

HB

29

HOUSE COMMITTEE REPORT

(7)

Date Referred: January 9, 1989

FURTHER REFERRALS: FINANCE

Date of Committee Action: 1/3/89

The LABOR & COMMERCE Committee recommends that:

HOUSE BILL NO. 29 [PARIMUTUEL HORSE & DOG RACING]
"An Act establishing the Alaska Racing Commission and authorizing parimutuel wagering at sanctioned events; and providing for an effective date."

[] be replaced with CS HB 29 (LHC) [] the same title
[] a new title

[] have attached amendment(s)

- [] do pass
- [] do not pass
- [] no recommendation
- [] individual recommendations
- [] additional referral to the _____ Committee

ADOPTS: _____ letter of intent

ATTACHES NEW FISCAL NOTE(s):

- [] fiscal impact
- [] zero fiscal note
- [] zero with analysis

APPROVES PREVIOUS:

- [] fiscal note(s) published: _____
- [] zero fiscal notes(s) published: _____

SIGNING DO PASS:

[Signature]

SIGNING OTHER THAN DO PASS:
(Do Not Pass, No Recommendation, Amend)

Daniel Bouley (no rec)

Mark Boyer - do not pass as amended, page 8 line 18

John [unclear] do not pass

John [unclear] - do not pass

John [unclear] do not PASS

John [unclear] (no rec)

[Signature]
Chairman's signature

STATE OF ALASKA
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Copies of minutes listed below were originally included in this file. The minutes are available on the STAIRS database CMPR. In order to save space copies of minutes have not been left in the files.

Mary Van Nimwegen

House Labor & Commerce
January 19, 1989

3:00 pm

HB 29

BILL NO: HB 29

DATE: January 18, 1989

TITLE: "An Act establishing the
Alaska Racing Commission
and authorizing parimutuel
wagering..."

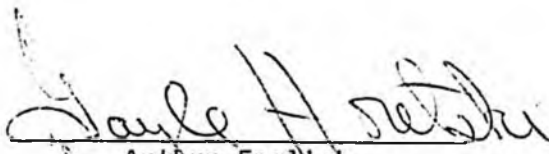
CONTACT: Gayle A. Horetski
Deputy Commissioner
465-4322

DEPARTMENT OF
PUBLIC SAFETY

House Bill 29 will legalize parimutuel betting at horse races and regulate horse racing at sanctioned events for the purpose of allowing parimutuel wagering.

Under Section 2 of the bill, the Department of Public Safety will be required to run criminal history checks on certain individuals. Because the number of persons whose records must be checked is expected to be very small, the Department believes that this impact can be absorbed using existing staff and resources.

The Department of Public Safety has no position on this bill.


for Arthur English
Commissioner

11-11-89 10:00 AM

Alaska State Legislature



Session Address:
STATE CAPITOL BUILDING
BOX V
JUNEAU, ALASKA 99811
(907) 465-3727

Interim Address:
BOX 53
PALMER, ALASKA 99645
(907) 745-3828 - Palmer
(907) 376-8828 - Wasilla

Representative Ronald L. Larson
District 16B

TO: House Labor & Commerce Committee Members
FROM: Ronald L. Larson *R.L.*
DATE: January 17, 1989
RE: HB 29, Establishing the Alaska Racing Commission

On Thursday, January 19, HB 29 is scheduled to come before the House Labor & Commerce Committee for hearing. I would like to take this opportunity to share with you some of my thoughts on the contents of this proposal.

HB 29, an Act establishing the Alaska Racing Commission and authorizing Parimutuel Wagering, is basically the same as the final form of HB 32 from the Fifteenth Legislative Session. Last year, HB 32 was held in the Senate Finance Committee upon adjournment. HB 32, after eight committee hearings and over seventy five (75) amendments, had grown from a good bill to a better bill. It is my hope that we will be successful in passing this legislation (now HB 29) during this current legislative session.

Enclosed are some questions and corresponding answers relating to parimutuel wagering. These were prepared to give you and your staff some general information on the subject before presenting it to you in committee.

I ask and urge for your support of HB 29 during the Sixteenth Legislative Session. If I or my staff can be of any assistance to you, please do not hesitate to contact my office. We would appreciate any opportunity to chat with you.

Thank you for your time.

QUESTIONS ABOUT PARIMUTUEL WAGERING AND HB 29

1. What is parimutuel wagering?

Parimutuel wagering is a system of betting dating back to the mid 1800's. Differing from typical gambling by virtue of the fact that the odds are not arbitrary, parimutuel wagering occurs when all collective bettors pool their money together. The total amount wagered versus the individual bets determines the amount which is divided among the winners

2. Has there been any local support shown for parimutuel wagering?

Both the cities of Palmer and Wasilla placed an advisory proposition on the ballot of the October 7, 1986 election concerning parimutuel wagering on certain horse events. (see attachments)

The result in Palmer was 58.2% in favor of the concept of the concept of local option parimutuel horse racing. In addition, the Palmer Municipal Code (Chapter 3.32) addresses parimutuel wagering by virtue of city ordinance #321. The city of Wasilla showed 62% of the voters approved the concept, with the City Council adopting resolution W85-J-6 supporting local option for parimutuel wagering.

In addition to local municipalities, the Matanuska-Susitna Borough has passed a resolution of support for state controlled, local option parimutuel wagering.

3. What type of benefits will parimutuel 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 create employment for the construction industry. Additionally, racing events will create a destination and accompanying services for the tourism trade. These are not to mention possible increases in the racing profession itself, with added jockeys, trainers, breeders, and handlers.

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 parimutuel wagering legal elsewhere?

Currently 37 states allow parimutuel wagering for either horses, dogs, or both.

5. What is the development scenario for parimutuel racing?

After the necessary local endorsement by the voters, preparation time could be six months to several years, depending on the level of development. A racing season in Alaska would be for approximately ten (10) weeks. As participation increases, so would the growth.

Parimutuel professionals tell us that an average scenario would typically include eight races a day, with eight entries per field.

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 - this being the normal procedure in other places where racing is on a similiary small scale. HB 29 also requires extensive review procedures for both Commission members and sanctioned events.

6. How have other states benefited from parimutuel wagering?

Other states have benefited by revenue to the general fund, tourism potential, animal care, facility construction, and real estate purchase. For example, the state of Washington collected over \$2.3 million in 1986 from license and registration fees.

Some states allow constitutional dedicated funds, benefiting specific groups such as school systems, rehabilitation, and capital improvement projects.

7. What are the fiscal implications for HB 29?

Our fiscal expectation is relatively small, based on the assumption that racing is only a 10 week season. The commission will provide the initial professional expertise, with possibly one or two staff persons to assist part-time in the preparation of regulations, public hearings, and paperwork. Depending on the development of races and facilities, the employment requirements would follow the same growth curve.

8. What is the role of the Racing Commission?

The Commission will regulate racing and parimutuel wagering. Their wide range of regulatory responsibilities are clearly outlined in HB 29. Included are their specific enforcement powers regarding prohibited acts and penalties.

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

9. How is parimutuel wagering different from games of chance and contests of skill?

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

HB 29 legislates parimutuel guidelines to strongly prevent abuse. The regulatory nature of the Commission, coupled with required sophisticated equipment, enhances the parimutuel system, and ensures security for the establishment and participators.

10. What is a "typical participant" in parimutuel 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. Managers, administrators, business leaders, educators, or politicians are common participants in parimutuel events.

11. How would this system affect those who do not participate?

By choice, it would not. First, it would require a local decision to allow parimutuel wagering within a municipality. Sec. 05.40.120 of HB 29 requires a majority approval of a referendum authorizing parimutuel racing within a municipality. A public hearing is also required before the issuance or renewal of a license.

Secondly, it is an individual choice to partake in wagering. Persons under the age of 21 are prohibited to participate in parimutuel wagering.

12. Who would be the monetary beneficiaries?

The licensee 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, takes a percentage equal to 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 ticket.

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

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



CITY OF WASILLA

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

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

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)

File with 17B 5L

CITY OF PALMER, ALASKA

ORDINANCE NO. 021

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.

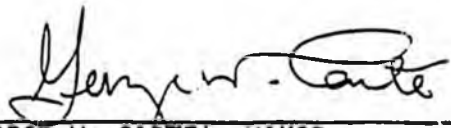
3.32.020 Sales Tax Applicability. A two (2) percent sales tax shall be charged on all gate admissions, concessions and gross monies deposited in the pari-mutuel system, to the extent not prohibited by Alaska State Statutes.

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. CARVE, MAYOR

DAVID L. SOULAK, CITY CLERK

Original sponsors: Larson, Zawacki,
and Menard

1 IN THE HOUSE

BY THE LABOR AND
COMMERCE COMMITTEE

2 CS FOR HOUSE BILL NO. 29 (L&C)

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 SIXTEENTH LEGISLATURE - FIRST SESSION

5 A BILL

6 For an Act entitled: "An Act establishing the Alaska Racing Commission and
7 authorizing parimutuel wagering at sanctioned events;
8 and providing for an effective date."

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.

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 Commerce and
15 Economic Development. The commission is composed of five members
16 appointed by the governor. One member shall have experience in the
17 regulation, supervision, or conduct of parimutuel wagering or horse
18 racing; one member shall have experience in law enforcement; one
19 member shall have experience in bookkeeping or accounting; two members
20 shall be public 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 05.40.950, 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 lat' 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. Members of the
22 commission do not receive a salary for their service on the commission
23 but are entitled to per diem and travel expenses authorized by law for
24 state boards and commissions under AS 39.20.180.

25 Sec. 05.40.050. DUTIES AND POWERS OF THE COMMISSION. (a) The
commission shall, in consultation with the attorney general,

(1) adopt regulations concerning

(A) the issuance, renewal, suspension, and revocation
of licenses and special permits;

1 (B) the immediate suspension of a license or special
2 permit of a person subject to this chapter during an investiga-
3 tion of a violation of this chapter or a regulation adopted under
4 this chapter;

5 (C) the appointment of race officials, including race
6 meet observers, and their duties;

7 (D) the distribution of the parimutuel pool among the
8 race meet operator, purse money, winning tickets, and the commis-
9 sion;

10 (E) retention of breakage by a race meet operator;

11 (F) veterinary standards for race meets;

12 (G) parimutuel equipment to be used by race meet
13 operators;

14 (H) auditing procedures; and

15 (I) other matters directly related to horse racing and
16 parimutuel wagering;

17 (2) regulate and supervise all horse races;

18 (3) inspect and approve race tracks and race horses;

19 (4) establish racing dates and durations;

20 (5) sanction horse racing within municipalities at loca-
21 tions approved by the commission;

22 (6) set all license and special permit fees;

23 (7) make an annual report to the commissioner of commerce
24 and economic development and the legislature of its administration of
25 this chapter before February 15 of each year;

26 (8) keep detailed records of all race meets and of all col-
27 lections and disbursements;

28 (9) supervise the making and distribution of parimutuel
29 pools.

1 (b) The commission may

2 (1) hire staff, and appoint persons as race meet observers,
3 as needed to administer this chapter, if the investigation required
4 under AS 18.65.080 finds that the person has not been convicted of a
5 crime set out in AS 05.40.010(c);

6 (2) issue subpoenas to compel witnesses to appear before
7 it;

8 (3) compel the production of documents showing the receipts
9 and disbursements of a race meet operator;

10 (4) appoint a hearing officer to conduct a hearing required
11 by this chapter or by a regulation adopted under it;

12 (5) by regulation, impose an admission surcharge for a race
13 meet not to exceed \$1 without regard to whether the race meet operator
14 charges an admission fee.

15 Sec. 05.40.060. EMPLOYEES OF THE COMMISSION. Employees of the
16 commission are in the partially exempt service under AS 39.25.120.

17 Sec. 05.40.070. REGULATIONS OF THE COMMISSION. The attorney
18 general shall enforce the regulations of the commission.

19 Sec. 05.40.080. RECORDS OF THE COMMISSION. All records of the
20 commission are public records and subject to public inspection.

21 Sec. 05.40.090. PROCEEDS. Fees and other money received by the
22 commission shall be paid into the general fund.

23 ARTICLE 2. RACE MEETS.

24 Sec. 05.40.100. RACE MEET OPERATOR'S LICENSE. (a) A person may
25 not conduct a race meet in the state without a race meet operator's
26 license issued by the commission. A race meet operator's license is
27 valid for three years unless revoked or suspended by the commission.

28 (b) The race meet operator has the exclusive right to operate or
29 contract for the operation of concessions at the site of the race

1 meet.

2 (c) A race meet operator's license may not be issued until the
3 investigation required under AS 18.65.080 is completed. A person
4 convicted of a crime set out in AS 05.40.010(c) may not receive a race
5 meet operator's license.

6 (d) A race meet may be conducted only within a municipality.

7 Sec. 05.40.110. SPECIAL PERMITS. (a) A person may not partici-
8 pate in a race meet as an owner of an animal participating in the race
9 meet, trainer, jockey, driver, attendant, groom, stable person, veter-
10 inarian, employee of a race meet operator, concessionaire, or conces-
11 sion employee without a special permit issued by the commission.

12 (b) A special permit is valid for one year unless revoked or
13 suspended by the commission. The commission may not issue a special
14 permit under this section until the investigation required under
15 AS 18.65.080 is completed. A person convicted of a crime set out in
16 AS 05.40.010(c) may not receive a special permit.

17 Sec. 05.40.120. LOCAL OPTION. The commission may not sanction a
18 race meet within a municipality unless

19 (1) a majority of the voters in the municipality has ap-
20 proved a referendum authorizing parimutuel wagering on horse races and
21 providing for municipal licensing of race meets within the municipal-
22 ity; and

23 (2) the municipality, after a public hearing on the li-
24 cense, has approved issuance or renewal of the municipal license for
25 the race meet.

26 Sec. 05.40.130. DISTRIBUTION OF PARIMUTUEL POOL. (a) Except as
27 provided in (b) and (c) of this section, the parimutuel pool shall be
28 distributed

29 (1) 65 percent to the holders of winning tickets;

1 (2) 15 percent to the race meet operator conducting the
2 race meet;

3 (3) 10 percent as purse money; and

4 (4) 10 percent to the commission.

5 (b) The commission may by regulation adjust the distribution of
6 the parimutuel pool as necessary to promote efficient and successful
7 race meets. The percentage allocated to holders of winning tickets
8 shall be at least 65 percent of the parimutuel pool.

9 (c) Notwithstanding AS 34.45, money that is owed to holders of
10 winning tickets but not claimed within six months after the date for
11 distribution of the parimutuel pool shall be paid to the commission
12 for deposit into the general fund.

13 Sec. 05.40.140. REPORTS BY THE RACE MEET OPERATOR. (a) The
14 race meet operator shall report to the commission within 30 days after
15 each race on the distribution of the parimutuel pool.

16 (b) The race meet operator shall report to the commission within
17 30 days after the end of the race meet on the operation and proceeds
18 of concessions at the site of the race meet

19 Sec. 05.40.150. OBSERVATION OF RACE MEETS. (a) The commission
20 may appoint a member of the commission or other person to observe the
21 conduct of race meets. An observer shall be present at the site of
22 each race meet on the day before, the day after, and during the race
23 meet.

24 (b) A person who is not a member of the commission or an em-
25 ployee of the commission does not receive a salary but is entitled to
26 per diem and travel expenses, for each day the person is engaged in
27 the actual performance of duties as a race meet observer.

28 ARTICLE 3. GENERAL PROVISIONS.

29 Sec. 05.40.900. ADMINISTRATIVE PROCEDURE ACT. The operations of

1 the commission are subject to the Administrative Procedure Act
2 (AS 44.62).

3 Sec. 05.40.910. CONFLICT OF INTEREST ACT. The commission is
4 subject to AS 39.50 (conflict of interest).

5 Sec. 05.40.950. PROHIBITED ACTS AND PENALTIES. (a) It is a
6 class A misdemeanor to

7 (1) violate or fail to comply with a regulation of the
8 commission or a provision of this chapter if no effect on the outcome
9 of a horse race was intended;

10 (2) record, report, or register a wager on a horse in a
11 horse race unless under the provisions of this chapter;

12 (3) place a wager upon the results of a horse race except
13 by a parimutuel method of wagering conducted by a race meet operator
14 licensed under this chapter, and upon the grounds or enclosure of the
15 race meet operator;

16 (4) permit a person under the age of 21 to use the pari-
17 mutuel system.

18 (b) Violation of a regulation or provision of this chapter with
19 intent to affect the outcome of a horse race is a class C felony.

20 Sec. 05.40.990. DEFINITIONS. In this chapter

21 (1) "breakage" means the odd cents by which the amount
22 payable on each dollar wagered exceeds a multiple of 10 cents; break-
23 age may not exceed 20 percent of the total amount deposited in the
24 pool;

25 (2) "commission" means the Alaska Racing Commission;

26 (3) "harness race" means a race where the horses are har-
27 nessed to a sulky, carriage, or similar vehicle and driven by a driv-
28 er;

29 (4) "horse race" means either a race where the horses are

1 mounted and ridden by jockeys or a harness race;

2 (5) "parimutuel" means a form of wagering on the outcome of
3 horse races in which those who wager personally purchase tickets of
4 various denominations on a horse and all wagers for each race are
5 pooled and held by the race meet operator for distribution; when the
6 outcome of the race has been decided, the race meet operator distrib-
7 utes the percentage of the total wagers determined by the commission
8 to holders of tickets on the winning horses;

9 (6) "race meet" means an exhibition that includes horse
10 races, where the parimutuel system is used;

11 (7) "race meet operator" means the person who is authorized
12 to conduct a race meet sanctioned by the commission;

13 (8) "special permit" means a permit issued by the commis-
14 sion to participants in a race meet, other than the race meet opera-
15 tor, under AS 05.40.110.

16 * Sec. 2. AS 18.65.080 is amended by adding a new subsection to read:

17 (b) The Department of Public Safety shall investigate and ascer-
18 tain whether the following persons have been charged with a crime set
19 out in AS 05.40.010(c):

20 (1) a person appointed by the governor to serve as a member
21 of the Alaska Racing Commission;

22 (2) an applicant for employment with the Alaska Racing
23 Commission;

24 (3) an applicant to serve as a race official or race meet
25 observer;

26 (4) an applicant for a license under AS 05.40.100 or a
27 special permit under AS 05.40.110.

28 * Sec. 3. AS 39.25.120(c) is amended by adding a new paragraph to read:

29 (21) employees of the Alaska Racing Commission.

1 * Sec. 4. AS 39.50.200(b) is amended by adding a new paragraph to read:
2 (50) Alaska Racing Commission (AS 05.40.010).

3 * Sec. 5. AS 44.62.330(a) is amended by adding a new paragraph to read:
4 (55) Alaska Racing Commission (AS 05.40.010).

5 * Sec. 6. INITIAL COMMISSION APPOINTMENTS. The governor shall make the
6 initial appointment of members of the Alaska Racing Commission within 120
7 days after the effective date of this Act.

8 * Sec. 7. This Act takes effect July 1, 1990.
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