

ALASKA LEGISLATURE COMMITTEE FILES 1987-1988 8672
5550 SSTA HB 32

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

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

TABLE 3

TABLE 5-26.—FAMILY INCOME AND HORSERACE BETTING

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

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

State Parimutuel Wagering Programs

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

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

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

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

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

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

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

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

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

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

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

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

Parimutuel Wagering in Alaska

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

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

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

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

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

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

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

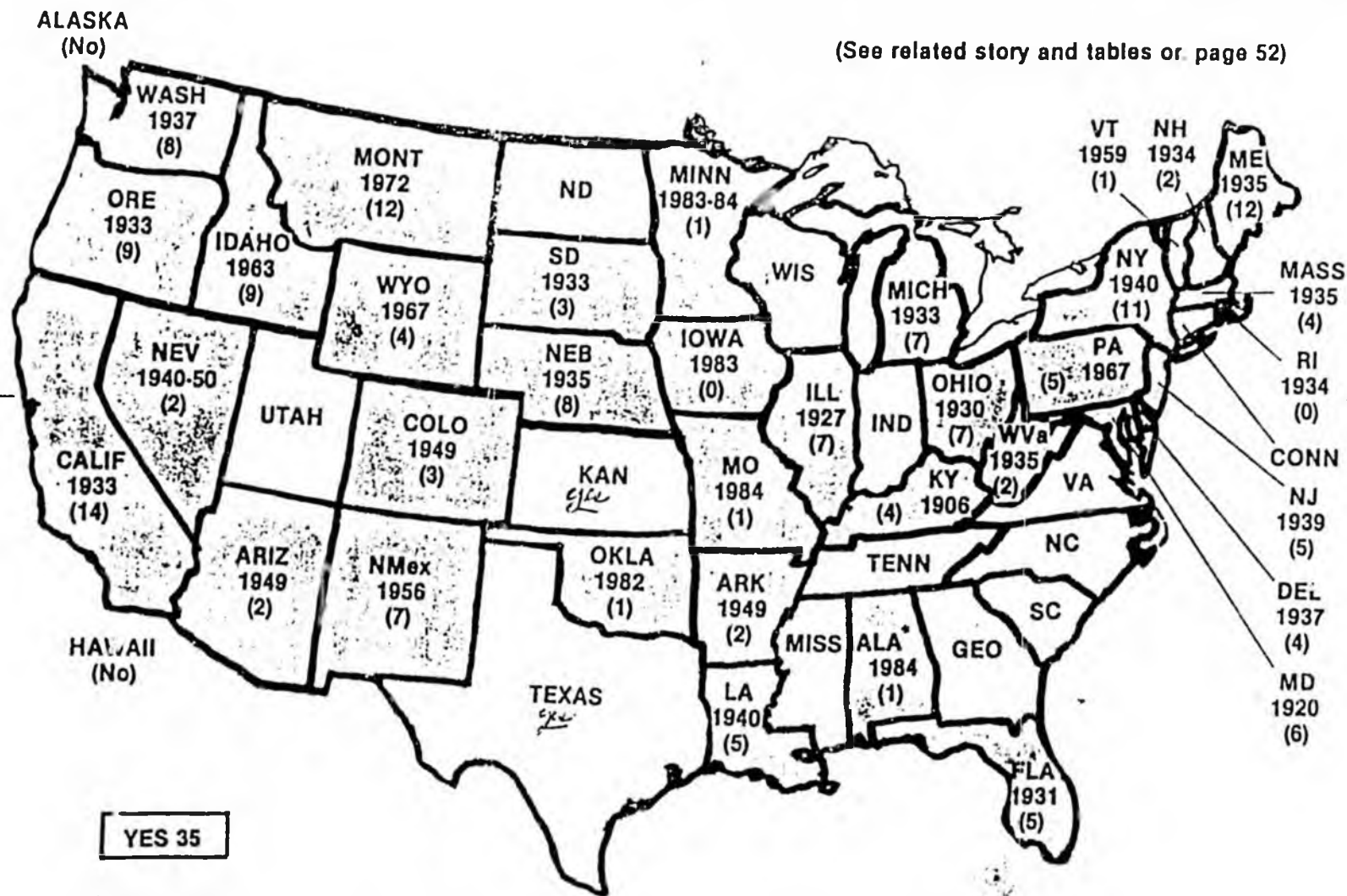
Attachments

Performance horse racing

Parimutuel wagering: A look at where it's at

racing

(See related story and tables on page 52)



YES 35

NO 15

() number of licensed parimutuel horse tracks including fairs

By ~~_____~~

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

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

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

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

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

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

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

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

The haves ...

Arizona

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

Arkansas

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

California

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

Colorado

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

Delaware

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

Florida

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

Idaho

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

Illinois

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

Iowa

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

Kentucky

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

Louisiana

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

Maine

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

Maryland

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

Massachusetts

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

Michigan

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

Minnesota

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

(See Parimutuel page 53)

Parimutuel

(Continued from page 51)

Missouri

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

Montana

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

Nebraska

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

Nevada

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

New Hampshire

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

New Jersey

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

New Mexico

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

New York

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

Ohio

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

Oklahoma

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

Oregon

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

Pennsylvania

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

Rhode Island

Legalized in 1934; no licensed tracks.

South Dakota

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

Vermont

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

Washington

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

West Virginia

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

Wyoming

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

Alabama

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

The have nots ...

Alaska

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

Connecticut

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

Georgia

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

Hawaii

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

Indiana

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

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

Kansas

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

Mississippi

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

North Carolina

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

North Dakota

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

South Carolina

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

Tennessee

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

Texas

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

Utah

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

Virginia

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

Wisconsin

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

Keep track of Arabian racing in the Express



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

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

States share in pot

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

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

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

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

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

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

RACES/HANDLES 1985

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

TOTAL REVENUE TO GOVERNMENT

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



PUT YOUR MONEY ON A

File: AB 32



TEXAS LEGISLATURE APPROVES PARI-MUTUEL HORSE RACING

by Anne Lang

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

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

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

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

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

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

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

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

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

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

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

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

biuding to satisfy the others.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

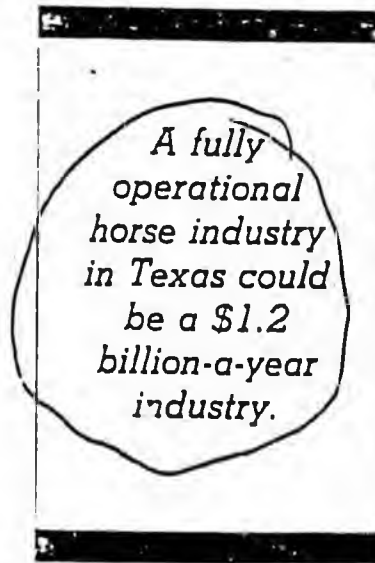
After the license application is submitted, Knox said, the racing commission has 120 days to act upon the application. If they haven't taken action within that time period, they can extend their review time for another 30 days, but they must take action (to either accept or reject the application) by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

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

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

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

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



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

During the special session

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

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

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

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

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

ALASKA 5

March 3, 87

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

MATANUSKA-SUSITNA BOROUGH

Resolution Serial No. 87-~~032~~

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

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

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

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

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

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

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

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

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

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

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

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

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

Dorothy A. Jones
Dorothy A. Jones, Mayor

ATTEST:

Chris Seagraves
Chris Seagraves, Clerk

(SEAL)

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

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

Dorothy A. Jones, Mayor

ATTEST:

Chris Seagraves
Chris Seagraves, Clerk

(SEAL)



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

CITY OF WASILLA

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

RESOLUTION NO. W85-J-6

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

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

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

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

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

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

APPROVED:

Charles H. Bumpus, Mayor

ATTEST:

Erling P. Nelson, City Clerk, CMC

(SEAL)

ATTACHMENT "A"

ELECTION WORKSHEET REGULAR ELECTION 10-7-86

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

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

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

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

ELECTION OF 1986

CANDIDATES	037	038	ABSENTEE		037	038	TOTAL	%
			037	038				
BUSHNELL, MILLET R.	2	17	0	0	0	0	19	14.15%
COITTE, COLLEEN J.	2	21	1	0	0	0	24	17.78%
DeCAMP, RICHARD J. (D)	47	43	7	8	0	0	105	78.07%
LANGILL, FRANK S.	12	7	0	0	0	0	19	14.23%
MCCARTHY, RAYMOND P.	15	30	0	0	0	0	45	33.50%
MARTIN, ED SR.	55	37	5	2	0	0	99	73.87%
NEWCOMB, HAROLD S.	0	0	7	7	0	0	14	10.47%
PAGE, DOROTHY R.	57	44	2	5	0	0	108	80.57%
WRITEINS	0	1	0	0	0	0	1	.74%
TOTALS	383	285	24	22	0	0	714	100.00%

ADVISORY QUESTIONNAIRE

PARI-MUTUEL HORSE RACING

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

Government

Valley cities would welcome track gambling

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

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

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

before this form of gambling will be legal.

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

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

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

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

Valley.

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

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

meeting late Thursday afternoon.

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

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

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

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

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

hearing Aug. 13 before the Palmer council.

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

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

CITY OF PALMER, ALASKA

ORDINANCE NO. 321

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

THE CITY OF PALMER, ALASKA, ORDAINS:

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

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

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

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

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

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

First Reading: August 1, 1985

Public Hearing &
Second Reading: August 13, 1985

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

GEORGE W. CARTE', MAYOR

DAVID L. SOULAK, CITY CLERK

Signed: August 13, 1985
By Mayor and
City Clerk

ALMER SPECIAL CITY COUNCIL MEETING MINUTES - OCTOBER 9, 1986

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

There was a total of 464 votes cast.

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

2. Award Bid - Water Well.

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

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

3. Award Bid - Runway Paving.

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

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

4. Award Bid - Town Square Project.

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

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

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



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

CITY OF WASILLA

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

RESOLUTION NO. W85-J-6

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

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

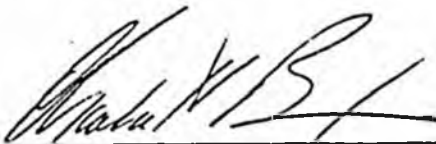
WHEREAS, it is the City of Wasilla's goal to become financially independent, if possible; and

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

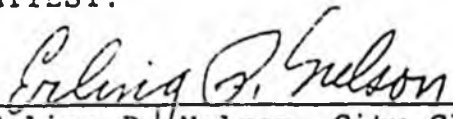
NOW, THEREFORE BE IT RESOLVED that the City of Wasilla supports local option for pari-mutuel gambling.

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

APPROVED:


Charles H. Bumpus, Mayor

ATTEST:


Erling P. Nelson, City Clerk, CMC

(SEAL)



CITY OF WASILLA

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

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

RESOLUTION NO. W86-E-1

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

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

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

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

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

YES

NO

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

APPROVED:

Dorothy G. Page

DOROTHY G. PAGE, Mayor

ATTEST:

Erling P. Nelson

ERLING P. NELSON, CMC
City Clerk

(SEAL)

JAN 20 1987

Department of Law, Public Safety and
Economic Development

ALASKA PARI-MUTUEL, INC.

ARTICLES OF INCORPORATION

ARTICLE I

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

ARTICLE II

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

ARTICLE III

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

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

ARTICLE IV

The membership of this Corporation shall be classified as follows:

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

ARTICLE V

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

ARTICLE VI

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

ARTICLE VII

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

ARTICLE VIII

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

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

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

ARTICLE IX

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

ARTICLE X

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

ARTICLE XI

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

ARTICLE XII

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

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

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

et al

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

Michael J. [Signature]

Notary Public in and for the State of Alaska

My commission expires: 2-3-90

ALASKA PARI-MUTUEL, INC.

BY-LAWS

ARTICLE I

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

ARTICLE II

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

ARTICLE III

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

ARTICLE IV

MEMBERSHIP:

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

ARTICLE V

MEMBERSHIP MEETINGS:

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

ARTICLE VI

DIRECTORS:

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

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

ARTICLE VII

COMPENSATION:

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

ARTICLE VIII

MEETINGS OF THE BOARD OF DIRECTORS:

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

ARTICLE IX

THE PRESIDENT:

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

ARTICLE X

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

ARTICLE XI

THE SECRETARY:

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

ARTICLE XII

THE TREASURER

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



CITY OF WASILLA

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

COUNCIL MEMORANDUM
NO. 86-98

FROM: Canvass Committee

DATE: October 13, 1986

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

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

Recommended Disposition of Questioned Ballots

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

L. Marie Hulke, Chairman
Canvass Committee

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

ATTACHMENT "A"

ELECTION WORKSHEET REGULAR ELECTION 10-7-56

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

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

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

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

ELECTION OF MAYOR

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

ADVISORY QUESTIONNAIRE

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

Alaska State Legislature

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IN SESSION
POUCH V
JUNEAU, ALASKA 99811
(907) 465-4714

Senator Mitch Abood
CHAIRMAN



Senate Committee on State Affairs

PARIMUTUEL WAGERING

FACT SHEET

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

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

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

SECTIONAL ANALYSIS OF CSHB 32 (Finance)

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

Section 1

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

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

The composition of the commission is as follows:

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

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

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

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

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

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

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

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

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

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

Section 05.40.200 Sets out prohibited acts and penalties.

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

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

Section 05.40.990 Definitions.

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

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

Alaska State Legislature

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Senator Mitch Abood
CHAIRMAN



Senate Committee on State Affairs

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

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

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

Information for Legislators

(A)

05568

THE PARI-MUTUEL AMENDMENT

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



II. PARI-MUTUEL BETTING

What is the pari-mutuel system of betting?

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

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

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

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

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

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

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

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

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

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

1. THE PARI-MUTUEL AMENDMENT

What does the amendment say?

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

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

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

Does the amendment deal with any other type of gambling?

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

Would the amendment legalize pari-mutuel betting?

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

What does Minnesota law now say about gambling?

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

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

III. HORSE RACING

How do states now regulate horse racing?

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

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

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

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

What types of racing could be allowed under the amendment?

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

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

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

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

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

What is the current state of the horse racing industry?

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

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

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

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

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

IV. TAX EFFECTS

How is Pari-mutuel betting taxed?

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

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

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

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

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

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

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

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

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

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

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

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

V. ECONOMIC EFFECTS

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

VI. SOCIAL EFFECTS

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

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

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

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

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

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

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

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

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

It seems unlikely that it would.

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

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

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

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

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

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

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

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



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

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

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

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

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

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

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

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

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

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

APPENDIX III

PARI-MUTUEL RACING REVENUE 1980

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

(Source: National Association of State Racing Commissioners)

APPENDIX II

STATUS OF HORSE RACING IN 1980



Pari-mutuel betting on horse racing conducted in 1980



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



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



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

APPENDIX I

TYPICAL "WIN" POOL

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

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

APPENDIX IV

GAMBLING AND FAMILY INCOME, BY TYPE OF GAME - 1976

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

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

APPENDIX V

REGRESSIVITY OR PROGRESSIVITY OF GAMBLING
United States and Nevada

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

* New York OTB only.

** Sample too small to permit reliable estimate

(Source: Gambling in America)

APPENDIX VI

CLASSIFICATION AS COMPULSIVE AND
POTENTIAL COMPULSIVE GAMBLERS

United States and Nevada

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

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

(Source: Gambling in America)

APPENDIX VII

Notes on Sources

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

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

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

(P. 5) Racing fan profile: generally from "Backstretch Blues: Race Track Operators Worry About Scandals, Lack of Young Patrons" Wall Street Journal, June 12, 1980, p. 1.

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1980 racetrack records: American Racing Manual 1981, (Chicago: Daily Racing Form Inc., 1981) pp. 564-601.

(P. 6) Taxation of pari-mutuel betting: "Pari-Mutuel Racing 1980," pp. 11-14.

(P. 7-8) Information on specific tracks: American Racing Manual 1981, pp. 607 and 628.

(P. 8) Average handle per racing day: "Pari-Mutuel Racing 1980," p. 5.

(P. 9-10) Racetrack employment and tourism: Legislative Research Commission Report to the 1979 North Carolina General Assembly: "Horse Racing," pp. 11-13.

(P. 10-11) Ohio harness industry figures: Ohio Harness Horsemen's Association, 1977 Ohio Harness Horse Industry Survey (unpublished).

(P. 11) Minnesota horse population: from testimony of James S. Lane, Minnesota Horse Council, before Senate General Legislation Committee, February 1, 1982.

Racing in Minnesota: Testimony of James S. Lane.

Out-of-state expenditures: Testimony of Joyce Farrell, Minnesota Thoroughbred Association, before Senate General Legislation Committee, February 1, 1982.

(P. 11-12) Views of horse breeder: Statement of Kent Hollingsworth to Control Data Institute seminar on horse racing and off-track betting, French Lick, Indiana, September 24, 1971.

(P. 12) Quarter horse statistics: "Quarter Horse Statistics 1980" Quarter Horse Journal, April 1981, p. 452.

(P. 13) Comments of law enforcement officers: "Questions about Legalized Gambling," Staff Report to Minnesota Senate General Legislation Committee, Jordon Lorence, February 4, 1982, pp. 15-18.

(P. 13-14) Task Force Report: "Easy Money" Report of the Task Force on Legalized Gambling sponsored by the Fund for the City of New York and the Twentieth Century Fund (Twentieth Century Fund, 1974), p. 13.

(P. 14) North Carolina views: Legislative Research Commission Report p. 8.

Virginia views: Report of the Virginia House of Delegates Pari-Mutuel Betting Study Commission, 1972, p. 14.

(P. 14-15) Survey Report: Gambling in America, p. 60.

Horse bookmaking: Ibid. p. 173.

Task Force conclusion: Easy Money, p. 12.

(P. 16) Participation levels: Gambling in America, p. 62.

Regressivity of gambling: Gambling in America, p. 61.

(P. 16-17) Numbers of compulsive gamblers: Gambling in America, p. 74.

(P. 17) Sources of compulsive gambling: See W. H. Boyd and D. W. Bolen, "Gambling and the Gambler," Archives of General Psychiatry, Vol. 18 (1968) pp. 617-630, and Edmund Bergler, The Psychology of Gambling (Hill and Wang: 1957).

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Information Brief

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

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

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

KEY TAX CHANGES

(See pages 2-3 for detail.)

Race Track Taxes:

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

Income Taxes:

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

Sales Taxes:

- Race horse sales and breeding fees subject to sales tax

DESCRIPTION OF TAXES

Race Track Taxes -- 1983 Laws, Chapter 214

• Pari-mutuel tax on daily betting pools

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

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

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

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

• Breakage tax

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

• Uncashed winning tickets

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

Income Taxes -- 1983 Laws, Chapter 342

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

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

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

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

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

- Deductibility of losses from wagering transactions

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

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

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

Sales Taxes -- 1983 Laws, Chapter 327

- Race horse sales and breeding fees subject to sales tax

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

ARIZONA LEGISLATIVE COUNCIL

04976

MEMO

December 9, 1980

FROM: Mary A. Beck, Staff Attorney

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

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

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

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

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

The Arizona racing commission has adopted a rule:

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

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

POWERS AND DUTIES OF AGENCY

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

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

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

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

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

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

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

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

POWERS AND DUTIES OF ARIZONA RACING COMMISSION

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

5-104. Commission; powers and duties

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

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

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

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

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

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

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

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

RECENT ARIZONA AMENDMENTS

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

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

1. In section 5-104, specific maximum fees were added for certain licenses.
2. In section 5-107.01, a conforming reference was made in subsection D by the Senate Floor Amendment. This reference to section 5-108.02, subsection E is erroneous

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

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

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

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

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

DEFICIENCY IN ARIZONA STATUTES

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

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

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

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

Stewards' Enforcement

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

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

* * * *

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

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

CONCLUSION

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

Encl.

THE ECONOMIC SYNDROME OF RACING

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

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

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

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

Pari-Mutuels

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

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

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

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

The Take Out

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

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

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

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

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

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

To determine how much is returned to the wagering public on each winning

ticket, follow this procedure: Assume WINNER #3
 Amt. Wagered on Winning Horse--\$200 (200 \$1 Tickets)
 (Net Pool) - (Winning Tickets) = \$850 - 200 = \$650 (Amt. won by Winning Ticket Holders)

Then: $\frac{\text{Amt. Won}}{\# \text{ Winning Tickets}} + \text{Cost of Ticket} = \text{Pari-Mutuel Payoff}$
 or $\frac{\$650}{200 \text{ tickets}} + \$1.00 = \$3.25 + \$1.00 = \$4.25$ (Amt. Paid to Winning Ticket Holder)

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

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

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

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

Take Out and Bigger Business

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

Table 2:

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

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

state. The actual formulas for the states are complicated.

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

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

Table 3:

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

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

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

Table 4 shows in more specific figures,

Table 4^{a/}:

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

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

An Overview

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

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

The Economic Plight of the Horsemen

So you want to own racelorses?

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

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

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

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

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

TABLE OF COSTS OF CARE AND MAINTENANCE
COST (DOLLAR) N. Y.

Basic Annual Out-of-Pocket		
Board cost	\$ 20/day	\$ 10/day
Stable help	\$ 10/day	\$ 12/day
Hoofing	\$ 15/day	\$ 20/day
Training	\$ 20/day	\$ 12/day
Insurance on Breeding Stock	\$ 15/yr	\$ 15/yr
Insurance on Racing Stock	\$ 25,000/yr	\$ 24,000/yr
Stabling	\$ 200/yr	\$ 150/yr
Vet medication, cleaning, etc.	\$ 100/yr	\$ 100/yr
Stable fees (boarding only)	\$ 2000/yr	\$ 2000/yr

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

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

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

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

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

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

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

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

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

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

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

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

The Tracks: Financial Woes

In 1970, the overall trend of business at race tracks across the United States and Canada was one of declining attendance and a small increase in total pari-mutuel handle.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

expense.

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

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

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

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

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

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

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

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

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

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

Significant expenses of operating a

track to track.

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

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

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

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

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

Taxation and racing brings up several issues.

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

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

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

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

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

The States: Unconscionable Taxation

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

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

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

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

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

The goose that-lays the "golden egg."

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

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

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

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