



**House
Legislative
Analysis
Section**

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**HORSE RACING RELATED
GAMING ACTIVITIES**

**House Bill 4609 (Substitute H-2)
Sponsor: Rep. Larry Julian**

**House Bill 4610 (Substitute H-3)
Sponsor: Rep. Jack Minore**

**House Bill 4611 (Substitute H-1)
Sponsor: Rep. Joe Hune**

**House Bill 4612 (Substitute H-1)
Sponsor: Rep. Rich Brown**

**Committee: Agriculture and Resource
Management**

First Analysis (5-22-03)

THE APPARENT PROBLEM:

As the oldest form of legalized gaming permitted in Michigan, the state's regulated horse racing industry dates back to 1933 with the enactment of the Racing Law of 1933 (Public Act 199). In that year, more than 101,000 people wagered \$3.5 million - resulting in more than \$123,000 in state wagering tax revenue - in 31 race dates held at the state fairgrounds in Detroit. As expected, attendance at Michigan horse racetracks has steadily increased since the inaugural season of racing, peaking in 1975 with more than 3.9 million people in attendance. Also in that year, total state revenue from horse races also peaked at more than \$28 million.

In response to continuous decreases over several years in attendance, total wagering, and state revenue due, in part, to increasing pressure from the Native-American casinos and the recently opened Casino Windsor, the Horse Racing Law of 1995 substantially amended and recodified the Racing Law of 1980 as a means to enhance the viability of the industry. Among other changes, the 1995 racing law authorized full-card simulcasting, which allowed race tracks to conduct live races and simulcast wagering on other races. In addition, the 1995 law eliminated the tax on wagering on live racing and provided funding to go to agriculture, county fairs, and racing programs through a tax on simulcast wagering. The changes in the horse racing statute from the 1995 racing law resulted in increases in track attendance and total wagering.

Since 1996, the number of races dates (live and simulcast) has remained fairly constant. However in that same time period, total attendance, wagering, and state revenue have decreased. In 1996, 2.1 million people attended a total of 2,225 live and simulcast races. In that same year, total wagering was \$467.8 million and total state revenue was merely \$9.9 million. However, during the following year, total state revenue increased to \$14.7 million. For 2001, the ORC reports that there were a total of 2,205 races, 562 of which were "live" race dates. In addition, the ORC reports that the 1.4 million people in attendance at Michigan's seven horse racetracks wagered more that \$374 million, while the state took in nearly \$12 million.

A December 2002 report on the state's horse racing industry by Public Sector Consultants frames the problem rather well, stating, "[w]hile the horse racing industry in Michigan has grown considerably since its humble beginnings, the industry is currently in a dangerous state of decline. Hampered by competition from the state lottery, the newly opened Detroit casinos, casinos located on Indian reservations, and other forms of entertainment, horse racing has seen declines in attendance, amount wagered, revenues, and expenditures."

Several states have had similar experiences regarding the horse racing industry and the gaming industry as a whole. In response to increased competition from

casinos, several other racing states have sought to enhance their own racing industry with an infusion of revenue generated from various on-site gaming activities. In addition, other states have sought to increase the availability of wagering on events and have permitted off track betting to take place.

Given the precipitous decline in the economic viability of the state's horse racing industry and the economic implications of the industry, several interested groups within the industry and other advocates seek additional revenue sources that could provide the industry the financial wherewithal to ensure its continued existence within the state. As such, a package of legislation has been introduced that would permit various gaming activities to take place at horse race meeting locations, and would permit off-track wagering.

THE CONTENT OF THE BILLS:

Taken together, the bills would permit 1) off-track wagering on telecast horse racing at racing theaters, including at state licensed casinos (i.e., the Detroit casinos); 2) account wagering by telephone and Internet on horse racing; and 3) the placement of video lottery games at racetracks by the Michigan Bureau of State Lottery.

House Bill 4609 would amend the Horse Racing Law of 1995 (MCL 431.302 et al.) to permit account wagering and off-track wagering at racing theaters, and would specify how revenue from video lottery terminals at racetracks would be distributed. House Bill 4610 would amend the McCauley-Traxler-Law-Bowman-McNeely Lottery Act (MCL 432.3 et al.) to authorize the placement of video lottery games at racetracks and to provide detailed regulation of video lottery terminals (VLTs). House Bill 4612 would amend the Michigan Gaming and Revenue Act (MCL 432.209b) to allow a casino licensee to operate a racing theater at which off-track wagering on horse races could take place. House Bill 4611 would amend the Code of Criminal Procedure (MCL 777.14d), generally speaking, to provide statutory maximum penalties for criminal violations of laws governing the newly authorized gaming activities. House Bills 4609, 4610, and 4611 are all tie-barred to each other. House Bill 4612 is tie-barred to all of the other bills.

Following are some key concepts found in the package of bills.

House Bill 4609 would permit race meeting licensees to conduct account wagering, which would be defined as a form of pari-mutuel wagering on a horse race in which a wager is placed by telephone or by electronic means, including but not limited to the Internet. Before an individual could engage in account wagering, he or she would have to establish a wagering account with an authorized race meeting licensee or with a multijurisdictional wagering hub. A hub would be a business conducted in this state and at least one other state that conducts account wagering. An account holder could not accept an account wager in an amount that exceeded the amount in the wagering account.

House Bill 4609 would also permit off-track wagering at racing theaters. A racing theater would be defined as an enclosed facility where patrons could view off-track telecasting and engage in off-track wagering on the results of telecast horse races. A racing theater licensee would have to televise and conduct off-track wagering on all horse races held in the state for which a televised signal was available. A licensee could also, with the approval of the racing commissioner, conduct wagering on the results of horse races held in other states. The racing commissioner could issue up to 15 racing theater licenses each year. Licenses could only be issued to a race meeting licensee, a racing corporation, or a state-licensed casino. A racing theater could not be located within 10 miles of a licensed racetrack or another licensed racing theater (unless the restriction was waived by those licensees).

House Bill 4610 would permit the placement by the state lottery of video lottery games at licensed race meetings. The bill would permit a license holder to install and operate up to 500 VLTs at the holder's racetrack. However, the license holder could apply to the bureau for permission to install and operate more than 500 VLTs. A video lottery game would be defined as a bureau-approved, electronically simulated game of chance displayed on a video lottery terminal that met detailed specifications (as described later). The net terminal income of all license holders would be combined and disbursed as follows:

- Forty percent to the state treasurer. Of the first \$60 million received, half would be paid to the School Aid Fund and half would be paid to the newly created Agricultural Enhancement Fund. Of the balance of the money received by the state treasurer, (1) 15

percent would be paid to the Agricultural Enhancement Fund, (2) 15 percent would be paid to the School Aid Fund, and (3) the remainder would be paid to the general fund.

- Forty-two and one-half percent would be paid as commissions to race meeting licensee, with the portion paid to any one individual licensee being equal to the percentage of the total amount wagered on VLT games in the state during the previous year that was wagered where the licensee conducts its race meetings (e.g. if amount wagered at a race meeting licensee accounts for 10 percent of the total amount wagered at all race meeting licensees, that licensee would receive 10 percent of the total amount wagered). A race meeting licensee would pay 0.5 percent of the amount received, up to \$1 million per year, to the local unit of government in which the racetrack where the licensee conducts its race meetings is located.
- Fifteen percent to the newly created Agricultural Enhancement purse pool.
- Two and one-half percent to pay breeders' awards in accordance with the newly added section 19b of the Horse Racing Law.

The Agricultural Enhancement Fund mentioned above would be created in the state treasury. Money in the fund would be expended to enhance the development of agriculture in the state, including, but not limited to, the following purposes:

- Support for value-added opportunities, including market development, export enhancement, product development, and alternative energy development.
- Research and diagnostic capabilities for agricultural plants and animals.
- Environmental programs that provide incentives for on-farm practices or structures to reduce potential impacts on air, water, and quality.
- Rehabilitation programs for race horses.
- Farmland preservation.
- Agricultural production practices that efficiently use water in the production of feed, food, and fiber.
- Food security.

A more detailed description of the bills follows.

House Bill 4609. The bill would make general amendments to the Horse Racing Law of 1995 and add provisions related to account wagering and off-track wagering.

Existing provisions of the Horse Racing Law would be grouped as Article 1. The bill would add certain definitions pertaining to the conduct of account wagering and off-track wagering, including "account wagering", "multijurisdictional wagering hub", "off-track telecasting", "off track wagering", and "racing theater".

Licensure. The act permits the racing commissioner to issue a race meeting license to a person to conduct live and simulcast racing and pari-mutuel wagering at a licensed race meeting. The bill would extend the activities permissible under a race meeting license to a racing theater. The bill would delete a provision that prohibits the racing commissioner from issuing a race meeting license to a person if that person is already licensed to conduct a licensed race meeting at another licensed track.

Operations. The bill would eliminate several provisions that, generally speaking, prohibit race meeting licensee in a city area from conducting live racing after 6:45 p.m., unless there is a different arrangement agreed to by all race meeting licensees.

Agricultural Enhancement Purse Pool. The bill would add that all certified horsemen's organizations participating in the distribution of money as provided below would have to designate a depository as the recipient of money designated by law to be deposited into the Agricultural Enhancement Purse Pool. Money deposited into the pool would be disbursed as follows:

- One percent to be divided between all mixed-breed purse pools. The amount distributed each year would not be less than \$1,200,001 for the first full calendar year in which money is distributed and, for each subsequent year, the minimum amount in the previous year, increased or decreased by the percentage change in the amount of the simulcast purse pool for the previous year.
- If there is no race meeting licensee conducting thoroughbred racing in a city area, (1) the balance of the money paid under the Horse Racing Law would be divided 55 percent to thoroughbred purse pools and 45 percent to standardbred purse pools; (2) of the money paid under the state lottery act, 45 percent

would be paid to thoroughbred purse pools and 55 percent would be paid to standardbred purse pools.

- If there is a race meeting licensee conducting thoroughbred racing in a city area, the balance of the money would be distributed equally between thoroughbred and standardbred purse pools.

Money designated to be distributed to breeder' awards would be distributed as follows:

- One percent to pay mixed breed breeders' awards in the same manner as described in sections 8-10, and 20 of the Horse Racing Law, with the balance to be divided between standardbred breeders' awards, and thoroughbred breeders' awards in accordance with section 20 of the act, and with the division of the money between the two purse pools being made in the same manner as described above. [Note: the bill would amend a provision in section 20 pertaining to the thoroughbred breeders' awards so that a sum of up to 30 percent (rather than 10 percent) of the gross purse be paid to breeders of Michigan bred thoroughbred horses for each time a Michigan bred thoroughbred horse finished in the top three at a license race meeting in the state. Money to be distributed for thoroughbred breeders' awards would be administered by the thoroughbred certified breeders' organization, which could expend not more than five percent of the money it receives for administrative expenses.]

Money distributed to a breed's purse pools or a breed's breeders' awards would be divided between all race meeting licensees that hold races in which that breed participates, with each licensee's portion being based on the percentage of the total amount wagered on races of that breed that was wagered at the licensee during the previous year.

Agriculture and Equine Industry Development Program Funding. The current Horse Racing Law also provides funding for several agriculture and equine industry development programs. The bill would add that for quarter horse programs and American paint horse programs, for each program, a sum not exceeding 0.25 percent of all money wagered on live and simulcast horse races in Michigan would be placed in a special quarter horse sire stakes fund and special American paint horse sire stakes fund each year. That money would be used to provide purses for races run exclusively for 2-year-old and 3-year-old Michigan sired quarter horses and American paint horses at licensed race meetings in the state.

Auditing/Disclosure of Information. The bill would extend provisions in the act requiring an audit to also include pari-mutuel wagering at racing theaters and by telephone or electronic account wagering. The bill would also extend provisions regarding the disclosure of information by race meeting licensees to multijurisdictional wagering hubs, which are defined to mean a business conducted in more than one jurisdiction that conducts pari-mutuel wagering on horse races.

The bill would create a new Article 2 of the act, which would establish procedures for, and regulation of, account wagering. The bill would permit the racing commissioner to authorize a race meeting licensee to conduct account wagering. The licensee would be required to submit to the racing commissioner a description of how the proposed account wagering system would operate.

A race meeting licensee would be permitted to contract with one or more persons to operate the licensee's account wagering system. As such, any prohibitions and obligations on the race meeting licensee would also apply to the person contracted by the licensee. However, a licensee would remain responsible for all obligations and duties under the article and any rules promulgated pursuant to the article. A race meeting licensee would not be permitted to enter into a contract or change an existing contract regarding account wagering without prior approval from the racing commissioner. A race meeting licensee that is first licensed to conduct race meeting after the effective of the bill would not conduct account wagering until 90 days after the first day of horse racing is completed by the licensee.

Authorization for account wagering would be valid for the balance of the licensee's license, and may be extended in conjunction with the renewal of the race meeting license. The racing commissioner would be permitted to suspend or revoke a race meeting licensee's authority to conduct account wagering, if it is determined that the licensee (or an agent or employee) violated the act or rule promulgated pursuant to the act. Further, the authority to conduct account wagering would be revoked if the licensee ceases to conduct its race meetings.

Multijurisdictional Wagering Hubs. The racing commissioner would be permitted to license one or more multijurisdictional hubs to conduct account wagering. Account wagering would not be conducted unless the racing commissioner determines that the wagering hub has satisfactory security access policies and safeguards. A wagering hub licensed to

conduct account wagering could not conduct wagering until at least 90 days after the license is issued (for the initial licensee only). A license to conduct account wagering would be valid for the remainder of the calendar year, and could be extended, suspended, or revoked. In addition, a multijurisdictional wagering hub would not conduct account wagering unless it is covered by a surety or fidelity bond in an amount determined by the racing commissioner.

Deposits to a Wagering Account. Deposits to a wagering account would be submitted or mailed as cash, a negotiable instrument drawn on an account, or charged to the account holder's debit or credit card. Winnings would be posted to the wagering account by the race meeting licensee.

Wagering. An account holder/race meeting licensee could authorize a withdrawal from an account if the owner is present at the racetrack and presents proper identification, the correct personal identification number that was received upon the establishment of the wagering account, and a completed withdrawal slip; and the account owner completes a withdrawal slip. An account holder would not accept a wager unless it is placed directly by the account owner who provides the correct personal identification number. A race meeting licensee conducting account wagering could not accept a wager at a site that is not within the enclosure of the racetrack. An individual could not directly or indirectly place a wager as an intermediary, transmitter, or agency for an account owner, including (though not limited to) using a system whereby funds are deposited to a wagering account from another wagering account or other account. However, this would not necessarily prohibit the use of credit or debit cards specifically approved by the racing commissioner, checks, money orders, or negotiable orders of withdrawal.

Miscellaneous Provisions. A race meeting licensee or wagering hub authorized to conduct account wagering would be required to comply with all applicable auditing requirements set forth in the act, and provide a full accounting of the source of wagers made, and would conduct account wagering with communications systems and other equipment that is approved by the racing commissioner.

The racing commissioner would be permitted to promulgate rules implementing Article 2 establishing standards for authorizing the conduct of account wagering, procedures for suspending or revoking such authorization, establishing application and/or

licensee fees, and whatever else the racing commissioner determines to be necessary.

An account wager would be included in the appropriate pari-mutuel pool of the race meeting licensee (if the wager is on a live race) or the appropriate race meeting licensee (if the wager is on a simulcast race). A race meeting licensee or multijurisdictional wagering hub that conducts account wagering would be required to retain a commission equal to the commission required under section 17 (generally speaking, 17 percent of money wagered through straight wagering.) In addition, the race meeting licensee and multijurisdictional wagering hub would be required to pay all "breaks" (the cents over any multiple of 10 otherwise payable to a patron on a wager of \$1.00) as required under section 17. If the race wagered on is "live", the licensee or wagering hub would pay 43.1 percent of the commission to the Agricultural Enhancement Purse Pool and 6.9 percent to breeders' awards. If the race wagered on is "simulcast", the commission would be used to pay the state tax on wagering (3.5 percent of the amount wagered on simulcast races) and the fee paid to the sending host track (not exceeding 3 percent wagered). The remaining amount of the commission, for simulcast races, would be divided 34.5 percent to the Agricultural Enhancement Purse Pool and 5.5 percent to breeders' awards.

A racing theater licensee would retain a commission in an amount equal to the commission and pay all breaks in accordance with section 17 of the act. From the commission paid to a racing theater licensee, for wagers on live races, 43.1 percent would be paid to the Agricultural Enhancement Purse Pool and 5.5 percent of the balance would be distributed to breeders' awards. For wagers on simulcast races, the commission would be used to pay the state tax on simulcast races and the fee paid to the sending host track, with 34.5 percent of the balance being paid to the Agricultural Enhancement Purse Pool and 5.5 percent to breeders' awards.

The bill would create a new Article 3 of the act, which would establish procedures for, and the regulation of, off-track wagering. Under the bill, the racing commissioner would be permitted to issue not more than 15 racing theater licenses each year, with licenses being valid for one year. During the first year of the license, the racing theater could begin to operate 90 days after the first day of racing is completed by the licensee or, if the licensee is a racing corporation, by all licensees that make up that corporation. A racing corporation could be formed

by two or more race meeting licensees for the operation of one or more racing theaters.

Application. A racing theater licensee would only be issued to a race meeting licensee, a racing corporation, or to a person licensed to conduct casino gaming under the Michigan Gaming Control and Revenue Act (that is, the Detroit casinos). In determining which applicants would receive a racing theater license, the racing commissioner would give preference to a race meeting licensee that is, or a racing corporation that is composed of race meeting licensees that are, performing ongoing racing operations. For subsequent years, the racing commissioner would grant preference to current racing theater license holders that had not violated the act or any other law or ordinance related to the operation of the racing theater.

In reviewing applications for a racing theater license, the racing commissioner would be required to inspect the facility where an applicant proposes to conduct off-track telecasting and wagering. If a license is approved, the license would state the address at which the licensee would conduct off-track telecasting and wagering.

Wagering. A racing theater licensee could conduct pari-mutuel wagering by patrons on the results of races in Michigan or, if approved by the racing commissioner, other states. No other method of betting, pool making, wagering, or gaming would be used or permitted at licensed racing theaters. A racing theater licensee could not knowingly accept a wager from an individual who is less than 18 years of age, and, likewise, an individual less than 18 years of age would not place or attempt to place a wager at a racing theater.

Telecasts. A racing theater licensee would be required to televise and conduct off-track wagering for all horse races held in the state for which there is a televised signal. Further, the licensee would use any racing information about the race available from the race meeting licensee that is necessary to conduct off-track wagering. The racing theater licensee would compensate, based on a percentage of the money wagered at race at the racing theater, the race meeting licensee holding the race for the telecast and information.

System of Wagering. The pari-mutuel system of wagering at a racing theater would result in the combination of all off-track wagers at a racing theater on a horse race and all wagers included in the pool at the race meeting where the race is held, so as to

produce a common pool for the calculation of odds and the determination of payouts, which would be the same for all winning tickets regardless of where the wager is placed.

If approved by the racing commissioner, wagers from other states could be pooled with other wagers on the races pooled at the racetrack where the race is held, where the racing theater licensee conducts its race meetings, or at other racing theaters.

Wagers accepted by the racing theater would have to conform in denomination, character, terms, conditions, and all other respects to wagers for the same race at the race meeting where the race is held. A racing theater could, with approval from the racing commissioner, establish and accept other wager types on out-of-state races. The takeout at a racing theater would be the same as the takeout at a race meeting.

Audits. The racing commissioner would audit the operations of a racing theater. Daily audit reports on each day's off-track wagering would be forwarded by the racing commissioner to the racing theater licensee. The auditor would have free and full access to the facility where the off-track wagering is conducted, the calculating room where the payoff is determined, the money room and cashier terminals, and all off-track wagering records. The auditor would be responsible for the accuracy of the pay-off calculations; the amount of the racetrack commission, state tax, and breaks; and the amount withheld of the payment of uncashed tickets.

Racing commissioner duties. The racing commissioner would have the authority to promulgate rules necessary to implement the provisions of Article 3, including (though not limited to) the application for a racing theater license, procedures for suspending or revoking a racing theater license, the establishment of license fees and/or application fees, conditions for conducting off-track wagering, and specifications regarding the scope of audits performed.

House Bill 4610 would add a new Article 2 to the McCauley-Traxler-Law-Bowman-McNeely Lottery Act pertaining to the placement of video lottery terminals (VLTs) at horse racetracks. Specifically, the bill states that the state lottery bureau could implement and operate video lottery games at racetracks in the state, and the bureau would own and have primary responsibility for the control and regulation of a video lottery terminal or game. In addition, the bill would codify existing provisions in the act into "Article 1", which pertain to the current

operations of the state lottery. The bill states that the provisions of Article 1 would also apply to video lottery operations, though the provisions in Article 2 would supercede any conflicting or inconsistent provisions of Article 1.

Definitions. The bill defines “video lottery” to mean a lottery that allows a game to be played using an electronic computer and interactive computer terminal device, among other requirements. However, a video lottery would not include a lottery game that merely uses an electronic computer and video screen to operate a game and communicate the results but does not use an interactive electronic terminal device allowing input by a player. Video lottery would be operated exclusively by and under the control of the state lottery bureau.

The bill defines “video lottery game” to mean a bureau-approved electronic game of chance that is displayed on a video lottery terminal that, among other requirements, would not display roulette, dice or baccarat card game themes commonly associated with casino gambling. However, the game could display symbols that appear to roll on drums to simulate a classic casino slot machine or could display other card game or keno game themes.

Further, the bill defines “video lottery terminal” to mean a bureau-approved and owned interactive electronic terminal device that is connected to the central control system and used to play video lottery games authorized by the bureau.

Placement. Each VLT would have to be physically located in an area that meets the following requirements:

- The area is continuously monitored by a closed circuit television system.
- Access to the area is restricted to person legally entitled by age to play the games.
- The license holder has submitted a floor plan of the area detailing the location of the VLTs and security cameras.
- The area is in a building that is located on property that is contiguous to the racetrack’s grandstand.

If a video lottery license is granted to a race meeting licensee that was first licensed to conduct race meetings after the effective date of the bill, video lottery would not be conducted at the racetrack until

90 days after the first day of horse racing is completed.

Manufacturers. Under the bill, a manufacturer of a VLT or any component of a VLT would be prohibited from selling, leasing, or placing a VLT at a racetrack in the state unless the bureau had approved the terminal. Only a manufacturer with a permit to design or build a VLT or any component of a VLT intended to be sold or leased to a person licensed to conduct video lottery games at a racetrack could apply for approval of the VLT. To apply for approval, a manufacturer would have to supply the bureau with two copies of terminal illustrations, schematics, block diagrams, circuit analysis, technical and operational manuals, and any other information requested by the bureau. The bill contains extensive regulations regarding hardware specifications.

Further, a manufacturer would have to maintain and provide an inventory of spare parts and provide technical assistance and training regarding the service and repair of VLTs and associated equipment to service technicians to assure timely repair and continuous operation of the VLTs.

A manufacturer could not place a VLT in operation in the state unless the manufacturer provides service and repair of each approved VLT. A person could not conduct maintenance on a VLT or associated equipment unless the lottery bureau has issued a service technician permit to that person.

Testing of VLTs. The bureau could require that two working models of a VLT be tested. The manufacturer would pay all costs for transporting and testing the VLT models. In addition, the bureau could require the manufacturer to provide specialized equipment or pay for the services of an independent technical expert to test the terminal.

In addition, the bill states that the bureau would be required to conduct a test at its headquarters to determine VLT functions and central control system compatibility, and that the manufacturer would pay for the cost of transporting two VLTs to bureau headquarters. If the VLT failed the test conducted by the bureau, the manufacturer would have to make all modifications as required by the bureau.

After the completion of testing, the bureau would provide the manufacturer with a report of its findings, conclusions, and results. This report could contain recommendations for modifications to bring the VLT into compliance with the provisions of the bill.

Before approving a particular model, the bureau could require a trial period of not more than 60 days for the license holder to test the terminal. Any modifications of the terminal by the manufacturer during this trial period would have to be approved by the bureau.

The license holder and the manufacturer would be jointly liable for the assembly and installation of VLTs. Neither the manufacturer nor the license holder would be permitted to modify the assembly or operation functions of a VLT unless the bureau approves a request for modification. Any request for modification would have to include a detailed description of the type of change, reasons for such change, and technical documentation of the change.

A VLT that is approved for placement would have to conform to the exact specifications of the VLT model tested and approved by the bureau. The bureau would be required to seize and destroy a VLT or modification of a VLT that has not been approved by the bureau and suspend the license of a license holder or the permit of a manufacturer that operates or manufactures a VLT or modification not approved by the bureau.

Theoretical Payout Percentages. A VLT would have to meet the following theoretical payout percentages.

- A minimum of 80 percent of the amount wagered during the expected lifetime of the VLT, as determined by standard methods of probability theory.
- A maximum of 95 percent of the amount wagered during the expected lifetime of the VLT, unless the bureau approves a request by the manufacturer to program the VLT for a payout greater than 95 percent.
- A probability greater than 1 in 17 million of obtaining the maximum payout for each play.

Malfunctions. A VLT would have to be capable of continuing the current game after any malfunction is cleared. If a VLT becomes totally inoperable during a game, the current wager and all credits appearing on the VLT display prior to the malfunction would be returned to the player.

Accounting. A VLT would have to maintain an electronic account at all times, regardless of whether the terminal is being supplied with electrical power. The electronic meter of the VLT would record the

number of coins (or its equivalent) inserted by the player; number of credits wagered; the number of credits paid out by a printed ticket; the number of times the logic area has been accessed; the number of credits wagered in the current game; the number of credits won in the last complete game; and the number of cumulative credits representing money inserted and credits for games won, but not collected.

In addition, the VLT could not have a mechanism that allows the electronic accounting meters to automatically clear, nor could a person clear a meter without prior approval from the bureau. Further, all meter readings would have to be recorded by bureau employees before and after a meter is cleared.

Central Control System. The bureau would maintain a central control system to monitor VLTs using an on-line or dial-up connection. The control system would have to be capable of monitoring the operation of each VLT and immediately disabling each VLT. The bureau could require the license holder to pay the costs of a central control system as part of the licensing agreement. The bureau would be required to provide a manufacturer, or an applicant of a manufacturer's permit, the protocol documentation data necessary to enable the VLTs to communicate with the central control system.

Application of a license. The bureau would not grant a license to operate VLTs or a permit to manufacture VLTs unless the bureau has determined that the applicant meets all of the following qualifications:

- If the applicant is applying for license to operate VLTs, that the applicant also holds a valid track license issued pursuant to the Horse Racing Law of 1995.
- The applicant has good character and integrity.
- The applicant's background does not pose a threat to the security and integrity of the lottery or to the public interest. An applicant for a license (initial or renewal) would have to provide fingerprints for a criminal background check by the Department of State Police (MSP) and the Federal Bureau of Investigation (FBI). Fingerprints would have to be provided by each individual required to be named in the application, and each individual would have to provide a signed authorization for the release of the information by the MSP or FBI. A person who has been convicted of a crime related to bribery, gambling, or moral turpitude would not be eligible for a license or permit. Similarly, the bureau would revoke the license or permit of a person who is

convicted of a crime related to bribery, gambling, or moral turpitude after a license or permit was granted.

- The applicant demonstrates the business ability and experience necessary to establish, operate, and maintain the business of conducting gaming through the operation of VLTs or manufacturing VLTs.

- The applicant has secured adequate financing, which is from a source that meets the qualifications for granting a license of permit.

- The applicant has paid an application fee of \$1,000 (for the initial application only) and provided a surety or fidelity bond in an amount determined by the bureau.

The license would be valid for one year, with applications for renewal to be made prior to November 1.

Responsibilities of the license or permit holder. A license or permit holder would be required to do all of the following:

- Promptly report to the bureau any facts or circumstances related to VLTs that constitute a violation of state or federal law.

- Conduct all video lottery activities and functions in a manner that does not pose a threat to the public health, safety, or welfare of the citizens of the state, and that does not adversely impact the security or integrity of the state lottery.

- Hold the bureau and the state harmless from, and defend and pay for, the defense of a claim against a license holder, the bureau, the state, or any one of their employees, arising from the license holder's participation in video lottery.

- Assist the bureau in maximizing video lottery revenue.

- Maintain all records required by the bureau.

- Provide the bureau, upon request, access to all records and physical premises of the business where the license or permit holder's activities occur so that the bureau is permitted to monitor the video lottery activities, games, and terminals, and associated equipment.

- Remain current in all payments and other obligations to the bureau.

- Maintain general liability insurance coverage for all VLTs of at least \$2 million.

Gross Terminal Income. The bill would require a license holder to remit its gross terminal income to the bureau by electronic transfer on dates established by the bureau. The bureau would deduct from the gross terminal income an amount to reimburse the bureau for administrative costs. Any amount deducted that exceeds actual administrative costs would be returned to each license holder in proportion to the administrative costs deducted from each license holder. The bill defines 'gross terminal income' to mean the total amount of cash, vouchers, and tokens inserted into a VLT, less the total value of the cash and tokens won by players and game credits cleared from the VLT's in exchange for winning redemption tickets.

In addition, the bill would require a license holder to maintain in the bank account from which funds are transferred to the bureau an amount greater than or equal to the gross terminal income from its video lottery operations. A failure to maintain this balance could prompt the bureau to disable all of the license holder's VLTs until payments of all amounts due.

Payment for Credits. Payment for credits awarded on a VLT would not be made unless the ticket is legible, printed on bureau-approved paper, and contains all information required in the bill; has not been altered, mutilated, or otherwise tampered with; is not counterfeit; and is presented by a person authorized to play the video lottery games.

Penalties. Absent authorization granted by the bureau, a person who manipulates the outcome, payoff, or operation of a game (and with the intent to do so) would be guilty of a felony that is punishable by imprisonment not exceeding 10 years or a fine not less than \$10,000, or both. In addition, if the person is licensed under the article to operate video lottery terminals, the bureau would revoke the license.

House Bill 4611 would amend the Code of Criminal Procedure (MCL 777.14d) to classify the manipulation of the outcome, prize, or operation of a video lottery game to be a crime against the public trust and a Class D felony punishable by imprisonment for a maximum of 10 years. The bill would define the improper distribution of money from uncashed tickets to be a crime against the public trust and a Class G felony punishable by imprisonment for a maximum of two years.

House Bill 4612 would amend the Michigan Gaming Control and Revenue Act to permit a casino license to display a televised horse race at the casino or as part of the licensee's casino operation. [Note: Current law prohibits a casino license from televising or allowing another person to televise simulcast races on the premises of the casino.]

Upon approval from the Control Board, a casino licensee could apply for and possess a license to operate a racing theater under the Horse Racing Law. Such a racing theater would be under the primary control of the racing commissioner, though the theater would be considered to be part of the licensee's casino operation and subject to the provisions of the act and control of the board. The board would be permitted to take disciplinary action under the act against a casino licensee that holds a racing theater license for a violation of, or the rule pursuant to, the Horse Racing Law.

A casino licensee would be entitled to the same commission from any wagers on horse races televised at the licensee's racing theater as a race meeting licensee is entitled to under article 3 of the Horse Racing Law.

BACKGROUND INFORMATION:

Horse Racing Facilities. Currently, there are seven racing facilities in the state. The state's only thoroughbred racing facility is Great Lakes Downs in Muskegon. The only mixed-breed racing facility is Mount Pleasant Meadows. The remaining five facilities all conduct standardbred (harness) racing. They are Saginaw Harness Raceway, Northville Downs, Sports Creek Raceway in Swartz Creek, Hazel Park Raceway, and Jackson Harness Raceway. At the close of the 1998 racing season, Ladbroke DRC in Livonia closed after more than 50 years in operation. The facility now is a retail center at Middle Belt and Interstate 96. However, in recent months there have been two proposals for new tracks being built in the state. EQTAH Group Ltd. of Wilmington, DE had been in discussion to build a track near Williamston in Ingham County, though nearby residents expressed their aversion to the proposed racing facility. In addition, Magna Entertainment Group of Ontario expressed interest in building a facility near Detroit Metro Airport in Romulus.

For the 2001 season, the ORC reports there were 562 live race dates and a total of 2,205 live and simulcast dates. Total attendance for the live and simulcast dates was greater than 1.4 million. The average daily

attendance was 650, though the average daily attendance at the individual tracks ranged from 67 at Mount Pleasant Meadows to 1,830 at Hazel Park Raceway. Total wagering for the 2001 season included \$35.3 million for live races and \$339.3 million for simulcast races, and had a daily combined average wager of \$164,864.

On November 1, 2002, the Office of Racing Commissioner announced the live races dates for the 2003 season. The 2003 season schedule calls for 411 days of standardbred racing, 118 days of thoroughbred racing, and 37 days of mixed-breed racing.

Economic Impact of Michigan's Horse Racing Industry. Michigan's Horse Racing industry provides a significant contribution to the state's economy. A March 1995 study of the economic impact of the horse racing industry on the state conducted by Public Sector Consultants, Inc. reported that Michigan's \$1.2 billion horse racing industry is responsible for the creation of 42,300 jobs, \$233 million in personal income, and total economic output of \$439 million annually. In addition, the horse racing industry also generates \$31 million annually in state tax revenue and supports more than \$700 million in capital investments.

In ascertaining the economic impact of the race track operations, PSC reported that the eight tracks that were open in 1993 spent approximately \$97.9 million on operational costs, compensation, purses, and taxes. Furthermore, the \$19.7 million spent on operational costs resulted in an additional \$11.7 million in indirect spending in the state, resulting in a total of more than \$31.4 million in economic output. The study also reports that direct and indirect spending generated \$9.7 million in income and 459 jobs outside of the race tracks.

Furthermore, the track paid nearly \$23 million in taxes, which included \$18.8 million in racing taxes and breakage, \$1.2 million in property taxes, and \$400,000 in other state taxes. The study also notes that direct and indirect output, income, and employment attributable to race tracks totaled \$109.5 million, \$51.8 million, and 4,459 jobs, respectively.

Finally, the report noted that tracks spent over \$55 million in compensation and purses in 1993. Direct employment at the track included 100 full-time employees, 2,300 part-time employees, and an additional 800 vendor (contract) employees. In addition, track employees were paid \$20.2 million in wages and salaries. An additional \$21.8 million and

1,600 jobs resulted from track employees spending their incomes throughout the economy.

The PSC study also reports that 1993 spending by race farms totaled \$231.2 million, which included \$56 million for feed and bedding; \$15.5 million for tack and equine health supplies; \$23 million for veterinary services; and \$21.3 million in boarding and breeding fees. Further, the direct spending by race farms also resulted in additional \$141.8 million in indirect spending.

In December 2002, PSC released findings from an updated economic impact study of the state's horse racing industry, based on 2001 data. The study notes that the horse racing industry generates \$443 million in total economic activity, which creates and supports 14,000 paid jobs (and an additional 12,200 family farm workers) and \$142 million in personal income. In addition, the industry generates \$23.5 million in state taxes through racing taxes and taxes on the economic activity. In addition to state tax revenue, racetrack also provided \$1.7 million for local jurisdictions in which they are located. This money is used to offset the costs for police and fire protection to the tracks. The report states that these local jurisdictions only spent \$589,459 and these services, resulting in a surplus of \$1.15 million. The industry also supports \$570 million in capital facilities, down from \$700 million since the 1995 study. In all, the report states that the horse racing industry accounts for nearly \$1.2 billion in economic output, income, and capital facilities - a decline, in real dollars, of 19 percent since 1993.

Racing operations in other states. Late last year, the Office of Racing Commissioner issued a report entitled, *The Michigan Horse Racing Industry: An Economic Comparison*. The report provides a history of horse racing industry and a comparison of the racing operations of other states, including the operation of the "wagering enhancements" that are the subject of the bills here.

The report notes that off-track betting was first officially implemented in 1979 and is "the most prevalent alternative horse racing option in other states. Off-track betting is permitted in 23 states and several Canadian provinces. The jurisdictions include Ohio, Illinois, Indiana, and Ontario.

According to the report, at present, there are eleven states and four Canadian provinces, including Ontario, that conduct telephone/internet account wagering. The report describes the account wagering system as follows: "[a]lthough the official account

process varies by state, it is generally uniform. Background checks are made on all subscribers, and access is controlled with passwords and account verifications. The account works much like a bank, with deposits made in advance of the wager and withdrawals and deposits recorded with each wagering placed. The call/internet center records wagers and places them for the bettor, thereby adding each bet to the total pari-mutuel pool". (The states are California, Connecticut, Kentucky, Louisiana, Massachusetts, Nevada, New Hampshire, New York, Ohio, Oregon, and Pennsylvania.)

The report notes that slot machines (or VLTs) are operated in seven states and five Canadian provinces, including Ontario. It should be noted, however, that while slot machines/VLTs are permitted under New York law and in Louisiana under a 2002 law, no tracks are currently operating "racinos" in those states. (The states are Delaware, Iowa, Louisiana, New Mexico, New York, Oregon, and West Virginia.)

Gambling Behavior in Michigan. In 2001, researchers from Western Michigan University conducted a survey of gambling behaviors for the Department of Community Health. The survey noted that 85.3 percent of respondents have gambled at some point in their life. This is similar to previous studies in 1997 (84.5 percent) and 1999 (88.9 percent). The survey also had 71.9 percent of the respondents state that they had gambled at least once in the past year. This, too, is similar to previous studies in 1997 (76.6 percent) and 1999 (77.6 percent). Using a 95 percent confidence interval the study estimated the actual number of "lifetime" problems gamblers (that is, they have been a problem gambler at some point in their lives) to be between 206,000 and 455,000, and estimated "past year" problems gamblers to be between 81,000 and 330,000. The study notes that these numbers probably underestimate the actual incidence of problem gambling in the state because the survey tends to under-represent younger and older adults, and totally excludes individuals under 18 years of age. Further, the study notes that these numbers are will within the range of numbers from studies in other states.

The Department of Community Health reports that approximately five percent of people who gamble ultimately become addicted, which equates to approximately 350,000 compulsive gamblers in the state. In addition, the department also reports that while men and women gamble for different reasons,

the progression of a gambling problem is usually shorter for women than men.

Governor's Blue Ribbon Commission on Michigan Gaming. In 1994, through the enactment of Executive Order 1994-24, then-Governor Engler established a commission to assess the issue of the expansion of gambling in the state. The commission was to assess 12 issues, and report its findings and recommendations to the governor and people of the state. Among those 12 issues were three issues pertaining to the expansion of gambling at the state's horse racetracks. The three issues are as follows (with the commission's response following):

- Whether the state's pari-mutuel horse racing tracks need to have the ability to offer electronic computerized games of chance (wide gaming terminals and video slot machines) and/or other forms of casino gaming in conjunction with pari-mutuel wagering on horse racing results, in order to compete against existing and future casinos in and around the state and in order to continue in business.

The commission's response was as follows: "The state's pari-mutuel horse racing tracks should not be given the ability to offer electronic computerized games of chance (video gaming terminals and video slot machines) and/or other forms of casino gaming in conjunction with pari-mutuel wagering on horse race results." [The commission's conclusion was reached by majority consensus, though there was a minority point of view within the commission.]

- Whether the legalization of electronic games of chance at Michigan's licensed pari-mutuel horse racing tracks would cause any social harm or any substantial economic harm to the State of Michigan either in the form of lost state lottery or Indian gaming revenue or other impacts on state revenue."

The commission's response was as follows: "Introduction of video-gaming devices would cause extensive social and economic harm. The effect would be to create a casino at each racetrack, adding significantly to the proliferation of gambling in Michigan. Severe economic harm to the state lottery and Indian gaming revenue could be caused. The devices would be difficult to regulate and control and would be too easily accessible to minors."

- Whether the likely economic benefits to the State of Michigan, the horse racing industry and Michigan agriculture from the legalization of electronic games of chance at licensed racetracks outweigh any loss of Indian gaming revenue or economic costs to the state

lottery and any social harm that could result from this enhancement of legalized racetrack gaming activity.

The commission's response was as follows: "The benefits to the State of Michigan, the horse-racing industry and Michigan agriculture from the legalization of electronic games of chance at licensed tracks would not outweigh any associated loss of revenue of revenue to other gaming activities and any social harm."

FISCAL IMPLICATIONS:

The House Fiscal Agency, in evaluating the fiscal impact of the package on state revenues, particularly from the operation of video lottery terminals, has provided a range of estimates based on the number of terminals per track and the overall gaming market, as follows. (These preliminary estimates are for the 2004-2005 fiscal year.) Of the net terminal income earmarked to the state treasurer, the estimated fiscal impact ranges from a low of \$29.2 million to a high of \$160 million. The money received by the state treasurer would be paid to the School Aid Fund, the newly created Agricultural Enhancement Fund, and the general fund.

School Aid Fund revenues are estimated to range from a low of \$14.6 million to a high of \$45 million. Accounting for reductions to the to the School Aid Fund due to an expected drop-off in SAF revenue from the state lottery and the Detroit casinos - estimated to range between \$4.5 million and \$54.3 million - the net SAF revenue is estimated to range from a loss of \$9.3 million to a gain of \$17.9 million.

The estimated fiscal impact on the Agricultural Enhancement Fund (AEF) ranges from a low of \$14.6 million to a high of \$45 million. Finally, the estimated fiscal impact on the state's general fund ranges from a low of zero dollars to a high of \$70 million.

The HFA's analysis contains a useful flow chart of how revenues from VLT's would be distributed, not only to state government but also to race licensees, breeders' awards, and to the Agricultural Enhancement Purse Pool. The chart assumes net terminal income from 2,000 terminals per track of from \$197 million to \$400 million. Of that, \$79 million to \$160 million would go to the state treasurer; \$84 million to \$170 million would go to race licensees in commissions; \$30 million to \$60 million would flow to the Agricultural Enhancement Purse Pool; and \$5 million to \$10 million would be distributed for use as breeders' awards.

A more detailed estimate of the fiscal impact, including estimates of the gross terminal income, regulatory costs, net terminal income, commissions paid to race licensees, money paid to the Agricultural Enhancement Purse Pool, money for breeders' awards, and a breakdown of SAF, AEF, and GF/GP revenue based on the number of VLTs is available from the House Fiscal Agency on the Michigan Legislature web site. (See the HFA fiscal analysis dated 5-21-03)

ARGUMENTS:

For:

The Horse Racing Law of 1995 was enacted in response to declining attendances, revenues, and purses. While the short term financial fortunes of the race industry were apparently buoyed by the changes contained in the recodified law (namely the move toward full-card simulcasting), eight years later the horse racing industry continues to find itself facing enormous problems, with competition both from casinos and from increased gambling opportunities at racetracks in other states.

To assess the current state of the horse racing industry, one only needs to consider the numbers. In 2001, there were 562 live races dates, the lowest level since 1971, when there were 563 race dates. Total attendance was slightly more than 1.4 million. Not since the late 1940's and early 1950's have there been so few people attending the races. Continuing the downward trend of the previous years, total wagering was \$374.6 million. In contrast, wagering in 1997 totaled \$474.6 million. Finally, total state revenue for 2001 was nearly \$12 million. Except for one other year, state revenues have not been this low since 1963.

The biggest challenge facing the state's horse racing industry in recent years has been the proliferation of casinos in the state. Currently, there are 19 tribal casinos in the state, with others proposed in Port Huron, Calhoun County, Allegan County, and the New Buffalo area. In addition, there are also the three casinos in Detroit, which compete directly with nearby tracks in Hazel Park and Northville for a limited supply of the public's gaming dollars. The continued growth in the number and capacity of the casinos has served to greatly "cannibalize" the gaming population within the state, most often at the expense of the horse racing industry.

Consider the fact that for the 2001 calendar year, total adjusted revenue at the MGM Grand Casino in Detroit was more than \$366 million, which is nearly

the total amount wagered on live and simulcast events at all seven racetracks in the state.

Second, the horse racing industry is facing pressure within the industry itself, as it must compete with nearby racing states that are expanding gaming at racetracks. This phenomenon appears to be response to the proliferation of casino gambling. As other states begin to seek other ways to boost sagging attendances, revenues, and purses, they too invariably look to slot machines, card rooms, and off track betting, among other possible revenue generators. Neighboring states have already enacted or are drafting legislation enabling them to increase allowable gaming at their respective racetracks. In a recent article, the *Pittsburgh Post-Gazette* reported that since West Virginia permitted dog and horse racing tracks to add video slot machines, it has seen an additional \$600 million annually for the state and its "down-and-out racing industry." At the same time, a neighboring racetrack in Pennsylvania has seen its attendance drop 33 percent and the wagering handle decline by 22 percent. If Ohio were to authorize VLT's at its racetracks, one would reasonably expect that attendance at the racing facilities in Metro Detroit would decline given the close proximity of Toledo Raceway Park.

The operation of off-track wagering facilities and video lottery terminals will serve to attract new customers to the state's seven racetracks and increase interest in the facilities. While the rather confusing lexicon of the industry and apparent complexity of the wagering process deter some would-be first-time patrons, it is reasonable to assume that a percentage of those patrons who go to the track to play the VLTs will eventually watch a few races, begin to understand the language and the process, learn to appreciate the sport, and place a few wagers on the races, thereby increasing purses and the financial viability of the state's horse racing industry. Further, the creation of off-track wagering facilities permits the horse racing industry to expand to other areas throughout the state. Currently the industry is limited to seven tracks within the southern portion of the Lower Peninsula. House Bill 4609 would permit the tracks to expand their coverage areas and increase the awareness of the sport in such areas as Grand Rapids, Traverse City, the southwestern counties, and the entire Upper Peninsula.

Given the fiscal realities of the racing industry, it is imperative that racing facilities be granted to ability to reposition themselves in an increasingly competitive (and crowded) gaming and entertainment market. Absent any meaningful changes in allowable

practices, there is little to indicate a dramatic turnaround in the economic viability of one of the state's most vital economic generators

For:

The proposal is not a matter of expanding gaming for gaming's sake, nor is it a matter of bringing in additional revenue to support an anemic state budget. It goes beyond the gaming concerns and the grandstands. One need only look to the wide variety of goods and services that the horse racing industry provides. The industry involves track operations, equipment suppliers, veterinarians, feed growers, breeders, owners, trainers, and a variety of other horse-related occupations, goods, and services. Further, the horse racing industry supports 4-H programs and county fairs. Indeed, the 2002 Public Sector Consultant study notes that horse racing accounts for \$1.2 billion in economic output, income, and capital facilities. Further, the 1995 and 2002 PSC reports strike at the heart of the matter in stating, "[t]he failure of the industry, which is a real possibility, would put much of this economic activities and capital investment at risk" (1995), and "[a] complete collapse of the horse racing industry could cause serious damage to Michigan's economy. In addition to the numerous jobs resulting from spending at racetracks, Michigan's horse racing industry supports a large number of farms raising racing breed horses throughout the state" (2002). The steps proposed in this package to improve the viability of the horse racing industry - namely through capital improvements and purse enhancements - would reverberate far beyond the racetracks themselves. (See the information on the economic impact of Michigan's horse racing industry in the Background Information section of the analysis.)

Against:

Even conceding the problems facing the state's horse racing industry, is this really the path the state should follow? The proliferation of gambling in the state will make Michigan increasingly reliant on the revenue gaming activities provide. There must be other ways to revive the struggling horse racing industry besides turning them into casinos. Simply constructing a casino at a racetrack would not appear to increase the public's awareness and interest in horse racing as a sport and form of entertainment. Indeed, the House Bill 4610 does not include a provision found in a similar bill from last session (see HB 6520) that required that the video lottery terminals be placed in an area with a view of the racetrack.

Further, the recent report from the National Gambling Impact Study Commission states, "...as competition for the gambling dollar intensifies, gambling spreads, bringing with it more and more social ills that led us to restrict gambling in the first place. It is easy to imagine jurisdictions competing for the gambling dollar, with the consequent overexpansion of legalized gambling; shrinking social benefits are overwhelmed by rising social costs."

There is little doubt that given the placement of video lottery terminals, the incidence of problem and pathological gambling within the state will rise. Indeed, a recent Western Michigan University report states, "whether in casinos or home computers, access is presumed to affect the prevalence of gambling." The NGISC study sums it up rather nicely, stating "[t]oday, millions of families throughout the nation suffer from the effects of problem and pathological gambling. As with other addictive disorders, those who suffer from problem or pathological gambling engage in behavior that is destructive to themselves, their families, their work, and even their communities."

Against:

While most of the discussion has focused on the economics of the horse racing industry, very little has been discussed on the "other" economic impact of placing video lottery terminals at racetracks. Studies have indicated that most of the patrons of casinos reside within a 50-mile radius of the facility. That means that the \$100 spent at the racetrack VLTs is \$100 that could have been spent on dinner, a movie, a concert, a donation to a charitable organization, or fixing up a house or car. The reality is that the tracks will benefit at the expense of local businesses. Moreover, some communities in which horse tracks are located may not want the tracks made into larger gambling venues and the affect that might have on community life.

Against:

Critics say that this proposal circumvents the process set forth in Michigan Gaming Control and Revenue Act (and by association, the will of the voters), which provided for the establishment of the three Detroit casinos. The MGCRA, which started through a voter initiative and requires a three-quarter majority vote in the legislature in order to be amended, already provides for a regulatory scheme and organization capable of ensuring the integrity of the operation of the VLTs. Governor Engler's gaming commission noted that the electronic gaming devices would be

difficult to regulate and control, and, for that reason, any VLT provisions should be adopted under the MGCRA.

Beyond the concern over the regulatory environment within which the VLTs would be operated, there is a larger, more pressing concern. House Bill 4610 runs afoul of the will of the citizens when they passed Ballot Proposal E of 1996. That proposal, which was subsequently strengthened by the enactment of the Public Act 69 of 1997, allowed for up to three non-tribal casinos in the state. House Bill 4610, however, permits the state to essentially add another seven venues for gambling. (The governor's gaming commission stated that the effect of placing electronic gaming devices at the racetrack would be to create a casino at each racetrack.) This is another reason why any effort on the part of the legislature to expand the number of gambling venues should be part of the MGCRA.

Furthermore, by greatly expanding the available gaming opportunities in the state, House Bill 4610, alters the gaming market in Metropolitan Detroit, and puts the three existing Detroit casinos at an economic disadvantage. When the initial push to place those casinos took place, it was based on studies of the potential gaming market in the area. Moreover, the agreements between the casinos and the City of Detroit and the state are based on certain assumptions about that gaming market. Given the sheer of amount of taxes, fees, and other payments to the city, the Detroit casinos' total investment is well over a billion dollars. That investment was premised on the belief that the Metro Detroit gaming market could financially support each of the casinos. However, the addition of these additional gambling outlets will simply "cannibalize" public's gaming dollar, and further hurt the growth of the casinos and any revitalization efforts on the part of the city that are hinged on the development of the casinos.

POSITIONS:

The Michigan Farm Bureau testified in support of the bills. (5-20-03)

The Michigan Harness Horsemen's Association testified in support of the bills. (5-6-03)

The Michigan Racing Association testified in support of the bills. (5-6-03)

The Michigan Horsemen's Benevolent Protection Association testified in support of the bills. (5-6-03)

The Michigan Thoroughbred Owners and Breeders Association testified in support of the bills. (5-20-03).

The Teamsters Union indicated support for the bills. (5-6-03)

The Oakland Schools indicated support for the bills. (5-14-03)

The Oakland County Executive offered written testimony in support of the bills. (5-19-03)

Representatives from the City of Hazel Park testified in support of the bills. (5-6-03)

Calhoun County Community Development indicated support for the bills. (5-6-03)

The Michigan AFL-CIO indicated support for the bills. (5-6-03)

The United Horse Alliance offered testimony in support of the bills. (5-6-03)

Magna Entertainment Corp. testified in support of the bills. (5-6-03)

The United Steelworkers indicated support for the bills. (5-6-03)

The St. Clair County Metro Planning Commission indicated support for the bills. (5-20-03)

The St. Clair County Farmland and Open Space Initiative indicated support for the bills. (5-20-03)

Michigan State University indicated support for the bills. (5-20-03)

The Michigan Standardbred Breeders Association testified in support of the bills. (5-20-03)

The Northern Michigan Fairs and Racing Association testified in support of the bills. (5-20-03)

The Michigan Association of Fairs and Exhibitions testified in support of the bills. (5-20-03)

Detroit Entertainment LLC (the Motor City Casino in Detroit) testified in opposition to the bills. (5-20-03)

The City of Detroit testified that it was neutral on the bills. (5-20-03)

The MGM Grand Detroit Casino testified in opposition to the bills. (5-20-03)

The Greektown Casino and Sault Ste. Marie Tribe indicated opposition to the bills. (5-20-03)

The Little Traverse Bay Bands of Odawa Indians indicated opposition to the bills. (5-20-03)

The Lac Vieux Desert Band of Lake Superior Indians indicated opposition to the bills. (5-20-03)

The Sault Ste. Marie Tribe of Chippewa Indians indicated opposition to the bills. (5-20-03)

The Little River Band of Ottawa Indians indicated opposition to the bills. (5-20-03)

Analyst: M. Wolf

■ This analysis was prepared by nonpartisan House staff for use by House members in their deliberations, and does not constitute an official statement of legislative intent.