



Senate Fiscal Agency  
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## BILL ANALYSIS



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Senate Bill 1052 (Substitute S-1 as reported)  
Sponsor: Senator Jason E. Allen  
Committee: Gaming and Casino Oversight

Date Completed: 5-16-06

### **RATIONALE**

Under the Horse Racing Act, the Racing Commissioner oversees all licensed pari-mutuel racing in the State. Although administrative rules prohibit the Racing Commissioner, his or her appointees, and employees from wagering on a race conducted by an association licensed by the Commissioner, such wagers are not prohibited under State statute. Some have observed that regulators of other gaming industries are prohibited by statute from participating in the industry that they oversee. The Lottery Act, for example, prohibits the Lottery Commissioner, members of the Lottery Commissioner's office, and immediate family members from participating in the lottery or collecting winnings. Similarly, under the Michigan Gaming Control and Revenue Act, no member, employee, or agent of the Gaming Control Board may participate in or wager on any gambling game conducted by any licensee under the Act, or any applicant or affiliate of an applicant or licensee. Some believe that similar provisions should be put in statute to prohibit employees of the Racing Commissioner's office and immediate family members from placing wagers under the Act.

### **CONTENT**

The bill would amend the Horse Racing Law to prohibit the Racing Commissioner, an employee of the Office of the Racing Commissioner, or a member of the immediate family of the Racing Commissioner or of an employee of the Office of the Racing Commissioner from participating in wagering permitted under the Law or conducted by a person or an

affiliate of a person licensed or applying for a license under the Law.

The prohibition would not apply to wagering that was part of surveillance, security, or other official duties for the Office of the Racing Commissioner.

Under the bill, "member of the immediate family" would mean the spouse, child, parent, or sibling. "Affiliate" would mean a person who, directly or indirectly, controls, is controlled by, or is under common control with; is in a partnership or joint venture with; or is a coshareholder of a corporation, comember of a limited liability company, or copartner in a limited liability partnership with the person who holds or applies for a race meeting or track license under the Law. A controlling interest would be a pecuniary interest of more than 15%.

MCL 431.302 & 431.304

### **ARGUMENTS**

*(Please note: The arguments contained in this analysis originate from sources outside the Senate Fiscal Agency. The Senate Fiscal Agency neither supports nor opposes legislation.)*

#### **Supporting Argument**

Under State law, employees of the Lottery Commissioner's office and of the Gaming Control Board are prohibited from participating in the industries that they oversee. That separation between the regulators and the industry protects the integrity and the effectiveness of the regulatory offices involved. Employees of the Office of the Racing Commissioner, as members of the agency overseeing horse racing in the State, should abstain from

wagering on horse races to avoid any appearance of impropriety or a possible conflict of interest. Individuals observing such a wager might wonder if the employee had inside information on the race, or was able to exert some influence on the race's outcome. Such questions should not arise in the public mind, however, because wagers by the Racing Commissioner, his or her appointees, and employees of the Racing Commissioner's office already are prohibited under administrative rules (R 431.1145). The bill would codify this prohibition and extend it to immediate family members of the Commissioner and employees as well, bringing the Horse Racing Law in line with other similar laws regulating gambling in the State.

Legislative Analyst: Curtis Walker

**FISCAL IMPACT**

The bill would have no impact on State or local government.

Fiscal Analyst: Bruce Baker

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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.