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SFA**BILL ANALYSIS**

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Senate Bill 1314 (as introduced 9-17-98)
Sponsor: Senator Leon Stille
Committee: Farming, Agribusiness and Food Systems

Date Completed: 9-22-98

CONTENT

The bill would amend Public Act 90 of 1951, which regulates racing meets and provides for the possession, control and disposition of funds held by licensees for the payment of outstanding winning tickets, to delete current requirements that a licensee pay to the racing commissioner funds held for the payment of outstanding, unclaimed tickets. The bill provides, instead, that beginning in 1998, the funds held by a licensee to pay outstanding tickets would have to be retained by the licensee and be earmarked either for standardbred programs or for the development of a thoroughbred racing facility. The bill also would require the Department of Treasury to return to a licensee funds it held for 1996 and 1997 to be distributed as provided above.

The bill would delete current provisions that require all funds held by any licensee for the payment of outstanding winning tickets for any race meeting, which have not been claimed by the lawful owners within 60 days following the close of the race, be paid by the licensee to the racing commissioner by certified or cashier's check together with the licensee's original records or certified copies of all records pertaining to the outstanding tickets.

Under the bill, for the calendar year 1998 and each year thereafter, all funds held by any licensee for the payment of outstanding winning tickets for any race meeting conducted under the Horse Racing Law, which had not been claimed by the owner of those funds within 365 days after the ticket had been issued, would have to be retained by the licensee and distributed as follows:

- 50% of the funds would have to be retained by the licensee and 50% would have to be earmarked for standardbred programs established by the Michigan Agriculture Equine Fund in the Horse Racing Law, if the licensee were a standardbred race meeting licensee.
- 100% of the funds would have to be earmarked for the development and capital improvement of a thoroughbred racing facility as approved by a certified thoroughbred horsemen's organization and as licensed by the racing commissioner, if the licensee were a thoroughbred race meeting licensee.

Funds for the 1996 and 1997 calendar years held by the Department of Treasury that were remitted by licensees would have to be returned to the licensees and distributed as provided above.

Currently, a licensee is released from liability upon delivering to and taking receipt from the racing commissioner for funds and records that are delivered to the commissioner and for the filing of a report concerning the property to any State, county, or municipal board, commission, or agency, except for those funds and records that have been required or accrued prior to the required delivery. The bill would delete this provision. Under the bill, upon delivering a copy of the cashed winning

ticket to the racing commissioner, the licensee would be released and discharged for all liability or accountability to the owner of the funds, as well as the requirements of preparing and filing any report concerning the property.

MCL 431.252 et al.

Legislative Analyst: L. Arasim

FISCAL IMPACT

The bill would result in an initial \$5.1 million reduction in current General Fund balances, and an estimated \$1.8 million annual reduction thereafter. Overall, the bill would have an indeterminate fiscal impact on future State and horse racing revenues, depending on the amount of future unclaimed winnings and the overall impact of additional financial support on the racing industry.

In the past two years, approximately half of horse racing revenue has been generated from thoroughbred racing and half from standardbred racing. In 1997, almost \$1.8 million in unclaimed winnings was deposited into the General Fund, and in 1996, \$3.3 million was deposited from unclaimed winnings. Under this bill, \$1.65 million of these funds would be returned to standardbred race meeting licensees, with \$825,000 earmarked for standardbred programs. The remaining \$1.65 million would be earmarked for development and capital improvement of a thoroughbred racing facility. Annually, thereafter, an estimated \$900,000 would be retained by standardbred race meeting licensees, and \$900,000 for development and capital improvement of a thoroughbred racing facility.

The FY 1998-99 Department of Agriculture budget includes appropriation of \$14.3 million in horse racing revenues. This amount includes receipt of \$1.8 million in additional horse racing revenue from unclaimed winnings based on discussions with the industry regarding pending legislation to change current law. However, this bill as written would directly provide funds to the industry, instead of to the Agriculture Equine Development Fund, and a revenue shortfall in State horse racing programs is anticipated.

Fiscal Analyst: G. Cutler

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