

Senate Fiscal Agency
P. O. Box 30036
Lansing, Michigan 48909-7536

SFA**BILL ANALYSIS**

Telephone: (517) 373-5383
Fax: (517) 373-1986
TDD: (517) 373-0543

Senate Bill 200 (as introduced 2-19-03)
Sponsor: Senator Michael D. Bishop

Date Completed: 2-20-03

CONTENT

The bill would amend the House Racing Law to stay for up to one year the effective date of proposed rule R 431.2061, which concerns the distribution of money deposited into the horsemen's simulcast purse pool under Section 19(1) of the Horse Racing Law. The rule's effective date would be stayed pursuant to Section 45a(3)(c) of the Administrative Procedures Act (APA).

The bill states that it was introduced following the filing of a notice of objection by the Joint Committee on Administrative Rules under Section 45a(3)(c) of the APA, and was placed directly on the Senate and House calendars.

Proposed MCL 431.307a

BACKGROUND

Section 45a of the APA. Under the APA, an agency proposing an administrative rule must submit a copy of the rule to the Joint Committee on Administrative Rules (JCAR). The Committee then has 21 days to review the rule and to object to it by filing a notice of objection, for a reason listed in the APA.

Under Section 45a(3), if JCAR files a notice of objection, the Committee chair, the alternate chair, or any member of JCAR must have bills introduced in both houses of the Legislature simultaneously. The bills must contain one or more of the following:

- (a) A rescission of a rule upon its effective date.
- (b) A repeal of the statutory provision under which the rule was authorized.
- (c) A stay of the proposed rule's effective date for up to one year.

Under Section 45a(4), the notice of objection prevents the Office of Regulatory Reform from filing the rule with the Secretary of State for 21 calendar days (although that period is tolled during times the Legislature is not in session).

Proposed Rule R 431.2061. The proposed rule includes the following statements:

- "For purposes of the purse pool distribution under section 19(1)(a) and (b) of the act [the Horse Racing Law], 'thoroughbred simulcasts' and 'thoroughbred handle' include handle from all regulated flat racing by all breeds of horses. Flat racing is a race in which horses mounted by jockeys run over a course on which no jumps or other obstacles are placed."
- "The [racing] commissioner shall not include export handle in the calculations for purse pool distribution under section 19(1) and (2). Export handle is all wagering revenue created by a track as a result of that track exporting its simulcast signals."
- "Unless otherwise authorized by the racing commissioner and certified horsemen

associations, all monies deposited into the horsemen's simulcast purse pool shall exclusively be used for Michigan live racing purses."

-- "Any organization or person interfering with the implementation or enforcement of a distribution order issued under this rule shall be subject to sanctions. Sanctions may include, but are not limited to, the revocation or suspension of a license or horsemen organization's certification granted under the act."

According to the Office of Regulatory Reform, "This rule describes the current procedure for issuing the purse pool distribution order required by Section 19 of the Horse Racing Act, MCL 431.319."

The proposed rule was filed with JCAR on January 23, 2003. On February 11, 2003, JCAR filed a notice of objection to proposed R 431.2061.

Section 19(1) of the Horse Racing Law. The Law requires race meeting licensees that receive simulcasts to pay 40% of their net commission from wagers to the simulcast horsemen's purse pool. Section 19 governs the distribution of the money deposited in that pool. Under Section 19(1)(a), 50% of the funds generated from thoroughbred simulcasts for horsemen's purses and 35% of the funds generated from standardbred simulcasts for horsemen's purses must be divided between all thoroughbred purse pools. The division must be on a pro rata basis between all thoroughbred race meeting licensees based upon the percentage of total thoroughbred handle, from all sources, from the previous calendar year.

Section 19(1)(b) provides that 50% of the funds generated from thoroughbred simulcasts for horsemen's purses and 65% of the funds generated from standardbred simulcasts for horsemen's purses must be divided between all standardbred purse pools. The division must be on a pro rata basis between all standardbred race meeting licensees based upon the percentage of total standardbred handle, from all sources, from the previous calendar year.

(The Horse Racing Law defines "purse pool" as an amount of money allocated or apportioned to pay prizes for horse races and from which payments may be made to certified horsemen's organizations under the Law. "Handle" commonly refers to the gross amount wagered on a race.)

Legislative Analyst: Suzanne Lowe

FISCAL IMPACT

The bill would have no impact on State costs or revenues. State revenues from the Agriculture Equine Industry Development Fund are not deposited in simulcast purse pools that are distributed to certified horsemen's organizations. The bill would have no impact on local costs or revenues.

Fiscal Analyst: Craig Thiel

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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.