

HB

32

STATE OF ALASKA
THE LEGISLATURE

POUCH Y. STATE CAPITOL
JUNEAU, ALASKA 99811
907 465-3800

LEGISLATIVE AFFAIRS AGENCY

MEMORANDUM

January 25, 1988

SUBJECT: Draft SCS CSHB 32 (State Affairs)
TO: Senator Mitch Abood
Chairman, Senate State Affairs
FROM: George Utermohle *GU*
Legislative Counsel

This memorandum accompanies the draft SCS CSHB 32 (State Affairs).

The three amendments that were requested for HB 32 were made as follows:

One: a new subsection (c) was added to Sec. 05.40.150, to allow a person who is not a member of the commission or a staff member of the commission to receive \$100 per day for each day that the person serves as a race meet observer. Sec. 05.40.150(b), relating to commission members who serve as race meet observers, was formerly Sec. 05.40.040(b).

Two: a new subsection (c) is added to the bill in Sec. 05.40.110, to allow the the commission to issue temporary special permits to participants in a race meet while they are awaiting the results of the background investigations and issuance of the special permit.

Three: a new subsection (c) was added to the bill in Sec. 05.40.130, to require that money in a parimutuel pool that is not claimed within one year shall be paid to the commission for deposit in the general fund.

GU:bb
WKB1/095

Alaska State Legislature

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IN SESSION:
POUCH V
JUNEAU, ALASKA 99811
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Senator Mitch Aboud
CHAIRMAN

Senate Committee on State Affairs

On Wednesday, January 20th and Monday, January 25th, the committee discussed four amendments to HB 32, but did not make a formal motion to accept any of them.

Amendments to SCSHB 32 (SA)

AMENDMENT #1

Page 6, line 28-19 continuing on page 7, lines 1-2:

Delete subsection "(b)" and insert new subsection (b) "a person appointed under subsection (a), except a person who is an employee of the commission is entitled to compensation of \$100 per day, plus per diem and travel expenses, for each day the person is engaged in the actual performance of duties as a race meet observer."

Page 7, lines 3-6:

Delete subsection "(c)"

HB 32 provides that a member of the racing commission or other individual chosen to be a race observer, receive \$100 a day for each day they act in that capacity.

The committee intended that an employee of the Racing Commission who is chosen as a race observer, shall not receive \$100 a day for each day that the person serves as a race observer.

AMENDMENT #2

Page 5, line 13, continuing on line 14:

After 'permit' delete "or a temporary permit"

Page 5, lines 20 - 23:

Delete subsection "(c)"

This amendment deletes the 'temporary special permit' language which was added by the bill drafter.

AMENDMENT #3

Page 4, line 14:

After 'chapter', insert "provided that an investigation required under 18.65.080 (c) has been completed."

AMENDMENT #4

The committee wanted to provide that all unclaimed money from holders of winning tickets be held for a specified time and then be returned to the general fund. States which have legalized parimutuel betting have provisions for unclaimed money that range from 6 months to 2 years; the average is about 6 months. SCSHB 32 (SA) currently provides for one year, but on January 25th, the committee discussed shortening the time period.

The bill drafter of SCSHB 32 (SA), Sec. 05.40.130 (c) mistakenly used the term 'parimutuel pool' instead of the unclaimed money of the holders of winning tickets.

FISCAL NOTE

REQUEST:

Revision Date: 1/19/88
Title: Establishing the Alaska Racing Commission & authorizing parimutuel wagering
Sponsor: Larson and Menard
Requestor: State Affairs

Agency Affected: Revenue
BRU: Income and Excise Audit
Components: _____

EXPENDITURES/REVENUES: (Thousands of Dollars)

	FY 88	FY 89	FY 90	FY 91	FY 92	FY 93
OPERATING						
PERSONAL SERVICES	78.4	118.6	123.3	128.2	133.3	-
TRAVEL	13.9	*a 6.0	6.2	6.4	6.7	-
CONTRACTUAL	28.0	29.1	30.3	31.5	32.8	-
SUPPLIES	2.5	2.3	2.2	2.0	2.0	-
EQUIPMENT	33.4	-	-	-	-	-
LANDS & STRUCTURES	-	-	-	-	-	-
GRANTS, CLAIMS	-	-	-	-	-	-
MISCELLANEOUS	-	-	-	-	-	-
TOTAL OPERATING	156.20	156.00	162.00	168.10	174.80	-
CAPITAL	-	-	-	-	-	-
REVENUE	-	*b 96.3	-	-	-	-

FUNDING: (Thousands of Dollars)

GENERAL FUND	-	-	-	-	-	-
FEDERAL FUNDS	-	-	-	-	-	-
OTHER	-	-	-	-	-	-
TOTAL	-	-	-	-	-	-

POSITIONS:

FULL-TIME	2	3	3	3	3	-
PART-TIME	-	-	-	-	-	-
TEMPORARY	-	-	-	-	-	-

ANALYSIS: (Attach a separate page if necessary)

- a. Does not include site inspections nor events from 89-92.
b. Does not include license fees.

Prepared By: Steven E. Kettel
Division: Income and Excise Audit

Phone: 465-2320
Date: 1/19/88

Approved by Commissioner: _____
Agency: _____

Date: 1/19/88

Distribution (by preparer):
Legislative Finance
Legislative Sponsor
Requestor
Office of Management and Budget
Impacted Agency(ies)

REVISED FISCAL NOTE
CS H B 32

Worksheet

Personal Services--only the Office Manager and the Clerk Typist would be on board for FY 88. An auditor would be added in FY 89 as activities commenced.

Travel--Six commission meetings at 2 days each in Anchorage in FY 88 to develop regulations. Assumed were 3 commissioners from Anchorage, 1 from Fairbanks and 1 from Juneau.

FAI/ANC 6 x \$220	=	\$1,320
JNU/ANC 6 x \$352	=	2,112
per diem 6 x 5 x 2 x \$80	=	4,800
claims for mileage	=	500
Sub Total		\$ 8,732

Public hearings held in Anchorage, Fairbanks, Nome and Juneau by the office manager at 1.5 days each.

Travel	=	\$ 998
Per diem	=	480
Sub Total		\$ 1,578

Site inspections are averaged per inspection as follows for the manager and one commissioner.

Airfare	=	\$ 600
per diem 2 x 2 x \$80	=	320
Sub Total		\$ 920

Events will be attended by the manager and one commissioner.

For 1 6-day event, 8 days are required on site.

Airfare	=	\$ 600
Per diem 2 x 8 x \$80	=	1,280
Compensation @ \$100 per day	=	800
Sub Total		2,680

FY 88 GRAND TOTAL \$13,910

In FY 89 there would be four commission meetings. No site inspections events or regulatory hearings have been included.

FAI/ANC 4 x \$220	=	\$ 880
JNU/ANC 4 x 352	=	1,408
per diem 4 x 5 x 2 x \$80	=	3,200
mileage	=	500

FY 89 GRAND TOTAL \$ 5,988

For FY 90 - 92 a .04% increase was added.

FISCAL NOTE
CSHB 32

Assumptions for revenue figures

1. Effective date of July 1, 1987 and no races during FY '88.
2. Unknown number of races.
3. 34,400 players per 6-day event.
4. An average handle of \$963.2 based on an average wager of \$28.00 (Montana's average).
5. A takeout of 35% (\$337.1) with the state's share at 10% for state revenues of \$33.7 per event.

Assumptions for costs

1. Commission will be headquartered in Anchorage and meet 6 times in FY 88; quarterly thereafter. Each meeting will be 2 days.
2. Personal services will include an office manager to manage and oversee daily activities and to review and attend all events; an auditor I to follow-up all events; and a clerk typist III to process the paper.
3. Travel will include attendance by the office manager and one commissioner at each event plus the commission meetings.

STATE OF ALASKA 1987 LEGISLATIVE SESSION

No. 3

FISCAL NOTE

Bill Version: CSHB 32 (Fin)
 Publish Date: HOUSE 5/8/87

REQUEST

Bill/Resolution No.: CSHB 32 (FINANCE)
 Title: An Act establishing the
Alaska Racing Commission & authorizing pari-mutuel wagering
 Sponsor: Larson and Menard
 Requestor: _____
 Date of Request: _____

FISCAL DETAIL

Agency Affected: _____
 BRU: _____
 Components: _____

EXPENDITURES/REVENUES : (Thousands of Dollars)

OPERATING	FY 87	FY 88	FY 89	FY 90	FY 91	FY 92
PERSONAL SERVICES			11.3	43.5	64.3	
TRAVEL			6.6	10.2	13.8	
CONTRACTUAL			25.0	22.5	20.0	
SUPPLIES			2.5	2.5	2.5	
EQUIPMENT			9.0	6.0	0	
LAND & STRUCTURES						
GRANTS, CLAIMS						
MISCELLANEOUS						
TOTAL OPERATING			54.4	84.7	100.6	

CAPITAL						
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REVENUE			0	*a 96.3	*b 192.6	
---------	--	--	---	---------	----------	--

FUNDING : (Thousands of Dollars)

GENERAL FUND						
FEDERAL FUNDS						
OTHER						
TOTAL						

POSITIONS :

FULL-TIME						
PART-TIME			1	3	3	
TEMPORARY						

ANALYSIS : Attach a separate page if necessary

*a one event [does not include
 *b two events license or permit
 fees or admission]

see attached *HRA*

Prepared by: Al Adams, Chair Phone: 465-3706
 Division: House Finance Committee Date: 5/7/87

Approved by Commissioner: _____ Date: _____
 Agency: _____

Distribution (by Agency preparing fiscal note):

- Legislative Finance
- Legislative Sponsor
- Requestor
- Office of Management and Budget
- Impacted Agency(ies)



Alaska State Legislature

HOUSE OF REPRESENTATIVES

Committee on Finance

No. 3
CSHB 32 (Fin)
5/8/87

Official Business

P.O. Box V
State Capitol
Juneau, Alaska 99811

CSHB 32 (Finance)

REVISED FISCAL NOTE

Worksheet

Assumes passage in second session and 7/1/88 effective date

Personal Services

FY 89	<u>11.3</u>	Office Manager 17A PT start 1/1/89
FY 90	<u>43.5</u>	
	28.4	Office Manager 17A PT start FT 4/1/90
	9.3	Revenue Auditor I 14A (seasonal) start 4/1/90
	5.8	Clerk Typist III 8A PPT start 1/1/90
FY 91	<u>64.3</u>	(first full year of operation)
	34.0	Office Manager FT(4/1 - 10/1) PT(10/1 - 4/1)
	18.7	Revenue Auditor I (4/1 - 10/1)
	11.6	CT III PPT

Travel

FY 89 Four commission meetings in Anchorage. No site inspections or events. Public Hearings by teleconference to coincide with commission meetings. Assume Office Manager in Anchorage, three commissioners from Anchorage, one Fairbanks, one Juneau

FAI/ANC	4 x 220	=	\$ 880
JNU/ANC	4 x 352	=	1408
per diem	4 x 5 x 2 x 80	=	3200
mileage			<u>500</u>
			\$ 5988

Misc. Office Manager travel

ANC/FAI	220
ANC/JNU	<u>352</u>
	572

FY 89 TOTAL \$ 6560

FY 90 Four commission meetings \$ 5988

One site inspection - manager and one commissioner

Airfare	600
per diem 2 x 2 x 80	<u>320</u>
	\$ 920

One event - six days (8 days) - manager and one commissioner

Airfare	600
per diem 2 x 4 x 80	1280
Compensation 8 x 100	<u>800</u>
	2680

Misc. Office Manager 572

FY 90 TOTAL \$ 10160

FY 91 Same as FY 90 (\$ 10,160) plus one additional site inspection (\$ 920) and one additional event (\$ 2680)

FY 90 TOTAL \$ 13760

CONTRACTUAL .	FY 89	FY 90	FY 91
Rent	5400	5400	5400
Office equipment maintenance	600	600	600
Copying & Postage	8000	8000	8000
Phone	6000	6000	6000
Clerical	<u>5000</u>	<u>2250</u>	<u>0</u>
	\$ 25,000	22,500	20,000

EQUIPMENT

Phone	1000	1000	0
Computer	5000	5000	0
Office furniture	<u>3000</u>	<u>0</u>	<u>0</u>
	\$ 9000	6000	

SUPPLIES	\$ 2500	2500	2500
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REVENUE ASSUMPTIONS

- FY 90
 - one six day event
 - 34,400 players
 - Average Handle of \$963.2 based on average wager of \$28 (Montana's average)
 - A takeout of 35% with state share at 10% for state revenue of \$96.3 per event

- FY 91
 - two events - \$ 192.6

Submitted by Rep. LAESON

Parimutuel wagering

FIFTEEN QUESTIONS ABOUT HB 32 AND PARI-MUTUEL WAGERING
by Representative Larson

1. What is Pari-mutuel wagering?

Pari-mutuel wagering is a system of betting, which dates back to the mid 1800's. This type of wagering differs from typical gambling by virtue of the fact that the odds are not arbitrary. Pari-mutuel wagering occurs when all collective bettors pool their money together. The odds are then calculated systematically. The total amount wagered versus the individual bets, determines the total amount, which is divided among the winners.

2. What local support has there been for Pari-mutuel Wagering?

Both the cities of Palmer and Wasilla had an advisory proposition placed on the ballot of the October 7, 1986 general election concerning pari-mutuel wagering on certain horse races. (attachments)

The results in Palmer were 58.2% in favor of the concept of local option pari-mutuel horse racing. (In addition the Palmer Municipal code--chapter 3.32--addresses pari-mutuel wagering by virtue of city ordinance #321, dated August 13, 1985.)

The results in Wasilla showed 62% of the voters approved the concept. (In addition the City of Wasilla has Resolution on the books (W85-J-6) which supports the local option for pari-mutuel gambling.)

The Matanuska-Susitna Borough passed a resolution of support for state controlled, local option, pari-mutuel betting on 3/3/87.

3. What type of benefits will Pari-mutuel racing provide?

The most obvious benefit, initially, would be the generation of the racing business itself by the private sector. Infrastructure, such as breeding, training, and racing facilities will be an incentive for the construction industry. Additionally, racing will create a destination and accompanying services for the tourism trade. This business is a natural spin-off of our historical and agricultural heritage.

Clearly an obvious benefit would be the added state revenue, after the racing commences. The income will come painlessly to the state without burdening the taxpayer. The amount of revenue depends on the frequency of the events authorized by the commission.

4. Is pari-mutuel racing legal elsewhere?
Currently 36 states allow the pari-mutuel betting system for either horses, dogs or both.
5. What is the development scenario for Pari-mutuel racing?
After the local endorsement of the voters, preparation time could be six months to several years, depending on the level of development. A racing season might be for approximately 10 weeks, with both the Alaska and Tanana Fairs as the more competitive exhibitions. As participation increases, so would the growth.

Pari-mutuel professionals tell us that an average scenario would include typically eight races a day, with eight entries per field. Estimates indicate that 270 animals would be required for a successful start-up.

The most important thing about this type of racing is the controlled conditions which will guarantee the integrity of the race. Sophisticated racing equipment would be rented from outside; this is very normal procedure elsewhere, where racing is on a similarly small scale.

6. What is the fiscal note for HB 32?
Our expectation for the fiscal note is relatively small, based on the assumption that this is a 10 week season. The Commission will be providing the initial professional expertise. One and sometimes two staff persons will assist (part-time) in the preparation of regulations, public hearings, and paperwork. Based on the development of races and facilities, the employment requirements would follow the same growth curve.
7. Will team dog racing compete with existing dog races in Alaska?
No. In fact, the Alaskan Musers feel it would be good for their sport as well. Dog team races would probably occur in the summer when similar training occurs anyway. A team of dogs would use the same racing facility, only under slightly different track conditions. Naturally horses and dogs would not race at the same time.
8. What is the role of the Racing Commission?
The Commission will regulate racing and pari-mutuel racing. Their wide range of regulatory responsibilities are outlined clearly in the bill, including their specific enforcement powers regarding prohibited acts and penalties.

The Commission shall adopt regulations; appoint officials; supervise and distribute the pool; ascertain standards for veterinarians, equipment, audits, and other related matters; license races; inspect racetracks and animals; establish dates, durations, locations, fees; account for all records, collections and disbursements; hire staff; compel witnesses; and appoint hearing officers.

9. Has there been Pari-mutuel Legislation introduced in Alaska before?

Pari-mutuel legislation was introduced in the 10th, 11th, and 12th Legislative sessions. It passed the house in the 10th session, but died in the Senate. In both the 11th and 12th Legislative sessions the proposed legislation was never considered by the first committee of referral.

10. How is CSHB32 different from the earlier Pari-mutuel legislation?

Prior legislation did not require a majority municipal referendum nor did it require a municipal permit.

11. How is para-mutuel wagering different from other games of chance and contests of skill?

Oversight and regulation is much greater. The complexities of the wagering system and accompanying safeguards were built into it purposefully.

CSHB 32 legislates pari-mutuel guidelines which will disallow abuse. (A "totalisator" is used which is an especially designed electrical device which calculated the bets and determines the winnings--according to the odds.) The regulatory nature of the Commission coupled with the required, sophisticated equipment enhance the pari-mutuel system to offset tampering and to ensure security for the establishment and the bettor.

12. What is a "typical participant" in pari-mutuel wagering?

Studies have shown that participants are generally white collar workers with one or more years of higher education and an income of \$35,000 or more. Achievers (loosely defined as managers, administrators, business or government leaders, educators or politicians) are common participants in pari-mutuel racing.

13. How would this system affect the non-participants?

It wouldn't, except by choice. First, it would have to be a local decision to allow pari-mutuel wagering within the municipality. Sec. 05.40.120 requires a municipality to have a majority referendum authorizing pari-mutuel racing. Sec. 05.40.120 requires a public hearing before issuance or renewal of a license.

Secondly, and more importantly, it would be an individual choice to partake in wagering. The vulnerability of an individual can not be regulated. Article 3 prohibits a person under the age of 18 to use the pari-mutuel system.

14. How have other states benefited from pari-mutuel wagering?

Other states have benefited by revenues to the general fund, tourism potential, animal sales, construction and real estate purchases (some states constitutionally allow dedicated funds and many specific groups have benefited--such as capital improvement projects, school systems, or rehabilitation).

Texas, another state financially hurt from declining oil revenues, has just recently approved a pari-mutuel racing bill which will allow a statewide referendum regarding the issue. A co-sponsor estimates that if pari-mutuel wagering is approved, the state's general fund will benefit to the tune of \$110 million by 1991.

15. Who would be the monetary beneficiaries?

The licensee (usually a privately owned track) makes money by taking 15% of the pool. This figure is set high at the beginning, so as to allow for a quicker return on the private investment.

The state, which establishes the Commission, also takes a percentage equalling 10% of the pool. In addition the state is the recipient of all licensing revenue and can collect up to \$1.00 of the admission tickets.

The entrants would receive 10% of the pool respectively in the form of purse money.

The participants who have the "winning tickets" share the remaining 65% of the pool.

The municipality would be able to tax the property and collect a portion of the admission and concession fees, resulting in local revenue.

Horse Racing At The Fair



TRIPLE TUFF leads the field in one of last year's races at the new Alaska State Fair race track south of Palmer.

Riding is Bobby McCarthy Jr. Triple Tuff is now owned by Len and Marsha Melton.

Photo Finish At State Fair

6-29-74
Times

Nearly 1,000 people gathered at the Alaska State Fair race track in Palmer over the weekend to watch 22 horses charge across the finish line with one race so close only the photo finish camera could tell the winner. Great interest has generated among the crowd in racing.

Friday night the 220 winner was Pow Wow Gidget owned by Eills Enterprises and ridden by Dana Richmond; second Thanks Doc, owner Jinx Coster, jockey Sissy Melton; third was Dungaree ridden by Steve Clark and owned by Dennis Clark. In the 350, Doc won over Pow Wow Gidget.

The 440 saw Babe's Twig owned and ridden by Cecil Premus take the race with Triple Tuff owned by Len Melton, ridden by Hoot Melton, hot on his heels and Moon's Hotshot, Ellis Enterprises and jockey Dana Richmond taking third. Just a Bird and Mac's Little Kid also ran.

General Bars ridden by Bob McCarthy, owner Dennis Clark, won over Nile Queen ridden by Kris Roetman, owned by Emmett Roetman. Both are thoroughbreds.

An exciting cow pony race

with eight entries had only a third place winner, Danny owned and ridden by Kelly Wilson. The first and second place animals were disqualified for fouls.

Outstanding weather contributed to standing room only for Saturday afternoon racing. Pow Wow Gidget took Thanks Doc and Ragged Ann owned by Esther Erikson and ridden by Terry Erickson in the 220.

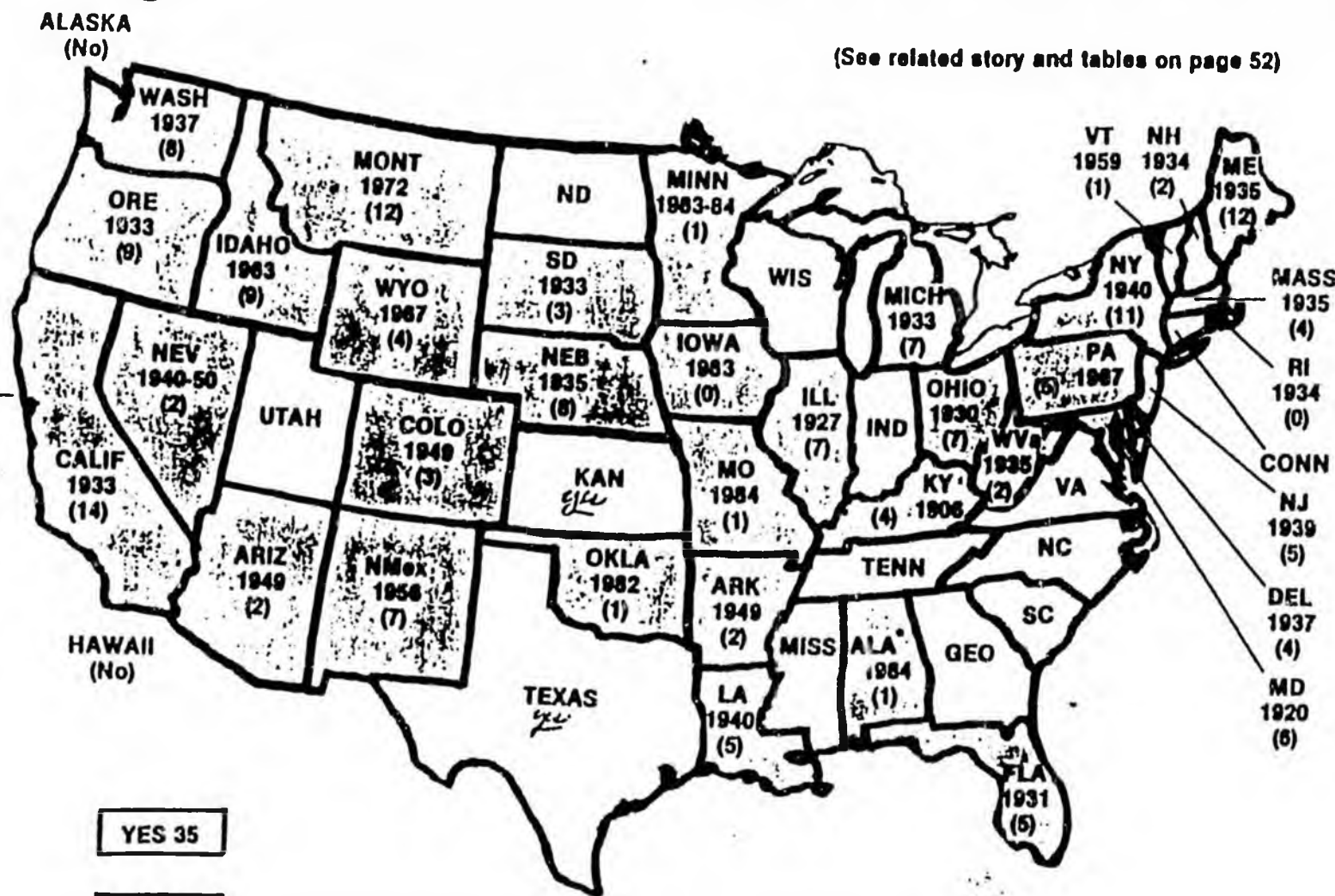
The next racing date will be Saturday and Sunday at 2 p.m. on July 6 and 7. Race horse owners may practice at the Alaska State Fair, Inc. race track one mile from Palmer on Tuesday and Thursday evenings, 7:30-9:30 p.m. and Sunday afternoon from 2-4 p.m. (except on racing days). Ed Premus will be the gate keeper while Vernon France is on vacation.

Performance horse racing

Parimutuel wagering: A look at where it's at

racing

(See related story and tables on page 52)



YES 35

NO 15

() number of licensed parimutuel horse tracks including fairs

Governor Appoints

OVERSIGHT BY
AG's Office

ALASKA RACING COMMISSION

LICENSING

SUBJECT TO
MUNICIPAL
REFERENDUM
AND
PUBLIC
HEARINGS

RACE
MEET
Operators

SUBJECT TO
Background
checks &
licensing

Concession
Operators

RACE MEET
PARTICIPANTS

OVERSIGHT
Adopt Regulations
Reporting Function
Supervision
Establish Standards
Set fees, licenses
Keep records & reports
Inspections
Investigations
Appointments

ALL SUBJECT TO
INVESTIGATIONS



ALASKA STATE LEGISLATURE
HOUSE OF REPRESENTATIVES
RESEARCH AGENCY

P.O. Box Y, State Capitol
Juneau, Alaska 99811-3100
Mail Stop 3100
(907) 465-3991

December 29, 1986

MEMORANDUM

TO: Representative Mike Szymanski

ATTN: Paula Terrel

FROM: Penelope Weyhrauch
Legislative Analyst

RE: Parimutuel Wagering
Research Request 87.055

You asked for a discussion of state parimutuel wagering programs and revenues received from the programs. You were particularly interested in state fair parimutuel programs, and in the type of people who attend parimutuel wagering activities. In regard to Alaska, you were interested in the amount of revenues that could be generated by parimutuel wagering in the state, and whether or not dedicating parimutuel wagering revenue would violate Alaska's constitutional prohibition on dedicated revenues.

Parimutuel Wagering in the United States

In parimutuel wagering events, all bets on a given race are placed in a common pool, which is proportionally divided among those holding winning tickets after the race is run. Parimutuel wagering events are usually horse and dog races. Some form of horse racing is legal in 36 states, and is actually in operation in 30 states. Thoroughbred racing is legal in 36 states, harness racing in 28 states and quarter horse racing in 23 states. Greyhound racing is legal in 15 states and is operative in 14 states. Attachment A lists by state: parimutuel turnover (gross "handle"), number of racing days, number of races, and race attendance.

Parimutuel Wagering Revenues. Prior to distributing the pool among the winners, a specified percentage, or "takeout", is withheld. The takeout percentage in the western states ranges from 15 to 25 percent. The takeout percentage may be a constant percentage for all wagering pools or may depend on the type of bet, track, or type or number of horses. It may also vary according to whether the meet has a commercial or nonprofit purpose. The takeout is divided between the horse or dog owners' purses, the track, and the state in which the racing is conducted. Table 1 lists the western states and the distribution of the takeout in each state.

TABLE 1

Takeout Percentages and Distribution
in the Western States

State	Total Takeout	State	Meet Operator	Purses	Purse/Breeding Supplements	Other
ARIZONA						
Ave. Handle < \$200,000						
1st \$100,000	18-25	2	15-22		1	
All Additional	18-25	5	12-19		1	
Ave. Handle > \$200,000						
1st \$100,000	18-25	3	14-21		1	
All Additional	18-25	5	12-19		1	
CALIFORNIA						
Thoroughbred:						
Total Handle < \$250 M.	15-19.75	4.0-6.85	5.26-6.98	4.10-5.88	.34	
Total Handle > \$250 M.	15-19.75	5.7-7.45	4.93-6.49	4.03-5.47	.34	
Quarterhorses	15-19.75	2.5-5.55	6.16-8.43	5.04-7.06		
Harness	16-23.75	1.5-4.79	7.26-12.19	5.28-8.31		
Fair Meets						
Daily Handle < \$650,000	16-20.75	2.0-5.75	5.76-9.32	6.24-9.68		
Daily Handle > \$650,000	16-20.75	4.65-6.40	5.45-7.01	5.90-7.34		
COLORADO						
Commercial Tracks	18.5	3.5	15			
Non-profit Tracks	22.5-23	4	13	5.5	.5	
IDAHO	20-20.75	1.25-2.0	15.5-17.5		1	.25-2.25
MONTANA	20-22	1-1.6	19		0-1.4	

TABLE 1 (Continued)

State	Total Takeout	State	Meet Operator	Purses	Purse/Breeding Supplements	Other
NEVADA						
State Fair, others receiving state or local aid	18	1	17			
All others	18	2	8	8		
NEW MEXICO						
Daily Handle						
1st 250,000	18.75	2	16		.75	
Amount bet. \$250-350,000	18.75	2.5	15.5		.75	
Amount bet. \$350-400,000	18.75	3.5	14.5		.75	
Amount over \$400,000	18.75	6	12		.75	
State Fair	18.75	2	16		.75	
OREGON						
Commercial	18-22	4.5-5.5	6.05-8.75	6.25-6.925	1	.2
State Fair	19-25	.9-2.9	11.5-13.5	5.4-7.4	1	.2
Non-Commercial	16-22	.9-2.9	8.5-11.5	5.4-7.4	1	.2
Non-profit, all others	16-22	1.2-4.2	14.8-17.8			
WASHINGTON						
Daily Handle						
1st \$200,000	15-24.5	.5-4.0	14.5-20.5		1	
Amount bet. \$200-400,000	15-24.5	1-4.5	14.0-20		1	
Amount over \$400,000	15-24.5	4-7.5	11.0-17		1	
WYOMING						
	20	1	19			

SOURCE: National Association of Racing Commissioners, Pari-Mutuel Racing, 1985, pp. 13-16, and state statutes.

As shown in Table 1, the states' percentage of the takeout ranges from .5 to 7.5 percent. Takeout revenues received by state governments include revenues from track licenses, occupational licenses, parimutuel taxes, breakage (monies in excess of actual payoffs for winning tickets--calculated to the nearest nickel or dime), and admission taxes. Attachment B lists the total revenue and categorized revenue received by states from parimutuel wagering in 1982.

The states apply their percentage of takeouts from parimutuel wagering to different purposes. Table 2 lists the western states' application of their percentage of takeout. State takeout is distributed primarily to a state's general fund and to the State Racing Commission. Some states also fund their fair commissions through parimutuel revenues. Attachment C summarizes tax methods applied by states on parimutuel wagering activities.

Parimutuel Wagering Participants

According to a demographic study done by Dr. John Koza, parimutuel wagering is most likely to occur among white collar workers with one or more years of higher education and with household income of \$35,000 or more. It is less likely to occur among black or hispanic persons with household income of \$7,500 or less. According to Dr. Koza, the poor under-participate in horse racing probably because of the expense of transportation to the races and the relatively high playing expenses.

In regard to particular groups involved in parimutuel wagering, Dr. Koza found that "achievers" more frequently participate in parimutuel wagering than other groups. Achievers are defined as managers, administrators, and leaders in business, government, education, and politics. Dr. Koza estimates that 22 percent of Americans are achievers. Attachment D lists gambling groups identified by Dr. Koza and indexes the gambling activities they frequent.

The Commission on the Review of the National Policy toward Gambling prepared information on demographic characteristics of on-track bettors in 1974. Table 3 shows that (in 1974) 14 percent of the adult population bet on horse races and four percent of the adult population bet on dog races. Proportionately more men than women bet, with betting increasing as income and educational levels increased.

The family income and horse race betting chart (the lower portion of Table 3) shows that families earning under \$5,000 a year spent a higher percentage of their income on horse races than those earning more money. However, a 1975 survey completed by the National Gambling Commission found that persons in the under \$5,000 family income category had the lowest level of participation in racetrack betting of any income category.

1 The 1985 Consumer Price Index was 52.6 percent greater than the 1974 Consumer Price Index. 1974 Family Income listed on Table 3 should be multiplied by 152.6 percent to reach equivalent 1985 income levels. For example, a family with an income level of under \$5,000, becomes a family with an income level of under \$7,630.

TABLE 2
Distribution of State
Takeout Share

State	Use or Recipient	Percentage or Amount
Arizona	General Fund	61%
	Agriculture Promotion Fund	12%
	Breeders Awards	9.5%
	Fair Racing Betterment Fund	7.5%
	Coliseum Support Fund	6%
	Commission Expenses	4%
California	Fairs and Exposition Fund*	.63%
	General Fund	99.37*
Colorado	Commission Expenses	varies
	General Fund	all remaining funds
Idaho	Commission Expenses	100%
Montana	Commission Expenses	100%
Nevada	Commission Expenses	varies
	County Agriculture Assns.	all remaining funds
New Mexico	General Fund**	100%
OREGON	County Fair Commission	10.5%
	Counties	\$22,000+ each
	Various local shows & events	\$1,000 to \$8,000
	Commission expenses	varies
	OSU School of Vet. Medicine	.1% of gross handle
	General Fund	all remaining funds
Washington	General Fund	47%
	County fair fund	30%
	Commission Expenses	20%
	State Trade Fair Fund	3%
Wyoming	Commission Expenses	100%

SOURCE: National Association of Racing Commissioners,
Pari Mutuel Racing, 1985, pp. 13-16 and state statutes.

* Commission expenses are paid from this fund.

** The commission is funded from the general fund.

Source: John Houser, "Racing Takeout in the Western States" Research
Monograph 86:153, Oregon Legislative Research, August 13, 1986.

TABLE 5-25.—DEMOGRAPHIC CHARACTERISTICS OF ON-TRACK BETTORS, 1974

	Percent who bet at	
	Horseraces	Dograces
Total Sample	14	4
Sex		
Men	16	6
Women	12	2
Region		
Northeast	20	5
North Central	12	4
South	10	3
West	16	4
Income		
Under \$5,000—	6	2
\$ 5,000-\$10,000	12	3
\$10,000-\$15,000	10	5
\$15,000-\$20,000	16	3
\$20,000-\$30,000	19	5
\$30,000 and over	22	5
Education		
Grade school	8	2
High school	15	4
Some college	14	5
College degree	23	6
Age		
Under 25	14	6
25-44 years	17	5
45-64 years	13	6
Over 65 years	3	2

TABLE 3

TABLE 5-26.—FAMILY INCOME AND HORSERACE BETTING

	Family income						Total
	Under \$5,000	\$5,000-10,000	\$10,000-15,000	\$15,000-20,000	\$20,000-30,000	\$30,000 and over	
Residents of States with legal tracks							
Percent who bet	8.7	15.5	11.2	17.2	20.9	20.3	15.3
Average annual bet per bettor	\$186	\$294	\$396	\$577	\$294	\$436	\$513
Average annual bet per capita	\$16	\$46	\$44	\$99	\$61	\$68	\$78
Average annual takeout per capita	\$2.63	\$7.55	\$7.36	\$16.49	\$10.21	\$14.69	\$13.02
Takeout rate: 16.6%							
Residents of all States							
Percent of income bet at track in 1974 per capita	0.63	0.61	0.35	0.57	0.29	0.22	0.50
Percent of income taken out per capita	0.105	0.101	0.059	0.094	0.041	0.037	0.083
All types of gambling combined							
Percent of income bet in 1974 per capita	2.53	1.55	1.07	1.16	0.67	1.09	1.15
Percent of income taken out per capita	0.62	0.42	0.29	0.23	0.14	0.18	0.25

Source: Gambling in America, Commission on the Review of the National Policy Toward Gambling, Washington, 1976.

State Parimutuel Wagering Programs

States that allow parimutuel wagering that were surveyed include: Montana, Oregon, Arizona, California, and Washington. These states allow parimutuel wagering at their county or state fairs. In general, commercial parimutuel wagering facilities are more financially successful than state fair parimutuel wagering activities.

Montana. Fairs in Montana often offer horse racing as a fair event. Statistical information on horse racing at Montana fairs can be found as Attachment E. One of the most successful fair racing programs is held in Great Falls during the State Fair. In 1986, racing was held for ten days with an attendance of 43,000 people (approximately one-third of the people attending the fair). The total parimutuel handle (i.e. gross revenue) during this time was \$1,193,000.

The takeout for fair races in Montana is 20 percent. Of this amount, the state takes one percent, purses take between seven and nine percent, and the remainder goes to the tracks to pay track overhead. Steve Meloy, Executive Secretary with the Montana Board of Horse Racing, said that (in a good year) one percent or more remains after paying track overhead. This profit generally goes to the county operating fund.

Dog racing is not allowed in Montana, though Mr. Meloy believes it would be a more lucrative parimutuel program than horse racing. He said that start-up costs, maintenance and overhead costs for dog racing would all be considerably cheaper than horse racing. He also said that fewer dogs are required for races than horses; dogs require only a few days between races to recuperate, while horses require a resting period of ten days to two weeks between races.

Oregon. The Oregon State Fair operates a successful horse racing program during fair days. Don Hillman, Deputy Director of the Alaska State Fair, said that racing events are successful because the fair operates the events as a business and has been doing so for over a hundred years. In 1986, racing was held for 11 days with an attendance of 67,500 people (approximately nine percent of the people attending the fair). The total parimutuel handle during this time was \$2,228,659.

The takeout for fair races in Oregon is 19 percent. Of this amount, the State Fair takes 11 percent, purses take 5.4 percent, .9 percent goes to the State Racing Commission, and the remainder is divided between special track improvements and people raising race horses in Oregon. Mr. Hillman said that the state usually takes five to six percent of the takeout on commercial tracks.

Dwight Butz, also with the Oregon State Fair, said that maintaining and operating horse racing facilities is very expensive. Initial start-up expenses at a minimum include: track surface--a hard base topped by four inches of a fairly loose sand and soil mixture, grandstand and backstretch construction, wagering equipment, and stables. Operating expenses include horse trainers, clockers and timers, staff to operate parimutuel equipment,

officials, judges, and concession staff as well as maintenance. Statistical information on horse racing at the Oregon State Fair in 1985 appears as Attachment F. The 1985 actual figures list horse racing revenue and expenditures for the 36 days racing occurred at the fairgrounds.

Arizona. The State Department of Racing allows horse racing at county fairs for four days a year at each fair. The state provides some of the staff necessary to conduct the races and supplies funding for capital improvements for fair racing. State aid for fair racing totals approximately \$1 million a year. According to Dawn Sinclair, Assistant Director of the Department of Racing, some county fairs make as little as \$2,000 in profit a year from racing events. Statistical information on county fair horse racing in Arizona appears as Attachment G. Ms. Sinclair said that areas surrounding fairs usually experience an increase in hotel and restaurant use, and veterinarian services.

California. Lynn Foote, Executive Secretary for the California Horse Racing Board, said that horse racing has been successful in the past, but rising costs, an increase in the number of private racetracks and the state lottery has decreased horse racing attendance. Mr. Foote said that operating fair races is costly and many county racing facilities are run down as a result of inadequate funding for repair. He also said that because racing at county fairs is not an on-going or important fair event, track staff often lack expertise needed to successfully operate parimutuel races. Mr. Foote believes that racing is more successful if handled by a private entity. Statistical information on fair races in California can be found as Attachment H.

Washington. Washington state and county fairs are authorized to operate horse racing during fair days. A percentage of state taxes on wagering is divided among the fairs. No parimutuel wagering revenue is retained by local governments. Will Bachofner, Executive Secretary of the Washington State Horse Racing Commission, said that a considerable amount of state aid is required to regulate and supervise fair racing, probably because fair racing does not generate enough revenue to support itself. Mr. Bachofner believes this is because only a limited number of the people who watch racing actually place bets. Mr. Bachofner does not believe that areas surrounding fairs are significantly affected as a result of racing events.

Mr. Bachofner said that for a fair race to make a profit in the first few years, established race horses would have to be run. He does not believe that people will bet on horses that do not have records or a history. Mr. Bachofner also said that start-up and operating costs for horse racing are more expensive than for dog racing. Limited facilities are needed for dogs, while horses require more elaborate stables and equipment.

Parimutuel Wagering in Alaska

Parimutuel wagering is currently not allowed in Alaska. There is interest by some groups in Alaska in legalizing parimutuel wagering on horse racing and dog sprint, sled, and chariot racing. Marsha Melton, Manager of the Alaska State Fair, is interested in seeing parimutuel racing as an event offered by the State Fair.

Horse Racing. According to Richard Tozier, President of the Alaska Sled Dog Racing Association, horse racing occurred at the state fair as recently as ten years ago. At that time, race horses were raised in the area, although there are currently few race horses in Alaska. Ms. Melton said that a 5/8-mile race track and stables that house 102 horses are already installed at the fairgrounds. The track requires some remodelling and additional stalls (perhaps 200) if racing were to occur again. Ms. Melton also said that some Alaskans own race horses but keep them out of state. She believes that if racing were offered at the fair, these horses would be brought up to Alaska to race. Ms. Melton believes that offering racing at the state fair would increase revenue to the local economy.

Dog Racing. Sled dog racing is an established activity in Alaska, but greyhound and chariot dog races are unfamiliar to the state. Mr. Tozier, speaking for the Alaska Sled Dog Racing Association, said that the association believes a one-mile, open-to-view track would be necessary for parimutuel wagering on sled dog and chariot dog races. Races that are not open to view could not be regulated and bettors might not want to risk money on an unregulated race. Mr. Tozier suggested Palmer, Fairbanks, and Anchorage as potential track locations.

Projected Revenues from Parimutuel Wagering. It is difficult to project revenues from parimutuel wagering in Alaska because it differs from other states with parimutuel wagering programs. Many race tracks in other states have race participants, spectators and bettors who travel to races in different states. It is not known how many horsemen would bring their horses to Alaska to race, or how many bettors will travel to Alaska to wager. It is also not known how many established race horses are stabled in Alaska or how many people in Alaska are interested in parimutuel wagering. These and other variables make it difficult to project revenues from parimutuel wagering at the Alaska State Fair.

According to Ms. Melton, 175,000 people attended the 11 days of the 1986 Alaska State Fair. In Montana, approximately one-third of the people attending the fair attended racing events. The total parimutuel handle during this time was \$1,193,000. If one-third of the Alaska State Fair attendance attended fair racing events, approximately 58,000 people may participate in parimutuel racing at an Alaska State Fair. Using the parimutuel handle figure of the Montana State Fair, a parimutuel handle of \$1,609,000 is projected for races attended by 58,000 people at the Alaska State Fair. The takeout in Montana is 20 percent. If the takeout were 20 percent in Alaska, \$321,800 would be available to pay the purses, track overhead and state or municipal taxes. In Montana, approximately eleven percent of the takeout is used for track overhead and expenses. Using the Montana figure, the Alaska State Fair could expect to receive \$35,400 gross revenue from a parimutuel wagering program during the Alaska State Fair. We have no way to project net revenues.

In Oregon, 67,500 people attended racing events at the State Fair--nine percent of the total number of people attending the fair. The total parimutuel handle during this time was \$2,228,659. Nine percent of the 175,000 people who attended the 1986 Alaska State Fair is 15,750 people.

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December 29, 1986
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Using the parimutuel handle figure from the Oregon State Fair, the parimutuel handle for 15,750 people attending the Alaska State Fair would be \$520,000. The takeout in Oregon is 19 percent, with eleven percent of the total takeout going to the State Fair. Eleven percent of the projected Alaska State Fair parimutuel handle is \$57,200. Thus, using the Oregon figures, \$57,200 could be expected as gross revenue from an Alaska State Fair parimutuel program.

We have no way to project net revenue for the Alaska State Fair because we cannot project racing expenditures. The Oregon State Fair received \$325,400 in net fair racing revenue in 1985 for 36 days of racing, as can be seen on Attachment F. The Oregon State Fair is considered to be very successful in its horse racing activities. Mr. Hillman, of the Oregon State Fair, said that the State Fair's takeout of eleven percent contributes to the fair's racing success.

Dedicating Parimutuel Wagering Revenues. According to John Rubini of the Alaska Attorney General's Office, the constitutional prohibition on dedicated revenues applies to revenues received by the State. The prohibition does not extend or apply to revenues received by municipalities. Lee Sharp, the Matanuska-Susitna Borough attorney, agreed that the constitutional restrictions on dedicated revenue does not apply to municipalities.

The Alaska State Fair is operated by the State of Alaska. If the state operated parimutuel races at the fair, the revenue would be put into the State general fund and could then be appropriated, but not dedicated, to a specific purpose. If the Matanuska-Susitna Borough operated parimutuel races at the fair, the borough could appropriate or dedicate revenues to a specified purpose.

* * *

I hope this information is helpful to you. Attachment I is a study completed for the Oregon State Fair on the horse racing market in Oregon which you may find informative. If you would like additional information, or if we can be of further assistance, please contact our office.

PW

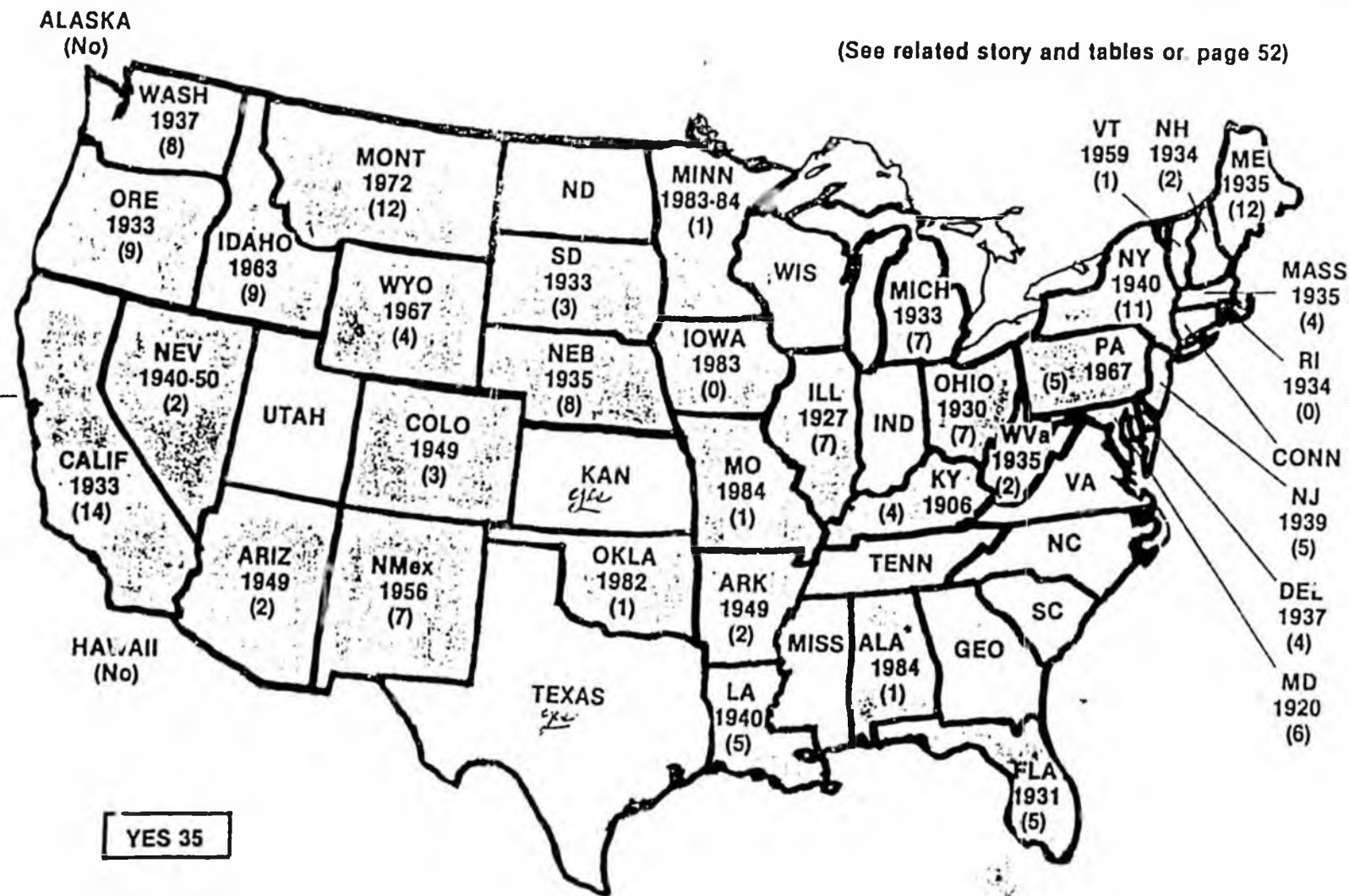
Attachments

Performance horse racing

Parimutuel wagering: A look at where it's at

racing

(See related story and tables on page 52)



YES 35

NO 15

() number of licensed parimutuel horse tracks including fairs

By ~~_____~~

To bet or not to bet? That question is unresolved in only 15 states, as 35 have legalized parimutuel wagering since Kentucky set the statutory precedent 80 years ago.

There are presently 165 parimutuel licensed horse tracks across the country — this includes Thoroughbred, Quarter Horse and harness racing tracks — only 22 of which have raced or are racing Arabians in 1985-86.

The first parimutuel race in the United States apparently was the inaugural Kentucky Derby in 1875. In 1906, the "Bluegrass State" was the first to authorize trackside betting, a law that was upheld by the Supreme Court in 1931.

Parimutuel horse races in Illinois, legalized in 1927, have also occurred there "on and off" since 1884.

California, which instituted parimutuel in 1933, has the most licensed tracks of any state in the union with 14 — 10 of which have con-

ducted or plan to conduct Arabian races this year — followed by Montana and Maine with 12 each, and New York with 11.

Several states, most notably Kansas, Texas and Wisconsin, are on the verge of legalizing parimutuel wagering and could institute it within the year.

A brief look at the parimutuel status of each state follows:

The haves ...

Arizona

Legalized in 1949; two licensed tracks; not currently running Arabians, but did at Turf Paradise in 1968-73.

Arkansas

Legalized in 1935; two licensed tracks; never held a parimutuel Arabian race.

California

Legalized in 1933; 14 licensed tracks, 10 of which run Arabians; Arabs have raced on the county fair circuit in 1976, 1978, and from 1980 to 1986.

Colorado

Legalized in 1949; three licensed tracks, all fairs; never held a parimutuel race for Arabians.

Delaware

Legalized in 1937; four licensed tracks, one Thoroughbred and three trotters; have raced Arabians at Delaware Park on a daily basis since 1984.

Florida

Legalized in 1931; five licensed tracks, two of which (Tampa Bay Downs and Pompano Park) carded Arabian races in 1983-84 and 1986; plan to open two new tracks (Classic Mile in Ocala and a yet-to-be-built track in Osceola County) to Arabians in 1987.

Idaho

Legalized in 1963; nine licensed tracks; never held a parimutuel race for Arabians.

Illinois

Legalized in 1927; seven licensed tracks; ran Arabians at Arlington Park in 1979-83.

Iowa

Legalized in 1983; no licensed tracks; "It (racing parimutuelly) is not a reality here yet, but we're working hard on it," said a spokesman for the Iowa State Racing Commission.

Kentucky

The birthplace of parimutuel wagering in this country; legalized in 1906, upheld in 1931 by the Supreme Court; four licensed Thoroughbred tracks; featured a betting machine in 1878; raced Arabians at Latonia in 1981-82 and 1984 and Paducah in 1984, featured an exhibition race at Kentucky Horse Park this year.

Louisiana

Legalized in 1940; five licensed tracks; never held an Arabian race, despite authorization to do so.

Maine

Legalized in 1935; 12 licensed tracks, all for harness racing; never ran an Arabian race.

Maryland

Legalized in 1920; six licensed tracks; existing regulations prohibit racing of Arabians. ■

Massachusetts

Legalized in 1935; four licensed tracks (one Thoroughbred, one harness and two fairs); never held parimutuel Arabian race, although Splendor Farms is planning to build a 20-acre track in Boston.

Michigan

Legalized in 1933; seven licensed tracks; one (Mount Pleasant Meadows) runs Arabians, something it has done every year since 1980 with the exception of 1985; 24 Arabian races have reportedly been scheduled for Detroit Race Course during the next two months.

Minnesota

Legalized in 1983 or 1984; one licensed track for Thoroughbreds and Quarter Horses.

(See Parimutuel page 53)

Parimutuel

(Continued from page 51)

Missouri

Legalized in 1984, revised in 1986; one licensed track, the Missouri State Fair in Sedalia, which sponsored harness races last month; 16 developers have expressed interest in building tracks in the state, depending upon which counties approve the measure locally in next month's elections.

Montana

Legalized in 1972; 12 licensed tracks; never held an Arabian race.

Nebraska

Legalized in 1935; eight licensed tracks (five Thoroughbred and three Quarter Horse); never held an Arabian parimutuel race.

Nevada

Legalized in the late 1940s or early 1950s; two licensed tracks; ran Arabians at Ely in 1978.

New Hampshire

Legalized in 1939; two licensed tracks (one Thoroughbred and one harness track); never held Arabian races.

New Jersey

Legalized in 1939; five licensed tracks; never raced Arabians, although permitted to by definition of law.

New Mexico

Legalized in 1956; seven licensed tracks; raced Arabians at Albuquerque in 1975 and 1979, Santa Fe in 1973-77, and Sunland Park in 1971.

New York

Legalized in 1940; 11 licensed tracks (four Thoroughbred and seven harness tracks); never held an Arabian race.

Ohio

Legalized in approximately 1930; seven licensed tracks; ran Arabians at River Downs in 1982 and Thistledown in 1982-83.

Oklahoma

Legalized in 1982; one track (Quarter Horse); Arabians will run at Blue Ribbon Downs in Sallisaw beginning later this month. Remington Park, a track currently under construction in Oklahoma City, is licensed to run parimutuelly beginning in September of 1988.

Oregon

Legalized in 1933; nine licensed tracks; Arabian meet conducted at Grants Pass Downs this year and last.

Pennsylvania

Legalized in 1967; five licensed tracks (three Thoroughbred and three harness tracks); raced Arabians at Commodore Downs in 1982.

Rhode Island

Legalized in 1934; no licensed tracks.

South Dakota

Legalized in 1933; three licensed tracks; no Arabian races held in the state.

Vermont

Legalized in 1959; one licensed track; never carded an Arabian race.

Washington

Legalized in 1937; eight licensed tracks, including five fair tracks; raced Arabians on the fair circuit in 1982 and 1984-86, and at Yakima Meadows in 1986.

West Virginia

Legalized in 1935; licensed tracks two, both Thoroughbred; never held an Arabian race.

Wyoming

Legalized in 1967; four licensed tracks (Thoroughbred and Quarter Horse); no Arabian races due to lack of horses on grounds.

Alabama

Legalized in three counties (Mobile, Macon and Greene) and the city of Birmingham in 1984; Birmingham has one horse (Thoroughbred) track; never conducted an Arabian race.

The have nots ...

Alaska

"We don't have too many horses in Alaska," said a spokesman for the House of Representatives, who indicated that parimutuel had not been brought up in the past two years.

Connecticut

Parimutuel wagering was legalized in the state in 1971, but proposals to construct horse tracks were rejected every year from 1975 to 1978. An ensuing moratorium prohibiting any new licenses expires in June of 1987, but if past history is any indication, it will be re-extended by the state's lawmakers. Although no live horse racing occurs in the state, wagering is permitted at one greyhound track and three jai-alai frontons and off-track betting, via closed circuit television, is allowed on races at Aqueduct, Belmont, and other tracks on the East Coast. In addition, there are nearly 20 branch betting parlors in the state.

Georgia

The issue was last discussed during the 1986 legislative session, but it never made it out of committee.

Hawaii

Legislation concerning parimutuel has been introduced periodically for a number of years, most recently in 1986, but has never made it just a first hearing.

Indiana

Originally outlawed by the constitution, the process to remove the provision is under

way. If the measure survives, the state would have parimutuel wagering in 1991 at the earliest.

Kansas

The issue will be decided by voters in a statewide election in November of this year.

Mississippi

The question has been a part of bills from the house and senate, but no action has been taken because the measure died in committee.

North Carolina

The governor of the state is adamantly opposed to the issue.

North Dakota

Although there is no opposition to the issue, state lawmakers look upon the subject as economically unfeasible.

South Carolina

Survived first reading in 1986, died in Ways and Means Committee.

Tennessee

Passing one house in 1986, no further action was taken and the issue is considered "dead" for the time being.

Texas

Headed for the November ballot after recently being approved by the Senate 7-1 and the House committee 9-1.

Utah

In 1971, the issue came up as a study item, but it was eliminated from consideration. In 1986, a statewide lottery proposal failed 58-12 in the House.

Virginia

The issue has surfaced during legislation, but has never threatened to pass.

Wisconsin

In 1986, a bill containing parimutuel wagering passed both houses. If it passes again, the issue would go before the public in the form of a referendum.

Keep track of Arabian racing in the Express



The Express is first with features on the people and the horses that are bringing Arabian racing to the forefront.

For the quickest, most comprehensive coverage of Arabian racing read the Express.

States share in pot

Not only is playing the horses a popular activity among race fans, but it's a profitable one for the states that permit it as well (as illustrated by the table at right).

In 1985, parimutuel wagering generated more than \$625 million in revenue to the state governments, each of which earns a percentage of the total betting handle from each licensed track within that state.

The amount taken in by each state varies. Michigan, for example, receives 6 percent of

the handle and Arkansas receives 5.91 percent, while most states use a sliding scale to determine their respective shares.

In certain states, parimutuel revenue is earmarked for specific purposes, such as in Idaho where as much as 2 1/4 percent goes to the public schools.

The information in this story and the accompanying tables were provided by the National Association of State Racing Commissioners.

RACES/HANDLES 1985

State	No. Races	Handle
Arizona	2,092	81,110,896
Arkansas	606	165,123,545
California	9,689	2,222,839,913
Colorado	307	1,104,087
Delaware	4,163	107,695,502
Florida	5,126	487,225,623
Idaho	1,135	9,114,942
Illinois	11,535	923,234,682
Iowa	285	2,052,406
Kentucky	6,735	321,799,643
Louisiana	7,611	563,243,912
Maine	3,689	35,949,724
Maryland	6,584	468,744,808
Mass	5,247	271,007,190
Michigan	7,291	375,971,988
Minnesota	782	84,210,821
Montana	1,330	11,606,656
Nebraska	2,663	214,584,635
New Hamp	2,506	97,372,674
New Jers	7,020	1,012,900,808
New Mex	4,683	144,206,842
New York	16,425	1,596,187,321
Ohio	9,898	408,242,568
Oklahoma	1,951	41,892,984
Oregon	2,383	43,060,751
Penn	10,803	422,420,968
SoDakota	263	1,056,961
Vermont	89	726,799
Wash	3,656	200,222,833
West Va	4,834	144,391,769
Wyoming	777	7,351,655
New York OTB		1,212,234,768
Conn OTB		180,958,025
Totals	142,137	12,222,343,267

TOTAL REVENUE TO GOVERNMENT

State	Total	Thoroughbred	Harness	Qlr Horse	Mixed
Arizona	2,794,683				2,794,683
Arkansas	12,041,181	12,041,181			
California	148,502,206	128,309,325	4,191,415	6,725,152	9,275,314
Colorado	192,398			192,398	
Connecticut-OTB	12,607,215				12,607,215
Delaware	852,987	413,855	439,132		
Florida	13,131,170	11,909,216	1,200,306	21,648	
Idaho	355,545				355,545
Illinois	60,924,323	35,646,237	25,278,086		
Iowa	73,238		73,238		
Kentucky	12,464,545	10,706,569	1,757,976		
Louisiana	24,326,856	23,643,529		683,327	
Maine	589,583		589,583		
Maryland	10,970,396	9,334,059	1,636,337		
Massachusetts	13,691,695	11,589,409	2,102,286		
Michigan	24,402,929	7,828,492	16,496,776	77,661	
Minnesota	4,567,997	4,567,997			
Montana	233,579				233,579
Nebraska	11,682,057	11,657,787		24,270	
New Hampshire	2,220,295	2,023,488	196,807		
New Jersey	8,693,998	4,108,863	4,585,135		
New Mexico	2,406,455				2,406,455
New York	82,749,528	59,276,216	23,473,312		
New York-OTB	128,154,561	98,679,012	29,475,549		
Ohio	16,598,473	9,285,244	7,313,229		
Oklahoma	3,006,377				3,006,377
Oregon	1,378,076				1,378,076
Pennsylvania	12,148,384	7,602,759	4,545,625		
South Dakota	41,358				41,358
Vermont	28,119		28,119		
Washington	9,390,674		3,116		9,387,558
West Virginia	3,805,609	3,805,609			
Wyoming	133,207				133,207
Totals	625,159,697	452,428,847	123,386,027	7,724,456	41,620,367



PUT YOUR MONEY ON A

File: AB 32



TEXAS LEGISLATURE APPROVES PARI-MUTUEL HORSE RACING

by Anne Lang

For the first time in over 50 years, Texas lawmakers in a special session voted in favor of a racing bill for the Lone Star State, granting the long-awaited opportunity for citizens to vote on the issue in a statewide referendum.

*Anne Lang is editor
of The Texas Thoroughbred.
Reprinted with permission.
The Texas Thoroughbred, 1986.*

It survived several tense rounds of voting in both the House and the Senate, where it hadn't survived since 1933.

It survived the proposal (and subsequent defeat) of numerous amendments, some similar to the amendments that managed to kill it in 1985.

It survived the threat of a filibuster, and the poised-pen, Final Hour deliberation of a governor seemingly determined to veto it.

If survival is indeed destined for the fittest, then the Texas pari-mutuel bill is one sound racehorse. This bruised, battered yet triumphant piece of legislation survived all these obstacles and more, and it wasn't even on the original agenda.

For the first time in over 50 years the Texas Legislature approved a pari-mutuel racing bill during a special budget session — finally allowing the voters a chance to say yea or nay on the issue in a statewide referendum next fall.

If the pari-mutuel bill could withstand the assault of all those barriers and still pull up sound, can't

that significant progress be viewed as an omen of success destined to continue through the final stretch and well past the wire?

Ricky Knox thinks so. The Texas Horse Racing Association's executive director is elated and relieved about the outcome of the recent legislative action, and is looking ahead with guarded optimism.

"I fell pretty good," Knox declared on September 29, several days after Governor Mark White made his decision to let the bill become law without his signature. "I'm just glad it's over with. There's more a feeling of relief than anything else; to know that you don't have to go back up to the Capitol and work 181 members of the legislature."

This is the second consecutive pari-mutuel battle for Knox. In 1985, he headed up lobbying efforts for a bill that was prematurely rejected by pro-racing and anti-racing legislators alike for being too weighted down with minority and special program provisions, the language of which was too vague to suit amendment advocates and too

biuding to satisfy the others.

The disappointed racing lobbyists learned from that experience, however, reconstructing a new bill that earmarked all of the state's share of the pari-mutuel handle to go toward the general fund. This proved to be a wise move.

A brief review of recent events: Texas' ailing oil economy has been a major contributor to a state deficit that had climbed to an alarming \$3.5 billion as of late last spring, prompting Governor White to call a special session of the legislator on August 6 to deal with the crisis. Among the proposed remedies on the governor's agenda was a state income tax, and a temporary sales tax.

Pari-mutuel horse racing, which White has always staunchly opposed on moral grounds and which was not expected to be brought up due to its delayed effect on the state's economy, was ushered in via the "back door" by Rep. Hugo Berlanga when it appeared that the session was going virtually nowhere in its aim to reduce the deficit. Lt. Governor Bill Hobby and House Speaker Gib Lewis agreed to add the bill to the agenda.

Before surprised horsemen around the state even finished their double-takes at the news, the bill was promptly subjected to the legislative process and, ironically, came to be the only piece of legislation to be acted upon in the first special session.

White then had 20 days to either veto the bill, sign it into law or let it become law without his signature. On Day Twenty (September 24), he chose the latter option; the next step, according to the bill, calls for a statewide referendum, to be followed (if passed) by local-option elections in each Texas county that desires to conduct pari-mutuel horse racing.

The bad news: because pari-mutuel failed to register a two-thirds majority vote in either chamber, it was not included on the general election ballot this November, which includes the gubernatorial election. (Hence: high voter turnout.) The good news: it will be subjected to a statewide referendum vote in November 1987, giving pari-mutuel advocates an entire year to drum up support for racing and to educate the public on the

unlimited benefits the potentially enlarged horse industry will have on the state.

Knox said the lobbying team was not as surprised as the public was about the inclusion of the pari-mutuel issue during the special session, nor about the ultimate outcome.

Even horse racing opponents were helpful in pushing through the bill, Knox pointed out, because they were tired of the issue being introduced every session and taking up valuable legislative time that could, in their estimation, be better spent on the immediate budget situation, and other pressing issues. Many of those opponents urged White not to veto the bill, because they wanted to get it out to the people for a vote, "once and for all" Knox said. "They're going to have major financial issues coming up in January, and no one wanted to see this issue back on the floor at that time."

In reviewing the collective factors that led to eventual passage, Knox named education and awareness as major contributors to the outcome. Extensive, continuous efforts by

horsemen, legislative proponents (such as Speaker Lewis, Lt. Gov. Hobby, Rep. Berlanga, Sen. De Harris, Rep. Lloyd Cross and others) and lobbyists to illustrate the benefits of horse racing as an entire new industry for the state finally paid off at the Capitol.

"A lot of people tie the passage of the bill to the state's economic condition, and I really don't think that was the case," Knox stated. "I think that if you talk to the other lobbyists — Bob Johnson, Hilary Doran and Rob Johnson — they'll agree that the economy was not the major reason it passed. A lot of it was due to the work that's been done in the past to educate the legislators about the potential industry as a whole, and that pari-mutuel goes beyond just wagering at the tracks."

White's decision to let the bill become law was highly influenced by the people of Texas, Knox said. Horsemen's letters and phone calls received by the governor's office had a major impact, and "really got his attention." Similar supportive input (during the 20-day post-passage period) from the general public all across Texas was also very strong.

Although White has declared he will actively work against the bill between now and the statewide referendum, his opponent in the upcoming gubernatorial race, former Texas Governor Bill Clements, has taken a neutral stance on the issue and will probably remain that way: elected, Knox predicts, publically speaking neither for nor against pari-mutuel. Clements' position all along has been in favor of letting the issue come to a vote of the people, he added, and a sudden change of attitude is not expected.

Not surprisingly, having to wait another year for the statewide referendum is going to result in increased expenditure of both money and man-hours, Knox said, in order to effectively promote the issue.

If pari-mutuel passes in the statewide referendum next fall, the next likely step will be the local option elections in each of Texas' 254 counties. (Only those counties that desire to conduct pari-mutuel horse racing will be required to hold elections.) The bill limits Class tracks (operational at least 45 days per year) to counties with populations of at least 250,000, and adjacent counties. Smaller tracks

(Classes II and III) could be operated in other counties, for shorter time periods.

A little-known fact, Knox pointed out, is that the local-option elections can conceivably be conducted before the statewide referendum takes place, if a county decides to do so. The statewide referendum is actually considered to be the final endorsement of the bill.

How soon after county elections, then, can we realistically expect completion of the first Class I track?

"That's a tough timetable to figure out," Knox said. "So much of it hinges on when the governor appoints the racing commission, and how much effort the commissioners have put into visiting other U.S. tracks, firing their staff, establishing their ground rules for licensing procedures, and so forth. If the racing commission is appointed in, say, February of 1987, and they immediately begin the process of educating themselves on the subject of racing and establishing their rules, then ideally it would go as follows:

"November 1987, statewide referendum. February, March or April 1988, local-option election in a Class I county. Then, if the potential developers and financial planners have been doing their homework — getting an option on the proposed land, full architectural renderings, financial plans — if all those factors were put together and everyone was doing their work, you might see someone take application to the racing commission in June of 1988 for a Class I license. It could be even earlier if the local-options election is held earlier."

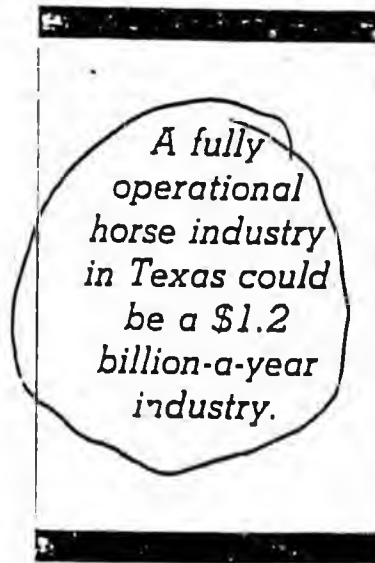
After the license application is submitted, Knox said, the racing commission has 120 days to act upon the application. If they haven't taken action within that time period, they can extend their review time for another 30 days, but they must take action (to either accept or reject the application) by the time those 30 days are up.

Knox said he does not expect Texas racing to be stalled by any of the problems that have plagued Oklahoma since its passage of pari-mutuel in 1981. Oklahoma's primary error was the takeout structure they established, he said: it was a 6-6-6 split (six percent of the handle to go to the state, six percent to purses, and six percent to

the track, with the remaining 82 percent to be divided among the winning tickets). Six percent was not enough to allow track owners to feasibly maintain a Class I facility, nor even to begin construction. Texas learned from Oklahoma's mistake, Knox declared.

"The Texas Senate Bill 15 calls for a 5-5-8 split on a straight wager; on a multiple wager it's a 5-5-10," Knox explained. "The financial projections we reviewed before we began constructing the bill indicated that our takeout structure is financially feasible for operating a track.

"I think we've learned from Oklahoma that you do have to have a financially workable takeout, but you also have to have a takeout structure that makes the state satisfied that it's getting enough benefit from pari-mutuel to allow it to take place," Knox said. "So we tried to find a compromise. Originally, in the 1983 and 1985 bills, the legislation called for a 5-5-5 takeout, which was financially unworkable, so we increased the track's take to eight percent to make sure that first-class facilities can be built and maintained."



Texas will begin seeing a net profit from pari-mutuel probably in 1988," Knox projected, which is when some of the Class II tracks will begin their pari-mutuel programs. In past reports, the THRA has estimated that fully operational horse industry in Texas could be a \$1.2 billion-a-year industry, and hopefully grow into a \$10 billion-a-year industry.

During the special session

debate, bill co-sponsor Ike Harris forecasted that pari-mutuel wagering alone will provide \$10 million to the state's general revenue account by the year 1991. A Texas Department of Agriculture study shows that pari-mutuel will boost the farm economy by approximately \$713 million, and will bring 25,000 new horses to the state.

"I wish there was some way to calculate the effect of all the satellite industries — tourism, horse sales, real estate purchases, construction — all those factors and more that are going to contribute to the economy, because I think it's going to end up being far more than anyone's projected," Knox said.

"The amount of money being spent in the Texas horse industry even right now is substantial.

"Twenty years from now, when we're looking at the Santa Anita of Houston, the Santa Anita of Dallas and the Santa Anita of San Antonio, and all the first-rate Class II tracks, and all those white fences and horses galloping across pastures throughout the state, it's going to be so exciting to know that EVERYBODY had a part in bringing that reality to Texas," Knox said.

"Sure, we've got the economic and climatic conditions here, but the most important thing is, we have the spirit of Texans."

ALASKA 5

March 3, 87

Presented by: Silvers
Introduced: 03/03/87
Drafted by: G.L.S.

MATANUSKA-SUSITNA BOROUGH

Resolution Serial No. 87-~~032~~

A RESOLUTION OF THE MATANUSKA-SUSITNA BOROUGH SUPPORTING
HOUSE BILL 32 AND SENATE BILL 63.

WHEREAS, the Alaska State Legislature has pending before it House Bill 32 and Senate Bill 63 that would authorize state controlled parimutuel betting on horse and dog racing where approved at a local option election, and

WHEREAS, the voters in the cities of Palmer and Wasilla have previously approved in an advisory vote the conduct of certain parimutuel wagering within their boundaries, and

WHEREAS, parimutuel wagering would create a direct source of revenue for the state and thereby reduce the need for new or increased state taxes, and

WHEREAS, authorization of parimutuel wagering would make possible a new, non-polluting industry in Alaska, and

WHEREAS, horse and dog racing in the borough would create a demand for feed, pasture and other agricultural products and services related to animal husbandry that are readily available in the borough, and

WHEREAS, horse and dog racing in the borough would be a tourist attraction for Alaska, bringing visitors from other states as well as other areas of Alaska, and

WHEREAS, horse and dog racing in the borough would generate additional use of the Alaska Railroad, and

WHEREAS, construction and operation of a race track and associated facilities and concessions in the borough would provide new employment opportunity for Alaskans;

NOW, THEREFORE, BE IT RESOLVED BY THE ASSEMBLY OF THE MATANUSKA-SUSITNA BOROUGH:

1. That the Assembly supports the concept of state controlled parimutuel wagering on horse and dog racing when locally approved and as generally set out in House Bill 32 and Senate Bill 63 and strongly urges the legislature to adopt legislation authorizing parimutuel wagering on such racing.

2. That copies of this resolution be sent to The Honorable Steve Cowper, Governor of the State of Alaska, and to each member of the Alaska Legislature.

PASSED AND APPROVED by the Assembly of the Matanuska-Susitna Borough this 4th day of March, 1987.

Dorothy A. Jones
Dorothy A. Jones, Mayor

ATTEST:

Chris Seagraves
Chris Seagraves, Clerk

(SEAL)

Presented by: Silvers
Introduced: 03/03/87
Drafted by: G.L.S.

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PASSED AND APPROVED by the Assembly of the Matanuska-Susitna Borough this 4th day of March, 1987.

Dorothy A. Jones, Mayor

ATTEST:

Chris Seagraves
Chris Seagraves, Clerk

(SEAL)



Requested by: Mayor Bumpus
Prepared by: Mayor's Office

CITY OF WASILLA

P.O. BOX 870430
WASILLA, ALASKA 99687
PHONE: 376-5227

RESOLUTION NO. W85-J-6

A RESOLUTION OF THE CITY OF WASILLA SUPPORTING LOCAL OPTION FOR PARI-MUTUEL GAMBLING.

WHEREAS, the State of Alaska no longer has the funds to support local Capital Improvements that accomodates current growth patterns; and

WHEREAS, it is the City of Wasilla's goal to become financially independent, if possible; and

WHEREAS, Pari-Mutuel Gambling would enhance economic development and provide a major tax revenue source for the City of Wasilla;

NOW, THEREFORE BE IT RESOLVED that the City of Wasilla supports local option for pari-mutuel gambling.

I certify that a resolution in substantially the above form was passed by a majority of those voting at a duly called and conducted meeting of the governing body of the City of Wasilla this 12th day of August, 1985.

APPROVED:

Charles H. Bumpus, Mayor

ATTEST:

Erling P. Nelson, City Clerk, CMC

(SEAL)

ATTACHMENT "A"

ELECTION WORKSHEET REGULAR ELECTION 10-7-86

SEAT "C" CANDIDATES	REGULAR		ABSENTEE		QUESTIONED		TOTAL	%
	037	038	037	038	037	038		
KOBLEY, VINCENT I.	160	108	12	11	0	0	299	47.54%
PATTERSON, DONALD C.	177	130	11	7	0	0	325	51.67%
WRITEINS	3	2	0	0	0	0	5	.79%
TOTAL	348	240	23	18	0	0	629	100.00%

SEAT "D" CANDIDATES	REGULAR		ABSENTEE		QUESTIONED		TOTAL	%
	037	038	037	038	037	038		
BEUTLER, CLYDE	93	66	3	7	0	0	169	26.04%
CARNEY, DOMONIC	129	127	13	6	0	0	275	42.37%
GROB, DONALD (RICK)	125	63	7	8	0	0	203	31.28%
WRITEINS	2	0	0	0	0	0	2	.31%
TOTAL	349	256	23	21	0	0	649	100.00%

SEAT "E" CANDIDATES	REGULAR		ABSENTEE		QUESTIONED		TOTAL	%
	037	038	037	038	037	038		
HJELLEN, PAT	157	108	13	12	0	0	290	43.22%
KEMP, MICHAEL	207	151	10	10	0	0	378	56.33%
WRITEINS	2	1	0	0	0	0	3	.45%
TOTAL	366	260	23	22	0	0	671	100.00%

SEAT "F" CANDIDATES	REGULAR		ABSENTEE		QUESTIONED		TOTAL	%
	037	038	037	038	037	038		
CARTER, THOMAS L.	157	149	10	5	0	0	321	50.00%
MAV, TERRY R.	69	46	1	2	0	0	118	18.38%
POSEY, DONALD R.	118	59	12	12	0	0	201	31.31%
WRITEINS	2	0	0	0	0	0	2	.31%
TOTAL	346	254	23	19	0	0	642	100.00%

ELECTION OF 1986

CANDIDATES	037	038	ABSENTEE		037	038	TOTAL	%
			037	038				
BUSHNELL, MILLET R.	2	17	0	0	0	0	19	14.15%
COITTE, COLLEEN J.	2	21	1	0	0	0	24	17.78%
DeCAMP, RICHARD J. (D)	47	43	7	8	0	0	105	78.07%
LANGILL, FRANK S.	12	7	0	0	0	0	19	14.22%
MCCARTHY, RAYMOND P.	15	30	0	0	0	0	45	33.50%
MARTIN, ED SR.	55	37	5	2	0	0	99	73.87%
NEWCOMB, HAROLD S.	0	0	7	7	0	0	14	10.47%
PAGE, DOROTHY R.	57	44	2	5	0	0	108	80.57%
WRITEINS	0	1	0	0	0	0	1	.74%
TOTALS	383	285	24	22	0	0	714	100.00%

ADVISORY QUESTIONNAIRE

PARI-MUTUEL HORSE RACING

YES	181	181	15	16	0	0	393	61.9%
NO	130	99	6	6	0	0	241	38.0%
TOTAL							634	100.0%

Government

Valley cities would welcome track gambling

By JIM BRUGGERS
MAT-SU—Even though wagering on a horse race is against state law, the Palmer and Wasilla city councils think having a race track in the Valley is a good bet on the future.

The two councils are looking at parimutual betting as one way to make up for the state's declining oil wealth.

However, officials from both towns acknowledge that legislation will have to be passed in Juneau

before this form of gambling will be legal.

The issue surfaced last week, first in Wasilla and then in Palmer, in a sequence of events that has Palmer scrambling to maintain its lead in being the first Alaska city to allow gambling on horse races.

In Wasilla, Mayor Charles Bumpus announced that he would encourage parimutual betting in his town. An ordinance allowing it,

pending state approval, is being drafted now, according to Wasilla Development Coordinator John Stein. That ordinance will be introduced at the Wasilla council's Aug. 12 meeting.

Stein said Friday that parimutual betting could be a good source of revenue for the city, through attracting tourism dollars as well as supporting agricultural-related businesses in the

Valley.

He said the "Anchorage market" might also support parimutual betting. But he cautioned that, before the city should take on such a project, a major feasibility study would need to be done.

Immediately after learning of Wasilla's interest in setting up a track, the Palmer council introduced its own ordinance at a special

meeting late Thursday afternoon.

According to Palmer Mayor George Carte, the meeting was called by City Manager Dave Soulak and at the request of councilwoman Marsha Melton, who is also the Alaska State Fair manager.

The mayor, who said he will probably oppose gambling in Palmer, said the meeting was called so Palmer could stay ahead of Wasilla in this issue.

He noted that the State Fair has, for a number of years, been interested in establishing parimutual betting at its race track.

In fact, the fair commissioned a study on the practice of parimutual betting in 1977.

The Palmer council's action, approved unanimously by Mike Pippel, Marsha Melton, Joe Berberich, Diana Long and Carte, established a public

hearing Aug. 13 before the Palmer council.

Carte said before the meeting that he isn't sure gambling would be appropriate in Palmer.

According to the fair's study, parimutual betting is the system of wagering used most often by race tracks. Odds are determined according to the approximate ratio of the amount bet on all horses to the amount bet on each individual horse, the report states.

CITY OF PALMER, ALASKA

ORDINANCE NO. 321

AN ORDINANCE CREATING A NEW CHAPTER 3.32 OF TITLE 3 OF THE PALMER MUNICIPAL CODE ENTITLED PARI-MUTUEL WAGERING ON CERTAIN HORSE RACES.

THE CITY OF PALMER, ALASKA, ORDAINS:

Section 1. Classification. This ordinance shall be of a permanent nature and shall become a part of the City of Palmer Code of Ordinances.

Section 2. Severability. If any provisions of this ordinance, or any application thereof to any person or circumstance is held invalid, the remainder of this ordinance and the application to other persons or circumstances shall not be affected thereby.

Section 3. Chapter 3.32-Pari-Mutuel Wagering of Title 3 of the Palmer Municipal Code is hereby created as follows:

3.32.010 General. Pari-mutuel betting on horse racing may be permitted under this chapter to the extent not prohibited by Alaska State Statutes.

3.32.020 Sales Tax Applicability. A two (2) percent sales tax shall be charged on all gate admissions, concessions and gross monies deposited in the pari-mutuel system, to the extent not prohibited by Alaska State Statutes.

Section 4. Publication and Effective Date. This ordinance shall become effective immediately upon its adoption and publication shall be by posting a copy hereof on the City Hall bulletin board for a period of ten (10) days following its adoption, and it shall be published by being printed and included in the Palmer Municipal Code at its next regular supplementation and printing. A notice of public hearing shall be given by such posting at least five (5) days before final passage.

First Reading: August 1, 1985

Public Hearing &
Second Reading: August 13, 1985

Adopted by the City Council of the City of Palmer, Alaska, this 13th day of August, 1985.

GEORGE W. CARTE', MAYOR

DAVID L. SOULAK, CITY CLERK

Signed: August 13, 1985
By Mayor and
City Clerk

ALMER SPECIAL CITY COUNCIL MEETING MINUTES - OCTOBER 9, 1986

Joe Tull	Council	1	0	1
Eve Hermon	Council	1	0	1
Roger Saunders	Council	1	0	1
S. Luse	Council	1	0	1
Dorothy Saxton	Council	1	0	1
Jerry Hann	Council	3	0	3
ADVISORY PROPOSITION NO. 1	YES	264	6	270
	NO	155	1	156

There was a total of 464 votes cast.

MOVED BERBERICH, SECONDED JOHNSON to certify the election results as presented. MCU.

2. Award Bid - Water Well.

On October 3, 1986 bids were opened for the new water well located at the southwest corner of the airport. Two bids were received, one from RG&B Contracton for \$74,400 and the other from M-W Drilling for \$44,428. The administration recommended award to M-W Drilling as the low bidder. There were no irregularities in either of the bids.

MOVED BERBERICH, SECONDED PIPPEL to award the bid for the new water well to M-W Drilling, the low bidder in the amount of \$44,428. MCU.

3. Award Bid - Runway Paving.

Bids were opened at 10:30 A.M. today for the runway paving project. Three bids were received as follows: Hermon Brothers for \$159,166.80; Wilder Construct for \$163,300 and Rasco for \$309,630. The engineer's estimate was \$185,350. The administration recommended award to the low bidder, Hermon Brothers in the amount of \$159,166.80. These bids were reviewed by both the engineer and attorney and there were no irregularities.

MOVED BERBERICH, SECONDED LONG to award the Runway Paving bid to the low bidder, Hermon Brothers in the amount of \$159,166.80. MCU.

4. Award Bid - Town Square Project.

Four bids were received and opened at 11 A.M. today on the town square earthwork project which entails contouring the land and building berms. Bids were received from: Alaska Central Construction for \$12,800; Kopperud Transportation for \$21,695; Hermon Brothers for \$27,758; and Ohno Construction for \$35,280. The engineer's estimate was \$17,500. The administration recommended awarding this bid to the low bidder, Alaska Central Construction in the amount of \$12,800. These bids were also reviewed by the attorney.

MOVED LONG, SECONDED JOHNSON to award the Town Square Earthwork to the low bidder, Alaska Central Construction in the amount of \$12,800. MCU.

Mayor Carte' made one comment regarding the hospital. The hospital has purchased land in Wasilla and there is a possibility that the Certificate of Need process will no longer be required. The Valley Hospital was turned down for a Certificate of Need to build a hospital in Wasilla earlier and were urged to add additional beds to the existing facility in Palmer. The Mayor felt it is just a matter of time before they close down the existing hospital or turn it into some other use, according to comments he has heard. The recent Attorney General's Opinion just states it has to be used for a public purpose but doesn't have to remain as a hospital. Once the Certificate of Need requirement no longer exists, the Hospital will probably begin construction in Wasilla as without a Certificate, anyone can build a hospital wherever they want and Valley Hospital wants to be the first to build in Wasilla, rather than have Providence



Requested by: Mayor Bumpus
Prepared by: Mayor's Office

CITY OF WASILLA

P.O. BOX 870430
WASILLA, ALASKA 99687
PHONE: 376-5227

RESOLUTION NO. W85-J-6

A RESOLUTION OF THE CITY OF WASILLA SUPPORTING LOCAL OPTION FOR PARI-MUTUEL GAMBLING.

WHEREAS, the State of Alaska no longer has the funds to support local Capital Improvements that accomodates current growth patterns; and

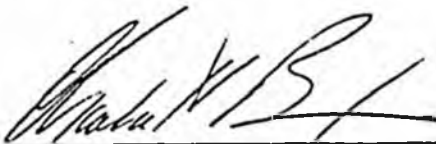
WHEREAS, it is the City of Wasilla's goal to become financially independent, if possible; and

WHEREAS, Pari-Mutuel Gambling would enhance economic development and provide a major tax revenue source for the City of Wasilla;

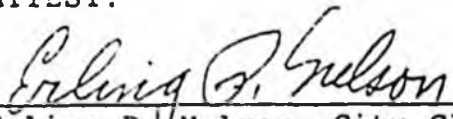
NOW, THEREFORE BE IT RESOLVED that the City of Wasilla supports local option for pari-mutuel gambling.

I certify that a resolution in substantially the above form was passed by a majority of those voting at a duly called and conducted meeting of the governing body of the City of Wasilla this 12th day of August, 1985.

APPROVED:


Charles H. Bumpus, Mayor

ATTEST:


Erling P. Nelson, City Clerk, CMC

(SEAL)



CITY OF WASILLA

290 E. HERNING AVE.
WASILLA, ALASKA 99687
PHONE: 376-5227

Requested By: Mr. Welsh
Prepared By: Clerk's Office

RESOLUTION NO. W86-E-1

A RESOLUTION OF THE CITY OF WASILLA, ALASKA DIRECTING THE CITY CLERK TO PLACE A PROPOSITION ON THE 1986 REGULAR ELECTION BALLOT.

WHEREAS, the Council through Resolution No. W85-J-6 supports Local Option for Pari-mutuel Horse Racing at this time; and

WHEREAS, the Council wishes to know the feelings of the voters on Pari-mutuel Horse Racing;

NOW THEREFORE BE IT RESOLVED, that the Wasilla City Council directs the City Clerk to place on the ballot at the regular City election, October 7, 1986, the following proposition:

"Do You Support The Concept Of Local Option Pari-mutuel Horse Racing?"

YES

NO

I certify that a resolution in substantially the above form was passed by a majority of those voting at a duly called and conducted meeting of the governing body of the City of Wasilla this 22nd day of September, 1986.

APPROVED:

Dorothy G. Page

DOROTHY G. PAGE, Mayor

ATTEST:

Erling P. Nelson

ERLING P. NELSON, CMC
City Clerk

(SEAL)

JAN 20 1987

Department of Law, Public Safety and
Economic Development

ALASKA PARI-MUTUEL, INC.

ARTICLES OF INCORPORATION

ARTICLE I

The name of this corporation shall be Alaska Pari-Mutuel, Inc.

ARTICLE II

The principle office and place of business of this corporation shall be in Palmer, in the Matanuska Susitna Borough, Alaska.

ARTICLE III

This Corporation is organized exclusively for charitable and educational purposes, including for such purposes, the making of distributions to organizations that qualify as exempt organizations under section 501 (c) (4) of the Internal Revenue Code of 1954 (or the corresponding provision of any future United States Internal Revenue Law). The object and purposes of this Corporation are:

- a. To engage in the business of supporting the creation of a Racing Commission and authorization of pari-mutuel wagering at sanctioned events.
- b. To borrow money, to buy, own, build, erect, construct, lease and otherwise acquire, manage, occupy, maintain, and operate buildings, grandstands, pavilions, booths, stables, sheds, corrals, exhibition grounds, storerooms, office buildings and business structures of all kinds and character.
- c. To employ or contract for services necessary in carrying out the purposes of the corporation.
- d. To hold meetings of the Board of Directors of the Corporation in such places within the State of Alaska, as the Board of Directors may from time to time determine.
- e. To maintain, do, perform, execute, acquire, own, hold and dispose of each, all and everything incidental to or necessary, convenient, or proper, to carry out or perform any of the matters, things, or purposes aforesaid, and to exercise any and all rights and privileges which may be necessary, requisite, useful, convenient, or proper, or which may be incidental or auxiliary to any of the purposes of objects hereinbefore expressed, or that in the judgement of the Board of Directors of the Corporation may be necessary, requisite, useful, convenient, proper, incidental, or auxiliary, to any of said purposes or objects or be deemed to tend to advance the interest of the Corporation and the objects for which it is created.

ARTICLE IV

The membership of this Corporation shall be classified as follows:

- a. Regular Membership: Any person who agreed to abide by the By-Laws of the Corporation and who pays the membership fee specified by said By-Laws, shall be a regular member. Regular members shall be entitled to one (1) vote per membership and no person shall hold more than one (1) membership of this class.
- b. Corporate Membership: Any business that agrees to abide by the By-Laws of the Corporation and who pays the Corporate Membership fee specified by said By-Laws, shall be a Corporate Member. Corporate Members shall be entitled to one (1) vote per Corporate Membership and no business can hold more than one (1) membership of this class.

ARTICLE V

The duration of this Corporation shall be perpetual. Should a dissolution of this Corporation become necessary, then, upon the dissolution of the Corporation, the Board of Directors shall, after paying or making provision for the payment of all of the liabilities of the Corporation, dispose of all of the assets of the Corporation, or dispose of all the assets of the Corporation exclusively for the purposes of the Corporation in such manner, or to such organization or organizations organized and operated exclusively for charitable, educational, religious, or scientific purposes and shall at the time qualify as an exempt organization or organizations under section 501 (c) (4) of the Internal Revenue Code of 1954 (or the corresponding provision of any future United States Internal Revenue Law), as the Board of Directors shall determine. Any such assets not so disposed of shall be disposed of by the Superior Court of the State of Alaska, exclusively for such purposes or to such organization or organizations, as said Court shall determine, which are organized and operated exclusively for such purposes.

ARTICLE VI

The highest amount of indebtedness or liability to which this Corporation shall at any time be subject to is ONE MILLION DOLLARS (\$1,000,000.00).

ARTICLE VII

No part of the net earnings of the Corporation shall inure to the benefit of, or be distributable to its members, trustees, officers, or other private persons, except that the Corporation shall be authorized and empowered to pay reasonable compensation for services rendered and to make payments and distributions in furtherance of the purposes set forth in Article III hereof.

ARTICLE VIII

The affairs of the Corporation shall be managed by a Board of Directors, which shall have the power to engage such employees as it deems necessary to carry out the functions of the Corporation.

The number of directors of this Corporation shall be a minimum of five (5) and a maximum of nine (9). Directors shall be elected by the membership at the annual meeting of the Corporation. The date of the annual meeting shall be determined by the By-Laws. In the event of a vacancy on the Board of Directors, the remaining board members shall choose a replacement who will serve until the next annual meeting of the membership.

The Board of Directors shall select from among themselves the officers prescribed by the By-Laws.

ARTICLE IX

Before transacting any business or acquiring any property, the persons constituting the membership of the corporation must meet and adopt By-Laws. The vote of a majority of all the members in good standing of the Corporation shall be necessary to the adoption of such By-Laws and when adopted the same must be written in a book kept by the Corporation, to be duly signed by all persons thereafter becoming members of said Corporation.

ARTICLE X

The Corporation reserves the right to amend or repeal any provision of these Articles in the manner provided by law, and all rights conferred upon members are granted subject to this reservation, with the exception, however, that no amendment or repeal shall so change the objects and purposes of the Corporation as set forth in these Articles as to permit any of the assets or net income to inure to the benefit of any private individual, officers, or member of this Corporation.

ARTICLE XI

The address of this Corporation shall be 231 West Evergreen, Palmer, Alaska 99645. The registered agent of the Corporation shall be Marsha M. Melton, c/o City of Palmer, 231 West Evergreen, Palmer, Alaska 99645.

ARTICLE XII

The names and addresses of the persons who are to serve as the initial incorporators and directors as follows:

David E. Hartley P. O. Box 2805 - Palmer, Ak. 996
William J. Sullivan P. O. Box 255 - Willow, Ak.
Marsha M. Melton P. O. Box 891 - Palmer, Ak. 9964

Executed by the above signed incorporators and directors of Alaska Pari-Mutuel, Inc., in duplicate, originals at Palmer, Alaska on 10 December 1986.

et al

Subscribed and sworn before me on this 10th day of December, 1986

Michael J. [Signature]

Notary Public in and for the State of Alaska

My commission expires: 2-3-90

ALASKA PARI-MUTUEL, INC.

BY-LAWS

ARTICLE I

PURPOSE: The purposes for which this corporation is formed and the powers it may exercise are set forth in the Articles of Incorporation of the Association.

ARTICLE II

OFFICES: The principal offices of the Corporation shall be in the Matanuska Susitna Borough, in the State of Alaska.

ARTICLE III

SEAL: The Corporate Seal shall have inscribed thereon: "Alaska Pari-Mutuel, Inc. Corporate Seal, State of Alaska." Said seal may be used by causing it, or a facsimile thereof, to be impressed or affixed or reproduced or otherwise.

ARTICLE IV

MEMBERSHIP:

- A. Any person of the age of 18 years or older, who is a legal resident of the State of Alaska may become a member of this Corporation by paying the annual membership fee hereinafter specified and agreeing to comply with and be bound by the Articles of Incorporation and the By-laws of this organization. The membership year of this Corporation shall begin the 1st day of January each year and end on the 31st day of December.
- B. The annual membership fee will be: Regular membership, twenty-five dollars (\$25 .00) and Corporate memberships will be one hundred dollars (\$100.00).
- C. NON LIABILITY FOR DEBTS OF THE CORPORATION: The private property of the members shall be exempt from execution for the debts of the Corporation and no member shall be personally liable or responsible for any debts or liabilities of the Corporation unless he voluntarily agrees to be so bound.
- D. MEMBERSHIP NOT TRANSFERRABLE: The transfer of membership is prohibited.
- E. CERTIFICATES OF MEMBERSHIP: The certificates of membership shall be entered in the books of the Corporation as they are issued. They shall exhibit the holder's name and shall be signed by the President or Vice-President and attested by the Secretary.
- F. REQUIREMENTS FOR MEMBERS TO VOTE AND HOLD OFFICE: No member may be a candidate or be elected a director or vote at any membership meeting unless his annual membership fee has been paid on or before December 31 of the current year (no exceptions).

ARTICLE V

MEMBERSHIP MEETINGS:

- A. All meetings for the election of Directors or for any other purpose shall be held at the principal office of the Corporation or at a convenient assembly room in the Matauska - Susitna Borough. Members shall be advised of such time and place in the notice of meeting.
- B. An Annual Meeting shall be held during the third week of January. The Membership shall transact such business as may be proper, and elect Directors as prescribed by the Articles of Incorporation.
- C. A quorum shall consist of fifteen (15) members in good standing. Proxy voting shall not be permitted. In the event a quorum is not present, those members entitled to vote shall have the power to adjourn the meeting until a quorum is present.
- D. Each member having the right to vote shall be entitled to one (1) vote. Roberts Rules of Order shall be followed in the event of questions on parliamentary procedure.
- E. Notice of the Annual Meeting shall be given to the Membership at least ten (10) days prior to the meeting by mail. Failure to receive notice shall not affect the validity of the meeting or any proceeding in such meeting.
- F. Special meetings of the Membership shall be called by the President or Secretary at the request in writing of fifteen (15) members in good standing. Such request shall state the purpose or purposes of the proposed meeting. Business transacted at all special meetings shall be confined to the object stated in the call.
- G. Written notice of a special meeting stating the time, place and object thereof shall be mailed, postage prepaid, or delivered in person, at least ten (10) days before such meeting, to each member at such address as appears on the Membership roster.

ARTICLE VI

DIRECTORS:

- A. At the first meeting of the Membership of this Corporation, Directors shall be elected to succeed the incorporating Directors.
- B. The number of Directors shall be seven (7), and shall serve for overlapping three (3) year terms. Directors shall be elected at the Annual Meeting of the Membership and shall serve until their successors are elected and qualified.
- C. Any Director may resign at any time by mailing or delivering his resignation, in writing, to the Corporation. The acceptance of such resignation, unless required by the terms thereof, shall not be necessary to make it effective.

- D. If the office of any Director becomes vacant for any reason, the majority of the remaining Directors shall choose a successor within thirty (30) days, who shall hold office for the unexpired term, or until the next election of Directors. Any Director may be removed for cause by the affirmative vote of two-thirds of the members present at a meeting for that purpose. Any Director may be removed by a majority vote of Directors for unexcused absences from three consecutive regular meetings of the Board.
- E. The property and business of the Corporation shall be managed by its Board of Directors which may exercise all such powers, do all such lawful acts and things as are not by Statute or by the Certificate of Incorporation or by these By-Laws directed or required to be exercised or done by the members.
- F. The Directors shall have control of all expenditures. No officer, director, committee, agent or employee shall have the power to obligate the Corporation for any indebtedness, purchase of thing whatsoever, without first having been approved by the majority of the Directors present at a regular or special meeting. No bills shall be paid without first having been approved by a majority of the Board of Directors present at a regular or special meeting.
- G. The Directors may appoint such agents or employees as it shall deem necessary, exercise such powers and perform such acts as shall be determined by the Board.

ARTICLE VII

COMPENSATION:

- A. Compensation will be pursuant to Article VII of the Articles of Incorporation.
- B. The salaries of any designated agent or employee shall be fixed by the Board of Directors.

ARTICLE VIII

MEETINGS OF THE BOARD OF DIRECTORS:

- A. Regular meetings may be held at such time and place as determined by the Board.
- B. Special meetings may be called by the President on two (2) days notice to each Director, either personally or by telephone, mail or telegram. Special meetings shall be called by the President or Secretary in a like manner and on like notice on the written request of any Director. Unless otherwise indicated, in the notice thereof, any and all business may be transacted at a special meeting. No notice of any adjourned meeting need be given.
- C. A majority of the Directors shall constitute a quorum for the transaction of business. The act of a majority present at any meeting at which there is a quorum shall be an act of the Board of Directors, except as may be otherwise specifically provided by Statute, Article of Incorporation or these By-Laws.

ARTICLE IX

THE PRESIDENT:

- A. The President shall preside and be able to vote at all meetings of the members and Directors; he shall have general and active management of the business of the Corporation, and shall see that all orders and resolutions of the Board are carried into effect.
- B. He shall execute bonds, mortgages, deeds, negotiable instruments and other contracts requiring a seal; under the Seal of the Corporation.
- C. He shall be an ex-officio member (non voting except in the case of a tie) of all standing committees, and shall have the general powers, responsibilities and duties of supervision and management usually vested in the office of President of a Corporation.

ARTICLE X

VICE - PRESIDENTS: The Vice-President, in the absence or disability of the President shall perform the duties and exercise the powers of the President, and shall perform such other duties as the Board of Directors shall prescribe.

ARTICLE XI

THE SECRETARY:

- A. The Secretary shall attend all sessions of the Directors and all meetings of the members and record all votes and minutes of all proceedings in a book to be kept for that purpose. He shall perform like duties for the standing committees when required. He shall give, or cause to be given, notice of all meetings and special meetings of the Board of Directors, and shall perform such other duties as may be prescribed by the Board of Directors or President. He shall keep in safe custody the Seal of the Corporation and, when authorized by the Directors, affix the same to any instruments requiring it. When so affixed, it shall be attested by his signature or by the signature of the Treasurer.

ARTICLE XII

THE TREASURER

- A. The Treasurer shall have the custody of the corporate funds and securities and shall keep full and accurate account of receipts and disbursements in books belonging to the Corporation in such depositories as may be designated by the Directors.
- B. He shall disburse the funds of the Corporation as may be ordered by the Directors, taking proper vouchers for such disbursements and shall render to the President and Directors, at the regular meetings of the Board, or whenever they may require it, an account of all his transactions as Treasurer and of the financial condition of the Corporation.



CITY OF WASILLA

290 E. HERNING AVE.
WASILLA, ALASKA 99687
PHONE: 376-5227

COUNCIL MEMORANDUM
NO. 86-98

FROM: Canvass Committee

DATE: October 13, 1986

SUBJECT: Canvass Committee Report, Regular Election
October 7, 1986

I certify that in accordance with provisions of AS 29.26.040 a Regular Election was held within the City of Wasilla on October 7, 1986 for the purpose of electing a Mayor with a term to expire October 1987 and four (4) Councilmen, Seats C & D with a term to expire October 1987 and Seats E & F with a term to expire October 1989 and the results of all Regular, Absentee and Write-in Ballots are shown on Attachment "A".

Recommended Disposition of Questioned Ballots

The Canvass Committee recommends approval of Attachment "B1" and "B2".

L. Marie Hulke, Chairman
Canvass Committee

The Pari-Mutuel Horse Racing question was an advisory vote & therefore was not a part of certification.
Mary Harris
Deputy Clerk

ATTACHMENT "A"

ELECTION WORKSHEET REGULAR ELECTION 10-7-56

SEAT "C" CANDIDATES	REGULAR		ABSENTEE		QUESTIONED		TOTAL	%
	#37	#38	#37	#38	#37	#38		
MOSLEY, VINCENT T.	168	108	11	11	0	0	299	47.54%
PATTERSON, DONALD C.	177	130	11	7	0	0	325	51.67%
WRITEINS	3	2	0	0	0	0	5	.79%
TOTAL	348	240	23	18	0	0	629	100.00%

SEAT "D" CANDIDATES	REGULAR		ABSENTEE		QUESTIONED		TOTAL	%
	#37	#38	#37	#38	#37	#38		
BEUTLER, CLYDE	93	66	3	7	0	0	169	26.04%
CARNEY, DOMONIC	129	127	13	6	0	0	275	42.57%
GROB, DONALD (RICK)	125	63	7	8	0	0	203	31.28%
WRITEINS	2	0	0	0	0	0	2	.31%
TOTAL	349	256	23	21	0	0	649	100.00%

SEAT "E" CANDIDATES	REGULAR		ABSENTEE		QUESTIONED		TOTAL	%
	#37	#38	#37	#38	#37	#38		
HJELLEN, PAT	157	108	13	12	0	0	290	43.22%
KEMP, MICHAEL	207	151	10	10	0	0	378	56.33%
WRITEINS	2	1	0	0	0	0	3	.45%
TOTAL	366	260	23	22	0	0	671	100.00%

SEAT "F" CANDIDATES	REGULAR		ABSENTEE		QUESTIONED		TOTAL	%
	#37	#38	#37	#38	#37	#38		
CARTER, THOMAS L.	157	149	10	5	0	0	321	50.00%
HAY, TERRY R.	69	46	1	2	0	0	118	18.38%
POSEY, DONALD R.	118	59	12	12	0	0	201	31.31%
WRITEINS	2	0	0	0	0	0	2	.31%
TOTAL	346	254	23	19	0	0	642	100.00%

ELECTION OF MAYOR

CANDIDATES	REGULAR		ABSENTEE		QUESTIONED		TOTAL	%
	#37	#38	#37	#38	#37	#38		
BUSHNELL, WILLET F.	51	37	6	2	7	0	101	14.15%
COTTLE, COLLEEN G.	21	21	1	1	0	0	50	7.00%
DeCAMP, RICHARD A. (NEP)	41	43	2	5	0	0	117	16.39%
LANGILL, FRANK S.	11	7	0	0	0	0	23	3.22%
MCCARTHY, RAYMOND P.	15	14	0	0	0	0	29	3.50%
MARTIN, ED SR.	34	32	5	2	0	0	79	13.87%
NEWSOME, HAROLD S.	5	27	2	7	0	0	41	5.84%
PAGE, DOROTHY G.	51	44	0	5	0	0	104	14.57%
WRITEINS	5	1	0	0	0	0	6	.84%
TOTALS	385	285	24	22	0	0	714	100.00%

ADVISORY QUESTIONNAIRE

PARI-MUTUEL HORSE RACING	YES	NO	REGULAR		ABSENTEE		QUESTIONED		TOTAL	%
			#37	#38	#37	#38	#37	#38		
YES	181	181	15	16	0	0	0	393	61.99%	
NO	130	99	6	6	0	0	0	241	38.01%	
TOTAL								634	100.00%	

Alaska State Legislature

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1024 WEST SIXTH AVENUE
ANCHORAGE, ALASKA 99501
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IN SESSION
POUCH V
JUNEAU, ALASKA 99811
(907) 465-4714

Senator Mitch Abood
CHAIRMAN



Senate Committee on State Affairs

PARIMUTUEL WAGERING

FACT SHEET

"Pari-mutuel" is a French term freely translated as "betting among ourselves." This system of betting was devised in the late 19th century as an alternative to the on-course bookmaking which was then the common form of betting on horse races. Instead of placing a bet with the bookmaker at his odds, parimutuel bettors buy tickets on individual entries in a race and contribute their bets to a pool which is distributed to holders of winning tickets, after the track takes out a percentage. Unlike the bookmaker, the track has no interest in which horses win or lose. The odds are determined not by the bookmaker but by the number of winning tickets on each race, and the payoff is decided after the race instead of before.

People wager into a common pool, held by an impartial third party, then after the race, the money is repaid to the winning ticket holders. The impartial party (Race Track), deducts a percentage of the total amount wagered (Gross Handle) for providing the service and the facilities. The percentage deducted (Take Out) is a percentage of the Gross Handle.

The most significant figure in the racing industry is the retained percentage of the gross pool, or the Take Out. The Take Out is what pays the bills, provides revenue in the form of: (1) State and/or municipal tax ; (2) The race track's primary source of income; and (3) The Purses for Horsemen.

SECTIONAL ANALYSIS OF CSHB 32 (Finance)

"An Act establishing the Alaska Racing Commission and authorizing parimutuel wagering at sanctioned events."

Section 1

AS 05.40.010 Adds a new chapter to Title 5 entitled, "Horse Racing and Team Dog Racing".

Establishes an Alaska Racing Commission in the Dept. of Revenue, composed of five members who are appointed by the governor. (Note: the bill originally provided for legislative confirmation of the appointments, but it was deleted by the House State Affairs Committee.)

The composition of the commission is as follows:

- one member must have experience in the regulation, supervision, or conduct of parimutuel wagering, horse or dog team racing;
- one member must have experience in law enforcement;
- one member must have accounting or book-keeping experience and;
- two members are public members.

Provides that individuals be residents of the State at the time of their appointment, and cannot have been convicted of a felony or a gambling offense defined in AS 11.66.200 -280 or a comparable provision of the law of another state.

Requires the Dept. of Public Safety to conduct an investigation to ascertain whether a person appointed to the commission by the governor, has been convicted of a felony or a violation of the parimutuel law, a gambling offense, or a comparable provision of municipal, state or federal law.

Enables the commission to elect a chairman, and requires a quorum of three members to transact business.

- Section 05.40.020 Provides for a four year, staggered term of office.
- Section 05.40.030 Establishes procedures for the removal and suspension of commission members.
- Section 05.40.040 Provides for the compensation and per diem of commission members. Members are eligible for per diem, travel expenses and are entitled to compensation of \$100 per day for each day the member is engaged in the actual performance of duties as a race meet observer.
- Section 05.40.050 Sets out the duties and powers of the commission, in consultation with the Attorney General. Provides for the adoption of regulations concerning license renewal, and the immediate suspension of the license of a person during an investigation of a violation of the racing law or a regulation.
- Enables the commission to set license and special permit fees; and requires the commission to make an annual report to the Legislature and the Commissioner of Revenue prior to April 15th of each year.
- Allows the commission to hire staff, issue subpoenas, compel witnesses to appear before them, and appoint hearing officers.
- Allows the commission by regulation, to impose an additional surcharge for a race meet not to exceed \$1.00.

Section 05.40.060 The attorney general shall enforce the regulations of the commission.

Section 05.40.070 Provides that all records of the commission are public records and are subject to public inspection.

Section 05.40.080 Fees and other money received by the commission shall be paid into the general fund.

Section 05.40.100 Provides that a race meet operator's license is valid for three years unless it is revoked or suspended. A license cannot be issued until an investigation by the Dept. of Public Safety is completed.

A race meet operator has the exclusive right to operate or contract for the operation of concessions at the site of the race meet.

Section 05.40.110. Requires special permits for individuals employed during a race meet.
The special permit is valid for one year and may not be issued until an investigation by the Dept. of Public Safety is completed.

Section 05.40.120 Provides that the commission may not sanction a race within a municipality unless a majority of voters has approved a referendum authorizing parimutuel wagering; and until the municipality approves the issuance or renewal of a race operator's license after a public hearing on the matter.

Section 05.40.130 Sets out the distribution of the parimutuel pool as follows:

- (1) at least 65 percent to the holders of winning tickets;
- (2) 15 percent to the race meet operator conducting the race meet;
- (3) 10 percent as purse money; and
- (4) 10 percent to the Alaska Racing Commission

Provides that the commission may adjust by regulation, the distribution of the pool as necessary to promote efficient and successful race meets.

Section 05.40.140 Requires the race meet operator to report to the commission within 30 days after each race on the distribution of the parimutuel pool and 30 days after the race meet, on the operation and proceeds of concessions at the sight of the race meet.

Section 05.40.150 Allows the commission to appoint a member of the commission or other person to observe the conduct of race meets. Requires an observer to be present at each meet on the day before, the day after, and during the race meet.

Section 05.40.200 Sets out prohibited acts and penalties.

Section 05.40.900 The operation of the commission is subject to the Administrative Procedures Act (AS 44.62).

Section 05.40.910 Provides that the commission is subject to AS 39.50 (conflict of interest).

Section 05.40.990 Definitions.

Section 18.65.080 Adds a new subsection authorizing the Dept. of Public Safety to conduct investigations as required for members appointed to and employed by the commission; race officials; race operators, or individuals applying for special permits.

Section 5 Provides that the governor make the initial appointment of commission members within 120 days after the Act goes into effect.

Alaska State Legislature

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Senator Mitch Abood
CHAIRMAN



Senate Committee on State Affairs

INDEX OF ADDITIONAL RESEARCH MATERIAL ON PARIMUTUEL WAGERING SUPPLIED BY SENATE STATE AFFAIRS

- 1A Information on parimutuel racing for Minnesota legislators: prepared by the Minnesota House of Representatives Research Department.
- 1B Taxation of Minnesota's horse racing industry, 1983 legislative changes.
- 2 Comparison of Arizona's Racing Commission statutes, 1980.
- 3 "The Economic Syndrome of Racing", by Gary Amundson, Coordinator of the Race Track Industry Program, University of Arizona.
- 4 A general theory of racing economics and taxation: "Towards a General Theory of Racing Economics and Taxation."
- 5 Montana Board of Horse Racing statistics/summary of complaints received and their disposition, FY 84 and FY 85.
- 6 A comparison of participation in 32 gaming, amusement, and promotional activities by residential neighborhood, Public Gaming, 1984.
- 7 A 1983 report on the racing industry in Illinois.
- 8 1985 Annual Report of the New Mexico State Racing Commission.
- 9 1985 report of the Washington State Horse Racing Commission.

- 10 1985 Wyoming Parimutuel Commission, annual report
- 11 Parimutuel tax: . Florida tax handbook.
- 12 A report on the handle, breakage and purse at the 10-day Oregon State Fair 1986 race meet.
- 13 Parimutuel betting: An analysis of the Implications of Legalizing Parimutuel Betting in Alaska, in terms of possible underworld involvement and General Economic Considerations. Summary of report prepared for Alaska State Fair, Inc. in 1974.

Information for Legislators

(A)

05568

THE PARI-MUTUEL AMENDMENT

This material answers some of the most frequently-asked questions about the constitutional amendment to permit the Legislature to authorize pari-mutuel betting on horse racing. A briefer version of this report is available as an audio cassette "Pari-mutuel Betting" that may be requested from the House Research Department (296-6753). Further information on the pari-mutuel betting amendment may be obtained from John Williams, 296-5045. A summary of all the amendments to be voted on this year is contained in the House Research Department publication "Constitutional Amendments at the 1982 General Election."



II. PARI-MUTUEL BETTING

What is the pari-mutuel system of betting?

"Pari-mutuel" is a French term freely translated as "betting among ourselves." The pari-mutuel system of betting was devised in the late 19th century by a Frenchman, Jean Oller, as an alternative to the on-course bookmaking which was then the common form of betting on horse races. Instead of placing a bet with the bookmaker at his odds, bettors under Oller's system bought tickets on individual entries in a race and contributed their bets to a pool which was distributed, after the track took out a percentage as "stakeholder," to holders of winning tickets. They were "betting among themselves," and the track, unlike the bookmaker, had no interest in which horses won or lost. The odds were determined not by the bookmaker but by the number of winning tickets on each race, and the payoff was decided after the race instead of before. For an explanation of a typical pari-mutuel "win" pool see Appendix I.

In addition to the traditional win-place-show betting several varieties of more complex bets, known as "exotic wagering," have become popular at many tracks. Some of the more widely known are:

Daily Double--The bettor picks the winners of the first two races of the day.

Quinella--The bettor picks the first two horses in a race in either order.

Perfecta--The bettor picks the first and second place finishers, in that order.

Twin Double--The holders of the winning combination in the first two races of the twin double exchange their tickets for combination of winners in the second two races.

The exotic betting pools are entirely separate from the win-place-show pools on each race, and usually have a higher takeout rate (see "How is pari mutuel betting taxed?" p. 6).

What states have allowed pari-mutuel betting on horse racing?

In 1980 pari-mutuel betting on horse racing was conducted in twenty-nine states, and was permitted by law but not conducted in three other states.

Appendix II (map) shows the status of pari-mutuel betting nationally in 1980.

1. THE PARI-MUTUEL AMENDMENT

What does the amendment say?

The pari-mutuel amendment would add the following section to Article X of the Minnesota Constitution.

"Section 8. The Legislature may authorize on-track pari-mutuel betting on horse racing in a manner prescribed by law."

The question on the November ballot will read: "Shall the Minnesota Constitution be amended to permit the Legislature to authorize on-track pari-mutuel betting on horse racing in a manner prescribed by law?"

Does the amendment deal with any other type of gambling?

No. The Constitutional ban on lotteries (Article XIII, Section 5) would not be amended by passage of this amendment, but the amendment would preclude any challenges to a future pari-mutuel law on the grounds that it authorized an unconstitutional lottery.

Would the amendment legalize pari-mutuel betting?

No. The Legislature would have to enact an enabling law or laws before any pari-mutuel betting would be permitted.

What does Minnesota law now say about gambling?

The gambling section of the state Criminal Code (Minnesota Statutes, Section 609.751) makes it a misdemeanor to "make a bet," other than a private social bet not a part of any organized gambling. If the pari-mutuel amendment passes the Legislature would, as part of any pari-mutuel enabling legislation, have to create an exception to this law.

The Criminal Code also prohibits conducting lotteries, operating gambling establishments and possessing gambling devices. Exceptions are made for the playing or use of bingo, raffles, saddle-wheels, tipboards and ticket jars by licensed non-profit organizations for charitable purposes.

III. HORSE RACING

How do states now regulate horse racing?

In all racing states but one, horse racing is regulated by one or more appointed commissions. Five states have separate commissions for thoroughbred and harness racing. The one exception, Florida, regulates racing through a pari-mutuel wagering division in the state Department of Business Regulation. Most commissions consist of three or five members appointed by the governor and usually approved by the state Senate. Normally the compensation of the members is token or nonexistent.

The most important and controversial activity of racing commissions is the allocation of racing dates among tracks, since the number and timing of racing dates often plays a crucial role in the success or failure of a track. Commissions generally are given a great deal of discretion by law in allocating dates.

The licensing of race track personnel, often everyone from horse owners and jockeys to concession and maintenance workers, is another major commission function. Commissions also govern betting, tax collection and the rules of racing.

From the standpoint of the public the racing commission's most important role is to guarantee the security and integrity of racing. Through the licensing process a commission can bar persons with criminal or other questionable backgrounds not only from working at a race track but even from entering its grounds. It can regulate or prohibit betting by track and racing personnel, and insure the correct classification and identification of race horses. In many instances, however, much of the security provided at racetracks comes not from the state commission but from private agencies, such as Harness Track Security and Thoroughbred Racing Protective Bureau, which are affiliated with racetrack associations.

What types of racing could be allowed under the amendment?

There are three types of horse racing which the Legislature could authorize under the amendment:

Thoroughbred--Thoroughbred racing is sometimes referred to as "flat racing." Thoroughbreds are registered horses whose ancestry can be traced back to one of the three "foundation sires" whose lines began in the mid-17th century. Most running races in the United States involve thoroughbreds.

Quarter-horse--Quarter horses constitute the other breed of running horses in the United States. They are bred to run at maximum speed over a quarter of a mile.

Harness--Harness horses, also known as standard-breds, race at a trotting rather than running speed and are guided not by jockeys but by drivers who are pulled behind the horse in sulkies.

Of the approximately 13,000 racing days reported to the National Association of State Racing Commissioners in 1980 the largest percentage (44 percent) was for harness racing, followed by thoroughbred (37 percent), quarter horse (3 percent) and mixed thoroughbred and quarter horse (16 percent). This last category is one of the most rapidly growing types of racing, particularly in the western states.

What is the current state of the horse racing industry?

The present state of the racing industry is that it is basically healthy but facing some major uncertainties.

For several years horse racing has been America's best-attended spectator sport, and in 1980 the sport drew a total attendance of about 75 million.

At the same time it is clear to many observers that the horse racing industry is facing significant problems. Much of its recent attendance growth has been more apparent than real, being the result of more racing days rather than more racing fans. Total state revenue from racing in 1980 was actually \$2 million lower than in 1976, although 46 percent higher than in 1970.

At the heart of the industry's difficulties is the fact that the average racing fan is growing older and, in the view of many track operators, too little has been done to attract newer and younger followers. Racing does not appeal to a broad market but rather depends on the loyalty of a faithful following--despite the attendance figures, the Gallup Poll since 1937 has shown that the percent of the public which considers horse racing its favorite sport has never been over 4 percent, and the percentage which has attended a horse race within the previous 12 months has never exceeded 10 percent.

These problems do not exist to the same extent at all racetracks. In 1980 of the 114 thoroughbred tracks in North America 41 recorded new single-day record pari-mutuel handles (total bets) and 15 set single-day attendance records. The combining of live and closed-circuit televised racing and the gradual growth of off-track betting also show promise of becoming important new revenue sources for racing. It is clear, though, that for horse racing to remain at the top of the attendance list will require even more innovative and aggressive marketing and promotion in an industry which has always felt more comfortable with tradition and custom.

IV. TAX EFFECTS

How is Pari-mutuel betting taxed?

The types of taxes normally imposed on racing by states are taxes on wagers and admissions, and occupation and license fees.

Normally about 85 percent of the money in a pari-mutuel pool is returned to winning ticket holders as payoffs (the percentage is lower for many "exotic pools"). The remainder is called the "takeout" and a percentage is paid to the state as pari-mutuel tax. The rest of the takeout goes for purses, breeders' awards and the racetrack's commission.

In some states the pari-mutuel tax is a simple percentage of the total pool--in Arkansas, for example, it is a flat 6 percent. In several other states the tax is graduated according to size of the daily or annual total pool at each track. An example is New Hampshire, which has the following tax schedule for harness racing:

<u>Pool Totals (daily)</u>	<u>State Tax</u>
<u>First \$100,000</u>	
Win-Place-Show	1%
Exotic Pools	2%
<u>Next \$150,000</u>	
Win-Place-Show	4%
Exotic Pools	8%
<u>\$250,000 and over</u>	
Win-Place-Show	5.5%
Exotic Pools	8%

Pari-mutuel taxes range from a low of .5 percent on all pools at New Jersey's new publicly owned Meadowlands sports complex to a high of 10 percent on most exotic pools in Michigan.

States also receive revenue from racetrack admissions taxes (usually 10 cents per ticket, although going as high as 30 cents in Nebraska) track and occupational licenses and breakage (for an explanation of breakage see Appendix 1). These sources, along with other miscellaneous sources of direct revenue, will usually account for between 10 and 20 percent of a state's total horse racing-related revenue, with pari-mutuel taxes accounting for the rest.

Portions of the takeout are frequently set aside by law for various funds and programs to benefit the state horse breeding industry, such as the Kentucky Thoroughbred Development Fund, the Ohio Thoroughbred Race Fund and the Louisiana Breeders Fund.

What state revenue could be expected to result from pari-mutuel betting in Minnesota?

This question is difficult to answer because there is now no way of predicting the number, size, location and attractiveness of the racetracks which might eventually operate in the state. Racetracks vary widely in all these characteristics, ranging from such giant facilities as Florida's Hollywood Park with an average daily attendance of over 30,000 and average daily pari-mutuel handle of over \$5 million in 1980, to such modest operations as South Dakota's Park Jefferson, where in 1980 an average crowd of 1,753 bet an average of under \$130,000 each day.

As Appendix III shows, the spread in racing revenue among states is substantial, with three states (New York, Illinois and California) accounting for 56 percent of the revenues. When these states are excluded the average pari-mutuel revenue per state falls from \$16.4 million to \$10.2 million. On a per capita basis in 1980 the average pari-mutuel tax revenue per capita for all racing states was \$3.27, but the average racing state received \$2.26 per capita, again suggesting

the dominance of the top three states. If the latter figure is used as being more representative of the average state experience, Minnesota could expect to receive about \$9.2 million per year.

Even when the top three states are eliminated the per-capita figures are highly influenced by the number of tracks and racing days in each state, so a more accurate measure may be revenue per racing day (in compiling figures each day of operation at each track is a separate racing day). According to statistics compiled by the National Association of State Racing Commissioners the average pari-mutuel handle per racing day per track in 1980 was \$854,186. A 5 percent tax levied on the total daily pool would then yield about \$42,710 per day. With the average thoroughbred track in 1980 holding about 60 racing days a year, the average annual tax revenue per track could then be estimated as about \$2.6 million. Estimates of potential Minnesota revenue could then be made using assumptions about the number of tracks and racing days anticipated in the state but it should be kept in mind that these latter factors are among the most uncertain elements in the question.

V. ECONOMIC EFFECTS

What economic benefits could be expected from pari-mutuel betting in Minnesota?

The difficulties inherent in attempting to forecast tax revenues from pari-mutuel betting on horse racing also are present in any estimate of the economic benefits from one or more Minnesota racetracks. All the unanswered questions about the number, size, location and attractiveness of tracks makes this kind of forecasting highly speculative, and makes any conclusions tentative.

Most economic benefits from pari-mutuel betting would fall into one of two categories: jobs and tourism.

Jobs—The job benefits to be expected from racing, other than the benefits to the horse breeding industry discussed elsewhere in this report, can be classed as either primary, meaning at the track, or secondary, meaning in service and hospitality industries which benefit from racing as an attraction. A North Carolina General Assembly study of pari-mutuel betting in 1979 reported that based on information from other states the total wages paid to full and part-time track employees are roughly equal to 2.5 percent of the track's total handle. If Minnesota were to have the "typical" thoroughbred track (based on 1980 national averages) referred to in the section on tax revenue, with a 60-day season and an average pari-mutuel handle of about \$850,000, total wages for the season would be about \$1.275 million per track (this would not include jockeys, trainers, and other personnel who earn their income from purses). The same report also estimated that each on-track job would produce about 1.5 additional jobs off the track, but the variation in pay scales for these jobs make their total payroll extremely difficult to project.

It should be kept in mind that many of these jobs are seasonal, and some others require skills or experience which would require them to be filled at least for a period by non-residents. These factors would limit the overall job impact of pari-mutuel betting.

Tourism—The other major economic effect of racing would be in its stimulation of tourism. A study of racetracks by Economic Research Associates estimated that 16 percent of the attendance at an average racetrack is from out of state (although at the Ak-Sar-Ben track in Omaha this figure at times approaches 50 percent). The same study also indicated that these tourists bet about \$150 per day and spend another \$83 per day (updated to 1980 levels) on other items such as food, lodging and transportation.

Since Minnesota is already a high-tourism state it may be that the major tourism effect of one or more racetracks is not on the number of new tourists it will attract but on the time they remain in the state and the additional money they spend.

One further factor is the number of Minnesotans now traveling out of the state to attend horse racing in other states and Canada who would remain in the state and patronize its track. There are no firm estimates of how large this population is but several legislators believe that it is considerable. Some contend that in some racing days at Assiniboia Downs in Winnipeg one-fourth of the patrons are Minnesotans.

What impact would pari-mutuel betting have on the horse industry in Minnesota?

The horse industry includes all those individuals (owners, trainers, breeders, veterinarians, stablehands, etc.) and facilities (breeding farms, training centers, medical centers) which are needed to furnish racetracks with horses. Nationally it is a multi-billion dollar operation active in all of the continental states. A specific example is Ohio, where in 1977 the state Harness Horsemen's Association estimated that the total investment in the Ohio harness horse industry alone approached \$250 million.

The horse industry in Minnesota is not incon- siderable even without pari-mutuel betting. The Agricultural Extension Service estimates that there are now between 180,000 and 200,000 horses in Minnesota, owned by about 60,000 persons. There is also horse racing in

Minnesota, including harness racing at county fair tracks sponsored by the Minnesota Harness Racing Association and an annual meeting jointly sponsored by the state thoroughbred and quarter horse associations at the Washington county fairgrounds.

According to many Minnesota horse owners, however, the absence of pari-mutuel betting has been a major hindrance to the growth of the industry. James S. Lane of the Minnesota Horse Council (an industry group including breeders, trainers and saddle clubs) told a Senate Committee in 1982:

It's obvious why horse racing in Minnesota is such a well-kept secret for so many. Minnesotans who are genuinely interested in racing and who have invested in racing go out of state to enjoy their sport or to seek a reasonable return on their invested dollar. The obvious reason is that the fuel that sustains horse racing--namely, pari-mutuel wagering--is not now available in Minnesota.

In elaborating on this view the Minnesota Thoroughbred Association has pointed out that:

- Ninety percent of Minnesota's brood mares have to leave the state in order to be bred to a racing stallion.
- When colts are produced they must be sold elsewhere because of the small Minnesota market.
- Every year \$1.2 million leaves Minnesota to support the breeding, boarding and training of Minnesota horses in other states.

Not everyone in the industry, however, feels that the proximity of a race track is a major determinant of breeding activity. In 1971 Kent Hollingsworth, a horse breeder and editor of the thoroughbred magazine The Blood Horse, told a legislative seminar:

Because there is a racetrack located five miles from my farm, this again will not stimulate me to breed a horse. Race horses which race at race-tracks are not drawn from an area marked by a 20-mile circumference from that racetrack or marked

by an area determined by the border of the state where that track is. If you've got a horse and you're trying to pay that \$7,000 [annual upkeep]- I'll go where the purses are, whether they're in Minnesota or Oregon or Rhode Island, and if it looks like I can win a pot in Philadelphia I'm going there. If I can win a race in Florida I'm going there. But I'm not going to, because there's a track five miles down the road, breed a horse to race five miles down the road.

Pari-mutuel opponents argue that betting is not necessary to have an active racing state, and would point to the fact that in 1980 six states and one Canadian province had a total of 3,725 quarter horse races paying total purses of over \$4.7 million at 21 tracks despite the fact that no pari-mutuel betting was conducted.

On balance, it seems probable that the presence of pari-mutuel betting would have an impact on Minnesota's horse industry, but the extent of that impact would, like several other unanswered questions, depend heavily on the number, size and location of Minnesota racetracks.

VI. SOCIAL EFFECTS

What effects would pari-mutuel betting have on crime, welfare rolls and bankruptcies?

This question is extremely difficult to answer since measurements of these items are influenced by an enormous number of factors other than the presence or absence of legalized gambling. Systematic evidence which avoids individual judgments about the propriety and morality of gambling is rare. If any conclusions can be drawn from a sampling of the available evidence it is that adverse social consequences can result from the legalization of gambling but are not necessarily inevitable.

Most of the evidence presented during the 1982 legislative session looked at individual situations rather than national trends and attempted to draw conclusions based on an accumulation of observations. A state Senate General Legislation Committee staff report critical of pari-mutuel betting included comments by law enforcement officers in racing areas citing "a lot of low-life coming to town" during the racing season (Omaha), an increase in disturbance calls during the racing season (Denver) and fights among personnel at the track (Winnipeg). To the same committee St. Paul Police Chief Bill McCutcheon testified that during his service in the Senate he had supervised an effort to contact business persons in racing areas to find out the impact of racing on welfare, crime and credit payments, and that "as near as we could determine the introduction of gambling did not impact these states on those three issues."

Difficulty in racing conclusions based on evidence of this type is not unique to Minnesota. In 1974 a task force on legalized gambling sponsored by the Twentieth Century Fund and the Fund for the City of New York reported:

Studies in communities with legal casinos or major racetracks suggest a clear connection between play and the incidence of petty crimes; in particular, loan sharking and the incidence of breaking and entering tend to rise markedly during the betting season. Yet other evidence, accumulated in this country and abroad, does not disclose serious economic disruption in jurisdictions that sanction legalized gambling.

Legislative committees in two other states have made this question part of their study of the pari-mutuel issue. The final report of the 1979 North Carolina study committee included a finding that "none of the studies reviewed [by the committee] discovered any meaningful correlation between legalized gambling and criminal activity." A study committee of the Virginia House of Delegates in 1971 concluded:

This phase of our study has produced no statistical data demonstrating increased crime in the areas of racetracks or that welfare rolls increased or mortgages were foreclosed because of wagering. In general, merchants in the vicinity of racetracks have noted no increase in delinquency, but only an increase in business.

Nevertheless, neither state has yet acted to legalize pari-mutuel betting.

Would pari-mutuel betting greatly reduce the extent of illegal gambling by providing a legal alternative?

It seems unlikely that it would.

While accurate information on the extent of illegal gambling is for obvious reasons difficult to come by, probably the most reliable recent information on the subject was provided by a survey done for the Commission on the Review of the National Policy Toward Gambling (a Congressionally-created study group more commonly called the National Gambling Commission) by the University of Michigan Survey Research Center in 1976. According to that survey, of the approximately 11 percent of the adult United States population which participates in illegal gambling only about one-fifth bets illegally on horses. Although

horse racing was once the mainstay of the illegal bookmaking business it has since been supplanted by baseball, basketball and above all football, to the extent that the Commission's final report observed that "today there are many sports bookmakers who accept horse-race wagers only as a courtesy to their best customers."

Persons who participate in other forms of illegal gambling such as football books, numbers, sports cards and illegal casinos would probably not be attracted to horse racing betting simply because it is legal. While many customers of illegal horse books would doubtless become customers of a pari-mutuel track their numbers would be limited by three major competitive advantages which illegal books offer: the possibility of credit betting, the absence of state wagering taxes and the fact that illegal winnings are not reported to the Internal Revenue Service.

In examining this question the New York City Task Force on Legalized Gambling concluded:

For most forms of gambling, legalization--unless accompanied by greatly increased law enforcement efforts--will fail to drive out illegal operations

Would pari-mutuel betting be a burden on the poor?

The extent to which pari-mutuel betting would be a burden on the poor depends on its regressivity--the tendency to fall heaviest on groups least able to pay. Pari-mutuel betting is potentially highly regressive but in reality its regressivity is tempered.

State taxes on pari-mutuel pools are flat or are graduated according to factors which have nothing to do with ability to pay. This creates a high potential for regressivity, but in order to be regressive in fact pari-mutuel betting would have to be indulged in by low-income persons as much or more than by persons in other income categories.



The 1976 survey of the National Gambling Commission found that persons in the under \$5,000 family income category (the lowest category at that time) had the lowest level of participation in racetrack betting of any income category—about one-half the average level for all income categories. The average annual amount bet per capita by persons in the lowest income category was about one-fifth the average amount bet per year in other categories (see Appendix IV).

It is this lower level of participation which limits the ultimate regressivity of pari-mutuel betting.

The National Gambling Commission survey also compared the regressivity of various gambling forms with major types of taxation (Appendix V). It found that the regressivity index of pari-mutuel betting (.17) was about equal to the average regressivity of all forms of legal and illegal gambling and only slightly higher than the regressivity of all sales and excise taxes. By comparison, the federal income tax had a regressivity index of .15.

How extensive is the problem of compulsive gambling and would pari-mutuel betting worsen it?

The most likely impact on compulsive gambling from pari-mutuel betting would be to make it somewhat easier for latent compulsive gamblers to become overt ones.

Most persons who gamble view it as a harmless form of recreation or entertainment, and their gambling is "rational" in the sense that they do not risk more than they can afford to lose. For some other persons gambling can go beyond the level of rationality and become a form of behavior over which they have limited or no control. These persons are actual or potential compulsive gamblers.

The National Gambling Commission survey estimated that about .8 of the United States adult population are "probably" compulsive gamblers and another 2.3 percent are "potential" compulsive gamblers. The Commission cautioned that "research on compulsive gambling is so meager that it is impossible to be sure that one has identified the personality disorder correctly."

Compulsive gambling is a social as well as individual problem because in its most extreme forms it can lead to embezzlement, financial fraud, family breakdown and sometimes suicide.

Some researchers on compulsive gambling have suggested that compulsive gambling is an outgrowth of guilt feelings and masochistic tendencies, and that what the compulsive gambler really seeks is not winning but losing. Whatever the cause, it seems clear that extreme compulsive gambling stems from a personality disorder which exists independent of whether gambling is legal or illegal.

The survey conducted for the Commission indicated that while the percentage of the adult population classified as "potential" compulsive gamblers was about the same in Nevada, the state with the widest array of legal gambling, as in the United States as a whole, the percentage of "probable" compulsive gamblers was more than three times higher in Nevada than elsewhere (see Appendix VI). The Commission report cautioned that the finding was derived from a small sampling and could be affected by the possibility that the population of Nevada is not comparable to that of the rest of the country because it includes a higher percentage which finds gambling attractive. With these qualifications the Commission noted that its evidence was "consistent with the hypothesis that widespread availability of gambling in a legal form leads a portion of those classified as potential compulsive gamblers to actualize their potential compulsion."

APPENDIX III

PARI-MUTUEL RACING REVENUE 1980

<u>State</u>	<u>1980 Pari-Mutuel Revenue</u>	<u>Pari-Mutuel Revenue Per Capita</u>
Arizona	\$3,166,388	\$1.17
Arkansas	3,406,839	3.68
California	124,825,791	5.27
Colorado	1,755,915	.61
Delaware	1,339,412	2.25
Florida	17,719,274	1.82
Idaho	262,811	.28
Illinois	59,015,531	5.17
Kentucky	13,518,171	3.69
Louisiana	20,558,886	4.89
Maine	877,212	.78
Maryland	16,284,353	3.91
Massachusetts	11,784,364	2.05
Michigan	25,829,682	2.79
Montana	89,156	.11
Nebraska	7,438,681	4.73
Nevada	3,103	.003
New Hampshire	1,991,086	2.16
New Jersey	12,567,594	1.71
New Mexico	2,954,935	2.27
New York	81,854,943	4.66
Ohio	20,689,134	1.92
Oregon	1,686,635	.64
Pennsylvania	24,884,663	2.10
South Dakota	198,758	.29
Vermont	13,295	.03
Washington	7,817,741	1.89
West Virginia	8,799,555	4.51
Wyoming	10,285	.02
TOTAL	\$476,344,193	\$3.27

(Source: National Association of State Racing Commissioners)

APPENDIX II

STATUS OF HORSE RACING IN 1980



Pari-mutuel betting on horse racing conducted in 1980



Pari-mutuel betting legal but not conducted on horse racing in 1980



Pari-mutuel betting legal but has never been conducted on horse racing



Pari-mutuel betting legalized but legislation declared unconstitutional (1979)

APPENDIX I

TYPICAL "WIN" POOL

<u>Horse Number</u>	<u>Total Amount Bet to Win</u>
1	\$ 1,245
2	3,869
3	5,486
4	2,854
5 (winner)	10,130
6	6,419
7	540
8	8,419
9	834
10	1,056
11	948
12	<u>746</u>
Total "win" pool handle	\$ 42,546.00
Minus 15% takeout	<u>- 6,381.90</u>
Total pool remaining	\$ 36,164.10
Minus breakage*	<u>- 709.10</u>
	\$ 35,455.00
Total number of winning \$2.00 tickets	5,065
Payoff on winning ticket (\$35,455/5,065)	7.00

*In this instance payoffs on winning tickets are figured to the next lowest 20¢ increment. Here the theoretical payout would be \$36,164.10/5,065 winning tickets, or \$7.14. When this payout is rounded down to the next lowest 20¢ increment it is reduced to \$7.00. The 14¢ difference on each winning ticket, called "breakage," is usually retained by the track or divided between the track and state.

APPENDIX IV

GAMBLING AND FAMILY INCOME, BY TYPE OF GAME - 1976

	Family Income						Total Respondents
	Under \$ 5,000	\$5,000 to 10,000	\$10,000 to 15,000	\$15,000 to 20,000	\$20,000 to 30,000	\$30,000 and over	
Horses-track (States with legal tracks only)							
Percent who bet	8.7	15.5	11.2	17.2	20.9	20.3	15.9
Average annual bet per bettor	\$ 185.50	\$293.51	\$395.75	\$577.48	\$294.20	\$ 435.87	\$ 512.70
Average annual bet per capita	15.85	45.49	44.32	99.33	61.49	88.48	78.44
Average annual takeout per capita (takeout rate, 16.6%)	2.63	7.55	7.36	16.49	10.21	14.69	13.02
Horses-OTB (New York only)							
Percent who bet	9.9	14.8	21.2	27.3	31.7	31.7	13.5
Average annual bet per bettor	\$1,594.97	\$353.75	\$743.37	\$1,412.07	\$1,412.07	\$1,412.07	\$ 1,118.35
Average annual bet per capita	157.90	52.36	157.59	358.48	358.48	358.48	150.98
Average annual takeout per capita (takeout rate, 21%)	33.16	11.00	33.09	80.95	80.95	80.95	31.71
Legal casinos							
Percent who bet	4.12	8.06	6.21	12.33	12.31	20.62	9.45
Average annual bet per bettor	\$ 586.57	\$193.17	\$124.33	\$336.57	\$261.70	\$1,293.93	\$ 448.26
Average annual bet per capita	24.58	15.57	7.72	41.50	31.74	266.81	42.36
Average annual takeout per capita	3.69	2.34	1.16	6.23	4.76	40.02	6.35
Bingo							
Percent who bet	8.68	18.84	20.27	21.56	22.05	17.17	18.73
Average annual bet per bettor	\$ 141.66	\$ 25.59	\$113.91	\$ 54.90	\$ 64.70	\$ 97.34	\$ 74.11
Average annual bet per capita	12.30	4.80	23.09	11.84	14.27	16.71	12.97
Average annual takeout per capita (takeout rate, 33%)	4.06	1.58	7.62	3.91	4.71	5.51	4.28
Lotteries (States with lotteries only)							
Percent who bet	30.6	45.5	52.5	60.0	57.4	50.6	47.8
Average annual bet per bettor	\$ 24.43	\$ 37.16	\$ 32.07	\$ 18.59	\$ 24.79	\$ 17.24	\$ 25.26
Average annual bet per capita	7.48	16.91	16.84	11.15	14.23	8.72	12.71
Average annual takeout per capita (takeout rate, 55%)	4.12	9.30	9.26	6.15	7.83	4.80	6.99
Sports books							
Percent who bet	.79		1.21		3.00		1.91
Average annual bet per bettor	\$127.76		\$224.93		\$891.89		\$ 623.03
Average annual bet per capita	1.01		2.72		26.76		7.38
Average annual takeout per capita (takeout rate, 4.5%)	.05		.12		1.20		.54

(Source: Gambling in America, final report of the Commission to Review the National Policy Toward Gambling, 1976.)

APPENDIX V

REGRESSIVITY OR PROGRESSIVITY OF GAMBLING
United States and Nevada

<u>Game</u>	(Index of Progressivity (P) or Regressivity (R))	
	<u>U.S. as a whole</u>	<u>Nevada residents only</u>
Numbers	.44 (R)	—
Sports cards	.40 (R)	**
Lottery	.31 (R)	—
Bingo	.30 (R)	.58 (R)
Horse books	.27 (R)	**
Horse tracks	.17 (R)	**
Off-track horse betting parlors	.07 (R)*	.56 (R)
Slot machines	} .26 (P)	.41 (R)
Keno		N/A
Casino tables	—	.46 (R)
Legal sports betting parlors	—	.36 (R)
Illegal sports books	.29 (P)	**
All types combined	.17 (R)	.42 (R)
For comparison: all sales and excise taxes	.15 (R)	N/A
Federal income tax	.15 (P)	N/A

* New York OTB only.

** Sample too small to permit reliable estimate

(Source: Gambling in America)

APPENDIX VI

CLASSIFICATION AS COMPULSIVE AND
POTENTIAL COMPULSIVE GAMBLERS

United States and Nevada

	<u>Potential Compulsive Gamblers</u>		<u>Probable Compulsive Gamblers</u>	
	<u>% Nationally</u>	<u>% Nevada</u>	<u>% Nationally</u>	<u>% Nevada</u>
Men	2.7	3.8	1.1	3.3
Women	2.0	1.1	0.5	2.0
Total	<u>2.33</u>	<u>2.35</u>	<u>0.77</u>	<u>2.62</u>

The percentages are based on small samples, and the results should be interpreted as order effects rather than in terms of absolute percentages.

(Source: Gambling in America)

APPENDIX VII

Notes on Sources

(P. 3-4) Functions of state racing commissions: generally drawn from Gambling in America, Final Report of the Commission to Review the National Policy Toward Gambling, 1976, p. 113.

(P. 4) Information on racing days: "Pari-Mutuel Racing 1980," National Association of State Racing Commissions, 1981, p. 3.

Racing attendance figures: "Pari-Mutuel Racing 1980," pp. 1-4.

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13

Information Brief

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TAXATION OF MINNESOTA'S NEW HORSE RACING INDUSTRY
 1983 LEGISLATIVE CHANGES

In November 1982 the voters of Minnesota approved a constitutional amendment to permit pari-mutuel betting on horse races. The 1982 Legislature adopted legislation to authorize horse racing and to govern the horse racing industry in Minnesota. The new legislation established a nine member Racing Commission to regulate the horse racing industry, issue race track licenses, allow limited county fair racing, and provide for the distribution of betting proceeds.

The Legislature also enacted new taxes, and modified existing ones, to cover gains realized by participants in the horse racing industry. This brief summarizes the various tax law changes affecting horse racing in Minnesota.

KEY TAX CHANGES

(See pages 2-3 for detail.)

Race Track Taxes:

- Imposes a pari-mutuel tax on daily betting pools
- Imposes a track admission tax (including optional local government admission tax)
- Provides for proceeds of breakage tax
- Provides for proceeds of uncashed winning tickets

Income Taxes:

- Assignment to Minnesota of winnings of out-of-state residents
- Withholding on winnings from betting and on purses won by race horse owners
- Deductibility of losses from wagering transactions
- Deductibility of expenses of race horse breeders and trainers as farm losses

Sales Taxes:

- Race horse sales and breeding fees subject to sales tax

DESCRIPTION OF TAXES

Race Track Taxes -- 1983 Laws, Chapter 214

• Pari-mutuel tax on daily betting pools

The law imposes a pari-mutuel tax on the total amount bet on all pari-mutuel pools on each racing day. The pari-mutuel tax must be deducted from the race track's "takeout" (i.e., the portion of money that doesn't go back to the bettors in the form of winnings). The tax is calculated as follows:

	<u>State Tax</u>	<u>Breeders Fund</u>
On the first \$48,000,000 in total betting at each licensed race track in a year:	1.75%	.5%
On all amounts over \$48,000,000 at the same race track in a year	6.0 %	1.0%

• Track admission tax (including optional local government admission tax)

The law also imposes a tax of 40 cents on each paid admission to each licensed race track on a racing day. The Racing Commission may impose an additional admission tax of up to 10 cents at the request of the local government where the track is located. The purpose of the optional tax is to defray extraordinary expenses imposed on a local government by the operation of a race track within its borders, and its proceeds are paid to the local government by the Commission.

• Breakage tax

The law requires that one-half of the "breakage" (i.e., odd cents from rounding down bet payoffs to the next lowest 20 cents) be paid to the Racing Commission.

• Uncashed winning tickets

The value of all winning pari-mutuel tickets not cashed within 90 days of the end of a racing meeting reverts to the state.

Income Taxes -- 1983 Laws, Chapter 342

• Winnings assigned to Minnesota for out-of-state residents

The law assigns all winnings on pari-mutuel betting tickets to the state of Minnesota for income tax purposes. This provision will ensure that out-of-state bettors will have to pay Minnesota income taxes on all winnings at Minnesota race tracks.

- Withholding on winnings from betting and on purses won by race horse owners

The law requires race track operators to deduct income tax withholding at the rate of 11% of all winnings on pari-mutuel betting of \$200 or more to the same individual. [Note: The federal income tax withholding is equal to 20% of all winnings, but only if the proceeds from the wager exceed \$1,000 and are at least 300 times as large as the amount of the wager. Treas. Reg. §31.3402q-2(b).]

The new law also provides for withholding against purses won in Minnesota horse racing events. Withholding of 11% is required when the amount paid to an individual exceeds \$200 during a calendar year.

- Deductibility of losses from wagering transactions

The law amends the law governing the deductibility of losses from wagering transactions. Under present law, losses from wagering transactions are allowable deductions to the extent of the gains from such transactions. To aid in the enforcement of this provision, the new law provides that deduction for pari-mutuel betting losses are not allowable except to the extent of verified receipts and the sworn testimony of at least one witness other than the taxpayer or his spouse. This only applies to corporations.

- Expenses of race horse breeders and trainers subject to the limits on farm loss deductions from non-farm income

The law adds the raising, feeding, caring for, training and management of race horses to the definition of "farm activity." This provision makes it clear that horse breeders and trainers are subject to the same limitations on the deductibility of their expenses and losses from non-farm income as other livestock producers.

Sales Taxes -- 1983 Laws, Chapter 327

- Race horse sales and breeding fees subject to sales tax

The law provides that the sales of race horses, including claiming sales and fees paid for breeding a stallion to a mare, within the state are subject to the sales tax. The tax applies to the sales and fees with respect to a horse to be used for racing and whose birth has been recorded by a nationally recognized race horse association. Race horses born and bred in the state of Minnesota are specifically exempted from the sales tax in order to encourage a domestic horse breeding industry. (Effective date delayed to April 1, 1984.)

ARIZONA LEGISLATIVE COUNCIL

04976

MEMO

December 9, 1980

FROM: Mary A. Beck, Staff Attorney

RE: Racing Commission Statutes (R-34-346)

Thirty-two states have enacted statutes permitting gambling on horse racing, thirteen of which also include dog racing. One permits dog racing only. Book of the States, Council of State Governments, 1980-81, p. 35. Three permit off-track betting (Connecticut, Nevada, New York). Some neither prohibit nor permit off-track betting (Oregon for instance). California has a temporary statute effective from 1978 to 1983 relating to mule racing, but a 1976 initiative permitting greyhound racing was rejected in that state.

These statutes are so varied in length and scope as to be almost non-comparable. Even placement in the statutes is highly varied. Arizona classifies its statutes under Amusements and Sports; California under Business and Professions, Special Regulations; Kentucky under Public Safety and Morals; Florida under Regulation of Trade, Commerce, Investments and Solicitations; New York escapes the decision by not classifying them at all, since they appear in the Unconsolidated Laws.

Arizona and Washington statutes consist of less than 30 sections. New York and California statutes consist of over 180. Kentucky has 84 sections, but many of these are duplicative because of Kentucky's three commissions regulating different types of horse races and because some of the statutes are repeated for each commission. Also, 27 of these 84 were added in 1980, relating to procedures for disposition of unclaimed and abandoned pari-mutuel winning tickets. Until 1977 New York also had several different commissions, but they have now been changed into advisory boards to advise the new State Racing and Wagering Board.

Of the 180 sections of the New York statutes, 58 are devoted to off-track betting. Of the 192 sections of the California statutes, many are devoted to definitions of different types of horse. Kentucky also follows this practice. Since there seems to be no doubt among horsemen that a thoroughbred is a horse registered with the Jockey Club of New York, a quarter horse is one registered with the American Quarter Horse Association, an Appaloosa is one registered with the Appaloosa Horse Club and a standardbred is one registered by the U.S. Trotting Association, these definitions seem unnecessary. A.R.S. section 5-109 requires that a horse or dog taking part in any race be registered by an association recognized by the commission. Section 24-235 provides that entering a horse or colt in a race under an assumed name or out of its proper class is a class 2 misdemeanor.

The Arizona racing commission has adopted a rule:

No horse shall be allowed to start in any race run under these Rules unless duly registered by the Jockey Club, the American Quarter Horse Association, the Arabian Horse Club Registry of America, Inc., or the Appaloosa Horse Club, Inc. (Rule 4-27-201 (B).)

At least one state specifically grants the regulatory board authority to adopt the "rules of racing" of the Jockey Club, or any part of those rules which it approves. The Arizona racing commission has adopted 80 pages of regulations. If this seems extensive, Oregon at least as late as 1978 had 140 pages of such regulations, which its sunset review report recommended be shortened and clarified.

POWERS AND DUTIES OF AGENCY

Two aspects of these varied statutory systems are comparable: (1) the statutory patterns are built around the double purposes of revenue-raising (via pari-mutuel betting) and of controlling the conduct of racing meetings, and (2) broad general powers are given the regulatory agency. In the statutes which we have examined, it is common practice to couch these broad powers in broad language. Aside from the authority to set racing days and charity days, and to license operators and participants in racing meetings, very few list powers more specific than to supervise racing meetings. Some examples follow.

Kentucky. All powers necessary and proper to carry out statutory authority; supervision over all thoroughbred race meetings, and all associations and persons on association grounds; specific authority to exclude any person from association grounds except on grounds of race, color, creed, national origin, ancestry or sex. These general powers have been held by the Kentucky Attorney General and the Kentucky courts to include power to fix racing dates, to fix minimum amount of purse, to prohibit use of medication which is a derivative of phenylbutazone, to require testing of all winners for drugs without testing other horses in race, to deny purse participation by owner of a horse which tests positive for a prohibited medication, but not to include regulation of advertising, food and drink concessions, television or radio rights, leases of vehicles or physical plant improvements.

New York. Power to supervise generally running race meetings, to fix the minimum and maximum charge for admission to race meetings. The rules and regulations of the board may prescribe the manner in which books and records shall be kept. The board shall prescribe rules and regulations for effectually preventing the use of improper devices, the administration of drugs or stimulants or other improper acts for the purpose of affecting the speed of horses in races in which they are about to participate.

California. The thirty-odd year old statute, giving the board powers necessary and proper to enable it to carry out fully and effectually the purposes of the chapter, power to delegate to stewards such powers and duties as necessary, and permitting board at its option to review any decision or action of the stewards, was amended and considerably expanded in 1977 to include specific responsibility for (1) Adopting rules and regulations for the protection of the public and the control of horse racing and pari-mutuel wagering; (2) Administration and enforcement of all laws,

rules and regulations affecting horse racing and pari-mutuel wagering; (3) Adjudication of controversies arising from the enforcement of those laws and regulations dealing with horse racing and pari-mutuel wagering; (4) Licensing of each racing association and all persons, other than the public at large, who participate in a horse race meeting with pari-mutuel wagering; and (5) Allocation of racing dates to qualified associations in the best interests of the people of California in accord with the intent of this chapter.

Responsibility to review stewards' decisions is made mandatory; specific grounds for overruling are stated. By a separate section of the statutes, the Attorney General and every district attorney are required to enforce the horse racing chapter in their capacities as law enforcement officers.

Florida. Powers of division of pari-mutuel wagering of the department of business regulation: To make rules and regulations for the control, supervision and direction of all applicants, permittees and licensees, and for the holding, conducting and operating of all race tracks, race meets, races held in this state. Exercise of this control is made mandatory. Rules and regulations required to be uniform in their application and effect.

A rule authorizing suspension of license of trainer for not locking up drugs and devices was upheld as valid by the Florida court, Division v. Caple, 362 So. 2d 1350 (1978).

POWERS AND DUTIES OF ARIZONA RACING COMMISSION

A.R.S. section 5-104 relating to powers and duties of the racing commission is at least as specific as other state statutes which have been examined, and more specific than some. As amended in 1979, the section provides:

5-104. Commission; powers and duties

A. The commission shall issue racing dates, license personnel, regulate and supervise all racing meetings held in the state and cause the various places where racing meetings are held to be visited and inspected not less than once a year.

B. The commission shall prepare and promulgate such complete rules and regulations to govern the racing meetings as may be required to protect and promote the safety and welfare of the animals participating in such racing meetings, to protect and promote public health, safety and the proper conduct of racing and pari-mutuel wagering and any other matter pertaining to the proper conduct of racing within this state. The commission may delegate to stewards such of its powers and duties as are necessary to fully carry out and effectuate the purposes of this article.

C. The commission may visit and investigate the offices, tracks or places of business of any permittee, and place therein expert accountants and such other persons as it deems necessary for the purpose of ascertaining that the rules and regulations are being complied with.

D. The commission shall supervise the pari-mutual departments of all tracks, and shall collect the fees payable for a permit or license issued by it, as follows:

1. Occupational licenses up to five dollars.
2. Owner, trainer, veterinarian, authorized agent, officials, assistant trainer, stable name renewal, or kennel name renewal up to twelve dollars.
3. Owner-trainer, jockey, jockey agent, or apprentice jockey up to twenty-five dollars.
4. New stable name or new kennel name up to one hundred dollars.

E. Upon application in writing by an objector to any decision of track stewards, made within three days after the official notification to the objector of the decision complained of, the commission shall review the objection. In the case of a suspension of a license by the track stewards, such suspension shall commence at once and run for a period of thirty days. If at the end of this thirty-day period the commission has not held a hearing to review the decision of the stewards, then the suspended license shall be reinstated until such time as the commission holds a hearing to review the objection.

F. The commission may issue subpoenas for the attendance of witnesses and the production of books, records and documents relevant and material to a particular matter before the commission. Such subpoenas shall be served and enforced in accordance with the provisions of title 41, chapter 6, article 1.

G. Any member of the commission may administer oaths and such oaths shall be administered to any person who appears before the commission to give testimony or information pertaining to matters before the commission.

RECENT ARIZONA AMENDMENTS

Laws 1979, Chapter 114, section 1 added all of the language in subsection D following "collect the fees payable for a permit or license issued by it". A copy of Chapter 114 is enclosed. Presumably the reference to "occupational licenses" of up to five dollars refers to the licenses of those persons listed in section 5-107.01, subsection B (steward, driver, exercise boy, stable foremen, groom, valet, horseshoer, stable watchman, starter, timer judge, concessionaire, manager, other participant and any other person the commission deems proper) who are not also specifically listed in section 5-104, subsection D, paragraphs 2 and 3. These fees are implemented by Rule 4-27-104, effective March 25, 1980.

The 1979 amendment was initiated at the request of the racing commission to extend and refine its authority to impose civil penalties against permittees and licensees when grounds exist for suspension or revocation of a license or permit, and was extensively amended by the Senate Judiciary Committee and by a Senate Floor Amendment. The substantive changes made by the act were:

1. In section 5-104, specific maximum fees were added for certain licenses.

2. In section 5-107.01, a conforming reference was made in subsection D by the Senate Floor Amendment. This reference to section 5-108.02, subsection E is erroneous

and should be amended to refer to section 5-115, subsection B, paragraph 2. Legislative Council staff and Senate staff noted this error after the bill was enacted as amended.

3. In section 5-108.02, relating to permits, the existing provision for a civil penalty not exceeding \$5,000 per day nor more than a total of \$25,000 against a permittee upon revocation of a permit was retained and there was added a provision for a civil penalty not exceeding \$500 for violation of a statute or rule or regulation which does not constitute grounds for revocation of a permit.

4. In section 5-115, there was added:

(a) a new provision for a civil penalty not exceeding \$5,000 against a licensee or holder of a credential who violates any of the provisions of subsection A of that section, which constitute a class 4 felony (this penalty would be in addition to the class 4 felony maximum fine of \$150,000 which could be the result of a criminal action, section 13-801, and could be in lieu of or in addition to suspension or revocation of the credential or license), and

(b) a new provision for a civil penalty not exceeding \$500 against a licensee or holder of a credential for violation of any provision of the chapter constituting grounds for suspension or revocation of a license or credential other than those violations constituting a class 4 felony in subsection A.

DEFICIENCY IN ARIZONA STATUTES

The Arizona statutes seem deficient in one area, and that is in the area of grounds for and duration of suspension of licenses. General delegation to stewards of powers and duties of the commission is permitted by section 5-104, subsection B. Section 5-107.01, subsection D provides that use of a credential or license for purposes other than prescribed is grounds for suspension or revocation of the license. Track stewards can suspend a license for 30 days; if no hearing by the commission to review the suspension has been held in 30 days, the license is reinstated until a hearing is held, section 5-104, subsection E. Section 5-108 specifies in detail grounds for refusal to issue or renew a license but does not include grounds for suspension. No stated grounds for suspension other than that found in section 5-107.01, subsection D have been found in the statutes. If section 5-115, subsection B, added by the Senate Floor Amendment, means that the commission may, for a violation of subsection A, suspend a license or impose a civil penalty of \$5,000, or both, and may, for a violation of any other provision of this chapter, suspend a license or impose a penalty of \$500, or both, it does not say so. The Rules of the commission provide for one-year renewable licenses and make some references to suspension. R4-27-104 states that allowing another to use license card is ground for suspension, but that Rule merely reflects section 5-107.01, subsection D. R4-27-107 implies that "fraudulent and corrupt practices" listed there are grounds for suspension by its reference to persons "ruled off" and by stating the consequences to the animal when a person has been suspended. Suspension by stewards is referred to in R4-27-109.

The remarks in the sunset review report on the Oregon Racing Commission in September 1978 may be applicable to the Arizona statutes on racing:

The commission's role in enforcement of the law is largely that of an appellate body. By statute and by rule, enforcement of racing laws is delegated--primarily to the board of stewards and race meet operators. The commission hears appeals of stewards' decisions and cases which are directly referred by the stewards. It also receives reports from the stewards on the conduct of race meets. Rarely is a steward's decision overturned, but ORC on occasion has increased penalties beyond those imposed by the stewards. ORC rarely receives complaints from the public.

The commission is empowered to deny, revoke, or suspend licenses and fine licensees. The commission is not limited in the length of suspension of a license. At a recent meeting, the commission suspended a licensee (charged with assaulting another licensee) for five years. Legislative Research recommends that license suspensions be for a maximum of one year and that the commission establish a schedule of maximum suspensions and fines for specific violations and infractions. In conjunction with limiting suspensions, we recommend that ORC adopt a procedure for the relicensing of persons suspended.

Stewards' Enforcement

Under ORS 462.405, boards of stewards are authorized to impose sanctions on those who fail to comply with the law and rules. Numerous actions subject to penalty are specified in the law and rules. Most of the decisions based on specified grounds involve improper use of medication, weight infractions, or improper riding by jockeys.

In addition, the rules give stewards the broad power to determine cases not involving specific infractions "in such manner as they think just and conformable" to the sport and state law. Further, they may declare an act a "corrupt practice" and impose "fitting punitive action." Most of the stewards' discretionary decisions, however, are based on an improper conduct rule, which forbids a person from using improper, profane, or indecent language; disturbing the peace; or being "obnoxious on the grounds" of a track.

* * * *

The commission, in defending the stewards' broad discretionary authority, maintains that it is not possible to write rules specific enough to cover all infractions that might occur during a race meet. It is further argued that the commission serves as a check on the stewards in case discretion is exercised in an arbitrary manner. However, the commissioners may not always be aware of stewards' actions, some of which may be arbitrary. In our review of stewards' rulings, we found many that did not state a specific statutory or rule basis for the decision. Legislative Research recommends that the commission adopt a rule requiring that stewards' decisions indicate which statute or rule was violated. Further, the rule should provide that if the decision is based on general grounds, such as corrupt practice or improper conduct, it automatically be referred to the

commission for review. In this manner, the commission could at least determine whether a specific rule on the infraction in question is needed or whether the power of the stewards is being abused and should be curtailed.

CONCLUSION

The Auditor General is now conducting a special performance audit of the racing commission. Regular sunset review of the commission is scheduled to begin in February, 1983. The kind of review of rules and practice which these audits will provide is beyond the scope of this brief statutory study. Considering the body of statutes of other states examined, and the detailed description in A.R.S. section 5-104 of powers and duties of the racing commission, the only suggestion which seems appropriate now is to add to the statutes a provision for grounds for suspension of a license. The same grounds listed in section 5-108 for refusal to issue or renew a license could be used. Stewards' authority to suspend for stated reasons should also be clarified. Suspensions would be for some period of less than a year, since licenses only extend to one year by Rule of the commission.

Encl.

THE ECONOMIC SYNDROME OF RACING

By
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Horses and Agriculture. Ask the man on the street corner what makes Agriculture one of America's vital industries, and the horse will not be mentioned. Agriculture is beef, bacon, eggs and milk. It's the millman, baker, butcher and produce seller--not the horseman, that are considered in context.

But horses? Where do they fit? What is their measure of value? And what is their economic contribution to society?

Few are aware of the economic impact of a horse related industry in a world where the price of oil, inflation-torn paychecks, and rising taxes seem to be the mode of the day. The purpose of this article is to elaborate to the Pari-Mutuel industry in North America. What it is, what makes it function, who is involved, how it works, and of course, economic contributions to our society.

The horse has been vital to the Pari-Mutuel industry, and in turn, the structure of the Pari-Mutuels has given value to the equine breeding and racing programs. No one disputes the axiom that one has to have value for a product or service to be profitable and worthy of investment, time, labor and energy.

Pari-Mutuels

Pari-Mutuels are a legal form of wagering that is approved and licensed in thirty-one states and the provinces of Canada. Wagering is primarily on horses, however, significant figures from Greyhound racing will be included in later pages. The emphasis of this article will be on the three breeds of horses that represent the bulk of all pari-mutuel wagering in this country. Those breeds are: (1) Thoroughbred; (2) Standardbred; and (3) Quarter Horse. Other breeds such as the Appaloosa, Arabian, and Paint horses do

have limited pari-mutuel meetings, and the sport of Jai-Alai, played with human athletes, also is involved in the business of legalized wagering. Their figures will not be included.

Racing is considered by many as a sport, and by others as a business. The concept of faster horses is as old as the chariot racing of Roman times. Regardless of how the alleged "Sport of Kings" is considered, Pari-Mutuel racing in North America is big business when dealing in economic terms.

The concept of Pari-Mutuels is simple. People wager into a common pool, held by an impartial third party, then after the race, the money is repaid to the winning ticket holders. The impartial party, (Race Track), deducts a percentage of the total amount wagered (Gross Handle) for providing the service and facilities. The percentage deducted (Take Out) will be fifteen percent of the Gross Handle. Table One is an example of a mutuel pool for an eight horse race.

The Take Out

The most significant figure in the racing industry is the retained percentage of the gross pool, or the TAKE OUT. The Take Out varies from state to state, but fifteen percent gives us a working figure. The Take Out is what pays the bills, provides revenue in the form of: (1) State and/or Municipal Tax; (2) The Race Track's primary source of income; and (3) The Purses for Horsemen.

Each of the three mentioned parties split the take out equally in this model. From Table One, the \$150 would be split into thirds--\$50 each to the State, Track and Purses for Horsemen.

Table 1- Horse # Amt. Wagered Horse # Amt. Wagered

1	\$ 50	5	\$150
2	100	6	125
3	200	7	75
4	250	8	50

Gross Pool (Amt. Wagered) = \$1000
 Less: Take Out (15%) = -150

Net Pool (Amt. Repaid Public) = \$850

To determine how much is returned to the wagering public on each winning ticket, follow this procedure: Assume WINNER #3

Ant. Wagered on Winning Horse--\$200 (200 \$1 Tickets)
 (Net Pool) - (Winning Tickets) = \$850 - 200 = \$650 (Amt. won by Winning Ticket Holders)

Then: $\frac{\text{Amt. Won}}{\# \text{ Winning Tickets}} + \text{Cost of Ticket} = \text{Pari-Mutuel Payoff}$

or $\frac{\$650}{200 \text{ Tickets}} + \$1.00 = \$3.25 + \$1.00 = \$4.25$ (Amt. Paid to Winning Ticket Holder)

To Check: 200 Tickets @ \$4.25 = \$850.00 + \$150.00 Commission = \$1000.00

Purses to horsemen are broken down further. A typical breakdown could be:

- 1st Place - 50% = \$25.00
 - 2nd Place - 25% = 12.50
 - 3rd Place - 15% = 7.50
 - 4th Place - 7% = 3.50
 - 5th Place - 3% = 1.50
- 100% = \$50.00

These figures in Thoroughbred, Quarter Horse, and Harness Racing subject to a fee (usually 10%) paid to winning jockeys or drivers.

Take Out and Bigger Business

The next two tables accelerate pari-mutuel handle from the unrealistic figures of Table One to larger dollar figures. The majority of tracks in the United States and Canada do handle large amounts of money and the following table will use the assumptions of the fifteen percent take out with equal distribution to the State for taxes, the race track, and the horsemen for purses. The four categories will all use a model of ten races per day.

Table 2:

Category	# Races Per Day	Handle/Race	Handle/Day	Total Take Out	Total Revenue/Day State	Track	Horsemen
A	10	\$1,000	\$10,000	\$1,500	\$500	\$500	\$500
B	10	\$10,000	\$100,000	\$15,000	\$5,000	\$5,000	\$5,000
C	10	\$100,000	\$1,000,000	\$150,000	\$50,000	\$50,000	\$50,000
D	10	\$200,000	\$2,000,000	\$300,000	\$100,000	\$100,000	\$100,000

The revenue begins to reach huge figures in the following table. Table 3 will expand single days into a season of racing at a track. The season will be for fifty and one hundred day meetings.

state. The actual formulas for the states are complicated.

In 1978, there were thirty Thoroughbred meetings across the United States and

the attendance figures for racing in the United States, and gives comparison to the other major spectator sports. The handle derived from pari-mutuels, the amount paid out in purses, and the consequent revenue to states is covered in as much detail as possible.

Table 3:

Category	# Days	Avg. Handle Per Day	Total Handle For Meet	Take Out Per Day	Per Meet	Total Revenue-Meet State - Track - Horsemen
A	50	\$10,000	\$500,000	\$1,500	\$75,000	\$25,000 (Equal Shares)
	100	" "	1,000,000	" "	150,000	50,000
B	50	100,000	5,000,000	15,000	750,000	250,000
	100	" "	10,000,000	" "	1,500,000	500,000
C	50	1,000,000	50,000,000	150,000	7,500,000	2,500,000
	100	" "	100,000,000	" "	15,000,000	5,000,000
D	50	2,000,000	100,000,000	300,000	15,000,000	5,000,000
	100	" "	200,000,000	" "	30,000,000	10,000,000

Although the figures from Tables 2 and 3 indicate that the state, track, and horsemen all share the same percentage of the take out, it is not necessarily true in real life. The percentages do vary from state to state, and many times, as the handle escalates so does the percentage going to the

Canada that averaged over one million dollars per day. It does not include numerous Harness and Quarter Horse tracks, as well as Greyhound ovals, that also fall into this category.

Table 4 shows in more specific figures,

Table 4^{a/}:

SPORT 1978	Total Pari-Mutuel Handle	Total Attendance	Purses Paid	Revenue To States	# Meets	# States
THOROUGHBRED	\$6,256,680,863	50,587,004	\$359,169,987	\$354,107,892	114	31
STANDARD BRED	2,733,382,636	28,481,159	204,573,607	199,321,429	51	17
QUARTER HORSE	260,713,524	---	30,294,392	---	75	20
Horse Totals	\$9,250,777,023	79,068,963	\$594,042,986	\$553,429,321		
GREYHOUND	1,727,153,555	20,046,298	---	122,637,161	45	13
All Total	\$10,978,930,578	99,115,261	\$594,042,986	\$676,066,482		
Baseball Major/Minor Leagues		54,031,009				
Football Collegiate/Professional		40,045,662				
Basketball Collegiate/Professional		39,776,242				
Hockey Collegiate/Professional		20,071,731				

^{a/} Credits for portions of the above information to The Daily Racing Form, American Quarter Horse Association, United States Trotting Association, Horsemen's Benevolent & Protective Association, American Greyhound Track Operators Association.

An Overview

Hopefully, the previous pages of this article have informed the reader to be able to: (1) Comprehend the concept of the Pari-Mutuel Wagering System. Further, the framework of how it operates, the theory of how revenue is raised, where the revenue goes and how it is distributed; and (2) Understand that racing is a big business in North America in both attendance and economic figures.

But where from here? To the "Catch 22" of the racing industry: The Relationship and Balance of (1) State Taxation; (2) The Tracks; and (3) The Horsemen and Purses. The Economic Syndrome of Racing is tied to the distribution of the 'Take Out'. The following pages will give more depth to each of the three major sources of take out distribution.

The Economic Plight of the Horsemen

So you want to own racelorses?

In 1978, total purses paid to horse owners in Thoroughbred, Standardbred, and Quarter Horse racing was nearly 600 million dollars.

The Horseman's Benevolent & Protective Association (HBPA), the largest spokesman for Thoroughbred owners and trainers in America, estimates that between 80 and 90 percent of all race horse owners lose money every year. Whether the figures are exact is not the point, the fact that substantial numbers of people do lose money gives rise to the plight of horsemen in the racing business.

The United States Trotting Association, and the American Quarter Horse Association, both strong voices of their respective racing industries, both echo the HBPA's high estimates for horse owners that lose money.

For care and maintenance of Thoroughbred horses associated with the racing business, here are some figures quoted by Jack Imman, author of Investing in Thoroughbreds: Serious Business for Fun and Profit, in the November,

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1970, issue of the Thoroughbred Record. The figures are reasonable estimates of horses in New York and Louisiana.

TABLE OF COSTS OF CARE AND MAINTENANCE
PER DAY N. Y.

Basic Annual Out-of-Pocket		
Board cost	\$ 20/day	\$ 10/day
Stable help	\$ 10/day	\$ 12/day
Feed	\$ 15/day	\$ 20/day
Training	\$ 20/day	\$ 12/day
Insurance on Breeding Stock		
Per age lb.	\$ 15/yr	\$ 15/yr
Insurance on Racing Stock	\$1,000/yr	\$4,000/yr
Vet medicine, shoeing, etc.	\$200/yr	\$150/yr
Stabling	\$150/yr	\$200/yr
Vet medicine, shoeing, etc.	\$150/yr	\$200/yr
Stabling	\$200/yr	\$200/yr

The above mentioned price in only two states, and in certain parts of each state, but it does begin to enter into the high cost of maintaining horses for racing purposes. A general ballpark figure for an owner(s) to have a trainer take care of his or her horse at a major track in New York is approximately \$40.00 per day. That generally does not include jockey or driver fees, shoeing bills, vet bills, shipping costs, and a percentage of the winnings (if there are any). Add it up for a season and it would cost up to \$15,000 per year.

In other parts of the country, \$40 would be too much. It could go to as little as \$15-\$20 per day, but most fall somewhere in between. However, one must remember that the purses for Thoroughbreds in New York are more than say, Louisiana, Arkansas, Pennsylvania, or Washington.

So, generally it takes better horses to win at Belmont Park in New York, or at Santa Anita in California, than say a horse running in Arizona, Oregon, or West Virginia.

In Harness racing, a Standardbred must be faster to win at The Meadowlands in New Jersey compared to Michigan, or a non-pari-mutuel meeting in Iowa, or Indiana.

Quarter Horses echo the same. California's Los Alamitos, or the All-American Futurity in Ruidoso, New Mexico, takes a better-bred horse to win than the ones in Idaho, Colorado, or other states.

Obviously, breeding is vital to success in horse racing. Just as scientific breeding in cattle for better grade and cut of meat is important, so is breeding to make horses capable of faster speeds.

Anyone associated with breeding knows the risk involved such as the percentage of barren mares, fetal mortality, the performance

of offspring and so on, not to mention the cost of stud fees. The prices of these yearlings at selected sales for racing are enormous. A \$65,000 average for over 100 yearlings at major sales is not as uncommon as one might initially think. These horses have yet to place a hoof on the race track.

So figure your costs wherever you are. If a local stud horse can produce a winner with your broodmare for \$500, more power to you. But, if you want one of the top stallions in the country, such as a Secretariat, would \$100,000 be too much to pay?

The cost of owning, breeding, and training horses for racing is tremendous. If everything goes well, and you do have a sound, well-bred, and ready-to-race two year old filly or colt, what can you earn?

Of the near 600 million allotted to horse owners in 1970, it spreads pretty thin among the thousands and thousands of racing Thoroughbreds, Standardbreds, and Quarter Horses in North America. Average earnings for Thoroughbreds racing in 1970 was approximately \$5,000 per horse. The exceptions such as Triple Crown winner Affirmed, who earned over two million dollars in three years of racing, are more than offset by the ones that do not win any.

However the pie is sliced, horse owners in North America have tremendous expenses, and the purses are not adequate for most to break even. The sad thing is that the potential is not even there by the present distribution of our pari-mutuel take out.

The Tracks: Financial Woes

In 1979, the overall trend of business at race tracks across the United States and Canada was one of declining attendance and a small increase in total pari-mutuel handle.

There are no general statements that cover all tracks, and indeed there are some tracks that were up significantly in both categories. There were those that were down both ways also.

Racing on the whole is financially troubled. The tracks generally are fortunate to keep up with inflation. Increased costs, deteriorating facilities, and strong competition for the dollar has made most tracks fighting to maintain the status quo.

It is difficult to give an in depth expense budget for any given track. The variances as to the geographic area, size, number of racing days allotted, and other numerous factors that make it a full time job for accountants and controllers, let alone for the context of this paper. The following figures will be approximately costs of a model facility handling over one million dollars per day that runs two types of racing for a total of 150 racing dates in a metropolitan location.

The expenses will fall into three categories: (1) Initial Investment in Facilities; (2) Major Maintenance and Operational Expenses; and (3) Salaries.

Initial Investment in Facilities. Our model will be in the Chicago area, and using a track that runs two meetings. One, a Thoroughbred meeting of 75 days, and a Harness meeting of 75 days. Average handle per day will be 1.25 million dollars and the total length in calendar days for the two meetings is 250.

The same take out percentage to the track, horsemen, and state will be used from earlier sections. Total revenue to the track from pari-mutuel handle is \$9.375 million.

The following figures are estimates. They are not exact, nor complete. The costs are included to give you an indication of the magnitude and type of costs associated with owning and operating a race track. The costs initially involved in opening a race track are: (1) The Patron Facility (Grandstand); and (2) The Racing Facilities.

Hawthorne Race Track, a prestigious Chicago oval, burned to the ground in 1970, and the estimated cost of rebuilding the destroyed patron facility is 15.5 million. It is modern and designed to accommodate 30,000 racing fans. Hawthorne was reported to have been offered over \$65,000 per acre for the remaining grounds which brought the cost of the land to about another 7.8 million for the 119 acre facility. Assuming the 15.5 million would also include the paving of the parking lot, fences, and other initial construction costs, the patron facility would be complete.

The Race facilities at any track must have the racing strip(s). Bars for stabling of at least 1,700 horses, in addition to living facilities for backstretch.

workers, and the entire plant properly wired, as well as other essentials required by local authorities and OSHA regulations. The number of unions that track management must work and negotiate within many areas of the country may number between 20-30.

Across the road from Hawthorne is Sportsman's Park in Chicago. Sportsman's runs both Thoroughbreds and Standardbreds and also is considered a winter facility as they run in the cold and snow as well as sunshine.

The usual number of horses that are stabled under one shed row, or barn does vary. The figure that we will use will be 120 horses per barn. For a well constructed barn with the minimum of fire hazards, tack rooms and individual bath rooms, the cost is approximately 1,000,000 dollars at Sportsman's. For a lesser facility for horses, we will use 800,000 dollars per barn, bringing the total to ten for the stabling of 1,200 horses, and the accrued cost to 8 million.

Two types of racing surfaces are common at major racing tracks. The Thoroughbreds run on both a dirt surface, and a grass, or turf course. Standardbreds trot or pace on dirt only. All racing surfaces vary somewhat, but a ball park figure on construction is \$1,000,000 for the dirt

track such as the advertising and marketing budgets, insurance, legal, utility bills, etc., are omitted for purposes of simplification.

The racing strip is a major concern for a track as it is the lifeline for the actual running of the races. Most dirt tracks are one mile ovals, while others are 5/8 mile. For Thoroughbred racing, the hours of operation traditionally are daytime, while in harness racing (which use only dirt), the racing is at night, requiring a significant expense for lighting fixtures. Although both breeds use the same track, the surface as to the depth of the soil, and the condition of the strip varies tremendously.

At Sportsman's Park, the maintenance budget is approximately \$225,000 per year for the combined meetings. It includes the mechanics, parts, repairs, gas, and a garage for storing and the actual mechanic work. In addition, they also have a separate building to hold different types of soils for season usage that is not included.

Equipment costs at the Chicago track would be \$454,000 if all were purchased at one time. Some are new, others used, and others overhauled. It does not include miscellaneous equipment such as snow removal, window washers, starting gates (leased), and other machines that vary from

expense.

As the track and the pari-mutuel handle get smaller, the ratio of the mutual expenses tend to rise, and the percentage thus increases.

Maintenance requirements pertaining to the costs and salaries of the patron facility such as the janitorial services will not be included.

The final area to be covered here is the personnel costs in the form of salaries and contracts. It is a figure that varies tremendously from geographic area to the size and length of the meeting. A major expense is that of security.

A private company or organization is necessary for 24-hour protection and is in addition to any help given from local authorities.

Other major expenses are those of the racing professionals (officials) that work the individual race meetings. Separate crews are required for both the Thoroughbreds and the Harness. Concession workers are paid and supervised by either the track caterer, or by a private concessionaire the track contracts with to supply the food and drink for patrons. Additional persons work the parking and admissions, as well as the administrative and management personnel.

Lumping all salaries together, the cost in Chicago is roughly 7/10 of 1% or another 14% of the total revenue to the track from pari-mutuels.

A summary of the expenses mentioned earlier in relation to the \$9,375,000 given to the track from 5% of the gross pari-mutuel handle:

Equipment	Quantity (Use Min. Figure)	Approx. Total Cost
Horse Ambulance	(1)	4,000
Tractors	(4-6) @ \$35,000	120,000
Load Grinders (Hood)	(2) @ \$60,000	120,000
Loaders (Haul/Hood)	(4-6) @ \$20,000 average	80,000
Jump Trucks (Rollit)	(2-4) @ \$10,000	20,000
Spreaders	(2) @ \$15,000	30,000
Water Trucks (Rollit)	(2) @ \$25,000	50,000
Narrow Axl Plots	Total	10,000
Operation Indigo	From Above	225,000
Approximate Total		\$679,000

course, and the inner turf course would fall in the \$750,000 category. Some tracks also have training tracks.

Costs such as hot houses for flowers and plants, or the cost of maintaining the infield are not included. Later figures will indicate the tremendous sums of money necessary to care for the racing strip alone.

Significant expenses of operating a

track to track.

Perhaps the most significant expense at a track that is always present in the operation of a facility is that of the Pari-Mutuel Department. First, the expense of leasing (Normal Procedure), of the total-sator equipment, and the salaries of the clerks needed to operate them will run approximately 1-2% of the gross handle. Using 1%, it would be 20% of the pari-mutuel revenue of the track. It is an everyday

Facility:	Grandstand	\$15,500,000
	Land	7,000,000
	Racing track (Dirt Only)	1,000,000
	Barns for Stabling	8,000,000
Maintenance:	Equipment Inventory	454,000
	Operating Budget	225,000
Major Operations/Salaries	Mutuel Department (Machines/Salaries)	
	1% Gross Handle--20% Track Mutuel Revenue	1,875,000
	All Other Salaries	
	.7% Gross Handle--14% Track Mutuel Revenue	1,312,500

however, is in jeopardy. Racing's partners, horsemen and tracks, in this case, have a tax structure that huge corporations such as McDonalds, J. C. Penney, U.S. Steel, or any other business or industry would not be able to survive with.

Or take racing's sister industries in the sports world. Could the Philadelphia Phillies have a salary bankroll for twenty-five players of over six million, or professional basketball players who average well over \$100,000 per season in the NBA, or football, or hockey, or whatever sport you want to name---be profitable, or even close to break-even, if one-third of their major source of revenue was taxed off the top by the state? It is unlikely.

But racing does---regardless of the individual nature of each track in any one of the thirty-one states represented. On top of that, both tracks and horse owners are subject to income taxes on profits. The horse owner also must show profit two times in every seven fiscal years to use it as a tax write off. Yet that money invested in horses is a boom to many in the form of jobs and a variety of other industries and businesses such as feed and grain, automotive, grocery, real estate, etc., in any community that has breeding facilities or racing tracks.

Taxation and racing brings up several issues.

One is the moral issue, and the fires wage pro and con in a world where television ministries raise millions of tax free dollars---where crime runs at record levels, public corruption is frequent, and drug trafficking is totally uncontrollable.

As mentioned earlier, only thirty-one states have one form of legalized pari-mutuel wagering of some type. Many states have not passed the necessary legislation for one reason or another. States such as Texas, Oklahoma, Georgia, Iowa, Missouri, etc., have racing---but not pari-mutuels. Bills and public referendums are defeated every year.

The idea of racing's "bad element", the undesirables, and so on and on plague the industry. The concept of the compulsive gambler with six children and no food on the table...the anticipated drop in church attendance...gambling and prohibition are considered by many on the same level. These preconceived ideas by not only the general public, but also many legislators

decreased take out for the state is earmarked for capital improvements, or variation of same. However, the condition of the health and vitality in the racing business is very weak, due most in part to the lack of incentive for profit. If the dollar potential is not there for owners and stockholders, it will cease to grow, as has been the case of many tracks across the country.

The state needs to take the stance that will allow the tracks to prosper. The means exist. The track's share of the take out has to be increased.

The States: Unconscionable Taxation

In the two previous sections, the plight of the horsemen, and the financial woes of the race tracks in North America have been discussed. Each has a legitimate claim to a higher percentage of the pari-mutuel take out. The problem has been that each has had to fight the other (Horsemen vs Tracks) to try to get more by making the other take less. It is not equitable. The third partner has to relent.

In fact, the third party has to become a partner, and not the parasite that is a good word to describe most of the states that are beneficiaries of taxes derived from pari-mutuel racing in North America.

We've all read and heard about Proposition 13 in California. Issues involving property, state and federal income taxes, as well as others such as capital gains tax are daily topics in the morning newspaper. Between the problems of inflation and the oil crisis, it does not paint a pretty picture for the 1980's.

Racing does play a major role in the tax structure of America. Few people understand the economic contribution of pari-mutuel racing to the economy and to society. That is a part of the problem.

Few understand, (a) the amount of money raised through pari-mutuel taxation; and, (b) those who do not understand it, are gradually ignoring the need for relief for the racing industry. The lack of attention through more favorable legislation is causing a 'golden egg' story. Simply, revenue from racing to states and municipalities is a golden egg for legislators---no significant cost, no investment, and no risk.

The goose that-lays the "golden egg."

It does not take an accountant to figure that no track could make it on the revenue from pari-mutuel handle alone---and none do. The attendance revenue by means of parking, admissions, and concessions is the difference between a track making it or not. The problem is that the amount of take out for the track's share is so minimal that the revenues from the aforementioned cannot make up enough slack to make a multi-million dollar facility profitable when compared to investments in almost any other form of business.

To ask investors to spend millions of dollars on the scant rate of return is not conducive to race tracks being competitive with amusement park, movies and theatres, or other professional sports franchises, to name a few. Even if the track could make a profit on a yearly cost to revenue budget, the interest rate on borrowed money would most likely place the track in the red.

So what has happened to many of the major tracks in North America is that most are older facilities that were built in the 30's, 40's, or 50's, and consequently the plants are either in dire need of significant amounts of capital investment for improvements, or have found themselves in distressed and undesirable areas of the city. The tracks need to spend large amounts of money for constant face lifting to attract new customers as well as keeping their old patrons. People will not attend a track that is not clean, modern, and one that offers luxury and is easily accessible to by car and public transportation.

Some states are concerned with the problems of race tracks and are considering alternate forms of legislation that could help. Examples have been that

In state government, has not only kept pari-mutuel racing out of states, but also deters favorable legislation in many of the states that differently license it---the stigma of the aforementioned haunt racing everywhere.

This article is not to get into the moral justification of pari-mutuels. The right of an individual's right of choice or freedoms and so on does not belong, but one point must be emphasized.

Pari-Mutuel Wagering is LEGAL. Going further, they are audited, controlled, and of public record. The dollars wagered are all accounted for and open for investigation. Other gaming, with the exception of Nevada, is not.

In 1973, Michigan State University was commissioned by the United States Gambling Commission to do a study on gambling in America. To make a long story short, racing accounts for billions of gaming dollars, but the estimates of illegal gambling on football, baseball, basketball, and other professional and collegiate sports is much larger. It is like drugs, there is no control and no taxation for billions and billions of illegally bet dollars.

This does not even include the various numbers rackets, punch boards, illegal slot machines, card games, crap tables, as well as bookmakers that exist in all states, not just states that have pari-mutuels.

The issue of windfall profits for state tax roles raises another fundamental issue. That is the taxation of racing regardless of the financial well-being, or not-so-well-being, as it may be, of tracks in this country.

States get tax dollars on a percentage of the gross, no matter what that figure may be. It makes no difference if it is rain, hail, snow, sleet, or sunshine---sure specifically, if the track is making money, losing, or breaking even. The tax revenue rolls in.

Take a medium size operation, making it with a pari-mutuel handle of approximately \$250,000 per day. Running a 100 day meeting, the track would receive approximately 1.25 million dollars of pari-mutuel revenue. Figure in costs from earlier sections, and the operation could be going under. Many are. During the past two or three years, tracks have been closing their doors, from New Jersey to New England, to the midwest, southwest, and far west---more

will be following.

Who is the biggest loser when a track goes under? The track will stop losing money...The horsemen were already losing money as handle did not justify purses... It is the state taxpayers.

The state is the biggest loser in that the money generated from racing revenues had been firmly implemented into the tax structure of the community the track operated, and the various funds and municipalities such as schools, roads, community services, construction, and so on, is no longer available. Does the Governor call out the National Guard? What other industry could make up the sudden loss?

The legislature cries wolf, and suddenly the state, already faced with a shortage of tax revenues, wonders what went wrong.

In 1978, the state of New York, who license Thoroughbred and Harness racing tracks, in addition to a complicated Off-Track Betting system, received over \$120,000,000 from taxes on racing. The cost of operation was less than six million, or about 4.7% of the gross.

Florida, with almost every form of pari-mutuel wagering known to man, generated nearly 100 million, and spent about 2-3% for regulation.

These states are only examples. It ranges from the huge totals in California and Illinois, to the smaller amounts in South Dakota and Wyoming.

Almost all states take an attitude that allows the business and sport of racing to exist. They only ask that a minimum of problems occur, and that the industry just stay operative to keep the tax revenue coming in. Don't ask for any favors.

State Racing Commissions do provide a regulatory function. Licensing, testing, investigative and racing officials, as well as legal counsel, are the primary costs. Nonetheless, what racing receives from the state sanctioned commissions is less than adequate in more cases than not.

Legislative action has to provide more services by granting larger budgets to the commissions in the areas mentioned above, to insure the integrity of the sport, and also cut the percentage of take out that they receive. Provide more and take less.

It sounds like a big order and every industry would like similar legislation. Any industry that has a similar tax structure as racing deserves it. Racing does need it. It is grossly over-taxed and inequitable in the present state. The financial health of horsemen and tracks will do more to raise total dollar revenues to states in future years than it will if it remains ignored and taxed to the point of recession.

Yet where does racing fit and what should be done? The health and growth of any industry is necessary for economic success.

Nevada laws approach gaming quite differently than the typical racing model. Legalized gambling is the economic salvation for Nevada. Gambling revenues are not the tax base for the legislatures. It is the ancillary revenues that are hoggotten from the health of that industry---construction, employment, tourism, hotels, and entertainment. The schools, libraries, community services in Nevada, not to mention the unemployment situation, take a back seat statistically to no one.

The Nevada legislature does not treat the gambling industry with disregard. They are vitally concerned with control, and also with creating an atmosphere in which the gaming institutions are healthy financially. On a comparative scale, the percent of gambling tax for casinos in Nevada is a drop in the bucket when compared to that of racing and pari-mutuel wagering.

Other governments such as Japan, Hong Kong, China, as well as established jurisdictions in Europe, Australia, and elsewhere, are promoting racing and making the necessary allowances to make the industry viable and healthy. It not only provides revenue, but the leisure and recreation offered to millions is important.

The state of the economy of racing can go on for pages and cover volumes of studies and ideas. Problems are many and not easy to solve. But there has to be a starting point, and it has to start at the top.

The success of racing in North America is dependent upon legislative action. Without it, growth and health is severely crippled. At present, the racing industry will not be a master of its own destiny. The future of racing will be won more in the courts and legislatures of this country than in the stretch of any race track.

TOWARDS A GENERAL
THEORY OF RACING
ECONOMICS AND TAXATION

by

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SUMMARY

A general theory of racing economics and taxation is emerging from research findings. The major points of this theory may be summarized as follows:

1. Spending on horse racing is directly proportional to national or market area income. Countries with higher national incomes, i.e., larger gross national products, have a greater volume spent on racing. The same is true for individual market areas.
2. Wagering systems incorporating both on- and off-course betting will tend to generate greater spending than will a system offering only on-course wagering. However, the gain achieved depends upon the success and performance level of the on-track systems prior to introduction of an off-track system.
3. Wagering systems incorporating both tote and book-makers do not appear to generate additional spending.
4. Total spending increases with the number of races, but exhibits definite saturation and levels off.
5. Different forms of wagering interact and compete for overall market share.

These hypotheses have been established in a study of international racing data. The implications of this theory are significant:

- i) Countries or market areas with smaller incomes must have larger percentages of spending directed towards purses and the racing associations and lower percentages directed towards taxes;
- ii) The percentages to the industry must increase and the percentage to government must decline with growing numbers of races and racing days as saturation occurs in spending.
- iii) As increasing numbers of wagering options are legalized by the government, spending on an individual sport such as horseracing tends to decline. This requires that the percentages of spending directed towards purses and racing associations must increase and that taxes be reduced. Indeed, in some markets, the direct governmental tax on wagering might need to be totally removed.

Several countries have been identified as being in significant variance with both the general theory and the patterns of international data. These countries include Great Britain, France, and South Africa. Specifically, in Great Britain, only 3.9% of the public's spending on horse racing is directed to purses. This is dramatically lower than in other countries. In France, 65.1% of the public's spending on horse racing is paid to the government leaving little for the racing societies. This percentage to government is significantly higher than in other countries. In South Africa and Great Britain, pari-mutuel tote wagering has a high withholding and a high tax. Bookmakers enjoy a competitive advantage and, in South Africa, pay little to racing. Consequently, the racing industry receives a small share of the public's expenditures on racing.

The general theory under development provides a framework under which racing economics and taxation may be examined. Subsequent publications will focus on the details of pari-mutuel withholdings, interactions within the wagering market, and saturation of wagering markets.

I. INTRODUCTION

Racing industries around the world are experiencing mounting financial difficulties. These problems are arising from several sources, including: (i) rapid inflation of operating costs, both for horse owners and racing associations, (ii) a stagnation or decline in the public's discretionary income*, and (iii) growing competition for the wagering dollar. These fundamental problems are often exacerbated by racing's limited cash flow which restricts facility modernization and marketing efforts. Several recent research projects conducted by Killingsworth, Liddy & Co. have focused on these problems and have examined means for correcting these financial difficulties. Central to these research projects has been an examination of the public's wagering on horse racing, the withholding tax on the pari-mutuel wagering, and the allocation of the withholding among government, purses, and racing associations. The research has investigated racing and wagering in both U.S. and international markets.

From these studies, a general theory of racing economics and taxation has begun to emerge. The objective of this paper is to review the current status of the research, to discuss the emerging results, and to indicate areas where further research is necessary. Ultimately, this research may provide answers to such fundamental questions as: How much wagering of all types can a market area support?, What are equitable and economically justifiable levels of taxes on wagering?, Is there a normal level of demand for racing within a market area?, and Are the racing associations and purses receiving a fair share of the public's spending on racing? The current research

* Income remaining after taxes and expenditures for housing, food, energy, and health services.

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Indicates partial answers to some of these questions and points toward the research necessary to answer others. The studies to date are summarized in the following sections. Subsequent research monographs will address future findings.

II. DEMAND FOR RACING

Background

One objective of the research has been to examine the public's demand for racing in various market areas. Typically, demand for racing or the "sales" of a racing industry have been measured in terms of the total amount wagered. In the U.S., this is frequently referred to as the handle. Internationally, the term turnover is widely used to denote amount wagered. Amount wagered, however, is an inaccurate indicator of the public's actual spending on racing or the industry's accrued revenues. For example, in a market area with an annual amount wagered of \$100,000,000 and a takeout* of 15%, the public actually "spends" \$15,000,000, the amount withheld from the wagering.

It is only this spending which accrues as revenues and is allocated among government, racing associations, and purses. If in another market area, \$75,000,000 is wagered but with a 20% takeout, the public in this area is then also spending \$15,000,000 per year. It is this spending which may be taken as an accurate indicator of demand and may be correctly compared from one area to another.

Before beginning to compare levels of spending in various markets, however, several factors affecting spending must be taken into consideration. These major factors include:

i. Levels of National or Market Area Income

It would be expected that countries or market areas with larger economies and incomes would exhibit a larger total volume of wagering, spending, and purses.

* The term takeout is used to denote the percentage of wagering which is withheld from the pari-mutuel wagering prior to paying the winning bettors.

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ii. Number of Races

It would be expected that total annual amount wagered would increase with the number of races.

iii. Type of Wagering System

It would be expected that systems offering greater public exposure and opportunities to wager would realize greater volume in amount wagered and spent. We have grouped wagering systems into the following system types:

- I. On-Course Tote Only
- II. On- and Off-Course Tote
- IIIA. On- and Off-Course Tote and On-Course Bookmakers
- IIIB. On- and Off-Course Tote and On- and Off-Course Bookmakers

iv. Percentage Withheld From Wagering (Takeout)

It would be expected that total amount wagered would be inversely related to the percentage withheld from the wagering. That is, with higher takeout, amount wagered would decline so as to maintain stable levels of spending. Conversely, with lower takeout, amount wagered would increase, again tending to result in relatively stable spending.

v. Competition

It would be expected that increasing the legal forms of wagering, e.g. horse racing, casinos, sports betting, grayhound racing, and jai-alai, would re-allocate the public's spending on the forms of wagering.

The research monograph will focus on the first three issues of the above five. Subsequent monographs will focus on the takeout and the impacts of competition.

Demand

Exhibit 1 presents data on national or market area income, number of horse races (both thoroughbred and trotting), and total amount wagered (on- and off-course tote and on- and off-course bookmakers where legal) for a number of major racing jurisdictions. In addition to this basic data, the chart also presents several additional terms. First is the total effective takeout percentage. This overall percentage incorporates the different volumes

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TYPE OF SYSTEM	U.S. STATE	GROSS PRODUCT OF COUNTRY OR STATE (\$F 000 000 000)	NUMBER OF HORSE RACES (THOROUGHBRED & TROTTING)	TOTAL AMOUNT WAGERED (\$F 000 000)	OVERALL EFFECTIVE TAKE OUT	PUBLIC SPENDING (\$F 000 000)	SPENDING AS PERCENTAGE OF INCOME
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I. ON-COURSE TOTE

(The U.S. states included are not exhaustive and have been chosen for illustrative purposes.)

California	892	9 025	6 502	18.1	1 138	0.128%
Canada	813	41 833	4 658	18.1	863	0.104%
Illinois	429	10 744	4 139	17.5	760	0.177%
Pennsylvania	419	9 870	2 180	19.8	432	0.103%
Ohio	374	11 400	1 765	18.3	324	0.084%
Michigan	327	6 393	1 711	19.1	327	0.100%
Maryland	152	5 282	1 471	18.7	275	0.181%
Kentucky	106	6 251	1 177	16.6	195	0.185%
Arizona	81	2 280	278	18.5	51	0.063%

II. ON- AND OFF-COURSE TOTE

Japan	3 168	3 054	30 991	25.7	7 964	0.251%
France	2 135	13 993	17 667	26.9	4 752	0.221%
New York City	577	8 483	11 812	20.2	2 385	0.813%
Porto Rico	360	1 558	347	37.1	129	0.357%
New Zealand	72	2 961	1 402	19.2	269	0.374%

III. A. ON- AND OFF-COURSE TOTE AND ON-COURSE BOOKMAKERS

Australia	452	35 768	14 467		1 866	0.413%
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III. B. ON- AND OFF-COURSE TOTE AND BOOKMAKERS

Great Britain	1 375	5 528	16 706	19.0	3 174	0.231%
South Africa	183	3 770	2 749	19.8	544	0.297%
Ireland	51	1 708	898	21.7	195	0.381%

of betting on the on-course tote, the off-course tote, and the on- and off-course legal bookmakers as well as the different levels of takeout which may exist for the on-course tote, the off course tote, and what may be considered as an effective takeout by bookmakers. (The U.K. Royal Commission report of 1975 found that the off-course bookmakers operated with an effective takeout of 10.11%, plus the levy of 7.5%.) The second additional term on the chart is the previously introduced public spending on racing. This spending is calculated by multiplying the total amount wagered by the total effective takeout. Spending is thus the total amount of money which has been withheld from bettors wagering. The third term is the public's spending on horse racing expressed as a percentage of the national or market area income.

Several major observations can be made from this chart. First, within the groups of different wagering systems, the percentage of income spent on horse racing is relatively similar. As a result, larger volumes are spent on horse racing in larger economy market areas, given similar structures of wagering. This supports the earlier hypothesis. For example, within the group of on-course tote only, the percentage of income spent on horseracing varies from 0.063% to 0.185%. Although this is a rather broad range, it should be noted however, that the three states in this grouping with the highest percentages, Kentucky, Maryland, and Illinois, all attract bettors from neighboring states and market areas. Since some of the spending comes from out of state, this tends to increase the ratio of the spending in the state to the income of the state. To correct for this, part of the income of the neighboring state must be added to the income of the state of interest, resulting in a lower ratio. Arizona, with a low percentage of income spent on horse racing, has relatively fewer races, is somewhat constrained by weather, and is in a state with considerable pari-

mutuel activity. In fact, 0.063% of Arizona income is spent on greyhound racing yielding a total percentage of income spent on pari-mutuel wagering of 0.146%. Taking factors such as these into account tends to narrow the range of spending. Relatively narrow ranges also exist for the other groups. These percentages range from 0.23% to 0.41%. It should be noted that two of the countries with low percentages of income spent on horse racing, Japan and Great Britain, have extensive competition for the public's expenditures on wagering and have large volumes wagered on other activities. Exhibit 2 illustrates this wagering mix for Great Britain. This extensive competition undoubtedly reduces the percentage of income spent on horse racing in Great Britain. Taking these factors into account tends to reduce the range of percentage spent and supports the proportionality of spending with income.

The second major observation which may be made from Exhibit 1 is that spending as a percentage of income appears greater for an on- and off-course system than for an on-course total system only. Specifically, a percentage of income ranging from 0.25% to 0.41% versus a range from 0.063% to 0.185% for on-course only. This gain is as would be expected due to the greater exposure and accessibility of wagering to the public provided by the off-course system. In addition to the greater convenience, some off-course systems such as those in France and Puerto Rico offer very popular "exotic" types of wagers. These also tend to increase the public's spending.

A cautionary note must be made at this point. The spending percentages shown in Exhibit 1 are for systems which have been operating in a relatively stable manner for a number of years. It should not be immediately assumed that introduction of an off-course system will double the public's spending on horse racing as might be deduced from the percentages of Exhibit 1. In some markets, an on-course system may be very successful, have limited competition, and achieve a

EXHIBIT 2

BRITISH WAGERING MARKET

1976

TYPE OF WAGERING	HANDLE	FAN SPENDING	PERCENT OF INCOME
On-Track Horses	£ 105M	£ 12.7M	0.012%
On-Track Greyhound	£ 170M	£ 21.3M	0.019
Off-Track Wagering (83% Horses)	£ 1,868M	£ 355.0M	0.322
Lotteries & Misc.	NM	£ 80.0M	0.072
Casinos	NM	£ 100.5M	0.091
Slot Machines	NM	£ 126.0M	0.114
Bingo	NM	£ 15.0M	0.014
Football Pools	£ 233M	£ 163.0M	0.148
TOTAL LEGAL		£ 873.5M	0.792%

National Income was 110.35 billion; personal income assumed equivalent.
 Source for Wagering Data: Report of the Royal Commission on Gambling,
 July, 1978

spending level of 0.25% or higher. In this case, the net gain from an off-track system is likely to be rather small, and in fact, the major impact may be a redistribution of the spending from on-course to off-course. This seems, in fact, to have been the case in New York City. Exhibits 3 and 4 present wagering, spending, and spending as a percentage of income for three years: 1970 (pre-OTB); 1972 (post-OTB, pre-Meadowlands); and 1979 (post-OTB and post-Meadowlands). In 1970, total spending on horse racing in the New York City area was 0.304%, a very high level. After the introduction of OTB, total spending increased to only 0.37% and on-track spending declined to 0.0276%. After the opening of the Meadowlands, total spending grew only to 0.413% by 1979, but the on-track portion had shrunk to just 0.232%. Thus, the introduction of the off-course system led to some net gain; the major impact, however, was a redistribution of spending. These issues of net and redistribution are areas of current research.

239 The third major observation which may be drawn is that spending as a percentage of income appears no greater for a wagering system incorporating tote and bookmakers than it is for the tote only structure; both groups vary from 0.25% to 0.40%. This lack of response is not particularly surprising since little additional exposure or accessibility is gained by two types of off-course systems, that is, totalizator and legal bookmakers. As will be discussed later, this has major implications for the racing industries in Great Britain, Ireland, and South Africa.

The fourth major observation from this chart is that spending as a percentage of income increases with an increasing number of races, but tends to level off with large numbers of races. That is, at some large number of races, little additional total spending is brought forth by adding more races. This saturation phenomenon has been well observed in the United States as total wagering has leveled off with growth in the number of racing days. Exhibit 5 illustrates this saturation for a number of major racing cities in the U.S.

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EXHIBIT 3
NEW YORK CITY AREA*
WAGERING AND SPENDING
ON HORSE RACING

<u>Type of Wagering</u>	<u>1970</u>		<u>1972</u>		<u>1979</u>	
	<u>Handle</u>	<u>Spending</u>	<u>Handle</u>	<u>Spending</u>	<u>Handle</u>	<u>Spending</u>
On-Track Thoroughbreds	\$709.0	\$119.1	\$603.5	\$121.5	\$997.0	\$170.5
On-Track Harness	\$627.6	\$105.4	\$587.0	\$112.8	\$853.9	\$162.1
Off-Track	<u>0.0</u>	<u>0.0</u>	<u>\$450.3</u>	<u>\$ 80.0</u>	<u>\$1,079.9</u>	<u>\$259.7</u>
TOTAL	\$1,336.6	\$224.5	\$1,640.8	\$314.3	\$2,930.8	\$591.8

* New York City Area includes counties of:

<u>New York</u>	<u>New Jersey</u>
New York City (five counties)	Bergen
Nassau	Essex
Suffolk	Hudson
Westchester	Passaic
	Union

KILLINGSWORTH, LIDDY & CO., INC.

SATURATION OF
PARI-MUTUEL MARKETS
WITHIN THE UNITED STATES

EXHIBIT 4
NEW YORK CITY AREA*
WAGERING SPENDING
ON HORSE RACING

240

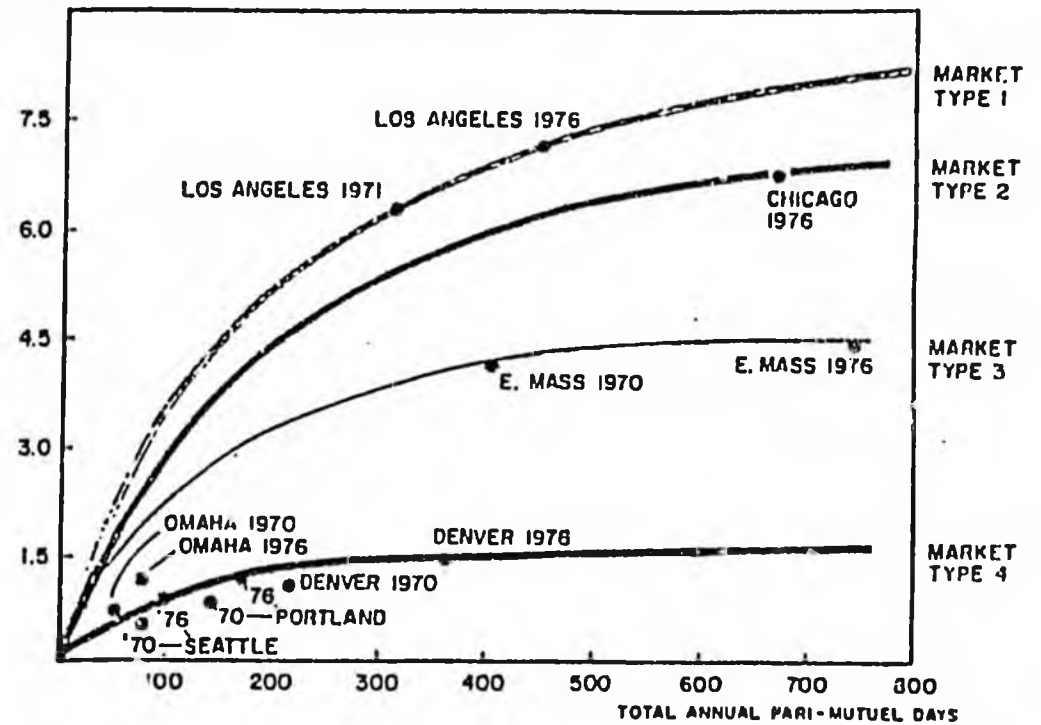
TYPE OF WAGERING	SPENDING AS A PERCENTAGE OF MARKET AREA INCOME		
	1970	1972	1979
On-Track Thoroughbreds	0.161%	0.143%	0.119%
On-Track Harness	0.143%	0.133%	0.113%
Off-Track	0.000%	0.094%	0.181%
TOTAL	0.304%	0.370%	0.413%

* New York City Area includes counties of:

<u>New York</u>	<u>New Jersey</u>
New York City (five counties)	Bergen
Nassau	Essex
Suffolk	Hudson
Westchester	Passaic
	Union

KILLINGSWORTH, LIDDY & CO., INC.

TOTAL ANNUAL PARI-MUTUEL ATTENDANCE (MILLIONS)



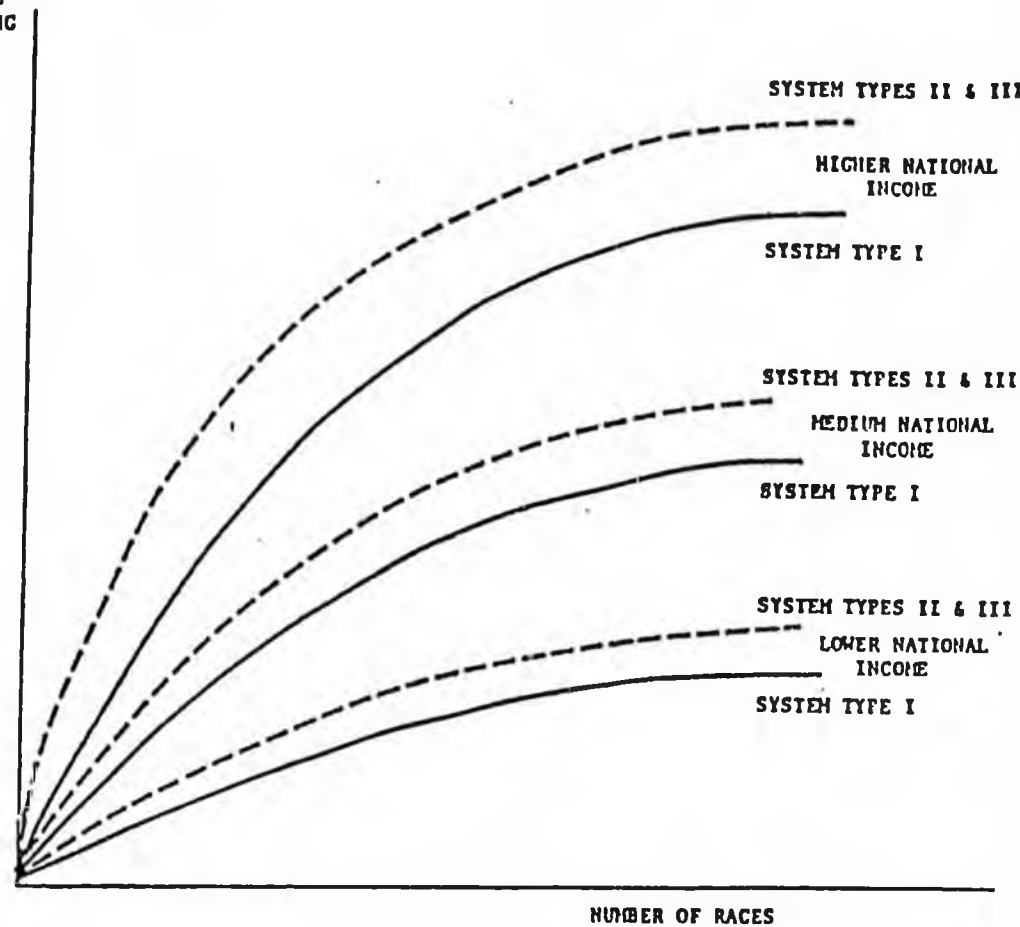
KILLINGSWORTH, LIDDY & CO., INC.

The data and patterns contained in Exhibits 1 and 5 may be used to develop a general theory regarding the public's spending on horse racing within a country or market area and from one area to another. This theory has, as will be shown below, major implications for taxation and revenues to purses and racing associations. The major points of this theory are summarized below.

1. Spending on horse racing is directly proportional to national or market area income. Countries with higher national incomes, i.e., larger gross national products, have a greater volume spent on racing. The same is true for individual market areas.
2. Wagering systems incorporating both on- and off-course betting will tend to generate greater spending than will a system offering only on-course wagering. However, the gain achieved depends upon the success and performance level of the on-track systems prior to introduction of an off-track system.
3. Wagering systems incorporating duplications, that is both tote and bookmakers, do not appear to generate additional spending.
4. Total spending increases with the number of races but exhibits definite saturation and levels off.

TOTAL SPENDING

GENERAL PATTERNS OF
TOTAL SPENDING



242 The general patterns incorporated into this theory are presented in Exhibit 6.

Distribution of the Public's Spending on Horse Racing

The theory advanced above has major implications for the distribution of the public's spending on racing. These are now summarized:

- A. As stated in point 1 above, total spending on horse racing is directly proportional to national or market area income. Thus, for example, one could expect total spending on racing in France to be approximately ten times the total spending in South Africa. (Ratio of GNP's: 1,560,289/150,624 = 10.4.) However, the annual costs of training a horse are not directly proportional to national income. For example, although the GNP of Japan is over twice that of Great Britain, one would not expect the costs of training a horse in Japan to be over two times the costs in Great Britain. Similarly, one would expect training costs in France to be greater than those in South Africa, but not by a factor of ten. This means that for a specific annual number of races (and the number of horses needed in training for those races) the percentage of spending directed to purses must be inversely related to national or market area income, that is, the percentage of spending to purses must be higher for countries or market areas with lower incomes. This is illustrated in Exhibit 7.

EXHIBIT 7

PERCENTAGE OF SPENDING
REQUIRED FOR PURSES

Percentage of
Spending
Required for
Purses

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- ★ Country or Market Area with Small Income
- ★ Country or Market Area with Medium Income
- ★ Country or Market Area with Large Income

Annual Number
of Races

Countries or Market Areas
Having this Number of Races

A similar argument may be made for the racing associations since the operating costs of conducting a day of racing are not proportional to national or market area income. This means that at a specified number of races or racing days, the percentage of spending which is required for track operations must also be inversely related to national or market area income as shown in Exhibit 8. The implications of these relationships for taxes are very clear. After providing adequate revenues to purses and the racing associations, less spending can be directed toward taxes in market areas with small incomes than in areas with larger incomes.

B. As the number of racing days and races increases, total spending tends to saturate and level off. Industry costs, however, continue to grow with growth in racing days and races. The racing associations incur additional labor and equipment costs with each additional day. Horse owners incur greater total costs because, as the number of races increases, the number of horses required in training also increases. This growth in horses is necessary since each horse can make only a finite number of starts per year. Since spending levels and costs continue to grow with races, the percentages of spending directed towards the tracks and purses must increase as spending levels off with larger numbers of races. This is illustrated in Exhibit 9. This growing percentage thus enables continuing growth in total purses and track revenues. The implication for taxes is clear. The percentage of spending directed towards taxes must decline as race days grow to large levels. Taking into account the variations in national or market area incomes yields the integrated interrelationships presented in Exhibit 10. This graph may be summarized as follows:

- (i) Countries or market areas with smaller incomes must have larger percentages of spending directed towards purses and the racing associations and lower percentages directed towards taxes, and
- (ii) The percentages to the industry must increase and the percentage to government must decline with growing numbers of races and racing days as saturation occurs in spending.
- (iii) As increasing numbers of wagering options are legalized by the government (for example casinos or sports betting), spending on horse-racing tends to decline. This requires that the percentages of spending directed towards purses and racing associations must increase and that taxes be reduced. Indeed, in some markets, the direct governmental tax on wagering might need to be totally removed.

EXHIBIT 8

PERCENTAGE OF SPENDING
REQUIRED FOR RACING ASSOCIATIONS

Percentage of
Spending
Required for
Racing
Associations

- ★ Country or Market Area with Small Income
- ★ Country or Market Area with Medium Income
- ★ Country or Market Area with Large Income

Annual Number
of Races

Countries or Market
Areas Having This
Number of Races

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EXHIBIT 9

SPENDING, PURSES, AND NUMBER OF RACES

SPENDING &
COSTS

SPENDING

OPERATING
COSTS FOR
RACING
ASSOCIATIONS
HORSEOWNERS

NUMBER OF RACES

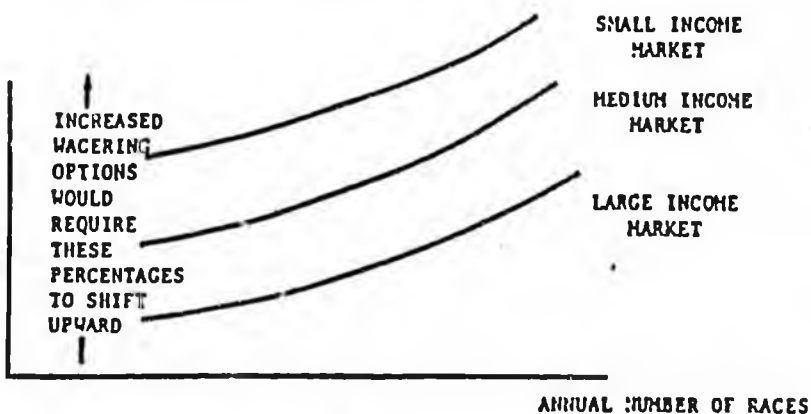
PERCENTAGE
OF
SPENDING
REQUIRED FOR
RACING
INDUSTRY

NUMBER OF RACES

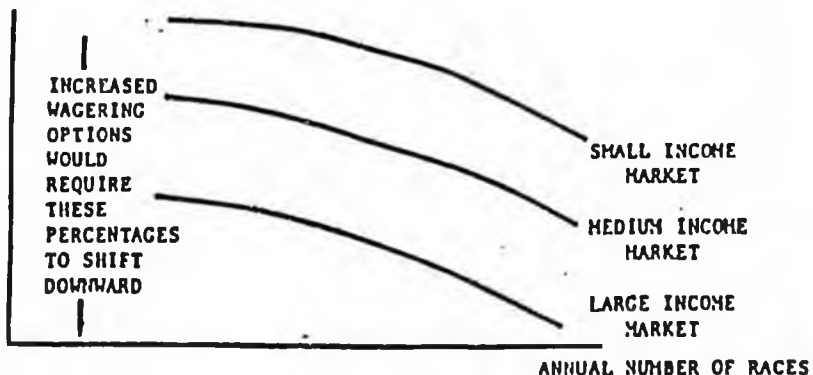
PERCENTAGE OF SPENDING REQUIRED FOR RACING ASSOCIATIONS



PERCENTAGE OF SPENDING REQUIRED FOR PURSES



PERCENTAGE OF SPENDING POTENTIALLY AVAILABLE FOR TAXES



To examine whether these hypotheses are reflected in the actual world of racing, Exhibits 11, 12, and 13 present data on international spending, purses, payments to government, and payments to operations (racing associations, off-course tote systems, and legal bookmakers). Exhibit 14 presents a summary of the percentage allocation of the public's spending on horse racing. Although it is difficult to draw broad conclusions from Exhibit 14, several important observations may be made. In Group I, on-course tote only the percentages generally trend in the anticipated directions. However, several points are noteworthy. First, Canada has a high percentage of spending paid to the government and a low percentage retained by the tracks. Second, Michigan has a low percentage paid to purses and a high percentage paid to government. In Group II, on- and off-course tote systems, France has an extremely high percentage of spending paid to government and a low percentage retained by the racing societies. New Zealand also pays a high percentage to government combined with a low percentage to purses. The major reason the percentage paid to government is low in the New York City area is the very low percentage paid by the Meadowlands (0.5% of amount wagered).

It is in Group III where the most dramatic findings are found. It may be noted immediately that the purse to spending ratios of Great Britain, South Africa, and Ireland are all quite low and are much lower than the general theory would have indicated. In Great Britain, only 3.9% of the public's spending goes for purses. For example, Great Britain has a national income less than half that of Japan. At a similar number of races, Great Britain's ratio of purses to spending would need to be at least twice that of Japan's in order to ensure similar purses. As may be seen in Exhibit 11, Britain's ratio is only one-third that of Japan's resulting in Japan's purses being significantly greater than in England. Similarly, at a similar number of

EXHIBIT 11

PURSES

<u>TYPE OF SYSTEM</u>	<u>COUNTRY OR U.S. STATE</u>	<u>PUBLIC SPENDING (FF 000 000)</u>	<u>TOTAL PURSES (FF 000 000)</u>	<u>PRIZES AS PERCENTAG OF SPENDI</u>
I. ON-COURSE TOTE				
	California	1 138	300	26.4%
	Canada	843	276	32.7%
	Illinois	760	256	33.7%
	Pennsylvania	432	153	35.4%
	Ohio	324	115	35.6%
	Michigan	327	101	31.0%
	Maryland	275	93	33.9%
	Kentucky	195	82	41.9%
	Arizona	51	20	39.8%
II. ON- AND OFF-COURSE TOTE				
	Japan	7 967	844	10.6%
	France	4 752	513	10.8%
	New York City	2 385	321	13.5%
	Puerto Rico	129	38	29.6%
	New Zealand	269	60	14.9%
IIIA. ON- AND OFF-COURSE TOTE AND ON-COURSE BOOKMAKERS				
	Australia	1 866	288	15.4%
IIIB. ON- AND OFF-COURSE TOTE AND BOOKMAKERS				
	Great Britain	3 174	124	3.9%
	South Africa	544	55	10.1%
	Ireland	195	24	12.3%

EXHIBIT 12

PAYMENTS TO GOVERNMENT

<u>Type of System</u>	<u>Country or U.S. State</u>	<u>Public Spending (FF 000 000)</u>	<u>Payments to Government (FF 000 000)</u>	<u>Payments to Government as % of Spending</u>
I. ON-COURSE TOTE				
	California	1 138	429	37.7%
	Canada	843	347	41.2
	Illinois	760	294	38.7
	Pennsylvania	432	107	24.8
	Ohio	324	86	26.5
	Michigan	327	108	33.0
	Maryland	275	71	25.8
	Kentucky	195	37	27.2
	Arizona	51	10	19.6
II. ON- and OFF-COURSE TOTE				
	Japan	7 964	3 935	49.4%
	France	4 752	3 092	65.1
	New York City	2 385	769	32.2
	Puerto Rico	129	55	42.6
	New Zealand	269	124	46.1
IIIA. ON- and OFF-COURSE TOTE and ON-COURSE BOOKMAKERS				
	Australia	1 866	738	39.5%
IIIB. ON- and OFF-COURSE TOTE and BOOKMAKERS				
	Great Britain	3 174	1 260	39.7%
	South Africa	544	212	39.0
	Ireland	195	66	33.8

nearly equal to that of Japan, a country with a national income sixteen times that of South Africa. Thus, total purses in Japan for a similar number of races will be approximately sixteen times that of South Africa.

For their levels of national income and number of races, an inadequate percentage of the public's spending on racing is directed to purses in England and South Africa. This seemingly has arisen out of an inconsistent governmental policy regarding taxation, number of forms of wagering permitted, and the types of horse racing wagering systems offered to the public. In brief, the inconsistency is a combination of high taxes, the government permitting an inefficient distribution system for wagering on horse racing; in Great Britain, extensive competition; and, especially in South Africa, racing receiving minimal revenues from one wagering system, that is bookmakers. Specifically, the distribution system (on- and off-course tote system and on- and off-course bookmakers) is inefficient in that high operating costs are incurred with little additional spending being generated by the duplication. This reduces the amount of spending available for purses after payment of taxes and operating costs. This fact is documented in Exhibit 13, in which it may be seen that the fraction of spending supporting the wagering systems is highest for System Type III, which incorporates both tote and bookmakers. If this duplication is then combined with extensive competition, high taxes and minimal revenues to racing from bookmakers, racing suffers dramatically.

III. CONCLUSIONS

A general theory of racing economics and taxation is being developed.

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public's spending on horse racing, and the allocation of the spending among purses, racing associations, and the government. It has been shown that the percentage of spending directed to purses and the racing associations must be inversely related to national or market area income, for example, the percentages to the industry must be larger for smaller income countries or market areas. Consequently, the percentage of spending on horse racing paid to government in smaller income countries or markets must be smaller than the tax percentage paid in larger market areas. Moreover, it was shown that the percentages of spending directed to purses and the racing associations must increase as the number of races in a market area becomes very large. As a result, the percentage paid to government in this saturation condition must be reduced. Finally, proliferation of wagering options reduces spending on horse racing and requires increased percentages of spending to the industry and reduced payments to government.

The major points of this theory have been observed in international racing data. Amount spent on horse racing was shown to vary directly with national or market area income. Moreover, the hypothesized relationship between market area income and allocation of spending was also observed. In addition, factors driving reductions in tax payments were identified. These factors have undoubtedly played a major role in the recent trend of thoroughbred tax payments in the U.S. In 1970, the average percentage of amount wagered paid to government in the U.S. was 8.01%. In 1979, that percentage had fallen to 5.06%. In some countries and market areas, it may very well be appropriate to have no direct taxes on pari-mutuel wagering. Based upon the theory, several countries have been identified as being in significant variance with the general theory as well as international data. These countries include Great Britain, France, Ireland, and South Africa.

The framework of the general theory presented in this monograph is but a first step. Details of competitive interactions within the wagering market, saturation of wagering markets, and of withholdings from wagering must be incorporated. These issues will be addressed in subsequent research monographs.

(5)

I. GOALS AND OBJECTIVES

To promote and encourage the raising and racing of race horses in Montana. To encourage track management to improve their Facilities. To better protect the betting public. To give all state personnel better training. To update the license process and screening of applicants. To make the Board more responsive to the immediate problems. To continue to improve trainers examinations to protect the public from unqualified trainers.

II. SUMMARY OF BOARD ACTIVITIES

Monthly Board meetings. Annual spring seminar for officials and employees. Conduct hearings. Participate in NASRC. (National Association of State Racing Commission)

III. STATISTICS ILLUSTRATING BOARD ACTIVITIES CONCERNING LICENSING

Licenses Issued by Category:	FY 84	FY 85
Owners License	959	998
Owner-Trainer License	627	490
Trainer License	115	162
Jockey License	94	114
Apprentice Jockey License	25	7
Jockey Agent	7	4
Track License	13	12
Official License	146	121
Pari-Mutuel License	466	432
Occupational License	1052	987
Stable License	62	61
Authorized Agent License	8	7
TOTAL LICENSES:	3574	3395
TRAINERS EXAMINATION GIVEN:	44	48

IV. SUMMARY OF COMPLAINTS RECEIVED AND THEIR DISPOSITION

<u>TYPE OF COMPLAINTS</u>	<u>DISPOSITION</u>
Protest against pari-mutuel	(4) Dismissed (1) Settled
Protest against Stewards	(11)Dismissed (1) Overturned
Protest against assistant starter	(1) Reprimanded
Protest against licensee-Financial	(1) No action taken (1) Suspended
Protest against Racing Secretary	(1) No action taken

V. NUMBER OF LICENSES REVOKED OR SUSPENDED BY CATEGORY OR OTHER DISCIPLINARY ACTION

Revoked 2
 Suspended 4
 Other Disciplinary Action 156
 by calendar year 84 & 85

1984 Race Season:	<u>Total</u>	<u>Fines</u>	<u>Suspension</u>	<u>Both</u>
Bad Test (medication)	5			5
Electrical Device	4			4
No Protective Helmet	2	2		
Careless Riding	31	28		3
Failure to bring Horse to Paddock	4	4		
Not Properly Licensed	1	1		
Miscellaneous	6	3		3
Failure to Comply with Official	6	6		
Late to Jockey Room	5	5		
Ineligible Entry	6	6		
Financial	4	(3 Settled)		1
Frivolous Claim of Foul	1	1		
TOTAL	<u>75</u>	<u>59</u>		<u>16</u>

1985 Race Season:

Bad Test (medication)	2	1		1
Electrical Device	0			
No Protective Helmet	0			
Careless Riding	30	28		3
Failure to Bring Horse to Paddock	1	1		
Not Properly Licensed	1	1		
Miscellaneous	24	22		2
Failure to Comply with Official	2	2		
Late to Jockey Room	5	5		
Ineligible Entry	10	10		
Financial	1			1
Frivolous Claim of Foul	1	1		
Tampering with Scale	1	1		
Bringing Wrong Horse to Paddock	2	2		
Failure to Identify Horse	1	1		
TOTAL	<u>81</u>	<u>75</u>		<u>6</u>

VI. BOARD MEMBERSHIP DURING THE BIENNIUM:

Linda King, P.O. Box 5804, Helena, MT	7-1-85
Harold Gerke, 1201 Clark Avenue, Billings, MT	1-20-89
John Trippe, Drawer E, Seeley Lake, MT	1-20-89
Malvin Merja, Gen. Del., Sun River, MT	1-20-88
Terry Wagner, Rt. 2, Box 3104, Miles City, MT	1-20-88
Chuck O'Reilly, 1050 N. Warren, Helena, MT	1-20-87

VII. COURT ACTION AFFECTING THE BOARD

In the Matter of the Petition of Al Carruthers and Tom Williams the Supreme Court affirmed a District Court decision that the Board acted correctly in a case involving a Stewards' decision disqualifying a horse in a race. The Board's hearing procedure and its interpretation of its own rules were also upheld.

In a case involving assignment of race dates for the 1985 season, the District Court in Helena sent the case back to the Board with some comments on how to handle problems resulting from conflicting applications for the same race dates.

VIII. RECOMMENDATIONS FOR ADMINISTRATION OF PROGRAM

To develop an apprenticeship program for officials. To increase the pool of qualified officials. To upgrade the racing seminar. To encourage tracks to operate at a profit. To upgrade the collection, process and accountability of urine and blood tests of race horses. To continue to inform the public.

FINANCIAL REPORT

REVENUE:	FY84	FY85
Racing Personnel	\$ 55,389	\$ 58,519
Pari-Mutuel Betting	153,233	147,105
Horse Racing Violations	5,055	6,970
Veterinarian Reimbursement	-0-	5,500
Rulebooks	-0-	730
TOTAL REVENUE	<u>\$213,677</u>	<u>\$210,824</u>

EXPENDITURES:

PERSONAL SERVICES:

Salaries		
Regular	\$127,776	\$108,671
Overtime	266	58
Longevity	38	13
Regular Pay - Retoractive	-0-	1,638
Termination Pay - Sick	9	1,041
Termination Pay - Vacation	47	2,837
Other Compensation		
Per Diem	5,150	4,750
Employee Benefits		
FICA	7,082	6,748
Retirement - Other	2,767	3,061
Group Insurance	2,460	1,993
Workers Compensation	811	775
State Unemployment Tax	667	502
TOTAL PERSONAL SERVICES	<u>\$147,074</u>	<u>\$132,067</u>

CONTRACTED SERVICES:

Consult & Prof Services	\$ 1,077	\$ 15,766
Legal Fees & Court Costs	15,950	16,254
Printing	3,510	2,539
Photographic	1	-0-
Private Legal Services	200	-0-
Consultant & Other Travel	182	1,156
Sec. of State Filing Fees	617	359
Computer Proc Serv/ D of A	688	168
Sys Dev & Sup/D of A	690	225
General	-0-	5
TOTAL CONTRACTED SERVICES	<u>\$ 22,915</u>	<u>\$ 35,482</u>

SUPPLIES AND MATERIALS:

Photo & Reproduction/Educational	\$ 2,327	\$ 31
Gasoline	-0-	4
Books & Reference Material	357	20
Pager/Central Stores	4	28
Radio Supplies/Minor Equip	-0-	10
Shop Supplies/Tools/Minor Equip	-0-	2
Photographic	1,711	140
Ofc Supplies/Central Stores	122	217
Microfilm Supplies	1,026	1,210
Ofc Supplies/Non State	373	3,655
Vet Supplies	121	-0-
General	251	240
TOTAL SUPPLIES & MATERIALS	<u>\$ 0,292</u>	<u>\$ 5,557</u>

	FY84	FY85
COMMUNICATIONS:		
Telephone - Local Serv & Equip	\$ 220	\$ 521
Telephone - Long Distance Use	1,567	1,385
Postage & Mailing	1,134	1,138
Telephone - STS usage	601	936
Telephone - Onetime Charges	49	2
TOTAL COMMUNICATIONS	\$ 3,571	\$ 3,982
TRAVEL:		
In-State Personal Car Mileage	\$ 11,550	\$ 8,483
In-State Commercial Trans	1,970	2,386
In-State Aircraft Rental	486	-0-
In-State State Motor Pool	1,085	1,268
In-State Other	24	19
In-State Meals/ Overnight	9,077	6,938
In-State Lodging	9,673	8,326
In-State Car Rental	224	376
Out-of-State Personal Car Mige	414	-0-
Out-of-State Commercial Trans	1,431	1,074
Out-of-State Other	7	-0-
Out-of-State Meals	436	266
Out-of-State Lodging	667	423
TOTAL TRAVEL	\$ 37,044	\$ 29,559
RENT:		
Office Equip	\$ -0-	36
Other Equip	15	12
Films	-0-	30
Meeting Rooms	43	-0-
Photo Copy Equip	13	188
Rent/D of A	2,100	1,995
General	538	-0-
TOTAL RENT	\$ 2,709	\$ 2,252
REPAIRS & MAINTENANCE:		
Office Equip	\$ 35	\$ -0-
Photographic Equip	171	73
Maintenance	246	83
TOTAL REPAIRS & MAINTENANCE	\$ 452	\$ 150
OTHER EXPENSES:		
Dues	\$ 1,400	\$ 1,400
Subscriptions	162	75
Regis Fees for Training Confer	644	325
Tuition	85	-0-
Freight & Express	96	31
Licenses	-0-	13
Indirect/Administrative Costs	21,733	21,997
Sport Event/Meet Expense	3,830	8,000
Photographic & Film Proc	-0-	1,027
TOTAL OTHER EXPENSES	\$ 27,950	\$ 32,800

	FY84	FY85
TOTAL OPERATING EXPENSES	\$100,933	\$110,866
EQUIPMENT	\$ 1,387	\$ -0-
TOTAL ALL EXPENDITURES	\$249,395	\$242,953
TOTAL APPROPRIATION	\$283,432	\$305,175
UNEXPENDED APPROPRIATION	\$ 34,037	\$ 62,222
CASH BALANCE - FYE	\$ 70,242	\$ 46,112

PART 4 OF A SERIES

Who Is Playing What

By Dr. John R. Koza

A Comparison of Participation in 32 Various Gaming, Amusement, and Promotional Activities by Residential Neighborhood Types.

404-446-0666

Dr. John R. Koza is chairman and chief executive officer of Scientific Games, Inc. of Atlanta, Georgia, a leading supplier of games to the state lottery market. He has a B.A. and M.S. in computer and communication sciences, and an M.A. in mathematics. He received a Ph.D. in computer science from the University of Michigan in 1972. In 1973, he was co-founder (with Daniel W. Bower, president) of Scientific Games. In 1974, Scientific Games introduced America's first rub-off instant state lottery game in Massachusetts.

This is the fourth article in a series exploring consumer participation in 32 different gaming, amusement, and promotional activities. The first article appeared in the March 1984 issue of this magazine and compared the demographics of participation in the 32 activities. The second article appeared in the April 1984 issue and presented percentage of overlap for the regular participants in each of the 32 activities. The third article appeared in the May 1984 issue and compared the "Values and Lifestyles" of consumers who participate in the 32 activities. This fourth article is concerned with comparing participation in the 32 activities according to resi-

dential neighborhood type.

In the United States today, the place where an individual lives typically mirrors his present place in society and life-style at the moment. People tend to cluster together in relatively homogeneous demographic and economic groups located in small neighborhood areas. These small neighborhood areas tend to contain people with similar incomes, educational levels, occupational status, racial characteristics, religious views, etc.

Individuals change much more rapidly than neighborhoods. As their lives change, people tend to "move on" to other neighborhoods and to select their new residences so as to join their peers in appropriate neighborhoods. Economics play an important role in determining each such relocation as does the individual's own sense of identifying with the people already living in the new location.

In making such moves people look for such things as the "right address" (for whatever one's status is), convenient transportation to one's place of employment, "good schools," cultural attractions, "good shopping," the "right" church, the presence of existing friends or relatives, or, perhaps, just "my kind of people." Thus, an individual's place of residence of the moment tells a great deal about the individual in a statistical sense.

For example, in their late teens or early 20's, people often live in "group housing" consisting of college dormitories, fraternities or military barracks, or perhaps in inexpensive, transient, rented apartments with several roommates. Later in their 20's, they may live in smaller groups in rented apartments - both before and after marriage. By their 30's, they may have bought mortgaged homes in the

Who Is Playing

suburbs suitable for raising children. By their 40's, they have risen in social status, "settled down" to a given occupation, "moved up" through economic strata, and perhaps already launched their own teenagers into society.

If the family's income and social standing rises, the family may move to a more affluent neighborhood. If the head of the household is transferred or his employer's plant or office moves or closes, this may also cause the family to relocate. In making such a move, the family tends to re-select a

collar suburb containing many recently-married, moderate income, high-school educated young working couples with young children. However, these addresses might be well-represented on a list of *Popular Mechanics* subscribers, buyers of "economy size" grocery items, buyers of children's toys, and recent buyers of what are perceived as the "necessary" new home appliances (but perhaps not yet the "luxury" appliances).

Sales of tricycles, dishwashers, dye to disguise gray hair, or new station wagons will be low among the ad-

series. Similarly, the market can be segmented to "Value and Lifestyles" using psychological and attitudinal factors. We did this in the third article. ACORN is a geodemographic approach to market segmentation—that is, it combines geography (neighborhoods) and demography.

ACORN was first used in Great Britain and was then developed to apply to the United States in the mid-1970s.

While all Gaul was divided into three parts, ACORN divides the United States into 44 neighborhood "types." These 44 types are numbered 1 to 44. For convenience, similar ACORN types among the 44 types are then grouped into 13 "groups." These groups are assigned letters from A to M.

For example, "A-01" is the residential neighborhood type consisting of old, established, wealthy "blue blood" suburban areas. These elite areas contain people with high incomes, high educational levels, and white collar occupational status. Only .5 percent of the country is A-01.

"A-02" is a similar ACORN type representing wealthy suburban areas. However, A-02 neighborhoods have somewhat less income than A-01 neighborhoods and "newer money" than A-01.

Group "A" consists of neighborhood types A-01, A-02, and A-03. All three Group "A" neighborhood types are "wealthy areas" as compared to the rest of the country. However, each of three individual neighborhood types in Group "A" has different characteristics.

In New Jersey, 42 of the 44 ACORN neighborhood types occur. However, only 19 of these neighborhood types represent two percent or more of the population of the state. Moreover, two particular neighborhood types representing just 2 percent of the population each (E-19 and F-20) had unusually few respondents in our survey.

Individuals change much more rapidly than neighborhoods. As their lives change, people tend to "move on" to other neighborhoods and to select their new residences so as to join their peers in appropriate neighborhoods. Thus, an individual's place of residence of the moment tells a great deal about the individual in a statistical sense.

new neighborhood based on its current economic and social status and expectations.

In their 50's, people are typically engaged in increased community participation, as their family responsibilities decrease. During their 60's, they seek out residences suited to retirement — perhaps moving to a different part of the country to follow the sun, their friends, their children, or some other attraction.

Most consumer products have a distinct profile of residential neighborhood types where the product sells better or worse than average. The distribution of usage of few commodities, except perhaps air, is uniform and "flat" from neighborhood type to neighborhood type. For example, a list of the addresses of the buyers of expensive home computers, Mercedes automobiles, or round-the-world cruises would probably not include very many addresses in a blue

dresses of the transient, rented multi-roommate apartments that are the usual places of residence for individuals in their late teens or early 20's. On the other hand, the addresses of consumers of movie theatre tickets, *Playboy* magazine, phonograph records, tennis shoes, or "collect" phone calls would undoubtedly show a relatively high degree of representation of individuals from these neighborhoods.

Methodology and Definitions

CACI (formerly the California Analysis Center Inc.) offers a market segmentation tool called "ACORN" based on residential neighborhood types. "ACORN" stands for "A Classification of Residential Neighborhoods."

There are many ways to "segment" markets. For example, the market can be segmented by sex, age, race, income, education or occupation. This is demographic market segmentation. We did this in the first article of the

TABLE I: THE 44 ACORN RESIDENTIAL NEIGHBORHOOD TYPES AND THEIR OCCURENCE IN NEW JERSEY AND NATIONALLY

ACORN GROUP	ACORN TYPE	DESCRIPTION	New Jersey Percent	National Percent
A Wealthy Areas	A1	Established Suburbs	0.8%	0.5%
	A2	Newer Suburbs	3.0%	1.0%
	A3	Older Families, Higher Density	2.8%	2.5%
B Upper Middle Income, High Value Suburbs	B4	Newer Suburbs, Very High Income	4.1%	2.5%
	B5	Older Families, Post-War Suburbs	0.7%	2.7%
	B6	Young Families, High Mobility	2.3%	3.1%
	B7	Families with Older Children	4.4%	5.2%
	B8	Middle Income, Blue Collar	7.1%	4.8%
C Young, Mobile Families in Multi-Unit Housing	C9	Upper-Middle Income, High Rent/Value Condo	1.3%	1.8%
	C10	Young Adults, Middle and Lower-Middle Income	4.8%	5.6%
	C11	College Undergraduates	0.2%	0.3%
	C12	College Areas, Older Students	0.3%	1.8%
D High-Density Rental/Condo	D13	Highrise Areas	1.3%	2.3%
	D14	Older, Midrise Areas	1.5%	1.8%
E Hispanic Neighborhoods	E15	Lower-Middle Income, Blue Collar	0.8%	2.3%
	E16	Young Hispanics, Southwestern States	0.6%	1.5%
	E17	Older Population, Ethnic Mix	1.9%	1.6%
	E18	Poor Families, Very Old Housing	4.5%	1.2%
	E19	Hispanics and Blacks; Midrise, Low Rent	2.4%	1.1%
F Black Neighborhoods	F20	Lower-Middle Income, Low Value House/Apt.	2.5%	3.2%
	F21	Older Population, Old Rental Housing	3.3%	2.1%
	F22	Very Poor Blacks; Low Rent Housing	0.8%	0.9%
G Middle Income Suburbs, Blue Collar	G23	Middle Income, Higher Value Housing	5.2%	3.3%
	G24	Young Families	2.5%	4.5%
H Lower-Middle Income, Rural and Small Town Areas	H25	Young Mobile Families	0.2%	1.9%
	H26	Farms and Older Housing	0.4%	2.1%
	H27	Seasonal Housing and Farms	1.1%	3.2%
	H28	Rural Industrial	0.7%	1.8%
I Older Population Lower-Middle Income	I29	Older Families and Retirees, High Mobility	2.3%	2.4%
	I30	Older Housing	12.4%	5.5%
	I31	Small Towns	3.3%	6.3%
	I32	Eastern Europeans, Northeastern U.S.	3.6%	1.1%
	I33	Rural Retirement Areas	0.6%	2.1%
	I34	Low Value, Very Old Housing	4.9%	5.1%
J Mobile Homes and Seasonal	J35	Seasonal Housing	1.4%	0.8%
	J36	Mobile Home Areas	0.4%	1.1%
K Agricultural Areas	K37	Self-Employed Farmers	0.0%	0.7%
	K38	Large Farms, Low-Income Farm Workers	0.0%	0.3%
L Depressed Rural Towns, Blue Collar	L39	Low Income, Post-War Housing	0.4%	1.2%
	L40	Poor Families, High Unemployment	0.1%	0.1%
	L41	Small Farms	0.1%	2.7%
	L42	Very Low Income, Blacks and Whites, Large Families	0.0%	0.4%
M Special Populations	M43	Military Areas	0.2%	0.5%
	M44	Institutions	0.1%	0.1%
TOTALS			100%	100%



II: NEIGHBORHOOD TYPE A-02

Activity	Index
Trading Stamps	295
Lottery Subscription	139
Non-Skill Contest	116
<hr/>	
Raffles	98
Craps	95
Cents-Off Coupons	91
Likely Video Lottery Players	90
Cards For Money with Friends	87
Break-Open or Pull Tab Tickets	83
Blackjack at Table	79
Horse Races	78
Poker	73
Video Games at Home	71
Pinball	65
Bet with a Bookie	65
Giveaway Games	63
Slot Machines	59
Legal Video Poker Slots	58
Skill Contest	51
Coin-Operated Video Outside Home	51
Pick 6 (Lotto) Lottery	51
Bingo	51
Sports Betting with Friend	46
Legal Video Blackjack Slots	42
Atlantic City Casino Gaming	33
Rub-Off Instant Lottery	32
Roulette	30
Illegal Video Gray Machines	30
Progressive Slots	29
Blg Six	18
Pick 4 Lottery	16
Pick 3 (Daily) Lottery	11



III: NEIGHBORHOOD TYPE A-03

Activity	Index
Trading Stamps	314
Craps	180
Lottery Subscription	131
Illegal Video Gray Machines	115
Pinball	109
Legal Video Blackjack Slots	107
Cents-Off Coupons	107
Giveaway Games	106
<hr/>	
Cards For Money with Friends	98
Sports Betting with Friend	97
Raffles	95
Break-Open or Pull Tab Tickets	95
Rub-Off Instant Lottery	94
Pick 3 (Daily) Lottery	86
Pick 6 (Lotto) Lottery	85
Horse Races	84
Likely Video Lottery Players	78
Coin-Operated Video Outside Home	77
Atlantic City Casino Gaming	76
Progressive Slots	73
Slot Machines	68
Pick 4 Lottery	67
Blackjack at Table	66
Non-Skill Contest	50
Legal Video Poker Slots	49
Bingo	47
Blg Six	46
Video Games at Home	42
Poker	41
Skill Contest	0
Roulette	0
Bet with a Bookie	0

Who Is Playing

Continued from page 51

In order to simplify this study and maintain statistical significance after the number of respondents in our survey are divided into neighborhood types, we will limit our discussion in this article to 17 neighborhood types. Each of these 17 neighborhood types represents 2 percent or more of the population. Collectively, these 17 neighborhood types represent 80 percent of the population of the state.

Table I (page 52) shows all 44 neighborhood ACORN types and all 13 groups and their occurrence in the population of New Jersey and the U.S. as a whole based on the 1980 Census.

In the first article of this series, we discussed the methodology used by SRI International and ourselves for collecting the data for this study; we defined each of the 32 gaming, amusement, and promotional activities; we adopted a shortened description ("short title") for each activity, and a particular frequency to qualify as a "regular participant."

Our definition of "regular participant" was designed to be broader than merely the activity's "hard core," but not so broad as to include casual participants who may have engaged in the activity only occasionally. In cases where we had data available on the amount of money spent by consumers on the activity, our definition of "regular participant" was further designed to account for between 85 percent and 100 percent of the money spent on the activity.

In other words, when we talk about "regular participants" of an activity in this series of articles, we are talking about the consumers who spend the overwhelming bulk of the money spent on that activity.

In short, if you are interested in "where's the beef" for any of these 32 activities, it will be found using the definitions we use here.

Note that in this series of articles, when we use words such as "Players," "Play," "Participants," and "Participate," we are always referring to the

"Regular Participants" as defined in detail in the first article.

After conducting the survey, the address of each of the respondents was sent on computer tape to CACI. Using the street address, CACI determined the neighborhood type where the address was located. In CACI's ACORN system, this classification is much more refined than systems based only on the respondent's ZIP Code. This information was then merged with the respondent's other responses in the survey.

The author wishes to acknowledge the assistance of Paul Davies of CACI in this work, of Glen Stewart of Unique Photo Arts of Norcross, Georgia in making the photographs of each ACORN neighborhood type that accompany this article, and of William Behm of Scientific Games, Inc. of Norcross on other aspects of this article.

A-02: Wealthy Areas-Newer Suburbs

As previously mentioned, the old, established, very wealthy "blue blood" suburban A-01 neighborhood type represents too few people to be involved in this article. Thus, we start

to be middle-aged, white, and have children who have reached their teens. The proportion of professional, managerial, and other white collar occupations and college graduates is high. The housing is almost exclusively owner-occupied, single-family houses. A-02 households drive expensive cars which are sportier than the cars found in the A-01 households. Their second car is often a station wagon.

Table II (page 52) shows each of the 32 gaming, amusement and promotional activities in descending order of the indices of participation of the adult population of New Jersey living in A-02 neighborhoods who are "regular participants" in the activity, using the definition of "regular participant" from the first article of this series. In this table and all other tables in this article, we have highlighted the five state lottery activities by coloring them green, and we have highlighted the six video activities by coloring them blue. We have also highlighted in red the indices of participation of 120 and above and those of 80 and below in these tables.

As can be seen from a glance at Table II, A-02 neighborhoods are not

While not quite as affluent as the "old money" found in the established "blue blood" A-01 areas, the A-02 neighborhoods contain somewhat younger people than A-01 who tend to be middle-aged, white, and have children who have reached their teens.

with the "newer money" of A-02. The A-02 neighborhood type is one of three neighborhood types in the "A" group (which is called "Wealthy Areas"). The A-02 neighborhood type represents 3 percent of the population of the state.

While not quite as affluent as the "old money" found in the established "blue blood" A-01 areas, the A-02 neighborhoods contain somewhat younger people than A-01 who tend

heavy participants in gaming, amusement, and promotional activities. Only three of the 32 activities have indices above 100. Twenty-three of the activities have indices of participation below 80 (and are thus shown in red).

Collecting trading stamps has the highest index of participation among A-02 neighborhoods. A-02 neighborhoods believe in hard work, the Puritan Ethic, and planning ahead to achieve gains in the future. In fact, that is how



IV: NEIGHBORHOOD TYPE B-04

Activity	Index
Blackjack at Table	145
Roulette	143
Video Games at Home	131
Giveaway Games	122
Poker	102
<u>Legal Video Blackjack Slots</u>	<u>100</u>
Coin-Operated Video Outside Home	97
Likely Video Lottery Players	97
Cents-Off Coupons	97
Pinball	91
Trading Stamps	89
Cards For Money with Friends	86
Lottery Subscription	81
Non-Skill Contest	79
Skill Contest	79
Raffles	75
Slot Machines	74
Craps	74
Bingo	73
Atlantic City Casino Gaming	69
Legal Video Poker Slots	61
Break-Open or Pull Tab Tickets	59
Rub-Off Instant Lottery	58
Big Six	58
Progressive Slots	54
<u>Horse Races</u>	<u>52</u>
Pick 4 Lottery	50
Pick 6 (Lotto) Lottery	48
Illegal Video Gray Machines	48
Sports Betting with Friend	48
Pick 3 (Daily) Lottery	27
Bet with a Bookie	0



V: NEIGHBORHOOD TYPE B-05

Activity	Index
Trading Stamps	160
Roulette	156
Illegal Video Gray Machines	156
<u>Horse Races</u>	<u>155</u>
Lottery Subscription	118
Cards For Money with Friends	116
Rub-Off Instant Lottery	114
Raffles	112
Atlantic City Casino Gaming	111
Likely Video Lottery Players	109
Craps	108
Cents-Off Coupons	107
Slot Machines	105
Giveaway Games	104
<u>Pick 6 (Lotto) Lottery</u>	<u>102</u>
Legal Video Poker Slots	99
Poker	97
Pick 3 (Daily) Lottery	97
Pick 4 Lottery	97
Blackjack at Table	97
Bingo	96
Progressive Slots	96
Non-Skill Contest	94
Break-Open or Pull Tab Tickets	90
Pinball	90
Coin-Operated Video Outside Home	89
Skill Contest	86
Big Six	84
Sports Betting with Friend	83
Video Games at Home	76
Legal Video Blackjack Slots	48
Bet with a Bookie	37

Who Is Playing

most occupants of this neighborhood type got to live in A-02 neighborhoods. The only gaming activity with an index above 100 is lottery subscriptions. This activity is a deliberate, planned activity where one must fill out an "application form" and pay in advance in order to participate.

game is the beneficiary of this population and has participation (94) - almost equal to the statewide average. The indices for Pick 3 (86), Pick 6 (85), and Pick 4 (67) are considerably better than the indices in A-02. No doubt because of age, likely video lottery players have a lower index here (78)

A-03 neighborhoods have a greater proportion of persons over the age of 65 than do A-01 and A-02. State lottery games enjoy a distinctly better reception in the A-03 neighborhoods than in either A-01 or A-02. The rub-off instant game is the beneficiary of this older population and has participation almost equal to the statewide average.

In terms of the existing major state lottery games, A-02 neighborhoods could not care less. The Pick 3 (daily numbers) game has an index of participation of only 11. The Pick 4 lottery is not much better (at 16). The rub-off instant game is only 32. Pick 6 (Lotto) has an index of participation of only 51.

With an index of 90 for likely players, electronic video Player-Activated Lottery Machines (PALMs) represent the greatest revenue potential for state lotteries in these highly affluent A-02 neighborhoods.

A-03: Wealthy Areas - Older Families, Higher Density

A-03 neighborhoods have a greater proportion of persons over the age of 65 than do A-01 and A-02. Many are "empty nesters" with no children living at home. Most of the demographic statements about A-02 apply here; however, incomes are somewhat less than A-01 or A-02; there are more condominiums; and there are many large American-built cars.

State lottery games enjoy a distinctly better reception in the A-03 neighborhoods than in either A-01 or A-02 (Table III, page 52). The rub-off instant

than in A-02 (where the index was 90).

As with A-02, the oldest activity of collecting Trading Stamps has the highest index of participation (314). This index is even higher than A-02.

The casino game of craps has the second highest index (at 180). But, as with A-02, A-03 people do not care for the casino game of roulette. Anyone designing a direct mail promotion or billboard for a casino for A-03 neighborhoods would be well-advised to depict an exciting game of craps, rather than an exciting game of roulette.

B-04: Upper-Middle Income, High Value Suburbs - New Suburbs, Very High Income

Group B consists of suburban, predominantly white, upper-middle income households. Home values are high (with very few multi-unit buildings). There are high proportions of college graduates and white collar workers. Group B is just a "cut below" Group A.

B-04 areas contain primarily young and middle-aged families with pre-teen and teenage children. B-04 neighborhoods have the highest con-

centration of households with annual income between \$35,000 and \$50,000 (four times the national average). Home values are high, and the housing stock is of recent vintage. There is a greater proportion of condominiums in B-04 areas than in other Group B areas.

Households in B-04 tend to be the most conspicuous consumers of all. They spend money like it is going out of style. Most of their expenditures are on children and on their homes. They have a preference for expensive imported cars and imported beer. They are the highest spenders of all on fast food and family restaurants. There is a great emphasis on physical fitness, gardening, and community events.

State lottery products have very low indices of participation in B-04 neighborhoods (see Table IV on page 55. The Pick 3 (daily numbers) game has an index of only 27. Pick 6 (lotto) has an index of only 50. The rub-off instant game has an index of only 58. However, likely players of electronic video Player Activated Lottery Machines have a promising index of 97 (i.e., almost average). Although 97 is not an above-average index, because of the affluence of B-04 areas, the revenue-raising potential here (as with A-02) is significant.

Blackjack played at a table in a casino tops the list of activities for B-04 neighborhoods (with an index of 145). Roulette is second at 143. These two particular casino activities stand in sharp contrast to the other casino activities (which have generally low indices of participation).

B-05: Upper-Middle Income, High Value Suburbs - Older Families Post-War Suburbs

The B-05 neighborhood type is somewhat older than B-04, with a much higher concentration of persons aged 55-64. Children are living away from home and at college. These neighborhoods have about three times the national average of house-



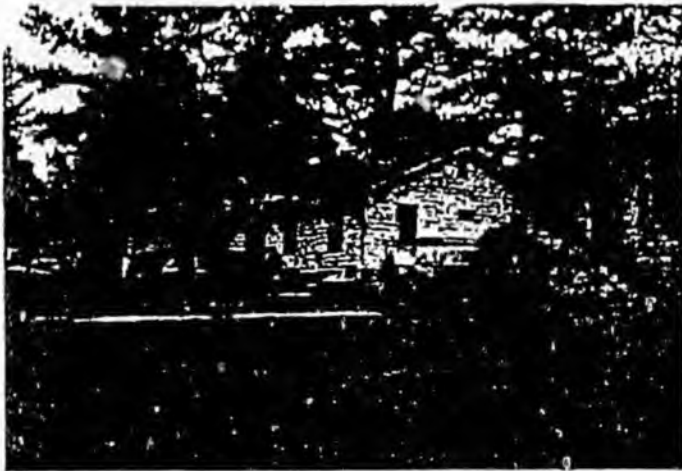
VI: NEIGHBORHOOD TYPE B-06

Activity	Index
Craps	155
Legal Video Poker Slots	153
Blackjack at Table	146
Video Games at Home	142
Horse Races	131
Sports Betting with Friend	131
Coin-Operated Video Outside Home	130
Progressive Slots	129
Pick 3 (Daily) Lottery	120
Illegal Video Gray Machines	119
Slot Machines	118
Rub-Off Instant Lottery	116
Pick 6 (Lotto) Lottery	115
Raffles	108
Likely Video Lottery Players	107
Cents-Off Coupons	105
Cards for Money with Friends	102
Pick 4 Lottery	97
Poker	96
Big Six	96
Atlantic City Casino Gaming	94
Break-Open or Pull Tab Tickets	89
Skill Contest	88
Pinball	85
Legal Video Blackjack Slots	83
Roulette	80
Non-Skill Contest	72
Lottery Subscription	68
Giveaway Games	64
Bingo	61
Bet with a Bookie	0
Trading Stamps	0



VII: NEIGHBORHOOD TYPE B-07

Activity	Index
Skill Contest	411
Lottery Subscription	315
Progressive Slots	212
Roulette	185
Illegal Video Gray Machines	185
Rub-Off Instant Lottery	170
Horse Races	169
Video Games at Home	152
Slot Machines	151
Coin-Operated Video Outside Home	145
Sports Betting with Friend	140
Pinball	131
Legal Video Blackjack Slots	129
Raffles	128
Likely Video Lottery Players	119
Legal Video Poker Slots	118
Atlantic City Casino Gaming	117
Pick 3 (Daily) Lottery	104
Pick 6 (Lotto) Lottery	103
Pick 4 Lottery	97
Non-Skill Contest	92
Bingo	85
Giveaway Games	85
Cents-Off Coupons	73
Cards For Money with Friends	55
Poker	49
Break-Open or Pull Tab Tickets	45
Blackjack at Table	0
Trading Stamps	0
Big Six	0
Craps	0
Bet with a Bookie	0



VIII: NEIGHBORHOOD TYPE B-08

Activity	Index
Big Six	230
Illegal Video Gray Machines	139
Giveaway Games	134
Coin-Operated Video Outside Home	131
Lottery Subscription	129
Non-Skill Contest	129
Skill Contest	126
Roulette	126
Break-Open or Pull Tab Tickets	125
Atlantic City Casino Gaming	119
Likely Video Lottery Players	118
Pick 3 (Daily) Lottery	118
Progressive Slots	116
Pick 6 (Lotto) Lottery	115
Pinball	114
Video Games at Home	114
Rub-Off Instant Lottery	112
Slot Machines	109
Blackjack at Table	109
Bet with a Bookie	108
Raffles	106
Cards For Money with Friends	104
Cents-Off Coupons	102
Pick 4 Lottery	101
Legal Video Poker Slots	97
Horse Races	97
Bingo	89
Legal Video Blackjack Slots	88
Sports Betting with Friend	83
Poker	81
Craps	79
Trading Stamps	28



IX: NEIGHBORHOOD TYPE C-10

Activity	Index
Legal Video Blackjack Slots	229
Legal Video Poker Slots	210
Craps	205
Skill Contest	182
Roulette	164
Giveaway Games	152
Bingo	151
Blackjack at Table	142
Progressive Slots	138
Poker	123
Slot Machines	122
Big Six	119
Likely Video Lottery Players	113
Non-Skill Contest	108
Cards For Money with Friends	108
Raffles	104
Cents-Off Coupons	104
Video Games at Home	99
Illegal Video Gray Machines	98
Trading Stamps	97
Coin-Operated Video Outside Home	88
Atlantic City Casino Gaming	83
Break-Open or Pull Tab Tickets	81
Rub-Off Instant Lottery	80
Bet with a Bookie	70
Pinball	62
Horse Races	60
Pick 6 (Lotto) Lottery	58
Pick 3 (Daily) Lottery	49
Sports Betting with Friend	49
Pick 4 Lottery	46
Lottery Subscription	0

Who Is Playing

Continued from page 80

on public transportation than automobiles. Although each situation must be evaluated individually, a good principle would be to have the index number of per capita lottery sales agents in a given neighborhood equal the sales index of the lottery product in each neighborhood.

I-34: Older Population, Lower-Middle Income - Low Value, Very Old Housing

I-34 has high proportions of older persons, but still a greater mix of children and young adults than is common for Group I. Low-skill blue-collar workers predominate. Education level is low.

I-34 has very old housing. It has the highest percentage (72 percent) of pre-1939 housing of any segment. The housing stock is a mixture of single family and small multi-unit structures with very low values.

The older people in I-34 neighborhoods have plenty of time to enter skill contests (with an index of 246) and play bingo (index of 159). These two activities head the list for these areas. (Table XVII, page 83)

Conclusion

Residential neighborhood type is a particularly effective and dramatic means for market segmentation of the 32 gaming, amusement, and promotional products discussed. Vast differences exist in the participation in the 32 activities in the various

TABLE XIX: THE TOP 4 RESIDENTIAL NEIGHBORHOOD TYPES FOR THE 4 MAJOR EXISTING STATE LOTTERY PRODUCTS

	INSTANT		PICK 3		PICK 4		PICK 6	
BEST	I-32	212	F-21	246	F-21	229	E-18	171
2ND BEST	B-07	170	I-32	195	I-32	197	I-31	153
3RD BEST	G-24	142	I-31	151	E-18	148	I-32	145
4TH BEST	I-34	124	E-18	144	I-31	144	F-21	123

neighborhood types.

These neighborhood differences are quite dramatic for the four major existing state lottery products. In this regard, Table XIX shows the top four residential neighborhood types for the four major existing state lottery products and the index of participation for each game.

As this series of articles has shown, there are significant and dramatic differences in performance of the existing state lottery products regardless of whether the market is segmented by demographics, by "values and lifestyles," or by residential neighborhood type. This information increases our understanding of the marketplace. The next step is to use this information to increase total revenues.

The state lottery industry in the United States currently generates about \$6.1 billion in sales annually. In spite of the fact that this industry services only about half of the population of the country, it represents about 1/580th of the gross national product (which was \$3.54 trillion in the first quarter of 1984).

It is not unreasonable to expect to get a sales increase of 15 percent to 30 percent through the judicious use of a greater understanding of one's marketplace. A 15 percent increase would be \$1 billion, and a 30 percent increase would be \$2 billion. As the late Senator Dirksen used to say: "A billion here. A billion there. Pretty soon it begins to add up to real money."

PG

Atlantic City Profits *Continued from page 22*

out of every dollar of revenue, the casino kept 12.4 cents as profit.

Atlantis Hotel and Casino, which is owned by Elsinore Corp., had a profit of \$497,825 for the year. While the profit was slim, it was far better than 1982 when the casino hotel lost \$10.8

million. Revenues for 1983 were \$168.2 million, an increase of 1.4 percent over the previous year.

The Claridge Casino & Hotel reported a total loss of \$21.6 million for the year on revenues of \$131.1 million. For the year 1982, however, the casino

hotel had a loss of \$30.4 million.

The Tropicana casino hotel had a profit of \$7.8 million on revenues of \$224.3 million in 1983, or 3.2 cents out of every dollar. In 1982, the casino hotel had a loss of \$14.9 million on \$172.1 million in revenues. **PG**



X: NEIGHBORHOOD TYPE E-18

Activity	Index
Bet With a Bookie	576
Pick 6 (Lotto) Lottery	171
Pick 4 Lottery	148
Pick 3 (Daily) Lottery	144
Horse Races	140
Sports Betting with Friend	136
Pinball	127
Bingo	118
Progressive Slots	117
Slot Machines	114
Legal Video Blackjack Slots	107
Raffles	99
Rub-Off Instant Lottery	94
Big Six	93
Atlantic City Casino Gaming	90
Coin-Operated Video Outside Home	86
Non-Skill Contest	76
Roulette	76
Illegal Video Gray Machines	76
Cents-Off Coupons	72
Likely Video Lottery Players	70
Blackjack at Table	66
Poker	61
Craps	60
Break-Open or Pull Tab Tickets	57
Giveaway Games	53
Legal Video Poker Slots	49
Cards For Money with Friends	46
Lottery Subscription	43
Video Games at Home	42
Trading Stamps	28
Skill Contest	0



XI: NEIGHBORHOOD TYPE F-21

Activity	Index
Pick 3 (Daily) Lottery	246
Skill Contest	229
Pick 4 Lottery	229
Bet with a Bookie	221
Legal Video Blackjack Slots	192
Legal Video Poker Slots	176
Roulette	172
Craps	161
Coin-Operated Video Outside Home	139
Progressive Slots	131
Pinball	131
Non-Skill Contest	125
Big Six	125
Pick 6 (Lotto) Lottery	123
Lottery Subscription	117
Likely Video Lottery Players	107
Bingo	106
Raffles	106
Rub-Off Instant Lottery	105
Sports Betting with Friend	104
Slot Machines	102
Break-Open or Pull Tab Tickets	102
Giveaway Games	79
Cards For Money with Friends	77
Atlantic City Casino Gaming	75
Video Games at Home	75
Illegal Video Gray Machines	69
Cents-Off Coupons	65
Poker	55
Trading Stamps	51
Blackjack at Table	44
Horse Races	37



XII: NEIGHBORHOOD TYPE G-23

Activity	Index
Skill-Contest	160
Legal Video Blackjack Slots	150
Slot Machines	128
Video Games at Home	128
Poker	125
Progressive Slots	124
Atlantic City Casino Gaming	117
Coin-Operated Video Outside Home	109
Illegal Video Gray Machines	108
Cards For Money with Friends	108
Blackjack at Table	101
Giveaway Games	100
<hr/>	
Break-Open or Pull Tab Tickets	98
Likely Video Lottery Players	94
Cents-Off Coupons	93
Legal Video Poker Slots	92
Raffles	91
Roulette	90
Rub-Off Instant Lottery	88
Bingo	88
Big Six	87
Pinball	85
Sports Betting with Friend	82
Pick 6 (Lotto) Lottery	68
Non-Skill Contest	65
Pick 4 Lottery	63
Pick 3 (Daily) Lottery	61
Craps	56
Trading Stamps	53
Horse Races	52
Bet with a Bookie	38
Lottery Subscription	20



XIII: NEIGHBORHOOD TYPE G-24

Activity	Index
Big Six	360
Sports Betting with Friend	236
Bet with a Bookie	181
Bingo	169
Pinball	161
Progressive Slots	146
Slot Machines	145
Rub-Off Instant Lottery	142
Non-Skill Contest	140
Cents-Off Coupons	139
Atlantic City Casino Gaming	138
Poker	136
Blackjack at Table	128
Illegal Video Gray Machines	127
Break-Open or Pull Tab Tickets	126
Cards For Money with Friends	121
Pick 4 Lottery	118
Likely Video Lottery Players	118
Legal Video Blackjack Slots	118
Raffles	113
Pick 3 (Daily) Lottery	111
Horse Races	108
Coin-Operated Video Outside Home	105
<hr/>	
Giveaway Games	98
Skill Contest	94
Trading Stamps	94
Pick 6 (Lotto) Lottery	85
Roulette	85
Video Games at Home	70
Craps	66
Legal Video Poker Slots	54
Lottery Subscription	0

Who Is Playing

Continued from page 56

holds with incomes of \$35,000 to \$50,000. The percentages of college graduates and professional and managerial workers are well above average. High value single family homes built primarily from 1940 to 1959 predominate.

Households in B-05 are in the late stage of the family "life cycle." All of their shelter needs are already taken care of. They invest in low-risk investments such as saving certificates, eat out at family type restaurants, drive large cars, and are heavy readers of books and magazines. They are heavy consumers of beer and dark liquors. Their leisure activities include gardening, TV and travel.

Much like the improvement in lottery participation from A-02 to the more oldish A-03, there is a similar improvement between B-04 and B-05. The player selection games have moved up to indices right around 100. The rub-off instant game moved to an index of 114. (Table V, page 55)

While roulette remained at a relatively high index (156), table blackjack dropped to only 97. Illegal "gray area" machines have an index of 156 (compared with only 48 for B-04). The more oldish activity of horse racing has an index of 155 in B-05 (as compared with only 52 in B-04). No doubt reflecting the same age difference, video games at home are only 76 among B-05 (while they were 131 among B-04).

B-06: Upper-Middle Income, High Value Suburbs - Young Families, High Mobility

B-06 households lead all other ACORN segments in the percentage of population aged 30-44, and have very high concentrations of young children. The income profile of segment B-06 shows more concentration in the \$25,000 to \$50,000 range and less above \$50,000 than is the case in B-04 and B-05. Households in these areas are very "mobile," with double the national average percentage of

movers over the past five years. Houses are primarily single family, high value, and very new (45 percent built since 1975).

Households in market segment B-06 are heavy spenders on their home and on their children. They are heavily involved in sport activities, school activities, and community events. They drive mid-size American and imported cars, are avid gardeners, and drink premium beers and wine spirits. (Table VI, page 57)

size American and imported cars, and are heavy consumers of beer and fast foods. Their leisure activities are concentrated in movie going, sports activities with their children, news and sport magazine readership, and shopping.

As to state lottery products, the rub-off instant game has a high index of participation (170) in these B-07 neighborhoods. (Table VII, page 57)

B-07 neighborhoods have responded well to direct instant lottery

The particular gambling product which appeals to one neighborhood type is not necessarily the product that appeals to another neighborhood type. Moreover, the precise ACORN neighborhood type matters. While the 13 overall ACORN groups matter, the actual differential in appeal occurs at the neighborhood type level.

Craps has the highest index of participation in B-06 neighborhoods, while betting with a bookie and trading stamps have indices of zero.

Bingo has a very low index (61) in this youngish area.

The four existing major lottery products all enjoy healthy indices between 155 and 120.

Like the younger B-04 types, B-06 has a high index for blackjack (146) and video games at home (142).

While legal video poker slots have a high index (153), their cousins in the casinos (i.e., the blackjack slots) have an index of 83. No doubt this is because the B-06 casino visitor is busy at the blackjack table.

B-07: Upper-Middle Income, High Value Suburbs - Families With Older Children

B-07 neighborhoods are solidly middle to upper-middle income with greater emphasis on the "middle" than in B-04, B-05, and B-06. Market segment B-07 is solidly "Middle America." They drive small and mid-

mail promotions such as "Bonus Play" in several different lottery states.

The three player-selection games (Pick 3, Pick 4, and Pick 6) are clustered right around an index of 100.

As to casino activities, roulette has a high index (185), while the other two table games (craps and blackjack) have indices of zero. Progressive slot machines have an index of 212 and conventional slot machines have an index of 151.

Thus, B-07 neighborhoods can be said to be "instant game country" and "roulette" country. As we have already seen and will continue to see in this article, the particular gambling game makes a big difference. The particular gambling product which appeals to one neighborhood type is not necessarily the product that appeals to another neighborhood type. Moreover, the precise ACORN neighborhood type (out of 44) matters. While the 13 overall ACORN groups matter, the actual differential in appeal occurs at the neighborhood type level.

Who Is Playing

B-08: Upper-Middle Income, High Value Suburbs - Middle Income, Blue Collar

B-08 stands out in Group B with a low percentage of professionals and managers and an above average proportion of blue collar, craft and operative workers. The income profile in B-08 is very "middle income." B-08 has the lowest income in the B group. This is the highest of all ACORN segments in percentage of housing built from 1940 to 1959 (69 percent). B-08 has older families and many "empty nesters." Note the parallelism in the progression of neighborhood types in the "A" group and the "B" group.

Households in market segment B-08 are "middle america." They drive mid-size American built cars and have an affinity for country music. They tend to spend little on home furnishings and are active in leisure activities, except hunting. (Table VII, page 58)

B-08 stands out with a low percentage of professionals and managers and an above average proportion of blue-collar, craft, and operative workers. Likely players of electronic video Player-Activated Lottery Machines (PALMs) have an index of 118 in B-08 neighborhoods—the highest index for PALMs among any neighborhood type.

The striking thing about B-08 in contrast to the more affluent neighborhood types in the B group is the considerably larger number of activities which have an index of participation above 100. B-08 people participate a lot more in our 21 gaming, amusement, and promotional activities. As can be seen, the line in the tables separating the activities with indices of 100 and above has progressively moved down as one progresses through the B group. In fact, the same progression exists in the A group.

Big six has the highest index in B-08 (230).

Illegal "gray area" machines have the second highest index (139).

Except for Pick 4 (with an index of 101), the existing state lottery products have indices lying between 112 and 118.

Likely players of electronic video Player-Activated Lottery Machines (PALMs) have an index of 118 in B-08 neighborhoods - the highest index for PALMs among any neighborhood type. PALMs are tied in B-08 with Pick 3 and have substantially higher indices than Pick 6, the instant game, and Pick 4.

C-10: Young Mobile Families In Multi-Unit Housing - Young Adults, Middle and Lower Middle Income

In contrast to the single family homes in Groups A and B, multi-unit, higher density housing dominates

Group C. The labor force is largely white collar. Households are very "mobile" - that is, the people move a lot.

C-10 is dominated by young adults, especially aged 22-29. C-10 areas have the largest percentage of working women of all ACORN types. The income profile is middle to lower-middle, with mostly white collar workers. C-10 contains mostly medium-rise and low-rise multi-unit housing, generally with high value or high rent.

Households in market segment C-

10 areas are an excellent market for fast food, beer and wine, movies, and consumer electronics products. They drive small American and Japanese made cars. Their leisure activities are concentrated in fitness classes, competitive sports, photography, and day trips to rural areas. They represent a poor market for expensive home furnishings, investments, and grocery stores. (Table IX, page 58)

In the youngish C-10 areas, legal video blackjack and poker slots are at the top of the list (with indices of 220 and 210, respectively).

The three state lottery player selection games have indices between 46 and 58, while the rub-off instant game has an index of 80. Lottery subscriptions have an index of zero in this youngish area.

Likely players of electronic video Player-Activated Lottery Machines (PALMs) have an index of 113.

Note that the existing state lottery products all have indices well below 100. Because of the 113 index, C-10 must therefore be viewed as a prosperous potential market. Because of the substantial lead over the existing state lottery products, state lotteries would seem to have the most to gain in neighborhoods such as C-10. -

E-18: Hispanic Neighborhoods - Poor Families, Very Old Housing

Group E has very high proportions of Hispanics. The income and education levels, as well as home values, are very low. Generally, the population is young, with a high proportion of families with children.

While heavily Hispanic (34 percent of households), E-18 areas also contain substantial black and white populations. Young families with children predominate. Household income levels are very low, and unemployment is very high. Most of the labor force is in low-skill service or labor occupations. E-18 areas have high unemployment - twice the national average. Housing units them-

Who Is Playing

selves are very old, and are mostly mid-rise, multi-family structures.

Betting with a bookie has the very high index of 576 in E-18 neighborhoods. The three player selection lottery games (Pick 6, Pick 4, and Pick 3) also have high indices - 171, 148, and 144, respectively. (Table X, page 75)

On the other hand, the rub-off instant game has an index of only 94 in these areas.

Horse racing has an index of 140.

To the extent that people from E-18 neighborhoods go to casinos, progressive slot machines and conventional slot machines have indices of between 117 and 114.

Video does poorly in these disadvantaged areas. Video games at home have an index of only 42. Coin-operated video amusement games outside the home have an index of only 86. Illegal "gray area" machines have an index of only 76. Likely players of electronic video PALMs have an index of only 70.

Clearly, the state lottery already does well in E-18 with Pick 3, 4, and 6. Video lotteries will add nothing here.

F-21: Black Neighborhoods - Older Population, Old Rental Housing

Group F neighborhoods have a high percentage of blacks. These neighborhoods have low income and educational levels. The population is youngish and the housing is old and low in value.

F-21 is the most black-dominated neighborhood type (87 percent) of all AGORN types. F-21 also has the highest proportion of population over age 65 within Group F, although families with children are still a significant proportion of the population.

F-21 is a very poverty-stricken segment, with 2.5 times the national proportion of households with annual income below the poverty level. The occupational make-up is mainly low-skill, blue collar, especially in service occupations. Very old housing predominates (58 percent built

before 1939). Housing is primarily in single family units and small complexes. Home values and rents are very low. (Table XI, page 75)

Pick 3 (the daily numbers game) leads all 32 activities in this black-dominated neighborhood type with an index of 426. Pick 4 has an index of 229. Pick 6 (lotto) has a considerably lower following (index of 123) in F-21. The rub-off instant game is at 105.

While at the casinos, F-21's play the legal video blackjack and poker slot

of participation in G-23 neighborhoods. At the casino, legal video blackjack slot machines (with an index of 150), conventional slot machines (with an index of 128), and progressive slot machines (124) have high indices. (Table XII, page 76)

G-24: Middle Income, Suburban, Blue Collar - Young Families

In G-24, families with younger children predominate. These areas have a more lower-middle slant than

In G-24, families with younger children predominate. Recently built single-family units make up much of the housing stock. Among the state lottery products, the rub-off instant game has the highest index of participation in G-24 (141).

machines (with indices of 192 and 176, respectively).

Horse racing (with an index of 37) and casino blackjack at a table (with an index of 44) are especially low in F-21 neighborhoods.

G-23: Middle Income, Suburban Blue Collar - Middle Income Higher Value Housing

Group G neighborhoods largely consist of middle income suburbs with a significant proportion of blue collar workers. The population is primarily made up of young, white families. Housing tends to be fairly new, single-family homes.

G-23 contains largely white families, often with teenage children. G-23 is solidly upper-middle income, with generally skilled blue collar and professional/technical workers. Most adults have a high school degree, but there is a low proportion of college graduates. Single family homes of more recent construction with fairly high value predominate.

Skill contests have the highest index

do segment G-23 neighborhoods. There is a high proportion of recent movers. The labor force is even more blue collar than in G-23, with above average numbers of full-time working women. Recently built single-family units make up much of the housing stock.

Among the state lottery products, the rub-off instant game has the highest index of participation in G-24 (142). Pick 4 has an index of 118; Pick 3 has an index of 111; and Pick 6 (lotto) has a below-average index of 65. Lottery subscriptions have an index of zero. (Table XII, page 76)

Likely players of electronic video Player Activated Lottery Machines (PALMs) have an index of 118 in G-24 neighborhood types - a tie with the high index in B-08.

I-29: Older Population, Lower-Middle Income - Older Families, Retirees, High Mobility

Areas heavily populated with senior citizens make up AGORN Group I. The income profile of households in

Who Is Playing

this group is lower-middle, but note that this reflects current annual income and does not necessarily mean low accumulated assets or "wealth." The housing stock is also generally older. These areas have a very low percentage of non-white residents.

The oldest non-institutional ACORN

I-30: Older Population, Lower-Middle Income - Older Housing

I-30 contains older families and senior citizens with very few minorities. There is also often a substantial presence of college students in these areas. I-30 is solidly middle to lower middle income. The work force is

It is not unreasonable to expect a sales increase of 15 percent to 30 percent (in the U.S. lottery industry overall) through the judicious use of a greater understanding of one's marketplace. A 15 percent increase would be \$1 billion, and a 30 percent increase would be \$2 billion.

segment, I-29 has the highest concentration of persons aged 55 to 64, and the second highest of persons over 65. Forty-five percent of all persons fall into one of these age brackets in segment I-29 areas. The proportion of households which have recently moved into these neighborhoods is high, and the housing stock is fairly expensive. The level of education is high.

I-29 leads all ACORN classifications in its proportion of sales/administrative/clerical workers - jobs senior citizens often take upon retirement from their initial career and relocation to a new area.

These are people who have chosen where they will retire. The area contains mixed single family and small multi-unit complexes, especially condos. Home values and rents are fairly high.

Betting with a bookie has considerable support in I-29 neighborhoods (with an index of 335). Legal video poker slot machines (index of 267) and video blackjack slot machines (with an index of 218) also enjoy heavy participation. (Table XIV, page 81)

All state lottery products have indices below 100.

white collar. It has very old housing, with a mix of single unit structures and mid-rise complexes. Home values are low.

Unlike I-29, lottery subscriptions are at the top of the list in I-30 neighborhoods. Bingo (with an index of 143) is second. (Table XV, page 81)

Illegal "gray area" machines also enjoy considerable play (with an index of 127), as do break-open/pull-tab tickets (with an index of 126).

State lottery participation is low. The rub-off instant game (with an index of 90) leads the list among the major existing state lottery products, with Pick 6 (lotto) second at 66, and Pick 3 and Pick 4 in the 40s.

I-31: Older Population, Lower-Middle Income - Small Towns

I-31 is generally older, but with more children and young families than is the norm for Group I. There is low minority presence. I-30 is lower middle income with a mix of blue and white collar. Housing is primarily single family homes built after World War II. There is also a higher proportion of mobile homes than is the norm for this group. Home values are about average.

I-31 has the greatest number of activities with above-average indices of the neighborhood types in this article. I-31 people "do almost everything." (Table XVI, page 82)

Lottery subscriptions are on top (with an index of 174) and Pick 6 (lotto) is second (with an index of 153).

The remaining player selection games (Pick 3 and Pick 4) have indices of 151 and 144, respectively, while the rub-off instant game has an index of 103.

Casino, roulette, craps and blackjack at a table have below-average indices.

I-32: Lower-Middle Income Older Population - Eastern Europeans

I-32 has a very high proportion of persons over 65, with very low minority presence. I-33 has the lowest income profile in Group I, with an above average percentage of persons with below-poverty-level income. These areas are often near institutions, so there is a high percentage of service workers. Housing is fairly old, mainly single units and of mixed values. (Table XVII, page 82)

Lotteries reign supreme among these I-32 Eastern European neighborhoods. The rub-off instant game is on top (with an index of participation of 212). Lottery subscriptions, Pick 4, and Pick 3 have the next highest indices. Pick 6 (lotto) also has a high index.

An obvious application of this kind of information, (i.e., the index of 212 for the instant game in I-32 neighborhoods) is to ascertain whether the penetration of lottery sales agents in a given neighborhood type is matched to the index of participation in that neighborhood type.

While people do buy lottery tickets just about anywhere, most purchases are made in places the person regularly and routinely visits. Locations near his home are the most predominant, particularly in high density urban situations where there is greater reliance

Continued on page 64



XIV: NEIGHBORHOOD TYPE I-29

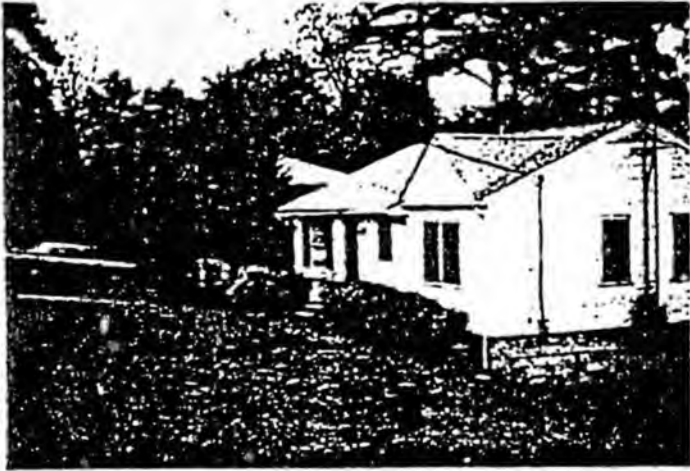
Activity	Index
Bet with a Bookie	335
Legal Video Poker Slots	267
Legal Video Blackjack Slots	218
Sports Betting with Friend	185
Blackjack at Table	180
Craps	163
Roulette	156
Atlantic City Casino Gaming	151
Coin-Operated Video Outside Home	129
Progressive Slots	119
Bingo	112
Poker	111
Cards For Money with Friends	110
Slot Machines	101
Pinball	99
Pick 3 (Daily) Lottery	98
Cents-Off Coupons	98
Giveaway Games	96
Raffles	93
Pick 4 Lottery	91
Pick 6 (Lotto) Lottery	81
Likely Video Lottery Players	78
<u>Horse Races</u>	76
Lottery Subscription	59
Video Games at Home	57
Illegal Video Gray Machines	52
Non-Skill Contest	51
Rub-Off Instant Lottery	47
Skill Contest	0
Big Six	0
Break-Open or Pull Tab Tickets	0
Trading Stamps	0



XV: NEIGHBORHOOD TYPE I-30

Activity	Index
Lottery Subscription	144
Bingo	143
Skill Contest	141
Sports Betting with Friend	128
Roulette	127
Illegal Video Gray Machines	127
Break-Open or Pull Tab Tickets	126
Giveaway Games	117
Cards For Money with Friends	115
Non-Skill Contest	112
Cents-Off Coupons	109
<u>Horse Races</u>	93
Video Games at Home	93
Atlantic City Casino Gaming	92
Poker	90
Rub-Off Instant Lottery	90
Coin-Operated Video Outside Home	-76
Blackjack at Table	73
Raffles	71
Likely Video Lottery Players	68
Pick 6 (Lotto) Lottery	66
Craps	66
Pinball	60
Legal Video Blackjack Slots	59
Legal Video Poker Slots	54
Slot Machines	50
Pick 3 (Daily) Lottery	47
Pick 4 Lottery	44
Progressive Slots	16
Big Six	0
Bet with a Bookie	0
Trading Stamps	0

Tables continued on next page



XVI: NEIGHBORHOOD TYPE I-31

Activity	Index
Lottery Subscription	174
Bet with a Bookie	173
<u>Horse Races</u>	162
Pick 6 (Lotto) Lottery	153
Poker	151
Pick 3 (Daily Lottery)	151
Break-Open or Pull Tab Tickets	148
Sports Betting with Friend	147
Pick 4 Lottery	144
Illegal Video Gray Machines	129
Giveaway Games	123
Non-Skill Contest	123
Video Games at Home	120
Big Six	117
Bingo	114
Legal Video Poker Slots	113
Legal Video Blackjack Slots	112
Cards For Money with Friends	108
Skill Contest	107
Coin-Operated Video Outside Home	107
Pinball	107
Progressive Slots	105
Likely Video Lottery Players	103
Rub-Off Instant Lottery	103
Raffles	101
Cents-Off Coupons	99
Slot Machines	93
Blackjack at Table	90
Atlantic City Casino Gaming	89
Craps	88
Trading Stamps	84

XVII: NEIGHBORHOOD TYPE I-32

Activity	Index
Rub-Off Instant Lottery	212
Lottery Subscription	197
Pick 4 Lottery	197
Pick 3 (Daily) Lottery	195
Pinball	185
Bingo	173
Pick 6 (Lotto) Lottery	145
Non-Skill Contest	143
Coin-Operated Video Outside Home	126
Raffles	120
Video Games at Home	119
Cents-Off Coupons	112
Likely Video Lottery Players	107
Cards For Money with Friends	104
Slot Machines	103
Atlantic City Casino Gaming	102
Trading Stamps	96
<u>Horse Races</u>	79
Blackjack at Table	75
Poker	69
Craps	67
Progressive Slots	66
Break-Open or Pull Tab Tickets	64
Giveaway Games	60
Legal Video Blackjack Slots	60
Legal Video Poker Slots	55
Roulette	43
Sports Betting with Friend	21
Skill Contest	0
Big Six	0
Illegal Video Gray Machines	0
Bet with a Bookie	0



XVIII: NEIGHBORHOOD TYPE I-34

Activity	Index
Skill Contest	246
Bingo	159
Bet with a Bookie	158
Atlantic City Casino Gaming	148
Pick 4 Lottery	142
Pinb.	140
Giveaway Games	137
Trading Stamps	137
Break-Open or Pull Tab Tickets	128
Progressive Slots	127
Pick 3 (Daily) Lottery	125
Cents-Off Coupons	125
Rub-Off Instant Lottery	124
Raffles	117
Pick 6 (Lotto) Lottery	115
Illegal Video Gray Machines	111
Non-Skill Contest	110
Slot Machines	110
Likely Video Lottery Players	103
Video Games at Home	101
Cards For Money with Friends	100
<hr/>	
Poker	99
Blackjack at Table	96
Big Six	89
Coin-Operated Video Outside Home	83
Sports Betting with Friend	75
<u>Horse Races</u>	54
Legal Video Blackjack Slots	51
Legal Video Poker Slots	47
Lottery Subscription	42
Roulette	37
Craps	0

REACH THE LEADERS

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The thoroughbred and standardbred (harness) racing industries in Illinois are governed by the Illinois Horse Racing Act of 1975.¹ The Act regulates pari-mutuel wagering procedures, licensing of racing organizations (usually racetracks) and racetrack personnel, and distribution of state revenue from racing taxes and fees. The Illinois Racing Board, composed of seven members appointed by the Governor, is responsible for administering the Act.²

Illinois
2 Leg Council
May 1983

7

Daily Pari-Mutuel Handle

The daily pari-mutuel handle consists of all the money wagered at a racetrack during a single day of racing. The handle is composed of the "take out," pari-mutuel pool, and breakage.

"Take Out"

Illinois law permits racing organizations to take out a specified percentage of the total amount wagered at the racetrack each day. Included in the "take out" are pari-mutuel taxes, track operating expenses, and winners' purses. The "take out" may not exceed 17 percent on all daily wagers plus (a) 3.5 percent (for a total "take out" of 20.5 percent) of the daily wagers on the quinella, perfecta, daily double, and all other races involving a single bet on two horses and (b) 8 percent (for a total "take out" of 25 percent) on the daily wagers on the trifecta and all other races involving a single bet on three or more horses.³

Pari-Mutuel Pool

The pari-mutuel pool consists of all daily wagers remaining after the "take out." The amount of money in the pool and the pattern of betting on the horses is used to determine the odds and the amount to be paid to winning bettors.

Breakage

If the amount to be paid on a winning \$2 bet exceeds a multiple of 10 cents, the state retains the "breakage"--the number of extra cents.⁴ It is argued that handling this "small change" imposes an inconvenience on racetrack personnel and the bettors. Consequently, winning payoffs are rounded downward.⁵

For example, if the winning horse paid \$4.66, the bettor would receive \$4.60 and 6 cents would be retained by the state as breakage. Breakage amounts to about 1.5 percent of the total amount wagered each day.⁶

Illinois Racing Privilege Tax

Most of the state's revenue from horse racing comes through the Illinois Racing Privilege Tax. The tax is imposed at graduated rates based on the amount of the racing organization's daily pari-mutuel handle (total amount wagered each day). Graduated rates range from 1.75 percent on daily handles of \$200,000 or less to 7.75 percent on daily handles over \$3 million.⁷ Rates are listed in Appendix A.

The graduated tax rates are supplemented by two tax rates imposed on racing organizations that conduct multiple wagering. A rate of 2.5 percent is imposed on the amount wagered on the daily double (picking winners in successive races), quinella (picking first and second horses regardless of order), perfecta (picking first and second horses in order), or other multiple wagers involving a single bet on two horses. A second rate of 7 percent is imposed on the amount wagered on the trifecta (picking the first, second, and third horses in order) or other multiple wagers involving a single bet on three or more horses.⁸

Distribution of the \$2 Wager

Distribution of horse-racing revenue for pari-mutuel taxes, race track operators, horsemen's purses, breakage, and the pari-mutuel pool differs according to whether the bet is a single or multiple wager. Examples of single and multiple wagers are given to illustrate the distribution of a \$2 wager.

Single Wager

Assume that a \$2 wager involving a single bet on a single horse is placed at a track with a daily pari-mutuel handle of \$1,000,001. The 17 percent "take out" (34 cents) includes 6 percent (12 cents) for the graduated racing privilege tax and 11 percent (22 cents)

which is evenly divided between the track operator and the horsemen. Breakage represents 1.5 percent (3 cents) of the total bet and the pari-mutuel pool receives the remaining 81.5 percent (\$1.63). This is shown in the following table:

<u>Distribution</u>	<u>Amount of bet</u>	<u>Percent</u>
Graduated racing privilege tax	\$.12	6.0%
Track operator (to maintain physical plant and pay employees)	.11	5.5
Horsemen's purses	.11	5.5
Breakage	.03	1.5
Pari-mutuel pool to pay bettors	<u>1.63</u>	<u>81.5</u>
Total	\$2.00	100.0%

Multiple Wager on Two Horses

A \$2 wager on a daily double, quinella, perfecta, or other multiple wagers involving a single bet on two horses requires a 20.5 percent (41 cents) "take out." In addition to the graduated racing privilege tax and the shares distributed to the track operator and horsemen, the "take out" includes the 2.5 percent (5 cents) additional tax on two-horse wagers and a 1 percent (2 cents) share for the special purse and reward fund account.⁹ This account must be maintained and distributed by each track operator to guarantee that the winning horsemen receive adequate purses. Assuming that the track had a daily handle of \$1,000,001, a \$2 bet on a multiple wager involving two horses would be distributed as follows:

<u>Distribution</u>	<u>Amount of bet</u>	<u>Percent</u>
Graduated racing privilege tax	\$.12	6.0%
Additional tax on daily double, quinella, and perfecta	.05	2.5
Special purse and reward fund account	.02	1.0
Track operator	.11	5.5
Horsemen's purses	.11	5.5
Breakage	.03	1.5
Pari-mutuel betting pool	<u>1.56</u>	<u>78.0</u>
Total	\$2.00	100.0%

Multiple Wager on Three or More Horses

A \$2 wager on a trifecta or other multiple wager involving a single bet on three or more horses requires a 25 percent (50 cents) "take out." The larger "take out" reflects the 7 percent (14 cents) additional tax. If a track had a daily handle of \$1,000,001, a \$2 bet would be distributed as follows:

<u>Distribution</u>	<u>Amount of bet</u>	<u>Percent</u>
Graduated racing privilege tax	\$.12	6.0%
Additional tax on trifecta	.14	7.0
Special purse and reward fund account	.02	1.0
Track operator	.11	5.5
Horsemen's purses	.11	5.5
Breakage	.03	1.5
Pari-mutuel betting pool	<u>1.47</u>	<u>73.5</u>
Total	\$2.00	100.0%

Distribution of the Illinois Racing Privilege Tax

Racing privilege tax revenue is distributed among five funds in the state treasury.¹⁰

<u>Fund</u>	<u>Distribution (percent)</u>
Agricultural Premium Fund	50.0%
Metropolitan Exposition, Auditorium and Office Building Fund	33.5
Fair and Exposition Fund	7.0
Thoroughbred Breeders Fund or Illinois Standardbred Breeders Fund	8.5
General Revenue Fund	<u>1.0</u>
Total	100.0%

Agricultural Premium Fund

This fund is administered by the Illinois Department of Agriculture. Revenue is used to finance: administrative expenses of the Illinois Racing Board and salaries for its employees; prizes and awards for the state and county fairs; scholarships for veterinary students; county agriculture and home advisors; soil and water surveys and conservation programs; international

trade promotion; care and rehabilitation assistance to disabled veterans and their families; grants for ChicagoFest; and other programs generally related to agriculture and the horse racing industry.¹¹ (See Appendix B.)

Metropolitan Exposition, Auditorium,
and Office Building Fund

This fund is administered by the Department of Commerce and Community Affairs. Racing privilege tax revenue deposited in the fund is used to pay a portion of the principal and interest on bonds issued to construct civic centers throughout the state.¹² Allocations have been made to support civic centers in Aurora, Danville, Decatur, DeKalb, Joliet, Peoria, Rockford, and Springfield.

Fair and Exposition Fund

This fund is administered by the Illinois Department of Agriculture. County fair organizations in downstate counties and the exposition authority in Cook County apply to the Department for allocations from the fund. Each county fair authority and the fair and exposition authority in Cook County receive that portion of the fund's allocation which the population of the county bears to the total population of all counties participating in the allocation.¹³ Revenue from the fund may be used for financing industrial, cultural, educational, trade, and scientific exhibits; constructing, equipping, and maintaining auditoriums, exposition buildings, and viewing stands, and other related expenditures; and paying the principal of, and interest on, revenue bonds issued for these purposes. The Department of Agriculture may authorize expenditures for other purposes.¹⁴

County fair organizations in downstate counties are not eligible for allocations from the Fair and Exposition Fund if they receive allocations from the Agricultural Premium Fund.¹⁵

Thoroughbred and Standardbred Breeders' Funds

Two breeders' funds are administered by the Department of Agriculture. The Thoroughbred Breeders' Fund receives 8.5 percent of the racing privilege tax

revenue from thoroughbred racing meets, and the Standardbred Breeders' Fund (harness racing) receives the same percentage of privilege tax revenue from standardbred racing meets.

Revenue in the Thoroughbred Breeders Fund is used primarily to encourage the breeding of thoroughbred race horses in the state. Revenue in the Standardbred Breeders' Fund is used primarily to encourage the breeding of harness racing horses and ownership of such horses by residents of the state. These funds are also intended to encourage the ownership of such horses by residents of the state in order to provide sufficient numbers of high quality race horses to participate in racing meets in Illinois.

General Revenue Fund

Any racing privilege tax revenue remaining after distributions to these funds is deposited in the General Revenue Fund.¹⁸

Distribution of Other Horse Racing Revenue

The horse racing industry generates additional revenue from breakage, license fees, admissions taxes, and unclaimed pari-mutuel tickets. Most of this revenue is deposited in the General Revenue Fund.

Breakage

The breakage from all races except charity meets is divided evenly between the General Revenue Fund and the Illinois Race Track Improvement Fund.¹⁹ The State Racing Board distributes money in the Improvement Fund to racetracks for:

- construction of seating stands, buildings, and other structures;
- maintenance of grounds and track surfaces;
- purchase or restoration of property and equipment used to operate the track; and
- payment of amortization of debt contracted with the approval of the State Racing Board for any or all such purposes.²⁰

The breakage from charity meets is divided evenly between the General Revenue Fund and the particular charity which sponsors the racing meet.²¹

License Fees

Horse racing organizations must pay an annual fee of \$1,000, plus \$100 for each racing day. Racing organizations are subject to additional fees of \$100 for each racing day on which the pari-mutuel handle is over \$400,000 but less than \$700,000 and \$200 for each racing day on which the pari-mutuel handle is over \$700,000.²² In addition, the Racing Board has the option of imposing license fees on horse owners, trainers, harness drivers, jockeys, grooms, exercise persons, veterinarians, blacksmiths, concessionaires, and other personnel who work at a race track. The annual license fee may not exceed \$25 and the 3-year license fee may not exceed \$60.²³ All license fees are deposited in the General Revenue Fund.

Admissions Taxes

A tax of 15 cents is imposed on each person entering a racetrack. This tax is in addition to any admissions charge imposed by the track operator. Racing personnel licensed by the Racing Board are not required to pay the tax.²⁴ All admissions tax revenue is deposited in the General Revenue Fund.

Municipalities which have a licensed racetrack wholly within their corporate limits may impose a local amusement tax up to 10 cents per person.²⁵ This revenue is deposited in the municipality's corporate fund.

Unclaimed Pari-Mutuel Tickets

Unredeemed pari-mutuel ticket payoffs must be retained by the racing organization for payment until April 1 of the next year. Within 10 days after the April 1 deadline, the value of unclaimed tickets must be deposited in the Illinois Veterans' Rehabilitation Fund.²⁶ The Department of Rehabilitation Services uses this money for case services to individual veterans.

State Revenue from Horse Racing

State revenue from horse racing averaged about \$70 million in racing years 1980, 1981, and 1982. Revenue from the racing privilege tax averaged about \$58 million and breakage revenue averaged about \$9 million in each of these years. Additional revenue from license fees, admissions taxes, uncashed pari-mutuel tickets, and miscellaneous sources has averaged about \$2.6 million during this 3-year period. Total revenue for the 1982 racing year was slightly below that collected in the 2 previous years.

During this 3-year period, most of the state's horse racing revenue has been distributed to the Agricultural Premium Fund and the Metropolitan Exposition, Auditorium, and Office Building Fund. Distributions to the Agricultural Premium Fund have averaged about \$29 million, and distributions to the Exposition Fund have averaged about \$19 million in each of these years. Annual distributions to the General Revenue Fund, Fair and Exposition Fund, and Race Track Improvement Fund have averaged about \$6 million, \$4 million, and \$4.5 million, respectively. The Thoroughbred Breeders' Fund and Standardbred Breeders' Fund have each received an average of \$2.5 million during the last 3 racing years.

Racing revenue and distributions for racing years 1980, 1981, and 1982 appear in Appendix C.

Cumulative Distributions, 1941 Through 1982

From 1941 to 1983 state revenue from horse racing totaled about \$1.3 billion. The largest cumulative distribution of nearly \$535 million was to the Agricultural Premium Fund, 1941-1982. Other significant cumulative distributions include \$163 million to the General Revenue Fund, 1941-1982, \$134.6 million to the Metropolitan Exposition, Auditorium, and Office Building Fund, 1972-1982, and \$91.6 million to the Fair and Exposition Fund, 1951-1982.

Significant distributions of horse racing revenue were made to two funds which have been discontinued. The Service Recognition Bond, Interest, and Retirement Fund,²⁷ which was used to pay bonuses to World War II veterans, received racing revenue totaling about \$257.8 million from 1946 to 1972, and the Metropolitan

Fair and Exposition Authority Reconstruction Fund,²⁸ which was used to retire bonds issued to reconstruct McCormick Place, received about \$77.5 million during 1972 through 1976.

The annual state revenue from horse racing from 1941 to 1982 and the cumulative distributions to the various state funds which receive racing revenues are listed in Appendix D.

Notes

1. Ill. Rev. Stat. 1981, ch. 8, sec. 37-1 ff.
2. Ill. Rev. Stat. 1981, ch. 8, sec. 37-4.
3. Ill. Rev. Stat. 1981, ch. 8, sec. 37-26.
4. Ill. Rev. Stat. 1981, ch. 8, sec. 37-26.
5. Tom Ainslie, Ainslie's Encyclopedia of Thoroughbred Handicapping (1978), p. 188.
6. Same as note 5, p. 187.
7. Ill. Rev. Stat. 1981, ch. 8, sec. 37-27.
8. Ill. Rev. Stat. 1981, ch. 8, sec. 37-27.
9. Ill. Rev. Stat. 1981, ch. 8, sec. 37-29.
10. Ill. Rev. Stat. 1981, ch. 8, sec. 37-28.
11. Ill. Rev. Stat. 1981, ch. 8, sec. 37-28.
12. Ill. Rev. Stat. 1981, ch. 85, sec. 1394.
13. Ill. Rev. Stat. 1981, ch. 85, sec. 668.
14. Ill. Rev. Stat. 1981, ch. 85, sec. 670.
15. Ill. Rev. Stat. 1981, ch. 85, sec. 668.
16. Ill. Rev. Stat. 1981, ch. 8, sec. 37-30.
17. Ill. Rev. Stat. 1981, ch. 8, sec. 37-31.
18. Ill. Rev. Stat. 1981, ch. 8, sec. 37-28.
19. Ill. Rev. Stat. 1981, ch. 8, sec. 37-28.
20. Ill. Rev. Stat. 1981, ch. 8, sec. 37-32.
21. Ill. Rev. Stat. 1981, ch. 8, sec. 37-27.
22. Ill. Rev. Stat. 1981, ch. 8, sec. 37-18.
23. Ill. Rev. Stat. 1981, ch. 8, sec. 37-15.
24. Ill. Rev. Stat. 1981, ch. 8, sec. 37-25.
25. Ill. Rev. Stat. 1981, ch. 8, sec. 37-27.
26. Ill. Rev. Stat. 1981, ch. 8, sec. 37-26.
27. Ill. Rev. Stat. 1981, ch. 126 1/2, secs. 53-57.
28. Ill. Rev. Stat. 1981, ch. 85, secs. 1250.1 to 1250.10.

Appendix A

Illinois Graduated Racing Privilege Tax

<u>Daily pari-mutuel handle</u>	<u>Tax rate</u>
\$ 200,000 and under	1.75%
200,001 - \$ 300,000	3.25
300,001 - 400,000	3.75
400,001 - 500,000	4.25
500,001 - 750,000	5.25
750,001 - 1,000,000	5.5
1,000,001 - 1,500,000	6.0
1,500,001 - 2,000,000	6.5
2,000,001 - 2,250,000	6.75
2,250,001 - 2,500,000	7.0
2,500,001 - 2,750,000	7.25
2,750,001 - 3,000,000	7.50
3,000,000 and over	7.75

Source: Ill. Rev. Stat. 1981, ch. 8, sec. 37-27.

Appendix B

**Distribution of Revenue in the Agricultural Premium Fund,
Thoroughbred Breeders' Fund, and Standardbred Breeders' Fund**

Agricultural Premium Fund

Salaries of racing board members, stewards, directors of mutuels, veterinarians, inspectors, and other racing board employees and all administrative expenses of the racing board, including all expenses and salaries incident to the taking of saliva and urine samples.

Operating expenses of the state fair, including payment of prize money or premiums.

Distribution to county fairs, vocational agriculture section fairs, agricultural societies, and agricultural extension clubs.

Payment of prize money and premiums awarded and for expenses incurred in connection with the Mid-Continent Livestock Exposition and the International Livestock Exposition held in Illinois.

Personal services of county agricultural advisors and county home advisors.

Distribution to agricultural home economic extension councils.

Research of equine diseases, including an equine disease research center.

Scholarships for study of equine diseases to students at the University of Illinois College of Veterinary Medicine.

Rehabilitation and repair of the state fair grounds and structures and construction of permanent improvements on the grounds, including structures and property which are under the custody and control of the Department of Agriculture and which have been determined by the Governor not to pertain to the state fair.

Administration and other expenses of the Department of Agriculture in promoting agricultural exports.

Administration and other expenses of the Department of Commerce and Community Affairs in promoting international trade.

Care and rehabilitation assistance to disabled veterans of any war and their surviving spouses and orphans.

Expenses of the Department of Law Enforcement for duties performed under the Horse Racing Act.

Appendix B (cont'd)

Soil surveys and soil and water conservation programs conducted by the Department of Agriculture.

Grants from the Department of Agriculture to the city of Chicago for ChicagoFest.

Thoroughbred Breeders' Fund

Supplemental purses to owners of Illinois race horses participating in the race limited to Illinois thoroughbreds.

Stakes and rewards to owners of winning horses in races limited to Illinois thoroughbreds which are designated as stake races.

Stallion awards to owners of an Illinois stallion which sired an Illinois thoroughbred which wins any race conducted at a thoroughbred racing meeting in which the total purse offered for such race is \$7,500 or more.

\$50,000 annually for purses distributed to county fairs that provide running races for Illinois thoroughbreds.

Educational programs regarding the thoroughbred breeding industry.

Research programs concerning the health, development, and care of thoroughbred horses.

Public information designed to promote the breeding of thoroughbred horses.

Scholarship and training programs for students of equine veterinary medicine.

All expenses incurred in the administration of the Illinois Thoroughbred Breeders Fund.

Standardbred Breeders' Fund

Purses for state and county fair races for Illinois-bred harness horses.

Supplemental purses for races limited to Illinois horses by racing associations conducting harness racing meetings.

Improvements of racing facilities at the state and county fairs.

Appendix B (cont'd)

Administrative expenses of the Standardbred Breeders Fund.

The promotion of harness racing in Illinois.

Source: Ill. Rev. Stat. 1981, ch. 8, secs. 37-28 to 37-30.

Appendix C

Source and Distribution of Revenue for the 1980, 1981 and 1982 Racing Years

	1980	1981	1982
Sources of Revenue			
Application and License Fees of Racing Association	\$ 150,572	\$ 181,740	\$ 164,930
Admission Taxes	998,585	982,320	902,576
Privilege Tax on Pari-Mutuel Wagering	58,564,432	60,512,088	56,324,146
Breakage from Pari-Mutuel Wagering	8,990,404	9,393,398	8,560,861
Licensing of Racing Personnel	160,150	160,201	200,078
Uncashed Pari-Mutuel Tickets	1,271,105	1,288,691	1,307,595
Horsemen's Fines	44,323	39,424	36,285
Miscellaneous Sources	30,213	15,653	15,687
TOTAL RECEIVED	\$70,209,784	\$72,573,515	\$67,512,158
Distribution of Revenue			
General Revenue Fund	\$ 6,392,201	\$ 6,368,866	\$ 6,163,228
Veteran's Rehabilitation Fund	1,271,105	1,288,691	1,307,596
Agricultural Premium Fund	29,272,432	30,256,044	28,162,073
Metropolitan Exposition, Auditorium and Office Building Fund	19,612,709	20,715,495	18,868,589
Fair and Exposition Fund	4,103,127	4,235,846	3,942,690
Illinois Standardbred Breeders Fund	2,507,756	2,307,089	2,230,837
Illinois Thoroughbred Breeders Fund	2,555,252	2,704,785	2,556,715
Race Track Improvement Fund	4,495,202	4,696,699	4,280,430
TOTAL ALLOCATED	\$70,209,784	\$72,573,515	\$67,512,158

Source: Illinois Racing Board, Annual Reports, 1980, 1981, 1982.

Appendix D

Illinois Horse Racing Revenue and Distribution, 1941 to 1982

<u>Year</u>	<u>Revenues received</u>	<u>Year</u>	<u>Revenues received</u>
1941	\$1,791,518	1961	\$19,564,561
1942	2,444,605	1962	22,766,100
1943	2,808,168	1963	25,174,191
1944	3,917,835	1964	27,804,181
1945	4,339,820	1965	30,501,429
1946	5,206,051	1966	35,561,117
1947	11,384,415	1967	37,803,547
1948	9,547,636	1968	40,024,116
1949	8,673,309	1969	43,334,006
1950	9,084,497	1970	46,551,097
1951	11,414,567	1971	50,258,595
1952	15,109,378	1972	48,996,761
1953	16,081,420	1973	56,392,252
1954	16,135,634	1974	62,031,801
1955	16,600,600	1975	66,103,392
1956	17,536,242	1976	76,474,451
1957	17,550,987	1977	72,535,849
1958	17,266,924	1978	73,899,698
1959	17,535,680	1979	84,785,628
1960	18,115,431	1980	70,209,784
		1981	72,532,515
		1982	67,512,158

Total \$1,353,402,946

Cumulative Distributions

<u>Fund</u>	<u>Amount distributed</u>
General Revenue Fund, 1941-1982	\$ 162,884,255
Veterans' Rehabilitation Fund, 1943-1982	11,555,155
Agricultural Premium Fund, 1941-1982	534,875,331
Metropolitan Fair and Exposition Authority Reconstruction Fund, 1972-1976	77,525,291
Metropolitan Exposition, Auditorium and Office Building Fund, 1972-1982	134,620,324
Fair and Exposition Fund, 1951-1982	91,666,316
Illinois Standardbred Breeders Fund, 1976-1982	13,616,487
Illinois Thoroughbred Breeders Fund, 1976-1982	14,991,208
Race Track Improvement Fund, 1976-1982	30,493,539
Service Recognition Bond, Interest and Retirement Fund, 1946-1972	257,779,502
Illinois Fund for Illinois Colts, 1965-1975	20,069,099
Illinois Bred Thoroughbred Fund, 1957-1963	3,326,439
	<u>\$1,353,402,946</u>

Source: Illinois Racing Board, Annual Reports, 1941-1982.

NEW MEXICO
STATE RACING
COMMISSION

1985
ANNUAL REPORT

Submitted to

The Honorable

TONEY ANAYA

Governor of the State of New Mexico



Nick Franklin
Chairman
Gary C. Mitchell
Vice-Chairman
Harry J. Garcia
Member



Lucy Keys Brubaker
Member
Malcolm "Buddy" Major Jr.
Member
Ronald R. Beserra
Executive Secretary

STATE RACING COMMISSION
OF NEW MEXICO

PO Box 8576, Sta. C Albuquerque, NM 87198
(505) 841-4644

January 1986

The Honorable Toney Anaya
Governor of New Mexico
Office of the Governor
417 State Capitol
Santa Fe, NM 87503

Dear Governor Anaya:

The New Mexico State Racing Commission submits this 1985 Annual Report of Horse Racing in New Mexico in compliance with Statute 60-6-2, being laws of 1933, Chapter 55 revised.

The report covers the calendar year 1985 for the seven race meetings licensed during the year. Where possible, comparable statistics are included for the previous several years to reflect the growth of the industry and to provide for analysis.

The Commission wants to acknowledge the cooperation, support and assistance your office has extended during the 1985 season and the cooperation of other state agencies, track operators, horsemen and others for the progress realized in 1985.

Respectfully submitted,

NEW MEXICO STATE RACING COMMISSION

Nick Franklin, Chairman
Gary C. Mitchell, Vice-Chairman
Harry J. Garcia, Member
Lucy K. Brubaker, Member
Malcolm S. "Buddy" Major, Jr., Member

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1985

STATE OFFICIALS

NEW MEXICO STATE RACING COMMISSION

CORPORATION OFFICIALS OF RACE TRACKS IN NEW MEXICO

Nick Franklin, Chairman	Albuquerque
Gary C. Mitchell, Vice-Chairman	Ruidoso
Harry J. Garcia, Member	Albuquerque
Lucy K. Brubaker, Member	Belen
Malcolm S. "Buddy" Major, Jr.	Los Lunas
Ronald R. Beserra, Executive Secretary.	Albuquerque

NEW MEXICO STATE FAIR COMMISSION

Operator of New Mexico State Fair

Albuquerque, New Mexico

J. T. Turner, Chairman	Moriarty
Odis Echols, Vice-Chairman	Albuquerque
Ina Wilcher, Secretary-Treasurer	Dora
Norris Dean Butler, Member	Eagle Nest
Jennie Day, Member	Albuquerque
Bennie Atencio, Member.	Santo Domingo
Joe Torrez, Member	Angel Fire
M. Steven Anaya, Manager.	Moriarty

SANTA FE RACING, INC.

Operator of Downs at Albuquerque
Albuquerque, New Mexico

SANTA FE RACING, INC.

Operator of Downs at Santa Fe
Santa Fe, New Mexico

Ken Newton.	President
Pete Drypolcher . .	Exec Vice-Pres.
Bob Lee	Vice-President
Patrick Villella. .	Secy-Treasurer
Bob Lee	General Manager

Ken Newton.	President
Pete Drypolcher . .	Exec Vice Pres.
Bob Lee	Vice-President
Patrick Villella. .	Secy-Treasurer
Bob Lee	General Manager

(Corporation Officials Continued. .)

RUIDOSO-SUNLAND, INC.
 Operator of Ruidoso Downs
 Ruidoso, New Mexico

RUIDOSO-SUNLAND, INC.
 Operator of Sunland Park
 Sunland Park, New Mexico

Jess Burner President
 Richard "Dick" Worley . . . Vice-President
 John L. Augustine Secretary
 A. D. Bowen Treasurer
 Sam F. Henderson Director
 Mollie B. Kelly Director
 Ben Lanford, Sr. Director
 Edwin Mayer, Jr. Director
 Jerry Rheudasil Director
 Ferd Slocum Director
 John West Director
 H. Rick Henson General Manager

A. D. Bowen President
 Richard "Dick" Worley . . . Vice-President
 Ferd Slocum Secretary
 Sam F. Henderson Treasurer
 Dr. Johnny French Director
 Raymond Harris Director
 Robert Haynsworth Director
 Bobby Holt Director
 Bill Macey Director
 Jerry Rheudasil Director
 John West Director
 Jess Burner Past President
 H. Rick Henson General Manager

SAN JUAN COUNTY
 Operator of San Juan Downs
 Farmington, New Mexico

LA MESA RACING CORPORATION
 Operator of La Mesa Park
 Raton, New Mexico

Ronn Jones Chairman
 Robert Karlin Chairman Pro Tem
 Donald Benally Member
 Robert Smith Member
 Wallace Davis Member
 Darrell McMullen County Manager
 Dale Wood General Manager

J. R. Adams President
 Jo Ann Adams Vice-President
 A. J. Mangiro Secretary-Treasurer
 T. A. Gillerie Director
 Jean Caldarelli Executive Secretary
 A. J. Mangino General Manager

STATE OF NEW MEXICO

RACING COMMISSION OFFICE STAFF

The 1985 Annual Report to the Governor is compiled through the coordinated efforts of the New Mexico State Racing Commission office staff by keeping all statistical and other information current.

The Racing Commission office staff is as follows:

Ronald R. Beserra Executive Secretary
 Julian Luna Deputy Executive Secretary
 Josie Beutler Financial Specialist
 Ed Tanuz Investigator
 Rio Pollo Investigator
 Kim Ahlbom Administrative Secretary
 Carmen Cardona Key Entry Operator

1985

DOWNS AT ALBUQUERQUE

RACING OFFICIALS

Bob Lee.	General Manager
Dave Brazda.	Administrative Coordinator
Rick Kloeppe.	NMSRC Steward
Dean McKinney.	Steward
Bobbie Harmon.	Steward
Charlie Iles.	Racing Secretary
Terri Bickel.	Assistant Racing Secretary
Butch Murray.	Starter & Paddock Judge
Mike Iles.	Horse Identifier & Clocker
Gerry Howard.	Clocker & Timer
Polly Goins.	Placing Judge & Clocker
Pam Howard.	Clerk of Scales
David Orton, D.V.M.	Track Veterinarian
Richard B. McKee, D.V.M.	State Veterinarian
Dell Jessop, Jr.	Jockey Room Custodian
A. F. Harding.	Stable Superintendent
Ross Sinclair.	Track Superintendent
Jess Sosa.	Chief of Security
Jerry Russell.	Pari-Mutuel Manager
Leonard Lopez & Assocs.	NMSRC Auditor
Bill Duree.	Outrider
Dominic Duree.	Outrider
Alan Stearns.	Accountant
Bill Wood.	Plant Manager
Anna Fay Davis.	Horsemen's Bookkeeper
Polly Miller.	Marketing
Dale Wood.	Publicity & Announcer
J. R. Shiveley, M.D.	Track Physician
Eric Moyers.	Track Photographer

SERVICES

United Totalisator Company	Pari-Mutuel Equipment
Webb Telemedia Corporation	Video, Photo Finish & Timer
Tru-Center	Starting Gate
Rick Johnson & Company	Advertising

1985

DOWN AT SANTA FE
RACING OFFICIALS

Bob Lee General Manager
Dave Brazda Administrative Coordinator
Rick Kloeppel NMSRC Steward
Dean McKinney Steward
Gerry Howard Steward
Charlie Iles Racing Secretary
Terry Bickel Assistant Racing Secretary
Butch Murray Starter & Paddock Judge
Mike Iles Horse Identifier & Clocker
Polly Goins Placing Judge & Clocker
Pamela Howard Clerk of Scales
David Orton, D.V.M. Track Veterinarian
Richard B. McKee, D.V.M. State Veterinarian
Dell Jessop, Jr. Jockey Room Custodian
A. F. Harding Stable Superintendent
Ross Sinclair Track Superintendent
George Smith Chief of Security
Jerry Russell Pari-Mutuel Manager
Ernest A. Romero NMSRC Auditor
Bill Duree Outrider
Dominic Duree Outrider
Alan Stearns Accountant
Bill Wood Plant Manager
Polly Miller Marketing
Anna Fay Davis Horsemen's Bookkeeper
Paul Nicholson Publicity & Announcer
J. R. Shiveley, M.D. Track Physician
Eric Moyers Track Photographer

SERVICES

United Totalisator Company Pari-Mutuel Equipment
Webb Telemedia Corporation Video, Photo Finish & Timing
Tru-Center Starting Gate
Rick Johnson & Company Advertising

1985

LA MESA PARK

RACING OFFICIALS

A. J. "Tony" Mangino	General Manager
Dave Keiter.	NMSRC Steward
Hiram Valentini.	Steward
Donald Eikleberry.	Steward
T. A. "Andy" Gillespie	Racing Secretary
Kathern Cruzan	Concessions
Hanns C. Schwyzer.	Track Physician
Bob Traynor.	Starter & Paddock Judge
Johnny Graham.	Track Superintendent
Joe Gagliardi.	Pari-Mutuel Manager
Louis Collar	Clerk of Scales
James Arrington, D.V.M.	Track Veterinarian
Lloyd Skow, D.V.M.	State Veterinarian
Crystal Traynor.	Chart Caller
Robert Dabovich.	Jockey Room Custodian
Robert Gonzales.	Chief of Security
Gary Stevens	Barn Area Security
Richard Barela	Grandstand Security
Edrie Trent.	Horsemen's Bookkeeper
Azar & Associates.	NMSRC Auditor
Gloria Garner.	Track Photographer
Bill Donati.	Publicity Director
Inge Knox.	Publicity Assistant
Bill Donati.	Announcer
Gary Stevens	Clocker
Louis Collar	Clocker
Joseph Martinez.	Clocker

SERVICES

Webb Telemedia	Film Patrol & Photo Finish
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1985

RUIDOSO DOWNS

RACING OFFICIALS

H. Rick Henson	General Manager
Richard D. Lidberg	Assistant General Manager
Jeff Thrasher	NMSRC Steward
Bruce Brinkley	Steward
Gordon Graham	Steward
Harold L. Payne	Racing Secretary
Scott Golightly	Assistant Racing Secretary
William Powers	Paddock Judge
Dean Turpitt	Starter
Michael Hedeman	Clerk of Scales
Iedro Rodriguez	Identifier
Tom R. Carroll, D.V.M.	State Veterinarian
William Pitt, D.V.M.	Track Veterinarian
Jack Chambers	Timer
Kenneth Shockey	Chief of Security
J. E. Knott	Pari-Mutuel Manager
Ray Montoya	Track Superintendent
John Payne	Stable Superintendent
Frank Olmstead	NMSRC Auditor
Bill Thomas	Public Relations
Randall Summers	Director of Horse Sales
Michael R. Fones	Director of Publicity
Frank Cummins	Manager of Operations
Robert Welch	Manager of Concessions
Joan Chase	Office Manager
Robert Dudich	Announcer
Dickye Turner	Horsemen's Bookkeeper
Fred Bernard	Maintenance Superintendent
Bill Pitt, Jr.	Track Photographer
Dr. Don Simms	Track Physician
Dr. Ron Annala	Track Physician

SERVICES

American Totalisator	Pari-Mutuel System
Video Patrol, Inc.	Video, Photo Finish
Tru-Center	Starting Gate
Telcom Specialties, Ltd.	Timing & Message Board

1985
SAN JUAN DOWNS
RACING OFFICIALS

R. Dale Wood	General Manager
Albert Frazzini	NMSRC Steward
Dean Summers	Steward
Dale Parker	Steward
Fred Davis	Racing Secretary & Announcer
Gerald Quinn	Clerk of Scales
Hank Mills, Jr.	Starter & Identifier
Hank Demoney	Paddock Judge & Asst. Racing Secretary
Toby Lucero	Jockey Room Custodian
Tony Reynolds, D.V.M.	Track Veterinarian
Leroy Martinez, D.V.M.	State Veterinarian
Howard Donalson	Chief of Security
Bob Chisholm	Pari-Mutuel Manager
Leonard Lopez	NMSRC Auditor
Mark Stoneking	Track Superintendent
Earleen Baird	Horsemen's Bookkeeper
Silviano Martinez	Maintenance Superintendent
Bill Weldon	Track Photographer
Eduardo Schmidt	Track Physician
Ned Charani	Track Physician

SERVICES

Webb Telemedia	Video & Photo Finish
United Totalisator	Pari-Mutuel Equipment
Tru-Center	Starting Gate
Impressions	Souvenir Shop
C & M Concessions	Horsemen's Kitchen
Farrell Industries	Concessions

1985
STATE FAIR
RACING OFFICIALS

M. Steven Anaya	Manager
Allen Mosley	Director of Racing
Dean McKinney	Racing Secretary
Jeff Thrasher	NMSRC Steward
Bobbie Harmon	Steward
Bruce Brinkley	Steward
Gerry Howard	Assistant Steward
Scott Golightly	Assistant Racing Secretary
Butch Murray	Starter
Jerry Russell	Pari-Mutuel Manager
Leonard Lopez & Assocs.	NMSRC Auditor
Paul Tartaglia	Bank Manager
Pedro Rodriguez	Horse Identifier
Pam Howard	Paddock Judge & Clocker
Rick Kloepfel	Placing Judge
Buck Harris	Head Outrider
Ronnie Claridge	Outrider
Fred Davis	Announcer
James Jaramillo	Track Physician
Herbert Smith	Track Superintendent
Dominic Duree	AM Outrider
Rita Tibbits	Grandstand Nurse
Dean Summers	Clerk of Scales & Clocker
Dean Pavillard, D.V.M.	Track Veterinarian
Tom R. Carroll, D.V.M.	State Veterinarian
Glen Gross	Bugler
Dickye Turner	Horsemen's Bookkeeper
H. M. Grey	Jockey Room Custodian
Jess Sosa	Director of Security
Jim Culbertson	Horse Ambulance
Eric Moyers	Track Photographer

SERVICES

Telecom Specialties	Thoroughbred Split-Timer
Clay Puett's True Gate	Starting Gate
Video Patrol	Video & Photo Finish
American Totalisator	Pari-Mutuel Equipment

1985

SUNLAND PARK - SPRING

RACING OFFICIALS

H. Rick Henson	General Manager
Richard D. Lidberg	Assistant General Manager
Bill Thomas	Administrative Assistant
Jeff Thrasher	NMSRC Steward
Bruce Brinkley	Track Steward
Randall Summers	Track Steward
Gordon Graham	Racing Secretary
Scott Golightly	Assistant Racing Secretary
William Powers	Paddock Judge
Dean Turpitt	Starter
Michael Hedeman	Clerk of Scales
Pedro Rodriguez	Horse Identifier
William Pitt, D.V.M.	Track Veterinarian
Tom R. Carroll, D.V.M.	State Veterinarian
Jack Chambers	Timer
Kenneth Shockey	Chief of Security
J. E. Knott	Pari-Mutuel Manager
Frank Olmstead	NMSRC Auditor
Ray Montoya	Track Superintendent
John Payne	Stable Superintendent
Pete Drypolcher	Marketing/Publicity Consultant
Frank Cummins	Manager of Operations
Robert Welch	Manager of Concessions
Robert Dudich	Announcer
Dickye Turner	Horsemen's Bookkeeper
Joe Maldonado	Maintenance Superintendent
Bill Pitt, Jr.	Track Photographer
Dr. Ward Chesley	Track Physician
Dr. John Johnstone	Track Physician

SERVICES

American Totalisator Company	Pari-Mutuel Equipment
Video Patrol, Inc.	Video & Photo Finish
Tru-Center	Starting Gate
Telcom Specialties, Ltd.	Timing & Message Board

1985

SUNLAND PARK - FALL

RACING OFFICIALS

H. Rick Henson	General Manager
Richard D. Lidberg	Assistant General Manager
Dean Summers	NMSRC Steward
Harold Payne	Steward
Bruce Brinkley	Steward
Gordon Graham	Racing Secretary
Scott Golightly	Assistant Racing Secretary
William Powers	Paddock Judge
Dean Turpitt	Starter
Pedro Rodriguez	Horse Identifier
Michael Hedeman	Clerk of Scales
John Payne	Stall Superintendent
William Pitt, D.V.M.	Track Veterinarian
Tom R. Carroll, D.V.M.	State Veterinarian
Jack Chambers	Timer
Kenneth Shockey	Chief of Security
J. E. Knott	Pari-Mutuel Manager
Azar & Associates	NMSRC Auditor
Bill Thomas	Public Relations
Bobbie Jo King	Comptroller
Michael R. Fones	Publicity Director
Dickye Turner	Horsemen's Bookkeeper
Robert Welch	Manager of Concessions
Frank Cummins	Manager of Operations
Joe Maldonado	Maintenance Superintendent
Bill Pitt, Jr.	Track Photographer
Robert Dudich	Announcer
Bill Hilscher	Outrider
Ron Ober	Outrider
Dr. Ward Chesley	Track Physician
Dr. John Johnstone	Track Physician

SERVICES

American Totalisator Company	Pari-Mutuel Equipment
Video Patrol, Inc.	Video & Photo Finish
Tru-Center	Starting Gate
Telcom Specialties, Ltd.	Timing & Message Board

TRENDS IN WAGERING

	<u>YEAR</u>	<u>STRAIGHT PLACE AND SHOW</u>	<u>DAILY DOUBLE</u>	<u>QUINELLA</u>	<u>EXACTA</u>	<u>TRIFECTA</u>	<u>PIC-SIX</u>	<u>TOTAL</u>
Dollars	1985	57,067,391	5,365,515	37,837,495	7,611,092	33,914,699	2,410,650	144,206,842
% of Total	1985	.39	.04	.26	.05	.24	.02	100 %
Dollars	1984	54,572,753	5,438,345	40,081,234	3,132,951	30,850,610	2,595,998	136,671,891
% of Total	1984	.40	.04	.30	.02	.22	.02	100 %
Dollars	1983	52,436,291	5,487,050	40,682,411	1,947,664	27,041,419		127,594,835
% of Total	1983	41.10	4.30	31.88	1.53	21.19		100 %
Dollars	1982	55,723,629	5,866,760	47,617,050	1,490,968	10,165,340	8,307,056	129,170,803
% of Total	1982	43.15	4.54	36.86	1.15	7.87	6.43	100 %
Dollars	1981	53,808,347	5,420,898	47,081,300		3,351,297	7,493,415	117,155,257
% of Total	1981	45.92	4.63	40.19		2.86	6.40	100 %
Dollars	1980	52,415,596	4,948,415	40,988,492			8,439,272	106,791,765
% of Total	1980	49.09	4.63	38.38			7.90	100 %
Dollars	1979	52,249,455	4,478,596	37,564,479			7,384,611	101,677,141
% of Total	1979	51.40	4.40	36.94			7.26	100 %

ATTENDANCE AND PARI-MUTUEL WAGERING

1985

	<u>NO. OF DAYS</u>	<u>ATTENDANCE</u>	<u>DAILY AVERAGE</u>	<u>PARI-MUTUEL HANDLE</u>	<u>AVERAGE</u>	<u>PER CAPITA WAGERING</u>
La Mesa Park	61	70,994	1,163	11,275,253	184,840	158.81
Ruidoso Downs	70	316,194	4,517	33,781,719	482,595	106.83
Downs at Santa Fe	72	252,244	3,503	30,419,047	422,486	120.59
State Fair	25	191,811	7,672	21,349,657	853,986	111.30
San Juan Downs	56	72,479	1,294	4,607,559	82,277	63.57
Downs at Albuquerque	27	127,764	4,732	15,167,983	561,777	118.71
Sunland Park	90	358,287	3,980	27,605,624	360,729	77.04
TOTALS AND AVERAGES	401	1,389,773	3,466	144,206,842	103,763	103.77

1984

La Mesa Park	62	73,751	1,190	11,833,821	190,868	160.46
Ruidoso Downs	70	319,145	4,559	35,869,091	512,416	112.39
Downs at Santa Fe	69	268,715	3,894	31,604,151	458,031	117.61
State Fair	25	223,209	8,928	23,239,400	929,576	104.11
San Juan Downs	26	40,882	1,572	2,267,303	87,204	55.46
Sunland Park	91	363,179	3,991	31,858,125	350,089	87.72
TOTALS AND AVERAGES	343	1,288,881	3,758	136,671,891	398,460	106.04

1983

La Mesa Park	61	100,957	1,655	12,722,643	208,568	126.00
Ruidoso Downs	74	334,942	4,526	38,263,504	517,074	114.24
Downs at Santa Fe	69	262,039	3,798	29,525,402	427,904	113.00
State Fair	17	204,641	10,815	17,137,955	1,008,115	93.22
Sunland Park	85	240,198	2,826	29,945,351	352,298	124.67
TOTALS AND AVERAGES	306	1,142,777	3,617	127,594,835	416,977	115.27

WAGERING AND DISTRIBUTION

1985

	<u>NO. OF DAYS</u>	<u>TOTAL HANDLE</u>	<u>RETURN TO PUBLIC</u>	<u>COMMISSION</u>	<u>BREAKAGE</u>	<u>CAPITAL IMPROVEMENT</u>	<u>STATE TAX</u>
La Mesa Park	61	11,275,253	8,919,674.20	2,023,555.12	104,756.96	219,074.40	8,188.32
Ruidoso Downs	70	33,781,719	26,766,361.65	5,654,972.14	282,764.69	344,965.62	732,654.90
Downs at Santa Fe	72	30,419,047	24,079,244.35	5,301,240.25	200,426.12	354,760.50	483,375.78
State Fair	25	21,349,657	16,907,743.95	3,881,521.47	133,398.44	125,000.00	311,998.44
San Juan Downs	56	4,607,559	3,646,792.30	830,001.60	38,614.46	92,151.18	-0-
Downs at Albuquerque	27	15,167,983	12,008,916.55	2,544,681.20	102,556.27	135,000.00	376,828.98
Sunland Park	90	27,605,624	22,032,336.75	4,991,057.03	193,790.03	433,061.88	165,280.93
TOTALS	401	144,206,842	114,361,069.75	25,227,028.81	1,056,306.97	1,704,013.58	2,068,327.35

1984

La Mesa Park	62	11,833,821	9,368,301.20	2,114,108.37	111,830.14	226,441.22	13,140.07
Ruidoso Downs	70	35,869,091	28,386,291.75	5,969,444.77	330,420.54	345,898.66	837,035.28
Downs at Santa Fe	69	31,604,151	25,022,994.30	5,454,626.21	211,819.05	344,979.36	569,732.08
State Fair	25	23,239,400	18,414,229.40	4,222,117.69	138,264.91	125,000.00	339,788.00
San Juan Downs	26	2,267,303	1,791,349.35	406,168.60	24,438.99	45,346.06	-0-
Sunland Park	91	31,858,125	25,192,802.91	5,716,274.24	205,983.28	447,038.86	296,025.71
TOTALS	343	136,671,891	108,175,968.91	23,882,739.88	1,022,756.91	1,534,704.16	2,055,721.14

1983

La Mesa Park	61	12,722,643	10,074,478.25	2,265,641.83	124,241.22	241,315.30	16,966.40
Ruidoso Downs	74	38,263,504	30,286,183.10	6,351,017.31	358,213.48	368,019.08	900,071.03
Downs at Santa Fe	69	29,525,402	25,369,611.76	5,142,388.79	208,484.11	345,000.00	459,917.34
State Fair	17	17,137,955	13,575,430.10	3,113,205.38	106,560.42	85,000.00	257,759.10
Sunland Park	85	29,945,331	23,839,231.80	5,207,948.26	198,880.15	424,396.20	274,874.59
TOTALS	306	127,594,835	101,144,935.01	22,080,201.57	996,379.38	1,463,730.58	1,909,588.46

RACING REVENUE TO THE STATE

1985

	<u>NO. OF DAYS</u>	<u>ADMISSION TAX</u>	<u>PARI-MUTUEL TAX</u>	<u>DAILY LICENSE FEE</u>	<u>OCCUPATIONAL LICENSE FEES</u>	<u>OCCUPATIONAL FINES</u>	<u>TOTAL STATE REVENUE</u>
La Mesa Park	61	7,099.40	8,188.32	18,300.00	7,900.00	3,575.00	45,062.72
Ruidoso Downs	70	26,355.60	732,654.90	21,000.00	14,155.50	10,260.00	804,426.00
Downs at Santa Fe	72	18,929.00	483,375.78	21,600.00	6,177.50	5,050.00	535,132.28
State Fair	25	16,138.30	301,998.44	250.00	2,997.00	1,025.00	322,408.74
San Juan Downs	56	5,578.30	-0-	16,800.00	9,982.00	3,700.00	36,060.30
Downs at Albuquerque	27	9,606.70	376,828.98	8,100.00	10,691.00	1,100.00	406,326.68
Sunland Park	90	27,553.30	165,280.93	27,000.00	26,464.00	9,440.00	255,738.23
Commission Fines						1,300.00	1,300.00
TOTALS	401	111,260.60	2,068,327.35	113,050.00	78,367.00	35,450.00	2,406,454.95

1984

La Mesa Park	62	7,375.10	13,140.07	18,600.00	11,431.50	3,675.00	54,221.67
Ruidoso Downs	70	26,146.60	837,035.28	21,000.00	15,072.00	7,180.00	906,433.88
Downs at Santa Fe	69	21,079.50	569,732.08	20,700.00	10,883.00	5,100.00	627,494.58
State Fair	25	21,266.80	339,788.00	250.00	4,281.00	775.00	366,360.80
San Juan Downs	26	2,648.50	-0-	7,800.00	7,709.00	250.00	18,407.50
Sunland Park	91	27,851.40	296,025.71	27,307.00	27,220.00	8,095.00	386,492.11
Commission Fines						4,000.00	4,000.00
TOTALS	343	106,367.90	2,055,721.14	95,650.00	76,596.50	29,075.00	2,363,410.53

1983

La Mesa Park	61	8,586.40	16,966.40	18,300.00	11,689.00	2,897.00	58,438.80
Ruidoso Downs	74	26,491.60	900,071.03	22,200.00	15,797.00	2,725.00	967,284.63
Downs at Santa Fe	69	21,686.90	459,917.03	20,700.00	11,407.00	6,705.00	520,416.24
State Fair	17	18,384.80	257,759.10	170.00	3,910.00	1,150.00	281,373.90
Sunland Park	85	17,844.30	274,874.59	25,500.00	24,799.00	8,845.00	351,862.89
Commission Fines						750.00	750.00
TOTALS	306	92,994.00	1,919,588.46	86,870.00	67,602.00	23,072.00	2,180,126.46

THOROUGHBRED AND QUARTER HORSE WAGERING AND AVERAGES

1985

	<u>NO. OF RACES</u>	<u>THOROUGHBRED HANDLE</u>	<u>AVERAGE PER RACE</u>	<u>NO. OF RACES</u>	<u>QUARTER HORSE HANDLE</u>	<u>AVERAGE PER RACE</u>
La Mesa Park	415	6,357,843.50	15,320.10	373	4,917,409.50	13,183.40
Ruidoso Downs	414	18,648,064.49	45,043.63	431	15,133,654.51	36,554.72
Downs at Santa Fe	598	25,452,236.00	42,562.26	173	4,966,811.00	28,709.89
State Fair	222	16,884,500.00	76,056.30	86	4,465,157.00	51,920.43
San Juan Downs	294	2,484,252.00	8,449.83	338	2,123,307.00	6,281.97
Downs at Albuquerque	210	11,842,241.00	56,391.62	88	3,325,742.00	37,792.52
Sunland Park	683	20,281,911.15	29,695.33	358	7,323,712.85	20,457.29
TOTALS	2,836	101,951,048.14	35,948.89	1,847	42,255,793.86	22,878.02

1984

La Mesa Park	417	6,670,496.00	15,996.39	367	5,163,325.00	14,069.01
Ruidoso Downs	400	18,430,092.50	46,075.23	448	17,438,998.50	38,926.34
Downs at Santa Fe	580	25,776,453.00	44,442.16	182	5,827,698.00	32,020.32
State Fair	220	18,810,852.00	85,503.87	80	4,220,822.00	52,760.28
San Juan Downs	96	907,484.00	9,452.96	168	1,359,819.00	8,094.16
Sunland Park	686	23,255,930.01	33,900.77	370	8,602,194.99	23,249.18
TOTALS	2,399	93,851,307.51	39,121.01	1,615	42,612,857.00	26,385.67

1983

La Mesa Park	411	7,310,354.50	17,786.75	358	5,412,288.50	15,118.12
Ruidoso Downs	428	20,351,784.00	47,550.90	467	17,911,720.00	38,354.86
Downs at Santa Fe	567	23,582,473.00	41,591.66	197	5,942,929.00	30,167.15
State Fair	149	13,555,383.50	90,975.73	55	3,422,439.50	62,226.17
Sunland Park	647	21,464,502.50	33,175.43	356	8,480,828.50	23,822.55
TOTALS	2,202	86,264,497.50	39,175.52	1,433	41,170,205.50	28,730.08

TYPE OF WAGERING

QUARTER HORSE

1985

	<u>NO. OF RACES</u>	<u>STRAIGHT PLACE. SHOW</u>	<u>DAILY DOUBLE</u>	<u>QUINELLA</u>	<u>TRIFECTA</u>	<u>EXACTA</u>	<u>PIC-SIX</u>	<u>QUARTER HORSE TOTAL HANDLE</u>	<u>GRAND TOTAL</u>
La Mesa Park	373	2,348,039	70,246.50	1,302,775	998,121	98,228	-0-	4,917,409.50	11,275,253
Ruidoso Downs	431	8,040,186	620,378.00	4,602,578	1,181,161	-0-	700,440.51	15,133,654.51	33,781,719
Downs at Santa Fe	173	2,231,359	396,753.00	1,960,744	92,184	285,821	-0-	4,966,811.00	30,419,047
State Fair	86	2,008,893	29,837.00	2,009,999	57,485	385,943	-0-	4,465,157.00	21,349,657
San Juan Downs	338	1,087,315	77,457.00	570,983	169,771	180,624	37,157.00	2,123,307.00	4,607,559
Downs at Albuquerque	88	1,563,777	267,561.00	1,261,646	-0-	232,758	-0-	3,325,742.00	15,167,983
Sunland Park	358	2,888,826	536,844.00	3,445,348	225,716	-0-	226,978.85	7,323,712.85	27,605,624
TOTALS	1,847	20,168,395	1,999,076.50	15,154,073	2,724,438	1,156,374	964,576.36	42,255,793.86	144,206,842

1984

La Mesa Park	367	2,627,241	196,623.00	1,415,441	781,591	142,429	-0-	5,163,325.00	11,833,821
Ruidoso Downs	448	8,732,125	719,630.00	5,000,250	2,058,836	-0-	928,157.50	17,438,998.50	35,869,091
Downs at Santa Fe	182	2,579,967	429,480.00	2,042,271	90,346	685,634	-0-	5,827,698.00	31,604,151
State Fair	83	2,029,856	324,209.00	1,999,497	-0-	74,986	-0-	4,428,548.00	23,239,400
San Juan Downs	168	708,961	68,903.00	526,334	55,621	-0-	-0-	1,359,819.00	2,267,303
Sunland Park	370	3,199,005	485,634.50	4,494,837	154,539	-0-	268,179.49	8,602,194.99	31,858,125
TOTALS	1,618	19,877,155	2,224,479.50	15,478,630	3,140,933	903,049	1,196,336.99	42,820,583.49	136,671,891

1983

La Mesa Park	358	2,979,401	198,553.50	1,655,276	344,156	244,902	-0-	5,412,288.50	12,722,643
Ruidoso Downs	467	9,572,168	680,986.00	5,964,345	1,694,221	-0-	-0-	17,911,720.00	38,263,504
Downs at Santa Fe	197	2,658,284	398,311.00	2,336,044	33,097	517,193	-0-	5,942,929.00	29,525,402
State Fair	55	1,563,352	176,215.50	1,682,872	-0-	-0-	-0-	3,422,439.50	17,137,955
Sunland Park	356	3,206,280	151,359.50	4,844,248	278,931	-0-	-0-	8,480,828.50	29,945,331
TOTALS	1,433	19,979,485	1,605,425.50	16,482,785	2,350,405	762,095		41,170,205.50	127,594,835

TYPE OF WAGERING

THOROUGHBRED

1985

	<u>NO. OF RACES</u>	<u>STRAIGHT PLACE, SHOW</u>	<u>DAILY DOUBLE</u>	<u>QUINELLA</u>	<u>TRIFECTA</u>	<u>EXACTA</u>	<u>PIC-SIX</u>	<u>THOROUGHBRED TOTAL HANDLE</u>
La Mesa Park	415	2,550,733	242,846.50	1,370,018	1,696,505	197,741	-0-	6,357,843.50
Ruidoso Downs	414	8,040,186	610,689.00	4,302,260	4,849,357	-0-	845,572.49	18,648,064.49
Downs at Santa Fe	598	8,818,174	695,772.00	5,195,685	7,922,551	2,820,059	-0-	25,452,236.00
State Fair	222	5,764,882	661,788.00	3,190,743	5,395,802	1,871,285	-0-	16,884,500.00
San Juan Downs	294	931,715	51,701.00	251,010	974,365	249,472	25,989.00	2,484,252.00
Downs at Albuquerque	210	4,159,024	341,752.00	2,105,710	3,919,594	1,316,161	-0-	11,842,241.00
Sunland Park	683	6,345,371	661,940.00	6,268,001	6,432,087	-0-	574,512.15	20,281,911.15
TOTALS	2,836	36,610,085	3,266,488.50	22,683,427	31,190,261	6,454,718	1,446,073.64	101,951,048.14

1984

La Mesa Park	417	3,212,936	265,881.00	1,301,032	1,591,252	299,395	-0-	6,670,496.00
Ruidoso Downs	400	8,162,135	612,589.00	4,608,505	4,351,823	-0-	695,040.50	18,430,092.50
Downs at Santa Fe	580	9,310,058	817,147.00	7,055,056	7,737,937	856,255	-0-	25,776,453.00
State Fair	220	6,564,137	474,786.00	4,779,896	5,917,781	1,074,252	-0-	18,810,852.00
San Juan Downs	96	385,082	14,247.00	249,743	258,412	-0-	-0-	907,484.00
Sunland Park	686	7,061,250	1,029,215.50	6,608,372	7,852,472	-0-	704,620.51	23,255,930.01
TOTALS	2,399	34,695,598	3,213,865.50	24,602,604	27,709,677	2,229,902	1,399,661.01	93,851,307.51

1983

La Mesa Park	411	3,590,505	283,196.50	2,043,150	1,154,161	239,342	-0-	7,310,354.50
Ruidoso Downs	428	8,926,425	872,761.00	5,096,618	5,455,980	-0-	-0-	20,351,784.00
Downs at Santa Fe	567	8,587,418	850,730.00	6,500,294	6,697,804	946,227	-0-	23,582,473.00
State Fair	149	4,712,151	496,848.50	4,099,257	4,247,127	-0-	-0-	13,555,383.50
Sunland Park	647	6,560,093	1,382,465.50	6,376,012	7,145,932	-0-	-0-	21,464,502.50
TOTALS	2,202	32,376,592	3,886,001.50	24,115,331	24,701,004	1,185,569		86,264,497.50

PURSE DISTRIBUTION

THOROUGHBRED

<u>1985</u>	<u>NO. OF RACES</u>	<u>TRACK PURSE</u>	<u>CONTRIBUTION</u>	<u>TOTAL PURSE</u>	<u>COMBINED PURSE</u>
La Mesa Park	415	517,600	283,141.20	800,741.20	
Ruidoso Downs	414	1,471,200	406,510.86	1,877,710.86	
Downs at Santa Fe	598	2,115,610	602,775.00	2,718,385.00	
State Fair	222	1,537,800	155,684.69	1,693,484.69	
San Juan Downs	294	315,900	35,153.97	351,053.97	
Downs at Albuquerque	210	896,372	21,550.00	917,922.00	
Sunland Park	683	1,628,300	560,712.75	2,189,012.75	
TOTALS	2,836	8,482,782	2,065,528.47	10,548,310.47	

QUARTER HORSE

La Mesa Park	373	461,800	833,028.73	1,294,828.73	2,095,569.93
Ruidoso Downs	431	1,425,100	6,459,820.00	7,884,920.00	9,762,630.86
Downs at Santa Fe	173	494,620	120,629.00	615,249.00	3,333,634.00
State Fair	86	592,000	295,637.27	887,637.27	2,581,121.96
San Juan Downs	338	369,525	272,769.43	642,294.43	993,348.40
Downs at Albuquerque	88	321,900	13,750.00	335,650.00	1,253,572.00
Sunland Park	358	833,200	786,432.12	1,619,632.12	3,808,644.87
TOTALS	1,847	4,498,145	8,782,066.55	13,280,211.55	23,828,522.02

1984

THOROUGHBRED

La Mesa Park	417	571,500	290,916.14	862,416.14	
Ruidoso Downs	400	1,462,100	348,241.56	1,810,341.56	
Downs at Santa Fe	580	2,096,750	733,134.30	2,829,884.30	
State Fair	220	1,532,100	128,394.27	1,660,494.27	
San Juan Downs	96	110,125	33,503.50	143,628.50	
Sunland Park	686	1,824,100	506,444.24	2,330,544.24	
TOTALS	2,399	7,596,675	2,040,634.01	9,637,309.01	

QUARTER HORSE

La Mesa Park	367	505,400	723,961.51	1,229,361.51	2,091,777.65
Ruidoso Downs	448	1,545,900	6,522,584.00	8,068,484.00	9,878,825.56
Downs at Santa Fe	182	558,100	160,131.72	718,231.72	3,548,116.02
State Fair	83	565,700	247,334.62	813,034.62	2,473,528.89
San Juan Downs	168	192,150	134,171.16	326,321.16	469,949.66
Sunland Park	370	932,300	837,100.02	1,769,400.02	4,099,944.26
TOTALS	1,618	4,299,550	8,625,283.03	12,924,833.03	22,562,142.04

TRACK RETAINED PARI-MUTUEL REVENUE AND PURSE DISTRIBUTION

1985

THOROUGHBRED

	<u>NO. OF DAYS</u>	<u>COMMISSION AFTER STATE TAX</u>	<u>BREAKAGE</u>	<u>TOTAL RETAINED REVENUE</u>	<u>PURSE</u>	<u>COMBINED TRACK PURSE</u>
La Mesa Park	61	1,128,605.41	58,663.90	1,187,269.31	517,600	
Ruidoso Downs	70	2,707,274.49	155,520.58	2,862,795.07	1,471,200	
Downs at Santa Fe	72	4,047,006.15	168,357.94	4,215,364.09	2,115,610	
State Fair	25	2,827,823.19	105,384.77	2,933,207.96	1,537,800	
San Juan Downs	56	448,200.86	20,851.81	469,052.67	315,900	
Downs at Albuquerque	27	1,690,924.73	79,993.89	1,770,918.62	896,372	
Sunland Park	90	3,522,816.55	141,466.72	3,664,283.27	1,628,300	
TOTALS	401	16,372,651.38	730,239.61	17,102,890.99	8,482,782	

QUARTER HORSE

La Mesa Park	61	886,761.39	46,093.06	932,854.45	461,800	979,400
Ruidoso Downs	70	2,215,042.75	127,244.11	2,342,286.86	1,425,100	2,896,300
Downs at Santa Fe	72	770,858.32	32,068.18	802,926.50	494,620	2,610,230
State Fair	25	751,699.84	28,013.67	779,713.51	592,000	2,129,800
San Juan Downs	56	381,800.74	17,762.65	399,563.39	369,525	685,425
Downs at Albuquerque	27	476,927.49	22,562.38	499,489.87	321,900	1,218,272
Sunland Park	90	1,302,959.55	52,323.31	1,355,282.86	833,200	2,461,500
TOTALS	401	6,786,050.08	326,067.36	7,112,117.44	4,498,145	12,980,927

1984

THOROUGHBRED

La Mesa Park	62	1,121,276	62,625.00	1,183,901.00	571,500	
Ruidoso Downs	70	2,875,902	168,514.00	3,044,416.00	1,462,100	
Downs at Santa Fe	69	4,299,102	173,692.00	4,472,794.00	2,096,750	
State Fair	25	3,307,921	111,995.00	3,419,916.00	1,532,100	
San Juan Downs	26	152,692	9,776.00	162,468.00	110,125	
Sunland Park	91	4,022,512	150,367.00	4,172,879.00	1,824,100	
TOTALS	343	15,779,405	676,969.00	16,456,374.00	7,596,675	

QUARTER HORSE

La Mesa Park	62	881,002	49,205.00	930,207.00	505,400	1,076,900
Ruidoso Downs	70	2,763,122	161,906.00	2,925,028.00	1,545,900	3,008,000
Downs at Santa Fe	69	943,705	38,127.00	981,832.00	558,100	2,654,850
State Fair	25	775,932	26,270.00	802,202.00	565,700	2,097,800
San Juan Downs	26	229,038	14,663.00	243,701.00	192,150	302,275
Sunland Park	91	1,487,778	55,615.00	1,543,393.00	932,300	2,756,400
TOTALS	343	7,080,577	345,786.00	7,426,363.00	4,299,550	11,896,225

SUMMARY OF OCCUPATIONAL LICENSES ISSUED IN 1985

<u>STATE</u>	<u>OWNERS</u>	<u>TRAINERS</u>	<u>OTHERS</u>	<u>TOTAL</u>	<u>STATE</u>	<u>OWNERS</u>	<u>TRAINERS</u>	<u>OTHERS</u>	<u>TOTAL</u>
Alaska	3	0	0	3	Texas	1,909	291	1,175	3,375
Alabama	4	0	1	5	Utah	66	9	16	91
Arkansas	14	4	16	34	Virginia	2	1	0	3
Arizona	231	69	188	488	Washington	4	4	8	16
California	92	16	53	161	Wisconsin	1	0	1	2
Colorado	737	143	269	1,149	West Virginia	0	0	2	2
Florida	22	5	21	48	<u>Foreign Countries:</u>				
Georgia	6	1	1	8	Canada	1	0	3	4
Hawaii	0	0	1	1	Mexico	29	6	194	229
Iowa	10	1	8	19	Venezuela	2	0	1	3
Idaho	17	5	6	28	Sub-Total	3,918	687	2,249	6,854
Illinois	15	0	6	21	New Mexico	1,894	400	3,707	6,001
Indiana	5	0	0	5	TOTAL - 1985	5,812	1,087	5,956	12,855
Kansas	133	17	33	183	Comparison - 1984				
Kentucky	11	0	3	14	Sub-Total	3,694	623	2,215	6,532
Louisiana	17	8	12	37	New Mexico	1,669	365	3,408	5,442
Massachusetts	1	0	0	1	TOTAL - 1984	5,363	988	5,623	11,974
Maryland	3	0	0	3	Comparison - 1983				
Michigan	7	0	8	15	Sub-Total	3,559	559	2,210	6,328
Minnesota	8	1	1	10	New Mexico	1,449	286	2,760	4,495
Missouri	8	3	17	28	TOTAL - 1983	5,008	845	4,970	10,823
Montana	14	4	14	32	1985 - 41 states and 3 foreign countries were represented.				
North Carolina	2	0	0	2	1984 - 43 states and 3 foreign countries were represented.				
North Dakota	2	1	0	3	1983 - 43 states and 3 foreign countries were represented.				
Nebraska	24	1	11	36					
Nevada	11	0	2	13					
New York	4	1	4	9					
Ohio	7	0	3	10					
Oklahoma	478	90	153	721					
Oregon	6	5	9	20					
Pennsylvania	2	0	1	3					
Rhode Island	1	0	1	2					
South Dakota	5	1	5	11					
Tennessee	4	0	2	6					

Twenty-Ninth Report

of the

**Washington
Horse Racing Commission
210 E. Union
Olympia, WA 98501**

to

**The Governor of Washington
Booth Gardner**

and

The Forty-Ninth Legislature

STATE OF WASHINGTON



1985

Governor Booth Gardner
and
Members of the Legislature
State of Washington

Ladies and Gentlemen:

Pursuant to the provisions of the Washington Horse Racing Act, House Bill No. 59, Legislature of the State of Washington, the same being Chapter 55, of the Laws of 1933 as amended (RCW 67.16.010-67.16.900), the Washington Horse Racing Commission herewith submits its twenty-ninth report for the period beginning January 1, 1985, to, and including December 31, 1985.

Respectfully submitted,

WASHINGTON HORSE RACING
COMMISSION

Warren Chinn, *Chairman*
Barbara Black, *Commissioner*
Lyle Smith, *Commissioner*
Billy Aliment, *Executive Secretary*

SUMMARY OF PARI-MUTUEL TAXES FROM 1933 — 1985

Racing Season	Pari-Mutuel Tax Collected	Licenses and Registration Fees
1933	\$ 73,805.75	\$ 6,554.00
1934	149,059.90	6,542.00
1935	155,322.60	8,236.00
1936	165,979.45	10,670.00
1937	155,190.05	10,871.00
1938	175,419.75	8,093.00
1939	184,642.45	9,207.00
1940	178,392.75	9,022.00
1941	196,256.60	8,748.00
1942	227,894.40	6,312.00
1943	No Racing	No Racing
1944	458,635.45	9,178.00
1945	730,622.45	10,608.00
1946	885,568.10	11,903.00
1947	700,340.40	10,931.00
1948	678,581.00	11,633.00
1949	608,128.25	11,364.00
1950	587,647.95	11,374.00
1951	679,887.20	11,927.00
1952	776,831.20	12,429.00
1953	832,324.80	11,537.00
1954	854,371.60	11,590.00
1955	873,042.60	11,623.00
1956	967,555.35	12,414.00
1957	1,050,354.05	12,960.00
1958	1,058,130.30	12,914.00
1959	1,166,198.05	13,467.00
1960	1,175,570.05	14,395.00
1961	1,325,027.65	15,001.00
1962	1,354,425.10	16,529.00
1963	1,367,403.15	16,653.00
1964	1,490,287.75	17,024.00
1965	1,579,193.60	18,651.00
1966	1,735,117.35	20,808.00
1967	1,892,697.65	20,075.00
1968	2,147,178.00	21,830.00
1969	2,346,364.52	21,225.00
1970	2,568,801.16	24,322.00
1971	2,943,937.42	27,294.00
1972	3,264,267.45	29,614.00
1973	3,868,486.71	32,025.00
1974	4,302,006.50	31,451.00
1975	4,950,644.60	33,714.00
1976	5,536,718.55	37,106.00
1977	5,913,214.27	39,892.00
1978	6,522,080.81	39,924.00
1979	7,273,352.11	42,246.00
1980	7,817,741.11	52,883.00
1981	9,464,688.53	57,389.00
1982	9,674,268.28	199,282.00
1983	9,782,813.93	245,206.00
1984	9,707,541.32	251,910.00
1985	8,981,259.25	245,402.00
	<u>\$133,753,169.27</u>	<u>\$ 1,846,268.00</u>

RACING DATES — 1985

LONGACRES AT RENTON	April 3 through October 14.	133 racing days
PLAYFAIR AT SPOKANE	May 1 through October 21.	101 racing days
YAKIMA MEADOWS AT YAKIMA	March 2 through April 1. April 6 through June 10. August 31 through October 6. October 12 through December 1.	15 racing days 30 racing days 15 racing days 23 racing days
SUN DOWNS AT KENNEWICK	March 2 through October 20.	26 racing days
SOUTHEASTERN WASHINGTON FAIR AT WALLA WALLA	May 11 & 12 August 30, 31 & September 1, 2,	2 racing days 4 racing days
DAYS OF REAL SPORT AT WAITSBURG	May 18 & 19.	2 racing days
DAYTON DAYS AT DAYTON	May 25, 26 and 27.	3 racing days
GRAYS HARBOR PARK AT ELMA	July 20, 21, 22, 27, 28, 29,	6 racing days
SOUTHWEST WASHINGTON FAIR AT CHEHALIS	August 17, 18, 20, 24, 25.	5 racing days

PARI-MUTUEL TAXES — 1985

LONGACRES-WASHINGTON JOCKEY CLUB	\$7,979,296.90
PLAYFAIR-APPLEWAY LEASING, INC.....	687,241.32
YAKIMA MEADOWS-YAKIMA VALLEY TURF CLUB ..	257,972.17
SUN DOWNS-SUN DOWNS, LTD.....	27,341.36
WALLA WALLA-SOUTHEASTERN WASHINGTON FAIR & FRONTIER DAYS	5,124.11
WAITSBURG-DAYS OF REAL SPORT	1,143.65
DAYTON-DAYTON DAYS, INC.....	1,631.39
ELMA-GRAYS HARBOR PARK	5,526.65
CHEHALIS-SOUTHWEST WASHINGTON FAIR	1,588.71
TOTAL	\$8,966,866.26

REGISTRATION AND LICENSES

	1985
Prospective Owners	66
Owners	6,154
Trainers	992
Jockeys	222
Occupationals	3,602
Veterinarians, Platers	106
Authorized Agents	422
Jockey Agents	31
Stable Names	644
Total	12,239

WASHINGTON BRED BONUS FUND

The Washington State Legislature amended the horse racing act to provide a Washington bred bonus fund (RCW 67.16.102) in 1969. This act provided an incentive to Washington horse breeders to produce superior horses allowing them to participate in bonus payments. Owners of Washington bred horses finishing first, second, third or fourth at Washington tracks receive bonus payments over and above the purse monies distributed by the racing association.

The bonus fund authorizes the Washington Horse Racing Commission, to receive daily, from the licensee, one percent of the gross receipts of all pari-mutuel machines which sum is distributed according to the following formula:

The bonus will increase the amount each Washington-bred earns finishing first, second, third or fourth at the meet on or after August 11, 1969, by the same percentage which the total amount accumulated by the one-percent withheld bears to the total amount earned at the meet by Washington-bred horses finishing first, second, third and fourth. In stake races, only added monies will be considered in computing the bonus.

Pursuant to RCW 67.16.102, licensees are not to take into consideration the benefits derived from the Washington-bred bonus fund in establishing purses.

The bonus fund accumulation at each racing association meeting is deposited by the Washington Horse Racing Commission and at the conclusion of the respective race meeting the funds are distributed to the eligible recipients by the Racing Commission. Race meets which are nonprofit in nature, or of ten days or less or which have an average daily handle of less than one hundred twenty thousand dollars are exempted from withholding the one percent of gross receipts for this bonus fund.

Under RCW 67.16.102 the funds, while they are in the custody of the Racing Commission, are invested in interest bearing certificates of deposit and the interest earned is distributed annually on an equal basis to race courses at which independent race meets are held which are nonprofit and of ten days or less. This money must be used for maintaining and upgrading the respective race courses and equine storage areas of said nonprofit meets.

The fund benefits the breeding industry and the public. It serves to produce higher quality horses and therefore better racing. It also allows the nonprofit meets to upgrade their facilities.

RCW 67.16.102 provides further that interest earned from the Commission's share of pari-mutuel taxes and license fees, as provided for in RCW 67.16.100, shall also be distributed annually to race courses at which nonprofit race meets of ten days or less are held.

WASHINGTON BRED BONUS FUND — 1985

	Total Amount Purses Paid Owners of Washington Bred Horses	Number of Replacements	Total Amount 1% W.B. Bonus Fund	Percentage Factor
Washington Jockey Club—Longacres	\$7,331,515.00	899	\$1,680,347.44	21.55537167 %
Appleway Leasing, Inc.—Playfair	1,667,042.23	674	273,224.22	16.389769964 %
Yakima Valley Turf Club				
Yakima Meadows Spring Thoroughbred	146,017.50	230	29,541.43	20.231431164 %
Yakima Meadows Spring Mixed	193,705.00	338	43,291.58	22.349203235 %
Yakima Meadows Fall Mixed	87,777.72	180	19,030.37	21.680182824 %
Yakima Meadows Fall Thoroughbred	218,303.00	332	31,129.88	14.273683025 %
	<u>\$9,644,360.70</u>	<u>2,633</u>	<u>\$1,978,594.92</u>	

Interest Earned and Paid to Race
Courses under R.C.W. 67.16.102

	Total 1983	Total 1984
Dayton Days, Dayton	\$ 30,209.95	\$ 29,854.25
Grays Harbor Park, Elma	30,209.95	29,854.24
Days of Real Sport Inc., Waitsburg ...	30,209.95	29,854.25
Southeastern Washington Fair & Frontier Days, Walla Walla	<u>30,209.95</u>	<u>29,854.24</u>
	\$ 120,839.80	\$ 119,416.98

Following distribution of 1984 interest, an opinion from the Attorney General, required re-distribution to include Fair Meadows Race Course at Chehalis. Revised distribution is shown below.

	Revised Total 1984	Total 1985
Dayton Days, Dayton	\$ 23,883.40	\$ 17,740.03
Grays Harbor Park, Elma	23,883.39	17,740.02
Days of Real Sport Inc., Waitsburg ...	23,883.40	17,740.02
Southeastern Washington Fair & Frontier Days, Walla Walla	<u>23,883.39</u>	<u>17,740.02</u>
Fair Meadows/Southwest Washington Fair	<u>23,883.40</u>	<u>17,740.02</u>
	\$ 119,416.98	\$ 88,700.11

COMMISSION MEETINGS

The Washington Horse Racing Commission held eight formal meetings to conduct Commission business. The meetings were held on March 22, March 28, April 29, May 21, June 4, July 17, September 11 and December 18, 1985. Proceedings of Commission meetings are tape recorded, transcribed, and recorded as permanent records of the Commission.

WASHINGTON LAWS CONCERNING HORSE RACING

Substitute Senate Bill Number 3342, Chapter 146, Washington Laws of 1985, passed by the Senate April 15, 1985, passed by the House April 11, 1985, Approved by the Governor April 25, 1985 and Filed in Office of Secretary of State April 25, 1985 authorized major changes to the racing laws of the state of Washington. Specifically changes were made to RCW 67.16.010, 67.16.020, 67.16.050, 67.16.060, 67.16.090, 67.16.100, 67.16.105, 67.16.130, 67.16.170, 67.16.175, 67.16.180, and 67.16.190 and adding a new section 67.16.075.

COMPARISON OF TOTAL HANDLE (Dollars Wagered) for RACING
YEARS 1984 and 1985, BY TRACK

TRACKS	1984	1985
Longacres-Washington Jockey Club	\$164,314,166.00	\$158,034,744.00
Playfair-Appleway Leasing, Inc.	29,848,950.00	27,322,422.00
Yakima Meadows-Yakima Valley Turf Club	16,066,928.00	12,302,326.00
Sun Downs-Sun Downs, Ltd	1,248,419.00	1,590,679.00
Walla Walla-Southeastern Washington Fair and Frontier Days	376,148.00	321,232.00
Waitsburg-Days of Real Sport	88,440.00	72,130.00
Dayton-Dayton Days, Inc.	111,062.00	104,638.00
Elma-Grays Harbor Park	371,166.00	364,630.00
Chehalis-Southwest Washington Fair ..	<u>151,402.00</u>	<u>110,032.00</u>
TOTAL	\$212,576,681.00	\$200,222,833.00

CASH RECEIPTS
January 1, 1985 - December 31, 1985

Receipts	Total	Remitted To General Fund	Remitted To Trade Fair Fund	Remitted To Fair Fund	Commissions Operating Fund
Tax on Pan-Mutuel Handle	\$ 7,975,296.90	\$1,975,126.53	\$193,422.87	\$2,218,590.13	\$1,691,567.37
Washington Jockey Club (Longacres)	687,241.32	456,478.85	5,555.93	59,819.07	122,387.47
Appletree Leasing, Inc. (Playfair)	257,972.17	181,136.43	3,192.08	33,948.32	39,695.34
Yakima Valley Turf Club (Yakima)	27,241.36	15,352.69	126.43	1,474.98	10,187.26
Sun Downs, Ltd. (Kennebec)	5,124.11	3,587.88	48.18	562.16	925.89
Southeastern Washington Fair Association (Walla Walla)	1,143.65	927.26	10.82	126.23	79.34
Days of Real Sport (Wauburg)	1,631.39	1,317.48	15.69	18.12	115.10
Dayton Davs, Inc. (Dayton)	5,526.63	3,618.00	54.69	628.11	1,215.85
Grays Harbor Park (Elmer)	1,588.71	1,030.13	16.50	192.56	349.52
Southwest Washington Fair (Chehalis)					
Total Tax on Pan-Mutuel Handle	\$ 8,966,896.26	\$4,638,973.25	\$205,443.19	\$2,355,534.68	\$1,766,913.14
Association License Fees					
Washington Jockey Club (Longacres)	\$ 66,500.00	\$ 27,055.00	\$ 1,995.00	\$ 22,950.00	\$ 14,500.00
Appletree Leasing, Inc. (Playfair)	20,200.00	8,080.00	606.00	7,070.00	4,444.00
Yakima Valley Turf Club (Yakima)	16,600.00	6,976.19	498.00	5,570.00	3,556.00
Sun Downs, Ltd. (Kennebec)	500.00				250.00
Southeastern Washington Fair Association (Walla Walla)	60.00				60.00
Days of Real Sport (Wauburg)	20.00				20.00
Dayton Davs, Inc. (Dayton)	30.00				30.00
Grays Harbor Park (Elmer)	50.00				50.00
Southwest Washington Fair (Chehalis)	50.00				50.00
Total Association License Fees	\$ 103,780.00	\$ 42,111.00	\$ 3,099.00	\$ 35,590.00	\$ 22,980.00
Registration Fees					
Prospective Owners	\$ 1,650.00	\$ 142,661.00	\$ 3,652.44	\$ 38,966.70	\$ 46,247.52
Owners	86,156.00				
Trainers	13,888.00				
Jockeys	3,108.00				
Occupational Permits	18,010.00				
Veterinarians, Platers	1,484.00				
Authorized Agents	2,110.00				
Jockey Agents	155.00				
Stable Names	16,100.00				
Total License Fees	\$ 142,661.00	\$ 53,774.34	\$ 3,652.44	\$ 38,966.70	\$ 46,247.52
Total License and Registration Fees	\$ 246,441.00	\$ 95,885.34	\$ 6,751.44	\$ 74,576.70	\$ 27,522.00
Total All Above	\$ 9,213,307.26	\$4,734,860.59	\$212,194.63	\$2,430,111.38	\$1,836,140.66
Other Receipts:					
Fines and Forfeits	\$ 15,065.00	\$ 7,701.25	\$ 571.95	\$ 6,619.00	\$ 4,172.80
Other Charges for Current Services (Radio & TV)					(534,799.24)
Fund Transfers		534,796.34			(318,481)
Non-sufficient Fund Checks		(318.88)			112.40
Recovery of Prior Biennium Expenditures					
Total Other Receipts	\$ 15,065.00	\$ 534,796.34	\$ 571.95	\$ 6,619.00	\$ 4,172.80
Total Receipts	\$ 9,232,467.26	\$5,277,358.18	\$212,766.58	\$2,436,730.38	\$1,840,313.46

CASH DISBURSEMENTS
January 1, 1985 through December 31, 1985

Salaries and Wages	
State Personnel Board Classified	\$ 77,882.42
Except	603,097.64
Special (Commissioners)	18,540.00
Terminal Leave	1,450.27
Personnel Services Contracts	
Auditing	55,855.00
Other Services	13,450.00
Goods and Services	
Supplies and Materials	7,175.86
Communications	8,958.36
Rentals and Leases	9,778.53
Repairs/Alterations/Maintenance	1,273.53
Printing and Reproduction	4,878.03
Dues/Fees/Memberships/Education and Training	4,843.00
Subscriptions	240.00
Facilities and Services	617.00
Data Processing	9,985.08
Attorney General	36,171.81
Personnel Services	743.03
Insurance	80.00
Purchased Services	599,174.98
Audit Services	7,694.68
Archives and Records Management	501.00
Other Goods and Services	8,967.86
Travel	
In State	
Subsistence and Lodging	16,451.57
Air Transportation	1,526.00
Private Automobile Mileage	13,539.83
Other Transportation	660.19
All Other	62.50
Out of State	
Subsistence and Lodging	647.60
Air Transportation	1,278.00
Other Transportation	97.08
Equipment	
Equipment-Non-Inventoriable/Non-capitalized	529.86
Equipment-Inventoriable/Non-capitalized	336.91
Equipment-Capitalized	737.41
Employee Benefits	
O.A.S.I.	49,460.25
Retirement and Pensions	41,621.19
Medical Aid and Industrial Insurance	8,665.21
Health, Life and Disability Insurance	27,722.00
Unemployment Compensation	43,463.99
Total Disbursements	\$1,678,157.67
Cash on Hand in Bank December 31, 1985	47,000.00
Excess monies invested	200,000.00

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WYOMING PARI-MUTUEL COMMISSION, ANNUAL REPORT

December 31, 1985

Receipts

Permit fees (68 days at \$50)		\$ 3,400.00	
Licenses - Processing	\$11,670.00		
Owners & trainers	23,150.00		
Jockeys	1,100.00		
Others	<u>6,980.00</u>	42,900.00	
Handle at 1%		73,515.85	
Fines (prior year)		800.00	
Interest		4,941.57	
Other collections		<u>45.00</u>	
TOTAL RECEIPTS			\$125,602.42

Disbursements

Personal Services			
Commissioners	\$ 2,465.17		
Secretary	6,407.07		
Stewards	<u>33,683.69</u>	\$42,555.93	
Support Services			
Communications	\$ 1,782.55		
Dues, Registrations	1,315.00		
Travel In State	7,283.95		
Travel Out of State	2,248.38		
Office Sup. & Printing	2,663.85		
Testing Sup. & Equip.	1,756.65		
Equipment & Other Serv.	1,246.80		
License Process. Sup.	<u>4,593.71</u>	22,890.89	
Cost Allocation		2,098.00	
Professional Services			
Veterinarians	\$18,750.00		
Assistants	10,350.00		
Laboratory Testing	21,942.50		
Shipping & Ice	1,632.82		
Travel	<u>1,161.40</u>	<u>53,836.72</u>	
TOTAL DISBURSEMENTS			121,381.54

Beginning Cash	\$ 45,705.49
Receipts	125,602.42
Total Available	171,307.91
Disbursements	121,381.54
Ending Balance	49,926.37



PARI - MUTUEL TAX

Florida Statutes: Chapters 550 and 551

Administered by: Department of Business Regulation; Division of Pari-Mutuel Wagering

<u>Fiscal Year</u>	<u>Collections</u>	<u>Annual Change</u>	<u>General Revenue Distribution**</u>	<u>Annual Change</u>
1986-87*	\$128,500,000	3.05	\$ 90,900,000	3.77%
1985-86*	124,700,000	3.73	87,600,000	6.68
1984-85	120,213,731	3.46	82,112,183	10.06
1983-84	116,194,706	4.17	74,609,984	3.39
1982-83	111,541,824	1.87	72,163,070	2.35
1981-82	109,503,868	3.43	70,511,274	-3.91
1980-81	105,880,415	3.05	73,381,585	18.78

* Est.

** Does not include service charges to General Revenue.

DISPOSITION

Each county \$446,500, annually - total \$29,915,500; administrative costs of the Division; remainder to General Revenue in the form of a deposit, transfer, or service charge except; proceeds of "charity" and "scholarship" days, escheats of unclaimed tickets, and "breaks" at horse tracks (See analysis of collections and distributions on the following page).

BASE AND RATE

(See tables on following pages)

ECONOMIC INCIDENCE

The burden is borne by wagering individuals.

HISTORY

Pari-mutuel betting was first authorized in 1931, with the handle taxed at 3% plus an admissions tax. Jai-alai frontons were authorized in 1935, with the same tax provisions. In 1941 a tax on "breaks" and an additional tax for "old age assistance" were enacted. In 1955, additional taxes were levied on various tracks. Daily license fees in lieu of percentage levies were authorized in 1963. Escheat of unclaimed winning tickets was enacted in 1959. Summer horse racing was provided in 1969, separately from the winter season. Provision was made for operation of harness tracks in 1963 and quarter horse tracks in 1964. Legislation in 1971 placed a ceiling of \$446,500 on the amount of racing revenues distributed annually to each county. In 1975, several temporary relief measures were provided for, with a termination date of July 1, 1977; also, total commissions at frontons and horse and dog tracks were increased by .4% to 17.4% for the two year period. In 1976, dog racing in lieu of harness racing at certain tracks was authorized and the requirements changed regarding the substitution of quarter horses. In 1977, dog racing, horseracing (except quarter horses), and jai-alai permittees were authorized to withhold an additional commission of .6%, increasing the total commission to 17.6%, to be paid into the general revenue fund of the state. Additionally, several purse allowance subsidies were provided for along with a reduction in the daily license fee for Summer quarter horse

P A R I - M U T U E L T A X

(continued)

racing. The pari-mutuel laws were substantially revised during the 1980 session of the Legislature (Chapter 80-57, Laws of Florida).

In 1984, the length of the harness racing season was increased from a maximum of 105 days to 120 days. Harness racing, dog racing and jai-alia permitholders were authorized to withhold an additional 1% commission from exotic wagers to be used for capital improvements. Also, permitholders conducting greyhound and harness racing must pay a 50% surtax on the additional 1% of the handle on exotic wagers withheld for capital improvements or purses. The surtax is to be deposited into the General Revenue Fund. The commission for summer thoroughbred horseracing permitholders and winter thoroughbred horse racing permitholders whose average daily handle was less than \$500,000 as of July 1, 1983, was increased an additional 1% from exotic wagers to be used as owners' awards and an additional 2% to be used as overnight purses. Winter thoroughbred permitholders may withhold an additional 2% from exotic wagers to be used as purses or owners' awards. Harness racing or quarter horse racing permitholders may withhold an additional 3% from exotic wagers to be used for overnight purses.

In 1985, each licensed thoroughbred running track in the state was authorized to run one additional race per racing day composed exclusively of Arabian horses. Summer thoroughbred horse racing hours were increased by two hours and the maximum number of thoroughbred horse racing days was increased from 74 to 90 days.

OTHER STATES

Thirty-three states impose a tax on pari-mutuels. For calendar year 1984, Florida ranked 3rd in total pari-mutuel handle and revenue to government, behind New York and California, with \$1,824,600,000 in handle and \$116,000,000 in revenue.

P A R I - M U T U E L T A X E S
(Receipts by Fund and Distribution)

	1980-81	1981-82	1982-83	1983-84	1984-85
Receipts:					
General Revenue:					
Taxes on Handle/ Admissions	\$ 48,982,194	\$ 50,511,274	\$ 51,463,527	\$ 53,604,597	\$ 58,988,736
Miscellaneous	108,067	91,169	17,035	25,414	36,400
Parl-mutuel Tax Collection:					
Taxes on Handle/ Admissions	48,973,648	50,511,271	51,463,519	53,605,679	54,805,425
Occupational Licenses & Fees	615,083	701,248	550,223	548,365	747,826
Miscellaneous	400	320	256	736	5,566
Parl-mutuel Wagering Trust Fund:					
Daily License Fees	4,827,980	4,863,400	5,267,786	5,405,017	5,508,680
Miscellaneous	39,460	17,691	46,888	46,807	19,853
Research Trust Fund					
Fines	2,995	16,775	8,146	9,690	14,200
Florida Thoroughbred Breeders Trust Fund:					
Taxes on Breaks	2,961,510	2,916,675	2,796,769	3,030,048	-0-
Other State Funds: *					
State School Fund	1,727,183	2,473,080	2,521,899	2,825,455	3,382,639
Racing Scholarship Fund	550,438	393,987	289,929	173,226	165,962
Harness Racing Promotion Fund	410,358	387,230	364,052	379,809	-0-
Quarter Horse Racing Promotion Fund	176,546	197,547	178,225	153,798	86,396
TOTAL RECEIPTS	\$108,895,862	\$113,081,667	\$114,968,254	\$119,810,451	\$123,461,683
Disbursements:					
Administrative Costs	\$ 3,121,061	\$ 3,674,034	\$ 4,490,902	\$ 4,497,909	4,744,079
Service Charge to General Revenue	2,684,315	1,848,745	2,399,753	3,431,976	3,659,370
Deposits & Transfers to Gen. Rev.	73,489,654	70,602,444	72,180,104	74,635,398	8,214,583
Aid to Counties	29,915,500	29,915,500	29,915,500	29,915,500	29,915,500
Payment of Breeders' & Stallion Awards	2,425,171	2,750,261	2,732,139	3,417,432	-0-
Other Transfers and Undistr. Bal.**	(2,739,838)	4,291,183	3,249,856	3,912,236	2,994,151
TOTAL DISBURSEMENTS	\$108,895,862	\$113,081,667	\$114,968,254	\$119,810,451	\$123,461,683

* Other State Funds consist of direct deposits. It does not appear in comptroller's records for parl-mutuel wagering.

** Includes the transfer of 'Other State Funds'.

Source: Annual Report of the Comptroller, 1984-85.

P A R I - M U T U E L T A X
 (Major Tax Provisions of Florida's Pari-Mutuel Industry)

<u>Total Commission on Handle</u>	<u>Horse Racing</u>	<u>Jai-alai</u>	<u>Greyhounds</u>
Regular Wagers	17.6%	17.6%	17.6%
Exotic Wagers	19.0%	19.0%	18.0%
	<p>May withhold an additional .5% from regular wagers and 1% from exotic wagers to be used for capital improvements or the retirement of capital debt.</p> <p>A harness racing permit holder may also withhold an additional 1% from exotic wagers to be used for capital improvements or for purses.</p> <p>In addition, each summer thoroughbred permit holder and each winter thoroughbred permit-holder whose average daily handle was less than \$500,000 as of July 1, 1983, may withhold an additional 1% from exotic wagers to be used as owners' awards and an additional 2% to be used as overnight purses.</p> <p>Each winter thoroughbred permitholder may withhold an additional 2% from exotic wagers to be used as purses or owners' awards.</p> <p>Harness racing or quarterhorse racing permit-holders may withhold an additional 3% from exotic wagers to be used as additional overnight purses.</p>	<p>May withhold an additional 1% from triple and pic-six wagers to be used for capital improvements or to reduce capital improvement debt.</p> <p>May also withhold an additional 1% from any or all exotic wagers to be used for capital improvements or to reduce capital improvement debt.</p>	<p>Shall withhold an additional 1% from triple wagers to be used for purses and awards and may withhold an additional 1% from triple and pic-six wagers to be used for capital improvements or to reduce capital improvement debt.</p> <p>May also withhold an additional 1% from any or all exotic wagers to be used for capital improvements or to reduce capital improvement debt.</p>
<u>State Taxes</u> Tax on Handle	3.3% of handle in excess of	7.1% of handle in excess of	7.6% of handle in excess of

P A R I - M U T U E L T A X
 (Major Tax Provisions of Florida's Pari-Mutuel Industry)

(continued)

	\$300,000 per performance.	\$25,000 per performance.	\$25,000 per performance.
	3.3% of handle in excess of \$175,000 per performance for the track running during the 2nd winter racing period.		
	3.3% of handle in excess of \$500,000 per performance for tracks where the average daily handle was less than \$400,000 per performance on June 4, 1980.		
Daily License Fees	\$100 per horserace; \$50 per horserace for any track which had an average handle per performance of less than \$100,000 for the preceding racing season.	\$80 per game; \$50 per game for frontons which had an average daily handle of less than \$100,000 per performance for the preceding jai-alai season.	\$70 per race. \$50 per game for any track which had an average daily handle of less than \$100,000 per performance for the preceding racing season.
Admissions Tax	15% or 10¢ per person, whichever is greater.	15% or 10¢ per person, whichever is greater.	15% or 10¢ per person whichever is greater.
Bricks	Except for quarter horse racing, 100% to Breeder's Asso- ciations for payment of breeders awards and additional purses.	100% to state.	100% to state.
Surtax	50% surtax for harness racing permitholders on the additional 1% of the handle on exotic wagers withheld for capital improve- ments or for purses.	50% surtax for jai- alai permit holders on the additional 1% of the handle on exotic wagers withheld for capital improvements or to reduce capital improvement debts.	50% surtax on the additional 1% of the handle on exotic wagers withheld for capital improvements or to reduce capital improve- ment debt.

Race Dates: August 15 1986 thru October 19, 1986

Race Days: 35

Attendance: 10 Day Fair Meet Estimated 67,500 + 73,826 = 141,326 - Daily Average 4,038

	TB	QH	Appy.	Arab'n	Total
Races (Straight)	304	51	12	10	377
Races (Mixed)	0.96	1.87	0.17	0	3
Horses (Straight)	2,281	390	87	73	2,831
Horses (Mixed)	6	13	1	0	20
Purses (From Purse a/c)	\$ 294,854.00	\$ 41,460.00	\$ 8,600.00	\$ 6,907.00	\$ 351,821.00
From Horsemen	9,965.00	12,880.00	12,530.00	1,600.00	36,975.00
From Others	1,700.00	300.00	0.00	400.00	2,400.00
From O.B. Purse Supplement	700.00	100.00	0.00	0.00	800.00
Total Paid Out in Purses	\$ 307,219.00	\$ 54,740.00	\$ 21,130.00	\$ 8,907.00	\$ 391,996.00

HANDLE:

Win	\$ 880,937.	\$120,268.	\$ 31,746.	\$ 21,859.	\$1,054,810.
Place	464,952.	67,875.	17,887.	11,369.	562,083.
Show	451,522.	75,915.	18,641.	12,355.	558,433.
Daily Double	223,581.	22,212.	2,485.	753.	249,031.
Quinella	2,607,907.	389,479.	99,286.	71,800.	3,168,472.
Exacta	120,691.	17,426.	18,516.	5,578.	162,211.
Sub-Total	\$4,749,590.	\$693,175.	\$188,561.	\$123,714.	\$5,755,040.
Trifecta	\$ 586,800.	\$ 79,497.	\$ 5,437.	\$ 0.	\$ 671,734.
Win-4	45,213.	11,694.	5,367.	3,857.	66,131.
Sub-Total	\$ 632,013.	\$ 91,191.	\$ 10,804.	\$ 3,857.	\$ 737,865.
TOTAL HANDLE	\$5,381,603.	\$784,366.	\$199,365.	\$127,571.	\$6,492,905.

COMMISSION:

Reg.	Tri/W-4						
11.5%	13.5%	OSF	\$ 631,524.60	\$ 92,025.91	\$ 23,143.05	\$ 14,747.80	\$ 761,441.36
5.4%	7.0%	Purse a/c	300,718.81	43,814.85	10,938.58	6,950.54	362,422.78
0.2%	0.2%	B.I.F.	10,763.17	1,568.66	398.73	255.16	12,985.72
1.0%	1.0%	OB Bonus	53,816.03	7,843.66	1,993.65	1,275.71	64,929.05
0.0%	1.4%	OB Purses	2,528.04	364.80	43.21	15.42	2,951.47
18.1%	22.1%	Sub-Total	\$ 999,350.65	\$145,617.88	\$ 36,517.22	\$ 23,244.63	\$1,204,730.38
0.9%	2.9%	State	61,074.70	8,883.12	2,010.37	1,225.28	73,193.47
19.0%	25.0%	Total	\$1,060,425.35	\$154,501.00	\$ 38,527.59	\$ 24,469.91	\$1,277,923.85

BREAKAGE:

55% Horsemen's Ass'ns	\$ 24,690.45	\$ 3,938.86	\$ 1,004.53	\$ 494.13	\$ 30,127.97
45% OSF	20,201.26	3,222.68	821.90	404.29	24,650.13
Total Breakage	\$ 44,891.71	\$ 7,161.54	\$ 1,826.43	\$ 898.42	\$ 54,778.10

RETURN TO WAGERING PUBLIC:

\$4,276,285.94	\$622,703.46	\$159,010.98	\$102,202.67	\$5,160,203.05
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PURSE CUSHION: Brot Fwd

\$ (30,149.38)	\$ (4,081.93)	\$ 0.00	\$ 0.00	\$ (34,231.31)
Plus Added	300,718.81	43,814.85	10,938.58	6,950.54
Adj for Mixed Races	(105.82)	72.49	33.33	0.00
Sub-Total	\$ 270,463.61	\$ 39,805.41	\$ 10,971.91	\$ 6,950.54
Less Pd In Purses	294,854.00	41,460.00	8,600.00	6,907.00
ENDING PURSE CUSHION	\$ (24,390.39)	\$ (1,654.59)	\$ 2,371.91	\$ 43.54

OREGON BRED PURSE SUPPLEMENT CUSHION: Brot Fwd

\$ 620.46	\$ 229.12	\$ 0.00	\$ 0.00	\$ 849.58
Plus Added	2,528.04	364.80	43.21	2,951.47
Sub-Total	\$ 3,148.50	\$ 593.92	\$ 43.21	\$ 15.42
Less Pd For OB Races	700.00	100.00	0.00	800.00
ENDING OB PURSE SUPPLEMENT CUSHION:	\$ 2,448.50	\$ 493.92	\$ 43.21	\$ 15.42

Average Handle Per Day:

1986	\$ 153,760.	\$ 22,411.	\$ 5,696.	\$ 3,645.	\$ 185,512.
1985	151,186.	20,525.	2,983.	0.	174,694.
1984	185,657.	25,610.	5,361.	0.	216,628.

Average Handle Per Race:

1986	17,647.	14,560.	16,382.	12,757.	17,042.
1985	17,388.	12,963.	11,932.	0.	16,593.
1984	21,142.	17,073.	15,597.	0.	20,388.

PARI-MUTUEL BETTING *

An Analysis of the Implications
of Legalizing Pari-Mutuel Betting
in Alaska, in terms of possible
Underworld Involvement and General
Economic Considerations.

*The following is a summary of a report
prepared for Alaska State Fair, Inc. in
1974.

PARI-MUTUEL BETTING

What It Is

Pari-Mutuel betting is a system of wagering used most often by race tracks. Odds are determined according to the approximate ratio of the amount bet on all horses to the amount bet on each individual horse. Wagers are collected, held by a racing association until the race has been decided, at which time the total amount bet (called the pool), minus the percentage allowed the state and association, is divided among the winning bettors. (See footnote#). At the present time, thirty-one states allow pari-mutuel betting for horse racing. In eight of those thirty-one states, pari-mutuels for dog races are legal and in three states, Florida, Connecticut, and California, pari-mutuels exist for jai-alai games.

How It Works

The pari-mutuel system was invented in 1885 by a Frenchman named Pierre Oller. Under his system the odds were computed from the amount of the bet on the winning horse in relation to the amount bet on all the horses in the race, instead of allowing a bookmaker to freely determine odds on his own.² Since odds are determined by the bettors themselves, they are in effect betting against each other, hence the name pari-mutuel. (Pari is French for bet, mutuel means between us.)³ All the money in the pari-mutuel pool less a 15-20% fee for state and track, is distributed to winning bettors according to their original bets.

Since the amount of profit depends upon the number of winning bettors in a certain pool, some French bettors lost money on winning tickets when too many people won. The United States protects its bettors from such a situation by requiring a profit of at least ten to twenty cents on all winning two dollar tickets.⁴ If there is not enough money in the pool to provide this 10-20¢ profit to all winning bettors, then the racing association must make up the difference.⁵ In this situation, there is said to be a "Minus Pool".

In North America, there are three different pari-mutuel pools, Win, Place, and Show. Europe uses Win and Place but not Show. If you bet Win, you will collect if your horse wins the race. For Place, the bettor collects when his horse wins or comes in second. For Show, he wins if his horse comes in either first, second, or third. The money is distributed to winning bettors in the total pool, minus the state and racing association's fee of 15-20%. Payoffs are calculated according to the odds.

*The California Business and Professions Code defines pari-mutuel betting as: "a form of wagering on the outcome of horse races in which those who wager purchase tickets of various denominations on a horse and all wagers are pooled and held by the racing association for distribution. When the outcome of the race has been decided, the association distributes the total wagers comprising the pool, less the percentage allowed the State and Association, to holders of tickets on the winning horse or horses.

EXAMPLE: Taken from Oswald Jacoby's "Oswald Jacoby on 'Gambling'"

Post 1	WIN POOL	PLACE	SHOW
1. Swizzlestick	\$ 10,000	\$ 5,000	\$ 6,000
2. Black Beauty	10,000	8,000	8,000
3. Baba	15,000	6,000	7,000
4. Cayuse	4,000	2,000	1,800
5. Sweet Patootie	35,000	16,000	20,000
6. Caramel	1,500	800	700
7. Out of Work	8,000	4,500	4,000
8. Silver	12,500	5,700	6,500
TOTALS	\$ 96,000	\$ 48,000	\$ 54,000

The total amount bet to win is \$96,000. Fifteen per cent, or \$14,400 is taken out for the state and track (this percentage may be as high as 20 per cent, and is occasionally slightly less than 15) leaving \$81,600 to be divided among the holders of tickets on Swizzlestick if that noble animal happens to get under the finish wire first. Since the total amount bet on him is \$10,000 there will be a profit of \$7.16 for each dollar bet. The machine calculates this and shows the closest simple odds, 7-1. In the event that Swizzlestick wins, the machine will flash a win price of \$16.30. It will be noted that the correct value for a \$2.00 ticket (all pari-mutuel prices are based upon the lowest priced ticket sold, the \$2.00 ticket) would be \$16.32. The difference, 2¢ in this case, between the correct value and the next lower multiple of ten cents (multiple of twenty cents at some tracks) is known as breakage and goes to the track and state. It does not seem like much but it adds up. Here is a complete list covering each possible winner that shows the approximate odds, the pay-off per \$2.00 ticket, the total pay-off, and the breakage.

HORSE	Odds Shown on Board	\$2 payoff	Total Payoff	Breakage
Swizzlestick	7 to 1	\$ 16.30	\$ 81,500	\$100
Black Beauty	7 to 1	16.30	81,500	100
Baba	4 to 1	10.80	81,000	600
Cayuse	19 to 1	40.80	81,600	0
Sweet Patootie	1 to 5	4.60	80,500	1,100
Caramel	50 to 1	108.30	81,600	0
Out of Work	9 to 1	20.40	81,600	0
Silver	5 to 1	13.00	81,250	350

Let us assume that the race is over and Swizzlestick won, the favorite, Sweet Patootie came in second, and the long shot Cayuse came in third. The price places are calculated as follows:

The total amount bet for place was \$48,000. Fifteen per cent or \$7,200 is taken for the track and state cut leaving \$40,800. The total amount bet on these two horses to place was \$21,000 which, when subtracted from \$40,800, leaves a profit of \$19,800 to be divided equally among the two horses. The \$5,000 bet on Swizzlestick to place represents 2,500 \$2 tickets. By dividing the sum of the original amount bet, \$5,000,

and the amount won, \$9,300, by 1,500, we set the resultant value of each ticket as \$5.96. Swizzlestick, therefore pays the next lower multiple of 10 cents, or \$5.90 to place, and the breakage is \$150.00.

\$16,000 was bet on Sweet Patootie to place. \$25,900 (\$16,000 plus \$9,300=\$25,900) is therefore available to be divided among the 3000 theoretical holders of \$2 tickets. The correct amount is \$3.2375. The actual price is therefore \$3.20, and the breakage is \$300.00.

The calculation of show money is similar. First the track and state 15 per cent are set aside leaving \$45,900. to be divided (\$54,000 - 7,200=\$45,900) among the holders of tickets on the three horses. The total bet to show on the three horses was \$27,300 (\$8,000 + \$10,000 + \$9,300 = \$27,300) making the total profit \$18,100 (\$45,900 - \$27,300 = \$18,100) or \$6,033.33 per horse. Computing the price as above now gives us:

Swizzlestick pays \$4.00 to show and the breakage is \$33.33
Sweet Patootie pays \$2.60 to show and the breakage is \$33.33
Cayuse pays \$3.70 to show and the breakage is \$3.33

All of these complex calculations are made and displayed by a portable assembly of especially designed electrical equipment called a totalisator.⁸ Betting Pools are usually illegal without the use of a totalisator, which consists of:

1. Standard (win, place and show), daily double and Quinella ticket issuers, which register and total each ticket as it is issued. (See Footnote#).
2. Adding machines which total the sales registered by the standard issuers.
3. An automatic odds computer.
4. Electric indicators which show on the display boards the approximate odds during wagering and the order of finish of the first four entries (result) by program number, entry and pool totals obtained by the adding machines, the prices paid on a \$2 winning mutual ticket, race numbers, time of day, post time, etc.

When you buy your ticket at the pari-mutuel window, the operator (seller) pushes a button and records the sale. His ticket-issuing machine prints and delivers the ticket. At the same time, it registers the amount of the bet with the totalisator, which is an adaption of the dial phone system. This electronic brain adds, sorts and transmits the totals of all bets to the infield tote board at intervals of about ninety seconds until the closing of the pari-mutuel windows.¹⁰

*"Daily Double" is when purchaser must pick winner of two races, usually the first and second races.

"Quinella operates mainly at jai alai games and dog tracks. Bettor must pick two horses, players, or dogs in the same race or game to finish either first or second".¹¹

UNDERWORLD INVOLVEMENT

The totalisator makes pari-mutuel betting the cleanest form of gambling in the United States. Before the machinery was in use, race track bettors never knew whether or not the race track was juggling the number of bettors or the amount bet to fatten one's own wallet. Nowadays, however, total bets and bettors are computed and posted instantaneously by machines too closely regulated to allow for deception at any level.

According to Rufus King, former chairman of the American Bar Association, Criminal Law Section and legislative counsel to the Senate Committee on Organized Crime, pari-mutuel betting is honestly what it purports to be. Track operations are so carefully supervised, policed, and double checked that there is little reason to suspect widespread skullduggery, and there have been no major scandals in recent years involving the defrauding of the public. The bettor is, of course, vulnerable to manipulations with the races themselves, but everything pertaining to the schedules, riders, mounts, and the actual running is also rigorously policed. Except for the rare phenomena of the minus pool, the track management has no interest in the outcome of any race; and this justifies the conclusion that race track betting—besides being legal and probably necessarily to some extent because it is legal—remains the cleanest form, per se, among all categories of gambling activity currently popular on the American scene. The possibility of direct tampering with the totalisator, says King, is remote.¹¹

It was during the 1800's that American horse racing was gripped by a large criminal element that bribed jockeys, doped horses, and managed to profit financially from both the track and bookmaking. "Gate-money, concessions, and fraudulent races made tracks very profitable. They therefore attracted the protection racket, from gangsters, police and politicians. Only a very few rich tracks were rich enough, and run by men honourable and influential enough to escape this."¹² As a result, state after state banned racing during the early nineteen hundreds. The number of tracks in the United States went from 314 in 1897 to a bare 25 at one point.¹³

Finally in 1908, horse racing began to recover with the establishment of the Kentucky State Racing Commission as an effective authority over the racing associations.¹⁴ States that were willing to legalize racing again soon established their own racing commissions to supervise and control the associations and pari-mutuel betting. The possibility of bringing the mob under control by regulating racing commissions has been a major argument in favor of legalizing pari-mutuel betting.

A second major argument frequently advanced in favor of pari-mutuel betting is that it brings in additional revenue without burdening the taxpayer. John Lindsay estimated that off-track betting alone would bring in as much as \$50 million dollars annually in New York City.

The promise of easy revenue moved state after state, hard hit by the depression, to legalize pari-mutuels at the race track in 1933.¹⁵ By 1946, the horse racing industry had grown to such an extent that nearly 27 million people paid admissions to major race tracks, and

collectively, just under 47 million persons wagered a staggering 3.3 billion dollars.

The National Association of State Racing Commissioners reported that the States received \$508 million in revenue from pari-mutuel racing in 1971: \$1,300,000 from track licenses, \$1,460,000 from occupational licenses, \$461 million from pari-mutuel taxes, \$3 million from breaks, and \$5 million from miscellaneous sources including commissions.¹³ (For state revenues from pari-mutuels for 1971 see Appendix Two.)

The number of states with legal pari-mutuel betting is up to thirty-one at the present time. Forty states now tax individual income, forty-six tax corporate income, and forty-five have general sales taxes. State expenditures still exceed revenues in most states.¹⁴ From 1959-1968, fifty states enacted three hundred and nine separate legislative tax measures, each of which levied a new tax or increased and old one.²⁰

Pari-mutuel revenue, since it is obtained through voluntary contributions of tax payer's money, is much less painfully extracted from the tax payers than a property tax. 300,000 bookies currently receive across the country money that could be collected by the states. Illegal gambling bets are estimated to be near \$20 billion annually.

VOLUME OF BETTING

"In the era between the repeal of Prohibition in 1933 and the Kefauver investigations in 1950-51, illegal bookmaking grew right along with the spread of pari-mutuel track racing, quickly reaching proportions which made it indisputably the largest criminal monopoly of its day. Applying one authoritatively sanctioned rule of thumb, illegal bets on the pari-mutuel track races had an estimated volume of 33.00 for every \$1.00 bet directly through the pari-mutuel windows, so that by 1948, with legal bets amounting to \$1.6 billion, a total of nearly \$5 billion was being staked each year with other forms of wagering, particularly bets on college and professional sports, has reduced substantially illegal gambling in the area of horse races. Less than 3% of current underworld gambling activity is involved with horserace betting. The illusion of massive underworld activity nevertheless persists in the minds of many. This misunderstanding has been a major barrier to the legalization of pari-mutuel betting.

In terms of numbers, "twenty-five million Americans, of whom eleven million were women, made at least a \$2 bet on races during 1966 either with their favorite bookie or at one of the country's 150 odd Thoroughbred or harness tracks-of these 11 million women, 83% are housewives and salaried employees, 10% are businesswomen, professional women, or retired, 2% are gamblers, operators of gambling ventures, hustlers, and easy money gals."²²

Even though illegal gambling is a main source of revenue for organized crime, bookies rely upon horse race bets for less than twenty-five per cent of their business. The bulk of their bookmaking consists of bets placed upon sports events. In terms of profit to the bookmaker, \$1 bet on horse racing is worth 13.50 wagered on football, since the bookie keeps the 17% of the pari-mutuel pool normally given to the state and track.²³ The comparative volume of betting is so slight however, that it poses no overwhelming

where horse races are authorized, or from specified portions of such inclosure of any known bookmaker, known tout, person who has been convicted of a violation of any provision of this chapter of any law prohibiting bookmaking or any other illegal form of wagering on horse races, or any other person whose presence in the inclosure would, in the opinion of the board, be inimical to the interests of the state, of legitimate horse racing or both. No such rule shall provide for the exclusion or ejection of any person on the ground of race, creed or sex."²⁹

All horses are given a saliva test by state veterinarians immediately before their race to detect any drugs to speed them up or slow them down. All races are filmed and reviewed for illegal behavior, such as jostling or the jockey holding his mount back. Additionally, the registry number of each race horse is tattooed on his upper lip as a safeguard against the introduction of ringers in races.³⁰

There are several federal laws operating to curtail illegal gambling activity, in addition to state regulations such as the above. These 1962 laws make it a federal crime for any person to move in interstate travel to promote or participate in a racketeering enterprise. Two other laws make it a felony to transmit bets and wagers between states by wire or telephone or to transport wagering paraphernalia to another state. As defined by Congress, this includes tickets, slips, or paper used in bookmaking, sports pools or the numbers racket.³¹

CONSIDERATIONS FOR ALASKA

The State of Alaska received almost one billion dollars from oil leases signed in 1969. Approximately 400 million remains. Without pipeline revenue, Alaska could be financially bankrupt by 1976, given its current expenditure rate of some \$300 million annually.

State income in 1973-74 amounted to 290 million dollars. Expenditures came to \$364,559,000, leaving a \$114,559,000 deficit last year. For the last four years the State has spent \$373,528,900 more than it received in revenues. Official projections show the money from the North Slope leases will be gone in 1977.

In an effort to raise revenue, Alaska has authorized \$448,927,000 in General Obligation Bonds, \$348,642,000 of which has been issued as of January 1, 1974. Remaining to be issued is \$100,285,000. \$25,424,000 has been paid. This leaves the State with a General Obligation Bond liability or debt of \$303,418,000.

To issue another \$500,000,000 in a 20-year General Obligation Bonds at 5.2% would cost each taxpayer about \$6,037.

The Alaskan pipeline could dramatically change conditions in Alaska. "Building the pipeline and a 370 mile access road would pump 1.5 billion into the state economy."³⁷

Legalized pari-mutuel betting is another way for Alaska to obtain revenue. The following statistics show amounts of revenue raised nationally through pari-mutuels:

financial advantage to the point of insignificance. One New York bookie estimated that 50% of his business is done on college and professional football, 35% on major league baseball, 12% on college basketball and 3% on horse racing, championship fights, golf tournaments and general elections.²⁵

Pari-mutuel betting will not eliminate bookies, since bookmakers offer a number of advantages: they give credit, while tracks do not, they are in every neighborhood; they take exotic wagers (parlays and the like) while state organizations are confined to official odds; and the big gamblers, whether professionals or affluent amateurs, prefer bookies, using money from tax evasion to gamble with.²⁶

Pari-mutuel betting will tend to minimize the involvement of bookies in horse racing, by offering a legitimate outlet for bets. The advantage to bettors at the window is the insurance of payment, of honest odds and state regulation. The danger of corruption can be minimized with the use of such equipment as totalisators.

INSTITUTIONAL SAFEGUARD

A copy of California code covering pari-mutuel betting is included in appendix two. As spelled out in the Code, there is a California Horse Racing Board to supervise and jurisdicit all matters dealing with horse racing in the state. The three Board members are the Governor's appointees serving terms of four years. They are disqualified from membership for;

a) Holding any financial interest in a horse race track or in the operation of any such track or in the operation of any such track within this state, or in the operation of authorized wagering on the results of horse races.

b) Accepting any pecuniary reward other than authorized salary, from any horse race track in this state or in respect to its operation of authorized wagering on the results of horse races.²⁷

The board appoints all its employees who are subject to these same disqualifications.

Licenses must be obtained from the Board to operate a race track. All licenses are subject to suspension or revocation for non-compliance with Board regulations-state racing regulations. All licensees must be residents or registered voters of the state for two years.

The number of racing days for each racing association of the state is allocated by the Board. Depending upon the size of the county the number of racing days varies, ranging from 100 for a county of one million to 14 for a county of less than 500,000 people.

The Board has the power to "compel productions of any and all books, memoranda or documents showing the receipts and disbursements of any person licensed under this chapter".²⁸ It may also suspend any members.

As concerns bookmaking, section E 19572 states, "Board may, by rule, provide for the exclusion or objection from any inclosure

PARI-MUTUEL ATTENDANCE AND TURNOVER, 1955-1969

	Number of Racing Days	Total Attendance (thousands)	Pari-Mutuel Turnover
1955	4,899	38,503	\$2,592,000,000
1960	6,099	46,879	\$3,358,000,000
1965	8,051	62,987	\$4,615,000,000
1966	8,384	63,577	\$4,784,000,000
1967	8,621	63,373	\$4,922,000,000
1968	9,051	65,460	\$5,316,000,000
1969	9,539	68,099	\$5,728,000,000

Source: Statistical abstract of the United States, 1970

A table showing pari-mutuel revenue by state is included in Appendix Two.

Games of chance are legal in Alaska when restricted to non-profit organizations to allow them to raise money for educational and patriotic purposes. The concept of gambling is acceptable to The Alaskan Legal Code if the intent has merit.

"Alaska-maintains the smallest state population of any state in the Union. Alaskan unemployment is a high 13% and of those who are employed, nearly 50% work on military bases.³⁴ Nearly one-half of the state's people live within a fifty mile radius around Anchorage (pp46, 137)³⁵ Tourists in Alaska annually number about 100,000. "The State badly needs highways, railroads, hotels, ski areas, and more public parks-new lures for urban Americans as well as Japanese, who are relatively near."³⁶ (According to the latest statistics from the Department of Tourism, Juneau (October 7, 1974) there were 252,000 tourists visiting Alaska in 1974. Tourism was up 19% for the first six months of 1974. (H.J. Ryder)

The role of pari-mutuel betting in attracting settlers, providing entertainment and culture, employment at the tracks, and a more diverse economic base should be considered. Population distribution would seem to suggest centering Alaskan Horseracing in the Greater Anchorage area.

Alaska currently has two horse racing tracks, one in Soldotna and one in Palmer. The latter is probably the only one capable of supporting pari-mutuel horse-racing at this time. The Palmer grounds seat 1000 and accommodate over 2,500. (See newspaper article in Appendix Four).

The Pari-Mutuel Attendance and Turnover chart indicates that each sector generates approximately \$67 worth of revenue for each racing day. Without track improvements to expand capacity, the Palmer track could theoretically generate approximately \$67,000 a day under existing conditions.

If horse racing revenues were running at the low estimate level, Alaska could operate on a percentage basis, as has been done in Wyoming.

Wyoming has a population which approximates Alaska's, and supports two to four racetracks. Jack Miller, Director of Cheyenne Frontier Days Rodeo, allowed as how totalisator equipment rental proved no problem when pari-mutuel betting was in operation. The Rodeo dropped pari-mutuel betting in 1972 to concentrate more fully on the non-racing horse events which were more central to their operation. Crowds for the Rodeo and Horse Racing averaged 16,000 at that time, 40-50% of which were in-state residents. Miller said that multiple considerations are involved in making betting profitable, but that it could be if sufficient emphasis is given to it. Cheyenne Frontier Days dealt with Lloyd Shellhammer of Montana for their equipment, which cost 4 to 5% of the total take (well below the \$100,000 fee of large operations like California's).

Central Wyoming Fair in Casper generally turns significant profits, according to one employee, whose estimate of crowd composition was as high as 75% local. As few as 30% of the horses are in-state, she reported. Central Wyoming Fair runs about ten horses in each of ten races a day during their eight day racing season. Underworld involvement was non-existent, in the opinion of the track.

One Wyoming couple was interviewed. They went to the race track on occasion, felt it was interesting entertainment. The couple, retired for some years, felt that it was a good idea to legalize pari-mutuel betting in order to keep control over it and bring money to the state. They thought the majority of the crowds were local and were not aware of any underworld involvement.

Unlike Alaska, Wyoming borders on five states with legal pari-mutuels, namely Montana, Idaho, Colorado, Nebraska and South Dakota. A significant number of horses come to Wyoming from Colorado. Alaska is approximately 1,500 miles from the closest racing state. Transportation systems are comparatively poor. The main highway to Alaska from the continental United States travels 1,523 miles between Dawson Creek, British Columbia, and Fairbanks, Alaska. All but 300 miles of it lie in Canada. Most is unpaved.

Alaska could expect to raise sufficient crowds of spectators and it is anticipated that horses from the Lower 48 and Canada would be shipped into Alaska to assure a satisfactory racing program. In the embryonic stages of development it is estimated that three hundred horses would be required to run a racing program that would be economically sound. Money must be spent building stables, obtaining feed, employing veterinarians, jockeys, saddle and harness makers, blacksmiths, stewards, underwriters and state inspectors.

Initially, many of the amenities usually associated with horse racing tracks would be missing, but the basic plant could be provided to meet minimum standards. Similarly, a fair could work without totalisators, using modern computers not in existence at the time when totalisators were conceived. One Anchorage business equipment firm has indicated that it could provide small computers, complete with pari-mutuel program for under \$3,000 (total cost of purchasing equipment and program). Such computers might be more viable under current conditions.

Dog racing might be a more desirable form of pari-mutuel betting in Alaska. The following quote tells about the Montenapoleons dog racing track in Beverly, Massachusetts.

"A dog track bears absolutely no resemblance to an oriental palace. It looks more like something you race time-outs

on. The back area required to kennel the dogs is relatively meager, and Wonderland was paying the almost negligible Revere taxes. Unlike the horsemen, the dog owners are very reasonable people, possibly because nobody ever told them they were the heirs to the Sport of Kings. The upkeep on a Greyhound is no more than you would expect it to be; there are no jockeys to split the purse with; the owners are sometimes their own trainers; and there are only a few states in which they can race. Taken altogether, they are more willing to take what they can get. The total purses on any given night are a percentage of the handle on that day; that's right, the winning owner doesn't know what he's won until the night is over."39

There are seven states that have pari-mutuel dog races; Florida (17 tracks, 5,923,000 attendance and a pari-mutuel handle of \$303,056,000 in 1957-68), Arizona (5 tracks), Massachusetts (6), Colorado (4), Oregon (1), Arkansas (1), and South Dakota (2).

One possibility unique to Alaska would be Pari-mutuels on sled dog racing, the kind which is currently run annually by the Anchorage Fur Rendezvous.

CONCLUSION

Pari-mutuel betting is currently legal in thirty-one out of fifty states. The experience of these states has been that pari-mutuel betting is usually profitable, resulting in additional state revenue. Population does not seem to be a handicap for Alaska, as indicated by the example of Wyoming, whose population is roughly equivalent. If legalized, pari-mutuel betting should be profitable and in other ways beneficial to Alaska under normal conditions.

Fears of underworld involvement in legal pari-mutuel betting stem from past experiences which no longer hold true. Today less than three per cent of illegal bookmaking involves horseracing. With the correct equipment and legal safeguards, most experts would agree that criminal bookmaking poses no threat to horseracing in Alaska.

A variety of other considerations exist which argue for legalization: badly needed funds for state government, attracting settlers and tourists, providing recreation and amusement, creating much needed jobs and stimulating a variety of new supporting industries, to name a few. Arguments against legalizing pari-mutuel betting center largely on the unfounded fear of criminal involvement and moral objections which are not objectively verifiable.

Several questions remain: Can Alaska ultimately provide the horses for large scale pari-mutuel operations? Should Alaska simply remain at a low level of operations, using its own horses and computers? How will the myriad of special conditions unique to Alaska affect the situation as a whole?

These questions in no way present obstacles to legalization and will be easily answerable on investigation once pari-mutuel betting is approved. The conclusion of this report is that neither economic considerations nor the possibility of underworld involvement stand in the way of such approval.

LIST OF FOOTNOTES

- 1) Deering's California Codes: Business and Professions Code 12.400 to End, Annotated of the State of California. Annotated and Indexed by the Publisher's editorial staff. (San Francisco: Bancroft-Whitney Company, 1960) p.5.
- 2) Oswald Jacoby, Oswald Jacoby on Gambling, (Garden City, New York: Doubleday and Company, Inc., 1963), p. 103.
- 3) Ibid.
- 4) "Horse Racing," Encyclopedia Americana (New York: Americana Corporation, Vol. 21, 1971).
- 5) Ibid.
- 6) Ibid.
- 7) Jacoby, op.cit., pps. 104-107.
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- 9) Encyclopedia Americana, op.cit.
- 10) Scarne, op.cit., pps. 48-49.
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- 12) Longrigg, Roger, The History of Horse Racing, (New York: Stein and Schuster, 1961), p. 230.
- 13) Ibid.
- 14) Ibid.
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- 16) Harland B. Adams, The Guide to Legal Gambling, (New York: The Citadel Press 1966), p. 113..
- 17) Ibid.
- 18) Virginia G. Cook, Gambling: Source of State Revenue. (Lexington, Kentucky: Council of State Governments, January, 1973), p. 19.
- 19) Ibid., p. 1
- 20) Ibid.
- 21) Ibid., pps. 64-65.
- 22) John Scarne, The Woman's Guide to Gambling, (New York: Crown Publishers, Inc., 1967) p. 124.

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- 28) Ibid., p. 15.
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- 32) "The Great Land: Boom or Doom?" Time July 27, 1970 p. 45-46.
- 33) Task Force, op.cit.
- 34) "The Great Land: Boom or Doom?" op.cit.
- 35) Ibid.
- 36) Ibid., p. 50.
- 37) Ibid., p. 48.
- 38) Adams, op.cit., p. 114.
- 39) Bill Veck. Thirty Tons a Day (New York: The Viking Press, 1972), pps. 112-113.

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- 6) "Horse Racing," Encyclopedia Americana New York: Americana Corporation, Vol. 21, 1971.
- 7) Jacoby, Oswald. Oswald Jacoby on Gambling. Garden City, New York: Doubleday and Company, Inc., 1963.
- 8) Kennedy, Robert "Baleful Influence of Gambling from the Two Dollar Bet to Narcotics" Atlantic Monthly, January 4, 1962.
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- 13) Scarne, John. The Woman's Guide to Gambling. New York: Crown Publishers, Inc. 1967.
- 14) Task Force Report on Legalized Gambling to Honorable Evelle J. Younger. Attorney General State of California. Sacramento: California Department of Justice, 1971.
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Respectfully submitted

JOSIAH HENSON

Josiah Douglas Henson
JOSIAH HENSON ASSOCIATES
Special Consultants to the
Alaska State Fair, inc.
Horse Racing Commission

PUBLIC OPINION MESSAGE

DEAR: SENATOR ABOOD

NAME: JAY TERRILL
TITLE:
ADDRESS: 7730 JASON PLACE
CITY: ANCHORAGE, ALASKA ZIP: 99502
PHONE: 243-6797
BILL NO: HB 32
SUBJECT: PARIMUTUEL HORSE & DOG RACING
MESSAGE: I AM IN FAVOR OF PARIMUTUEL HORSE RACING IN PALMER AND WOULD
APPRECIATE ALL SENATORS VOTE IN FAVOR OF HB 32. I THINK ALL TOURISM
RELATED TO GAMBLING WOULD BE GOOD FOR OUR STATES ECONOMY.

POMID: 03124647
DATE: 05/19/87
TIME: 12:46:47
LIONAME: ANCHORAGE LIO

COPIES: SENATORS

BENNETT
BINKLEY
COGHILL
DUNCAN
ELIASON
FAHRENKAMP
FAIKS
FISCHER
HALFORD
HENSLEY
JONES
JOSEPHSON
KELLY
KERTTULA
RODEY
STURGULEWSKI
SZYMANSKI
UEHLING
ZHAROFF

STATE OF ALASKA 1987 LEGISLATIVE SESSION
FISCAL NOTE

Bill Version: CSHB 32 (FIN)

REQUEST
Revision Date: _____
Title: "An Act establishing the Alaska
Racing Commission..."
Sponsor: Reps. Larson and Menard
Requestor: Senate State Affairs

Publish Date: _____
Agency Affected: Public Safety
BRU: Alaska State Troopers
Components: Detachments

EXPENDITURES/REVENUES: (Thousands of Dollars)

OPERATING	FY88	FY89	FY90	FY91	FY92	FY93
PERSONAL SERVICES		14.0	14.0	14.0	14.0	14.0
TRAVEL						
CONTRACTUAL		.4	.4	.4	.4	.4
SUPPLIES		.1	.1	.1	.1	.1
EQUIPMENT						
LAND & STRUCTURES						
GRANTS, CLAIMS						
MISCELLANEOUS						
TOTAL OPERATING		14.5	14.5	14.5	14.5	14.5

CAPITAL						
---------	--	--	--	--	--	--

REVENUE						
---------	--	--	--	--	--	--

FUNDING: (Thousands of Dollars)

GENERAL FUNDS		14.5	14.5	14.5	14.5	14.5
FEDERAL FUNDS						
OTHER						
TOTAL		14.5	14.5	14.5	14.5	14.5

POSITIONS:

FULL-TIME						
PART-TIME		1	1	1	1	1
TEMPORARY						

ANALYSIS: (Attach a separate page if necessary)

This Department would be directly affected by the requirement to provide background checks under Article 2, Sec. 05.40.110 (d) and Article 4, Sec. 2. AS 18.65.080 of CSHB 32 (SA). The above costs assume that the employee would start 6/30/88 and no inflation factor is included.

JNR
1/19/88

Prepared by: Francis C. Allan
Division: Alaska State Troopers

Phone: 269-5691
Date: 1/12/88

Approved by Commissioner: J.A.H. Arthur English
Agency: Public Safety

Date: 1-28-88

- Distribution: (by preparer):
- Legislative Finance
 - Legislative Sponsor
 - Requestor
 - Office of Management and Budget
 - Impacted Agency(ies)
 - Senate Secretary

Position Title Clerk Typist III		No. of Positions 1	Range/Step 8/A	Barg. Unit GCU
Time Status PPT	Staff Months 6	Location Anchorage		Election District 7-15
Type of Expenditure		Amount		
1	2	3		
Salary	10.3			
Benefits	3.7			
Premium Pay				
Other				
Total Personal Services		14.0		
Travel				
Contractual		.4		
Commodities		.1		
Equipment				
Other				
Total Cost		14.5		
Funding Source for Total Cost				
Federal Receipts	1002			
G.F. Match	1003			
General Fund	1004	14.5		
I-A Receipts	1006			
CIP Receipts	1061			
Other				

Justification

This position will provide the clerical support needed for investigative reports related to legalized parimutuel betting at dog and horse racing.

This position will perform all general clerical work, including filing, typing, and general correspondence.

Total costs include \$.4 contractual communication needs and \$.1 minimal office supply needs for this position.

REQUEST FOR
NEW POSITION

Agency Department of Public Safety
BRU Alaska State Troopers
Component Detachments

FY 89

Page 2 of 2
Revised Date

FISCAL NOTE

REQUEST:

Revision Date: 1/19/88
 Title: Establishing the Alaska Racing Commission & authorizing parimutuel wagering
 Sponsor: Larson and Menard
 Requestor: State Affairs

Agency Affected: Revenue
 BRU: Income and Excise Audit
 Components: _____

EXPENDITURES/REVENUES: (Thousands of Dollars)

	FY 88	FY 89	FY 90	FY 91	FY 92	FY 93
OPERATING						
PERSONAL SERVICES	78.4	118.6	123.3	128.2	133.3	-
TRAVEL	13.9	*a 6.0	6.2	6.4	6.7	-
CONTRACTUAL	28.0	29.1	30.3	31.5	32.8	-
SUPPLIES	2.5	2.3	2.2	2.0	2.0	-
EQUIPMENT	33.4	-	-	-	-	-
LANDS & STRUCTURES	-	-	-	-	-	-
GRANTS, CLAIMS	-	-	-	-	-	-
MISCELLANEOUS	-	-	-	-	-	-
TOTAL OPERATING	156.20	156.00	162.00	168.10	174.80	-
CAPITAL						
	-	-	-	-	-	-
REVENUE						
	-	*b 96.3	-	-	-	-

FUNDING: (Thousands of Dollars)

GENERAL FUND	-	-	-	-	-	-
FEDERAL FUNDS	-	-	-	-	-	-
OTHER	-	-	-	-	-	-
TOTAL	-	-	-	-	-	-

POSITIONS:

FULL-TIME	2	3	3	3	3	-
PART-TIME	-	-	-	-	-	-
TEMPORARY	-	-	-	-	-	-

ANALYSIS: (Attach a separate page if necessary)

- a. Does not include site inspections nor events from 89-92.
- b. Does not include license fees.

Prepared By: Steven E. Kettel
 Division: Income and Excise Audit

Phone: 465-2320
 Date: 1/19/88

Approved by Commissioner: [Signature]
 Agency: [Signature]

Date: 1/19/88

Distribution (by preparer):
 Legislative Finance
 Legislative Sponsor
 Requestor
 Office of Management and Budget
 Impacted Agency(ies)

REVISED FISCAL NOTE
CS H B 32

Worksheet

Personal Services--only the Office Manager and the Clerk Typist would be on board for FY 88. An auditor would be added in FY 89 as activities commenced.

Travel--Six commission meetings at 2 days each in Anchorage in FY 88 to develop regulations. Assumed were 3 commissioners from Anchorage, 1 from Fairbanks and 1 from Juneau.

FAI/ANC 6 x \$220	=	\$1,320
JNU/ANC 6 x \$352	=	2,112
per diem 6 x 5 x 2 x \$80	=	4,800
claims for mileage	=	500
Sub Total		<u>\$ 8,732</u>

Public hearings held in Anchorage, Fairbanks, Nome and Juneau by the office manager at 1.5 days each.

Travel	=	\$ 998
Per diem	=	480
Sub Total		<u>\$ 1,578</u>

Site inspections are averaged per inspection as follows for the manager and one commissioner.

Airfare	=	\$ 600
per diem 2 x 2 x \$80	=	320
Sub Total		<u>\$ 920</u>

Events will be attended by the manager and one commissioner.

For 1 6-day event, 8 days are required on site.

Airfare	=	\$ 600
Per diem 2 x 8 x \$80	=	1,280
Compensation @ \$100 per day	=	800
Sub Total		<u>2,680</u>

FY 88 GRAND TOTAL \$13,910

In FY 89 there would be four commission meetings. No site inspections events or regulatory hearings have been included.

FAI/ANC 4 x \$220	=	\$ 880
JNU/ANC 4 x 352	=	1,408
per diem 4 x 5 x 2 x \$80	=	3,200
mileage		<u>500</u>

FY 89 GRAND TOTAL \$ 5,988

For FY 90 - 92 a .04% increase was added.

FISCAL NOTE
CSHB 32

Assumptions for revenue figures

1. Effective date of July 1, 1987 and no races during FY '88.
2. Unknown number of races.
3. 34,400 players per 6-day event.
4. An average handle of \$963.2 based on an average wager of \$28.00 (Montana's average).
5. A takeout of 35% (\$337.1) with the state's share at 10% for state revenues of \$33.7 per event.

Assumptions for costs

1. Commission will be headquartered in Anchorage and meet 6 times in FY 88; quarterly thereafter. Each meeting will be 2 days.
2. Personal services will include an office manager to manage and oversee daily activities and to review and attend all events; an auditor I to follow-up all events; and a clerk typist III to process the paper.
3. Travel will include attendance by the office manager and one commissioner at each event plus the commission meetings.

STATE OF ALASKA 1987 LEGISLATIVE SESSION

No. 3

FISCAL NOTE

Bill Version: CSHB 32(Fin)
Publish Date: HOUSE 5/8/87

REQUEST

Bill/Resolution No.: CSHB 32 (FINANCE)
Title: An Act establishing the Alaska Racing Commission & authorizing pari-mutuel wagering
Sponsor: Larson and Menard
Requestor: _____
Date of Request: _____

FISCAL DETAIL

Agency Affected: _____
BRU: _____
Components: _____

EXPENDITURES/REVENUES : (Thousands of Dollars)

OPERATING	FY 87	FY 88	FY 89	FY 90	FY 91	FY 92
PERSONAL SERVICES			11.3	43.5	64.3	
TRAVEL			6.6	10.2	13.8	
CONTRACTUAL			25.0	22.5	20.0	
SUPPLIES			2.5	2.5	2.5	
EQUIPMENT			9.0	6.0	0	
LAND & STRUCTURES						
GRANTS, CLAIMS						
MISCELLANEOUS						
TOTAL OPERATING			54.4	84.7	100.6	

CAPITAL						
---------	--	--	--	--	--	--

REVENUE			0	*a 96.3	*b 192.6	
---------	--	--	---	---------	----------	--

FUNDING : (Thousands of Dollars)

GENERAL FUND						
FEDERAL FUNDS						
OTHER						
TOTAL						

POSITIONS :

FULL-TIME						
PART-TIME			1	3	3	
TEMPORARY						

ANALYSIS : Attach a separate page if necessary

*a one event [does not include license or permit fees or admission]
*b two events

see attached *HPA*

Prepared by: Al Adams, Chair Phone: 465-3706
Division: House Finance Committee Date: 5/7/87

Approved by Commissioner: _____ Date: _____
Agency: _____

Distribution (by Agency preparing fiscal note):

Legislative Finance
Legislative Sponsor
Requestor
Office of Management and Budget
Impacted Agency(ies)



Official Business

Alaska State Legislature

HOUSE OF REPRESENTATIVES

Committee on Finance

No. 3
CSHB 32 (Fin)
5/8/87

P.O. Box V
State Capitol
Juneau, Alaska 99811

CSHB 32 (Finance)

REVISED FISCAL NOTE

Worksheet

Assumes passage in second session and 7/1/88 effective date

Personal Services

FY 89	<u>11.3</u>	Office Manager 17A PT start 1/1/89
FY 90	<u>43.5</u>	
	28.4	Office Manager 17A PT start FT 4/1/90
	9.3	Revenue Auditor I 14A (seasonal) start 4/1/90
	5.8	Clerk Typist III 3A PPT start 1/1/90
FY 91	<u>64.3</u>	(first full year of operation)
	34.0	Office Manager FT(4/1 - 10/1) PT(10/1 - 4/1)
	18.7	Revenue Auditor I (4/1 - 10/1)
	11.6	CT III PPT

Travel

FY 89 Four commission meetings in Anchorage. No site inspections or events. Public Hearings by teleconference to coincide with commission meetings. Assume Office Manager in Anchorage, three commissioners from Anchorage, one Fairbanks, one Juneau

FAI/ANC	4 x 220	=	\$ 880
JNU/ANC	4 x 352	=	1408
per diem	4 x 5 x 2 x 80	=	3200
mileage			<u>500</u>
			\$ 5988

Misc. Office Manager travel

ANC/FAI	220
ANC/JNU	<u>352</u>
	572

FY 89 TOTAL \$ 6560

FY 90 Four commission meetings \$ 5988

One site inspection - manager and one commissioner

Airfare	600
per diem 2 x 2 x 80	<u>320</u>
	\$ 920

One event - six days (8 days) - manager and one commissioner

Airfare	600
per diem 2 x 4 x 80	1280
Compensation 8 x 100	<u>800</u>
	2680

Misc. Office Manager 572

FY 90 TOTAL \$ 10160

FY 91 Same as FY 90 (\$ 10,160) plus one additional site inspection (\$ 920) and one additional event (\$ 2680)

FY 90 TOTAL \$ 13760

CONTRACTUAL	FY 89	FY 90	FY 91
Rent	5400	5400	5400
Office equipment maintenance	600	600	600
Copying & Postage	8000	8000	8000
Phone	5000	6000	6000
Clerical	<u>5000</u>	<u>2250</u>	<u>0</u>
	\$ 25,000	22,500	20,000

EQUIPMENT

Phone	1000	1000	0
Computer	5000	5000	0
Office furniture	<u>3000</u>	<u>0</u>	<u>0</u>
	\$ 9000	6000	

SUPPLIES	\$ 2500	2500	2500
----------	---------	------	------

REVENUE ASSUMPTIONS

- FY 90
- one six day event
 - 34,400 players
 - Average Handle of \$963.2 based on average wager of \$28 (Montana's average)
 - A takeout of 35% with state share at 10% for state revenue of \$96.3 per event
- FY 91
- two events - \$ 192.6

LIST OF BOARDS AND COMMISSIONS WITH COMPENSATION OTHER THAN
STANDARD TRAVEL AND PER DIEM

Commercial Fisheries Entry Commission

Authority: AS 16.43.020

Compensation: Salaried

3 members

Meet 120 days per year.

Commercial Fishing and Agriculture Bank Board of Directors

Authority: AS 44.81.010

Compensation: Not to exceed \$250/day as determined by Board

7 members

Meet 22 days per year.

Public Employees' and Teachers' Disability Review Board

Authority: AS 39.36.010

Compensation: Standard travel/per diem plus hourly compensation consistent with normal hourly earnings for 2 appointed members.

5 members

Meet as called by chair.

Board of Fisheries

Authority: AS 16.05.221

Compensation: \$150/day plus travel for regular Board meetings, \$100/day for other meetings and conferences.

7 members

Meets at least 6 times per year.

Board of Game

Authority: AS 16.05.221

Compensation: \$150/day plus travel for regular Board meetings, \$100/day for other meetings and conferences.

7 members

Meets at least twice per year.

Historical Records Advisory Board

Authority: Nat'l Historical Publications and Records Commission

Compensation: Federal funding/out of pocket

At least 7 members

Meet maximum of 6 days per year.

Alaska Housing Finance Corporation

Authority: AS 18.56.030

Compensation: \$100/day plus necessary expenses

5 members

Meet 16 days per year maximum.

Medical Indemnity Corporation of Alaska

Authority: AS 21.88.030

Compensation: Standard travel/per diem plus necessary expenses (per director's policy).

9 members

Meet 15-30 days maximum per year plus outside involvement.

Alaska Municipal Bond Bank Authority

Authority: AS 44.85.020

Compensation: Actual expenses incurred

5 Directors

Meet 5 times per year.

Occupational Safety and Health Review Board

Authority: AS 18.60.057

Compensation: \$50/day plus standard travel and per diem

3 members

Meet 6 days per year maximum.

Alaska Oil and Gas Conservation Commission

Authority: AS 31.05.005

Compensation: Salaried

3 members

Full time position.

State Board of Parole

Authority: AS 33.16.020

Compensation: As set by Governor, plus travel/per diem

5 members

Meet at least 4 times per year.

Alaska Permanent Fund Corporation Board of Trustees

Authority: AS 37.13.040

Compensation: \$400/day honorarium plus travel/per diem

6 members

Meet 40 days per year.

Alaska Public Offices Commission

Authority: AS 15.13.020

Compensation: \$50/day plus standard travel/per diem

5 members

Meet 15 days per year maximum.

Board of Directors of the Alaska Railroad Corporation

Authority: AS 42.40.010

Compensation: \$400/day plus standard travel/per diem

7 members

Meet at least once every three months.

Alaska Public Utilities Commission

Authority: AS 42.05.010

Compensation: Salaried

5 members

Continuous hearings throughout the year.

Western Interstate Commission for Higher Education

Authority: AS 14.44.030

Compensation: Actual and necessary expenses

3 members

Meet 10 days per year maximum.

Workers' Compensation Board

Authority: AS 23.30.005

Compensation: \$50/day plus standard travel/per diem

9 members

Meet 125 days per year.

Original sponsors: Larson and Menard

1 IN THE HOUSE BY THE STATE AFFAIRS COMMITTEE
2 SENATE CS FOR CS FOR HOUSE BILL NO. 32 (State Affairs)
3 IN THE LEGISLATURE OF THE STATE OF ALASKA
4 FIFTEENTH LEGISLATURE - SECOND SESSION
5 A BILL

6 For an Act entitled: "An Act establishing the Alaska Racing Commission and
7 authorizing parimutuel wagering at sanctioned
8 events."

9 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF ALASKA:

10 * Section 1. AS 05 is amended by adding a new chapter to read:

11 CHAPTER 40. HORSE RACING AND TEAM DOG RACING.

12 ARTICLE 1. ALASKA RACING COMMISSION.

13 Sec. 05.40.010. ALASKA RACING COMMISSION. (a) The Alaska
14 Racing Commission is established in the Department of Revenue. The
15 commission is composed of five members appointed by the governor. One
16 member shall have experience in the regulation, supervision, or con-
17 duct of parimutuel wagering, horse racing, or team dog racing; one
18 member shall have experience in law enforcement; one member shall have
19 experience in bookkeeping or accounting; two members shall be public
20 members.

21 (b) Each member of the commission shall at the time of the
22 member's appointment be a resident of the state.

23 (c) A person may not serve as a member of the commission if that
24 person has been convicted of

25 (1) a felony; or

26 (2) an offense defined in AS 05.40.200, AS 11.66.200 -
27 11.66.280, or a comparable provision of municipal, state, or federal
28 law.

29 (d) A person may not serve as a member of the commission until

1 the investigation required under AS 18.65.080 is completed.

2 (e) The commission shall elect a chairman from its membership.

3 (f) Three members of the commission constitute a quorum for the
4 transaction of business.

5 Sec. 05.40.020. TERM OF OFFICE. Members of the commission serve
6 staggered terms of four years. A vacancy is filled by appointment for
7 the unexpired term. A member of the commission holds office until a
8 successor is appointed and qualifies.

9 Sec. 05.40.030. REMOVAL AND SUSPENSION OF MEMBERS. (a) The
10 governor may remove a member for cause, including incompetence, ne-
11 glect of duty, or misconduct in office. A member being removed for
12 cause shall be given a copy of the charges and afforded an opportunity
13 to publicly present a defense in person or by counsel upon not less
14 than 10 days' notice. If a member is removed for cause, the governor
15 shall file with the lieutenant governor a complete statement of all
16 charges made against the member and the governor's findings based on
17 the charges, together with a complete record of the proceedings.

18 (b) The governor may immediately suspend a member for a vio-
19 lation of law or for misconduct in office pending removal from office
20 under (a) of this section.

21 Sec. 05.40.040. COMPENSATION AND PER DIEM. Except as provided
22 in AS 05.40.150, members of the commission receive no salary for their
23 service on the commission but are entitled to per diem and travel
24 expenses authorized by law for state boards and commissions under
25 AS 39.20.180.

26 Sec. 05.40.050. DUTIES AND POWERS OF THE COMMISSION. (a) The
27 commission shall, in consultation with the attorney general,

28 (1) adopt regulations concerning

29 (A) the issuance, renewal, suspension, and revocation

1 of licenses, temporary special permits, and special permits;

2 (B) the immediate suspension of a license, temporary
3 special permit, or special permit of a person subject to this
4 chapter during an investigation of a violation of this chapter or
5 a regulation adopted under this chapter;

6 (C) the appointment of race officials and their
7 duties;

8 (D) the distribution of the parimutuel pool among the
9 race meet operator, purse money, winning tickets, and the commis-
10 sion;

11 (E) retention of breakage by a race meet operator;

12 (F) veterinary standards for race meets;

13 (G) parimutuel equipment to be used by race meet
14 operators;

15 (H) auditing procedures; and

16 (I) other matters directly related to horse racing,
17 team dog racing, and parimutuel wagering;

18 (2) regulate and supervise all horse races and team dog
19 races;

20 (3) inspect and approve race tracks and race horses and
21 racing dogs;

22 (4) establish standards for the design and weight of
23 chariots used in team dog racing;

24 (5) establish racing dates and durations;

25 (6) sanction horse racing at locations approved by the
26 commission;

27 (7) sanction team dog races at locations approved by the
28 commission;

29 (8) set all license, temporary special permit, and special

1 permit fees;

2 (9) make an annual report to the commissioner of revenue
3 and the legislature of its administration of this chapter before
4 April 15 of each year;

5 (10) keep detailed records of all race meets and of all col-
6 lections and disbursements;

7 (11) supervise the making and distribution of parimutuel
8 pools.

9 (b) The commission may

10 (1) hire staff as needed to administer this chapter;

11 (2) issue subpoenas to compel witnesses to appear before
12 it;

13 (3) compel the production of documents showing the receipts
14 and disbursements of a race meet operator;

15 (4) appoint a hearing officer to conduct a hearing required
16 by this chapter or by a regulation adopted under it;

17 (5) by regulation, impose an admission surcharge for a race
18 meet not to exceed \$1 without regard to whether the race meet operator
19 charges an admission fee.

20 Sec. 05.40.060. REGULATIONS OF THE COMMISSION. The attorney
21 general shall enforce the regulations of the commission.

22 Sec. 05.40.070. RECORDS OF THE COMMISSION. All records of the
23 commission are public records and subject to public inspection.

24 Sec. 05.40.080. PROCEEDS. Fees and other money received by the
25 commission shall be paid into the general fund.

26 ARTICLE 2. RACE MEETS.

27 Sec. 05.40.100. RACE MEET OPERATOR'S LICENSE. (a) A person may
28 not conduct a race meet in the state without a race meet operator's
29 license issued by the commission. A race meet operator's license is

1 valid for three years unless revoked or suspended by the commission.

2 (b) The race meet operator has the exclusive right to operate or
3 contract for the operation of concessions at the site of the race
4 meet.

5 (c) A race meet operator's license may not be issued until the
6 investigation required under AS 18.65.080 is completed. A person
7 convicted of a crime set out in AS 05.40.010(c) may not receive a race
8 meet operator's license.

9 Sec. 05.40.110. SPECIAL PERMITS. (a) A person may not partici-
10 pate in a race meet as an owner of an animal participating in the race
11 meet, trainer, jockey, driver, attendant, groom, stable or kennel
12 person, veterinarian, employee of a race meet operator, concession-
13 aire, or concession employee without a special permit or a temporary
14 special permit issued by the commission.

15 (b) A special permit is valid for one year unless revoked or
16 suspended by the commission. The commission may not issue a special
17 permit under this section until the investigation required under
18 AS 18.65.080 is completed. A person convicted of a crime set out in
19 AS 05.40.010(c) may not receive a special permit.

20 (c) The commission may issue a temporary special permit to an
21 applicant for a special permit. A temporary special permit is valid
22 until revoked by the commission or until the investigation required
23 under AS 18.65.080 is completed and a special permit is issued.

24 Sec. 05.40.120. RACE MEETS WITHIN MUNICIPALITIES. The commis-
25 sion may not sanction a race meet within a municipality unless

26 (1) a majority of the voters in the municipality has ap-
27 proved a referendum authorizing parimutuel wagering on horse races and
28 team dog races; and

29 (2) the municipality, after a public hearing on the

1 license, approves issuance or renewal of the license.

2 Sec. 05.40.130. DISTRIBUTION OF PARIMUTUEL POOL. (a) Except as
3 provided in (b) of this section, the parimutuel pool shall be dis-
4 tributed

5 (1) 65 percent to the holders of winning tickets;

6 (2) 15 percent to the race meet operator conducting the
7 race meet;

8 (3) 10 percent as purse money; and

9 (4) 10 percent to the commission.

10 (b) The commission may by regulation adjust the distribution of
11 the parimutuel pool as necessary to promote efficient and successful
12 race meets. The percentage allocated to holders of winning tickets
13 shall be at least 65 percent of the parimutuel pool.

14 (c) Notwithstanding AS 34.45, money in a parimutuel pool not
15 claimed within one year after the date for distribution of the pool
16 shall be paid to the commission for deposit into the general fund.

17 Sec. 05.40.140. REPORTS BY THE RACE MEET OPERATOR. (a) The
18 race meet operator shall report to the commission within 30 days after
19 each race on the distribution of the parimutuel pool.

20 (b) The race meet operator shall report to the commission within
21 30 days after the end of the race meet on the operation and proceeds
22 of concessions at the site of the race meet.

23 Sec. 05.40.150. OBSERVATION OF RACE MEETS. (a) The commission
24 may appoint a member of the commission or other person to observe the
25 conduct of race meets. An observer shall be present at the site of
26 each race meet on the day before, the day after, and during the race
27 meet.

28 (b) In addition to per diem and travel expenses, a member of the
29 commission is entitled to compensation of \$100 per day for each day

1 the member is engaged in the actual performance of duties as a race
2 meet observer.

3 (c) A person who is not a member of the commission or an em-
4 ployee of the commission is entitled to compensation of \$100 per day
5 for each day the person is engaged in the actual performance of duties
6 as a race meet observer.

7 ARTICLE 3. PROHIBITED ACTS AND PENALTIES.

8 Sec. 05.40.200. PROHIBITED ACTS AND PENALTIES. (a) It is a
9 class A misdemeanor to

10 (1) violate or fail to comply with a regulation of the
11 commission or a provision of this chapter if no effect on the outcome
12 of the horse race or team dog race was intended;

13 (2) record, report, or register a wager on a horse in a
14 horse race or a team in a team dog race unless under the provisions of
15 this chapter;

16 (3) place a wager upon the results of a horse race or a
17 team dog race except by a parimutuel method of wagering conducted by a
18 race meet operator licensed under this chapter, and upon the grounds
19 or enclosure of the race meet operator;

20 (4) permit a person under the age of 18 to use the pari-
21 mutuel system.

22 (b) Violation of a regulation or provision of this chapter with
23 intent to affect the outcome of a horse race or a team dog race is a
24 class C felony.

25 ARTICLE 4. GENERAL PROVISIONS.

26 Sec. 05.40.900. ADMINISTRATIVE PROCEDURE ACT. The operations of
27 the commission are subject to the Administrative Procedure Act
28 (AS 44.62).

29 Sec. 05.40.910. CONFLICT OF INTEREST ACT. The commission is

1 subject to AS 39.50 (conflict of interest).

2 Sec. 05.40.990. DEFINITIONS. In this chapter

3 (1) "breakage" means the odd cents by which the amount
4 payable on each dollar wagered exceeds a multiple of 10 cents; break-
5 age may not exceed 20 percent of the total amount deposited in the
6 pool;

7 (2) "commission" means the Alaska Racing Commission;

8 (3) "harness race" means a race where the horses are har-
9 nessed to a sulky, carriage, or similar vehicle and driven by a driv-
10 er;

11 (4) "horse race" means either a race where the horses are
12 mounted and ridden by jockeys or a harness race;

13 (5) "parimutuel" means a form of wagering on the outcome of
14 horse races or team dog races in which those who wager personally
15 purchase tickets of various denominations on a horse or a team and all
16 wagers for each race are pooled and held by the race meet operator for
17 distribution; when the outcome of the race has been decided, the race
18 meet operator distributes the percentage of the total wagers deter-
19 mined by the commission to holders of tickets on the winning horses or
20 teams;

21 (6) "race meet" means an exhibition that includes horse
22 races or team dog races, where the parimutuel system is used;

23 (7) "race meet operator" means the person who is authorized
24 to conduct a race meet sanctioned by the commission;

25 (8) "special permit" means a permit issued by the commis-
26 sion to participants in a race meet, other than the race meet opera-
27 tor, under AS 05.40.110;

28 (9) "team dog race" means a race among five or more teams,
29 each team consisting of eight dogs, along a fixed course, not

1 exceeding one mile, where the teams start simultaneously from a common
2 starting point and race to a common finish line.

3 * Sec. 2. AS 18.65.080 is amended by adding a new subsection to read:

4 (b) The Department of Public Safety shall investigate and ascer-
5 tain whether a

6 (1) person appointed by the governor to serve as a member
7 of the Alaska Racing Commission under AS 05.40 has been convicted of a
8 crime set out in AS 05.40.010(c);

9 (2) member of the staff of or person employed by the Alaska
10 Racing Commission, a race official, a race meet operator, or a person
11 required to obtain a special permit under AS 05.40.110 has been con-
12 victed of a crime set out in AS 05.40.010(c).

13 * Sec. 3. AS 39.50.200(b) is amended by adding a new paragraph to read:

14 (49) Alaska Racing Commission (AS 05.40.010).

15 * Sec. 4. AS 44.62.330(a) is amended by adding a new paragraph to read:

16 (55) Alaska Racing Commission (AS 05.40.010).

17 * Sec. 5. INITIAL COMMISSION APPOINTMENTS. The governor shall make the
18 initial appointment of members of the Alaska Racing Commission within 120
19 days after the effective date of this Act.
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