from the Internet Sports Betting, which would result in no change in revenue to the AEIDF, due the amount only totaling \$700,000 in FY 2021-22. Senate Bill 414 would have no fiscal impact on state or local government.

MCL 431.302 et al (S.B. 411)
432.315 (S.B. 412)
432.415 (S.B. 413)
431.252 (S.B. 414)

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CONTENT

Senate Bill 411 would amend the Horse Racing Law to do the following:

- Delete a provision that prohibits the Horse Racing Advisory Commission from issuing a license to a person who is licensed at another racetrack and has interest in or co-ownership of that other racetrack.
- Delete a provision that would allow the Commissioner to issue a track license to a local unit of government that holds or had previously held a track license without further application.
- Require the Commissioner to keep data concerning a review or renewal of a track license or race meeting license confidential.
- Decrease the minimum number of live race meetings an applicant for a thoroughbred or standardbred race meeting license would have to conduct, from eight to six.
- Allow race meeting licensees to participate in simulcasting if the licensee met the six live race meetings requirement described above.
- Allow the Commissioner to issue an amended license to conduct simulcast wagering at a temporary location to a license applicant that met certain requirements.
- Modify the allocation of purse money to horsemen's purse pools.
- Increase amounts to be paid to standardbred, thoroughbred, and fair programs for purses and supplements.
- Delete provisions that provide for payments for quarter horse, Appaloosa, Arabian, and American paint horse programs.
- Delete a provision that requires an amount over \$8.0 million to be distributed to the pari-mutuel horse racing disbursement account if the amount allocated to the AEIDF exceeds \$8.0 million in a given fiscal year.
- Decrease a tax on money wagered on interstate and intertrack simulcast races conducted at the holder's licensed race meetings from 3.5% to 1%.

Senate Bill 412 would amend the Lawful Internet Gaming Act delete a provision specifying caps on revenue distributed to the AEIDF.

Senate Bill 413 would amend the Lawful Sports Betting Act to delete a provision specifying caps on revenue distributed to the AEIDF.

Senate Bill 414 would amend Public Act 90 of 1951, which generally regulates the conduct of races in the State, to delete language regarding the distribution of money held by a licensee to pay outstanding winning tickets for light horse races and to modify references to reflect changes proposed by Senate Bill 411

Senate Bill 411

Licenses

Under the Horse Racing Law, the Commissioner may issue certain general classes of licenses, including occupational licenses, race meeting licenses, track licenses, and third-party facilitatory licenses. Race meeting licenses are issued annually for the succeeding year to persons to conduct live horse racing, simulcasting, and pari-mutuel wagering on the results of horse races.

The Commissioner may not issue a race meeting license to a person if the person is licensed to conduct a race meeting at another licensed racetrack in the State and the person has a

controlling interest in or co-ownership of the other licensed racetrack. The bill would delete this provision.

Track License

The Commissioner may issue track license to individuals to maintain or operate a racetrack at which one or more race meeting licensees may conduct third party meetings in the State.

The Law allows the Commissioner to issue a track license to a local unit of government that holds or had previously held a track license without further application. The bill would delete this provision.

An applicant for a track license must submit an application that contains certain information to the Commissioner, such as proof of financial responsibility, detailed plans and specifications for the racetrack and grounds, and application and applicant personal information, among other things. Under the bill, the Commissioner would have to keep all information, records, interviews, reports, statements, memoranda, or other data supplied or used by the Commissioner during the review or investigation of an application or renewal for a track license confidential. The materials would be exempt from disclosure under the Freedom of Information Act (FOIA).

The bill would prohibit the commissioner from accepting an application for a track license unless the applicant applied for at least 30 days of live horse racing. "Live horse race" would mean a horse race that is held a licensed track where the race meeting license that conducts wagering on the race conducts its race meeting, and that is held immediately after wagering on the race closes.

Thoroughbred or Standardbred Race Meeting License with Pari-Mutuel Wagering

The Law prescribes certain requirements to obtain a license to conduct thoroughbred or standard bred horse race meetings with the pari-mutuel wagering.

("Simulcast" means the live transmission of video and audio signals conveying a horse race to or from a licensed race meeting or third-party facilitator in the State. When used as a noun the term means program of horse races transmitted. "Pari-mutuel" and "pari-mutuel wagering" mean the form or system of gambling in which the winner or winners divide the total amount of money bet, after deducting the net commissions.)

Among other things, the application must specify the horse breed for which the applicant desires to conduct live racing at the proposed race meeting and the days on which the applicant proposes to conduct live horse racing at the race meeting. The bill would specify that this requirement would apply to multiple breeds as applicable.

Additionally, the bill would prohibit the Commissioner from accepting the application to conduct thoroughbred or standard bred horse race meetings with the pari-mutuel wagering, unless the applicant applied for at least 30 days of live horse racing.

The Commissioner would have to keep all information, records, interviews, reports, statements, memoranda, or other data supplied or used by the Commissioner in the course of the review or investigation of an application or renewal for a race meeting license confidential. The materials would be exempt from disclosure under FOIA.

Live Horse Racing Dates

Currently, an applicant for a license to conduct a thoroughbred race meeting or standardbred race meeting must apply to conduct at least 30 days for live thoroughbred racing during its proposed race meeting. Other than during the opening and closing week of a race season the applicant must apply to have at least two days per week with no fewer than eight live horse races programmed. Instead, under the bill, the applicant would have to apply to conduct live racing at least two days per week with no fewer than *six* live horse races programmed.

The Law specifies that if a race meeting licensee is unable to program and conduct eight live horse races on a racing date awarded to the licensee because there are fewer than five entries in a race, the licensee may not conduct any simulcasting on that day without written consent of the Certified Horsemen's Organization (CHO) with which the licensee has a contract. If a race meeting licensee is unable to program and conduct racing on a live racing date award to the licensee or fewer than eight live horse races on an awarded live racing date because of a labor dispute, fire, adverse weather conditions, or other causes beyond the licensee's control, the licensee is considered to have conducted those races on that date for the purposes of the Law and is not precluded from conducting any simulcasts. Under the bill these provisions would instead apply to a licensee that was unable to conduct *six* live horse races.

Currently, "certified horsemen's organization" means an organization that is registered with the Office of Racing Commissioner in a manner and form required by the Commissioner and that can demonstrate all the following:

- The organization's capacity to supply horses.
- The organization's ability to assist a race meeting licensee in conducting the licensee's racing program and protect the financial interests of the individuals participating at the meetings.
- The organization's ability to monitor and improve physical conditions and controls for individuals and horses participating at licensed race meetings.

Under the bill, "certified horsemen's organization" would mean an organization that is *certified annually by breed* by the Office of Racing Commissioner in a manner and form required by the Commissioner and that can demonstrate all the following:

- *The organization has a contract with a race meeting license in the State.*
- The organization's capacity to supply horses.
- The organization's ability to assist a race meeting licensee in conducting the licensee's racing program and protect the financial interests of the individuals participating at the meetings.
- The organization's ability to monitor and improve physical conditions and controls for individuals and horses participating at licensed race meetings.
- *That the members of the organization include as full active members, a majority of the holders of occupational licenses for the breed.*

Under the Law, 50% of all commissions where the live racing was conducted must be paid to the horsemen's purse pool at the racetrack where the live racing was conducted. Instead, under the bill, 50% of such commissions would have to be paid to the applicable CHO account described under Contracts with CHO.

Simulcast Wagering

Under the Law, a race meeting license cannot conduct simulcast wagering unless the licensee conducts at least 30 live racing days in a calendar year. The licensee may apply to the

Commissioner for a permit to televise simulcasts of horse races within the racetrack and the Commissioner may issue a permit for individual race and full card simulcasts televised during, between, before, or after programmed live races on days during the term of the applicant's license when the applicant does not conduct live horse racing if certain conditions are met.

Among the conditions, the applicant must make a continuing good faith effort throughout the duration of its race meeting to program at least eight live horse races on each live racing date allocated to the applicant. The CHO with which the applicant has contracted must have consented with the requested simulcasts on any live racing day when the applicant is unable to program at least eight live horse races when applicable. The bill would decrease the required amount of horse races from eight to six

Amended Simulcast License

Under the bill, the Commissioner would have to issue an amended simulcast license to conduct simulcast wagering at a temporary facility to a race meeting licensee that could not satisfy the live racing requirements if the race meeting licensee met the following requirements:

- The race meeting licensee currently held a race meeting license or held a race meeting license the previous year.
- The race meeting licensee was building a new facility that was not ready to host live races.
- The temporary facility was in the same municipality as the new facility.

The Law specifies that to obtain an amended license and satisfy the live racing requirements the licensee must have a written contract with a CHO to pay a percentage of its net commission from simulcasting to the live racing purse pool at another licensed racetrack during the period the license is in effect. Under the bill, to obtain an amended license and satisfy the live racing requirements, the licensee would have to have a written contract with a CHO to pay a percentage of its net commission from simulcasting to the *site-specific horsemen's purse account for another race meeting licensee* during the period when the amended license was in effect.

(A "purse pool" means an amount of money allocated or apportioned to pay for prizes for horse races and from which payment may be made to certified horsemen's organizations as provided by the Law. A "horsemen's simulcast purse account" means an account maintained with a financial institution and managed by a designated agency to receive and distribute money as provided in the Law.)

Contracts with CHO

The Law requires an applicant that is issued a race meeting license to maintain an interest-bearing account used exclusively to deposit all money due to the horsemen's purse pools. All money due to this account must be deposited within a reasonable time after receipt of the race meeting license. The name of the depository and the identification number of the account must be designated in each race meeting application and all interest earned by the account must be credited to the purse pool and deposited into the account.

Generally, a race meeting licensee must pay an amount equal to at least 25% to 40% of the net commission generated at the licensee's race meeting to a site-specific horsemen's purse account. The bill specifies that the account would have to be maintained by the CHO with which the race meeting licensee had a contract under Section 13. (Section 13 of the Law requires a race licensee to have a current written contract with a CHO before it may conduct live or simulcast horseracing with pari-mutuel wagering on the results of the races pursuant to its license.)

Money paid into a horsemen's purse account under the Law must be deposited in a depository designated by the participating CHO and distributed by their designated agent for certain purposes. The bill specifies that the purse account would have to be maintained the CHO with which the race meeting license had a contract and would eliminate the provision requiring that the money paid into the account would have to be deposited into a depository designated by the CHO.

Michigan Agriculture Equine Industry Development Fund

Money received by the Commissioner and the State Treasurer under the Law must be paid into the State Treasury and placed in the AEIDF which is administered by the Michigan Department of Agriculture and Rural Development (MDARD). Money in the AEIDF may not be spent except as appropriated by the Legislature and the money appropriated must be spent to provide funding for agriculture and equine development programs as provided by Law. The bill would specify that the money appropriated would have to be exclusively spent to provide such funding.

Purses paid under the Fund must be based on actual purses awarded in a race. If the actual purses awarded are less than the purse supplement amount requested by a fair or licensed pari-mutuel racetrack at the time of application to MDARD for the purse supplement, the purse supplement paid must be the lesser amount. The bill would delete this provision.

If the amount allocated to the AEIDF under the Law or any other source exceeds \$8.0 million in a fiscal year, the excess amount must be allocated to the pari-mutuel horse racing disbursement account. The bill would delete this provision.

Standardbred and Fair Programs Payments from the Fund

The Law prescribes the following amounts to be paid to standardbred and fair programs:

- A maximum sum of 75% of the purses for standardbred harness horse races offered by fairs and races at licensed pari-mutuel racetracks.
- A sum to be allotted, on a matching basis, of a maximum amount of \$15,000 each year to a single fair, for the purpose of equipment rental during fairs, ground improvements, constructing, maintaining, repairing buildings, and making the racetrack more suitable and safe.
- A sum to be allotted for paying special purses at fairs on two- and three-year-old standardbred harness horses that meet certain conditions.
- A maximum sum of 75% of an eligible cash premium paid by a fair for exposition.
- A sum to pay breeders' awards for a maximum amount of 10% of the gross purse to breeders of the Michigan bred standard bred harness horses for each time the horse wins a race at a licensed race meeting or fair in the State.
- A maximum sum of \$4,000 each year to be allotted to fairs to provide training and stabling facilities for standardbred harness horses.
- A sum to be allotted to pay the presiding judges and clerks of the course at fairs.
- A sum to pay purse supplements to licensed pari-mutuel harness race meeting for special four-year-old filly and colt races.
- A maximum sum of 0.25% of all money wagered on live and simulcast horse races in the State to be placed in a Special Standardbred Sire Stakes Fund each year, 100% of which must be used to provide purses for races run exclusively for two- and three-year-old Michigan sired standardbred horses at licensed harnesses race meetings in the State.

Price supplementals paid according to 75% of the purses for standardbred harness horse races for overnight races at fairs for which Michigan sired, Michigan bred, or Michigan-owned

harness horses are eligible must be \$1,000. If the average purse offered for maiden overnight races of the same breed at any licensed race meeting in the State during the previous year as calculated by MDARD were less than \$1,000, purse supplements for overnight races at fairs paid as described above must not exceed that for that average purse. The bill would delete this provision.

The Law allows the Director of MDARD to allot funds for a photo finish system and a mobile starting gate. Under the bill, the Director of MDARD could also allot funds for a water truck, track maintenance vehicles, announcer, ambulance, outrider, and advertising.

Under the bill, the following amounts would have to be paid from the AEIDF to standardbred and fair programs:

- *A maximum sum of 90% of the purses for standardbred harness horse races offered by fairs and races at licensed pari-mutuel racetracks.*
- *A sum to be allotted, on a matching basis, of a maximum amount of \$20,000 each year to a single fair, for the purpose of equipment rental during fairs, ground improvements, constructing, maintaining, repairing buildings, and expenses associated with making the racetrack more suitable and safer.*
- *A sum to be allotted for paying special purses and other associated costs at fairs on two- and three-year-old standardbred harness horses that meet certain conditions.*
- *A maximum sum of 90% of an eligible cash premium paid by a fair or exposition.*
- *A sum to pay breeders' awards for a maximum of 20% of the gross purse to breeders of the Michigan bred standard bred harness horses for each time the horse wins a race at a licensed race meeting or fair in the State.*
- *A maximum sum of \$12,000 each year to be allotted to fairs to provide training and stabling facilities for standardbred harness horses.*
- *A sum to be allotted to pay the presiding judges and clerks of the course at fairs.*
- *A sum to pay purse supplements to licensed pari-mutuel harness race meeting for special four-year-old filly and colt races.*
- *A sum of 0.50% to 1% of all money wagered on live and simulcast horse races in the State to be placed in a Special Standardbred Sire Stakes Fund each year, 100% of which would have to be used to provide purses for races run exclusively for two- and three-year-old Michigan sired standardbred horses at licensed harnesses race meetings in the State.*
- *After the bill's effective date, an amount of at least \$500,000 for a grant, administered by MDARD, to race meeting licensees that held standardbred race meetings in the State.*
- *To be spent annually, at least \$250,000 to be allotted to the Horse Racing Commission to be spent for the standardbred horseracing industry in the State.*

In addition to the sum of 20% of the gross purse, the following amounts would have to be allocated to pay breeders of Michigan-bred standardbred harness horses based on the finishing place of the breeder's horse:

- 10% of the gross purse for each time the horse finished second in a race at a licensed race meeting in the State or a state other than this State.
- 5% of the gross purse for each time the horse finished third in a race at a licensed race meeting in the State or a state other than this State.

Breeder's awards paid to Michigan-bred standardbred horses that finished first, second, or third at licensed race meetings in a state other than this State could only be paid if the race were run at a pari-mutuel live race and during a month when there was no pari-mutuel live race at a licensed standardbred race meeting in Michigan.

If there were no licensed harness race meetings in the State exclusively for two-year old or three-year-old Michigan-sired standardbred horses, the sum of 0.50% to 1% from money wagered and provided for purses in races would have to be provided to purses for races run at a county fair designated by the Director of MDARD.

The bill specifies that the minimum amount for a grant described above would have to be adjusted every two years to reflect the cumulative percentage change in the Detroit Consumer Price Index for the two prior calendar year. Grants could be used for any of the following:

- Compliance with the State and Federal horse racing regulations.
- Capital improvements or debts associated with capital improvements of a racetrack where a race meeting licensee conducted live race meetings.
- Operational expenses of a racetrack where a race meeting licensee conducted live race meetings.

Thoroughbred Programs Payments from the Fund

The following amounts must be paid to thoroughbred programs:

- A sum to be allotted thoroughbred race meeting licenses to supplement the purses for races to be conducted exclusively for Michigan bred horses.
- A sum to pay awards to owners of Michigan bred horses that finish first, second, or third in races open to non-Michigan bred horses.
- A sum to pay breeders' awards in a maximum amount of 10% of the gross purse to the breeders of Michigan bred thoroughbred horses for each time thoroughbred horses win at a licensed race meeting in the State.
- A sum to pay purse supplements to licensed thoroughbred race meetings for special four-year-old and older filly and colt horse races.
- A sum of at most 0.25% of all money wagered on live and simulcast horse races in the State to be placed in a special Thoroughbred Sire States Fund each year, 100% of which must be used to provide purses for races run exclusively for two- and three-year-old and older Michigan sired thoroughbred horses at licensed thoroughbred race meetings in the State.

Instead, under the bill, the following amounts would have to be paid to thoroughbred programs:

- A sum to be allotted thoroughbred race meeting licenses to supplement the purses for races to be conducted exclusively for Michigan-bred horses.
- A sum to pay awards *in an amount not to exceed 20%* of the gross purse to owners of Michigan-bred or Michigan-sired thoroughbred horses for each time the horses win at a licensed race meeting in the State or in another state; 10% of the gross purse to owners of Michigan-bred or Michigan-sired thoroughbred horses for each time the horse finished second in a race at a licensed race meeting in the State or a state other than this State; and 5% of the gross purse for each time the horse finished third in a race at a licensed race meeting in the State or a state other than this State.
- A sum to pay breeders' awards in a maximum amount of *20%* of the gross purse to the breeders of Michigan-bred thoroughbred horses for each time thoroughbred horses won at a licensed race meeting in the State; 10% of the gross purse to breeders of Michigan-bred or Michigan-sired thoroughbred horses for each time the horse finished second; and 5% of the gross purse to breeders of Michigan-bred or Michigan-sired thoroughbred horses for each time the horse finished third.
- A sum to pay purse supplements to licensed thoroughbred race meetings for special four-year-old and older filly and colt horse races.

- A sum of at least 0.5% and no more than 1% of all money wagered on live and simulcast horse races in the State must be placed in a special Thoroughbred Sire Stakes Fund each year.
- A minimum amount of \$500,000 for a grant administered by MDARD to race licensees in the State, within one fiscal year after a race meeting licensee held a thoroughbred race meeting license in Michigan after the bill's effective date.
- At least \$250,000 to be spent annually, to be allotted to the Horse Racing Advisory Commission for the thoroughbred horse racing industry in Michigan.

The bill specifies that owner's awards paid to Michigan-bred or Michigan-sired thoroughbred horses that finished first, second, or third at licensed race meeting could be paid only if the following conditions were met:

- The race were open to non-Michigan-bred or non-Michigan-sired thoroughbred horses that finished first, second, or third at licensed race meetings in a state other than this State.
- If the race were in a state other than this State, the race was run at a pari-mutuel live race, was open to non-Michigan-bred or non-Michigan-sired horses and occurred during a month when there were no pari-mutuel live race at a thoroughbred licensed race meeting in Michigan.

The bill also specifies that breeder's awards paid to Michigan-bred or Michigan-sired thoroughbred horses that finished first, second, or third at licensed race meetings in a state other than this State could only be paid if the race were run at a pari-mutuel live race and during a month when there was no pari-mutuel live race at a thoroughbred licensed race meeting in Michigan.

A month with no pari-mutuel live at a licensed thoroughbred race meeting in the State would include any month there was not licensed thoroughbred race meeting in the State.

The grants administered by MDARD could be used for any of the following:

- Compliance with State and Federal horse racing regulations.
- Capital improvements or debts associated with capital improvements of a racetrack where a race meeting license conducted live race meetings.
- Operational expenses of a racetrack where a race meeting license conducted live race meetings.

The bill would specify that if a thoroughbred race meeting were licensed after the bill's effective date, the percentage to the Special Thoroughbred Sire Stakes Fund would have to be a sum equal to the percent of the sum of money wagered on live and simulcast horse races and would have to be used as specified below.

For three years after a thoroughbred race meeting had been licensed and conducted in Michigan after the bill's effective date the money would have to be used as follows:

- 50% to fund a purse for races run exclusively for two- and three-year-old and older Michigan-sired thoroughbred horses at licensed thoroughbred race meetings in the State.
- 50% to provide awards to Michigan-sired thoroughbred horses that ran races at thoroughbred race meetings regardless of where the meeting was held.

The Commissioner would have to give awards under the provision described above to the top five highest earning Michigan-sired thoroughbred horses that submitted the horses' earning for the year to the Commissioner.

Three years after a thoroughbred race meeting had been licensed and conducted in that State after the bill's effective date, 100% of the percentage to the Special Thoroughbred Sire Stakes Fund would have to be used to provide purses for races run exclusively for two- and three-year-old and other Michigan-sired thoroughbred horses at licensed thoroughbred race meetings in the State.

Unless otherwise provided above, for two years after the bill's effective date, 50% of the percentage to the Special Thoroughbred Sire Stakes Fund would have to be used to fund purse for races run exclusively for two- and three-year-old and older Michigan Sired thoroughbred horses at licensed thoroughbred race meetings in the State. Money in the purse funded under this provision could not revert to the Special Thoroughbred Sire States Fund or the AEID and would have to be carried year to year until the money was spent. In addition, 50% would have to be used to provide awards to Michigan-sired thoroughbred horses that ran races at thoroughbred race meetings regardless of where the race meeting were held. The Commissioner would have to provide awards under this provision to the top five highest earning Michigan-sired thoroughbred horses that submitted the horses' earning for the year to the Commissioner.

Unless otherwise provided above, beginning two years after the bill's effective date, 100% of the percentage to the Special Thoroughbred Sire Stakes Fund would have to be used to provide awards to the Michigan-sired thoroughbred horses that ran races at thoroughbred race meetings regardless of where the race meeting was held. The Commissioner would have to award awards under this provision to the top five highest earning Michigan-sired thoroughbred horses that submitted the horses' earning for the year to the Commissioner.

Quarter Horse and Breed Specific Programs

The Law specifies certain amounts to be paid from the AEIDF for quarter horse programs, Appaloosa programs, Arabian programs, and American paint horse programs. The bill would delete these funding requirements for such programs.

Equine Industry Funding Programs

Under the Law, a sum of the AEIDF must be paid for the equine industry research, planning, and development grant fund programs to fund the development, implementation, and administration of new programs that promote the proper growth and development of the horse racing and breeding industry in the State among other things.

A sum under this provision must be paid to fund grants for research projects conducted by individuals affiliated with a university or governmental research agency or institute or other private research entity that was approved by the Commissioner which are beneficial to the horse racing and breeding industry in the State. The bill specifies that the Horse Racing Advisory Commission also would have to approve the entity.

(The Horse Racing Advisory Commission establishes procedures governing the operation and promotion of horse racing in Michigan and makes annual recommendations to the Legislature that would improve the regulatory structure of horse racing and the long-term viability of horse racing in the State.)

License Fee and Tax

A licensed racetrack must pay an annual license fee of \$1,000 to the Commissioner. Each race meeting licensee also must pay the State Treasurer, from the holder's commission, a 3.5% tax of money wagered on interstate and intertrack simulcast races conducted at the

holder's licensed race meetings. The bill would specify that the tax also would apply to money wagered on live horse races and would decrease this tax from 3.5% to 1%.

Additionally, each holder of a race meeting license must also pay a 1% tax of wagers processed through licensed third-party facilitators operating under the Law. Of the 1% of wagers processed through licensed third-party facilitators 90% must be deposited in the AEIDF and 10% must be allocated to the Horse Racing Advisory Commission. Instead, under the bill, 85% would have to be deposited in the AEIDF and 85% would have to be allocated to the Horse Racing Advisory Commission.

"Registered horsemen's organization" would mean an organization that is certified annually by breed by the Office of the Racing Commissioner in a manner and form required by the Commissioner and that can demonstrate the following:

- The organization's capacity to supply horses.
- The organization's ability to assist a race meeting license in conducting the licensee's racing program.
- The organization's ability to monitor and improve physical conditions and controls for individuals and horses participating in licensed race meetings.
- The organization's ability to protect the financial interests of the individuals participating in the licensed meetings.
- The members of the organization include as full, active members a majority of the holders of occupational licenses for the breed.

Senate Bill 412

The Lawful Internet Gaming Act imposes on an internet gaming operator (except one that is an Indian Tribe) a graduated tax on its annual adjusted gross receipts from all internet gaming it conducts. Under the Act, 5% of the revenue collected from each tax must be allocated to the AEIDF. If the allocation exceeds \$3.0 million, the excess amount must be allocated to the Internet Gaming Fund. The bill would eliminate this threshold.

Senate Bill 413

The Lawful Sports Betting Act imposes on a sports betting operator (except one that is an Indian Tribe) a tax of 8.4% on its adjusted gross sports betting receipts. Under the Act, 5% of the revenue collected from each tax must be allocated to the AEIDF. If the allocation exceeds \$3.0 million, the excess amount must be allocated to the Internet Sports Betting Fund. The bill would eliminate this cap.

Senate Bill 414

Public Act 90 of 1951 prescribes the distribution of all money held by a licensee for the payment of outstanding winning tickets for a race meeting conducted under the Horse Racing Law that have not been claimed by the owner of the money within 60 days after the close of the race meeting. The distribution is based on the type of license.

If the licensee is a light horse race meeting licensee, 50% of the funds must be retained by the licensee and 50% of the funds must be deposited in the AEIDF. The bill would eliminate these distribution requirements.

PREVIOUS LEGISLATION

(This section does not provide a comprehensive account of previous legislative efforts on this subject matter.)

Senate Bill 412 and Senate Bill 413 are reintroductions of House Bill 4823 and House Bill 4824, respectively of the 2021-2022 Legislative Session. House Bill 4823 and House Bill 4824 passed the Senate but received no further action. Senate Bill 414 is a reintroduction of House Bill 4600 of the 2021-2022 Legislative Session. House Bill 4600 was discharged from the Senate Committee on Agriculture but received no further action.

FISCAL IMPACT

Senate Bill 411

The bill would have a fiscal impact on the State and no impact on local units of government. Lowering the tax on simulcast races from 3.5% to 1% and including the tax for live horse races would reduce the amount of tax revenue generated from horse racing. For Fiscal Year (FY) 2021-22 the amount generated from simulcast races would have decreased from \$1,761,512 to \$503,288 and would have only generated \$19,361 from taxing live races for a net decrease of \$1,238,862. The bill also would reduce the amount generated from taxes on third-party facilitators that was deposited horse wagering to the AEIDF, from 90% to 85%. This would have reduced the amount deposited into the AEIDF in FY 2021-22 by \$43,896 and would have increased the amount to the Commission by that same amount.

Senate Bill 412

The bill would increase revenue to the AEIDF and decrease the revenue to the School Aid Fund by the same amount. By removing the \$3.0 million cap on the amount deposited to the AEIDF, the amount annually deposited into the fund would likely increase. Had the bill been effective for FY 2021-22, revenue to the AEIDF would have been \$7.7 million instead of \$3.0 million (and would have increased the total amount of revenue to the AEIDF to \$11.6 million instead of \$6.9 million); however, the changes would have reduced revenue to the Internet Gaming Fund by \$4.7 million less deposited. Revenue in the Internet Gaming Fund is first distributed in fixed amounts to cover administrative expenses and certain required deposits. The remainder of the revenue is then deposited into the School Aid Fund. Because the fixed amounts in the Internet Gaming Fund are not changed, all the impact would reduce School Aid Fund revenue. The bill would have no effect on local unit revenue.

Senate Bill 413

Given current revenue forecasts, it is unlikely the bill would have any impact on State revenue. In circumstances where the bill's provisions are applicable, the bill would increase revenue to the AEIDF and decrease the revenue to the School Aid Fund by the same amount. Removing the \$3.0 million cap on the amount of Internet Sports Betting Tax that is deposited in the AEIDF would potentially increase; however, in FY 2021-22, the AEIDF received \$701,292 from Internet Sports Betting. Under current revenue forecasts, it is unlikely the amount earmarked will reach \$3.0 million in the foreseeable future. The bill would have no effect on local unit revenue.

Senate Bill 414

The bill would have no fiscal impact on the State or local units of government.

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This analysis was prepared by nonpartisan Senate staff for use by the Senate in its deliberations and does not constitute an official statement of legislative intent.