

Senate File 526 - Reprinted

SENATE FILE 526

BY COMMITTEE ON WAYS AND MEANS

(SUCCESSOR TO SF 458)

(SUCCESSOR TO SSB 1165)

(As Amended and Passed by the Senate April 20, 2011)

A BILL FOR

1 An Act relating to certain forms of gambling, including
2 horse racing, pari-mutuel wagering, and gambling games,
3 and requiring a study of intrastate internet poker, and
4 including effective date and retroactive applicability
5 provisions.

6 BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF IOWA:

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DIVISION I
HORSE RACING

Section 1. Section 99D.7, Code 2011, is amended by adding the following new subsection:

NEW SUBSECTION. 2A. To adopt standards regarding the duration of thoroughbred and quarter horse racing seasons, so that a thoroughbred racing season shall not be less than sixty-seven days, and so that a quarter horse racing season shall not be less than twenty-six days. The thoroughbred and quarter horse racing seasons shall be run independently unless mutually agreed upon by the associations representing the thoroughbred and quarter horse owners and the licensee of the horse racetrack located in Polk county.

Sec. 2. Section 99D.7, subsection 4, Code 2011, is amended to read as follows:

4. a. To regulate the purse structure for race meetings including establishing a minimum purse.

b. The commission shall, beginning January 1, 2012, regulate the purse structure for all horse racing so that seventy-six percent is designated for thoroughbred racing, fifteen and one-quarter percent is designated for quarter horse racing, and eight and three-quarter percent is designated for standardbred racing. The purse moneys designated for standardbred racing may only be used to support standardbred harness racing purses at the state fair, county fairs, or other harness racing tracks approved by the commission, or for the maintenance or repair of harness racing tracks at the fairgrounds for such fairs or other harness racing tracks approved by the commission. The horse racetrack in Polk county shall not provide funding to support standardbred racing at such county fairs that is not otherwise provided for in this paragraph.

c. (1) The purse moneys designated for standardbred racing shall be payable to a nonprofit corporation operated exclusively for those purposes allowed an exempt organization under section 501(c)(4) of the Internal Revenue Code, as

1 defined in section 422.3, which was organized under the laws
2 of this state on or before January 1, 2008, which exists for
3 the promotion of the sport of harness racing in this state, and
4 which received supplemental payments from the horse racetrack
5 in Polk county for the conduct of harness racing during the
6 2010 calendar year. The nonprofit corporation receiving such
7 purse moneys shall complete and provide to the commission an
8 annual audit and accounting of the allocation of such moneys.

9 (2) Of the purse moneys designated for thoroughbred
10 racing, two percent shall be distributed to an organization
11 representing owners of thoroughbred race horses for the purpose
12 of paying the annual operating expenses of the organization
13 and for the promotion and marketing of Iowa-bred horses. The
14 organization receiving such purse moneys shall complete and
15 provide to the commission an annual audit and accounting of the
16 allocation of such moneys.

17 (3) Of the purse moneys designated for quarter horse
18 racing, two percent shall be distributed to an organization
19 representing owners of quarter horse race horses for the
20 purpose of paying the annual operating expenses of the
21 organization and for the promotion and marketing of Iowa-bred
22 horses. The organization receiving such purse moneys shall
23 complete and provide to the commission an annual audit and
24 accounting of the allocation of such moneys.

25 Sec. 3. Section 99D.9, subsection 1, Code 2011, is amended
26 to read as follows:

27 1. If the commission is satisfied that its rules and
28 sections 99D.8 through 99D.25 applicable to licensees have been
29 or will be complied with, it may issue a license for a period
30 of not more than three years. The commission may decide which
31 types of racing it will permit. The commission may permit
32 dog racing, horse racing of various types, or both dog and
33 horse racing. However, only quarter horse and thoroughbred
34 racing shall be allowed to be conducted at the horse racetrack
35 located in Polk county. The commission shall decide the

1 number, location, and type of all racetracks licensed under
 2 this chapter. The license shall set forth the name of the
 3 licensee, the type of license granted, the place where the
 4 race meeting is to be held, and the time and number of days
 5 during which racing may be conducted by the licensee. The
 6 commission shall not approve a license application if any
 7 part of the racetrack is to be constructed on prime farmland
 8 outside the city limits of an incorporated city. As used in
 9 this subsection, "*prime farmland*" means as defined by the United
 10 States department of agriculture in 7 C.F.R. § 657.5(a). A
 11 license is not transferable or assignable. The commission may
 12 revoke any license issued for good cause upon reasonable notice
 13 and hearing. The commission shall conduct a neighborhood
 14 impact study to determine the impact of granting a license on
 15 the quality of life in neighborhoods adjacent to the proposed
 16 racetrack facility. The applicant for the license shall
 17 reimburse the commission for the costs incurred in making the
 18 study. A copy of the study shall be retained on file with the
 19 commission and shall be a public record. The study shall be
 20 completed before the commission may issue a license for the
 21 proposed facility.

22 Sec. 4. Section 99D.11, subsection 2, Code 2011, is amended
 23 to read as follows:

24 2. Licensees shall only permit the pari-mutuel or
 25 certificate method of wagering, or the advanced deposit method
 26 of wagering, as defined in this section.

27 Sec. 5. Section 99D.11, subsection 3, Code 2011, is amended
 28 to read as follows:

29 3. The licensee may receive wagers of money only from a
 30 person present in a licensed racetrack enclosure on a horse
 31 or dog in the race selected by the person making the wager
 32 to finish first in the race or from a person engaging in
 33 advanced deposit wagering as defined in this section. The
 34 person wagering shall acquire an interest in the total money
 35 wagered on all horses or dogs in the race as first winners in

1 proportion to the amount of money wagered by the person.

2 Sec. 6. Section 99D.11, subsection 6, paragraph a, Code
3 2011, is amended to read as follows:

4 a. All wagering shall be conducted within the racetrack
5 enclosure where the licensed race is held, except as provided
6 in ~~paragraph~~ paragraphs "b" and "c".

7 Sec. 7. Section 99D.11, subsection 6, Code 2011, is amended
8 by adding the following new paragraph:

9 NEW PARAGRAPH. c. (1) The commission shall authorize
10 the licensee of the horse racetrack located in Polk county to
11 conduct advanced deposit wagering. An advanced deposit wager
12 may be placed in person at a licensed racetrack enclosure, or
13 from any other location via a telephone-type device or any
14 other electronic means. The commission may also issue an
15 advanced deposit wagering operator license to an entity who
16 complies with subparagraph (3) and section 99D.8A.

17 (2) For the purposes of this section, "*advanced deposit*
18 *wagering*" means a method of pari-mutuel wagering in which an
19 individual may establish an account, deposit money into the
20 account, and use the account balance to pay for pari-mutuel
21 wagering. Of the net revenue, less all taxes paid and expenses
22 directly related to account deposit wagering incurred by
23 the licensee of the horse racetrack located in Polk county,
24 received through advanced deposit wagering, fifty percent shall
25 be designated for the horse purses created pursuant to section
26 99D.7, subsection 4, and fifty percent shall be designated for
27 the licensee for the pari-mutuel horse racetrack located in
28 Polk county.

29 (3) Before granting an advanced deposit wagering operator
30 license to an entity other than the licensee of the horse
31 racetrack located in Polk county, the commission shall enter
32 into an agreement with the licensee of the horse racetrack
33 located in Polk county, the Iowa horsemen's benevolent and
34 protective association, and the prospective advanced deposit
35 wagering operator for the purpose of determining the payment

1 of statewide source market fees and the host fees to be paid on
2 all races subject to advanced deposit wagering. The commission
3 shall establish the term of such an advance deposit wagering
4 operator license. Such an advanced deposit wagering operator
5 licensee shall accept wagers on live races conducted at the
6 horse racetrack in Polk county from all of its account holders
7 if it accepts wagers from any residents of this state.

8 (4) An unlicensed advanced deposit wagering operator or an
9 individual taking or receiving wagers from residents of this
10 state on races conducted at the horse racetrack located in Polk
11 county is guilty of a class "D" felony.

12 (5) For the purposes of this paragraph "c", "*advanced*
13 *deposit wagering operator*" means an advanced deposit wagering
14 operator licensed by the commission who has entered into an
15 agreement with the licensee of the horse racetrack in Polk
16 county and the Iowa horsemen's benevolent and protective
17 association to provide advanced deposit wagering.

18 Sec. 8. Section 99D.22, subsection 1, Code 2011, is amended
19 to read as follows:

20 1. a. A licensee shall hold at least one race on each
21 racing day limited to Iowa-foaled horses or Iowa-whelped
22 dogs as defined by the department of agriculture and land
23 stewardship using standards consistent with this section.
24 However, if sufficient competition cannot be had among that
25 class of horses or dogs on any day, another race for the day may
26 be substituted.

27 b. A sum equal to twelve percent of the purse won by
28 an Iowa-foaled horse or Iowa-whelped dog shall be used to
29 promote the horse and dog breeding industries. The twelve
30 percent shall be withheld by the licensee from the breakage
31 and shall be paid at the end of the race meeting to the state
32 department of agriculture and land stewardship which in turn
33 shall deposit it in a special fund to be known as the Iowa horse
34 and dog breeders fund. The department shall pay the amount
35 deposited in the fund that is withheld from the purse won by

1 an Iowa-foaled horse to the breeder of the winning Iowa-foaled
2 horse by December 31 of each calendar year. The department
3 shall pay the amount deposited in the fund that is withheld
4 from the purse won by an Iowa-whelped dog to the breeder of the
5 winning Iowa-whelped dog by March 31 of each calendar year.
6 For the purposes of this section, the breeder of a horse shall
7 be considered to be the owner of the brood mare at the time the
8 foal is dropped.

9 c. No less than twenty percent of all net purse moneys
10 distributed to each breed, as described in section 99D.7,
11 subsection 4, paragraph "b", shall be designated for registered
12 Iowa-bred foals in the form of breeder's awards or purse
13 supplement awards to enhance and foster the growth of the horse
14 breeding industry.

15 Sec. 9. Section 99F.6, subsection 4, paragraph a, Code 2011,
16 is amended to read as follows:

17 a. (1) Before a license is granted, the division of
18 criminal investigation of the department of public safety
19 shall conduct a thorough background investigation of the
20 applicant for a license to operate a gambling game operation
21 on an excursion gambling boat. The applicant shall provide
22 information on a form as required by the division of criminal
23 investigation.

24 (2) A qualified sponsoring organization licensed to operate
25 gambling games under this chapter shall distribute the receipts
26 of all gambling games, less reasonable expenses, charges,
27 taxes, fees, and deductions allowed under this chapter, as
28 winnings to players or participants or shall distribute the
29 receipts for educational, civic, public, charitable, patriotic,
30 or religious uses as defined in section 99B.7, subsection 3,
31 paragraph "b". However, a licensee to conduct gambling games
32 under this chapter shall, unless an operating agreement for an
33 excursion gambling boat otherwise provides, distribute at least
34 three percent of the adjusted gross receipts for each license
35 year for educational, civic, public, charitable, patriotic,

1 or religious uses as defined in section 99B.7, subsection 3,
 2 paragraph "b". However, if a licensee who is also licensed to
 3 conduct pari-mutuel wagering at a horse racetrack has unpaid
 4 debt from the pari-mutuel racetrack operations, the first
 5 receipts of the gambling games operated within the racetrack
 6 enclosure less reasonable operating expenses, taxes, and fees
 7 allowed under this chapter shall be first used to pay the
 8 annual indebtedness.

9 (3) The commission shall authorize, subject to the debt
 10 payments for horse racetracks and the provisions of paragraph
 11 "b" for dog racetracks, a licensee who is also licensed to
 12 conduct pari-mutuel dog or horse racing to use receipts from
 13 gambling games within the racetrack enclosure to supplement
 14 purses for races particularly for Iowa-bred horses pursuant to
 15 an agreement which shall be negotiated between the licensee and
 16 representatives of the dog or horse owners. For agreements
 17 subject to commission approval concerning purses for horse
 18 racing beginning on or after January 1, 2006, ~~and ending~~
 19 ~~before January 1, 2021,~~ the agreements shall provide that
 20 total annual purses for all horse racing shall be no less
 21 than eleven percent of the first two hundred million dollars
 22 of net receipts, and six percent of net receipts above two
 23 hundred million dollars. In addition, live standardbred horse
 24 racing shall not be conducted at the horse racetrack in Polk
 25 county, but the purse moneys designated for standardbred racing
 26 pursuant to section 99D.7, subsection 4, paragraph "b", shall be
 27 included in calculating the total annual purses required to be
 28 paid pursuant to this subsection. Agreements that are subject
 29 to commission approval concerning horse purses for a particular
 30 period of time beginning on or after January 1, 2006, ~~and~~
 31 ~~ending before January 1, 2021,~~ shall be jointly submitted to
 32 the commission for approval.

33 (4) A qualified sponsoring organization shall not make a
 34 contribution to a candidate, political committee, candidate's
 35 committee, state statutory political committee, county

1 statutory political committee, national political party, or
2 fund-raising event as these terms are defined in section
3 68A.102. The membership of the board of directors of a
4 qualified sponsoring organization shall represent a broad
5 interest of the communities.

6 (5) For purposes of this paragraph, "net receipts" means the
7 annual adjusted gross receipts from all gambling games less the
8 annual amount of money pledged by the owner of the facility to
9 fund a project approved to receive vision Iowa funds as of July
10 1, 2004.

11 DIVISION II

12 COUNTY REFERENDUMS AND
13 GAMBLING GAME LICENSING

14 Sec. 10. Section 99F.4A, subsection 8, paragraph a, Code
15 2011, is amended to read as follows:

16 a. The commission shall, upon the immediate payment
17 of the applicable table games license fee and submission
18 to the commission by June 1, 2005, of an application by a
19 licensee of a pari-mutuel dog or horse racetrack licensed to
20 conduct gambling games at a pari-mutuel racetrack enclosure,
21 issue a license to the licensee to conduct table games of
22 chance, including video machines that simulate table games
23 of chance, at the pari-mutuel racetrack enclosure subject to
24 the requirements of this subsection. However, a table games
25 license may only be issued to a licensee required to pay a
26 table games license fee of three million dollars under this
27 subsection if the licensee, and all other licensees of an
28 excursion gambling boat in that county, file an agreement
29 with the commission authorizing the granting of a table games
30 license under this subsection and permitting all licensees
31 of an excursion gambling boat to operate a moored barge as
32 of a specific date. The licensee shall be granted a table
33 games license by the commission ~~without conducting a separate~~
34 ~~referendum authorizing table games~~ upon payment of the
35 applicable license fee to the commission which table games

1 license fee may be offset by the licensee against taxes imposed
2 on the licensee by section 99F.11, to the extent of twenty
3 percent of the table games license fee paid pursuant to this
4 subsection for each of five consecutive fiscal years beginning
5 with the fiscal year beginning July 1, 2008. Fees paid
6 pursuant to this subsection are not refundable to the licensee.
7 A licensee shall not be required to pay a fee to renew a table
8 games license issued pursuant to this subsection. Moneys
9 collected by the commission from a table games license fee paid
10 under this subsection shall be deposited in the rebuild Iowa
11 infrastructure fund created in section 8.57.

12 Sec. 11. Section 99F.7, subsection 11, paragraphs a, b, d,
13 and e, Code 2011, are amended to read as follows:

14 a. A license to conduct gambling games ~~on an excursion~~
15 ~~gambling boat~~ in a county shall be issued only if the county
16 electorate approves the conduct of the gambling games as
17 provided in this subsection. The board of supervisors, upon
18 receipt of a valid petition meeting the requirements of section
19 331.306, and subject to the requirements of paragraph "e",
20 shall direct the commissioner of elections to submit to the
21 registered voters of the county a proposition to approve or
22 disapprove the conduct of gambling games ~~on an excursion~~
23 ~~gambling boat~~ in the county. The proposition shall be
24 submitted at an election held on a date specified in section
25 39.2, subsection 4, paragraph "a". To be submitted at a
26 general election, the petition must be received by the board
27 of supervisors at least five working days before the last day
28 for candidates for county offices to file nomination papers
29 for the general election pursuant to section 44.4. If a
30 majority of the county voters voting on the proposition favor
31 the conduct of gambling games, the commission may issue one or
32 more licenses as provided in this chapter. If a majority of
33 the county voters voting on the proposition do not favor the
34 conduct of gambling games, a license to conduct gambling games
35 in the county shall not be issued.

1 ~~b.~~ If ~~licenses~~ a license to conduct gambling games ~~and~~
 2 ~~to operate an excursion gambling boat~~ are ~~is~~ in effect
 3 pursuant to a referendum as set forth in this section and ~~are~~
 4 is subsequently disapproved by a referendum of the county
 5 electorate, the ~~licenses~~ license issued by the commission after
 6 a referendum approving gambling games ~~on excursion gambling~~
 7 ~~boats~~ shall remain valid and ~~are~~ is subject to renewal for a
 8 total of nine years from the date of original issue or one
 9 year from the date of the referendum disapproving the conduct
 10 of gambling games, whichever is later, unless the commission
 11 revokes a license at an earlier date as provided in this
 12 chapter.

13 ~~d.~~ If the proposition to operate gambling games ~~on an~~
 14 ~~excursion gambling boat or at a racetrack enclosure~~ is
 15 approved by a majority of the county electorate voting on the
 16 proposition, the board of supervisors shall submit ~~the same~~
 17 a proposition requiring the approval or defeat of gambling
 18 games to the county electorate ~~at the general election held in~~
 19 ~~2002 and, unless the operation of gambling games is terminated~~
 20 ~~earlier as provided in this chapter or chapter 99D, at the~~
 21 ~~general election held at each subsequent eight-year interval~~
 22 as provided in paragraph "e", unless the operation of gambling
 23 games is terminated earlier as provided in this chapter or
 24 chapter 99D. However, if a proposition to operate gambling
 25 games is approved by a majority of the county electorate voting
 26 on the proposition in two successive elections, a subsequent
 27 submission and approval of a proposition under this subsection
 28 shall not thereafter be required to authorize the conduct of
 29 gambling games pursuant to this chapter.

30 ~~e.~~ After a referendum has been held which approved or
 31 ~~defeated a proposal to conduct gambling games on excursion~~
 32 ~~gambling boats or which defeated a proposal to conduct gambling~~
 33 ~~games at a licensed pari-mutuel racetrack enclosure~~ as provided
 34 in this section, another referendum on a proposal to conduct
 35 gambling games ~~on an excursion gambling boat or at a licensed~~

1 ~~pari-mutuel racetrack~~ shall not be held ~~for at least eight~~
2 years until the eighth calendar year thereafter.

3 Sec. 12. Section 99F.7, subsection 15, Code 2011, is amended
4 to read as follows:

5 15. If a licensed excursion boat stops at more than one
6 harbor and travels past a county without stopping at any port
7 in that county, the commission shall require the excursion boat
8 operator to develop a schedule for ports of call ~~in which a~~
9 ~~county referendum has been approved, and the port of call has~~
10 that have the necessary facilities to handle the boat. The
11 commission may limit the schedule to only one port of call per
12 county.

13 Sec. 13. EFFECTIVE UPON ENACTMENT. This division of this
14 Act, being deemed of immediate importance, takes effect upon
15 enactment.

16 Sec. 14. RETROACTIVE APPLICABILITY. This division of this
17 Act applies retroactively to elections occurring on or after
18 January 1, 1994.

19 DIVISION III

20 REPORT ON THE POSSIBLE REGULATION

21 OF INTRASTATE INTERNET POKER

22 Sec. 15. The administrator of the state racing and gaming
23 commission shall prepare a report for delivery to the general
24 assembly no later than December 1, 2011, regarding the
25 creation of a framework for the state regulation of intrastate
26 internet poker. The report shall consider the current state of
27 unregulated internet poker play in Iowa, consumer protection,
28 and responsible gaming measures that can be implemented through
29 regulation, licensing structures, regulatory recommendations,
30 affiliations with licensees regulated under chapter 99F, and
31 the collection of wagering taxes. The administrator may
32 consult with licensees regulated under chapter 99F, with
33 tribes that have entered into an agreement or compact with
34 the state of Iowa as described in section 10A.104, subsection
35 10, with potential internet poker hub operators, and with any

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1 other interested parties in the preparation of the report.
2 The administrator shall not be required within the report to
3 make specific recommendations regarding the legalization of
4 intrastate internet poker in Iowa. The director of public
5 health shall prepare a report for delivery to the administrator
6 of the state racing and gaming commission no later than October
7 1, 2011, regarding the societal impacts of internet poker
8 in Iowa for inclusion in the administrator's report. The
9 director shall not be required within the director's report to
10 make specific recommendations regarding the legalization of
11 intrastate internet poker in Iowa.