# Legislative Analysis

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**HORSE RACING AMENDMENTS**

**House Bill 4346 (H-1) as referred to second committee**
**Sponsor: Rep. Angela Witwer**

**House Bill 4347 (H-2) as referred to second committee**
**Sponsor: Rep. Tom Kunse**

**1st Committee: Agriculture**
**2nd Committee: Rules**
**Complete to 11-6-25**

**SUMMARY:**

**House Bill 4346** would amend the Lawful Internet Gaming Act to change the amount of taxes collected under that act that are earmarked to the Agriculture Equine Industry Development Fund (AEIDF). Presently, 5% of the proceeds from the graduated tax on the gross revenue of internet gaming licensees is deposited into this fund, with any amount over $3.0 million deposited instead into the Internet Gaming Fund. Under the bill, 4% of proceeds would be directed to the AEIDF unless that amount exceeds the following thresholds:

- $9.0 million, for the 2025-26 state fiscal year.
- $12.0 million, for the 2026-27 state fiscal year.
- $15.0 million, for the 2027-28 state fiscal year and each following year.

Any amount above those limits would go to the Internet Gaming Fund.

MCL 432.315

**House Bill 4347** would amend the Horse Racing Law to remove a provision concerning amounts allocated to the AEIDF in a fiscal year above a certain threshold, and to revise provisions regarding the authorized uses of the AEIDF, including the use of fund revenue to support horse racing and associated purses, purse supplements, and awards.

The bill would remove language that currently provides that, if the amount allocated to the AEIDF in a fiscal year exceeds $8.0 million, the excess over that threshold must be allocated to the pari-mutuel horse racing disbursement account established under section 19 of the act.[1]

The bill also would change the amount of financial support provided to various entities that organize or host different types of horse racing. Currently, the amount of state financial support for specific horse racing programs is calculated based on the prize purses offered for that type of racing or on the total amount wagered on a category of race. These calculations help determine the amounts appropriated by the legislature from the AEIDF for various horse racing programs, and the amounts available for specific purses, purse supplements, and awards.

[1] The pari-mutuel horse racing account is a method for allocating private revenue generated from advanced deposit wagering, a specific method of wagering on horse racing. It is not a state fund or account.

Standardbred and fair programs

Under the bill, 16% of the AEIDF would be allocated for purses for standardbred harness horse races offered by fairs and races at licensed pari-mutuel racetracks. County fairs, which are currently eligible to receive up to $15,000 each in matching funds, would instead receive an equal share of an amount equal to 6% of the fund. In addition, fairs that held standardbred racing in the previous calendar year and will also hold standardbred racing in the current calendar year would receive an equal share of a separate 2% amount. Dollar amounts would be determined based on the end balance of the AEIDF from the prior fiscal year after certain expenditures as described below.

Specifically, the bill would allocate money from the AEIDF in the following percentages of the prior year fund balance amount:

- 16% for purses as described above.
- 6% to county fairs as described above.
- 2% to county fairs that hosted standardbred racing in the previous calendar year and will do so in the current calendar year as described above.
- 25% for special purses at fairs in Michigan for two- and three-year-old standardbred harness horses.
- 12% for breeders' awards for Michigan-bred standardbred harness horses, with the amount awarded not exceeding 20% of the gross purse (presently, the amount allocated to this subcategory cannot exceed 10% of the gross purse).
- 8% to assist in covering certain costs of hosting horse races at county fairs.[2] Funds would be distributed by the director of the Michigan Department of Agriculture and Rural Development (MDARD).
- 5% to pay purse supplements to parimutuel racetracks or county fairs.
- 15% to a special standardbred sire stakes fund, the entirety of which provides purses for races run exclusively for two- and three-year-old Michigan-sired standardbred horses at licensed harness race meetings in Michigan ("Sire Stakes"). Currently, this fund receives up to 0.25% of all money wagered on live and simulcast horse races in Michigan.

The bill would remove current language that limits state AEIDF participation to 75% of the purse. As a result, purses for harness races at fairs and at licensed pari-mutuel racetracks could be funded with 100% state AEIDF revenue.[3]

Michigan's one remaining race meeting licensee, Northville Downs, closed in February 2024.[4] Northville Downs had been licensed for pari-mutuel wagering on standardbred harness racing, as well as simulcasting. In January 2025, the Michigan Gaming Control Board (MGCB) granted a track license for Northville Downs for a track located in Hastings, Michigan. In October 2024, the MGCB granted Northville Downs LLC a 2025 race meeting license for live

[2] The following expenditures would also be eligible for funding under the bill, as determined by the director of MDARD: a water truck, track maintenance vehicles, an announcer, an ambulance, an outrider, advertising, and an on-site veterinarian to ensure animal health and the soundness of the participating horses.

[3] "Licensed pari-mutuel racetracks" is not a defined term, but as used in current law it appears to refer to race meetings licensed under section 8(1)(b) to conduct live horse racing, simulcasting, and pari-mutuel wagering on the results of live and simulcast horse races.

[4] https://www.freep.com/story/news/local/michigan/wayne/2024/02/08/northville-downs-michigans-last-horse-racing-track-closes/72472028007/

horse standardbred racing days and a 2025 simulcast permit. The MGCB orders were modified in March 2025.[5] The modified order provides for a total of 20 days of live horse racing starting August 12, 2025, through October 15, 2025.

Thoroughbred programs

For thoroughbred programs, the bill would remove a current allocation to supplement the purses for races conducted by race meeting licensees for only Michigan-bred horses. The bill would amend the amounts paid for other allocations as follows (the act does not now specify an amount for each specific program, and the proposed percentages are of the AEIDF, based on the fund balance at the end of the prior fiscal year):

- 3% to pay awards to owners of Michigan-sired horses finishing in first, second, or third place in races open to non–Michigan-sired horses in and out of Michigan. For owner awards, the bill would require the recipient to be an ***eligible recipient***.
- 3% to pay breeders' awards, with the amount of the award not to exceed 30% of the gross purse. (Presently, the award is capped at 10% of the gross purse.) The bill would newly provide that only an eligible recipient may receive an award and allow the race meeting to take place outside of Michigan.
- 1% to pay purse supplements to licensed thoroughbred race meetings for special four-year-old Michigan-sired horse and mare races. If there is no thoroughbred race meeting in Michigan, the bill would allow the director of MDARD to allot a special thoroughbred sires stakes fund to provide an award to the owners of the top five highest-earning Michigan-sired four-year-olds by sex and distribute the money as follows:
    - 50% to the top-earning four-year-old horse and mare.
    - 25% to the second-top-earning four-year-old horse and mare.
    - 12% to the third-top-earning four-year-old horse and mare.
    - 8% to the fourth-top-earning four-year-old horse and mare.
    - 5% to the fifth-top-earning four-year-old horse and mare.
- 3% for a special thoroughbred sire stakes fund to provide purses exclusively for two- and three-year-old Michigan-sired thoroughbred horses. If there is no thoroughbred race meeting in Michigan, the bill would allow the director to allot a special thoroughbred sires stakes fund to provide an award to the owners of the top five highest-earning Michigan-sired two- and three-year-olds by age and sex and distribute the money as follows:
    - 50% to the top-earning two-year-old and three-year-old colt and filly.
    - 25% to the second-top-earning two-year-old and three-year-old colt and filly.
    - 12% to the third-top-earning two-year-old and three-year-old colt and filly.
    - 8% to the fourth-top-earning two-year-old and three-year-old colt and filly.
    - 5% to the fifth-top-earning two-year-old and three-year-old colt and filly.

***Eligible recipient*** would mean an individual who is a resident of Michigan.

To receive one of the special sire stakes fund awards described above, the horse's owner would have to be an eligible recipient and would have to submit an annual supplemental purse/award eligibility form regarding their horse's earnings in the previous calendar year to MDARD by

[5] https://www.michigan.gov/mgcb/-/media/Project/Websites/mgcb/Horse-Racing-Executive-Orders/2025/NVD-Order-Amending-Live-Race-Dates.pdf

January 15 of each year. The department would then verify eligibility and that the owner is an eligible recipient. Results would have to be submitted to the state treasurer by February 15 annually.

There has not been a race meeting licensee hosting thoroughbred racing in Michigan since April 2018.

<u>Equine industry research</u>
The bill would add language specifying percentages of the prior year AEIDF balance that must be allocated to equine industry research, planning, and development grants. These grants presently exist in statute, but there is not a static dollar amount or percentage of the AEIDF that must be allocated. Under the bill, 0.5% of the AEIDF would be allocated to each of the two grant categories specified in law.

<u>Prior year fund balance amount</u>
For the purpose of determining dollar amounts based on percentages described above, the prior year fund balance amount would be determined after the following occur:

- $1.5 million is allotted to the Michigan Gaming Control Board.
- MDARD pays their costs to administer the act.
- An amount necessary for the racing commissioner to pay for the collection and lab analysis of urine, saliva, blood, and other samples from certain horses and individuals, as specified in the act.
- An amount equal to 1/15 of 1% is taken from the ADEIF and deposited into the Compulsive Gaming Prevention Fund created under the Compulsive Gaming Prevention Act.

<u>Other amendments</u>
The act now states that it does not allow the pari-mutuel system of wagering on a racetrack unless the racetrack is licensed under the act. The bill would amend this provision to instead state that the act does not allow the pari-mutuel system of wagering on live or simulcast horse races unless the racetrack where the live races occur and the simulcast races are televised (including a racetrack at a fairground, fair, or agricultural or livestock exhibition) holds a current track license under the act.

The bill also would add that wagering on a live or simulcast horse race, in person or through a third-party facilitator, could be offered only by a race meeting licensee and only if all required licenses, permits, and other approvals are in effect. A race meeting licensee could not simulcast horse races or offer pari-mutuel wagering on live or simulcast horse races anywhere other than the licensed racetrack identified in the race meeting license.

Finally, the act now prohibits a person from allowing, conducting, or supervising the pari-mutuel system of wagering on racetrack grounds, except in accordance with the act. The bill would more generally prohibit a person from allowing, conducting, or supervising the pari-mutuel system of wagering on live or simulcast horse races, except in accordance with the act.

MCL 431.302, 431.320, and 431.326

Each bill can take effect only if both bills are enacted.

**FISCAL IMPACT:**

**House Bill 4346** would increase the annual amount of non-tribal internet gaming tax revenues deposited into the Agriculture Equine Industry Development Fund and correspondingly reduce the amount deposited in the School Aid Fund. While the bill would lower the 5% earmark to 4%, current revenues and revenue estimates from online gaming would result in the new AEIDF caps being hit in each fiscal year because the calculated 4% amount would be greater than the new deposit caps included in the bill. More specifically, the bill would remove the current $3.0 million cap and replace it with a $9.0 million cap in FY 2026, a $12.0 million cap in FY 2027, and a $15.0 million cap in each subsequent fiscal year, resulting in an increased deposit for the AEIDF of $6.0 million in FY 2026, $9.0 million in FY 2027, and $12.0 million in each subsequent fiscal year, based on current online gaming revenue estimates.

The increase in revenues to the AEIDF would result in a corresponding decrease for the Internet Gaming Fund, which would ultimately result in a corresponding reduction to the School Aid Fund of $6.0 million in FY 2026, $9.0 million in FY 2027, and $12.0 million in each subsequent fiscal year because the recipient of any remaining balance in the Internet Gaming Fund at the end of the fiscal year is the School Aid Fund.

**House Bill 4347**, by lifting the current $8.0 million ceiling on allocations to the AEIDF, would allow the AEIDF revenue, expenditures, and fund balance to increase above that amount and preclude the distribution of AEIDF revenue in excess of $8.0 million to private entities though the pari-mutuel horse racing disbursement account established in section 19 of the act.[6]

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[6] These distribution provisions were triggered in 2022, when revenue credited to the AEIDF in FY 2021-22 totaled $9.7 million. In December 2022, MDARD transferred $1.8 million from the AEIDF to Northville Downs, the administrator of the pari-mutuel horse racing disbursement account. Under section 19, the pari-mutuel horse racing disbursement account is distributed 50/50 between the track licensee (Northville Downs in 2022) and the certified horsemen's organization (the Michigan Harness Horsemen's Association in 2022).