

State of Arizona
Senate
Fifty-second Legislature
Second Regular Session
2016

SENATE BILL 1435

AN ACT

AMENDING SECTIONS 5-104, 5-107.01, 5-111, 5-113, 5-131 AND 41-705, ARIZONA REVISED STATUTES; REPEALING SECTION 41-3016.26, ARIZONA REVISED STATUTES; AMENDING TITLE 41, CHAPTER 27, ARTICLE 2, ARIZONA REVISED STATUTES, BY ADDING SECTION 41-3024.09; RELATING TO THE DEPARTMENT OF GAMING.

(TEXT OF BILL BEGINS ON NEXT PAGE)

1 Be it enacted by the Legislature of the State of Arizona:

2 Section 1. Section 5-104, Arizona Revised Statutes, is amended to
3 read:

4 5-104. Racing commission; director; department; powers and
5 duties

6 A. The commission shall:

7 1. Issue racing dates.

8 2. Prepare and adopt complete rules to govern the racing meetings as
9 may be required to protect and promote the safety and welfare of the animals
10 participating in racing meetings, to protect and promote public health,
11 safety and the proper conduct of racing and pari-mutuel wagering and any
12 other matter pertaining to the proper conduct of racing within this state.

13 3. Conduct hearings on applications for permits and approve permits
14 and shall conduct rehearings on licensing and regulatory decisions made by
15 the director as required pursuant to rules adopted by the commission.

16 4. Conduct all reviews of applications to construct capital
17 improvements at racetracks as provided in this chapter.

18 5. Adopt rules governing the proper and humane methods for the
19 disposition and transportation of dogs by breeders, kennels or others.

20 B. The director shall license personnel and shall regulate and
21 supervise all racing meetings held and pari-mutuel wagering conducted in this
22 state and cause the various places where racing meetings are held and
23 wagering is conducted to be visited and inspected on a regular basis. The
24 director may delegate to stewards any of the director's powers and duties as
25 are necessary to fully carry out and effectuate the purposes of this chapter.
26 The director shall exercise immediate supervision over the department ~~of~~
27 ~~racing~~. The director is subject to ongoing supervision by the commission,
28 and the commission may approve or reject decisions of the director in
29 accordance with rules established by the commission.

30 C. The commission or the department is authorized to allow stewards,
31 with the written approval of the director, to require a jockey, apprentice
32 jockey, sulky driver, groom, horseshoer, outrider, trainer, assistant
33 trainer, exercise rider, pony rider, starter, assistant starter, jockey's
34 agent, veterinarian, assistant veterinarian, cool-out, lead-out, paddock
35 employee, security or maintenance worker, official or individual licensed in
36 an occupational category whose role requires direct hands-on contact with
37 horses or greyhounds, while on the grounds of a permittee, to submit to a
38 test if the stewards have reason to believe the licensee is under the
39 influence of or unlawfully in possession of any prohibited substance
40 regulated by title 13, chapter 34.

41 D. The department shall employ the services of the office of
42 administrative hearings to conduct hearings on matters requested to be heard
43 by the director or the commission for the department except for those
44 rehearings that are required by the terms of this chapter to be conducted by

1 the commission. Any person adversely affected by a decision of a steward or
2 by any other decision of the department may request a hearing on the
3 decision. The decision of the administrative law judge becomes the decision
4 of the director unless rejected or modified by the director within thirty
5 days. The commission may hear any appeal of a decision of the director in
6 accordance with title 41, chapter 6, article 10.

7 E. The department may visit and investigate the offices, tracks or
8 places of business of any permittee and place in those offices, tracks or
9 places of business expert accountants and other persons as it deems necessary
10 for the purpose of ascertaining that the permittee or any licensee is in
11 compliance with the rules adopted pursuant to this article.

12 F. The department shall establish and collect the following licensing
13 fees and regulatory assessments, which shall not be reduced for hardship tax
14 credits pursuant to section 5-111, subsection I or for capital improvements
15 pursuant to section 5-111.02 or 5-111.03:

16 1. For each racing license issued, a license fee.

17 2. From the purse accounts provided for in section 5-111, a regulatory
18 assessment to pay for racing animal medication testing, animal safety and
19 welfare.

20 3. From each permittee, a regulatory assessment for each day of dark
21 day simulcasting conducted in excess of the number of live racing days
22 conducted by the permittee.

23 4. From each commercial racing permittee, a regulatory assessment
24 payable from amounts deducted from pari-mutuel pools by the permittee, in
25 addition to the amounts the permittee is authorized to deduct pursuant to
26 section 5-111, subsection C from amounts wagered on live and simulcast races
27 from in-state and out-of-state wagering handled by the permittee.

28 G. The commission shall establish financial assistance procedures for
29 promoting adoption of racing greyhounds as domestic pets and for promoting
30 adoption of retired racehorses. The provision of financial assistance to
31 nonprofit enterprises for the purpose of promoting adoption of racing
32 greyhounds as domestic pets and for the purpose of promoting adoption of
33 retired racehorses is contingent on a finding by the commission that the
34 program presented by the enterprise is in the best interest of the racing
35 industry and this state. On a finding by the commission, the commission is
36 authorized to make grants to nonprofit enterprises whose programs promote
37 adoption of racing greyhounds or adoption of retired racehorses. The
38 commission shall develop an application process. The commission shall
39 require an enterprise to report to the commission on the use of grants under
40 this subsection. Financial assistance for nonprofit enterprises for the
41 purpose of promoting adoption of racing greyhounds as domestic pets under
42 this subsection shall not exceed the amount collected for license fees under
43 subsection F of this section for greyhound racing kennels, farms or other
44 operations where greyhounds are raised for the purpose of dog racing.

1 Financial assistance for nonprofit enterprises that promote adoption of
2 retired racehorses under this subsection shall not exceed the amount of
3 retired racehorse adoption surcharges collected pursuant to this subsection.
4 The commission shall collect a retired racehorse adoption surcharge in
5 addition to each civil penalty assessed in connection with horse or harness
6 racing pursuant to this article. The amount of the retired racehorse
7 adoption surcharge shall be five ~~per-cent~~ PERCENT of the amount collected for
8 each applicable civil penalty.

9 H. A license is valid for the period established by the commission,
10 but not to exceed three years, except for a temporary license issued pursuant
11 to section 5-107.01, subsection F. The licensing period for horse racing
12 shall begin July 1. The licensing period for greyhound racing shall begin
13 February 1.

14 I. On application in writing by an objector to any decision of track
15 stewards, made within three days after the official notification to the
16 objector of the decision complained of, the department or administrative law
17 judge shall review the objection. In the case of a suspension of a license
18 by the track stewards, the suspension shall run for a period of not more than
19 six months. Before the end of this suspension period, filing an application
20 for review is not cause for reinstatement. If at the end of this suspension
21 period the department or administrative law judge has not held a hearing to
22 review the decision of the stewards, the suspended license shall be
23 reinstated until the department or administrative law judge holds a hearing
24 to review the objection. Except as provided in section 41-1092.08,
25 subsection H, a final decision of the commission is subject to judicial
26 review pursuant to title 12, chapter 7, article 6.

27 J. The commission or the director may issue subpoenas for the
28 attendance of witnesses and the production of books, records and documents
29 relevant and material to a particular matter before the commission or
30 department and the subpoenas shall be served and enforced in accordance with
31 title 41, chapter 6, article 10.

32 K. Any member of the commission, the administrative law judge or the
33 director or the director's designee may administer oaths, and the oaths shall
34 be administered to any person who appears before the commission to give
35 testimony or information pertaining to matters before the commission.

36 L. The commission shall adopt rules that require permittees to retain
37 for three months all official race photographs and videotapes. The
38 department shall retain all photographs and videotapes that are used as
39 evidence in an administrative proceeding until the conclusion of the
40 proceeding and any subsequent judicial proceeding. All photographs and
41 videotapes must be available to the public on request, including photographs
42 and videotapes of races concerning which an objection is made, regardless of
43 whether the objection is allowed or disallowed.

1 M. The director may establish a management review section for the
2 development, implementation and operation of a system of management reports
3 and controls in major areas of department operations, including licensing,
4 work load management and staffing, and enforcement of ~~the provisions of~~ this
5 article and the rules of the commission.

6 N. In cooperation with the department of public safety, the director
7 shall establish a cooperative fingerprint registration system. Each
8 applicant for a license or permit under this article or any other person who
9 has a financial interest in the business or corporation making the
10 application shall submit to fingerprint registration as part of the
11 background investigation conducted pursuant to section 5-108. The
12 cooperative fingerprint registration system shall be maintained in an updated
13 form using information from available law enforcement sources and shall
14 provide current information to the director ~~upon~~ ON request as to the fitness
15 of each racing permittee and each racing licensee to engage in the racing
16 industry in this state.

17 O. The director shall develop and require department staff to use
18 uniform procedural manuals in the issuance of any license or permit under
19 this article and in the enforcement of this article and the rules adopted
20 under this article.

21 P. The director shall submit an annual report containing operational
22 and economic performance information as is necessary to evaluate the
23 department's budget request for the forthcoming fiscal year to the governor,
24 the speaker of the house of representatives, the president of the senate and
25 the Arizona state library, archives and public records no later than
26 September 30 each year. The annual report shall be for the preceding fiscal
27 year and shall contain performance information as follows:

28 1. The total state revenues for the previous fiscal year from the
29 overall pari-mutuel handle with an itemization for each dog racing meeting,
30 each horse racing meeting, each harness racing meeting and each additional
31 wagering facility.

32 2. The total state revenues for the previous fiscal year from the
33 regulation of racing, including licensing fees assessed pursuant to
34 subsection F of this section and monetary penalties assessed pursuant to
35 section 5-108.02.

36 3. The amount and use of capital improvement funds pursuant to
37 sections 5-111.02 and 5-111.03 that would otherwise be state revenues.

38 4. The number of licenses and permits issued, renewed, pending and
39 revoked during the previous fiscal year.

40 5. The investigations conducted during the previous fiscal year and
41 any action taken as a result of the investigations.

42 6. The department budget for the immediately preceding three fiscal
43 years, including the number of full-time, part-time, temporary and contract

1 employees, a statement of budget needs for the forthcoming fiscal year and a
2 statement of the minimum staff necessary to accomplish these objectives.

3 7. Revenues generated for this state for the preceding fiscal year by
4 persons holding horse, harness and dog racing permits.

5 8. Recommendations for increasing state revenues from the regulation
6 of the racing industry while maintaining the financial health of the industry
7 and protecting the public interest.

8 Q. The commission may certify animals as Arizona bred or as Arizona
9 stallions. The commission may delegate this authority to a breeders'
10 association it contracts with for these purposes. The commission may
11 authorize the association, racing organization or department to charge and
12 collect a reasonable fee to cover the cost of breeding or ownership
13 certification or transfer of ownership for racing purposes.

14 R. The department has responsibility for the collection and accounting
15 of revenues for the state boxing and mixed martial arts commission,
16 including, ~~but not limited to,~~ licensing fees required by section 5-230, the
17 levy of the tax on gross receipts imposed by section 5-104.02 and cash
18 deposited pursuant to section 5-229. All revenues collected pursuant to this
19 subsection, from whatever source, shall be reported and deposited pursuant to
20 section 5-104.02, subsection C, except that licensing fees required by
21 section 5-230 shall be deposited in the racing regulation fund established by
22 section 5-113.01. The director shall adopt rules as necessary to accomplish
23 the purposes of this subsection and chapter 2, article 2 of this title.

24 S. The commission may obtain the services of the office of
25 administrative hearings on any matter that the commission is empowered to
26 hear.

27 T. Notwithstanding any other rule or law, ~~upon~~ ON application by a dog
28 racing permittee, the director may reduce the number of kennels required for
29 any race to not less than five kennels.

30 U. The department may adopt rules pursuant to title 41, chapter 6 to
31 carry out the purposes of this article, ensure the safety and integrity of
32 racing in this state and protect the public interest.

33 Sec. 2. Section 5-107.01, Arizona Revised Statutes, is amended to
34 read:

35 5-107.01. Necessity for permits for racing meetings; licenses
36 for officials and other persons

37 A. A person, association or corporation shall not hold any racing
38 meeting without having first obtained and having in full force and effect a
39 permit that is issued by the department.

40 B. ~~No~~ A trainer, driver, jockey, apprentice jockey, horse owner, dog
41 owner, greyhound racing kennel owner or operator, breeder of racing
42 greyhounds, exercise ~~boy~~ RIDER, agent, jockey's agent, stable foreman, groom,
43 valet, veterinarian, horseshoer, steward, stable watchman, starter, timer,
44 judge, food and beverage concessionaire, manager or other person acting as a

1 participant or official at any racing meeting including all employees of the
2 pari-mutuel department and any other person or official the department deems
3 proper shall NOT participate in racing meetings without having first obtained
4 and having in full force and effect a license or credentials that are issued
5 by the department, pursuant to such rules as the commission shall make. The
6 department shall not revoke a license except for cause and after a hearing.
7 For the purposes of this subsection, participate in a dog racing meeting
8 includes breeding, raising and training a dog and certifying as an Arizona
9 bred dog.

10 C. Each person, association or corporation that holds a permit or a
11 license under this chapter shall comply with all rules and orders of the
12 commission or department.

13 D. Any credential or license that is issued by the department to a
14 licensee shall be used only as prescribed by commission rule or order of the
15 director. Use for purposes other than those prescribed is grounds for
16 suspension or revocation or imposition of a civil penalty as provided in
17 section 5-108.02, subsection E.

18 E. All applicants for a permit or license shall submit to the
19 department a full set of fingerprints, background information and the fees
20 that are required pursuant to section 41-1750. The department of ~~racing~~
21 GAMING shall submit the fingerprints to the department of public safety for
22 the purpose of obtaining a state and federal criminal records check pursuant
23 to section 41-1750 and Public Law 92-544. The department of public safety
24 may exchange this fingerprint data with the federal bureau of investigation.
25 The applicant shall pay the fingerprint fee and costs of the background
26 investigation in an amount that is determined by the department. For such
27 purpose the department of ~~racing~~ GAMING and the department of public safety
28 may enter into an intergovernmental agreement pursuant to title 11, chapter
29 7, article 3. The fees shall be credited pursuant to section 35-148.

30 F. The director may issue a temporary license to an owner, trainer,
31 driver or jockey who is duly licensed in another jurisdiction for special
32 races or special circumstances for a period of not to exceed thirty days.
33 The director may allow a trainer so licensed to complete an application for a
34 temporary license for an owner if the owner is not immediately available to
35 personally submit the application.

36 G. A licensed owner, lessee or trainer of a qualified horse who has
37 applied to a permittee to be stabled at a track and who has not been granted
38 a stall shall not be prohibited from bringing the horse on the race grounds
39 for the purpose of entering the animal in races that are held by the
40 permittee or for the purposes of qualifying to race solely for the reason
41 that the animal is not being stabled at the track if the owner, lessee or
42 trainer is in compliance with rules adopted by the commission. ~~No~~ A dog
43 racing permittee may NOT prohibit a licensed owner or a licensed lessee of a
44 qualified animal who has applied to be kenneled at the track and who has not

1 been granted a kennel to enter the animal in races that are held by the
2 permittee and to bring the animal on the track for purposes of qualifying to
3 race or to race solely for the reason that the animal is not being kenneled
4 at the track.

5 Sec. 3. Section 5-111, Arizona Revised Statutes, is amended to read:
6 5-111. Wagering percentage to permittee and state; exemptions

7 A. The commission shall prescribe rules governing wagering on races
8 under the system known as pari-mutuel wagering. Wagering shall be conducted
9 by a permittee only by pari-mutuel wagering and only on the dates for which
10 racing or dark day simulcasting has been authorized by the commission.
11 Wagering for a licensed racing meeting shall be conducted by a commercial
12 live-racing permittee only within an enclosure in which authorized racing
13 takes place and, in counties having a population of less than five hundred
14 thousand persons or at least one million five hundred thousand persons, at
15 those additional facilities that are owned or leased by a permittee, that are
16 approved by the commission and that are used by a permittee for handling
17 wagering as part of the pari-mutuel system of the commercial live-racing
18 permittee. In all other counties, wagering may also be conducted at
19 additional facilities that are owned or leased by a commercial live-racing
20 permittee who is licensed to conduct live racing in those counties or who has
21 the consent of all commercial permittees currently licensed to conduct live
22 racing in those counties and that are used by a permittee for handling
23 wagering and as part of the pari-mutuel system of the commercial live-racing
24 permittee. If the additional facilities have not been used for authorized
25 racing before their use for handling wagering, a permittee shall not use the
26 facilities for handling wagering before receiving approval for use by the
27 governing body of the city or town, if located within the corporate limits,
28 or by the board of supervisors, if located in an unincorporated area of the
29 county. A permittee may televise any live or simulcast races received at the
30 permittee's racing enclosure to the additional facilities at the times the
31 races are conducted or received at the permittee's enclosure. For the
32 purpose of section 5-110, subsection C only, a race on which wagering is
33 permitted under this subsection shall be deemed to also occur at the
34 additional facility in the county in which the additional facility is
35 located, and shall be limited in the same manner as actual live racing in
36 that county. For the purpose of subsections B and C of this section, the
37 wagering at the additional facility shall be deemed to occur in the county in
38 which the additional facility is located.

39 B. During the period of any permit for dog racing in any county, the
40 state shall receive five and one-half ~~per-cent~~ PERCENT of all monies handled
41 in the pari-mutuel pool operated by the permittee, to be paid daily during
42 the racing meeting. In all counties having a population of one million five
43 hundred thousand persons or more, four and three-quarters ~~per-cent~~ PERCENT of
44 the gross amount of monies handled in a pari-mutuel pool shall be deducted

1 from the pari-mutuel pool and shall be deposited daily into a trust account
2 for the payment of purse amounts. In counties having a population of less
3 than one million five hundred thousand persons, four ~~per cent~~ PERCENT of the
4 gross amount of monies handled in a pari-mutuel pool shall be deducted from
5 the pari-mutuel pool and shall be deposited daily in a trust account for the
6 payment of purse amounts. In addition, twenty-five ~~per cent~~ PERCENT of any
7 reduction in pari-mutuel taxes each year resulting from the application of
8 the hardship tax reduction credit determined pursuant to subsection I of this
9 section shall be deposited in the trust account for supplementing purse
10 amounts in an equitable manner over the racing meeting as determined by the
11 commission. Notwithstanding any other provision of this subsection, the
12 percentage paid by a permittee to the state does not apply to monies handled
13 in a pari-mutuel pool for wagering on simulcasts of out-of-state
14 races. During a week in which a permittee conducts live racing at the
15 permittee's racetrack enclosure, the permittee shall deduct from monies
16 handled in a pari-mutuel pool for wagering on simulcasts of out-of-state
17 races and deposit daily in a trust account for the payment of purse amounts
18 the same percentage of the pari-mutuel pool as is deducted for purses for
19 live races unless otherwise agreed by written contract. Unless otherwise
20 agreed by written contract, if the commission reasonably determines that live
21 racing will not be conducted within one calendar year at a racetrack
22 enclosure, the permittee shall deduct from monies handled in a pari-mutuel
23 pool for wagering on simulcasts of out-of-state races and deposit daily in a
24 trust account to supplement purses of any dog track where live racing is
25 conducted within a one hundred mile radius. The supplementing provided by
26 this subsection shall be in the most equitable manner possible as determined
27 by the commission. The permittee shall allocate the funds in the trust
28 account and pay purse amounts at least biweekly. The permittee, at the
29 permittee's discretion, may pay additional amounts to augment purses from the
30 amounts received by the permittee under this subsection.

31 C. During the period of a permit for horse, harness or dog racing, the
32 permittee that conducts the meeting may deduct up to and including
33 twenty-five ~~per cent~~ PERCENT of the total amount handled in the regular
34 pari-mutuel pools and, at the permittee's option, may deduct up to and
35 including thirty ~~per cent~~ PERCENT of the total amount handled in the exacta,
36 daily double, quinella and other wagering pools involving two horses or dogs,
37 and up to and including thirty-five ~~per cent~~ PERCENT of the total amount
38 handled in the trifecta or other wagering pools involving more than two
39 horses or dogs in one or more races. The amounts if deducted shall be
40 distributed as prescribed in subsection D of this section and section
41 5-111.02 for horse or harness racing permittees. For dog racing permittees,
42 unless otherwise agreed by written contract, the permittee shall allocate to
43 purses from amounts wagered on live racing conducted in this state an amount
44 equal to fifty ~~per cent~~ PERCENT of any amounts that are deducted pursuant to

1 this subsection in excess of twenty ~~per-cent~~ PERCENT of the total amount
2 handled in the regular pari-mutuel pools, twenty-one ~~per-cent~~ PERCENT of the
3 total amount handled in the exacta, daily double, quinella and other wagering
4 pools involving two dogs or twenty-five ~~per-cent~~ PERCENT of the total amount
5 handled in the trifecta or other wagering pools involving more than two dogs
6 in one or more races. For dog racing permittees the percentages prescribed
7 in subsection B of this section shall be distributed to the state and to the
8 trust account for payment of purse amounts and the permittee shall receive
9 the balance. If the dog racing permittee has made capital improvements, the
10 distribution to the state shall be adjusted as provided in section
11 5-111.03. Monies deposited in the trust account for payment of purses
12 pursuant to this subsection shall be in addition to amounts deposited
13 pursuant to subsection B of this section.

14 D. During the period of a permit for horse or harness racing, the
15 state shall receive two ~~per-cent~~ PERCENT of the gross amount of the first one
16 million dollars of the daily pari-mutuel pools, WHICH SHALL BE DEPOSITED IN
17 THE ARIZONA BREEDERS' AWARD FUND ESTABLISHED BY SECTION 5-113, SUBSECTION F,
18 and five ~~per-cent~~ PERCENT of the gross amount exceeding one million dollars
19 of the daily pari-mutuel pools. Notwithstanding any other provision of this
20 subsection, the percentage paid by a permittee to the state does not apply to
21 monies handled in a pari-mutuel pool for wagering on simulcasts of
22 out-of-state races. The permittee shall retain the balance of the total
23 amounts deducted pursuant to subsection C of this section. Of the amount
24 retained by the permittee, minus the amount payable to the permittee for
25 capital improvements pursuant to section 5-111.02, breakage distributed to
26 the permittee pursuant to section 5-111.01 and other applicable state, county
27 and city transaction privilege or other taxes, unless otherwise agreed by
28 written contract, fifty ~~per-cent~~ PERCENT shall be used for purses. Unless
29 otherwise agreed by written contract, fifty ~~per-cent~~ PERCENT of the revenues
30 received by the permittee from simulcasting races as provided in section
31 5-112, net of costs of advertising, shall be utilized as a supplement to the
32 general purse structure. All amounts that are deducted from the pari-mutuel
33 pool for purses pursuant to this section and sections 5-111.01, 5-112 and
34 5-114 and revenues that are received from simulcasting and that are to be
35 used as a supplement to the general purse structure pursuant to this
36 subsection shall be deposited daily into a trust account for the payment of
37 purse amounts.

38 E. Any county fair racing association may apply to the commission for
39 one racing meeting each year and the commission shall set the number of days
40 and the dates of the meetings. A racing meeting conducted under this
41 subsection shall be operated in such manner so that all profits accrue to the
42 county fair racing association, and the county fair racing association may
43 deduct from the pari-mutuel pool the same amount as prescribed in subsection
44 C of this section. All county fair racing meetings, whether conducted by

1 county fair racing associations under this subsection or by an individual,
2 corporation or association other than a county fair racing association, are
3 exempt from the payment to the state of the percentage of the pari-mutuel
4 pool prescribed by subsection D of this section and are also exempt from the
5 provisions of section 5-111.01.

6 F. Monies from charity racing days are exempt from the state
7 percentage of the pari-mutuel pool prescribed in this section.

8 G. Sums held by a permittee for payment of unclaimed pari-mutuel
9 tickets are exempt from the revised Arizona unclaimed property act, title 44,
10 chapter 3.

11 H. All of the amounts received by a permittee from the gross amount of
12 monies handled in a pari-mutuel pool and all amounts held by a permittee for
13 payment of purses pursuant to this section and sections 5-111.01, 5-112 and
14 5-114 are exempt from the provisions of title 42, chapter 5.

15 I. On August 1 of each year, a permittee is eligible for a hardship
16 tax credit pursuant to this subsection. For purposes of this subsection,
17 "permittee" shall include any person who has succeeded to the interest of a
18 permittee and who is authorized to conduct racing at the facility for which
19 the permit was issued. The department shall determine the amount of any
20 hardship tax credit as follows:

21 1. Determine the percentage decrease in pari-mutuel wagering by
22 determining the percentage decrease in pari-mutuel wagering between the base
23 period amount and the amount of pari-mutuel wagering in the previous fiscal
24 year at the racetrack and the additional wagering facilities operated by the
25 permittee. The base period amount is the highest total annual pari-mutuel
26 wagering at the racetrack and all additional wagering facilities as reported
27 to the department for fiscal year 1989-1990, 1990-1991, 1991-1992, 1992-1993
28 or 1993-1994.

29 2. Determine the permittee's hardship tax credit by multiplying the
30 total pari-mutuel tax due as a result of wagering at the racetrack and all
31 additional wagering facilities for the previous fiscal year before applying
32 any hardship tax credit amount by the percentage decrease in pari-mutuel
33 wagering determined pursuant to paragraph 1 of this subsection and
34 multiplying the result by three.

35 3. The permittee's pari-mutuel tax due as otherwise determined under
36 subsections B and D of this section shall be reduced for the current period
37 and any future periods by an amount equal to the amount of the hardship tax
38 credit determined pursuant to this subsection. The hardship tax credit is in
39 addition to any other tax exemptions, rebates and credits.

40 Sec. 4. Section 5-113, Arizona Revised Statutes, is amended to read:

41 5-113. Disposition of revenues and monies; funds; committee

42 A. All revenues derived from permittees, permits and licenses as
43 provided by this article shall be deposited, pursuant to sections 35-146 and
44 35-147, in the racing regulation fund established by section 5-113.01, EXCEPT

1 THAT THIRTY-FIVE PERCENT OF THE AMOUNTS COLLECTED BY THE DEPARTMENT FROM THE
2 REGULATORY ASSESSMENTS PRESCRIBED IN SECTION 5-104, SUBSECTION F, PARAGRAPH 4
3 SHALL BE DEPOSITED IN THE ARIZONA BREEDERS' AWARD FUND ESTABLISHED BY
4 SUBSECTION F OF THIS SECTION. The commission shall further allocate all
5 monies deposited in the Arizona breeders' award fund pursuant to this
6 subsection to support incentives as authorized by subsection F of this
7 section for thoroughbred and quarter horse breeds only.

8 B. The Arizona county fairs racing betterment fund is established
9 under the jurisdiction of the department. The department shall distribute
10 monies from the fund to the county fair association or county fair racing
11 association of each county conducting a county fair racing meeting in a
12 proportion that the department deems necessary for the promotion and
13 betterment of county fair racing meetings. All expenditures from the fund
14 shall be made on claims approved by the department. In order to be eligible
15 for distributions from the fund, a county fair association must provide the
16 department with an annual certification in the form required by the
17 department supporting expenditures made from the fund. Balances remaining in
18 the fund at the end of a fiscal year do not revert to the state general fund.

19 C. The county fairs livestock and agriculture promotion fund is
20 established under the control of the governor and shall be used for the
21 purpose of promoting the livestock and agricultural resources of the state
22 and for the purpose of conducting an annual Arizona national livestock fair
23 by the Arizona exposition and state fair board to further promote livestock
24 resources. The direct expenses less receipts of the livestock fair shall be
25 paid from this fund, but this payment shall not exceed thirty ~~per-cent~~
26 PERCENT of the receipts of the fund for the preceding fiscal year. Balances
27 remaining in the fund at the end of a fiscal year do not revert to the state
28 general fund. All expenditures from the fund shall be made ~~upon~~ ON claims
29 approved by the governor, as recommended by the livestock and agriculture
30 committee, for the promotion and betterment of the livestock and agricultural
31 resources of this state. The livestock and agriculture committee is
32 established and shall be composed of the following members, at least three of
33 whom are from counties that have a population of less than five hundred
34 thousand persons, appointed by the governor:

- 35 1. Three members representing county fairs.
- 36 2. One member representing Arizona livestock fairs.
- 37 3. One member representing the university of Arizona college of
38 agriculture.
- 39 4. One member representing the livestock industry.
- 40 5. One member representing the farming industry.
- 41 6. One member representing the governor's office.
- 42 7. One member representing the Arizona state fair conducted by the
43 Arizona exposition and state fair board.
- 44 8. One member representing the general public.

1 D. The governor shall appoint a chairman from the members. Terms of
2 members shall be four years.

3 E. Members of the committee are not eligible to receive compensation
4 but are eligible to receive reimbursement for expenses pursuant to title 38,
5 chapter 4, article 2.

6 F. The Arizona breeders' award fund is established under the
7 jurisdiction of the department. The department shall distribute monies from
8 the fund to the breeder, or the breeder's heirs, devisees or successors, of
9 every winning horse or greyhound foaled or whelped in this state, as defined
10 by section 5-114, in a manner and in an amount established by rules of the
11 commission to protect the integrity of the racing industry and promote,
12 improve and advance the quality of race horse and greyhound breeding within
13 this state. The department may contract with a breeders' association to
14 provide data, statistics and other information necessary to enable the
15 department to carry out the purposes of this subsection. Persons who are not
16 eligible to be licensed under section 5-107.01 or persons who have been
17 refused licenses under section 5-108 are not eligible to participate in the
18 Arizona greyhound breeders' award fund. Balances remaining in the fund at
19 the end of a fiscal year do not revert to the state general fund. For the
20 purposes of this subsection, "breeder" means the owner or lessee of the dam
21 of the animal at the time the animal was foaled or whelped.

22 G. The Arizona stallion award fund is established under the
23 jurisdiction of the department to promote, improve and advance the quality of
24 stallions in this state. The department shall distribute monies from the
25 fund to the owner or lessee, or the owner's or lessee's heirs, devisees or
26 successors, of every Arizona stallion whose certified Arizona bred offspring,
27 as prescribed in section 5-114, finishes first, second or third in an
28 eligible race in this state. The department may contract with a breeders'
29 association to provide data, statistics and other information necessary to
30 enable the department to carry out the purposes of this subsection. Balances
31 remaining in the fund at the end of a fiscal year do not revert to the state
32 general fund. The commission shall adopt rules pursuant to title 41, chapter
33 6 to carry out the purposes of this subsection. The rules shall prescribe at
34 a minimum:

35 1. The manner and procedure for distribution from the fund, including
36 eligibility requirements for owners and lessees.

37 2. Subject to availability of monies in the fund, the amount to be
38 awarded.

39 3. The requirements for a stallion registered with the jockey club,
40 Lexington, Kentucky or with the American quarter horse association, Amarillo,
41 Texas to be certified as an Arizona stallion.

42 4. The types and requirements of races for which an award may be made.

1 H. The greyhound and retired racehorse adoption fund is established.
2 The department shall administer the fund and maintain separate accounts for
3 greyhound adoptions and retired racehorse adoptions. All revenues derived
4 from license fees collected from dog breeders, racing kennels and other
5 operations where greyhounds are raised for the purpose of dog racing pursuant
6 to section 5-104, subsection F shall be deposited, pursuant to sections
7 35-146 and 35-147, in the greyhound adoption account of the fund. All
8 revenues derived from retired racehorse adoption surcharges collected
9 pursuant to section 5-104, subsection G shall be deposited, pursuant to
10 sections 35-146 and 35-147, in the retired racehorse adoption account of the
11 fund. The department shall distribute monies from the fund to provide
12 financial assistance to nonprofit enterprises approved by the commission to
13 promote the adoption of former racing greyhounds as domestic pets and to
14 promote the adoption of retired racehorses pursuant to section 5-104,
15 subsection G in a manner and in an amount established by rules of the
16 commission. Balances remaining in the fund at the end of a fiscal year do
17 not revert to the state general fund.

18 I. The county fair racing fund is established. The department shall
19 administer the fund. Monies in the fund are continuously appropriated. The
20 department shall use fund monies for the administration of county fair
21 racing. Any monies remaining unspent in the fund at the end of the fiscal
22 year in excess of seventy-five thousand dollars shall revert to the state
23 general fund.

24 J. The agricultural consulting and training trust fund is established
25 for the exclusive purpose of implementing, continuing and supporting the
26 agricultural consulting and training program established by section 3-109.01.
27 The director of the Arizona department of agriculture shall administer the
28 trust fund as trustee. The state treasurer shall accept, separately account
29 for and hold in trust any monies deposited in the state treasury, which are
30 considered to be trust monies as defined in section 35-310 and which shall
31 not be commingled with any other monies in the state treasury except for
32 investment purposes. On notice from the director, the state treasurer shall
33 invest and divest any trust fund monies deposited in the state treasury as
34 provided by sections 35-313 and 35-314.03, and monies earned from investment
35 shall be credited to the trust fund. The beneficiary of the trust is the
36 agricultural consulting and training program established by section 3-109.01.
37 Surplus monies, including balances remaining in the trust fund at the end of
38 a fiscal year, do not revert to the state general fund.

39 Sec. 5. Section 5-131, Arizona Revised Statutes, is amended to read:

40 5-131. Compact; authority to join

41 The department of ~~racing~~ GAMING and the racing commission may join with
42 other states in an interstate compact on licensure of participants in live
43 racing with pari-mutuel wagering as follows:

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Article I

Rights and Responsibilities of Each Party State

Section 1. Rights and responsibilities of each party state.

A. By enacting this compact, each party state:

1. Agrees to accept the decisions of the compact committee regarding the issuance of compact committee licenses to participants in live racing pursuant to the committee's licensure requirements.

2. Agrees not to treat a notification to an applicant by the compact committee that the compact committee will not be able to process the application further as the denial of a license, or to penalize such an applicant in any other way based solely on such a decision by the compact committee.

3. Reserves the right:

(a) To charge a fee for the use of a compact committee license in that state.

(b) To apply its own standards in determining whether, on the facts of a particular case, a compact committee license should be suspended or revoked.

(c) To apply its own standards in determining licensure eligibility, under the laws of that party state, for categories of participants in live racing that the compact committee determines not to license and for individual participants in live racing who do not meet the licensure requirements of the compact committee.

(d) To establish its own licensure standards for the licensure of nonracing employees at pari-mutuel racetracks and employees at separate satellite wagering facilities.

B. Any party state that suspends or revokes a compact committee license, through its racing commission or its equivalent or otherwise, shall promptly notify the compact committee of that suspension or revocation.

C. A party state shall not be held liable for the debts or other financial obligations incurred by the compact committee.

D. The department of ~~racing~~ GAMING may adopt rules to carry out the purposes of this section.

Article II

Construction and Severability

Section 2. Construction and severability.

This compact shall be liberally construed so as to effectuate its purposes. The provisions of this compact shall be severable, and, if any phrase, clause, sentence or provision of this compact is declared to be contrary to the Constitution of the United States or of any party state, or the applicability of this compact to any government, agency, person or circumstance is held invalid, the validity of the remainder of this compact and its applicability to any government, agency, person or circumstance shall not be affected thereby. If all or some portion of this compact is held to

1 be contrary to the constitution of any party state, the compact shall remain
2 in full force and effect as to the remaining party states and in full force
3 and effect as to the state affected as to all severable matters.

4 Article III

5 Definitions

6 For the purposes of this compact:

7 1. "Compact committee" means the organization of officials from the
8 party states that is authorized and empowered by the compact to carry out the
9 purposes of this compact.

10 2. "Official" means the appointed, elected, designated or otherwise
11 duly elected representative of a racing commission or the equivalent thereof
12 in a party state who represents that party as a member of the compact
13 committee.

14 3. "Participants in live racing" means participants in live racing
15 with pari-mutuel wagering in the party states.

16 4. "Party state" means each state that has enacted this compact.

17 5. "State" means each of the several states of the United States, the
18 District of Columbia, the Commonwealth of Puerto Rico and each territory or
19 possession of the United States.

20 Sec. 6. Section 41-705, Arizona Revised Statutes, is amended to read:

21 41-705. Racing investigation fund; distributions; refund

22 A. The racing investigation fund is established consisting of monies
23 deposited for the projected cost of investigations conducted pursuant to
24 title 5, chapter 1 by persons, partnerships, associations or corporations
25 that hold a permit for a racing meeting under title 5. Monies deposited into
26 the fund shall be made in a reasonable amount based on a request from the
27 director of the ~~Arizona~~ department of ~~racing~~ GAMING. The department of
28 administration shall administer the fund. Monies in the fund are
29 continuously appropriated and are exempt from the provisions of section
30 35-190 relating to lapsing of appropriations.

31 B. Monies distributed from the fund are subject to the following
32 restrictions:

33 1. Distributions shall be made pursuant to instructions from the
34 director of the department of ~~racing~~ GAMING to the director of the department
35 of administration.

36 2. Distributions shall be limited to expenses that are authorized
37 under title 5, chapter 1, article 1 and that are incurred in compliance with
38 chapter 23 of this title including open and competitive bidding for all
39 services.

40 C. On the instruction of the director of the department of ~~racing~~
41 GAMING, the department of administration at the conclusion of an
42 investigation shall refund to the permittee the difference between the amount
43 deposited into the fund by that permittee and the total actual cost of the
44 investigation.

1 Sec. 7. Repeal
2 Section 41-3016.26, Arizona Revised Statutes, is repealed.
3 Sec. 8. Title 41, chapter 27, article 2, Arizona Revised Statutes, is
4 amended by adding section 41-3024.09, to read:
5 41-3024.09. Arizona racing commission; termination July 1, 2024
6 A. THE ARIZONA RACING COMMISSION TERMINATES ON JULY 1, 2024.
7 B. TITLE 5, CHAPTER 1 IS REPEALED ON JANUARY 1, 2025.
8 Sec. 9. Purpose
9 Pursuant to section 41-2955, subsection B, Arizona Revised Statutes,
10 the legislature continues the Arizona racing commission to regulate the
11 racing industry in this state for the protection of the public peace, safety
12 and welfare.
13 Sec. 10. Retroactivity
14 Sections 7 and 8 of this act are effective retroactively to July 1,
15 2016.