



HOUSE REPUBLICAN STAFF ANALYSIS

Bill: Senate File 526
Committee: State Government
Date: May 26, 2011
Staff: Kristi Kielhorn (2-5290)
Members: Representative Cownie

Gambling

Senate File 526 makes changes to horse purses, eliminates the county referendums, and calls for an internet poker study.

Summary of Action

Passed Senate 38-12
Passed House 75-21
Signed by Governor

Section by Section Analysis

Division One—Horse Racing

Section 1—Commission Powers

This section adds to the powers of the state Racing and Gaming Commission the ability to adopt standards regarding the duration of thoroughbred and quarterhorse racing seasons. It states that the thoroughbred racing season cannot be less than 67 days in length, and that the quarterhorse racing season cannot be less than 26 days in length. This section further states that the thoroughbred and quarterhorse racing seasons must be run independently unless mutually agreed upon by the associations representing the horse owners and the licensee of Prairie Meadows.

Section 2—Purse Structure

This section codifies a purse structure (there is no purse structure in current law). This section states that the commission shall (beginning January 1, 2012) regulate the purse structure for all horse racing so that 76 percent is designated for thoroughbred racing, 15.25 percent for quarterhorse racing, and 8.75 percent for standardbred racing.

This section further states that the purse for standardbred racing may only be used to support standardbred harness racing purses at the state fair, county fairs, or other harness racing tracks approved by the

commission, or for the maintenance or repair of harness racing tracks. It states that the track at Prairie Meadows will not provide funding to support standardbred racing at county fairs that are not otherwise provided for in this section. This section also states that the standardbred purse will be payable to Prairie Meadow's nonprofit corporation and that the nonprofit will provide the commission with an annual audit and accounting of the allocation of the money.

This section designates that 2 percent of the money for the thoroughbred racing and 2 percent of the money for quarterhorse racing shall be distributed to the owner's associations for the purposes of paying the annual operating expenses of those associations and for promoting Iowa-bred horses. These organizations shall submit annual audits and accountings of the money to the commission.

Section 3—Licenses

This section states that only quarterhorse and thoroughbred live racing will be allowed at the racetrack at Prairie Meadows. (Not standardbred).

Section 4—Wagering

This section adds "advanced deposit method of wagering" to the permitted types of race wagering.

Sections 5 and 6—Acceptable Wagering

This section adds "advanced deposit wagering" to the types of wagers a licensee can accept.

Section 7—Advanced Deposit Wagering

This section adds new language to define a process for advanced deposit wagering at Prairie Meadows. It states that the commission shall authorize Prairie Meadows for advanced deposit wagering. Such a wager can be placed in person, at the track, or from another location via phone or other electronic means. The commission will be responsible for promulgating rules as to how specifically advanced deposit wagering will work (qualifications, safeguards, and operations). Advanced deposit wagering would allow Prairie Meadows to capture revenue from every bet placed on a horse race at Prairie Meadows, not just those physically at the racetrack. Currently, revenue on bets placed from outside of Prairie Meadows races is not captured. It is estimated that the amount of money that would be collected is between \$1 and \$1.5 million.

Advanced Deposit Wagering is defined as a method of pari-mutuel wagering where a person can set up an account, deposit money, and use that account for pari-mutuel wagering. Of the net revenue (less taxes and expenses) made by Prairie Meadows on advanced deposit wagering, 50 percent will go to the horse purses and 50 percent will go to Prairie Meadows.

This section also states that before an advanced deposit wagering operator license is given to an entity other than Prairie Meadows, the commission shall enter into an agreement with the licensee of Prairie Meadows, the Iowa horsemen's benevolent and protective association, and the prospective advanced deposit wagering operator for the purposes of determining the payment of statewide source market fees and host fees to be paid on all races subject to the advanced deposit wagering. The commission will establish the terms of such an operator license and the operator licensee shall accept wagers on live races conducted at Prairie Meadows from all of its account holders if it accepts wagers from any Iowa residents. An *advanced deposit wagering operator* is defined as one who is licensed by the commission and who has entered into an agreement with the licensee of Prairie Meadows and the Iowa horsemen's benevolent and protective association to provide advanced deposit wagering. An unlicensed operator is guilty of a Class "D" felony.

Section 8—Native Horses

This section states that no less than 20 percent of all net purse money distributed to each breed must be designated for Iowa-bred foals in the form of breeder's awards or purse supplement awards to enhance and foster the growth of the horse breeding industry.

Section 9—Standardbred Racing

This section states that standardbred horse racing will not take place at Prairie Meadows, but that the purse money designated for standardbred racing shall be included in calculating the total annual purses required to be paid.

Division Two—County Referenda and Gambling Game Licensing

Sections 10 through 14—County Referenda

These sections repeal the requirement to have a county referendum vote every eight years to continue to operate a gaming establishment. These sections state that if such a proposition is approved twice (in succession) by a majority of the county electorate voting on the operation of gambling games, a subsequent submission and approval of a proposition shall not be required. This language is retroactive to referenda occurring on or after January 1, 1994 and is effective upon enactment.

An electorate can however vote to put the issue on the ballot by petition. The petition must meet the current petition requirements of Chapter 331.306 (signed by a number equal to 10 percent of votes cast for the last presidential or gubernatorial election) to put a referendum on the ballot. (This essentially creates a reverse referendum).

Technically under 331.306, the time for the collection of petition signatures would not be limited, only that at the time of the petition's submission it must contain signatures of eligible electors equal to 10 percent of those that voted in the general election prior to the referendum.

The bill's language changing 99F.7(11)(a) does not in any way change the requirements for the collection or submission of petitions as they operate currently. The bill language incorporating the amended paragraph "e" (getting rid of the referendum) would only place a limit on *when* the actual referendum could occur. It would also set the preceding general election as the determinant of eligible electors, but the collection of signatures could commence before that preceding election, however all signatures collected would have to be eligible electors at the time that the petition is filed.

Example:

Polk County passes referendum in 2010 (third time).

No referendum would be needed in 2018

Polk County residents could do a referendum by petition (but it could not be voted on until 2018). Under 331.306, there is no requirement on the start date of the petition drive (could start immediately). The only time requirements in 331.306 relates to the filing deadline, objections, and notifications. If a petition started immediately, it would have to contain signatures of "eligible electors" equal to ten percent of the votes cast at the general election preceding the filing of the petition. If the petition were going to be filed in 2016 (for consideration in 2018) the amount of petitioners required would be based on the 2014 gubernatorial election.

Polk County 2008 Presidential Election: 215,728 voted (10% = 21,573 signatures needed)

Palo Alto 2008 Presidential Election: 4,856 voted (10% = 487 signatures needed)

Division Three—Internet Poker Report

Section 15—Report

This section states that the state Racing and Gaming Commission will submit a report to the General Assembly by December 1, 2011 regarding the creation of a framework for the state regulation of intrastate internet poker. The report shall consider the current state of unregulated internet poker play in Iowa, consumer protection, and responsible gaming measures that can be implemented through regulation, licensing structure, regulatory recommendations, and affiliations with licensees regulated and the collection of wagering taxes. The administrator may consult with gaming establishments and tribes, hub operators, and any other interested parties. The administrator does not have to make specific recommendations regarding the legalization of internet poker in Iowa.

This section also requires the Director for the Department of Public Health to submit a report to the state Racing and Gaming Commission by October 1, 2011 regarding the societal impacts of internet poker in Iowa. This is for purposes of inclusion in the report that will be submitted to the General Assembly. The Director of DPH does not have to make specific recommendations regarding the legalization of intrastate internet poker in Iowa.