

ALASKA LEGISLATURE COMMITTEE BILL FILES - 1987 - 1988 8879

CSHB 32 cont., HB 32 208

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 1967-68), 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?

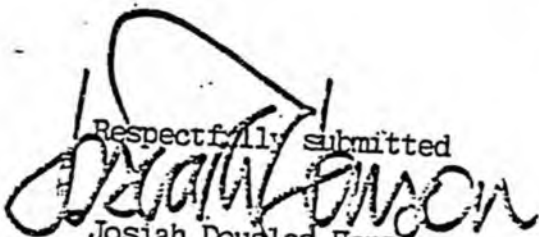
These questions in no way present obstacles to legalization and will be easily answerable on investigation once pari-mutuel betting is approved. The conclusion of this report is that neither economic considerations nor the possibility of underworld involvement stand in the way of such approval.

- 23) Task Force Report on Legalized Gambling to Honorable Evelle J. Younger, Attorney General State of California. (Sacramento: California Department of Justice, 1971), p.
- 24) Ibid.
- 25) M. Cope, "Profile of a Bookmaker," Saturday Evening Post 236, April 27, 1963, p. 37.
- 26) "New Losers" Nation January 26, 1974, p. 100-101.
- 27) Deering's California Code, op.cit.
- 28) Ibid., p. 15.
- 29) Ibid., p. 53.
- 30) Scarne, Scarne's Complete Guide to Gambling. op.cit., p. 62.
- 31) Robert Kennedy, "Baleful Influence of Gambling from the Two Dollar Bet to Narcotics," Atlantic Monthly January 4, 1962 p. 78-79.
- 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 Veeck, Thirty Tons a Day (New York: The Viking Press, 1972), pps. 112-113.

BIBLIOGRAPHY

- 1) Adams, Harland B. The Guide to Legal Gambling New York: The Citadel Press, 1966.
- 2) Book of the States (1972-1973) The Council of State Governments Vol. XIX Lexington: Kentucky.
- 3) Cook, Virginia G. Gambling: Source of State Revenue Published by Council of State Governments, Iron Works Pike, Lexington. Kentucky: Jan., 1973.
- 4) Cope, M. "Profile of a Bookmaker," Saturday Evening Post 236: April 27, 1963.
- 5) Deering's California Codes: Business and Professions Code 19400 to End. Annotated of the State of California. Annotated and Indexed by the Publisher's editorial staff. San Francisco: Bancroft-Whitney Co, 1960.
- 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.
- 9) King, Rufus. Gambling and Organized Crime. Washington D.C.: Public Affairs Press, 1969.
- 10) Longrigg, Roger. The History of Horse Racing. New York: Stein and Schuster, 1961.
- 11) "New Losers," Nation January 26, 1974.
- 12) Scarne, John. Scarne's Complete Guide to Gambling. New York: Simon and Schuster, 1961.
- 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.
- 15) "The Great Land: Boom or Doom?" Time July 27, 1970.
- 16) Veack, Bill. Thirty Tons a Day. New York: The Viking Press, 1972.

Respectfully submitted

A handwritten signature in black ink, appearing to read "JOSIAH HENSON". The signature is written in a cursive style with a large, sweeping initial "J".

Josiah Douglas Henson
JOSIAH HENSON ASSOCIATES
Special Consultants to the
Alaska State Fair, inc.
Horse Racing Commission



Alaska State Legislature

HOUSE OF REPRESENTATIVES

Committee on Finance

Official Business

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

CSHB 32 (Finance)
5/06/87

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 |

CSHB 32 (Finance)
5/6/87

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 |
|----------|---------|------|------|

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

HB

32

HOUSE COMMITTEE REPORT

(11)

Date referred: 3/20/87

FURTHER REFERRALS:

DATE: 5/7/87

The Finance Committee has considered HB 32

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

RECOMMENDS:

- replace with CS HB 32 (Fin) the same title
- attached amendment(s) a new title
- 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 same as previous fiscal note published _____
- zero fiscal note same as previous zero fiscal note published _____
- zero with analysis

SIGNING DO PASS:

LARSON Ronald J. Larson

ROYER Mark Royer

RIEGER John Rieger

SIGNING OTHER RECOMMENDATIONS:

ADAMS Carl Adams - No Rec

SWACK-HAMMER Carl Swack-Hammer - No Rec

WALLIS Ray Wallis - 11-

BROWN Tay Brown - No Rec

DAVIS Mike Davis - No Rec

GOLL R. Goll - No Rec

Robert A. Adams
Chairman's signature

STATE OF ALASKA 1987 LEGISLATIVE SESSION FISCAL NOTE

Revision Date : 5/6/87

REQUEST

Bill/Resolution No. : CSHR 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 192.0 | |
|----------------|--|--|---|---------|----------|--|

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)



Alaska State Legislature

HOUSE OF REPRESENTATIVES

Committee on Finance

Official Business

P.O. Box V
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5/06/87

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| | \$ 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
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Original sponsors: Larson and Menard

1 IN THE HOUSE

BY THE FINANCE COMMITTEE

2 CS FOR HOUSE BILL NO. 32 (Finance)

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 FIFTEENTH 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
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. (a) Except as
22 provided in (b) of this section, members of the commission receive no
23 salary for their service on the commission but are entitled to per
24 diem and travel expenses authorized by law for state boards and com-
25 missions under AS 39.20.180.

26 (b) In addition to per diem and travel expenses, a member of the
27 commission is entitled to compensation of \$100 per day for each day
28 the member is engaged in the actual performance of duties as a race
29 meet observer.

1 Sec. 05.40.050. DUTIES AND POWERS OF THE COMMISSION. (a) The
2 commission shall, in consultation with the Attorney General,

3 (1) adopt regulations concerning

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

6 (B) the immediate suspension of a license or special
7 permit of a person subject to this chapter during an investiga-
8 tion of a violation of this chapter or a regulation adopted under
9 this chapter;

10 (C) the appointment of race officials and their
11 duties;

12 (D) the distribution of the parimutuel pool among the
13 race meet operator, purse money, winning tickets, and the commis-
14 sion;

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

16 (F) veterinary standards for race meets;

17 (G) parimutuel equipment to be used by race meet
18 operators;

19 (H) auditing procedures; and

20 (I) other matters directly related to horse racing,
21 team dog racing, and parimutuel wagering;

22 (2) regulate and supervise all horse races and team dog
23 races;

24 (3) inspect and approve race tracks and race horses and
25 racing dogs;

26 (4) establish standards for the design and weight of
27 chariots used in team dog racing;

28 (5) establish racing dates and durations;

29 (6) sanction horse racing at locations approved by the

1 commission;

2 (7) sanction team dog races at locations approved by the
3 commission;

4 (8) set all license and special permit fees;

5 (9) make an annual report to the commissioner of revenue
6 and the legislature of its administration of this chapter before
7 April 15 of each year;

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

10 (11) supervise the making and distribution of parimutuel
11 pools.

12 (b) The commission may

13 (1) hire staff as needed to administer this chapter;

14 (2) issue subpoenas to compel witnesses to appear before
15 it;

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

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

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

23 Sec. 05.40.060. REGULATIONS OF THE COMMISSION. The attorney
24 general shall enforce the regulations of the commission.

25 Sec. 05.40.070. RECORDS OF THE COMMISSION. All records of the
26 commission are public records and subject to public inspection.

27 Sec. 05.40.080. PROCEEDS. Fees and other money received by the
28 commission shall be paid into the general fund.

29 ARTICLE 2. RACE MEETS.

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

5 (b) The race meet operator has the exclusive right to operate or
6 contract for the operation of concessions at the site of the race
7 meet.

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

12 Sec. 05.40.110. SPECIAL PERMITS. (a) A person may not partici-
13 pate in a race meet as an owner of an animal participating in the race
14 meet, trainer, jockey, driver, attendant, groom, stable or kennel
15 person, veterinarian, employee of a race meet operator, concession-
16 naire, or concession employee without a special permit issued by the
17 commission. A special permit is valid for one year unless revoked or
18 suspended by the commission.

19 (b) A special permit may not be issued under this section until
20 the investigation required under AS 18.65.080 is completed. A person
21 convicted of a crime set out in AS 05.40.010(c) may not receive a
22 special permit.

23 Sec. 05.40.120. RACE MEETS WITHIN MUNICIPALITIES. The commis-
24 sion may not sanction a race meet within a municipality unless

25 (1) a majority of the voters in the municipality has ap-
26 proved a referendum authorizing parimutuel wagering on horse races and
27 team dog races; and

28 (2) the municipality, after a public hearing on the li-
29 cense, approves issuance or renewal of the license.

1 Sec. 05.40.130. DISTRIBUTION OF PARIMUTUEL POOL. (a) Except as
2 provided in (b) of this section, the parimutuel pool shall be dis-
3 tributed

4 (1) 65 percent to the holders of winning tickets;

5 (2) 15 percent to the race meet operator conducting the
6 race meet;

7 (3) 10 percent as purse money; and

8 (4) 10 percent to the commission.

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

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. The commission may
20 appoint a member of the commission or other person to observe the con-
21 duct of race meets. An observer shall be present at the site of each
22 race meet on the day before, the day after, and during the race meet.

23 ARTICLE 3. PROHIBITED ACTS AND PENALTIES.

24 Sec. 05.40.200. PROHIBITED ACTS AND PENALTIES. (a) It is a
25 class A misdemeanor to

26 (1) violate or fail to comply with a regulation of the
27 commission or a provision of this chapter if no effect on the outcome
28 of the horse race or team dog race was intended;

29 (2) record, report, or register a wager on a horse in a

1 horse race or a team in a team dog race unless under the provisions of
2 this chapter;

3 (3) place a wager upon the results of a horse race or a
4 team dog race except by a parimutuel method of wagering conducted by a
5 race meet operator licensed under this chapter, and upon the grounds
6 or enclosure of the race meet operator;

7 (4) permit a person under the age of 18 to use the pari-
8 mutuel system.

9 (b) Violation of a regulation or provision of this chapter with
10 intent to affect the outcome of a horse race or a team dog race is a
11 class C felony.

12 ARTICLE 4. GENERAL PROVISIONS.

13 Sec. 05.40.900. ADMINISTRATIVE PROCEDURE ACT. The operations of
14 the commission are subject to the Administrative Procedure Act
15 (AS 44.62).

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

18 Sec. 05.40.990. DEFINITIONS. In this chapter

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

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

24 (3) "harness race" means a race where the horses are har-
25 nessed to a sulky, carriage, or similar vehicle and driven by a
26 driver;

27 (4) "horse race" means either a race where the horses are
28 mounted and ridden by jockeys or a harness race;

29 (5) "parimutuel" means a form of wagering on the outcome of

1 horse races or team dog races in which those who wager personally
2 purchase tickets of various denominations on a horse or a team and all
3 wagers for each race are pooled and held by the race meet operator for
4 distribution; when the outcome of the race has been decided, the race
5 meet operator distributes the percentage of the total wagers deter-
6 mined by the commission to holders of tickets on the winning horses or
7 teams;

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

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

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

15 (9) "team dog race" means a race among five or more teams,
16 each team consisting of eight dogs, along a fixed course, not exceed-
17 ing one mile, where the teams start simultaneously from a common
18 starting point and race to a common finish line.

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

20 (b) The Department of Public Safety shall investigate and ascer-
21 tain whether a

22 (1) person appointed by the governor to serve as a member
23 of the Alaska Racing Commission under AS 05.40 has been convicted of a
24 crime set out in AS 05.40.010(c);

25 (2) member of the staff of or person employed by the Alaska
26 Racing Commission, a race official, a race meet operator, or a person
27 required to obtain a special permit under AS 05.40.110 has been con-
28 victed of a crime set out in AS 05.40.010(c).

29 * Sec. 3. AS 39.50.200(b) is amended by adding a new paragraph to read:

1 (49) Alaska Racing Commission (AS 05.40.010).

2 * Sec. 4. AS 44.62.330(a) is amended by adding a new paragraph to read:

3 (55) Alaska Racing Commission (AS 05.40.010).

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

Alaska State Legislature



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

Interim Address:
BOX 53
PALMER, ALASKA 99645
(907) 745-3826 - Palmer
(907) 378-8628 - Wasilla

Representative Ronald H. Larson
District 16B

MEMORANDUM

TO: Representative Al Adams
Chairman, House Finance Committee
FROM: Representative Ron Larson R. J.
Original Sponsor of HB 32
SUBJ: Pari-mutuel Racing Commission and Local Option
DATE: April 1, 1987

It is with pleasure that I present CSHB 32 to your committee. This proposed bill is my effort to enable local communities to vote on the concept of racing and wagering in their own municipalities. The bill sets up a State Racing Commission, which is responsible for all licensing and regulations. Additionally, there is a two-step process for local approval. We have worked with legal services and revenue to accommodate their concerns. The Committee Substitute is the result of this work. I feel this bill has improved with these changes.

Specifically in my district, horse racing is a historical activity. As you know the heartland of the Matanuska Valley had its symbolic beginnings with agriculture. What better way of honoring this hearty Alaskan occupation than by encouraging it to continue in a new form, through a small Pari-mutuel Racing Track? The raising of stock, provision of fodder, and the associated tourism and construction trades will do much for this borough with a 15.2% unemployment rate.

Now is the time for state government to look carefully at local government's revenue initiatives. Local option Pari-mutuel racing does just that--in a legal and organized fashion--but only if the local voters approve the concept at the polls and the local government approves the permits.

The attached material should provide some helpful back-up material. I look forward to working with you and your committee on this bill. I urge your favorable advice and vote.

cc. Committee Members

Alaska State Legislature



Session Address:
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Representative Ronald L. Larson
District 16B

AMENDMENT TO CSHB32

Page 4, Line 22
Duties and Powers of the Commission

Sec. 05.40.070(b) is amended to read:

(5) assess an admission fee, not to exceed \$1 per person.

Original sponsors: Larson and Menard

1 IN THE HOUSE BY THE STATE AFFAIRS COMMITTEE
2 CS FOR HOUSE BILL NO. 32 (State Affairs)
3 IN THE LEGISLATURE OF THE STATE OF ALASKA
4 FIFTEENTH 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
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.
16 Three of the members shall have experience in the regulation, super-
17 vision, or conduct of parimutuel wagering, horse racing, or team dog
18 racing.

19 (b) Each member of the commission shall at the time of the
20 member's appointment be a resident of the state.

21 (c) A person may not serve as a member of the commission if that
22 person has been convicted of

23 (1) a felony; or

24 (2) an offense defined in AS 05.40.200, AS 11.66.200 -
25 11.66.280, or a comparable provision of municipal, state, or federal
26 law.

27 (d) A person may not serve as a member of the commission until
28 the investigation required under AS 18.65.080 is completed.

29 (e) The commission shall elect a chairman from its membership.

1 Sec. 05.40.020. TERM OF OFFICE. Members of the commission serve
2 staggered terms of four years. A vacancy is filled by appointment for
3 the unexpired term. A member of the commission holds office until a
4 successor is appointed and qualifies.

5 Sec. 05.40.030. REMOVAL AND SUSPENSION OF MEMBERS. (a) The
6 governor may remove a member for cause, including incompetence, ne-
7 glect of duty, or misconduct in office. A member being removed for
8 cause shall be given a copy of the charges and afforded an opportunity
9 to publicly present a defense in person or by counsel upon not less
10 than 10 days' notice. If a member is removed for cause, the governor
11 shall file with the lieutenant governor a complete statement of all
12 charges made against the member and the governor's findings based on
13 the charges, together with a complete record of the proceedings.

14 (b) The governor may summarily suspend a member for a violation
15 of law or for misconduct in office pending removal from office under
16 (a) of this section.

17 Sec. 05.40.040. COMPENSATION AND PER DIEM. (a) Except as
18 provided in (b) of this section, members of the commission receive no
19 salary for their service on the commission but are entitled to per
20 diem and travel expenses authorized by law for state boards and com-
21 missions under AS 39.20.180.

22 (b) In addition to per diem and travel expenses, a member of the
23 commission is entitled to compensation of \$100 per day for each day
24 the member is engaged in the actual performance of duties as a race
25 meet observer.

26 Sec. 05.40.050. QUORUM. Three members of the commission consti-
27 tute a quorum for the transaction of business.

28 Sec. 05.40.060. JURISDICTION. Jurisdiction of the commission
29 extends to every owner, trainer, jockey, driver, attendant, or other

1 person conducting, or participating in the conduct of, a race meet
2 authorized under this chapter.

3 Sec. 05.40.070. DUTIES AND POWERS OF THE COMMISSION. (a) The
4 commission shall

5 (1) adopt regulations concerning

6 (A) the issuance, renewal, suspension, and revocation
7 of licenses for persons within its jurisdiction;

8 (B) the immediate suspension of the license of a
9 person subject to this chapter during an investigation of a
10 violation of this chapter or a regulation adopted under this
11 chapter;

12 (C) the appointment of racing officials and their
13 duties;

14 (D) the distribution of the parimutuel pool among the
15 licensee conducting the meet, purse money, winning tickets, and
16 the commission;

17 (E) retention of breakage by the licensee conducting
18 the meet;

19 (F) veterinary standards for race meets;

20 (G) parimutuel equipment to be used by licensees;

21 (H) auditing procedures; and

22 (I) other matters directly related to horse racing,
23 team dog racing, and parimutuel wagering;

24 (2) license, regulate, and supervise all horse races and
25 team dog races;

26 (3) inspect and approve race tracks and race horses and
27 racing dogs;

28 (4) establish standards for the design and weight of
29 chariots used in team dog racing;

- 1 (5) establish racing dates and durations;
- 2 (6) sanction horse racing at locations approved by the
3 commission;
- 4 (7) sanction team dog races at locations approved by the
5 commission;
- 6 (8) set all license fees;
- 7 (9) make an annual report to the commissioner of revenue
8 and the legislature of its administration of this chapter before
9 February 1 of each year;
- 10 (10) keep detailed records of all race meets and of all col-
11 lections and disbursements;
- 12 (11) supervise the making and distribution of parimutuel
13 pools.

- 14 (b) The commission may
- 15 (1) hire staff as needed to administer this chapter;
- 16 (2) issue subpoenas to compel witnesses to appear before
17 it;
- 18 (3) compel the production of documents showing the receipts
19 and disbursements of a person licensed to conduct a race meet;
- 20 (4) appoint a hearing officer to conduct a hearing required
21 by this chapter or by a regulation adopted under it.

22 Sec. 05.40.080. REGULATIONS OF THE COMMISSION. The attorney
23 general shall enforce the regulations of the commission.

24 Sec. 05.40.090. RECORDS OF THE COMMISSION. All records of the
25 commission are public records and subject to public inspection.

26 Sec. 05.40.100. PROCEEDS. Fees and other money received by the
27 commission shall be paid into the general fund.

28 ARTICLE 2. RACE MEETS.

29 Sec. 05.40.110. RACE MEETS AND LICENSES. (a) A person may not

1 conduct a race meet or operate concessions at a race meet in the state
2 without a valid license issued by the commission. A license to con-
3 duct a race meet is valid for three years unless revoked or suspended
4 by the commission.

5 (b) The person licensed to conduct a race meet has the exclusive
6 right to operate or contract for the operation of concessions at the
7 site of the race meet.

8 (c) A person may not participate in a race meet without a valid
9 license issued by the commission. A license to participate in a race
10 meet is valid for one year unless revoked or suspended by the commis-
11 sion.

12 (d) A license may not be issued under this chapter until the
13 investigation required under AS 18.65.080 is completed. A person
14 convicted of a crime defined in AS 05.40.010(c) may not be licensed.

15 Sec. 05.40.120. RACE MEETS WITHIN MUNICIPALITIES. The commis-
16 sion may not issue or renew a license to conduct a race meet within a
17 municipality unless

18 (1) a majority of the voters in the municipality has ap-
19 proved a referendum authorizing parimutuel wagering on horse races and
20 team dog races; and

21 (2) the municipality, after a public hearing on the li-
22 cense, approves issuance or renewal of the license.

23 Sec. 05.40.130. DISTRIBUTION OF PARIMUTUEL POOL. (a) Except as
24 provided in (b) of this section, the parimutuel pool shall be dis-
25 tributed

26 (1) 65 percent to the holders of winning tickets;

27 (2) 15 percent to the licensee conducting the race meet;

28 (3) 10 percent as purse money; and

29 (4) 10 percent to the commission.

1 (b) The commission may by regulation adjust the distribution of
2 the parimutuel pool as necessary to promote efficient and successful
3 race meets. The total percentage allocated to the licensee, purse
4 money, and the commission may not exceed 35 percent of the parimutuel
5 pool.

6 Sec. 05.40.140. REPORTS BY LICENSEE. The licensee conducting
7 the race meet shall report to the commission within 30 days after each
8 race on the distribution of the parimutuel pool and within 30 days
9 after the end of the race meet on the operation and proceeds of con-
10 cessions at the site of the race meet.

11 Sec. 05.40.150. OBSERVATION OF RACE MEETS. The commission may
12 appoint from among its members or employ a person to observe the
13 conduct of race meets. An observer shall be present at the site of
14 each race meet on the day before, the day after, and during the race
15 meet.

16 ARTICLE 3. PROHIBITED ACTS AND PENALTIES.

17 Sec. 05.40.200. PROHIBITED ACTS AND PENALTIES. (a) It is a
18 class A misdemeanor to

19 (1) violate or fail to comply with a regulation of the
20 commission or a provision of this chapter if no effect on the outcome
21 of the horse race or team dog race was intended;

22 (2) record, report, or register a wager on a horse in a
23 horse race or a team in a team dog race unless under the provisions of
24 this chapter;

25 (3) place a wager upon the results of a horse race or a
26 team dog race except by a parimutuel method of wagering conducted by a
27 person licensed under this chapter, and upon the grounds or enclosure
28 of the licensee;

29 (4) permit a person under the age of 18 to use the

1 parimutuel system.

2 (b) Violation of a regulation or provision of this chapter with
3 intent to affect the outcome of a horse race or a team dog race is a
4 class C felony.

5 ARTICLE 4. GENERAL PROVISIONS.

6 Sec. 05.40.900. ADMINISTRATIVE PROCEDURE ACT. The operations of
7 the commission are subject to the Administrative Procedure Act
8 (AS 44.62).

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

11 Sec. 05.40.990. DEFINITIONS. In this chapter

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

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

17 (3) "harness race" means a race where the horses are har-
18 nessed to a sulky, carriage, or similar vehicle and driven by a
19 driver;

20 (4) "horse race" means either a race where the horses are
21 mounted and ridden by jockeys or a harness race;

22 (5) "parimutuel" means a form of wagering on the outcome of
23 horse races or team dog races in which those who wager personally
24 purchase tickets of various denominations on a horse or a team and all
25 wagers for each race are pooled and held by the licensee conducting
26 the meet for distribution; when the outcome of the race has been
27 decided, the licensee conducting the meet distributes the percentage
28 of the total wagers determined by the commission to holders of tickets
29 on the winning horses or teams;

1 (6) "race meet" means an exhibition that includes horse
2 races or team dog races, where the parimutuel system is used;

3 (7) "team dog race" means a race among five or more teams,
4 each team consisting of eight dogs, along a fixed course, not exceed-
5 ing one mile, where the teams start simultaneously from a common
6 starting point and race to a common finish line.

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

8 (b) The Department of Public Safety shall investigate and ascer-
9 tain whether a

10 (1) person appointed by the governor to serve as a member
11 of the Alaska Racing Commission under AS 05.40 has been convicted of a
12 crime described in AS 05.40.010(c);

13 (2) member of the staff of or person employed by the Alaska
14 Racing Commission, a race official, or a person licensed to conduct or
15 participate in the conduct of a race meet has been convicted of a
16 crime described in AS 05.40.010(c).

17 * Sec. 3. AS 39.50.200(b) is amended by adding a new paragraph to read:

18 (49) Alaska Racing Commission (AS 05.40.010).

19 * Sec. 4. AS 44.62.330(a) is amended by adding a new paragraph to read:

20 (55) Alaska Racing Commission (AS 05.40.010).

21 * Sec. 5. INITIAL COMMISSION APPOINTMENTS. The governor shall make the
22 initial appointment of members of the Alaska Racing Commission within 90
23 days after the effective date of this Act.

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 Resclution 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 veterinaries, 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.

**STATE OF ALASKA 1987 LEGISLATIVE SESSION
FISCAL NOTE**

REQUEST: _____

Bill Version : CSHB32
Publish Date : _____

Revision Date: _____
Title : _____

Agency Affected : Revenue
BRU : _____

Sponsor : _____
Requestor : _____

Components : _____

PARI-MUTUEL RACING COMMISSION

EXPENDITURES/REVENUES: (Thousands of Dollars)

| OPERATING | FY 87 | FY 88 | FY 89 | FY 90 | FY 91 | FY 92 |
|------------------------|-------|---------------|---------------|-------|-------|-------|
| PERSONAL SERVICES | | 12,000a | 36,045c | | | |
| TRAVEL | | 6,516b | 4,508d | | | |
| CONTRACTUAL | | 8,000 | 4,000 | | | |
| SUPPLIES | | 2,500 | 2,500 | | | |
| EQUIPMENT | | | | | | |
| LAND & STRUCTURES | | | | | | |
| GRANTS, CLAIMS | | | | | | |
| MISCELLANEOUS | | | | | | |
| TOTAL OPERATING | | 29,016 | 47,053 | | | |

| | | | | | | |
|---------|--|--|--|--|--|--|
| CAPITAL | | | | | | |
|---------|--|--|--|--|--|--|

| | | | | | | |
|---------|--|--|---------|--|--|--|
| REVENUE | | | 85,850e | | | |
|---------|--|--|---------|--|--|--|

FUNDING: (Thousands of Dollars)

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

POSITIONS:

| | | | | | | |
|-----------|--|--|--|--|--|--|
| FULL-TIME | | | | | | |
| PART-TIME | | | | | | |
| TEMPORARY | | | | | | |

ANALYSIS : (Attach a separate page if necessary)

Prepared by : Representative Ron Larson Phone : _____
Division : _____ Date : _____

Approved by Commissioner : _____ Date : _____
Agency : _____

Distribution (by preparer) :

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

CSHB 32--Local Option Pari-mutuel Racing

| <u>EXPECTED ACTION</u> | <u>DATE/PLACE</u> | <u>RESPONSIBILITY</u> |
|---|---------------------------|---------------------------------|
| 1. Bill goes into effect (90 days) | July 87 | |
| 2. Appointment of Commission | Oct. 87 | Governor |
| 3. Organizational regular meeting Election, discuss staff | Nov. 87 Anchorage | Commission Gov. office staff |
| 4. Teleconference meeting | Dec. 87 All locations | Commission |
| 5. Meeting for draft regulation preparation | Jan.88 Anchorage | Commission Rg 17a-part-time |
| 6. Teleconference meeting | Feb.88 All locations | Commission part-time staff |
| 7. Regular Meeting on Preliminary draft regs | March 88 Anchorage | Commission part-time staff |
| 8. Teleconference on reg. revisions | April 88 All locations | Commission part-time staff |
| 9. Regular Meeting to finalize regs. | May 88 Anchorage | Commission part-time staff |
| 10. Additional Meeting if needed | June 88 | Commission part-time staff |

Fiscal Note Explanation

a. Manager at a 17A level, to assist Commission with research, regulations, reviews, and public hearings. Part-time, beginning January 88; selected by Commission

b. Assumes four full Commission meetings in Anchorage and an additional three teleconferences in FY88. (refer to above schedule)

FY 89...or after racing commences

c. Manager at a 17A level, to assist Commission and to coordinate activities and staff for events. Part-time Investigator--2 months surrounding events Auditor--2 months surrounding events This position lessen the Public Safety fiscal note.

d. Assumes quarterly meetings for the Commission. Two of these meetings will be held in conjunction with the race events. The other two meetings would be by teleconference.

e. Revenue-assumes same statistics from Department's figures. In addition there would be \$17,750 in license fees and \$34,400 in admission fees.

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.~~

File with 17B 5L

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.

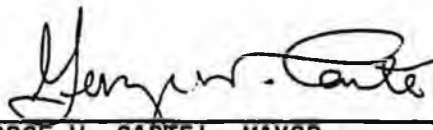
Section 4. Publication and Effective Date. This ordinance shall become effective immediately upon its adoption and publication shall be by posting a copy hereof on the City Hall bulletin board for a period of ten (10) days following its adoption, and it shall be published by being printed and included 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. CARVE, MAYOR

DAVID L. SOULAK, CITY CLERK

PALMER SPECIAL CITY COUNCIL MEETING MINUTES - OCTOBER 7, 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 Contractor 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.

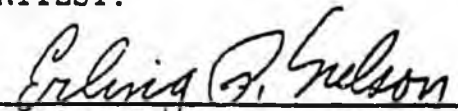
I certify that a resolution in substantially the above form was passed by a majority of those voting at a duly called and conducted meeting of the governing body of the City of Wasilla this 12th day of August, 1985.

APPROVED:



Charles H. Bumpus, Mayor

ATTEST:



Erling P. Nelson, City Clerk, CMC

(SEAL)

ATTACHMENT "A"

ELECTION WORKSHEET REGULAR ELECTION 10-7-66

| SEAT "C" CANDIDATES | REGULAR | | ABSENTEE | | QUESTIONED | | TOTAL | % |
|------------------------|------------|------------|-----------|-----------|------------|----------|------------|----------------|
| | #37 | #38 | #37 | #38 | #37 | #38 | | |
| MOSLEY, VINCENT T. | 168 | 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 | % |
|------------------------|------------|------------|-----------|-----------|------------|----------|------------|----------------|
| | #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 | 42.37% |
| 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 | % |
|------------------------|------------|------------|-----------|-----------|------------|----------|------------|----------------|
| | #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% |
| 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 1966

| CANDIDATES | REGULAR | | ABSENTEE | | QUESTIONED | | TOTAL | % |
|-------------------------|------------|------------|-----------|-----------|------------|----------|------------|----------------|
| | #37 | #38 | #37 | #38 | #37 | #38 | | |
| BUSHNELL, WILLET A. | 21 | 17 | 2 | 2 | 0 | 0 | 42 | 14.15% |
| COTTE, COLLEEN J. | 27 | 21 | 1 | 1 | 0 | 0 | 50 | 16.60% |
| DeCAMP, RICHARD A. (MR) | 47 | 43 | 2 | 5 | 0 | 0 | 97 | 31.39% |
| LANGILL, FRANK S. | 14 | 11 | 4 | 0 | 0 | 0 | 25 | 8.22% |
| MCCARTHY, RAYMOND P. | 15 | 10 | 0 | 0 | 0 | 0 | 25 | 8.50% |
| MARTIN, ED SR. | 54 | 31 | 5 | 2 | 0 | 0 | 92 | 30.87% |
| NEWCOMB, HAROLD S. | 50 | 59 | 7 | 7 | 0 | 0 | 123 | 41.47% |
| PAGE, DOROTHY G. | 57 | 44 | 3 | 5 | 0 | 0 | 109 | 36.57% |
| WRITEINS | 5 | 1 | 0 | 0 | 0 | 0 | 6 | .84% |
| TOTALS | 383 | 285 | 24 | 22 | 0 | 0 | 714 | 100.00% |

ADVISORY QUESTIONNAIRE

PARI-MUTUEL HORSE RACING

| | #37 | #38 | #37 | #38 | #37 | #38 | TOTAL | % |
|--------------|-----|-----|-----|-----|-----|-----|------------|----------------|
| YES | 181 | 181 | 15 | 16 | 0 | 0 | 393 | 61.99% |
| NO | 130 | 99 | 6 | 6 | 0 | 0 | 241 | 38.01% |
| TOTAL | | | | | | | 634 | 100.00% |

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.



17 February 1987

House of Representatives
State Affairs Committee
Juneau, Alaska

Dear Committee Members:

I am a 30 years resident of this area, General Manager of Alaska State Fair, Inc. and have the honor of serving on the Palmer City Council. My family has been heavily involved in Agriculture for over 25 years and I think I have an excellent grasp on this area with regard to economy, leisure time facilities, quality of life and agricultural outlook.

As an individual, I do not think that the annual dividend is a good idea, I am in favor of personal income tax and I favor state sales tax as well. While I realize that even these avenues of income will not cover all state expenditures, I feel they would be a beginning. I also feel that the legalization of Pari-Mutuel wagering as described in HB32 would be an excellent source of additional income to assist in the shortfall. ←

Gambling is going on in our state now and has been for many years. At this time the state has no control over it nor does the state derive any income with respect to it.

I feel that HB32 Pari-Mutuel Wagering "on a local option basis" is the best such bill to have ever been presented to the legislature.

The people of Alaska must have a hand in determining their own destiny and this could very well be the first step.

If I can be of assistance to you in any way, please don't hesitate to call on me. I would appreciate your vote of "do pass" on HB 32.

Sincerely,

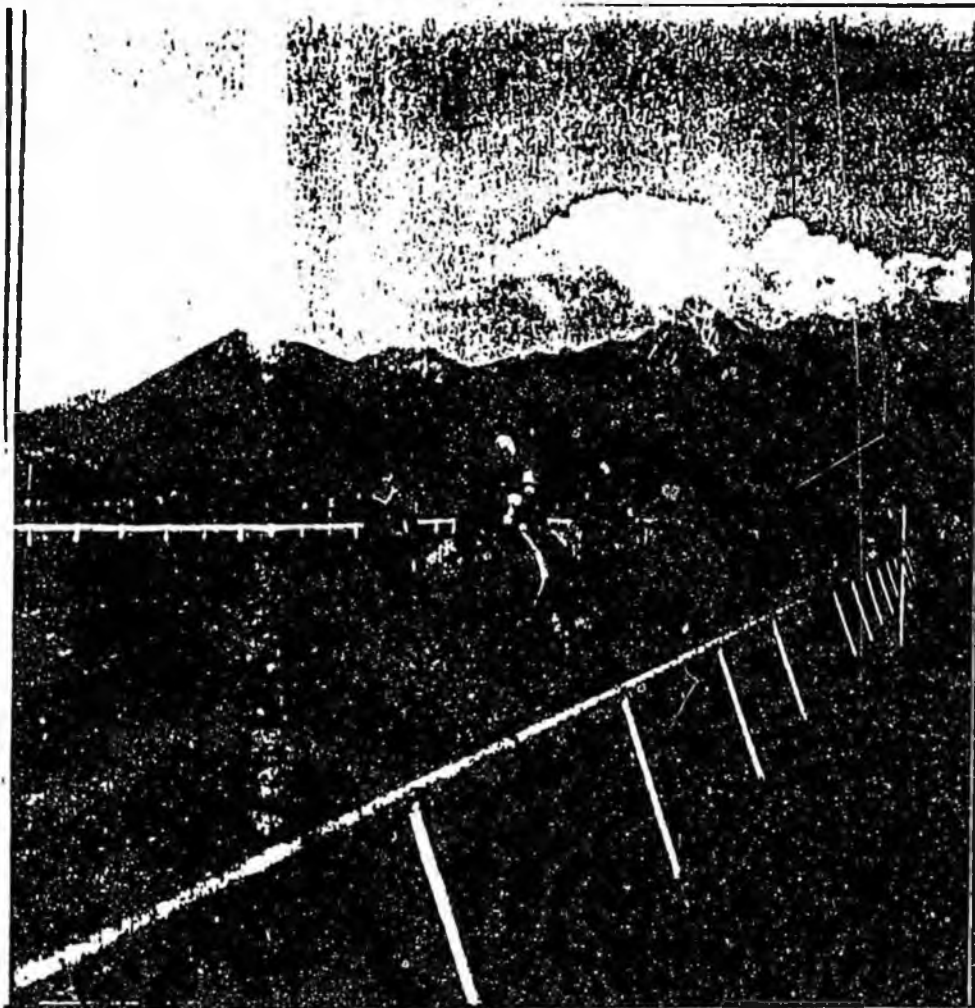
Marsha M. Melton
Marsha M. Melton
General Manager

Glenn Highway

2075 Glenn Highway
Palmer, Alaska 99645

(907) 745-4827

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

6-28-74
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 Ellis 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 Erikson 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.

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

DATE: February 26, 1987
TO: House HESS Committee
FROM: Representative Ron Larson *R.L. by eye*
SUBJ: CS for House Bill No. 32

Following is a sectional analysis of the changes to
HB 32 as effected by CS for HB 32.

Section 1, Sec. 05.40.010, page 1:

Lines 14-15: "The Alaska Racing Commission (heretofore 'the commission') is composed of five members appointed by the governor." In HB 32 the commission was to be appointed by the governor and confirmed by the legislature in joint session. The Division of Legal Affairs advises that the requirement for legislative approval is unconstitutional.

Lines 16-18: Requires three members to "have experience in the regulation, supervision, or conduct of parimutuel wagering, horse racing, or team dog racing." This language assures experienced members on the commission.

Lines 25-26: Adds stipulation that a person may not serve on the commission if previously convicted of an offense defined by a municipal or federal law comparable to an offense defined by AS 05.40.200 or AS 11.66.200 - 11.66.280 (HB 32 only referred to other state law). This language simply broadens the coverage of the provision.

Lines 27-28: A person may not serve as a commission member until after the investigation required under AS 18.65.080. This clause prevents a person from serving on the commission before being properly investigated and approved.

Section 1, Sec. 05.40.020, page 2:

Lines 1-2: Provides that commission members will serve staggered terms of four years. HB 32 did not provide for

staggered terms; it stipulated only that members would serve four year terms.

Section 1, Sec. 05.40.030, page 2:

Lines 5-13: Further clarifies reasons why the governor may remove a member of the commission (incompetence and misconduct in office) and sets out the procedures for that removal.

Lines 14-16: Adds language allowing the governor to suspend a commission member pending removal from office. HB 32 had no provisions for suspension.

Section 1, Sec. 05.40.040, page 2:

Lines 22-25: Provides that, in addition to per diem and travel expenses, a commission member will be compensated \$100 per day for performing duties as a race meet observer. This provision provides incentive for commission members to participate as race observers.

Section 1, Sec. 05.40.060, page 3:

Lines 1-2: Simplifies wording of commission's jurisdiction to "a race meet authorized under this chapter" (under HB 32, "a meeting where horse racing or team dog racing is authorized under this chapter for a stake, purse, or reward").

Section 1, Sec. 05.40.070, page 3:

Lines 8-11: Under the adoption of regulations by the commission, adds regulations concerning the immediate suspension of the license of a person during an investigation. Again, HB 32 had no provision for suspension. This clause tightens up the oversight role of the commission.

Section 1, Sec. 05.40.080, page 4:

Lines 22-23: Omits words "Violation of a regulation of the commission is punishable under AS 05.40.200." The omission simply rids the bill of a redundancy.

Section 1, Sec. 05.40.110, pages 4-5:

Line 1, page 4, and Lines 1-4, page 5: HB 32 provided only that a person could not conduct a race meet without a valid license. The CS provides that a person operating

concessions at a race meet must also be licensed. HB 32 did not stipulate the length of time a license would remain valid without renewal and did not provide for revocation or suspension of the license. The CS sets the validity of a license at three years and provides for revocation and suspension. The added language provides for greater oversight by the commission and the public (lines 22-23 provides for a public hearing and municipal approval for renewal).

Lines 5-7: Added language clarifies the operation of concessions at a race meet.

Lines 9-11: HB 32 did not stipulate the length of time a race participant's license would remain valid and did not provide for revocation or suspension. The CS does both, setting the validity of a participant's license at one year.

Lines 12-13: New language stipulates that a license may not be issued until after an investigation required under AS 18.65.080 is completed.

Note: All modifications made in Sec. 05.40.110 are an attempt to tighten oversight of race meets.

Section 1, Sec. 04.40.120, page 5:

Lines 15-22: HB 32 provided that a license to conduct a race meet within a municipality could be issued only after the voters of the municipality approve a referendum authorizing parimutuel wagering and races. The CS's new language provides for a two step process for issuing such a license--approval of a referendum and the approval by the municipal governing board after a public hearing. It also provides for renewal of a license--again, with the approval of the municipal governing board after a public hearing.

Section 1, Sec. 05.40.130, pages 5-6:

This new language establishes how the parimutuel pool will be distributed and allows the commission (by regulation) "to adjust the distribution of the parimutuel pool as necessary to promote efficient and successful race meets."

Section 1, Sec. 05.40.140, page 6:

This new language requires that the licensee conducting a race meet report to the commission within 30 days after a race (the distribution of the parimutuel pool and the proceeds of concessions).

Section 1, Sec. 05.40.150, page 6:

This new language provides for a paid observer of a race meet the day before, the day of, and the day after the meet is held.

Note: Sections 140 & 150 provide for tighter oversight of race meets.

Article 4. General Provisions, page 7-8:

Note: Article 4 of the CS combines Article 4 and 5 of the original HB 32. It also changes the sectional numbering from 05.40.250 through 05.40.300 to 05.40.900 through 05.40.990. These changes are simply a technical changes reflecting drafting style.

Section 1, Sec. 05.40.990:, page 8:

Line 1: Changes HB 32's defining of "meeting" or "meet" to "race meet" (though the actual definition stays the same).

Section 5:

Lines 21-23: Changes the initial appointment of members to the commission from 30 days to 90 days after the effective date.

STATE OF ALASKA
THE LEGISLATURE

POUCH Y STATE CAPITOL
JUNEAU, ALASKA 99811
907 465 3800

LEGISLATIVE AFFAIRS AGENCY

MEMORANDUM

February 9, 1987

SUBJECT: Section-by-section analysis of HB 32
TO: Representative Ron Larson
FROM: George Utermohle *GU*
Legislative Counsel

The following memorandum is the section-by-section analysis requested by Larry Bussone of your staff.

Please note that a sectional analysis or summary of a bill should not be considered an authoritative interpretation of the bill, and the bill itself is the best statement of its contents.

Section 1. Section 1 of the bill provides for the creation of a commission to regulate racing and parimutuel wagering

Sec. 05.40.010 establishes the Alaska Racing Commission in the Department of Revenue. The commission is composed of five members appointed by the governor and confirmed by the legislature. Members of the commission must be residents of the state. A person may not be appointed to the commission if that person has been convicted of a felony or gambling offense. The commission members elect the chairman.

Sec. 05.40.020 sets the term of appointment to the commission

Sec. 05.40.030 establishes procedures for removal of a member from the commission.

Sec 05.40.040 provides that members of the commission receive no salary but do receive per diem and travel expenses authorized for boards and commissions.

Sec. 05.40.050 sets the quorum for the commission at three members.

Sec. 05.40.060 describes the jurisdiction of the commission over persons conducting or participating in a horse race or team dog race authorized by the commission where a stake or purse or reward is offered.

Sec. 05.40.070 sets out the duties and powers of the commission. The commission shall adopt regulations concerning licenses for persons subject to the jurisdiction of the commission, appointment of officials to monitor races, distribution of the parimutuel pool, veterinary standards for races, the equipment used for parimutuel wagering, auditing procedures, and other matters related to horse racing, team dog racing, and parimutuel wagering. The commission shall also license races, inspect race tracks and racing animals, establish standards for equipment used in team dog racing, establish racing dates and durations, sanction racing at specific locations, set fees, make an annual report to the commissioner of revenue and the legislature by February 1 of each year, keep detailed records of race meets and all collections and disbursements, and supervise parimutuel pools.

The commission may hire staff, compel witnesses to appear before the commission, compel production of documents of licensed racetracks, and appoint hearing officers.

Sec. 05.40.080 provides that the Attorney General will enforce the regulations of the commission.

Sec. 05.40.090 provides that the records of the commission are public.

3 { Sec. 05.40.100 provides that money received by the commission shall be paid into the state's general fund.

4 { Sec 05.40.110 requires that a person conducting or participating in a race meet be licensed by the commission. A person convicted of a felony or a gambling offense may not receive a license to conduct or to participate in a race meet.

Sec. 05.40.120 prohibits the commission from sanctioning a race within a municipality unless the voters of the municipality have approved a referendum authorizing parimutuel wagering on horse and team dog team races within the municipality.

Sec. 05.40.200 established prohibited acts and penalties. It is a class A misdemeanor to

- 1) violate a regulation of the commission if no effect on the outcome of a race licensed by the commission was intended;
- 2) record, report, register, or place a wager on a horse race or team dog race except as provided under the authority of the commission;
- 3) permit a person under 18 years of age to place a wager.

A class A misdemeanor is punishable by imprisonment of not more than one year or a fine of not more than \$5,000 or both.

It is a class C felony to violate a provision of AS 05.40 or a regulation of the commission with the intent to affect the outcome of a race. A class C felony is punishable by imprisonment of not more than five years or a fine of not more than \$50,000, or both.

Sec 05.40.250 provides that the commission is subject to the Administrative Procedures Act.

Sec. 05.40.260 provides that members of the commission are subject to the prohibitions against conflict of interest.

Sec. 05.40.300 establishes definitions for "breakage", "commission", "harness race", "horse race", "meeting" or "meet", "parimutuel", and "team dog race".

Sec. 2. Section 2 of the bill amends AS 18.65.080 by providing that the Department of Safety shall investigate whether a person appointed to the commission, employed by the commission, or employed as a race official, race employee, or veterinarian has been convicted of a felony or a gambling offense.

Sec. 3. Section 3 of the bill amends AS 39.50.200(b) to include the Alaska Racing Commission within the definition of "state commission or board" so that members of the commission are subject to prohibitions against conflict of interest.

Representative Larson
February 9, 1987
Page 4

Sec. 4. Section 4 of the bill amends AS 44.62.330(a) so that the Alaska Racing Commission is subject to the procedures applicable to administrative adjudication under AS 44.62.330 - 44.62.630.

Sec. 5. Section 5 of the bill imposes a duty on the governor to appoint the initial members of the commission within 30 days after the effective date of this Act.

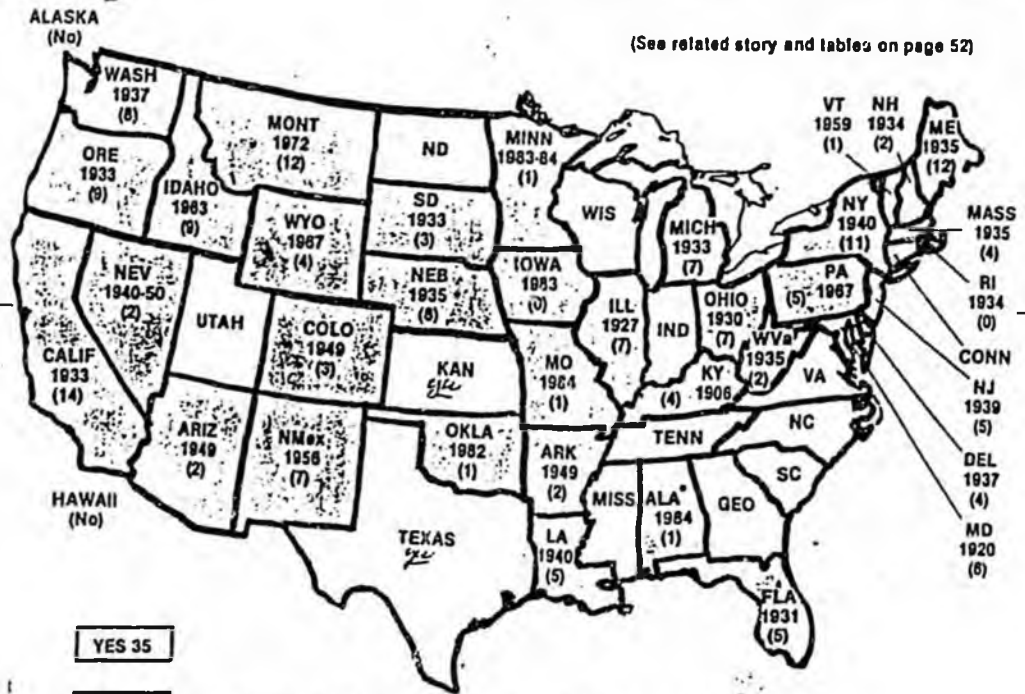
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c7/052

Performance horse

racing

Parimutuel wagering:
A look at where it's at

(See related story and tables on page 52)



YES 35
NO 15

() number of licensed parimutuel horse tracks including fairs

52/September

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 letting 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 | State | No. Races | Handle |
|------------|-----------|---------------|-----------|-----------|----------------|
| Arizona | 2,092 | 81,110,896 | Nebraska | 2,663 | 214,584,635 |
| Arkansas | 608 | 185,123,545 | New Hamp | 2,506 | 87,372,874 |
| California | 9,623 | 2,222,839,913 | New Jers | 7,020 | 1,012,900,808 |
| Colorado | 307 | 1,104,087 | New Mex | 4,683 | 144,208,842 |
| Delaware | 4,163 | 107,895,502 | New York | 18,425 | 1,598,187,321 |
| Florida | 5,126 | 487,225,623 | Ohio | 9,898 | 408,242,568 |
| Idaho | 1,135 | 9,114,942 | Oklahoma | 1,951 | 41,882,984 |
| Illinois | 11,535 | 823,234,682 | Oregon | 2,383 | 43,080,751 |
| Iowa | 285 | 2,052,406 | Penn | 10,803 | 422,420,988 |
| Kentucky | 8,735 | 321,789,843 | So Dakota | 263 | 1,168,001 |
| Louisiana | 7,611 | 563,243,912 | Vermont | 89 | 728,799 |
| Maine | 3,689 | 35,949,724 | Wash | 3,856 | 200,222,833 |
| Maryland | 8,584 | 488,744,808 | West Va | 4,834 | 144,391,709 |
| Mass | 5,247 | 271,007,190 | Wyoming | 777 | 7,351,655 |
| Michigan | 7,201 | 375,971,988 | New York | OTB | 1,212,234,788 |
| Minnesota | 782 | 84,210,821 | Conn | OTB | 180,958,025 |
| Montana | 1,330 | 11,608,656 | Totals | 142,137 | 12,222,343,267 |

TOTAL REVENUE TO GOVERNMENT

| State | Total | Thoroughbred | Harness | Qtr 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 | 9,276,314 |
| 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 | 11,563,409 | 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 | 1,376,076 | | | | 1,376,076 |
| 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

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

STATE OF ALASKA
THE LEGISLATURE

POUCH Y STATE CAPITOL
JUNEAU ALASKA 99801
907 465 3800

LEGISLATIVE AFFAIRS AGENCY

MEMORANDUM

May 5, 1987

SUBJECT: Section-by-section analysis of CSHB 32()
TO: Representative Ron Larson
FROM: George Utermohle *GU*
Legislative Counsel

The following memorandum is the section-by-section analysis of CSHB 32() requested by Barbara Hunt of your staff.

Please note that a section-by-section analysis or summary of a bill should not be considered an authoritative interpretation of the bill. The bill itself is the best statement of its contents.

Section 1. Section 1 of the bill provides for the creation of a commission to regulate racing and parimutuel wagering

ARTICLE 1. ALASKA RACING COMMISSION

Sec. 05.40.010 establishes the Alaska Racing Commission in the Department of Revenue. The commission is composed of five members appointed by the governor. One member of the commission shall have experience in the regulation, supervision, or conduct of parimutuel wagering, horse racing, or team dog racing, one member shall have experience in law enforcement, one member shall have experience in bookkeeping or accounting, and two members shall be public members. Members of the commission must be residents of the state. A person may not be appointed to the commission if that person has been convicted of a felony or gambling offense. A person may not serve as a member of the commission until a background check is completed by the Department of Public Safety. The commission members elect the chairman. Three members of the commission constitute a quorum.

Sec. 05.40.020 sets the term of appointment to the commission at four years.

Sec. 05.40.030 establishes procedures for removal of a member from the commission.

Sec 05.40.040 provides that members of the commission receive no salary but do receive per diem and travel expenses authorized for boards and commissions when the members are serving on the board. Board members may receive \$100 a day when they serve as race meet observers.

Sec. 05.40.050 sets out the duties and powers of the commission. The commission shall adopt regulations concerning licenses and special permits for persons subject to the jurisdiction of the commission, appointment of officials to monitor races, distribution of the parimutuel pool, veterinary standards for races, the equipment used for parimutuel wagering, auditing procedures, and other matters related to horse racing, team dog racing, and parimutuel wagering. The commission shall also regulate races, inspect race tracks and racing animals, establish standards for equipment used in team dog racing, establish racing dates and durations, sanction racing at specific locations, set fees, make an annual report to the commissioner of revenue and the legislature by April 15 of each year, keep detailed records of race meets and all collections and disbursements, and supervise parimutuel pools.

The commission may hire staff, compel witnesses to appear before the commission, compel production of documents of race meet operators, appoint hearing officers, and impose, by regulation an admission surcharge for races meets without regard to whether the race track charges admission.

Sec. 05.40.060 provides that the Attorney General will enforce the regulations of the commission.

Sec. 05.40.070 provides that the records of the commission are public.

Sec. 05.40.080 provides that money received by the commission shall be paid into the state's general fund.

ARTICLE 2 RACE MEETS

Sec 05.40.100 requires that a person conducting a race meet be licensed by the commission. A race meet operator's license is valid for three years unless revoked or suspended. The race meet operator has the exclusive right

to operate or contract for the operation of concessions at the site of the race meet. A person convicted of a felony or a gambling offense may not receive a license to conduct a race meet.

Sec. 05.04.110 provides that a person may not participate in a race meet as an animal owner, trainer, jockey, driver, attendant, groom, stable or kennel person, veterinarian, employee of the race meet operator, concessionaire, or concession employee without receiving a special permit issued by the commission. A special permit is valid for one year unless revoked or suspended.

Sec. 05.40.120 prohibits the commission from sanctioning a race within a municipality unless the voters of the municipality have approved a referendum authorizing parimutuel wagering on horse and team dog team races within the municipality and the municipality, after holding a public hearing, approves issuance or renewal of the license.

Sec. 05.40.130 provides that the parimutuel pool shall be distributed 65 percent to the holders of winning tickets, 15 percent to the race meet operator, 10 percent as purse money, and 10 percent to the commission. The amount of the pool distributed to holders of winning tickets shall be at least 65 percent and may be increased by the commission if the commission finds that it is necessary to promote efficient and successful race meets. The commission may adjust the distribution of the remaining 35 percent of the pool among purse money, the race meet operator, and the commission as necessary.

Sec. 05.40.140 provides that the race meet operator shall report to the commission within 30 days after each race on the distribution of the parimutuel pool. The race meet operator shall report to the commission on the operation and proceeds of concessions at the site of the race meet within 30 days after the end of the race meet.

Sec. 05.40.150 provides that the commission may appoint persons, including members of the commission, to serve as observers of race meets. An observer shall be present at the site of a race meet on the day before, the day after, and during the race meet.

ARTICLE 3. PROHIBITED ACTS AND PENALTIES

Sec. 05.40.200 establishes prohibited acts and penalties. It is a class A misdemeanor to

- 1) violate a regulation of the commission if no effect on the outcome of a race licensed by the commission was intended;
- 2) record, report, register, or place a wager on a horse race or team dog race except as provided under the authority of the commission;
- 3) permit a person under 18 years of age to place a wager.

A class A misdemeanor is punishable by imprisonment of not more than one year or a fine of not more than \$5,000 or both.

It is a class C felony to violate a provision of AS 05.40 or a regulation of the commission with the intent to affect the outcome of a race. A class C felony is punishable by imprisonment of not more than five years or a fine of not more than \$50,000, or both.

ARTICLE 4. GENERAL PROVISIONS

Sec 05.40.900 provides that the commission is subject to the Administrative Procedure Act.

Sec. 05.40.910 provides that members of the commission are subject to the prohibitions against conflict of interest.

Sec. 05.40.990 establishes definitions for "breakage", "commission", "harness race", "horse race", "parimutuel", "race meet", "race meet operator", "special permit", and "team dog race".

Sec. 2. Section 2 of the bill amends AS 18.65.080 by providing that the Department of Safety shall investigate whether a person appointed to the commission, a person employed by the commission, a race official, a race meet operator, or a person required to obtain a special permit has been convicted of a felony or a gambling offense.

Sec. 3. Section 3 of the bill amends AS 39.50.200(b) to include the Alaska Racing Commission within the definition of "state commission or board" so that members of the commission are subject to prohibitions against conflict of interest.

Representative Larson
Page 5
May 5, 1987

Sec. 4. Section 4 of the bill amends AS 44.62.330(a) so that the Alaska Racing Commission is subject to the procedures applicable to administrative adjudication under AS 44.62.330 - 44.62.630.

Sec. 5. Section 5 of the bill imposes a duty on the governor to appoint the initial members of the commission within 120 days after the effective date of this Act.

GU:mkr
m11/113

POSTION PAPER / DEPARTMENT OF PUBLIC SAFETY

BILL NO: HB 32

DATE: 2/20/87

13

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

CONTACT: James D. Vaden
Deputy Commissioner

HB 32 will legalize parimutuel betting at dog and horse races and generate revenues for the general fund.

This Department would be directly affected by the requirement to provide background checks under Section 2, AS 18.65.080(b)(2). of this bill.

Add sub-paragraph "c" to AS 18.65.080: "(c) Investigative reports required by this section will be maintained by the Department of Public Safety as confidential records, but are subject to review by the Commission."

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




William R. Nix
Acting Commissioner

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

binding 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. Ike Harris, Rep. Lloyd Criss 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 if elected, Knox predicts, publicly 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 1 tracks (operational at least 45 days per year) to counties with populations of at least 50,000, and any 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, hiring 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 make 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."

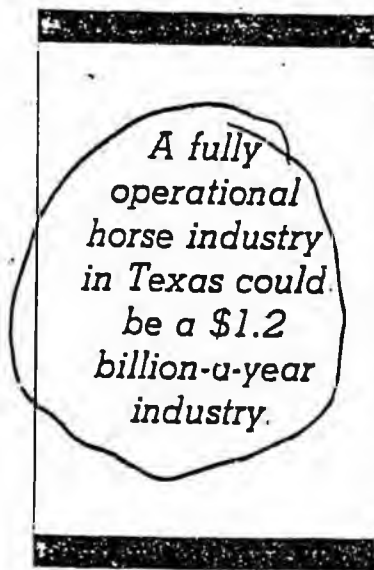
After the license application is submitted, Knox said, the racing commission has 120 days to act upon the application. If they haven't taken action within that time period, they can extend their review time for another 30 days, but they must take action (to either accept or reject the application) by 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 \$140 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."

ALASKANS



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 | | | | | | |
| Thoroughbreds: | | | | | | |
| Total Handle < \$250 M. | 15-19.75 | 4.8-6.85 | 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 | | TABLE 3 |
|-------------------|--------------------|----------|---------|
| | 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 5-26.—FAMILY INCOME AND HORSE RACE BETTING

| | Family income | | | | | | |
|---|---------------|----------------|-----------------|-----------------|-----------------|-----------------|---------|
| | Under \$5,000 | \$5,000-10,000 | \$10,000-15,000 | \$15,000-20,000 | \$20,000-30,000 | \$30,000 & over | Total |
| 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 | \$88 | \$78 |
| Average annual takeout per capita (Takeout rate: 16.6%) | \$2.63 | \$7.55 | \$7.36 | \$16.49 | \$10.21 | \$14.69 | \$13.02 |
| Residents of all States | | | | | | | |
| Percent of income bet at track in 1974 per capita | 0.63 | 0.61 | 0.35 | 0.57 | 0.25 | 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 remodeling 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.

Representative Szymanski
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

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 | 108.90 | 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, \$9,900, by 1,500, we get 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 \$9,900=\$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 (\$54,300 - 8,400=\$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 + \$23,000 + \$1,300 = \$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 \$8.70 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".⁹

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 concessions.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 1953-1968, 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 1950-61, 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 \$3.00 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 \$3.80 wagered on football, since the bookie keeps the 17% of the pari-mutuel pool normally given to the state and track.²⁴ The comparative volume of betting is so slight however, that it reduces this 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 280 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, \$348,842,000 of which has been issued as of January 1, 1974. Remaining to be issued is \$100,085,000. \$45,424,000 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 licenced under this chapter".²⁸ It may also subpoena any members.

As concerns bookmaking, section E 10572 states, "Board may, by rule, provide for the exclusion or ejection from any inclosure