

**LEGISLATIVE  
RESEARCH COMMISSION**

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**REPORT**

TO THE

**1979**

**GENERAL ASSEMBLY OF NORTH CAROLINA**



**HORSE RACING**

RALEIGH, NORTH CAROLINA

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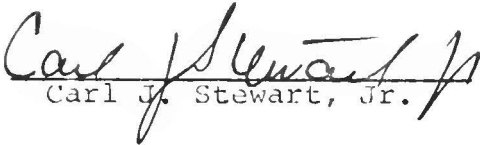


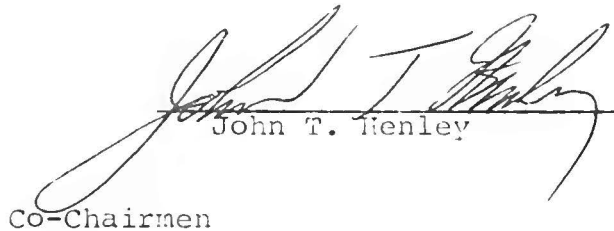
December 21, 1973

TO THE MEMBERS OF THE 1979 GENERAL ASSEMBLY:

Transmitted herewith is the report prepared by the Committee on Horse Racing of the Legislative Research Commission. The study was conducted pursuant to House Joint Resolution 1274 (ratified Resolution 39) of the 1977 General Assembly, First Session 1977. This report is submitted to the members of the General Assembly for their consideration.

Respectfully submitted,

  
Carl J. Stewart, Jr.

  
John T. Henley  
Co-Chairmen

LEGISLATIVE RESEARCH COMMISSION



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## PREFACE

The Legislative Research Commission, authorized by Article 6B of Chapter 120 of the General Statutes, is a general purpose study group. The Commission is co-chaired by the Speaker of the House and the President Pro Tempore of the Senate and has five additional members appointed from each house of the General Assembly. Among the Commission's duties is that of making or causing to be made, upon the direction of the General Assembly, "such studies of and investigations into governmental agencies and institutions and matters of public policy as will aid the General Assembly in performing its duties in the most efficient and effective manner" (G.S. 120-30.17(1)).

At the direction of the 1977 General Assembly, the Legislative Research Commission has undertaken studies of numerous subjects. These studies were grouped into broad categories and each member of the Commission was given responsibility for one category of studies. The Co-Chairmen of the Legislative Research Commission, under the authority of General Statutes 120-30.10(b) and (c), appointed committees consisting of members of the General Assembly and of the public to conduct the studies. Co-Chairmen, one from each house of the General Assembly, were designated for each committee.

The study of Horse Racing was directed by House Joint Resolution 1274 (ratified Resolution 89) of the 1977 General Assembly, First Session 1977. The charge to the Commission contained in Section 1 of the Resolution is broad and encompasses

all aspects of the establishment of horse racing and pari-mutuel betting in North Carolina. A copy of House Joint Resolution 1274 and membership lists of the Legislative Research Commission and the Committee on Horse Racing may be found in Appendix I.



## COMMITTEE PROCEEDINGS

Pursuant to House Joint Resolution 1274 of the 1977 General Assembly, First Session 1977, the Legislative Research Commission Committee on Horse Racing (hereinafter referred to as "the Committee") was appointed. Senator Joe Palmer and Representative Allen Ward were named Co-Chairmen and Senator Luther Britt was named as Legislative Research Commission member with responsibility for this study. (Following the untimely death of Senator Britt, Senator Russell Walker was given responsibility for this study.)

The first meeting of the Committee was held on December 1, 1977 (all meetings were held in the Legislative Building in Raleigh). Organizational matters were dealt with and some background materials were distributed by the staff, including a table excerpted from State Government News showing legalized gambling in the various states, a map showing states with pari-mutuel wagering, and an excerpt from the Report of the Commission on the Review of the National Policy Toward Gambling (1976) which explains the pari-mutuel system of gambling and shows the revenues derived from pari-mutuel gambling in states where it has been legalized (these materials are contained in Appendix II).

Mr. Glenn Petty of the Livestock Section of the Department of Agriculture offered to assist the Committee in their efforts to assess the feasibility and desirability of legalizing pari-mutuel gambling on horse racing in North Carolina. Mr. Petty also discussed pari-mutuel legislation in the various other states. Following his comments, the Commission decided to

consider an appropriately modified Indiana statute. The staff was directed to request an opinion of the Attorney General as to whether or not the Indiana statute would be constitutional in North Carolina.

The Committee's second meeting was held on January 19, 1978. At the Committee's direction, a number of persons with knowledge about various aspects of the horse industry had been invited to address the Committee. The first speaker was Dr. Arthur McBay, Chief Toxicologist in the Office of the Chief Medical Examiner of North Carolina.

Dr. McBay discussed procedures for testing horses for proscribed drugs. At one time, he had operated a laboratory used for such purposes in Massachusetts. Regulation of the use of drugs is one facet of the rigorous security measures encompassing all aspects of legalized wagering on horse racing.

The next speaker was Mr. Robert Bittle, General Manager of Afton Farms in Elizabeth City, North Carolina. Mr. Bittle noted the revenues being derived from horse racing in several states and pointed out that many of the horses racing in these other states come from North Carolina where extensive breeding and training activities exist. He stressed the ideal climate and geographical location North Carolina has for horse racing.

Dr. Rex Eatmon, Chairman of the Racing Committee of the North Carolina Horse Council, was next to address the Committee. His organization represents the thoroughbred horse breeders in North Carolina. He emphasized the entertainment value of horse racing aside from wagering, and noted that participation in

racing frequently becomes an avocation for the whole family.

The next speaker was Mr. Dick Hamilton, northeastern representative of the U. S. Trotting Association. His organization is responsible for registration of all standard bred horses in the United States and Canada. Much of Mr. Hamilton's remarks were devoted to off-track betting (OTB), which he feels is extremely undesirable. While OTB might increase the size of pari-mutuel pools and thus generate some direct additional revenues for the State, it works against all the other beneficial aspects of horse racing. It promotes the wagering facet, but discourages actual attendance, decreasing the appeal as a spectator sport, and does nothing to encourage actual participation in racing as an activity for the family.

The last speaker was Mr. Sam Roberts, a member of the North Carolina Harness Horsemen's Association. Mr. Roberts commented briefly on the presentations which had been made by the previous speakers and outlined the important role played by North Carolinians in the development of horse racing in the United States. He noted that it is ironical that most of the benefits of horse racing are now being missed by North Carolina.

Following these presentations, the Committee received the staff report. An opinion of the Attorney General indicating that the Indiana racing statute would be constitutional in North Carolina was distributed as well as a memorandum on the constitutionality of local option legislation. Also distributed was a proposal by a consulting firm to conduct a feasibility study of horse racing in North Carolina (copies of these

materials are contained in Appendix III).

The third meeting was held on March 31, 1978. A number of persons had been invited to make presentations to the Committee. Dr. Robert F. Behlow, Extension Veterinarian at North Carolina State University, discussed the growth potential which exists in horse-related industry in North Carolina. He believes that the revenue to be taken directly from pari-mutuel wagering is merely the tip of the iceberg.

Mr. Herb Turner, a breeder of quarter horses from Winston-Salem, addressed the attractiveness of a career dealing with horses to many young people living in North Carolina. The current state of the horse industry is not extensive enough to provide jobs to all the young people interested in obtaining them. This point was stressed by two other speakers at this meeting: Mr. Jerry Eatmon, representing a group of UNC students who support pari-mutuel legislation, and Dr. Tom Leonard, Extension Horse Specialist at North Carolina State University. Mr. Eatmon also noted the possible benefits for veterinary science which often receives some of the revenues derived from horse racing.

Addressing this matter specifically was Dr. Clay Hodgins, a veterinarian with the Veterinary Science Department of North Carolina State University. Dr. Hodgins urged that if pari-mutuel legislation were passed, to include provisions requiring a significant portion of the revenue derived therefrom to be devoted to veterinary education and research in North Carolina. He noted that very little veterinary research about horses is

conducted in this country despite the multi-billion dollar investment that horses represent.

Mr. Ken Hastings of the U. S. Trotting Association discussed his organization's role as the registration focal point for all harness race horses. He cited numerous statistics indicating the popularity of horse racing nationally.

Mr. Stan Hathaway was present to make himself available for questions from the Committee. He also discussed current racing activities in North Carolina.

Following the speakers, the staff presented a first draft of legislation to legalize pari-mutuel wagering on horse racing. At the Committee's direction, the legislation had been adapted from the statute which had been passed in Indiana. (A copy of this draft legislation is contained in Appendix IV).

The Committee decided to delay its final meeting until the fall. By that time it was hoped that the staff would be able to develop meaningful fiscal data and the Committee would be able to assess the reaction in Virginia and South Carolina to proposed pari-mutuel gambling.

The final Committee meeting was held on December 18, 1978. At this meeting the Committee received fiscal data compiled by the staff and approved the contents of this report. (A copy of the economic impact evaluation is contained in appendix V.)

## FINDINGS

The Legislative Research Commission Committee on Horse Racing, after a complete review of the data it has gathered, makes the following findings:

1. Horse racing with legalized pari-mutuel wagering offers a potential source of revenue for North Carolina.

From the very outset of the study, the Committee sought to determine whether or not the legalization of pari-mutuel wagering on horseracing would produce a significant amount of revenue for the State of North Carolina. The Committee has concluded that significant revenues would be generated. The economic impact assessment prepared by the Fiscal Research Division (contained in Appendix V) describes the types of revenue generation which would be created through legalization of pari-mutuel wagering and estimates the amount of money to be derived from one possible configuration of racetracks.

It has become apparent that the economic impact on industries related to horse racing, rather than the direct State share of pari-mutuel pools, offers the major revenue potential for the State. Because it is impossible to predict exactly how the private sector would choose to invest in horse racing facilities, no economic forecast can be made with precision. Estimates are rendered even less precise by the uncertain state of the economy. It is impossible to tell how a continuing high rate of inflation will affect decisions to invest in facilities

such as racetracks or the attitude of the public towards gambling.

With all these factors acting to complicate the forecasting of revenues, the Committee has heard no testimony and received no data which would indicate that legalized pari-mutuel wagering would have any negative economic impacts. Under the type of legislation envisioned by the Committee (see Appendix III) the State would have very little financial investment in horse racing. Some administrative expense would be incurred in the establishment of the Racing Commission, but the most minor racing activity would offset these administrative costs. As the State will not be engaged in the financing of facilities, little economic risk is entailed for the State. The Committee finds therefore, that although the economic impact of legalized wagering on horse racing is difficult to quantify, that impact would certainly be positive. It should also be noted that in addressing economic matters the Committee has at all times adopted a conservative point of view and was reluctant to assume that the maximum possible benefits would actually be realized. Much of the testimony received by the Committee, however, indicates that the eventual economic advantages are almost limitless.

2. Horse racing offers meaningful entertainment, vocational and recreational value in addition to its revenue potential.

The Committee found the revenue potential of horse racing to be the most positive benefit available to the State. From the presentations of several speakers it also became clear that there

are other, less tangible benefits for North Carolina citizens to be derived from legalized wagering on horse racing. The Committee was surprised to learn that horse racing is the number one spectator sport in the United States. While the largest number of racetrack attendees are certainly more interested in wagering than in watching the race, the huge attendance figures indicate interest in the sport itself is also widespread.

In addition to the purely recreational aspects of horse racing, many young people in North Carolina are interested in careers dealing with horses. Participation in 4-H Club horse programs is very high, with many of the young people involved desiring to pursue careers in the field. The horse industry in North Carolina is currently insufficient to provide jobs for all those who are interested. The expansion of the whole horse industry which would necessarily result from legalized racing would provide many more jobs in horse related fields.

3. The danger of increased criminal activity as a result of legalized pari-mutuel wagering is remote.

The Committee was concerned that the legalization of pari-mutuel gambling would generate criminal activities in North Carolina. Significant amounts of research were conducted, and much testimony received on this point. The Committee has found that the extreme security and screening measures which have been adopted in other states with legalized gambling on horse racing have been very successful in guarding against illegal activities. As with any other enterprise, people exist who will try to circumvent the law. The racing industry is so closely regulated



in other states, as it would certainly have to be in North Carolina, that the opportunities for criminal conduct are negligible. None of the studies reviewed discovered any meaningful correlation between legalized gambling and criminal activity.

In one sense, the Committee has found that legalized pari-mutuel wagering on horse racing can act to reduce illegal conduct which already exists. By providing a legal channel for persons who enjoy gambling, illegal gambling activities may be reduced somewhat. While it is not maintained that legalized horse racing with pari-mutuel gambling will dramatically curtail illegal gambling activity, it will at least provide a legal alternative.

4. North Carolina's climate and geographical location are ideal for horse racing.

Along the east coast, horse racing with pari-mutuel betting is confined to Florida and the states north of Virginia (see map in Appendix II). During the warm months, the northern states engage in racing activities. In the winter, Florida conducts most of its racing. North Carolina would be an ideal intermediate stop for the racing industry as a whole, as it moves north in the spring and south in the fall.

Further, the temperate climate in North Carolina is ideal for horses. There is already significant horse training activity in North Carolina, largely as a result of the climate. The most ideal weather would be during the spring and fall, which would coincide nicely with racing patterns in other eastern states as noted above.

5. Off-track betting would be undesirable should North Carolina enact pari-mutuel legislation.

Several of the persons asked to appear before the Committee took the opportunity to express concern over the practice of allowing wagers to be placed on races from locations away from the racetrack. The Committee has concluded that increases in revenue which might be derived from this practice are more than offset by the negative aspects. Undoubtedly, the size of pari-mutuel pools can be increased by permitting off-track wagering. Attendance at the racetrack itself, however, will assuredly suffer if it becomes unnecessary to attend in order to place a wager. By reducing attendance, the income to be derived from all the supportive businesses, such as restaurants and lodgings, is reduced.

Perhaps the most objectionable aspect of off-track betting is that it focuses on only the gambling aspect of horse racing. Certainly legalized wagering is essential for the establishment of horse racing as a significant industry in North Carolina. But, as has been noted above, there are many other beneficial aspects of the racing industry. To promote the gambling aspect to the detriment of all other facets would be a disservice to the citizens of North Carolina.

6. Any pari-mutuel legislation enacted by the General Assembly should be "local option" in nature.

The Committee has discussed at length the question of whether or not legislation legalizing pari-mutuel wagering should contain statewide authorization or require the approval of the

citizens in the county in which the racing is to be conducted. The Committee is firmly convinced that local option legislation is in the best interests of all the citizens of North Carolina.

It has become clear that a racetrack can bring significant economic benefits to any locality in which it is located. The same, however, can be said with respect to the sale of alcoholic beverages through state-controlled stores or in the form of mixed drinks. In each of these instances the legislature has wisely permitted local residents to determine for themselves whether or not they wish the revenues to be derived from the particular source. Legislation of this sort has two major benefits not found in statewide proposals. First, it keeps generally accepted attitudes from being forced on a dissenting community. Secondly, it permits a community to choose its own course of action without restriction by persons living in a remote part of the State. The Committee feels that only legislation which provides for local option on horse racing would be fair to all the citizens of North Carolina.

## RECOMMENDATIONS

The Legislative Research Commission Committee on Horse Racing, in light of the findings it has made, and after a careful review of all the data it has collected, makes the following recommendations:

1. The General Assembly should not enact pari-mutuel legislation at this time.

Despite the many positive aspects of horse racing, the Committee has found several factors which make the enactment of pari-mutuel legislation inadvisable at this time. The uncertainty of the economy and the continuous rise of inflation are significant with respect to pari-mutuel legislation.

It is not clear that with high interest rates any private investors would find so speculative an enterprise as a racetrack attractive. The entire approach envisioned by the Committee revolves around the idea that the capital needed to construct racing facilities will come from private enterprise. In times of a normally expanding economy, it is reasonable to assume that such investors will exist. That assumption cannot reasonably be made, however, in times of serious economic uncertainty. Rising interest rates and federal policies to slow the inflation rate might well render the large investment a racetrack requires unlikely. The Committee feels that the predicted slowdown in the economy provides the worst possible climate for enactment of pari-mutuel legislation.

Inflation is likely to have another negative impact for this type of legislation. When many citizens are finding it necessary to trim all non-essential items from their budgets, it will be difficult to introduce successfully a new form of entertainment to compete for "entertainment" dollars. In areas where people are used to including gambling as part of their normal entertainment expense, the impact of inflation is likely to be must less severe. In this respect, as well as that discussed above, the state of the economy makes enactment of pari-mutuel legislation inadvisable.

One other significant consideration was important in the Committee's decision to recommend that pari-mutuel legislation not be enacted at this time: the rejection of racing proposals in South Carolina and Virginia. For the first few meetings held by the Committee, speakers urged the need for haste to pass pari-mutuel legislation before it was enacted in our neighboring states. However, all three bills introduced in the South Carolina Legislature on horse racing died in the house of origin. The statewide referendum in Virginia was defeated also. When two neighboring states reach a negative decision on the same subject which is being considered in North Carolina, the Committee feels that a different decision should be made here only with extreme caution.

For these reasons, the Committee recommends that pari-mutuel legislation be studied again in the future, but not enacted by the 1979 General Assembly.

2. The General Assembly should enact incentives to stimulate growth in the horse industry in North Carolina.

The Committee found that pari-mutuel racing would stimulate growth in the horse industry, which is already significant in North Carolina. Although pari-mutuel legislation is not recommended at this time, the Committee feels that it would be appropriate to consider other means of encouraging growth in horse related activities. The Committee has received suggestions for a number of different types of assistance.

Breeders incentive awards could be distributed by the Department of Agriculture for North Carolina bred horses which excel in various ways. Such an awards program could off-set to some degree the competitive advantage now enjoyed in other States where races are held which are open only to horses bred in that state. A new equine show facility at the North Carolina State Fair could serve as a "show window" for the State's horse industry. A request for funds for this facility will probably be included in the budget request of the Department of Agriculture for the coming fiscal year.

Veterinary research on horses is remarkably under-funded considering the investment that horses represent in North Carolina. Appropriations for research could result in saving millions of dollars in losses from disease and injury.

Two ideas have been recommended to aid the recreational aspect of the horse industry. More public riding trails could be established in North Carolina and an equine teaching facility could be established at North Carolina State University.

The Committee has found all of these suggestions to have merit and recommends that the General Assembly provide for these, or any other appropriate incentives to encourage growth in the horse industry.

3. The General Assembly should contract with a nationally recognized economic consulting firm to conduct a full scale feasibility study on horse racing in North Carolina.

Appendix III contains a proposal put forth by one consulting firm to conduct a feasibility study on horse racing in North Carolina. While not endorsing either that company or their specific proposal, the Committee has found that a study of this sort should be conducted. Although the Fiscal Research Division was able to develop some meaningful idea of the type of revenues which might be generated by horse racing if investors found such an enterprise attractive, the staff of the General Assembly does not have the resources to predict the likely extent of such investments. As the economics of pari-mutuel horse racing are of the utmost significance, the Committee recommends that the General Assembly develop the most accurate economic data possible. This can only be accomplished through the services of a company with the resources to conduct a sophisticated feasibility study.





APPENDIX I



GENERAL ASSEMBLY OF NORTH CAROLINA

SESSION 1977

RATIFIED BILL

RESOLUTION 89

HOUSE JOINT RESOLUTION 1274

A JOINT RESOLUTION DIRECTING THE LEGISLATIVE RESEARCH COMMISSION TO STUDY THE FEASIBILITY OF ESTABLISHING HORSE RACING IN NORTH CAROLINA.

Be it resolved by the House of Representatives, the Senate concurring:

Section 1. The Legislative Research Commission, as structured by G.S. 120-30.10 et seq., is directed to study the feasibility of establishing horse racing in North Carolina with regulated pari-mutuel betting. Among other things the study shall investigate and report whether it is in the public interest to establish horse racing with regulated pari-mutuel betting in North Carolina, alternative arrangements for regulating pari-mutuel betting, legal aspects, economic feasibility, and estimated revenues for the State of North Carolina and its political subdivisions. The commission shall report to the 1979 General Assembly, and it may submit an interim report to the 1977 General Assembly, Second Session 1978.

Sec. 2. This resolution shall become effective upon ratification.

In the General Assembly read three times and ratified, this the 1st day of July, 1977.

JAMES C. GREEN, SR.

James C. Green

President of the Senate

CARL J. STEWART, JR.

Carl J. Stewart, Jr.

Speaker of the House of Representatives

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APPENDIX II





## LEGALIZED GAMING IN THE UNITED STATES

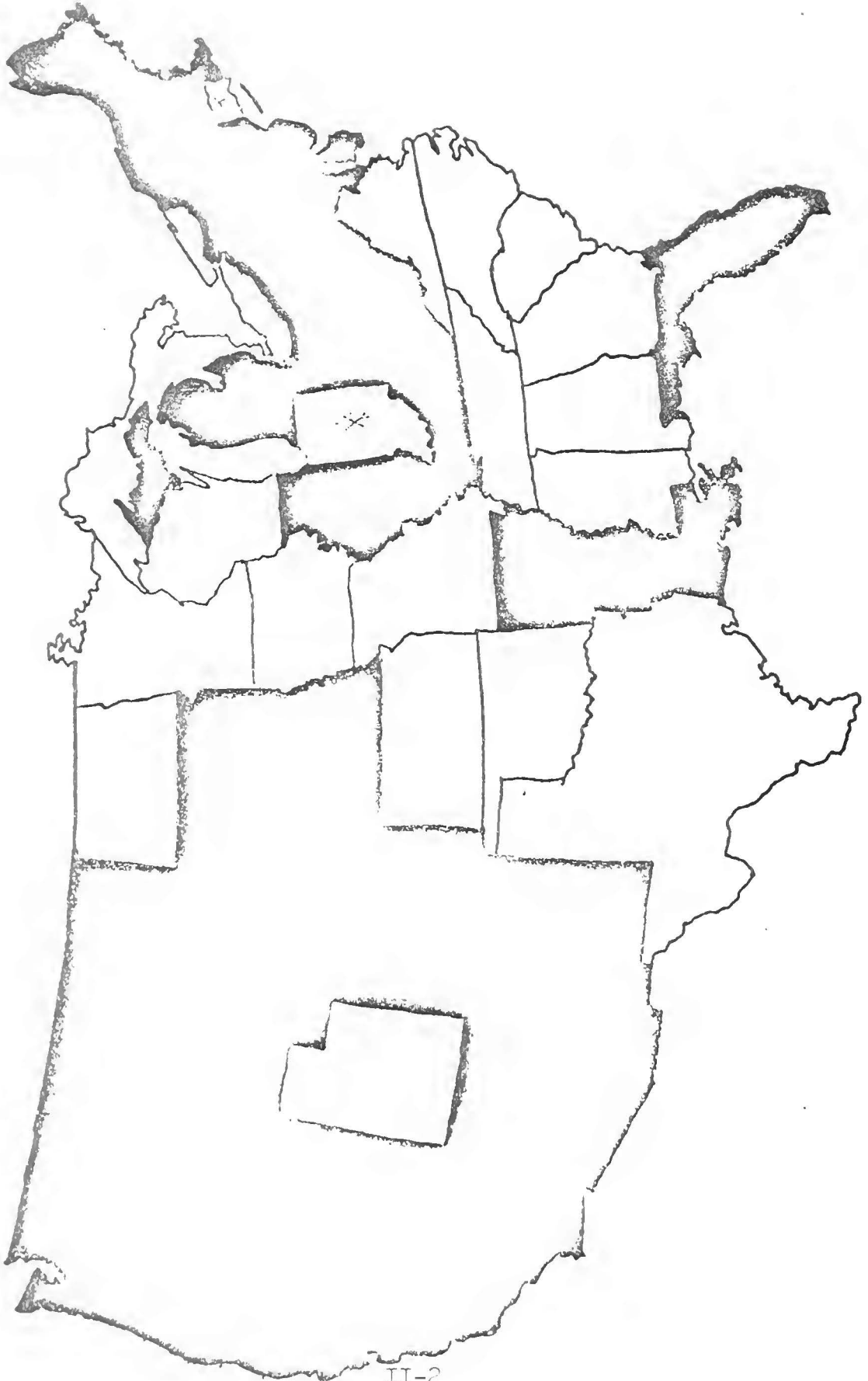
	Lotteries	Numbers	Sports Betting	OTB	Horse Racing	Dog Racing	Jai Alai	Casinos	Card Games	Bingo	Other
Alabama						X					
Alaska											X
Arizona					X	X					X
Arkansas						X					
California					X				X		X
Colorado					X <sup>1</sup>	X					X
Connecticut	X	X		X	X <sup>1</sup>	X					X
Delaware	X				X		X <sup>1</sup>				X
Florida					X	X	X				X
Georgia											X
Hawaii											
Idaho					X						
Illinois	X				X <sup>1</sup>						X
Indiana					X <sup>1</sup>						
Iowa								X			X
Kansas											X
Kentucky					X						
Louisiana					X						X
Maine	X				X						X
Maryland	X	X			X						X
Massachusetts	X	X			X	X					X
Michigan	X	X			X						X
Minnesota											X
Mississippi											
Missouri											
Montana			X		X			X			X
Nebraska					X						X
Nevada			X <sup>2</sup>	X <sup>2</sup>	X	X	X	X			X <sup>3</sup>
New Hampshire	X	X			X	X					X
New Jersey	X	X			X			X <sup>1</sup>			X
New Mexico					X						X
New York	X			X	X						X
North Carolina											X
North Dakota											X
Ohio	X				X						X
Oklahoma											X
Oregon					X	X		X			X
Pennsylvania	X	X			X						X
Rhode Island	X	X			X		X				X
South Carolina											X
South Dakota					X	X					X
Tennessee											X
Texas											
Utah											
Vermont	X <sup>1</sup>				X						X
Virginia											X
Washington					X			X			X
West Virginia					X						
Wisconsin											X
Wyoming					X						X

Table from *Public Gaming Newsletter*, published by Public Gaming Research Institute.

<sup>1</sup>Legislation has passed, game is still in the planning state

<sup>2</sup>Bookmakers      <sup>3</sup>Keno

( STATES WHICH HAVE LEGALIZED MARI-MUTUEL WAGERING )



From GAMBLING in AMERICA

*Commission on the Review of the  
National Policy Toward Gambling*

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## THE PARIMUTUEL SYSTEM

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The essence of the parimutuel system of betting is that bettors wager against one another instead of against a bookmaker. Of the total amount wagered on a particular race, approximately 82 to 85 percent is returned to winning bettors in the form of payoffs on the three winning horses—win, place, and show—and on combination (exotic) bets where they occur. The minimum wager per race is \$2, but larger bets in units of \$5, \$10, \$50, and \$100 also may be placed. The amount of money paid to winning bettors is determined on the basis of the total amount wagered on each horse or dog (or player in the case of jai alai). If a particular horse or dog is heavily favored during the course of betting, the payoffs on that animal if it wins will be much smaller than the payoffs on a winning horse or dog on whom little was wagered. For example, if a total of \$50,000 is bet on a particular race and \$10,000 of that amount is bet on a particular horse, the payoff odds on that horse will be 4-1; that is, for each dollar bet on this horse, \$4 has been bet on other horses. The odds on place, show, and exotic bets are not calculated in advance because too many horses and combinations are involved. The total amount bet on place bets is divided among ticketholders whose horse came in first or second; the amount wagered on show bets is divided among ticketholders whose horses came in first, second, or third.

Wagering computations are accomplished by a totalisator (tote) machine, which adds bets over and over again during the course of betting. Every 60 to 90 seconds the tote flashes the new betting totals and odds for each animal on a large toteboard. During the approximately 20 minutes before each race when betting occurs, the odds on each contestant may change dramatically. The machines contain a number of features designed to minimize the potential for parimutuel fraud or machine malfunction. These features include coded ticket paper and duplication of all critical functions by two computers working independently of one another. The most sophisticated of the modern tote machines not only compute and post odds but also maintain complete records of the betting activity on each race as well as postrace information on payoffs and uncashed tickets. Totalisators also are used in jai alai and for off-track betting and can be modified for use in lotteries and sports betting.

### The Takeout

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The takeout is the portion of the parimutuel pool that is not returned to winning bettors. The amount varies among the States but generally ranges from 15 percent to 17 percent of the handle. The takeout is divided among the horse or dog owners' purses, the track, and the State in which the racing is conducted. The apportionment of the takeout among the three entities also varies from State to State. In some States the takeout on combination bets exceeds the straight bet takeout. In New York and New Jersey, for example, the takeout is 25 percent on three-horse combination bets. Often, the State receives half of the total takeout, and the remaining half is divided equally between the track and the horse owners. Purses in dog racing average 12 to 13 percent of the total takeout compared to about 25 percent for horseracing purses.

Three recent research efforts suggest that current takeout rates are too high. The first is an article based on data for New York tracks prior to the introduction of OTB and exotic wagering.<sup>24</sup> The author shows that the takeout rate yielding the highest revenue to the State in 1969 would have been 14.88 percent rather than the 17.16 percent that actually prevailed. He also estimates that this reduced takeout would have increased revenue to the State and tracks by \$1.1 million.

The National Gambling Commission also has undertaken research on this question. One study,<sup>25</sup> using data on per capita handle in the individual States for the years 1950 to 1974, estimates the optimal takeout rate at 12 to 13 percent. Another study,<sup>26</sup> using a more complicated model to explain handle at the New York tracks, places the optimal takeout rate at 12 to 14 percent. Although these efforts cannot be considered as absolutely conclusive, they do suggest that there has been some confusion between high tax rates and high tax revenue, and they underscore the need for more detailed research in this area.

In addition to the takeout, there is another, smaller portion of the parimutuel handle that is not returned to winning bettors. That money—called breakage—is the amount of each winning payoff that exceeds multiples of

5 or 10 cents. For example, if the payoff to a winning bettor is \$5.67, the bettor will receive only \$5.60, with 7 cents retained as breakage. Some States have provisions for a 5-cent breakage that only applies in specific cases. If, for example, the winning horse in a particular race is so heavily favored in the betting that there is not enough in the parimutuel pool to pay the winners (called a minus pool), the breakage may be reduced to 5 cents in order to provide additional money for the winners. Thus, on a payoff of \$2.27 a 10-cent breakage will yield the winning bettor \$2.20, while the 5-cent breakage will yield \$2.25. The distribution of the breakage monies varies among the States. Some States retain the entire sum; others return all or part of it to the tracks, and, in a few cases, a portion of the breakage is used to supplement purses, for breeder and owner awards, or for improvement of backstretch facilities for track personnel—jockeys, trainers, etc.

Finally, for every race there are some people who fail to cash in their winning tickets. The money from uncashed tickets goes either to the State, to the track, or is divided according to a specific formula. In addition to their share of the parimutuel handle, the States may collect money through taxes on track admission, parking, and from track and occupational licenses (discussed below).

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## Parimutuel Revenue

---

Almost half of the \$19 billion handle from legal gambling in 1975 consisted of parimutuel wagers at horseraces and dograces and jai alai frontons. From the States' point of view, the most important aspect of this wagering is the money it generates for their overburdened treasuries. New York is the major parimutuel State; in 1975, it earned from parimutuel and related incomes \$162.5 million. Table 5-21 shows State revenues from parimutuel wagering on horseraces, dograces, and jai alai (excluding OTB) from 1970 through 1975. The figures

listed in table 5-21 include the State's share of the parimutuel takeout plus sums collected through track licenses, occupational licenses, breakage, admission taxes, and miscellaneous fees.

The increased revenue to the States from racing reflects increases in the overall attendance rate, in handle, and racing days. Inflation and the declining value of the dollar have contributed to an increase in the average per capita bet as well. Tables 5-22, 5-23, and 5-24 show the increases in handle and racing days, attendance, and per capita bet, for horseracing and dogracing from 1965 to 1975.

The number of racing days has increased in all States except four. The States have sought to expand the parimutuel revenue base as one means of meeting their spiraling revenue requirements. Paralleling the expansion of horseracing and dogracing has been the growth of other forms of legalized gambling such as lotteries and off-track betting, and movements to legalize forms of gambling such as sports betting and casinos.

Total racing attendance, although increasing, has not kept pace with the rate of growth in racing days. As a result, the average daily attendance rate has decreased by 23 percent for horseracing and 1 percent for dogracing in the past 11 years.

The significance of the increasing racing dates and decreasing daily attendance is difficult to gauge. There is no evidence that the popularity of racing is declining. The increases in total attendance and handle would seem to indicate that the opposite is true. Those within the racing industry are concerned, however, that the State's continuing desire for increased gambling revenues may one day cause the racing industry great harm. As will be discussed later in this section, the growth of racing dates ultimately affects the number and quality of horses and dogs available to race, the performance of individual horses and dogs, and the profitability of racing to horse, dog, and track owners.

TABLE 5-21.—PARIMUTUEL REVENUE TO STATES (EXCLUDING OTB) 1970 TO 1975

State	Horse and dog racing (In millions)											
	1970		1971		1972		1973		1974		1975	
	Horse	Dog	Horse	Dog	Horse	Dog	Horse	Dog	Horse	Dog	Horse	Dog
Alabama <sup>1</sup>	\$—	\$—	\$—	\$—	\$—	\$—	\$—	\$—	\$—	\$—	\$—	\$—
Arizona	1.17	2.75	1.30	3.05	1.52	3.47	1.72	3.91	1.87	4.43	2.01	4.47
Arkansas	2.81	2.94	3.20	3.36	3.92	3.71	4.47	4.26	5.22	4.67	5.63	5.08
California	58.40	—	66.77	—	69.65	—	75.27	—	80.99	—	91.45	—
Colorado	.91	3.00	1.07	3.59	1.14	3.91	1.24	4.23	1.68	4.59	1.67	4.83
Delaware	6.95	—	7.90	—	8.69	—	9.41	—	9.50	—	7.96	—
Florida	18.64	28.96	19.20	31.97	19.59	35.01	23.21	39.45	25.81	43.96	25.49	45.40
Idaho	.17	—	.11	—	.13	—	.16	—	.14	—	.17	—
Illinois	46.57	—	50.26	—	48.53	—	53.10	—	62.03	—	66.10	—
Kentucky	6.78	—	7.41	—	7.95	—	8.78	—	10.75	—	11.23	—
Louisiana	5.07	—	5.40	—	6.41	—	7.15	—	7.98	—	10.26	—
Maine	1.83	—	2.06	—	1.42	—	(2)	—	—	—	1.15	—
Maryland	14.84	—	16.05	—	16.84	—	17.34	—	18.63	—	20.40	—
Mass.	12.86	12.72	14.23	14.74	14.80	14.96	17.60	15.24	17.45	14.63	18.64	13.62
Michigan	21.17	—	24.50	—	24.52	—	26.64	—	27.65	—	28.48	—
Montana <sup>2</sup>	.03	—	.03	—	—	—	—	—	—	—	—	—
Nebraska	2.43	—	2.75	—	8.34	—	4.18	—	4.59	—	5.26	—
Nevada	.05	—	(2)	—	—	—	(3)	—	(3)	—	(3)	—
New Hamp.	10.25	—	11.04	—	10.15	—	9.23	2.23	8.49	5.09	8.10	8.03
New Jersey	34.77	—	34.80	—	35.83	—	34.53	—	40.16	—	31.87	—
New Mexico	.93	—	1.16	—	1.54	—	1.72	—	1.93	—	2.12	—
New York	173.05	—	172.74	—	159.11	—	162.73	—	161.85	—	162.55	—
Ohio	17.35	—	17.37	—	16.36	—	18.41	—	20.57	—	24.26	—
Oregon	.85	1.69	1.16	1.39	1.45	1.51	1.55	1.64	1.57	1.84	1.86	2.05
Penn.	20.13	—	21.66	—	22.12	—	27.80	—	28.26	—	27.26	—
R. Island	12.24	—	9.37	—	10.46	—	8.02	—	10.47	—	7.04	—
S. Dakota	.19	1.28	.16	1.37	.20	1.27	.15	1.48	.14	1.47	.14	1.57
Vermont	2.97	—	3.09	—	2.73	—	2.59	—	2.59	—	2.63	—
Washington	2.59	—	2.97	—	3.29	—	4.44	—	4.33	—	4.98	—
West Va.	10.46	—	10.70	—	10.72	—	12.06	—	12.48	—	12.88	—
Wyoming	.09	—	(2)	—	—	—	.01	—	(4)	—	—	—
<b>TOTALS</b>	<b>\$486.40</b>	<b>\$53.34</b>	<b>\$508.39</b>	<b>\$59.44</b>	<b>\$505.90</b>	<b>\$63.85</b>	<b>\$533.50</b>	<b>\$7.46</b>	<b>\$567.13</b>	<b>\$80.74</b>	<b>\$581.64</b>	<b>\$85.08</b>

	Jai alai			
	Fiscal years			
	1973	1974	1975	1976
Florida	\$8.45	\$9.81	\$11.10	\$12.79
Nevada	(figures not available)			
Connecticut	(jai alai and dogracing began in 1976.)			

<sup>1</sup> Alabama revenues from dogracing go to the one county in which this activity is legal: Mobile County.

<sup>2</sup> No record available.

<sup>3</sup> Actual figures for 1973, 1974, and 1975 are \$8,304, \$7,869, and \$8,000, respectively.

<sup>4</sup> Actual figure for 1974 is \$6,495.

All figures rounded to nearest thousand dollars

Source: National Association of State Racing Commissioners.



APPENDIX III







RECEIVED  
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LEGISLATIVE SERVICES OFFICE

State of North Carolina

Department of Justice

P. O. Box 629  
RALEIGH  
27602

RUFUS L. EDMISTEN  
ATTORNEY GENERAL

5 January 1978

Mr. Paul H. Stock  
Committee Counsel  
Legislative Research Commission  
2129 State Legislative Building  
Raleigh, North Carolina 27611

Re: Indiana "House Enrolled Act No. 1049"

Dear Paul:

In response to your letter of 20 December 1977, I have examined the tax provisions of the above-referenced act, particularly Chapter 4, sections 6, 8 and 9 in the light of your question: "Would the statute... be constitutional if passed in North Carolina?"

I do not believe that there is any constitutional impediment to the tax provisions. I would, however, make the following observations about the location of those sections. I would suggest that, when you prepare a draft, you consider housing section 6 in Schedule B of the Revenue Act. Also, it would be more consistent with other sections of Schedule B if the bill enables local governments to impose their own privilege tax rather than impose it for them, as Section 6(b) appears to do. If this were done, Section 9 would need to be altered to permit local governments to impose the tax. Finally, Section 8 would probably be unnecessary, since tax collection and criminal penalties are already covered in the Revenue Act.

Deputy Attorney General James Bullock has reviewed the balance of the act and has authorized me to state that he believes that it too would be constitutional.

Yours very truly,

RUFUS L. EDMISTEN  
Attorney General

Myron C. Banks  
Special Deputy Attorney General

MCB:ceh

cc: James F. Bullock

III-1

STATE OF NORTH CAROLINA  
LEGISLATIVE RESEARCH COMMISSION  
STATE LEGISLATIVE BUILDING  
RALEIGH 27611



January 19, 1978

MEMORANDUM

TO: Members of the Legislative Research Commission  
Committee on Horse Racing

FROM: Paul H. Stock, Committee Counsel

RE: Constitutionality of Local Option Legislation

There are two types of legislative enactments which are frequently labelled "local option:" those which are statewide in form, but apply to a specific locality only when ratified in some way by that locality (ratification may be by popular vote or by action of the local governing body); and those which are local bills in form, but take effect only upon ratification by the locality affected.

The prevailing view nationally with regard to both types of legislation has been summed up as follows:

It is generally held, subject to some divergent opinion, that, although the legislature may not, in the absence of constitutional authorization, submit to the voters of the state the question of the adoption of a law, it may make the local application of a completely enacted general law subject to local approval or make the operation of a special local law dependent on approval of the voters of the territory in which the statute is to operate. C.J.S. Constitutional Law, § 142.

In North Carolina, much greater attention has been given to the local bill than the statewide measure.

With regard to the local bill which requires acceptance by the affected locality, the issue was much debated and laid to rest before the civil war. The North Carolina Supreme Court made the following statement on the subject in 1917 in the most frequently cited North Carolina case on point:

It is not open to question now that the Legislature may provide that a statute shall not take effect or be in force until approved by the people at an election to be held for the purpose of ascertaining their will in respect thereto. That this can be done has been settled by numerous decisions of this Court, whatever may be the rule in other jurisdictions. *Cottrell v. Lenoir*, 173 N. C. 138, 143-144 (1917). See also *Manly v. City of Raleigh*, 57 N. C. 370 (1859); *Thompson v. Floyd*, 47 N. C. 313 (1855).

Although this language is broad enough to cover the case of statewide legislation applying to each locality upon ratification or acceptance, the issue in controversy dealt with a local bill and additional support for the statewide bill was sought.

In an analogous situation, the court has upheld a statewide re-enactment of certain common laws upon approval by the local governing board in each county, *State v. Mathis* 149 N. C. 546 (1908). Although a popular vote was not required in this case, it did require local acceptance. The Court has stated elsewhere that ratification by the people of a county of an otherwise valid enactment is merely a condition precedent to the effectiveness of the enactment.

The logic of these cases indicates clearly that there is no constitutional impediment to "local option" legislation.



Economics Research Associates

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November 28, 1977

Honorable Wilda H. Hurst  
Member, House of Representatives  
General Assembly of North Carolina  
Route 1, Box 309, Willis Landing  
Hubert, North Carolina 28539

Dear Mrs. Hurst:

In follow-up to Mr. Glenn Petty's and my discussion with you on November 21, 1977, regarding the exploration of the potential for a horse racing industry in North Carolina, I would like to present some thoughts on how this matter can be effectively studied and how Economics Research Associates could assist.

THE LEGISLATIVE MANDATE

House Joint Resolution 1274 (committee substitute), introduced by you, was adopted June 16, 1977, by the 1977 session of the General Assembly of North Carolina. The resolution directed the Legislative Research Commission to "study the feasibility of establishing horse racing in North Carolina with regulated pari-mutuel betting." In studying the feasibility, the resolution identifies several specific subjects to be addressed:

- Public interest: determine whether it is in the public interest to establish horse racing with regulated pari-mutuel betting in North Carolina;
- Alternative betting regulations: identification and analysis of alternative arrangements for regulating pari-mutuel betting;
- Legal aspects: review of legal aspects, such as constitutionality, alternative approaches to establishing legislation and regulatory measures.
- Economic feasibility: determination of economic feasibility. For example, will the economic returns or benefits of horse racing justify the costs associated with establishing and operating the industry?
- Revenues to the state: prepare estimates of revenues derived from horse racing for the State of North Carolina and its political subdivisions.

## OVERALL APPROACH

Horse racing in the United States generally is a difficult business within which to make ends meet. Some tracks and race horse owners and breeders do quite well; and indeed, they are the ones new racing programs should be patterned after. This is all the more reason a new venture by North Carolina into the horse racing industry needs to be very carefully analyzed. Careful study leading to forecasts of attendance, wager expenditures, investment, inter-industry money flows, and locational factors will, for example, assure the unique advantages and potentials of North Carolina are realized, as well as problems and certain economic pitfalls of the racing industry in general are avoided or overcome.

In our discussion, we also looked beyond the horse racing industry itself to view the potential of horse racing from a variety of perspectives, including the following:

- Relationship to tourism industry and the recreation interest of North Carolina;
- Relationship to the agricultural industry, and particularly the horse breeding and raising industry;
- Relationship to possible future considerations of tax revenue from other forms of public gaming (I introduced this point simply because many other states are already looking into this area).
- Relationship to in-state or out-of-state approaches to secure racing attendance and wagering;
- Relationship to various degrees of acceptance or non-acceptance of horse racing in different parts of the state;
- Relationship of an economically viable horse racing industry to the overall economic development strategy of the state;
- Relationship horse racing could have on enhancing the national image and stature of North Carolina.

So then, in fulfilling the resolution's study mandate, both the horse racing industry and its relationship to other economic sectors and conditions of the state will need to be considered -- if the final report is to be used as a guideline to direct a program to establish an economically sound horse racing industry in North Carolina.

## STUDY PROGRAM

A study program should be undertaken to fulfill the Horse Racing Committee's study objectives. As I indicated in our discussion, the overall financial analysis, as mandated in HJR 1274, could be undertaken in the following phases.

### Phase I. Concept Definition

An assessment of the overall potentials and problems and possible arrangements and approaches for establishing horse racing in North Carolina will be made. A comprehensive display of alternatives, factors to be considered, and generally available economic information will be emphasized. Experts within the state and nationally are to be contacted. The Horse Racing Committee will use this work to begin to select directions for focusing subsequent study efforts. Hints of financial potential or danger will appear during this phase. A decision can be made to proceed or shut down further study work. (Estimated time and cost: eight weeks, \$7,000).

A go or no-go decision on further investigation of North Carolina potentials for pari-mutuel horse racing will result from this phase.

### Phase II. Economic Analysis of Horse Racing Industry

Sub-Phase 1. Market Analysis. If warranted from Phase I, this part of the work will involve an analysis of market conditions and demand for horse racing attendance, wagering, and revenue potentials. The following outline describes the tasks to be undertaken in this analysis.

Task A: National overview of the horse racing industry with implications drawn to North Carolina.

- history
- trends
- state-by-state characteristics
- industry prospects and problems
- legal factors
- supply of horses
- economic conditions

Task B: Market factors for horse racing in North Carolina.

- population characteristics
- potential racing support
- competing areas and activities
- racing structure: type, facilities, season
- industry support: employment, services and products, breeding, agriculture.
- revenues-racing attendance, inter-industry

Task C: Planning guidelines for establishing a racing industry in North Carolina

- enabling alternatives
- management and control
- licensing criteria, procedures
- revenue split
- track location and site planning criteria and options
- racing schedule
- relationship to other industries and state programs

(Estimated time and cost for Sub-Phase I Market Analysis: eight weeks, \$28,000)

A go or no-go decision for further work will be made at the conclusion of sub-phase I.

Sub-Phase 2. Feasibility Analysis. Analysis of investment, operations and debt service costs under various horse racing packages to determine financial costs.

Task A: Analysis of track operations under various alternatives.

- facility requirements
- operational requirements
- cost estimates
- pro forma analysis

Task B: Assessment of economic benefits from horse racing.

- projection of revenue split
- new employment
- investment
- secondary benefits to support industries, tourism, agriculture, horse industry
- intangible benefits, such as recreation, state stature

(Estimated time and cost for Sub-Phase II Feasibility Analysis: six weeks, \$12,000).

Phase III. Legislative Horse Racing Committee Final Report Preparation and Concluding Findings and Recommendations.

- Assist the Committee in the preparation of their report to the Legislature.
- Provide expert testimony if requested.

(Estimated costs would be on a time and materials basis as directed by the Committee.)

#### ERA PARTICIPATION

I had indicated ERA's interest in participating in the Horse Racing Committee's study effort. We could undertake the above work program within the time and costs indicated. You will also note the provisions for curtailing the study should the economic picture begin to look impractical. Also, in addition to working with committee members, ERA's work program would include close contact and coordinated efforts on selected work tasks with Legislative Reference Commission staff, state agencies, and other horse racing interest-related organizations. While ERA would work closely with such agencies and organizations, as prime contractors to the Horse Racing Committee we would maintain a rigorous standard of objectivity in our study and report preparations.

#### ERA CAPABILITIES

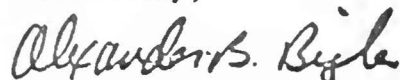
Economics Research Associates is an economic consulting firm that has specialized in real estate economics, tourism development studies, and in market and feasibility analyses of a wide range of public and private development programs. ERA is most well known for the economic planning studies conducted for Disneyland, Six Flags over Texas, Opryland and other theme parks in the United States. We have conducted the financial analysis for casino gambling for the Atlantic City program, and have conducted a variety of studies into the economics of public gaming, including forecasts of gaming revenue (by activity) for the State Gambling Commission in Nevada.

In the horse industry, ERA has a broad range of experience in evaluating the market and financial feasibility for various equestrian activities and facilities. We have recently completed a study of the potential for horse racing in Tennessee. Enclosed are some materials which describe ERA's experience related to the Horse Racing Committee's interests and our previous work in North Carolina.

We wish you and the Committee the best of success in your study effort. If you find the work program described above reflects the approach your Committee wishes to pursue, we would appreciate the opportunity to explore further our conducting the work.

Again, I enjoyed meeting with you and thank you for the time we were able to spend together. I look forward to hearing from you.

Sincerely,



Alexander B. Bigler  
Affiliate

III-8



APPENDIX IV

NOTE: This legislation is in  
draft form only. It is  
not ready for introduction.



Short Title: 13  
 Representative 14  
 ----- 15  
Referred to: ----- 16

A BILL TO BE ENTITLED 19  
 AN ACT TO AUTHORIZE PARI-MUTUEL WAGERING ON HORSE RACING; TO 21  
 CREATE THE NORTH CAROLINA RACING COMMISSION AND TO MAKE AN 22  
 APPROPRIATION THEREFOR.

The General Assembly of North Carolina enacts: 24

Section 1. A new Chapter is added to the General 26  
 Statutes of North Carolina to be numbered Chapter 169 and to read 27  
 as follows:

"CHAPTER 169. 29

"Pari-mutuel Wagering. 30

"Article 1. 31

"Definitions. 32

"§ 169-1. Definitions.--As used in this Chapter, unless the 34  
 context otherwise requires, the following words and phrases shall 35  
 be defined as follows:

- (1) "Commission" means the North Carolina Racing Commission. 36
- (2) "County fair association", "agricultural society", "county 38  
 4-H club or association" means a not-for-profit organization in 39  
 existence (expand def.).

[3) "Extended harness racing meeting" means any harness racing 40  
meeting of 10 or more consecutive racing days or nights, 41  
excluding any regularly scheduled weekly day or days of  
abstention, as the case may be.

[4) "Extended horse racing meeting" means any daytime or 42  
nighttime horse race meeting of 10 or more consecutive racing 43  
days or nights, excluding any regularly scheduled weekly day or  
days of abstention, as the case may be. 44

[5) "Harness racing" means daytime or nighttime harness horse 45  
racing in which the horses participating are harnessed to a 46  
sulky, carriage, or similar vehicle, and does not include "horse  
racing" as herein defined. 47

[6) "Harness racing meeting" means any program of one or more 48  
harness races for which any stake, purse, prize or reward is the 49  
object of contest.

[7) "Horse racing" means flat, turf, or hurdle daytime or 50  
nighttime racing in which thoroughbred, appaloosa, arabian or 51  
quarter horses, mounted by a rider or jockey, participate; and 52  
does not include any form of horse racing in which the horses  
participating are harnessed to a sulky, carriage, or similar 53  
vehicle.

[8) "Horse racing meeting" means any program of one or more 54  
horse races for which any stake, purse, prize or reward is the 55  
object of contest.

[9) "Pari-mutuel system of wagering" means the method or 56  
system of wagering on horses at the track only under which those 57  
persons who wager on horses, which finish in the position or

positions for which wagers are taken, share in the total amount 58  
wagered, less deductions specified and permitted by law. 59

(10) "Person" means any individual, firm, association, 60  
partnership, corporation, trustee or legal representative. 61

"Article 2. 63

"North Carolina Racing Commission. 64

"§ 169-2. North Carolina Racing Commission; creation, powers 67  
and duties.--There is created the North Carolina Racing 69  
Commission. The commission is vested with the powers and duties  
set forth in this Chapter and all other powers necessary and 70  
proper to enable it to execute fully and effectually the powers,  
duties and purposes of this Chapter. 71

"§ 169-3. North Carolina Racing Commission; membership, 73  
appointment, terms, qualifications, chairman.--(a) The 74  
commission shall consist of five members, all of whom shall have 75  
a reasonable knowledge of racing practices and procedures and who 76  
shall be appointed by and serve at the will of the Governor.

(b) Members of the commission shall serve terms of four years; 77  
however, of the initial appointments, two shall be made for a 78  
term of two years and the remaining three shall be made for the  
full term of four years. Thereafter, all appointments shall be 79  
for four years.

(c) Each member of the commission shall be a bona fide 80  
resident of the State of North Carolina who has maintained 81  
residence in this State for not less than five years next  
appointment and who is not less than 35 years of age. 82

(d) In the case of a vacancy caused by the death, incapacity, 83

resignation or removal of a member, the appointment by the 84  
Governor to fill the vacancy created shall be made only for the 85  
unexpired term of the member replaced. Each member of the  
commission shall serve until his successor is duly appointed and 86  
qualified. Any member of the commission shall be eligible for 87  
reappointment at the discretion of the Governor. The Governor  
shall designate and appoint one of the members as chairman of the 88  
commission, who shall serve in that capacity at the pleasure of 89  
the Governor.

"§ 169-4. North Carolina Racing Commission; bond, 91  
compensation, conflicts of interest.--(a) Before entering upon 92  
the duties of office, each member appointed to the commission 93  
shall take the oath of office and shall post bond to the State of 94  
North Carolina in the sum of ten thousand dollars (\$10,000)  
conditioned upon the faithful performance of his duties. The 95  
bond shall be subject to approval of the Governor and, upon that 96  
approval, shall be filed with the Secretary of State. The cost  
of any bond given by any member of the commission under this 97  
section shall be taken to be a part of the necessary expenses of 98  
the commission.

(b) The members of the commission shall receive the per diem 99  
and allowances set forth in G.S. 138-5 for members of State 100  
boards and commissions generally.

(c) A person may not be appointed as a member of the 101  
commission if he holds any official relation to any association 102  
or corporation licensed under this Chapter to conduct harness 103  
racing meetings or horse racing meetings within North Carolina.

"§ 169-5. North Carolina Racing Commission; executive 105  
director, records, office, meetings, reports, treasurer.--(a) 106  
The Governor shall appoint a secretary for the commission, who 107  
shall be the executive director of the commission, for a term not 108  
to exceed four years and who may be removed in the same manner as  
a member of the commission. The secretary shall be eligible for 109  
reappointment at the discretion of the Governor. The secretary 110  
shall possess the powers and perform the duties imposed upon him  
by law, and such other duties as the commission may prescribe. 111  
The secretary shall keep a full record of all proceedings before 112  
the commission and shall preserve at his general office all  
books, maps, records, documents, licenses, and other papers of 113  
the commission. All records of the commission shall be open to 114  
inspection by the public during regular office hours. The 115  
secretary of the commission shall receive a salary in an amount  
established by the commission plus travel and subsistence 116  
allowances in accordance with G.S. 136-6.

(b) The commission shall maintain an office in the City of 117  
Raleigh and shall meet at such times and places within the State 118  
of North Carolina as it determines to be necessary and  
appropriate. Three members of the commission shall constitute a 119  
quorum for the transaction of any official business, for the 120  
performance of any duty, or for the exercise of any power of the  
commission so long as all members receive written notice of the 121  
meetings from the secretary at least five days prior to that 122  
meeting.

(c) The commission shall have authority to appoint and remove 123

clerks, accountants, stenographers, inspectors, veterinarians, |24  
assistants and other employees of the commission, to serve during |25  
the pleasure of the commission, but a person may not be employed  
or appointed in any capacity by the commission who holds any |26  
official relation to any association or corporation licensed to |27  
engage in or conduct extended harness racing meetings or extended |28  
horse racing meetings.

(d) The commission shall make an annual report to the Governor |29  
and the General Assembly covering the preceding calendar year on |30  
or before the tenth day of February in each year. The report |31  
shall include a statement of receipts and disbursements by the  
commission, any additional information and recommendations which |32  
the commission deems of value, and any information which the |33  
Governor may require.

(e) The State Treasurer shall be the treasurer of the |34  
commission. The Attorney General of North Carolina shall be the |35  
official attorney and legal advisor for the commission and shall |36  
approve all contracts, agreements or other undertakings of the  
commission.

"§ 169-6. North Carolina Racing Commission; powers, duties.-- |38

(a) The North Carolina Racing Commission shall be responsible |39  
for and have the authority to do the following: |40

- (1) Issue licenses for the conduct of extended harness |41  
racing meetings and extended horse racing meetings |42  
in North Carolina at which the pari-mutuel system |43  
of wagering is employed. The licenses shall be  
issued only in conformity with the provisions of |44



this Chapter and the rules and regulations adopted by the commission.

- (2) Issue such other licenses and permits as the |45  
commission shall determine to be appropriate to be |46  
required, to owners, trainers, drivers, jockeys,  
agents, apprentices, grooms, stable foremen, |47  
exercise boys, veterinarians, valets and farriers,  
or others having any connection with horses racing |48  
at extended harness racing meetings or extended  
horse racing meetings licensed under this Chapter |49  
and to starters, judges, timers, racing  
secretaries, clerks, veterinarians, photo finish |50  
operators, pari-mutuel clerks or other officials  
concerned with the conduct of racing. |51
- (3) Personally or by agents supervise and check the |52  
making of pari-mutuel pools and the distribution |53  
therefrom.
- (4) Set the dates for all extended harness racing |54  
meetings and extended horse racing meetings in |55  
North Carolina.
- (5) Make rules and regulations for the control, |56  
supervision and direction of all applicants, |57  
permitters and licensees, and for conducting all  
extended harness racing meeetings and extended |58  
horse racing meetings in North Carolina. All rules  
and regulations shall be uniform in their |59  
application and effect.

(6) Require of each applicant for any type of license 160  
or permit issued by the commission a verified 161  
application setting forth such information as may  
be required by the provisions of this Chapter and 162  
the rules and regulations adopted by the  
commission, and collect from each applicant the 163  
fee, if any, charged in connection with the filing  
of the application or the issuance of the license 164  
or permit sought, or both.

(7) Revoke any license or permit issued by the 165  
commission in the event the holder thereof is 166  
determined by the commission, after opportunity for 167  
a fair and impartial hearing conducted by the  
commission to have violated this Chapter or any of 168  
the rules and regulations of the commission. The  
commission at its discretion may impose and collect 169  
as a condition precedent to the restoration of  
license rescinded or revoked, or as a condition 170  
precedent to the issuance of a subsequent license  
to any licensee or permittee whose license or 171  
permit is rescinded or revoked, a fine not to 172  
exceed, in the case of a license to conduct an  
extended harness racing meeting or extended horse 173  
racing meeting, the sum of ten thousand dollars  
(\$10,000) and, in the case of any other type of 174  
license or permit issued by the commission a fine  
not to exceed the sum of five hundred dollars 175

(\$500.00) .

(9) Make and promulgate any other rules or regulations 176  
necessary for the efficient administration of this 177  
Chapter.

(b) The jurisdiction, powers and authority of the commission 178  
shall extend to all persons who conduct harness racing meetings 179  
or horse racing meetings licensed by the commission.

"§ 169-7. North Carolina Racing Commission: distribution of 181  
funds.-- (a) All monies received by the commission from extended 182  
racing meetings shall be forwarded to the State Treasurer, to be 183  
deposited in an account to be known as the "North Carolina Racing  
Commission fund". All monies deposited in the fund shall be paid 184  
out by the State Treasurer, on itemized vouchers approved by the 185  
chairman and attested by the secretary of the commission. All  
monies in the fund are specifically appropriated for the use of 186  
the commission. All expenses incurred by the commission in the 187  
proper performance of its duties, with respect to harness racing 188  
and horse racing, shall be paid out of the fund. The total  
amount issued from the account in the payment of the expenses and 189  
compensation provided for in this Chapter shall never exceed the 190  
unencumbered balance in the fund. The fund shall be a revolving 191  
fund and shall be continued from year to year and, except as  
otherwise provided by law, shall be drawn on only for the purpose 192  
of administering the provisions of this Chapter.

(b) Of all the income received by the North Carolina Racing 193  
Commission pursuant to the provisions of this Chapter, less 194  
operating expenses and compensation provided for in this Chapter

and a sum which the commission shall be authorized to retain 195  
annually as a reserve in an amount not to exceed twenty-five 196  
thousand dollars (\$25,000), distribution of sums remaining shall 197  
be made as follows:

- |     |                                     |     |
|-----|-------------------------------------|-----|
| (1) | 70% - Schools                       | 199 |
| (2) | 20% - Stakes Races                  | 200 |
| (3) | 5% - State Fair Grounds Maintenance | 201 |
| (4) | 5% - County Fairs.                  | 202 |
|     | "Article 3.                         | 204 |
|     | "Licensing.                         | 205 |

§ 169-8. License required.--No person shall conduct an 208  
extended harness racing meeting or extended horse racing meeting  
at which pari-mutuel wagering is permitted in North Carolina 209  
without a valid license, issued pursuant to the provisions of 210  
this Article.

§ 169-9. License prohibited in certain circumstances.--(a) 212  
Licenses may not be issued to conduct an extended harness racing 213  
meeting or extended horse racing meeting: 214

- (1) at any place within 50 miles of a location already 215  
licensed for the same dates for extended harness 216  
racing or for extended horse racing; 217
- (2) to any person in default in the payment of any 218  
obligation or debt due the State of North Carolina 219  
under the provisions of this Chapter; 220
- (3) to any person who has been convicted of the 221  
violation of any law of the United States or any 222  
State law, which violation is a felony under the 223

laws of the jurisdiction involved; to any person  
against whom there is pending any felony charge, 224  
State or federal; to any person who is or has been 225  
connected with or engaged in the operation of any 226  
illegal business; to any person who does not enjoy  
a general reputation in the community of being an 227  
honest, upright, law abiding person; to any person 228  
who does not demonstrate to the satisfaction of the  
commission financial resources adequate, in the 229  
judgment of the commission, to promote and conduct 230  
the extended harness racing or horse racing meeting 231  
covered by the license applied for;

(4) to any person who is unable to demonstrate to the 232  
satisfaction of the commission that he has, or will 234  
have, on the dates of proposed meeting, ownership  
or possession under a lease or other contract 235  
acceptable to the commission of a race track and 236  
appurtenant plant suitable, in the judgment of the  
commission, for harness racing or horse racing, and 237  
for the accommodation of the public; 238

(5) to any person for more than three extended harness 239  
racing meetings or extended horse racing meetings 240  
of the maximum duration permitted in paragraph (6)  
of this subsection during any calendar year; 241

(6) for a meeting in excess of 60 days or nights, 242  
excluding any regularly scheduled weekly day or 243  
days of abstention, as the case may be, in addition 244

to six racing days or nights, for charity, up to 245  
three of which charity days or nights may be  
scheduled either immediately preceding the first 246  
allotted racing day or immediately following the  
last allotted racing day, or both; 247

(7) to any natural person, either in his individual 248  
capacity or as a trustee or legal representative, 249  
who has not been a bona fide resident of North 250  
Carolina continuously for at least five years  
immediately preceding the filing of his 251  
application; or

(8) to any firm, association, partnership, or 252  
corporation, acting either for its own account or 253  
as a trustee or legal representative, unless at 254  
least 55 percent of the ownership of the applicant  
is vested in bona fide residents of North Carolina 255  
continuously for at least five years, and at least 256  
a simple majority of its directors, partners,  
executive committee, or other managing group, are 257  
bona fide residents of North Carolina continuously  
for at least five years and unless all of its 258  
stockholders, partners, directors, officers,  
executive committee or other managing group, and 259  
its employees meet all of the personal 260  
qualifications other than residence, set forth in  
this section.

(b) The commission may, by appropriate rules and regulations, 261

require anyone connected in any capacity whatsoever with any 262  
licensee to submit his fingerprints, photographs and other 263  
personal identifying records and data to the commission and to 264  
submit to such personal investigation as the commission may deem  
reasonable and advisable. 265

"§ 169-10. License fee; form of application.-- (a) The fee for 267  
each license required by this article to conduct an extended 268  
harness racing meeting or extended horse racing meeting shall be 269  
five hundred dollars (\$500.00) plus fifty dollars (\$50.00) for 270  
each day or night upon which the licensee is authorized to 271  
conduct racing under that license. The five hundred dollars  
(\$500.00) shall be remitted to the commission with application, 272  
and shall be a nonrefundable charge for the consideration of the 273  
application. The balance of the required fee shall be remitted 274  
in full to the commission by the applicant when notified that a 275  
license will be issued upon receipt of the balance of the fee 276  
and, when paid, shall be nonrefundable. A license may not be 277  
issued prior to receipt of the full amount of the entire fee 278  
required, and if payment of the full amount of the entire fee is  
not received by the commission within 10 days after receipt by 279  
the applicant of notice that the license will be issued upon 280  
payment of the balance of the fee, the commission in its 281  
discretion may for that reason deny the application and refuse  
to issue the license sought. 282

(b) Any person desiring to conduct an extended harness racing 283  
meeting, or an extended horse racing meeting under the provisions 284  
of this article, may apply to the commission for a license. The 285

application shall be made on a form, or forms, prescribed and 286  
furnished by the commission. The application shall be verified 287  
and shall specify:

- (1) the full name of the applicant and if the applicant 288  
is other than a natural person, the full names and 289  
addresses of its partners, members, stockholders, 290  
directors, and officers, as applicable; 291
- (2) the exact date, or dates on which the applicant 292  
proposes to conduct or hold extended harness racing 293  
or extended horse racing meetings, which dates 294  
shall be successive days or nights, excluding any 295  
regularly scheduled weekly day or days of  
abstention, as the case may be; 296
- (3) the name and exact location of the racing plant 297  
where the applicant proposes to conduct or hold the 298  
extended harness racing meeting or extended horse 299  
racing meeting;
- (4) the hours of each racing day or night between which 300  
the applicant proposes to conduct or hold the 301  
meetings;
- (5) whether or not the racing plant at which the 302  
applicant proposes to conduct or hold the extended 303  
harness racing meeting or extended horse racing 304  
meeting is owned by the applicant or leased by the  
applicant and, if leased, the name and address of 305  
the owner, or if the owner is a corporation the 306  
directors, stockholders and officers thereof; and



whether this racing plant has been constructed 307  
prior to the date of the application or is at that  
date under construction and, if the latter, the 308  
estimated date of completion of construction;

(6) a statement of the assets and liabilities of the 309  
applicant; and whether the applicant will accept 310  
any additional racing days for charity immediately 311  
preceding its first allotted racing day or  
immediately following its last allotted racing day 312  
or both and, if so, how many of the same;

(7) whether the applicant owns or intends to lease the 313  
pari-mutuel wagering machinery to be utilized at 314  
the meetings, a description of the size, capacity, 315  
model and other pertinent features of the  
equipment, together with the identity of the owner 316  
if the equipment is not owned by the applicant; 317

(8) such other information as the commission may 318  
reasonably require. 319

§ 169-11. County ordinance.--The application must include an 322  
ordinance that:

(1) was passed by the county board of commissioners or any 323  
successor body, of the county in which the race track is to be 324  
located and approved by a majority of the voters voting in a 325  
county-wide referendum; and 326

(2) permits the filing of applications with the commission to 328  
conduct pari-mutuel wagering in that county. The ordinance  
required under this section shall be in substantially the 329

following form:

"The county of \_\_\_\_\_ finds that pari- 331  
mutuel wagering is in the interests of the people of the county. 332  
Applications may be made to the North Carolina Racing Commission 333  
to conduct pari-mutuel wagering at race tracks in \_\_\_\_\_ 334  
County under G.S. Chapter 169. 335  
The commission may not approve an application for a racing permit 338  
without a copy of the county's ordinance.

"§ 169-12. County referendum required for license.--(a) The 340  
county board of commissioners or its successor body shall certify 341  
the following question to be voted on in the referendum to the 342  
clerk of the superior court of that county. 343

"Shall pari-mutuel wagering at race tracks in \_\_\_\_\_ 345  
County be permitted? Yes \_\_\_\_\_ No \_\_\_\_\_" 346

Upon receiving the certified question, the county clerk shall 348  
call a meeting of the county election board to make arrangements 349  
for the referendum. The referendum shall be held in the next 350  
primary or general election in which the residents of the county 351  
are entitled to vote if the next primary or general election is 352  
to be held within 90 days after the question is certified to the 353  
county clerk. If a primary or general election will not be held 354  
within that 90-day period, then the referendum shall be held at a 355  
special election to be conducted not less than 90 days after the  
question is certified to the county clerk by the board of 356  
commissioners. The referendum shall be held under the direction 357  
of the county election board, which shall take all steps  
necessary to conduct the referendum. Not less than 10 days prior 358

to the date on which the referendum will be held, the county 359  
election board shall cause notice of the question that is to be 360  
voted on in the referendum to be published. The county election 361  
board shall cause the question to be appropriately placed on 362  
every paper ballot and every voting machine that will be used in  
the referendum. All registered voters residing in the county are 363  
entitled to vote in the referendum. Each precinct election board 364  
shall count the affirmative votes and the negative votes cast in 365  
the referendum and shall certify the totals to the county 366  
election board. The clerk of the circuit court shall, 367  
immediately after the votes cast in the referendum have been 368  
counted, certify the results of the referendum to the board of 369  
commissioners. If a majority of the individuals who vote in the  
referendum vote "yes" on the referendum question, the referendum 370  
is passed and application may be made to the North Carolina 371  
Racing Commission.

(b) Defeat of the referendum shall not preclude a county from 373  
placing the question on the ballot in subsequent elections. 374

"§ 169-13. Filing of applications.--(a) Applications for 376  
licenses required for the conduct of extended harness racing 377  
meetings or extended horse racing meetings shall be filed with  
the commission at its office in the city of Raleigh, North 378  
Carolina, between October 1 and October 31, of the calendar year 379  
immediately prior to the year in which the applicant proposes to 380  
hold the meeting. Each extended harness racing meeting or 381  
extended horse racing meeting requiring a license under this  
article shall require a separate license and shall be covered by 382

a separate application.

383

(b) The commission shall examine all applications received. 384  
If any application does not comply with the provisions of this 386  
Chapter or with the rules and regulations prescribed by the  
commission, the application may be rejected summarily by the 387  
commission; or, in the discretion of the commission, it may 388  
direct the applicant to comply with the provisions of this  
Chapter or the rules and regulations of the commission within a 389  
reasonable time fixed by the commission and upon proof by the 390  
applicant of compliance, the commission may reconsider the 391  
application.

(c) If an application is found to be in compliance with the 392  
provisions of this Chapter and the rules and regulations of the 393  
commission, the commission shall set a hearing as provided in 394  
G.S. 169-14 of this chapter.

"§ 169-14. Hearings on applications.--(a) The commission 396  
shall set hearings on all applications for licenses to conduct  
extended harness racing meetings or extended horse racing 397  
meetings received by it and found to be in conformity with the 398  
provisions of this Chapter and the rules and regulations of the 399  
commission. The hearings shall be held between November 1 and 400  
December 15 of the calendar year in which received and at such 401  
times and places in Wake County or in the county in which the  
extended racing meeting proposed in the application is to be held 402  
as the commission may designate. 403

(b) The commission shall give notice in writing of the hearing 404  
to the applicant involved at its address as shown on its 405

application at least 10 days in advance of the date of the 406  
hearing and shall cause notice of the time and place of the 407  
hearing to be given by two publications in a newspaper of general 408  
circulation printed in the English language and published in the 409  
county in which the extended harness racing or extended horse  
racing meeting proposed in the application is to be held at least 410  
10 days in advance of the date of the hearing. 411

(c) All hearings shall be conducted by the commission in 412  
accordance with its rules and regulations. After a hearing on an 413  
application, and in no event later than December 31 of the 414  
calendar year in which received, the commission shall notify the  
applicant of its approval or denial of the application and, in 415  
the event of approval, that it is prepared to issue a license to 416  
the applicant upon payment of the balance of the fee required by 417  
this article and upon posting of the bond required by G.S. 169- 418  
16. When this balance is paid and the bond filed, the commission 419  
shall issue a license to the applicant. In the event of denial  
by the commission of an application for a license, the aggrieved 420  
party may invoke the right of appeal under G.S. 150A-43. 421

(d) A person does not have any property right in any license 422  
issued pursuant to this chapter, nor shall a license itself or 423  
the enjoyment thereof be considered a property right. Each 424  
license issued shall be in force only from the date issued 425  
through the last racing day in the calendar year authorized by 426  
the license.

"§ 169-15. Racing dates.--(a) The commission may fix and 428  
determine racing dates different from those requested by

applicants in their applications. Where two or more applicants 429  
propose to conduct harness racing or horse racing meetings within 430  
50 miles of each other on conflicting dates, the commission may 431  
fix and determine the number of racing days to be allotted the  
several applicants.

(b) In the granting of licenses and allocating dates for 432  
extended harness racing meetings or extended horse racing 433  
meetings the commission shall give due consideration to:

- (1) the character, reputation, experience, and 434  
financial integrity of the applicants; 435
- (2) their facilities and accommodations for the conduct 436  
of racing meetings; 437
- (3) the location of the tracks of the applicants in 438  
relation to the principal centers of population in 439  
the State;
- (4) the highest prospective total revenue to be derived 440  
by the State from the conduct of the meetings; and 441
- (5) other factors which in the discretion of the 442  
commission are worthy of consideration. 443

(c) The commission may authorize the three days immediately 444  
preceding and the three days immediately following the allocated 445  
racing dates for charity racing so long as all net proceeds  
received by the licensee, except those payable to the State, are 446  
contributed to a charity or charitable institution located with 447  
the State of North Carolina.

§ 169-16. Licensee to furnish bond.--Prior to the issuance of 449  
a license, the applicant shall file with the commission a bond 450

payable to the State of North Carolina in a penal sum to be fixed on a uniform scale by the commission of not less than fifteen thousand dollars (\$15,000) and not more than one hundred thousand dollars (\$100,000) executed by the applicant, as principal, and a surety company or companies authorized to do business in this State, conditioned upon the payment by the licensee of all fees, taxes, and other monies due and payable under the provisions of this Chapter; and further conditioned upon the licensee's distributing all advertised purses and all sums due to the patrons of pari-mutuel pools upon presentation of the winning ticket or tickets.

"§ 169-17. License restrictions.--(a) All harness racing and horse racing conducted under license shall be subject to the provisions of this Chapter and to the rules and regulations promulgated by the commission, and every license issued by the commission shall contain a statement to that effect; provided that there may not be a pari-mutuel system of wagering at a county, agricultural, 4-H, or State fair.

(b) A license issued pursuant to this Article may not be transferable, nor shall it apply to any place, track or enclosure other than the one specified in the license. Each license shall be recorded in the office of the register of deeds of the county in which the harness racing meeting or horse racing meeting is to be held or conducted within five days after its receipt by the licensee. The license, or a certified copy, shall be conspicuously displayed at all times during the extended racing meeting on the licensee's principal business office at the track,

and shall be exhibited to any person or officer requesting to see it at any reasonable time.

469

(c) No person, or persons, other than the owner, or owners, or breeder, or breeders of a horse, or horses, contesting in any harness race or horse race in this State conducted by authority of a license issued by the commission shall have any pecuniary interest in any purse, prize, premium, stake or reward contested for in any race, or be entitled to receive any portion thereof, and the whole of the purse, prize, premium, stake or reward shall be allotted in accordance with the terms and conditions of that race.

(d) At least 85 percent of the persons employed on each racing day by a licensee in the conduct of an extended harness racing meeting or extended horse racing meeting or in the conduct of the pari-mutuel system of wagering at extended harness racing meetings and extended horse racing meetings, shall be citizens of the United States and residents of the State of North Carolina for at least two years prior to their employment. A person is not deemed a resident of the State of North Carolina who does not maintain a permanent place of residence within this State.

(e) A person, partnership, association, or corporation may not, at any one time, hold more than one extended racing license directly or indirectly. Controlling ownership and interlocking directorates among track licenses is prohibited.

"Article 4.

487

"Wagering System.

488

"§ 169-18. Pari-mutuel wagering permitted.--(a) Any licensee

491



conducting an extended harness racing meeting or an extended 492  
horse racing meeting licensed by the commission may provide a 493  
place or places in the racing meeting grounds at which the 494  
licensee may conduct and supervise the pari-mutuel system of 495  
wagering by patrons on the racing conducted by the licensee at  
the meeting.

(b) No other place or method of wagering, pool selling, 496  
betting or gambling shall be used or permitted by the licensee, 497  
nor shall the pari-mutuel system of wagering be conducted on any 498  
races, except races at the race track where the pari-mutuel  
system of wagering is being conducted. 499

"§ 169-19. Distribution of funds deposited in pari-mutuel 501  
pool.--(a) The licensee shall distribute all sums deposited in a 502  
pari-mutuel pool to the holders of the winning tickets, less the 503  
17 percent retainage authorized by this section. In order to  
permit the licensee to offer suitable purses or prizes comparable 504  
to those offered at other harness racing meetings and other horse 505  
racing meetings in the United States and to induce owners of the  
best horses in the country to race them at racing meetings held 506  
with the State of North Carolina, each licensee may retain an 507  
amount not to exceed 17 percent of the total of all monies 508  
wagered on each racing date at each meeting licensed by the  
commission. The amount retained by the licensee is subject to 509  
the payment of the privilege tax provided in Section 6 of this 510  
Chapter, and one-half of all the breaks on the wagering. Breaks  
shall at all times be computed on the basis of not to exceed ten 511  
cents (10¢) on the dollar.

(b) The sum held by any licensee for payment of outstanding 512 pari-mutuel tickets, if unclaimed prior to April 1 of the next 513 succeeding year following the year in which the tickets were 514 purchased, shall within 10 days thereafter be remitted to the commission for payment into the General Fund of the State of 515 North Carolina and, upon receipt by the commission, are hereby 516 declared to have escheated to, and to have become the property of, the State of North Carolina. If subsequent to the date of 517 remittance but prior to the expiration of one year from the date 518 of purchase, a winning pari-mutuel ticket is presented for payment to the licensee by which the same was sold, the licensee 519 shall pay the ticket and may charge that amount against unpaid 520 money similarly accumulated on account of winning pari-mutuel tickets not presented for payment. Licensees are hereby relieved 521 of any obligation to pay pari-mutuel tickets sold by them unless 522 the tickets are presented for payment within one year after the date of purchase and any action for the payment of pari-mutuel 523 tickets must be commenced prior to the expiration of one year 524 from the purchase date or be forever barred. 525

"§ 169-20. Pari-mutuel wagering; "tote" board.--Each licensee 527 conducting the pari-mutuel system of wagering, shall cause to be 528 erected at the track a sign or board upon which shall be 529 displayed the approximate straight odds on each horse in any race conducted by the licensee; the value of a two dollar (\$2.00) 530 winning mutuel ticket, win, place, or show, on the first three 531 horses in any race; the elapsed time of the race; the value of a two dollar (\$2.00) winning daily double ticket, if a daily double 532

is conducted; and such other information for the guidance of the 533  
patrons as the commission may by reasonable rule and regulation 534  
prescribe. The minimum pay-off on any winning mutuel ticket, 535  
straight, win, place, or show, shall be ten cents (10¢) on each  
dollar bet plus the amount of the bet. 536

"§ 169-21. Privilege license tax; statewide, local.--(a) In 538  
addition to license fee provided by this Article, a privilege tax 539  
computed upon the total of all monies wagered each date of an 540  
extended harness racing meeting or an extended horse racing  
meeting licensed pursuant to this Article is hereby imposed upon 541  
each licensee for the privilege of conducting the pari-mutuel 542  
system of wagering permitted under the provisions of this  
Article. The tax shall be paid by each licensee from the amount 543  
permitted to be retained by him under Section 3 of this Chapter. 544  
Each date's tax shall be remitted to the commission with 48 hours 545  
after the close of the racing date on which the same is assessed.  
The privilege tax imposed by this section shall be computed and 546  
paid as follows:

- (1) one-half of all of the breaks on all wagering on 547  
each racing date; plus 548
- (2) two and three-fourths percent of the first fifty 549  
thousand dollars (\$50,000), or any part thereof, 550  
wagered on each racing date;
- (3) four and three-fourths percent of the next one 551  
hundred fifty thousand dollars (\$150,000), or any 552  
part thereof, wagered on each racing date;
- (4) five and three-fourths percent of the next two 553

hundred thousand dollars (\$200,000), or any part 554 thereof, wagered on each racing date;

(5) six and one-half percent of the next two hundred 555 thousand dollars (\$200,000), or any part thereof, 556 wagered on each racing date;

(6) seven and one-half percent of all monies over six 557 hundred thousand dollars (\$600,000) wagered on each 558 racing day.

(b) A local privilege tax shall be paid from the amount 559 permitted to be retained by the licensee under Section 3 of this 560 Chapter into the county general fund within the same 48 hours as 561 above and is computed as follows:

(1) one-fourth percent of the first fifty thousand 562 dollars (\$50,000), or any part thereof, wagered on 563 each racing date;

(2) one-fourth percent of the next one hundred fifty 564 thousand dollars (\$150,000), or any part thereof, 565 wagered on each racing date;

(3) one-fourth percent of the next two hundred thousand 566 dollars (\$200,000), or any part thereof, wagered on 567 each racing date; and

(4) one-fourth percent of all monies over four hundred 568 thousand dollars (\$400,000) wagered on each racing 569 date.

§ 169-22. Records; failure to pay tax.--(a) Each licensee 571 conducting a pari-mutuel system of wagering shall at all times 572 keep accurate books and records of all monies wagered on each 573

date of a racing meeting and of the amounts paid to the 574  
commission. The commission or its duly authorized representative 575  
and the State Auditor shall at all times have access to the  
records for purpose of auditing, examining, and checking and for 576  
the purpose of ascertaining whether or not the proper amount has 577  
been or is being paid to the commission. The commission may also 578  
require from time to time verified reports and statements of the  
total of all monies wagered daily at a racing meeting upon which 579  
the amount to be paid is assessed, and may prescribe forms upon 580  
which the reports and statements shall be made.

(b) Any licensee failing or refusing to pay the amounts due 581  
shall be guilty of a misdemeanor. Each date's violation shall 582  
constitute a separate offense. A prosecution under this section 583  
does not bar the right of the commission to recover any amounts  
due in a civil action. 584

"§ 169-23. No license or tax required when licensed by 586  
political subdivision.--No license, privilege or excise tax or 587  
racing fee for the privilege of conducting an extended harness  
racing meeting or an extended horse racing meeting, or for 588  
conducting the pari-mutuel system of wagering at a meeting shall 589  
be assessed or collected from any person licensed under this  
Chapter by any political subdivision of the State of North 590  
Carolina.

"§ 169-24. Minors prohibited from engaging in pari-mutuel 592  
wagering.--A licensee may not knowingly permit any person under 593  
18 years of age to be a patron of the pari-mutuel system of 594  
wagering conducted or supervised by the licensee.

"§ 169-25. Agents of commission to attend racing meetings.-- 596  
The commission shall designate one or more of its members or an 597  
authorized agent or agents of the commission to attend each 598  
extended harness racing meeting and each extended horse racing  
meeting licensed by the commission, for the purpose of 599  
ascertaining whether or not any of the provisions of this Chapter 600  
or of the rules and regulations of the commission are being 601  
violated, and whether or not the licensee is retaining only the  
amount out of wagering receipts provided for in G.S. 169-19. The 602  
commissioner or authorized agent of the commission shall have 603  
full and free access to any portion of the space or enclosure  
where the pari-mutuel or certificate system of wagering is 604  
conducted, and shall have full and free access to the books, 605  
records, machines or paper pertaining to the pari-mutuel system  
of wagering. 606

"Article 5. 608

"Crimes. 609

"§ 169-26. No pari-mutuel wagering without license; use of 613  
licensed track for fair.-- (a) Nothing in this Chapter shall be 614  
construed to permit the pari-mutuel method of wagering on harness  
racing except at extended harness racing meetings and on horse 615  
racing except at extended horse racing meetings licensed by the 616  
commission. It is unlawful for any person to conduct or permit 617  
the pari-mutuel or certificate method of wagering except in  
accordance with the provisions of this Chapter. 618

(b) Any person holding or conducting, or any person aiding or 619  
abetting in the holding or conducting of any harness racing 620

meeting or horse racing meeting within the State of North 621  
Carolina at which harness racing or horse racing is permitted for  
any stake, purse, prize, premium or reward, and at which pari- 622  
mutuel method of wagering is permitted, except in accordance with 623  
this Chapter, is guilty of a felony; each day of a harness racing  
meeting or horse racing meeting to be considered a separate and 624  
distinct offense.

(c) Nothing in this Chapter shall be construed to prevent the 625  
use of the grounds, enclosure or track of any licensee for any 626  
State, county, township, agricultural or 4-H fair, even though 627  
harness racing or horse racing is conducted provided, that the  
pari-mutuel system of wagering is not permitted upon the result 628  
of the harness racing or horse racing during that fair. 629

§ 169-27. Entering horses under false names.--(a) Whoever 631  
knowingly enters or races any horse in any extended harness 632  
racing meeting or extended horse racing meeting licensed pursuant 633  
to the provisions of this article, under any name or designation 634  
other than the name or designation assigned to that horse by, and 635  
registered with, the United States Trotting Association, the  
Jockey Club, American Quarter Horse Association, or other 636  
governing body recognized by the commission; or 637

(b) Whoever knowingly aids or abets, instigates, engages or in 638  
any other way furthers any act by which any horse is entered or 639  
raced in any extended harness racing meeting or extended horse 640  
racing meeting, conducted pursuant to the provisions of this 641  
article, under any name or designation other than the name or 642  
designation duly assigned by, and registered with, the United

States Trotting Association, or other governing body recognized 643  
by the commission, is guilty of a misdemeanor. 644

"§ 169-28. Administering drugs to horses.--Whoever knowingly 646  
administers or conspires to administer to any horse entered in  
any race programmed at an extended harness racing meeting or an 647  
extended horse racing meeting licensed, pursuant to the 648  
provisions of this article, a drug or stimulant or depressant  
internally, externally, or by hypodermic method, or whoever 649  
knowingly enters any horse in any race within a period of 24 650  
hours after any hypnotic, including all barbituric acid 651  
preparations or derivatives, or any narcotic, including opium and 652  
all its alkaloids, salts, preparations or derivatives, cocaine  
and all its salts, preparations, or derivatives or substitutes, 653  
or any other stimulant or depressant, has been administered to 654  
the horse, either internally or externally or by hypodermic 655  
method, for the purpose of increasing or retarding the speed of 656  
the horse in the race, is guilty of a felony.

"§ 169-29. Devices for altering horses speed.--Whoever shall 658  
knowingly use or conspire to use any battery, buzzer, electrical, 659  
mechanical or other appliances other than the ordinary whip or 660  
spur, for the purpose of stimulating or depressing a horse or 661  
affecting its speed in any race programmed at an extended harness  
racing meeting or an extended horse racing meeting; or who shall 662  
have in his possession within the confines of a race track, 663  
stables, sheds, buildings or grounds, at an extended harness 664  
racing meeting or an extended horse racing meeting a battery  
buzzer, electrical, mechanical or other appliance, other than the 665



ordinary whip or spur, for the purpose of stimulating or 666  
depressing a horse or affecting its speed in any race or for the 667  
purpose of selling, giving away or exchanging same, shall be 668  
guilty of a felony. Possession of any instrumentalities  
enumerated in this section by anyone within the confines of a 669  
race track, stables, sheds, building or grounds at a harness 670  
racing meeting or a horse racing meeting shall be prima facie 671  
evidence of the intention to use said instruments. 672

"§ 169-30. Transmission of information.--(a) It is unlawful 674  
for any person to transmit or communicate to another by any means 675  
the results, changing odds, chart conditions, driver or jockey 676  
changes, or any other information relating to any harness race or 677  
horse race from any harness racing track or horse racing track or 678  
enclosure in this State between the period of time beginning one 679  
hour prior to the first race on any racing date and ending 30  
minutes after the posting of the official results of each race as 680  
to that particular race. The commission may, by appropriate 681  
rules and regulations, permit the immediate transmission by 682  
authorized radio, television or press wire of any pertinent 683  
information concerning not more than one feature race on each  
racing date.

(b) It is unlawful for any person to transmit by any means 684  
racing information to any other person, or to relay the same to 685  
any other person by word of mouth, by signal or by use of 686  
telephone, telegraph, radio, or any other means, when the 687  
information is knowingly used or intended to be used for illegal 688  
gambling purposes.

(c) Subsections (a) and (b) of this section shall be deemed an exercise of the police power of the State for the protection of the public welfare, and safety of the people of the State, and the provisions of these sections shall be liberally construed to effectuate this purpose. Any person violating the provision of subsections (a) or (b) of this section shall be guilty of a felony.

(d) Nothing contained in this section shall be construed as amending or repealing the provisions of any other law or affecting any rule of the North Carolina Utilities Commission relating to the regulation of public utilities and the furnishing to others of any communication, wire service, or similar service or equipment. It is intended that this section shall be supplemental to other laws and a further aid in the elimination of the transmission of information for illegal gambling purposes.

"§ 169-31. Political contributions by licensees prohibited.--

(a) It is unlawful for the holder of a license to conduct an extended harness racing meeting or an extended horse racing meeting to make any contribution to any political party or to any candidate for a State, county, township or municipal office and the commission, upon receipt of evidence of a contribution having been made, shall immediately initiate the procedure as provided in Article 3 to revoke, in the event the fact of a contribution is established, any license issued to the licensee and remaining unexpired.

(b) A licensee from whom a license has been revoked for a

violation of this section is not eligible to apply for or to receive a further license under this article for a period of 10 years.

"§ 169-32. Discipline by racing organizations.--The imposition of a fine, imprisonment or penalty provided in this article does not preclude any harness racing organization or any horse racing organization from expelling or otherwise disciplining any member or licensee thereof, as provided by its charter, by-laws, rules and regulations, or in conformity with the usages and practices of the turf.

"ARTICLE 6.

"SPECIAL RACES AND SPECIAL FUNDS.

"§ 169-33. Account for North Carolina Bred Horses.--(a) "The Account for North Carolina Bred Horses" will be as follows: Monies received from harness racing shall go into the harness racing account. Monies received from the thoroughbred horse racing shall go into the horse racing thoroughbred account and monies received from quarter horse racing shall go into the horse racing quarter horse account. Monies received from appaloosa horse racing shall go into the horse racing appaloosa racing account. The monies shall be paid out and used only in their respective accounts. Twenty percent of the monies received in the harness racing account shall go into a special account called the "Harness Racing State Fair Account" to be added to the purses of the North Carolina trotting and pacing horse association sponsored races held at the North Carolina State Fair.

(b) Each licensee track shall provide for the running of at

least two races a week conditicred exclusively for two year olds 737  
and up for horses bred and fcr horses bred and foaled in North 738  
Carolina. The purses, stakes or prizes to be paid to the 739  
winners, second, third or fourth place horses in these races  
shall be determined by the commission, acting in conjunction with 740  
the racing secretaries of the respective licensee tracks at which 741  
the races are held; the purses, stakes or prizes shall be 742  
commensurate with the past performance, quality and class of 743  
horses available for the races, and the conditions of the races,  
which shall be determined by the commission, and giving 744  
consideration to the location of the tracks, at which the races 745  
are run, and the amount of revenue paid to the State by each 746  
respective track.

(c) The winning purse to the owner of the winner of "North 747  
Carolina Bred Races" or "North Carolina Bred and Foaled Races" 748  
shall be not less than the minimum winner's purse provided by the 749  
licensee for regular scheduled races at its track. The purses, 750  
stakes or prizes shall be paid by the commission out of the 751  
respective funds in the State treasury to be known as "The Fund 752  
for North Carolina Bred Horses" upon vouchers approved by the 753  
chairman and attested by the secretary of the commission. 754

§ 169-34. Special races; dates, insufficient horses, excess 756  
funds, additions to purses.--(a) The dates of the running of the 758  
North Carolina bred and North Carolina bred and foaled races 759  
shall be determined by the commission in cooperation with each  
race track licensee, as a part of the duly scheduled racing 760  
program of the licensee. The amounts of the pursus, stakes or 761

prizes and the conditions of the races shall be determined in 762  
sufficient advance time to permit the licensee to include the  
conditions, purses, stakes or prizes in its stake and condition 763  
books.

(b) In the event the races do not attract sufficient North 764  
Carolina bred or North Carolina bred and foaled horses, the 765  
commission may cancel the race or races, and the purses, stakes 766  
or prize money offered for the races cancelled shall be retained  
in the fund of the State Treasury known as "The Fund for North 767  
Carolina Bred Horses" until the end of the calendar year. In the 768  
event the commission cancels the race or races it shall notify  
the track licensee in time to permit the licensee to schedule a 769  
substitute race.

(c) Any funds accumulated in "The Fund for North Carolina Bred 770  
Horses" in excess of five hundred thousand dollars (\$500,000) 771  
shall be transferred to the General Fund. In the event that, at 772  
the close of the racing season in any calendar year, there remain  
in "The Fund for North Carolina Bred Horses" any funds which have 773  
been placed in the fund in the previous calendar year and not 774  
used for purses, stakes or prizes during that year, those funds  
shall be transferred to the General Fund. 775

(d) The track licensee may add to the purses, stakes or prizes 776  
offered by the commission in any "North Carolina Bred Races" or 777  
"North Carolina Bred and Foaled Races". The commission may  
prescribe a nominating or starting fee for "North Carolina Bred 778  
Races" and "North Carolina Bred and Foaled Races" but in no event 779  
shall the fee exceed two hundred fifty dollars (\$250.00) for each 780

entry. The fee prescribed shall be paid to the winner of the race in addition to the purse awarded to the winner. 781

"§ 169-35. Eligibility for special races.--(a) A foal shall 783 be eligible for the "North Carolina Bred and Foaled Races" if 784 conceived and foaled in the State of North Carolina excepting 785 thoroughbreds foaled in the State of North Carolina. The commission shall provide for the registration of such foals, and 786 a horse may not compete in these races unless registered with the 787 commission. The commission may prescribe such forms as are necessary to determine the eligibility of the horses. 788

(b) A foal shall be eligible for the "North Carolina Bred 789 Races" only if born from a mare bred in North Carolina, and sired 790 by a stallion standing for service at and within the State of North Carolina at the time of the foal's conception, which 791 stallion did not stand for service at any place outside the State 792 of North Carolina during the calendar year in which the foal was 793 conceived. The commission may prescribe such forms as are necessary to determine the eligibility of the horses. 794

"§ 169-36. Investigations to determine eligibility for special 796 races.--(a) In order to determine the eligibility of foals for 797 "North Carolina Bred Races", and "North Carolina Bred and Foaled 798 Races" the commission may appoint an executive assistant and an 799 investigator, both of whom shall serve at the pleasure of the 800 commission and whose compensation shall be determined by the commission.

(b) The salaries and expenses of the executive assistant and 801 investigator shall be paid out of "The Fund for North Carolina 802

Bred Horses". The powers and duties of the investigator shall be 803  
prescribed by the rules and regulations of the commission. The 804  
findings of the investigator with respect to the eligibility of 805  
any foal or horse shall be reported to the commission and in 806  
writing to the breeder of the foal or horse.

(c) If any person is aggrieved at the finding, he may request 807  
a hearing before the commission in writing within 15 days of 808  
receipt of the finding, and the commission shall hold a hearing 809  
with respect to the eligibility in the manner provided by this 810  
article. The finding and order of the commission shall be final 811  
but subject to review as provided in G.S. ----. 812

§ 169-37. North Carolina Fund for County Fairs.--(a) Funds 814  
deposited in the accounts known as the "North Carolina Fund for 815  
County Fairs" as set forth in Article 2 of this Chapter shall be 816  
distributed annually on or before the first day of March, 817  
beginning in the calendar year as of the beginning of which 818  
monies in the "North Carolina Fund for County Fairs" first 819  
aggregate a minimum of one hundred seventy-five thousand dollars  
(\$175,000), and in each year thereafter as follows: 820

(1) To each county fair association or agricultural 821  
society and to each county 4-H club or association 822  
conducting an annual fair, a minimum sum of three 823  
thousand dollars (\$3,000) annually to be used or 824  
prorated to the amount of monies available in the  
"North Carolina Fund for County Fairs" for the 825  
general operations of the fairs. 826

(2) In the event that the monies available in any year, 827

commencing with the year in which the distributions 828  
provided for in this section are first made, shall 829  
be either more or less than that required to carry 830  
out the provisions of this section, the monies 831  
available in the "North Carolina Fund for County  
Fairs" shall be prorated to the items set forth in 832  
this section.

(3) County fair associations or agricultural societies 833  
and county 4-H clubs or associations participating 834  
under this section shall, on or before the 835  
fifteenth day of January in each year in which  
monies are to be distributed, make application for 836  
participation in the distribution to the commission 837  
in such manner and form as the commission may  
require. The commission shall promptly notify each 838  
applicant of the amount of the distribution, if 839  
any, which will be made to it.

(4) All funds distributed under this section shall be 841  
refunded to the treasurer of State for credit to  
the "North Carolina Fund for County Fairs", to the 842  
extent that they are not used by the respective 843  
distributees in the year in which distributed.

(5) The commission shall provide forms for application 844  
for distribution pursuant to this section and shall 845  
prescribe such rules and regulations as may be 846  
necessary for carrying out these provisions. The 847  
commission may make investigations as are necessary



to determine the validity of any claims and 848  
applications for distribution of monies and the 849  
propriety of the use of monies distributed by the  
various recipients. 850

(b) Any county fair association or agricultural society or 851  
county 4-H club or association which uses the monies distributed 852  
under the provisions of this chapter for any purposes other than 853  
those provided herein shall not be eligible to receive 854  
distribution from the "North Carolina Fund for County Fairs" for 855  
a period of two years after the misuse of the monies occurs.

(c) In order to be determined to be conducting a harness or 856  
horse race meeting during its annual fair for purposes of this 857  
chapter, any conty fair association or agricultural society or 4- 858  
H club or association must schedule and promote and actually 859  
conduct, unless prevented from doing so by inclement weather or 860  
other reasons beyond its control, at least six separate races, or 861  
events, during that fair."

Sec. 2. G.S. 14-289 is amended by adding the following 862  
sentence at the end thereof: "As used in this Article, the word 863  
'lottery' does not include pari-mutuel wagering conducted in 864  
accordance with the provisions of G.S. Chapter 169." 865

Sec. 3. G.S. 14-292 is amended by adding the following 866  
language and punctuation after the word "chance" and before the 867  
word "at":", other than pari-mutuel wagering conducted in 868  
accordance with the provision of G.S. Chapter 169,".

Sec. 4. There is appropriated from the general fund of 869  
the State of North Carolina for the 1979-81 biennium the sum of 870

seventy-five thousand dollars (\$75,000) for the North Carolina 871  
racing commission to administer the provisions of this article. 872  
The seventy-five thousand dollars (\$75,000) shall be repaid to 873  
the general fund of the State of North Carolina out of the 874  
proceeds collected under the provisions of this act.

APPENDIX V



Tentative Estimates of Economic Benefits  
To North Carolina Economy From A System of  
Legalized Pari-Mutuel Horseracing

Dave Crotts  
Fiscal Research Division  
December 18, 1978

## I. Background

At its March 31, 1978 meeting the Legislative Research Commission's Committee on Horseracing directed the Fiscal Research Division to develop some information regarding the potential economic benefits to the North Carolina economy from the establishment of a system of legalized pari-mutuel horseracing. The objective of such a study would be to give the Committee an idea of the types of economic benefits as well as some feel for the magnitude of such benefits. These data, along with other data and arguments, would then be considered by the Committee in their discussions about whether to recommend the legalization of pari-mutuel horseracing to the 1979 General Assembly.

## II. Assumptions

If the proposed legislation were ratified by the General Assembly it is likely that one or more local areas would allow the establishment of a privately-financed racetrack. In order to calculate the economic benefits it was necessary to make some assumptions regarding the number and location of tracks throughout the State. Although it would undoubtedly be a number of years before such tracks would be fully established, even if the 1979 General Assembly were to approve pari-mutuel betting, we have assumed all tracks would be operational in 1980. This assumption will enable us to calculate full year economic benefits in dollars that are fairly current. The assumptions regarding the number and location of the tracks, the seating capacity at each track, and the timing and length of the racing season

are actually educated guesses. These guesses were made after reviewing extensive data on all the other tracks in the U.S. and Canada, and the unique characteristics of the North Carolina population, climate, and interest in horses. These assumptions are not based on any particular knowledge of potential investment interest in horseracing in certain areas or any special expertise in the establishment or operation of tracks. To the extent that a reader wishes to change the assumptions, the magnitude of the economic benefits would change.

(A) Location of Tracks

In making assumptions as to the number and location of tracks we were guided by the nature of the population distribution in various areas of the State as well as the current distribution of interest in horses, as indicated by a December 31, 1976, census of horses compiled by the various county extension officers around the State for the Animal Science Department at North Carolina State University.

Even though North Carolina's population is fairly large (estimated at 5.7 million for 1979) the population of its largest city, Charlotte (296,780 in 1976), exceeds the population of the largest city in only 14 other states. Also, even though a large percentage of the State's population is concentrated in the Piedmont Crescent (1.9 million persons in Piedmont Crescent counties and an additional 1.3 million in surrounding counties) stretching from Raleigh to Charlotte, this concentration is spread over a 175 mile distance. The population in the Piedmont is fairly well dispersed among more than one large city and many medium-sized cities. This

characteristic is different from the concentration of population in most other states into one or two major cities, or in a small handful of cities in a "strip" (such as the heavily-urbanized mountain valleys in the Western U.S.). A final consideration is the shape of the population concentration - a "crescent" instead a "strip". This shape, coupled with the dispersion of population from Raleigh to Charlotte, would suggest the economic feasibility of one major racetrack to serve the whole Piedmont Crescent. This track would probably be centrally located in the Guilford-Forsyth area and could even be located to the South of the Crescent. These geographical considerations have influenced the location and expansion decisions of many private and public enterprises, including the Greensboro Coliseum, the State Zoological Park near Asheboro, and the currently discussed sports facility.

Another reason for assuming the location of a major track in the Piedmont is the considerable interest in horses in this region, compared to other regions of the State. While a number of mountain counties have a large horse population, the physical mountain barriers, the lack of a developed interstate highway system, and the lack of a large population base in this region would seem to argue against the establishment of a major track in this part of the State. However, the concentration of interest in horses in the areas around Buncombe County, as well as the amount of tourism in the area, suggests some possibility for a track in this area at some date in the future. In this study we did not assume such a track.



In looking at the other areas of the State we rearranged the December 31, 1976 horse census data to fit standard Mountain-Piedmont-Coastal Plain arrangement of counties within the State. Under this new arrangement the Piedmont area had 94,120 horses, or 63.2% of the statewide total of 148,808. The Mountain counties had 29,128 or 19.6%. Thirty-six percent (36%) of the Piedmont horses are located in the 11 counties forming the Piedmont Crescent. If Randolph and Johnston Counties are added, this percentage increases to 50%. Thus, the horse population in North Carolina bears a close relationship to the human population, and the concentration of both in the Piedmont Crescent of the State would seem to justify the assumption of a major track in this area.

Another possible location in North Carolina would be the Elizabeth City area. Not only is there a considerable amount of interest in this area, but the area has a great deal of tourism, particularly from Virginia residents, and a substantial population base in the nearby Norfolk area. The estimated 1980 population of the area within an hours driving time of this track would be over 1 million, with more than 800,000 persons being in the Norfolk area. Since Virginia does not have legalized horseracing, a track in the Elizabeth City area might draw horses and bettors from all over Southeastern Virginia.

Another location might be the Sandhills area. The area around Pinehurst and Southern Pines is a prime wintering ground for racehorses and show horses. One of the major races on the East Coast is held every year in April at

Stoneybrook. There are a number of wealthy retirees living in the area, as well as wealthy families from the Northeast and Upper Midwest who spend their winters in the Sandhills. The area has a large number of excellent golf, tennis, and horseback riding facilities that draw people from all over the State. Good lodging and dining facilities are located throughout the area. The existence of good accommodations and recreational facilities would seem to complement a night-racing schedule in the same area. On the other hand, if interest in a long season is not forthcoming, perhaps a couple of major races could be held each year, possibly in conjunction with other equestrian activities.

The fourth possibility for racetrack facilities is the State Fair. Each year the State Fair draws over 650,000 persons to the Fairgrounds over a 9-day period. Located at the Fairgrounds is a dirt racetrack for cars. Alongside this track on the South side is a partly-covered set of stands with a seating capacity of 4,000. It would seem possible that this existing facility could be converted to a small to -medium-sized horseracing facility. The running of horseracing during State Fair week is fairly common throughout the U.S. Such a set-up would assure a high degree of usage of the facilities during Fair week and would provide many individuals, particularly those located in the far Eastern or Western parts of the State, with their first exposure to horseracing. For many other persons it might be their only exposure during the year.

(B) Size of Facilities

The next step in the analysis is to make some assumptions regarding the size of the seating facilities located at each track. Such assumptions, along with assumptions about the number of annual racing days, are necessary for deriving an estimate of annual attendance.

Due to the large population base in the Piedmont Crescent it seems reasonable that a rather large facility could be supported, particularly if the season is fairly short. On the other hand the lack of any extremely large metropolitan areas in the Piedmont would seem to argue against any supertracks as those in other states. These supertracks have capacities ranging up to 42,000 with many in the 18,000-and-above category. A capacity of 10,000 - 15,000 would seem more reasonable for the Piedmont. For the purpose of this study we have assumed a 12,000 seat facility.

In the Elizabeth City area, the lack of a large metropolitan area with a very short driving distance of the area and the rural nature of the area surrounding the track would suggest the need for a medium-sized track. This area of the State does have a considerable amount of tourism and outdoor recreation activity, particularly from Virginia. While tourism is concentrated during the Summer, outdoor recreation activities (such as hunting and fishing) are important during the Spring and Fall. The fairly close proximity to a major population center and the three-season tourism and outdoor recreation leads us to assume a 8,000-seat capacity.

The establishment of a horseracing track in the Sand-hills area would probably involve the modification of existing facilities. Since it is possible that such a facility would only be used a couple of days per year, we have not calculated the economic impact of this track.

Finally, there is the State Fairgrounds facility. At present there is seating on one side of the dirt track for 4,000 persons. Such a facility could be expanded but due to the short timespan for the Fair and the possible competition from any other tracks in the Piedmont area, we feel it is possible that there might not be an enlargement of the present facilities.

(C) Length of Season

In order to come up with some reasonable assumptions regarding the length of the racing season we reviewed carefully the data on all the tracks in the U.S. and Canada. These data include seating capacity, season timing and length, track location, attendance, and dollar volume of betting. The data are contained in the 1978 edition of the American Racing Manual. For each track listed in the manual we also considered such things as the population and economic base near the track, the distribution of the population, the existence of nearby tourist attractions, and climate. We also talked to knowledgeable people around the State about the seasonal potential, considering tracks in the Northeast U.S. and in Florida. These discussions and the data suggest the potential for scheduling events in the Spring and Fall, thus falling between the Summer season in

the Northeast and the Winter season in Florida. With such seasonal timing, North Carolina might be able to attract the horseracing throngs moving from the Northeast to Florida and vice versa. It is even possible that some of the horseowners located in the Northeast would make North Carolina their permanent base of operation so that they could avoid some of the undesirable features of a base in the Northeast.

For the same reasons that the track in the Piedmont Crescent is likely to be large, it is likely that a larger season could be supported. We have assumed a 45-day racing season in both the Spring and Fall. Of course the 45-day racing season could be spread over a 6½-9 week period, depending on weekly race frequency. For the Elizabeth City tracks we assumed two 30-day seasons. For a State Fair facility we have used a ten-day season, i.e. a race every evening and the night before the official opening of the Fair.

(D) Attendance

Based on the assumptions developed above we then looked to the attendance data on other tracks, as contained in the American Racing Manual. We reviewed the data two different ways: (1) we adjusted the data for tracks with different characteristics (seating capacity, season length, population and economic base): (2) we used the actual data for track situations similar to those assumed for North Carolina. Based on this analysis we have estimated the following attendance data for each track.

Track Loc.	Estimated Capacity Utilization Factor	Assumed Seating Capacity	Estimated Daily Attendance	Annual Race Days	Estimated Annual Attendance
Piedmont Area	.50	12,000	6,000	90	540,000
Elizabeth City	.60	8,000	4,800	60	288,000
State Fairgrounds	<u>1.30</u>	<u>4,000</u>	<u>5,200</u>	<u>10</u>	<u>52,000</u>
Statewide Total	.63	24,000	5,400	162	880,000

(E) Betting

Estimates of the amount of betting per attendee were made after reviewing the same track data in the American Racing Manual. Special attention was given to income levels of the population base as well as the cost of living in other areas of the U.S. and Canada. The analysis of these data lead us to conclude that the betting behavior at the hypothesized tracks would be as follows:

Track Location	Estimated Annual Attendance	Estimated Betting Per Attendee (1977 Dollars)	Estimated Betting Per Attendee (1980 Dollars)	Estimated Annual Betting
Piedmont Area	540,000	\$ 90	\$ 112	\$60,480,00
Elizabeth City Area	288,000	80	100	28,800,00
State Fairgrounds	<u>52,000</u>	<u>80</u>	<u>100</u>	<u>5,200,00</u>
Statewide Total	880,000	\$ 83	\$ 107	\$94,480,00

II. Economic Benefit Analysis

Now that we have developed estimates of the dollar volume of betting under our assumed system of horseracing, we can estimate the impact of this economic activity on the State's economy.

(A) Tax Revenue

In the bill presented to the Commission at its March 31, 1978 meeting is a provision that establishes a statewide privilege tax as follows:

50% of all the breaks on all wagering on each racing date; plus

2 3/4% of the first \$50,000 of wagering on each racing date; plus

4 3/4% of the next \$150,000 of wagering on each racing date; plus

5 3/4% of the next \$200,000 of wagering on each racing date; plus

6 1/2% of the next \$200,000 of wagering on each racing date; plus

7 1/2% of all of the wagering on each racing date above \$600,000.

In addition, a local privilege tax on one-quarter of one percent (1/4%) is levied. It is assumed for the purpose of this study that the statewide and local special privilege license tax is a replacement for the current privilege license tax on amusements.

We have calculated the State and local privilege tax from the estimated amount of wagering as follows:

<u>Track Location</u>	<u>Estimated Annual Wagering</u>	<u>Assumed Race Days</u>	<u>Estimated Average Wagering Per Racing Day</u>
Piedmont Crescent	\$60,480,000	90	\$ 672,000
Elizabeth City Area	28,800,000	60	480,000
State Fairgrounds	<u>5,200,000</u>	10	<u>520,000</u>
Statewide Total	\$94,480,000		\$ 97,252

Track Location	Daily State Privilege Tax*	Daily Local Privilege Tax	Annual State Privilege Tax	Annual Local Privilege Tax
Piedmont Crescent	\$ 40,792	\$ 1,680	\$ 3,667,680	\$ 151,200
Elizabeth City Area	26,880	1,200	1,612,800	72,000
State Fairgrounds	<u>29,620</u>	<u>1,300</u>	<u>296,200</u>	<u>13,000</u>
Statewide Total	\$ 97,252	\$ 4,180	\$ 5,576,680	\$ 236,200

\* Breakage assumed at .7% of total wagering.

As you can see the estimated State privilege tax collections are almost 6% of the estimated betting amount. This percentage is very close to the average nationwide effective tax rate.

In addition to the State and local privilege tax revenue there would be miscellaneous tax revenue (sales tax, license, registration, etc.) equal to an estimated .4% of total handle. This represents an annual amount of \$378,000.

(B) Track Profits

Article IV of the proposed bill specified that 17% of the total handle shall be returned by the licensee. This amount would be \$16.1 million. Assuming prize money of 5%, this leaves 12% of the total handle as net operating income, or \$11.3 million.

In a similar study in Tennessee it was estimated that other sources of track income would be as follows:

Breakage (50% of 1.7% of total handle)	\$ 803,080
Admissions (\$1.00 per capita)	880,000
Parking (2.5 persons per car, 40¢ per capita)	352,000
Food and beverage (net of 50¢ per capita)	440,000
Programs and tip sheets (37.5¢ per capita)	330,000
Miscellaneous (1.5¢ per capita)	<u>13,200</u>
Total	\$2,818,000



Combining the net operating income and the other income amount yields \$14.1 million. Assuming a 15% profit margin, profits would amount to \$2.15 million per year.

(C) New Employment and Wages

Data from financial reports on tracks in some other states show wages paid to full-time and part-time track employees to be roughly 2.5% of total handle. Using this percentage for North Carolina yields an amount of \$2.37 million. In addition to this primary employment there will be a secondary multiplier effect on employment throughout the State. Based on a review of a number of regional economic studies in the U.S., we conservatively estimate this factor at 1.5. This means that the full effect of employing an additional employee is actually equal to that of employing 1½ additional persons. Thus, the additional wage payments generated by the additional employment at the race track is estimated at \$3.55 million.

(D) Tourism and Tourist Spending

The Tennessee study, done by the nationally-recognized economic consulting firm of Economic Research Associates, refers to a number of economic impact studies done in other states. Most of these studies were done on an ex post facto (after the fact) basis. From these studies the firm concludes that 16% of the attendance at racetracks is from tourists outside the area. Using this percentage yields an estimated 140,800 in new tourists. The daily expenditures made by these tourists include not only the betting amount (\$150)

per day but expenditures for food, lodging, etc. Back in 1973 the State Division of Travel and Tourism did a study that found that the average per capita expenditures by tourists for these items of \$46.96. Updating this amount for inflation to 1980 yields an amount of \$82.79 per capita. Adding this amount to the net amount of the betting would give us \$182.79. Applying this amount to the 140,800 tourists provides an estimate of the additional tourist dollars of \$25.7 million. One can see that the economic benefits from tourism far outweigh the other types of economic benefits.

(E) Race Horse Breeding and Training

A final form of economic benefits from the establishment of a system of horse racing is the development of breeding and training facilities for race horses. As we mentioned earlier in the report, if there were a sufficient racing volume in the state at the right times during the year, owners and managers may be inclined to set up their home base in North Carolina. A related benefit is the increased investment in farms and stock.

Even after the establishment of tracks it may be a number of years before these benefits accrue to the State. Also, it is impossible at this point to predict, with any degree of accuracy, the total dollar benefits.

(F) Summary

Below is a table showing the economic benefits outlined above and the dollar magnitude, where available:

<u>Types of Economic Benefit</u>	<u>Estimated Magnitude of Economic Benefits (\$ Million of 1980 Dollars)</u>
State Privilege Tax Revenue	\$ 5.7
Local Privilege Tax Revenue	.2
Track Profits	2.2
New Wages	3.6
Tourist Spending	25.7
Development of Race Horse Breeding Industry	<u>no estimate</u>
Total	\$ 37.4 or more



