

House Engrossed

**FILED**

**MICHELE REAGAN**  
**SECRETARY OF STATE**

State of Arizona  
House of Representatives  
Fifty-third Legislature  
First Regular Session  
2017

**CHAPTER 41**  
**HOUSE BILL 2358**

AN ACT

AMENDING SECTIONS 5-101, 5-101.01, 5-104 AND 5-105, ARIZONA REVISED STATUTES; REPEALING SECTION 5-105.01, ARIZONA REVISED STATUTES; AMENDING SECTIONS 5-106, 5-107, 5-107.01, 5-109, 5-109.01, 5-111 AND 5-111.02, ARIZONA REVISED STATUTES; REPEALING SECTION 5-111.03, ARIZONA REVISED STATUTES; AMENDING SECTIONS 5-111.04, 5-112, 5-113, 5-114, 5-115, 5-224, 11-256.01 AND 42-5073, ARIZONA REVISED STATUTES; RELATING TO HORSE AND DOG RACING.

(TEXT OF BILL BEGINS ON NEXT PAGE)

1 Be it enacted by the Legislature of the State of Arizona:  
2 Section 1. Section 5-101, Arizona Revised Statutes, is amended to  
3 read:

4 5-101. Definitions

5 In this article, unless the context otherwise requires:

6 1. "Additional wagering facility" means a facility that is not the  
7 enclosure in which authorized racing takes place but that meets the  
8 requirements of section 5-111, subsection A and is used by a permittee for  
9 handling pari-mutuel wagering.

10 2. "Advance deposit wagering" means a form of pari-mutuel wagering  
11 that allows a person to deposit monies in advance in an account with an  
12 advance deposit provider and use the monies to pay for pari-mutuel  
13 wagering on live or simulcast racing that the advance deposit pari-mutuel  
14 wagering permittee accepts or makes.

15 3. "Advance deposit wagering provider" means a betting system or  
16 multijurisdictional wagering provider that is authorized to conduct  
17 advance deposit wagering pursuant to this article.

18 4. "Applicant" means a person, partnership, association or  
19 corporation placing before the department an application for a permit or  
20 license.

21 5. "Association" means a body of persons, corporations,  
22 partnerships or associations, united and acting together without a charter  
23 from the state for the prosecution of some common enterprise.

24 6. "Commercial horse racing" means horse racing conducted other  
25 than by a county fair association.

26 7. "Commission" means the Arizona racing commission.

27 8. "Concessionaire" means a person, partnership, association or  
28 corporation that offers goods or services for sale to the public, a  
29 permittee or a licensee at an enclosure in which authorized racing takes  
30 place or an additional wagering facility.

31 9. "County fair facility" means any place, enclosure or track  
32 constructed in accordance with a permit issued by the commission for the  
33 purpose of running county fair horse racing dates as well as any  
34 commercial dates for horse racing that may be awarded by the commission in  
35 reference to the location.

36 10. "County fair racing association" means an association duly  
37 authorized by the board of supervisors to conduct a county fair racing  
38 meeting for the benefit of the county.

39 11. "Dark day simulcast" means a simulcast received on a day when  
40 there are no posted races conducted at the enclosure in which authorized  
41 racing takes place.

42 12. "Department" means the department of gaming.

43 13. "Desensitized" means that a horse's ~~or dog's~~ legs on arrival at  
44 the receiving barn, OR saddling paddock ~~or lockout kennel~~ do not respond

- 1 appropriately to tests for feeling administered by an official  
2 veterinarian.
- 3 14. "Director" means the director of the department of gaming.
- 4 15. "Dog racing" means racing in which greyhound dogs chase a  
5 mechanical lure.
- 6 16. "Entered" means that a horse or dog has been registered with an  
7 authorized racing official as a participant in a specified race and has  
8 not been withdrawn prior to presentation of the horse or dog for  
9 inspection and testing as provided in section 5-105.
- 10 17. "Financial interest" means any direct pecuniary interest.
- 11 18. "Firm" means a business unit or enterprise that transacts  
12 business.
- 13 19. "Handle" means the total amount of money contributed to all  
14 pari-mutuel pools by bettors.
- 15 20. "Harness racing" means horse racing in which the horses are  
16 harnessed to a sulky, carriage or similar vehicle and driven by a driver.
- 17 21. "Horse racing" means racing in which horses are mounted and  
18 ridden by jockeys. For purposes of county fair racing meetings, "horse  
19 racing" means racing in which horses or mules are mounted and ridden by  
20 jockeys.
- 21 22. "License" means the license issued by the department to each  
22 employee or other person participating in any capacity in a racing  
23 meeting, including officials and employees of the pari-mutuel department.
- 24 23. "Pari-mutuel wagering" means a system of betting that provides  
25 for the distribution among the winning patrons of at least the total  
26 amount wagered less the amount withheld under state law.
- 27 24. "Permit" means a permit for a racing meeting issued under the  
28 provisions of this article.
- 29 25. "Racing meeting" means a number of days of racing allotted by  
30 the commission in one permit.
- 31 26. "Simulcast" means the telecast shown within this state of live  
32 audio and visual signals of horse, harness or dog races conducted at an  
33 out-of-state track or the telecast shown outside this state of live audio  
34 and visual signals of horse or harness races originating within this state  
35 for the purpose of pari-mutuel wagering.
- 36 27. "Source market fee" means the fee that an advance deposit  
37 wagering provider pays to a commercial ~~live racing~~ permittee in the state  
38 where the advance deposit wagering customer resides.
- 39 28. "Telephone" means any device that a person uses for voice  
40 communications in connection with the services of a telephone company.
- 41 29. "Undesirable" includes known bookmakers, touts, persons  
42 convicted of a violation of any provision of this article or of any law  
43 prohibiting bookmaking or any other illegal forms of wagering, or any  
44 other person whose presence would, in the opinion of the director, be  
45 inimical to the interests of the state.

1           30. "Week" means seven consecutive days beginning on Monday and  
2 ending on Sunday, mountain standard time.

3           Sec. 2. Section 5-101.01, Arizona Revised Statutes, is amended to  
4 read:

5           5-101.01. Division of racing; director; qualifications; term;  
6                           deputy director; conflict of interest

7           A. There is established a division of racing within the department  
8 of gaming.

9           B. The director shall administer the division. To be eligible for  
10 appointment as director, a person must have a minimum of five years of  
11 experience in business and administration and shall not have a financial  
12 interest in a racetrack or in the racing industry in this state during ~~his~~  
13 THAT PERSON'S appointment.

14           C. The director may establish the position of deputy director of  
15 the division.

16           D. The position of deputy director, if applicable, is exempt from  
17 title 41, chapter 4, articles 5 and 6. The deputy director, if  
18 applicable, is eligible to receive compensation pursuant to section  
19 38-611.

20           E. The provisions of title 38, chapter 3, article 8, relating to  
21 conflict of interest, apply to the director and all other employees of the  
22 department.

23           F. Neither the director, any employee of the department nor any  
24 member of the immediate family of the director or other employee of the  
25 department may:

26           1. Have any pecuniary interest in a racetrack in this state or in  
27 any ~~kenel~~, stable, compound or farm licensed under this chapter.

28           2. Wager money at a racetrack enclosure or additional wagering  
29 facility in this state or wager money on the results of any race held at a  
30 racetrack enclosure in this state.

31           3. Hold more than a five percent interest in any entity doing  
32 business with a racetrack in this state.

33           4. Have any interest, whether direct or indirect, in a license  
34 issued pursuant to this chapter or in a licensee, facility or entity that  
35 is involved in any way with pari-mutuel wagering. For the purposes of  
36 this paragraph, "interest" includes employment.

37           G. Failure to comply with subsection F of this section is grounds  
38 for dismissal.

39           H. For the purposes of subsection F of this section, "immediate  
40 family" means a spouse or children who regularly reside in the household  
41 of the director or other employee of the department.

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

3           5-104. Arizona racing commission; director; department;  
4                   powers and duties

5           A. The commission shall:

6               1. Issue racing dates.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

1 under this subsection shall not exceed the amount of retired racehorse  
2 adoption surcharges collected pursuant to this subsection. The commission  
3 shall collect a retired racehorse adoption surcharge in addition to each  
4 civil penalty assessed in connection with horse or harness racing pursuant  
5 to this article. The amount of the retired racehorse adoption surcharge  
6 shall be five percent of the amount collected for each applicable civil  
7 penalty.

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

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

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

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

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

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

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

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

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

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

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

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

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

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



1 chemical laboratory located either within or outside this state. The  
2 testing personnel may, in accordance with such procedures as the  
3 commission by regulation prescribes:

4 1. Examine horses entered in a race within six hours before the  
5 start of the race to determine if the horse has been desensitized or  
6 drugged. For the purposes of the examination a horse does not have to be  
7 held in a retaining barn.

8 ~~2. Examine dogs at weigh-in or weigh-out time to determine if the~~  
9 ~~dog has been desensitized or drugged.~~

10 ~~3.~~ 2. Perform such other tests and inspections as the department  
11 considers necessary to carry out this article including the random  
12 splitting of samples.

13 ~~4.~~ 3. Store blood, urine and saliva samples in a frozen state or  
14 in any other appropriate manner by which they may be preserved for future  
15 analysis.

16 ~~5.~~ 4. Perform tests on horses ~~or dogs~~ that die while on property  
17 under the jurisdiction of the department.

18 ~~6.~~ 5. Analyze samples of urine, blood or saliva taken immediately  
19 after a race from the horse that won the race to determine if the horse  
20 has been drugged. The department may additionally analyze samples of any  
21 other animal entered in a race.

22 ~~7. Analyze samples of urine or saliva taken either immediately~~  
23 ~~prior to or after a race from the dog that won the race to determine if~~  
24 ~~the dog has been drugged. The department may additionally analyze samples~~  
25 ~~of any other animal entered in a race.~~

26 B. The veterinarian authorized by the department may order the  
27 taking and analysis of samples from a losing favorite or from any other  
28 horse ~~or dog~~ when the veterinarian, based upon ON the performance of the  
29 horse ~~or dog~~ in the race, has probable cause to believe that the horse ~~or~~  
30 ~~dog~~ has been drugged or desensitized. If a blood sample is required, the  
31 veterinarian shall take the sample.

32 C. The identity of any horse ~~or dog~~ determined under this section  
33 to be drugged or desensitized shall, in accordance with such procedures as  
34 the commission prescribes by regulation, be reported to a steward and the  
35 appropriate county attorney. If any horse ~~or dog~~ is not made available in  
36 accordance with such regulations as the commission prescribes for any test  
37 or inspection required under this section the identity of such horse ~~or~~  
38 ~~dog~~ shall be reported to a steward.

39 D. A permittee shall, in accordance with regulations prescribed by  
40 the commission, provide the testing personnel with adequate space and  
41 facilities so that the inspections, tests and other procedures described  
42 in subsection A OF THIS SECTION may be performed. Access to such space  
43 and facilities shall be restricted in accordance with regulations  
44 prescribed by the commission.

1 E. Testing personnel may detain for a period of not to exceed  
2 twenty-four hours for examination, testing or the taking of evidence any  
3 horse or dog at a race which THAT is drugged or desensitized or which THAT  
4 such person, based upon ON the results of an inspection, test or other  
5 procedure conducted under this section, has probable cause to believe is  
6 drugged or desensitized. Any horse or dog which THAT is detained may not  
7 be moved during such detention from the place where the horse or dog is  
8 detained except as authorized by testing personnel pursuant to rule and  
9 regulation of the commission.

10 F. The department shall retain for three years copies of all  
11 post-mortem reports on animals. The department shall retain all such  
12 reports which THAT are used as evidence in a judicial proceeding at least  
13 until the conclusion of the proceeding.

14 Sec. 5. Repeal

15 Section 5-105.01, Arizona Revised Statutes, is repealed.

16 Sec. 6. Section 5-106, Arizona Revised Statutes, is amended to  
17 read:

18 5-106. Supervisor of mutuels; pari-mutuel auditors; other  
19 employees; stewards

20 A. The director shall appoint a supervisor of mutuels, security  
21 personnel and as many other employees as may be necessary for the  
22 enforcement of the laws of this state and the rules relating to racing.

23 B. The director shall determine which employees shall give bond to  
24 the state for the faithful performance of their respective duties in an  
25 amount as the department shall prescribe. The cost of providing the bonds  
26 shall be a charge against the state.

27 C. The compensation of employees shall be as determined pursuant to  
28 section 38-611.

29 D. The director shall keep a record of all proceedings and preserve  
30 all books, documents and papers of the commission and department.

31 E. The supervisor of mutuels shall monitor the wagering and the  
32 pari-mutuel departments at all racing meetings and additional wagering  
33 facilities and shall enter into no other employment or contracts of  
34 employment involving racing or pari-mutuel wagering either within or  
35 without the state during days of racing in the state.

36 F. The security personnel appointed by the director shall assist in  
37 keeping the peace at all racing meetings and additional wagering  
38 facilities, shall enforce all laws of the state relating to racing and all  
39 rules of the commission and shall perform other duties as the commission  
40 or director shall prescribe and in the discharge of their duties shall  
41 have the authority of peace officers.

42 G. The director shall establish a security section charged with the  
43 responsibility for investigative matters relating to the proper conduct of  
44 racing and greyhound breeding, inspections of off-track kenneling of  
45 greyhounds used, trained or bred for racing purposes and pari-mutuel

1 wagering including barring undesirables from racing, undercover  
2 investigations, fingerprinting persons licensed by the department and  
3 reviewing license applications. The person in charge of the security  
4 section shall have at least five years of experience in law enforcement or  
5 in conducting or supervising investigations in some aspect of racing law  
6 enforcement.

7 ~~H. For purposes of inspecting off-track greyhound training or~~  
8 ~~breeding facilities, the director may request and accept volunteer~~  
9 ~~assistance from a member or representative of the national greyhound~~  
10 ~~association in any instance in which the director believes specialized~~  
11 ~~knowledge or advice may be useful or necessary in the enforcement of this~~  
12 ~~chapter.~~

13 ~~I.~~ H. If on investigation by the department there is substantial  
14 evidence indicating that the security at any track or additional wagering  
15 facility is not satisfactory, the director may order the permittee to  
16 remedy the deficiency. If after ten days following the order the  
17 permittee has not remedied the deficiency, the department may institute  
18 its own security personnel program until the deficiency in security is  
19 remedied and may charge the permittee the actual costs incurred  
20 therefor. The permittee may petition the department for a hearing at any  
21 time to review the necessity of the department further maintaining its own  
22 security personnel.

23 ~~J.~~ I. Persons employed by the department as investigators must  
24 have training in a general investigation course, including instruction in  
25 appropriate Arizona law, conducted or approved by the director.

26 ~~K.~~ J. For each horse, OR harness or dog racing meeting, the  
27 director, with the approval of the commission, shall employ two persons  
28 qualified as stewards. For each horse, OR harness or dog racing meeting,  
29 the permittee, with the approval of the commission, shall employ one  
30 person qualified and licensed by the department as a steward. An  
31 applicant who wishes to be licensed or employed as a steward by the  
32 department for a commercial horse or harness racing meeting must be  
33 certified as a steward by a national organization approved by the  
34 department. The director shall designate one of the two stewards employed  
35 by the department pursuant to this section as chief steward for each  
36 horse, OR harness or dog racing meeting. The director shall designate  
37 the remaining stewards as assistant stewards. For each horse, OR harness  
38 or dog racing meeting conducted by a county fair racing association, the  
39 director, with the approval of the commission, shall employ three persons  
40 qualified as stewards. The director shall designate one of the three  
41 stewards as chief steward for each horse, OR harness or dog racing  
42 meeting conducted by a county fair racing association, and shall designate  
43 the remaining stewards as assistant stewards.

1           Sec. 7. Section 5-107, Arizona Revised Statutes, is amended to  
2 read:

3           5-107. Nature of racing meeting permits; application for  
4                 permit; cash deposit; return; bond; conditions and  
5                 priorities for satisfaction of bond

6           A. Permits to conduct racing meetings are deemed to be personal in  
7 nature, are nontransferable and shall terminate ~~upon~~ ON a substantial  
8 change of ownership of the permittee. The sale or transfer of twenty-five  
9 ~~per cent~~ PERCENT or more of the equity of a permittee shall be considered  
10 a substantial change of ownership. Nothing in this subsection shall be  
11 construed so as to cause the termination of a permit ~~upon~~ ON the death of  
12 the permittee, or if a corporation, the death of a shareholder thereof,  
13 during the period for which such permit was granted.

14           B. Every applicant making application for a permit to hold a racing  
15 meeting shall file an application with the commission. The commission  
16 shall promulgate rules and regulations regarding application procedures.  
17 The application shall include:

18           1. The full name and address of the applicant, and if a  
19 corporation, the name of the state under which it is incorporated. If  
20 such applicant is an association or corporation, the residence addresses  
21 of the members of the association and the names of all directors of the  
22 corporation shall be included, and the stock certificate records of such  
23 applicant shall be made available to the department ~~upon~~ ON request of the  
24 director. The department shall be notified within ten days of the  
25 election of any new officer or director of a permittee, and the identity  
26 of every person who acquires ten ~~per cent~~ PERCENT or more of a permittee's  
27 equity or interest. Each new officer, director or substantial owner shall  
28 furnish all information requested by the department to facilitate approval  
29 of his participation in racing in this state.

30           2. The exact location where it is desired to conduct or hold a  
31 racing meeting.

32           3. A statement as to whether or not the racing plant is owned or  
33 leased, and if leased, the name and residence of the fee owner, or if a  
34 corporation, the names and addresses of the directors of the corporation.

35           4. A complete financial statement and balance sheet of the person,  
36 corporation or other business entity making such application, completed  
37 and certified by a certified public accountant. In the case of  
38 applications for renewal of dog racing meeting permits ~~which~~ THAT were in  
39 existence before May 5, 1972, such financial statement and balance sheet  
40 shall be on a calendar year basis. In the case of applications for  
41 renewal of horse or harness racing meeting permits ~~which~~ THAT were in  
42 existence before May 5, 1972, such financial statement and balance sheet  
43 shall be on a fiscal year basis. In the case of all new permit  
44 applications made from and after May 5, 1972, and renewal applications of  
45 such permits, such financial statement and balance sheet shall be on

1 either a calendar year or fiscal year basis, at the discretion of the  
2 department. In addition, the application shall identify any guarantors or  
3 any indebtedness of the applicant, and the department shall be provided,  
4 upon ON request, with a statement from a certified public accountant  
5 certifying that the net worth of any guarantor or guarantors is at least  
6 equal to the amount of the unpaid indebtedness so guaranteed.  
7 Applications for racing meetings operated by county fair racing  
8 associations are exempt from this paragraph.

9 5. A complete list of all management and concession contracts in  
10 effect at the time of the application, copies of which shall be furnished  
11 to the department upon ON request. If the applicant is granted a permit  
12 he shall further be required, upon ON the request of the department, to  
13 submit a complete list of all subsequent management and concession  
14 contracts, and copies of such contracts shall be submitted to the  
15 department upon ON request.

16 6. Such other relevant and material information pertaining to the  
17 application as the department may require.

18 C. Not less than ten days ~~prior to~~ BEFORE the commencement of a  
19 commercial racing meeting, the permittee shall submit to the department a  
20 cash deposit in such amount, but not to exceed five thousand dollars, as  
21 the director deems necessary to insure payment of fees and the amount due  
22 the state as the percentage of pari-mutuel receipts payable to the state  
23 as prescribed by law. Upon ON termination of the racing meeting, the  
24 deposit shall be returned to the applicant, less any fees or pari-mutuel  
25 receipts remaining unpaid.

26 D. In addition to the cash deposit and ~~prior to~~ BEFORE the issuance  
27 of a racing meeting permit, the applicant shall deposit with the  
28 department a bond payable to the state for the benefit of the state and  
29 any person covered by this section, in such amount, but ~~not to exceed one~~  
30 ~~hundred thousand dollars in the case of dog racing meeting permittees, and~~  
31 ~~not to exceed three hundred thousand dollars in the case of horse or~~  
32 ~~harness racing meeting permittees, as the director deems necessary, with a~~  
33 ~~surety or sureties to be approved by the department and the attorney~~  
34 ~~general and conditioned in accordance with the following order of~~  
35 ~~priorities:~~

36 1. That the permittee shall first faithfully pay to the state the  
37 percentage of the pari-mutuel receipts, as applicable, prescribed by law  
38 and all taxes due to the state.

39 2. That thereafter the permittee shall pay to the owner thereof all  
40 funds held by the permittee for the account of such owner, including  
41 purses won, if such owner is or has been licensed by the department.

42 3. That thereafter the permittee shall pay all salaries and wages  
43 due to the employees of such permittee in connection with the conduct of  
44 the racing meeting.



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

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

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

22 F. The director may issue a temporary license to an owner, trainer,  
23 driver or jockey who is duly licensed in another jurisdiction for special  
24 races or special circumstances for a period of not to exceed thirty days.  
25 The director may allow a trainer so licensed to complete an application  
26 for a temporary license for an owner if the owner is not immediately  
27 available to personally submit the application.

28 G. A licensed owner, lessee or trainer of a qualified horse who has  
29 applied to a permittee to be stabled at a track and who has not been  
30 granted a stall shall not be prohibited from bringing the horse on the  
31 race grounds for the purpose of entering the animal in races that are held  
32 by the permittee or for the purposes of qualifying to race solely for the  
33 reason that the animal is not being stabled at the track if the owner,  
34 lessee or trainer is in compliance with rules adopted by the  
35 commission. ~~A dog racing permittee may not prohibit a licensed owner or a  
36 licensed lessee of a qualified animal who has applied to be kennelled at  
37 the track and who has not been granted a kennel to enter the animal in  
38 races that are held by the permittee and to bring the animal on the track  
39 for purposes of qualifying to race or to race solely for the reason that  
40 the animal is not being kennelled at the track.~~

41 Sec. 9. Section 5-109, Arizona Revised Statutes, is amended to  
42 read:

43 5-109. Identification of animals; exemptions

44 ~~No~~ A horse ~~or dog~~ shall NOT take part in any race conducted under  
45 this article unless satisfactorily identified and registered by an

1 association recognized by the department. A horse shall not be allowed to  
2 leave the racetrack premises unless it is accompanied by the certificate  
3 required by section 3-1335 unless:

4 1. An emergency situation requires immediate removal of the animal  
5 from the premises.

6 2. The director of the Arizona department of agriculture issues  
7 special permission in situations he determines to be in the best interest  
8 of the animal.

9 Sec. 10. Section 5-109.01, Arizona Revised Statutes, is amended to  
10 read:

11 5-109.01. Requirements of permittee regarding Arizona bred  
12 horses; powers of commission

13 A. A permittee, in addition to all other requirements, shall:

14 1. Admit to qualifying ~~or official schooling races~~ any horse that  
15 is foaled in this state or any dog that is whelped ~~and raised six months~~  
16 ~~of the first year in this state~~ at a facility licensed by the department  
17 and that is:

18 (a) Of suitable racing age.

19 (b) Physically qualified and registered pursuant to department  
20 requirements.

21 (c) Owned by a resident of this state, who has been engaged for at  
22 least two consecutive years, in this state, in the business of breeding,  
23 racing, raising or training horses ~~or dogs~~ for racing purposes.

24 2. Adopt no rule ~~which~~ THAT discriminates in any way against a  
25 resident of this state who is engaged in this state in the business of  
26 breeding, racing, raising or training horses ~~or dogs~~ for racing purposes.

27 B. Failure of a permittee to comply with subsection A OF THIS  
28 SECTION constitutes grounds for revocation of or refusal to renew any  
29 permit.

30 C. The commission may adopt rules to further the purposes of this  
31 section.

32 Sec. 11. Section 5-111, Arizona Revised Statutes, is amended to  
33 read:

34 5-111. Wagering percentage to permittee and state: exemptions

35 A. The commission shall prescribe rules governing wagering on races  
36 under the system known as pari-mutuel wagering. Wagering shall be  
37 conducted by a permittee only by pari-mutuel wagering and only on the  
38 dates for which racing or dark day simulcasting has been authorized by the  
39 commission. Wagering for a licensed racing meeting shall be conducted by a  
40 commercial live-racing permittee only within an enclosure ~~in which~~  
41 ~~authorized racing takes place~~ and, in counties having a population of less  
42 than five hundred thousand persons or at least one million five hundred  
43 thousand persons, at those additional facilities that are owned or leased  
44 by a permittee, that are approved by the commission and that are used by a  
45 permittee for handling wagering as part of the pari-mutuel system of the

1 commercial live-racing permittee. In all other counties, wagering may  
2 also be conducted at additional facilities that are owned or leased by a  
3 commercial live-racing permittee who is licensed to conduct live racing in  
4 those counties or, until January 1, 2019, who has the consent of all  
5 commercial permittees currently licensed to conduct live racing in those  
6 counties, and that are used by a permittee for handling wagering and as  
7 part of the pari-mutuel system of the commercial live-racing permittee.  
8 Beginning January 1, 2019, consent of commercial permittees licensed to  
9 conduct live racing in those counties is not required. From and after  
10 December 31, 2016, any agreement concerning simulcasting that is executed  
11 between a permittee that conducted live dog racing in 2016 and a horse  
12 racing facility that is located in a county with a population of more than  
13 three million persons shall provide that twenty percent of the commission  
14 fee paid to a permittee that conducted live dog racing in 2016 under that  
15 agreement be distributed to the recognized horsemen's association that  
16 represents horsemen participating in race meets in this state. If the  
17 additional facilities have not been used for authorized racing before  
18 their use for handling wagering, a permittee shall not use the facilities  
19 for handling wagering before receiving approval for use by the governing  
20 body of the city or town, if located within the corporate limits, or by  
21 the board of supervisors, if located in an unincorporated area of the  
22 county. A permittee may televise any live or simulcast races received at  
23 the permittee's racing enclosure to the additional facilities at the times  
24 the races are conducted or received at the permittee's enclosure. For the  
25 purpose of section 5-110, subsection C only, a race on which wagering is  
26 permitted under this subsection shall be deemed to also occur at the  
27 additional facility in the county in which the additional facility is  
28 located, and shall be limited in the same manner as actual live racing in  
29 that county. For the purpose of ~~subsections~~ SUBSECTION B and C of this  
30 section, the wagering at the additional facility shall be deemed to occur  
31 in the county in which the additional facility is located.

32 ~~B. Until January 1, 2017, during the period of any permit for dog~~  
33 ~~racing in any county, the state shall receive five and one-half percent of~~  
34 ~~all monies handled in the pari-mutuel pool operated by the permittee, to~~  
35 ~~be paid daily during the racing meeting. In all counties having a~~  
36 ~~population of one million five hundred thousand persons or more, four and~~  
37 ~~three-quarters percent of the gross amount of monies handled in a~~  
38 ~~pari-mutuel pool shall be deducted from the pari-mutuel pool and shall be~~  
39 ~~deposited daily into a trust account for the payment of purse amounts. In~~  
40 ~~counties having a population of less than one million five hundred~~  
41 ~~thousand persons, four percent of the gross amount of monies handled in a~~  
42 ~~pari-mutuel pool shall be deducted from the pari-mutuel pool and shall be~~  
43 ~~deposited daily in a trust account for the payment of purse amounts.~~  
44 ~~Notwithstanding any other provision of this subsection, the percentage~~  
45 ~~paid by a permittee to the state does not apply to monies handled in a~~

1 ~~pari-mutuel pool for wagering on simulcasts of out-of-state races. During~~  
2 ~~a week in which a permittee conducts live racing at the permittee's~~  
3 ~~racetrack enclosure, the permittee shall deduct from monies handled in a~~  
4 ~~pari-mutuel pool for wagering on simulcasts of out-of-state races and~~  
5 ~~deposit daily in a trust account for the payment of purse amounts the same~~  
6 ~~percentage of the pari-mutuel pool as is deducted for purses for live~~  
7 ~~races unless otherwise agreed by written contract. Unless otherwise~~  
8 ~~agreed by written contract, if the commission reasonably determines that~~  
9 ~~live racing will not be conducted within one calendar year at a racetrack~~  
10 ~~enclosure, the permittee shall deduct from monies handled in a pari-mutuel~~  
11 ~~pool for wagering on simulcasts of out-of-state races and deposit daily in~~  
12 ~~a trust account to supplement purses of any dog track where live racing is~~  
13 ~~conducted within a one hundred mile radius. The supplementing provided by~~  
14 ~~this subsection shall be in the most equitable manner possible as~~  
15 ~~determined by the commission. The permittee shall allocate the funds in~~  
16 ~~the trust account and pay purse amounts at least biweekly. The permittee,~~  
17 ~~at the permittee's discretion, may pay additional amounts to augment~~  
18 ~~purses from the amounts received by the permittee under this subsection.~~

19 ~~C. B. During the period of a permit for horse or harness racing,~~  
20 ~~the permittee that conducts the meeting may deduct up to and including~~  
21 ~~twenty-five percent of the total amount handled in the regular pari-mutuel~~  
22 ~~pools and, at the permittee's option, may deduct up to and including~~  
23 ~~thirty percent of the total amount handled in the exacta, daily double,~~  
24 ~~quinella and other wagering pools involving two horses, and up to and~~  
25 ~~including thirty-five percent of the total amount handled in the trifecta~~  
26 ~~or other wagering pools involving more than two horses in one or more~~  
27 ~~racers. The amounts if deducted shall be distributed as prescribed in~~  
28 ~~subsection D C of this section and section 5-111.02 for horse or harness~~  
29 ~~racing permittees. Until January 1, 2017, for dog racing permittees,~~  
30 ~~unless otherwise agreed by written contract, the permittee shall allocate~~  
31 ~~to purses from amounts wagered on live racing conducted in this state an~~  
32 ~~amount equal to fifty percent of any amounts that are deducted pursuant to~~  
33 ~~this subsection in excess of twenty percent of the total amount handled in~~  
34 ~~the regular pari-mutuel pools, twenty-one percent of the total amount~~  
35 ~~handled in the exacta, daily double, quinella and other wagering pools~~  
36 ~~involving two dogs or twenty-five percent of the total amount handled in~~  
37 ~~the trifecta or other wagering pools involving more than two dogs in one~~  
38 ~~or more races. For dog racing permittees the percentages prescribed in~~  
39 ~~subsection B of this section shall be distributed to the state and to the~~  
40 ~~trust account for payment of purse amounts and the permittee shall receive~~  
41 ~~the balance. If the dog racing permittee has made capital improvements,~~  
42 ~~the distribution to the state shall be adjusted as provided in section~~  
43 ~~5-111.03. Monies deposited in the trust account for payment of purses~~  
44 ~~pursuant to this subsection shall be in addition to amounts deposited~~  
45 ~~pursuant to subsection B of this section.~~

1           ~~D.~~ C. During the period of a permit for horse or harness racing,  
2 the state shall receive two percent of the gross amount of the first one  
3 million dollars of the daily pari-mutuel pools and five percent of the  
4 gross amount exceeding one million dollars of the daily pari-mutuel pools.  
5 Notwithstanding any other provision of this subsection, the percentage  
6 paid by a permittee to the state does not apply to monies handled in a  
7 pari-mutuel pool for wagering on simulcasts of out-of-state races. The  
8 permittee shall retain the balance of the total amounts deducted pursuant  
9 to subsection ~~C~~ B of this section. Of the amount retained by the  
10 permittee, minus the amount payable to the permittee for capital  
11 improvements pursuant to section 5-111.02, breakage distributed to the  
12 permittee pursuant to section 5-111.01 and other applicable state, county  
13 and city transaction privilege or other taxes, unless otherwise agreed by  
14 written contract, fifty percent shall be used for purses. Unless  
15 otherwise agreed by written contract, fifty percent of the revenues  
16 received by the permittee from simulcasting races as provided in section  
17 5-112, net of costs of advertising, shall be utilized as a supplement to  
18 the general purse structure. All amounts that are deducted from the  
19 pari-mutuel pool for purses pursuant to this section and sections  
20 5-111.01, 5-112 and 5-114 and revenues that are received from simulcasting  
21 and that are to be used as a supplement to the general purse structure  
22 pursuant to this subsection shall be deposited daily into a trust account  
23 for the payment of purse amounts.

24           ~~E.~~ D. Any county fair racing association may apply to the  
25 commission for one racing meeting each year and the commission shall set  
26 the number of days and the dates of the meetings. A racing meeting  
27 conducted under this subsection shall be operated in such manner so that  
28 all profits accrue to the county fair racing association, and the county  
29 fair racing association may deduct from the pari-mutuel pool the same  
30 amount as prescribed in subsection ~~C~~ B of this section. All county fair  
31 racing meetings, whether conducted by county fair racing associations  
32 under this subsection or by an individual, corporation or association  
33 other than a county fair racing association, are exempt from the payment  
34 to the state of the percentage of the pari-mutuel pool prescribed by  
35 subsection ~~D~~ C of this section and are also exempt from the provisions of  
36 section 5-111.01.

37           ~~F.~~ E. Monies from charity racing days are exempt from the state  
38 percentage of the pari-mutuel pool prescribed in this section.

39           ~~G.~~ F. Sums held by a permittee for payment of unclaimed  
40 pari-mutuel tickets are exempt from the revised Arizona unclaimed property  
41 act, title 44, chapter 3.

42           ~~H.~~ G. All of the amounts received by a permittee from the gross  
43 amount of monies handled in a pari-mutuel pool and all amounts held by a  
44 permittee for payment of purses pursuant to this section and sections

1 5-111.01, 5-112 and 5-114 are exempt from the provisions of title 42,  
2 chapter 5.

3 Sec. 12. Section 5-111.02, Arizona Revised Statutes, is amended to  
4 read:

5 5-111.02. Capital improvements at horse tracks; reduction in  
6 percentage to state; approval by commission;  
7 definition

8 A. To encourage the improvement of racing facilities for the  
9 benefit of the public, breeders and horse owners, and to increase the  
10 revenue to the state from the increase in pari-mutuel wagering resulting  
11 from such improvements, the percentage paid by a permittee to the state as  
12 provided in section 5-111, subsection ~~D~~ C shall be reduced by one per  
13 cent PERCENT of the total amount wagered in connection with all racing  
14 meetings conducted in counties having a population of five hundred  
15 thousand persons or more, ~~according to the most recent United States~~  
16 ~~decennial census~~, and by two per cent PERCENT of the total amount wagered  
17 in connection with all racing meetings conducted in all other counties for  
18 those permittees who make capital improvements to racetracks and such  
19 amount shall be retained by the permittees making such capital  
20 improvements. When a permittee other than the permittee making the  
21 capital improvements, such as a lessee, is authorized to conduct racing at  
22 the facility being improved, the percentage paid by such permittee to the  
23 state as provided in section 5-111, subsection ~~D~~ C shall be reduced by  
24 one per cent PERCENT of the total amount wagered and such amount shall be  
25 paid by such permittee to the permittee making the capital improvements.

26 B. In order to qualify for the reduction in percentage, a permittee  
27 shall first apply to the commission in such form as the commission may  
28 require. The application shall contain, but is not limited to, full  
29 details of the proposed capital improvement and the cost and expenses to  
30 be incurred, economic justification for approval of the application by an  
31 estimate of the additional pari-mutuel revenues accruing to this state as  
32 the result of the proposed capital improvement, a description of any  
33 public safety concerns to be resolved by the proposed capital improvement  
34 and a management and construction plan for the indicated capital  
35 improvement, including:

- 36 1. The approach and structure of construction management.  
37 2. Construction schedules and detailed cost estimates.  
38 3. Construction progress and cost revision reporting systems.

39 C. More than one capital improvement at a horse track may be  
40 consolidated in one application. Following receipt of the application the  
41 commission shall either approve or disapprove the application within  
42 forty-five days thereafter and shall, within ten days ~~of~~ AFTER taking  
43 action on the application, transmit a copy of the application and  
44 notification of the action taken by the commission on the application to  
45 the president of the senate and speaker of the house of

1 representatives. If the application submitted by the permittee is  
2 approved by the commission, the permittee qualifies for the decrease in  
3 percentage prescribed by subsection A of this section. The commission  
4 shall not approve an application submitted pursuant to this subsection  
5 unless the commission determines that the capital improvement will promote  
6 the safety of racing horses or increase the safety, convenience or comfort  
7 of the people and is in the best interest of horse racing and this state  
8 generally. If the commission approves an application submitted pursuant  
9 to this section, the director shall conduct periodic inspections of the  
10 capital improvement at least monthly during the construction period of the  
11 capital improvement in order to ascertain compliance with the permittee's  
12 application. In the event that such approved project has not commenced  
13 within one year following approval by the commission, unless such period  
14 is extended by the commission, the funds not expended pursuant to the  
15 approval of the commission shall revert to the general fund of the state  
16 and a decrease in the percentage paid to this state by reason of the  
17 approval of the commission shall terminate. The commission may suspend or  
18 revoke the authority of the permittee to expend capital improvement monies  
19 for failure to comply with the capital improvement application approved  
20 pursuant to this subsection B OF THIS SECTION. The permittee shall notify  
21 the commission of the completion of construction on each capital  
22 improvement authorized pursuant to subsection B of this section.

23 D. Except as provided in subsection H of this section, the decrease  
24 in percentage paid to this state by the permittee pursuant to this section  
25 starts from the date horse racing is first conducted following the date of  
26 approval by the commission of the permittee's application for the funding  
27 of a capital improvement at the horse track and continues until sufficient  
28 funds have been obtained for completion of the capital improvement  
29 approved by the commission.

30 E. Following commission approval of an application for funding of a  
31 capital improvement at a horse track pursuant to this section, the  
32 permittee shall set aside in a separate capital improvement escrow or  
33 trust account all monies retained from the decrease in the state's  
34 share. The monies in the account and any interest on the monies may be  
35 used only for the capital improvement previously approved by the  
36 commission. The permittee shall provide to the commission quarterly  
37 reports on a form prescribed by the director ~~which~~ THAT show for the  
38 previous calendar quarter:

39 1. Payments to and expenditures from each capital improvement or  
40 trust account established pursuant to this section.

41 2. The progress of construction on the capital improvement approved  
42 by the commission.

43 F. The cost of a capital improvement shall be determined by  
44 generally accepted accounting principles and verified ~~upon~~ ON completion  
45 of the project by an audit of the permittee's records conducted by the

1 auditor general acting at the instructions of the commission or an  
2 independent certified public accountant selected by the permittee and  
3 approved by the commission.

4 G. In this section, unless the context otherwise requires, "capital  
5 improvement" means an addition, replacement or remodeling of a racetrack  
6 facility involving an expenditure of at least fifty thousand  
7 dollars. Capital improvement also includes architectural and design  
8 expenses directly related to such addition, replacement or remodeling,  
9 whether incurred before or after project approval by the  
10 commission. Capital improvement does not include the cost of ordinary  
11 repairs and maintenance required to keep a racetrack facility in ordinary  
12 operating condition and does not include operational expenses, but may  
13 include the direct acquisition of water trucks and tractors.

14 H. In counties with a population of less than five hundred thousand  
15 persons ~~according to the most recent United States decennial census~~, a  
16 decrease in the percentage paid to this state by the permittee pursuant to  
17 this section shall not begin until from and after June 30, 1995.

18 I. This section expires on June 30, 1992 for counties with a  
19 population of five hundred thousand persons or more ~~according to the most~~  
20 ~~recent United States decennial census~~. This section expires on June 30,  
21 1999 for counties with a population of less than five hundred thousand  
22 persons ~~according to the most recent United States decennial~~  
23 ~~census~~. Projects approved prior to either of these dates may continue  
24 until their completion under the terms of this section and the decrease in  
25 percentage paid to the state by the permittee shall continue until  
26 sufficient funds have been obtained for completion of the approved capital  
27 improvement.

28 Sec. 13. Repeal

29 Section 5-111.03, Arizona Revised Statutes, is repealed.

30 Sec. 14. Section 5-111.04, Arizona Revised Statutes, is amended to  
31 read:

32 5-111.04. Repayment of nonapproved expenditures of capital  
33 monies; judicial review

34 A. If it is determined by the commission, through the findings of  
35 the commission or through information provided to the commission by the  
36 department or the auditor general, that a permittee has retained monies  
37 for approved capital improvements pursuant to ~~sections~~ SECTION 5-111.02  
38 ~~and 5-111.03~~ in excess of the amount approved for such capital  
39 improvements, the permittee shall repay the excess amount to this state  
40 within one year after notification of the determination by the commission.  
41 The commission shall determine the repayment method, and the repayment may  
42 be made directly by the permittee or through reductions in future  
43 entitlements for capital improvements which have been approved by the  
44 commission. This section shall not prohibit the use of capital  
45 expenditure monies received pursuant to ~~sections~~ SECTION 5-111.02 and

1 ~~5-111.03~~ for repayment of obligations of the permittee which directly  
2 relate to approved capital improvements.

3 B. Except as provided in section 41-1092.08, subsection H, final  
4 decisions of the commission are subject to judicial review pursuant to  
5 title 12, chapter 7, article 6.

6 Sec. 15. Section 5-112, Arizona Revised Statutes, is amended to  
7 read:

8 5-112. Wagering legalized; simulcasting of races;  
9 unauthorized wagering prohibited; classification;  
10 report

11 A. Except as provided in subsection ~~K~~ J of this section, section  
12 5-101.01, subsection F and title 13, chapter 33, any person within the  
13 enclosure of a racing meeting held pursuant to this article may wager on  
14 the results of a race held at the meeting or televised to the racetrack  
15 enclosure by simulcasting pursuant to this section by contributing money  
16 to a pari-mutuel pool operated by the permittee as provided by this  
17 article.

18 B. The department, on request by a permittee, may grant permission  
19 for electronically televised simulcasts of horse, harness or dog races to  
20 be received by the permittee. In counties having a population of one  
21 million five hundred thousand persons or more, the simulcasts shall be  
22 received at the racetrack enclosure where a horse or harness racing  
23 meeting is being conducted, provided that the simulcast may only be  
24 received during, immediately before or immediately after a minimum of nine  
25 posted races for that racing day. In counties having a population of five  
26 hundred thousand persons or more but less than one million five hundred  
27 thousand persons, the simulcasts shall be received at the racetrack  
28 enclosure where a horse or harness racing meeting is being conducted  
29 provided that the simulcast may only be received during, immediately  
30 before or immediately after a minimum of four posted races for that racing  
31 day. In all other counties, the simulcasts shall be received at a  
32 racetrack enclosure at which authorized racing has been conducted, whether  
33 or not posted races have been offered for the day the simulcast is  
34 received. The simulcasts shall be limited to horse, harness or dog races.  
35 The simulcasts shall be limited to the same type of racing as authorized  
36 in the permit for live racing conducted by the permittee. The department,  
37 on request by a permittee, may grant permission for the permittee to  
38 transmit the live race from the racetrack enclosure where a horse or  
39 harness racing meeting is being conducted to a facility or facilities in  
40 another state. All simulcasts of horse or harness races shall comply with  
41 the interstate horseracing act of 1978 (P.L. 95-515; 92 Stat. 1811; 15  
42 United States Code chapter 57). All forms of pari-mutuel wagering shall  
43 be allowed on horse, harness or dog races, whether or not televised by  
44 simulcasting. All monies wagered by patrons on these horse, harness or

1 dog races shall be computed in the amount of money wagered each racing day  
2 for purposes of section 5-111.

3 C. Notwithstanding subsection B of this section, in counties having  
4 a population of one million five hundred thousand persons or more,  
5 simulcasts may be received at the racetrack enclosure, and the permittee  
6 may offer pari-mutuel wagering on the simulcast racing at any additional  
7 wagering facility used by a permittee for handling wagering as provided in  
8 section 5-111, subsection A during a permittee's racing meeting as  
9 approved by the commission, whether or not the simulcasts are televised to  
10 the additional wagering facilities and whether or not posted races have  
11 been conducted on the day the simulcast is received, if:

12 ~~1. For horse and harness racing, the permittee's racing permit~~  
13 ~~requires the permittee to conduct a minimum of one hundred fifty-six days~~  
14 ~~of live racing with an average of nine posted races on an average of five~~  
15 ~~racing days each week at the permittee's racetrack enclosure during the~~  
16 ~~period beginning on October 1 and ending on the first full week in May,~~  
17 ~~unless otherwise agreed in writing by the permittee and the recognized~~  
18 ~~horsemen's organization that represents the horsemen participating in the~~  
19 ~~race meet at the racetrack enclosure, subject to approval by the~~  
20 ~~department.~~

21 ~~2. For dog racing, the permittee is required to conduct a minimum~~  
22 ~~of ten posted races on each of four days each week for forty-one weeks~~  
23 ~~during a calendar year at the permittee's racetrack enclosure.~~

24 D. Notwithstanding subsection B of this section, in counties having  
25 a population of seven hundred thousand persons or more but less than one  
26 million five hundred thousand persons, simulcasts may be received at the  
27 racetrack enclosure, and the permittee may offer pari-mutuel wagering on  
28 the simulcast racing at any additional wagering facility used by a  
29 permittee for handling wagering as provided in section 5-111, subsection A  
30 during a permittee's racing meeting as approved by the commission, whether  
31 or not the simulcasts are televised to the additional wagering facilities  
32 and whether or not posted races have been conducted on the day the  
33 simulcast is received. , subject to the following conditions:

34 ~~1. For horse and harness racing, The permittee may conduct~~  
35 ~~wagering on dark day simulcasts for twenty days, provided the permittee~~  
36 ~~conducts a minimum of seven posted races on each of the racing days~~  
37 ~~mandated in the permittee's commercial racing permit. In order to conduct~~  
38 ~~wagering on dark day simulcasts for more than twenty days, the permittee~~  
39 ~~is required to conduct a minimum of seven posted races on one hundred~~  
40 ~~forty racing days at the permittee's racetrack enclosure.~~

41 ~~2. For dog racing, the permittee is required to conduct a minimum~~  
42 ~~of nine posted races on each of one hundred days during a calendar year at~~  
43 ~~the permittee's racetrack enclosure, unless a lesser number is otherwise~~  
44 ~~agreed to by written contract entered into by February 1 of each year by a~~

1 ~~permittee and a majority of licensed persons then participating in a~~  
2 ~~greyhound racing meeting as greyhound racing kennel owners.~~

3 E. In an emergency and on a showing of good cause by a permittee,  
4 the commission may grant an exception to the minimum racing day  
5 requirements of subsections C and D of this section.

6 F. The minimum racing day requirements of subsections C and D of  
7 this section shall be computed by adding all racing days, including any  
8 county fair racing days operated in accordance with section 5-110,  
9 subsection F, allotted to the permittee's racetrack enclosure in one or  
10 more racing permits.

11 G. Simulcast signals or teletracking of simulcast signals does not  
12 prohibit live racing or teletracking of that live racing in any county at  
13 any time.

14 H. Except as provided in subsection ~~K~~ J of this section, section  
15 5-101.01, subsection F and title 13, chapter 33, any person within a  
16 racetrack enclosure or an additional facility authorized for wagering  
17 pursuant to section 5-111, subsection A may wager on the results of a race  
18 televised to the facility pursuant to section 5-111, subsection A by  
19 contributing to a pari-mutuel pool operated as provided by this article.

20 ~~I. Notwithstanding subsection B of this section, the department, in~~  
21 ~~counties having a population of one million five hundred thousand persons~~  
22 ~~or more and on request by a permittee for one day each year, may grant~~  
23 ~~permission for simulcasts to be received without compliance with the~~  
24 ~~minimum of nine posted races requirement.~~

25 ~~J.~~ I. Except as provided in this article and in title 13, chapter  
26 33, all forms of wagering or betting on the results of a race, including  
27 buying, selling, cashing, exchanging or acquiring a financial interest in  
28 pari-mutuel tickets, except by operation of law, whether the race is  
29 conducted in this state or elsewhere, are illegal.

30 ~~K.~~ J. A permittee shall not knowingly permit a person who is under  
31 twenty-one years of age to be a patron of the pari-mutuel system of  
32 wagering.

33 ~~L.~~ K. Except as provided in title 13, chapter 33, any person who  
34 violates this article with respect to any wagering or betting, whether the  
35 race is conducted in or outside this state, is guilty of a class 6 felony.

36 ~~M.~~ L. Simulcasting may only be authorized for the same type of  
37 racing authorized by a permittee's live racing permit.

38 ~~N.~~ M. In addition to pari-mutuel wagering otherwise authorized by  
39 this chapter, a commercial live-racing permittee or a commercial dog  
40 racing permittee that conducted live dog racing in 2016 may conduct  
41 advance deposit wagering as approved by the commission. The commission  
42 also may allow advance deposit wagering by an advance deposit wagering  
43 provider if a racing authority in the state where the advance deposit  
44 wagering provider is located approves the advance deposit wagering  
45 provider and, for horse racing, if the advance deposit wagering provider

1 annually secures the approval of the commercial live horse racing  
2 permittees in a county where the advance deposit wagering provider or  
3 commercial live-racing permittee accepts advance deposit wagers for horse  
4 racing and of the organization that represents the majority of owners and  
5 trainers at each of the commercial live horse racing enclosures in each  
6 county. An advance deposit wagering provider that the commission approves  
7 shall pay source market fees on wagers placed on horse racing from this  
8 state to commercial live horse racing permittees in this state. The  
9 advance deposit wagering provider shall divide the source market fees on  
10 horse racing wagers on the basis of the proportion of the permittees'  
11 total live and simulcast handle during the previous year and the advance  
12 deposit wagering provider shall pay source market fees on wagers on dog  
13 racing from the county in which the live or simulcast racing is conducted  
14 to the commercial live racing permittee in that county. The advance  
15 deposit wagering provider shall divide the source market fees on dog  
16 racing from wagering in any other county as provided in a written  
17 agreement that is submitted to the department between all commercial dog  
18 racing permittees.

19 ~~O.~~ N. The commission may issue a permit to authorize an advance  
20 deposit wagering provider to accept advance deposit wagering on racing  
21 from persons in this state. The procedures for the approval of the permit  
22 must be similar to the procedures for the approval of racing permits under  
23 this article, subject to the following requirements:

24 1. The commission shall issue an advance deposit wagering permit  
25 only if the state agency that regulates racing in the state where the  
26 advance deposit wagering provider is located approves the permittee or  
27 provider to conduct advance deposit wagering.

28 2. An advance deposit wagering provider may accept advance deposit  
29 pari-mutuel wagers from natural persons in this state on racing conducted  
30 by a commercial live-racing permittee in this state or on racing conducted  
31 outside this state if the commercial live-racing permittee in this state  
32 at a racetrack enclosure in a county where live horse or live dog racing  
33 has been conducted for a period of at least forty days per year for at  
34 least twelve consecutive years beginning after 1992 or at a new racetrack  
35 enclosure in the same county that replaced the previously existing  
36 racetrack enclosure on which advance deposit wagering is accepted or that  
37 conducts a racing program with the same type of racing on which the  
38 advance deposit wagering is accepted enters into an agreement with the  
39 advance deposit wagering provider providing for the payment of a source  
40 market fee that is agreed to by the commercial live-racing permittee on  
41 all advance deposit wagering.

42 3. An advance deposit wagering provider shall pay source market  
43 fees in an amount that is agreed to by the commercial live-racing  
44 permittee on all advance deposit wagering by persons in this state on the  
45 same type of racing the commercial live-racing permittee conducts ~~or on~~

1 ~~the same type of live racing that a commercial dog racing permittee~~  
2 ~~conducted in 2016.~~ Source market fees from wagers by persons in this  
3 state through an advance deposit wagering provider shall be allocated as  
4 provided in paragraph 7 of this subsection to a commercial live horse  
5 racing permittee at a racetrack enclosure in a county where live horse  
6 racing has been conducted for a period of at least forty days per year for  
7 at least twelve consecutive years beginning after 1992 or at a new  
8 racetrack enclosure in the same county that replaced the previously  
9 existing racetrack enclosure during the period of time that the commercial  
10 live-racing permittee conducts a racing program. Source market fees for  
11 dog racing from wagering through the advance deposit wagering provider  
12 from persons wagering in a county shall be allocated as provided in  
13 paragraph 7 of this subsection to a commercial dog racing permittee at a  
14 racetrack enclosure in a county where live dog racing had been conducted  
15 in 2016 or had been conducted for a period of at least forty days per year  
16 for at least twelve consecutive years beginning after 1992 or at a new  
17 racetrack enclosure in the same county that replaced the previously  
18 existing racetrack enclosure. Source market fees from wagers by persons  
19 in this state in all other counties for pari-mutuel wagering on dog racing  
20 through an advance deposit wagering provider shall be allocated as  
21 provided in paragraph 7 of this subsection.

22 4. Advance deposit wagering agreements that are executed between  
23 permittees in this state must contain the same or substantially equivalent  
24 terms and conditions, including provisions for revenue sharing, as the  
25 terms and conditions contained in simulcasting agreements that are  
26 executed between those same permittees in order to accept advance deposit  
27 wagering on horse racing from a county with a commercial dog racing  
28 permittee.

29 5. The advance wagering provider shall transmit daily a percentage  
30 determined by the department of the gross revenues generated by advance  
31 deposit wagers to the department for deposit in the racing regulation fund  
32 established by section 5-113.01.

33 6. The advance deposit wagering provider shall file the consent  
34 provided for in this subsection with the commission, and the consent is  
35 valid for a period of at least one year.

36 7. The source market fees are allocated, after deductions, as  
37 provided for in ~~section 5-111, subsection B for dog racing or section~~  
38 ~~5-111, subsection D C for horse racing for any fees or payments to the~~  
39 ~~state, county and city for taxes or other fees, in the same manner as the~~  
40 ~~proceeds of simulcast pari-mutuel wagering as provided in section 5-111,~~  
41 ~~subsection B for dog racing and section 5-111, subsection D C for horse~~  
42 ~~racing. From the source market fees from advance deposit wagering on~~  
43 ~~horse racing allocated for purses as provided in section 5-111, subsection~~  
44 ~~D C, five percent is paid to the department for deposit in the Arizona~~

1 breeders' award fund account for distributions for Arizona bred horses as  
2 provided in section 5-114.

3 ~~P.~~ O. The owner of the advance deposit wagering account may make  
4 an advance deposit pari-mutuel wager only by telephone.

5 ~~Q.~~ P. Only the advance deposit wagering provider may make an  
6 advance deposit wager, pursuant to wagering instructions the owner of the  
7 monies issues by telephone. The advance deposit wagering provider shall  
8 ensure the identification of the owner of the account by using methods and  
9 technologies approved by the commission. Any advance deposit wagering  
10 provider that accepts wagering instructions on races that are conducted in  
11 this state, or accepts wagering instructions originating in this state,  
12 shall provide a daily report that contains a full accounting and  
13 verification of the source of the wagers made, including the postal zip  
14 code of the source of the wagers and all pari-mutuel data, in a form and  
15 manner that is approved by the commission. All reasonable costs  
16 associated with the creation, provision and transfer of the data is the  
17 responsibility of the advance deposit wagering provider.

18 ~~R.~~ Q. Any person other than a permittee or any advance deposit  
19 wagering provider who is approved by the commission under this article and  
20 who accepts a wager or who bets on the results of a race, whether the race  
21 is conducted in or outside this state, including buying, selling, cashing,  
22 exchanging or acquiring a financial interest in a pari-mutuel ticket from  
23 a person in this state outside of a racing enclosure or an additional  
24 wagering facility that is approved by the commission and that is located  
25 in this state is guilty of a class 6 felony.

26 ~~S.~~ R. Pursuant to section 13-108, a pari-mutuel wager or a bet  
27 placed or made by a person in this state is deemed for all purposes to  
28 occur in this state.

29 ~~T.~~ S. The department and the attorney general shall enforce  
30 subsections ~~R~~ Q and ~~S~~ R of this section and shall submit an annual  
31 report that summarizes these enforcement activities to the governor, the  
32 speaker of the house of representatives and the president of the  
33 senate. The department and the attorney general shall provide a copy of  
34 this report to the secretary of state.

35 Sec. 16. Section 5-113, Arizona Revised Statutes, is amended to  
36 read:

37 5-113. Disposition of revenues and monies; funds; committee

38 A. All revenues derived from permittees, permits and licenses as  
39 provided by this article shall be deposited, pursuant to sections 35-146  
40 and 35-147, in the racing regulation fund established by section 5-113.01.  
41 The commission shall further allocate all monies deposited in the Arizona  
42 breeders' award fund pursuant to this subsection to support incentives as  
43 authorized by subsection F of this section for thoroughbred and quarter  
44 horse breeds only.

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

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

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

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

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

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

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

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

33 2. Subject to availability of monies in the fund, the amount to be  
34 awarded.

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

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

40 H. The ~~greyhound~~ and retired racehorse adoption fund is  
41 established. The department shall administer the fund and maintain  
42 separate accounts for greyhound adoptions and retired racehorse adoptions.  
43 ~~All revenues derived from license fees collected from dog breeders, racing~~  
44 ~~kennels and other operations where greyhounds are raised for the purpose~~  
45 ~~of dog racing pursuant to section 5-104, subsection F shall be deposited,~~

1 ~~pursuant to sections 35-146 and 35-147, in the greyhound adoption account~~  
2 ~~of the fund. All revenues derived from retired racehorse adoption~~  
3 ~~surcharges collected pursuant to section 5-104, subsection G shall be~~  
4 ~~deposited, pursuant to sections 35-146 and 35-147, in the retired~~  
5 ~~racehorse adoption account of the fund. The department shall distribute~~  
6 ~~monies from the fund to provide financial assistance to nonprofit~~  
7 ~~enterprises approved by the commission to promote the adoption of former~~  
8 ~~racing greyhounds as domestic pets and to promote the adoption of retired~~  
9 ~~racehorses pursuant to section 5-104, subsection G in a manner and in an~~  
10 ~~amount established by rules of the commission. Balances remaining in the~~  
11 ~~fund at the end of a fiscal year do not revert to the state general fund.~~

12 I. The county fair racing fund is established. The department  
13 shall administer the fund. Monies in the fund are continuously  
14 appropriated. The department shall use fund monies for the administration  
15 of county fair racing. Any monies remaining unspent in the fund at the  
16 end of the fiscal year in excess of seventy-five thousand dollars shall  
17 revert to the state general fund.

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

34 Sec. 17. Section 5-114, Arizona Revised Statutes, is amended to  
35 read:

36 5-114. Races exclusively for Arizona bred horses; breeders'  
37 awards; certification; fee

38 ~~A. For the purpose of promoting and encouraging the breeding of~~  
39 ~~Arizona bred dogs, each meeting shall offer a number of races equal to an~~  
40 ~~average of not less than one for each day of racing which shall be~~  
41 ~~exclusively for Arizona bred dogs. In the event the race does not fill,~~  
42 ~~it shall be offered as an open race in which Arizona bred dogs have a~~  
43 ~~preference of entry.~~

44 ~~B. A. For the purpose of promoting and encouraging the breeding of~~  
45 ~~Arizona bred horses, each meeting shall offer not less than one race each~~

1 day of racing which shall be exclusively for Arizona bred horses. In the  
2 event such race does not fill, it shall be offered as an open race in  
3 which Arizona bred horses have a preference of entry.

4 ~~C.~~ B. To promote and improve the breeding of horses ~~and dogs~~  
5 within the THIS state, a sum of money equal to ten ~~per cent~~ PERCENT of the  
6 first money of every purse won by a horse ~~or dog~~ bred in this state shall  
7 be paid by the permittee to the owner or lessee, or his heirs, devisees or  
8 successors, of the dam of the animal at the time the animal was foaled ~~or~~  
9 ~~whelped~~. Such amount shall be paid within thirty days after the close of  
10 the racing meeting. All claims or disputes as to the dam of a horse ~~or~~  
11 ~~dog~~ bred in this state shall be determined by the permittee, subject to  
12 review by the commission, and the decision of the commission shall be  
13 final and conclusive. A horse ~~or dog~~ bred in this state means a horse  
14 foaled ~~or a dog whelped~~ in this state and certified by the commission. To  
15 be eligible for Arizona bred certification, the horse ~~or dog~~ must be  
16 physically present within the THIS state for not less than six months  
17 during the period from the date he is foaled ~~or whelped~~ to the first  
18 anniversary date of his having been foaled ~~or whelped~~. ~~In addition, a dog~~  
19 ~~must be eligible to race pursuant to section 5-109 in order to be eligible~~  
20 ~~for Arizona bred certification.~~

21 ~~D.~~ C. The commission may contract with a breeders' association to  
22 certify that an animal is Arizona bred or is an Arizona stallion. The  
23 commission may authorize the association, racing organization or  
24 department to charge and collect a reasonable fee from the breeder ~~or a~~  
25 stallion owner to cover the cost of certification or transfer and  
26 verification that the animal is Arizona bred or an Arizona stallion.

27 ~~E. Persons who are not licensed under section 5-107.01 are not~~  
28 ~~eligible to participate in the Arizona greyhound breeders' award fund.~~

29 Sec. 18. Section 5-115, Arizona Revised Statutes, is amended to  
30 read

31 5-115. Violation; classification; civil penalties

32 A. At any racing meeting conducted under this article, a person is  
33 guilty of a class 4 felony, if the person:

34 1. Knowingly influences or has any understanding or connivance with  
35 any official, owner, jockey, trainer, groom, starter, assistant starter or  
36 other person associated with a stable, kennel or race in which any horse  
37 or dog participates to predetermine the result of a race.

38 2. Knowingly gives or offers a bribe in any form to any official,  
39 owner, trainer, jockey, driver or groom, starter or assistant starter or  
40 any other person licensed by the department or accepts or solicits a bribe  
41 in any form.

42 3. Knowingly has in the person's possession or in use, while riding  
43 or driving in any horse race, any mechanical or electric device capable of  
44 affecting a horse's performance other than an ordinary whip.

1           4. Knowingly commits any other corrupt or fraudulent practice in  
2 relation to racing that affects or may affect the result of a race.

3           5. For the purpose of selling or offering to sell predictions on  
4 horse races, harness races or dog races, advertises that he has predicted  
5 the outcome of any race that has been run in this state, unless the person  
6 has notified in writing the department or a representative of the  
7 department of his predictions at least three hours before the race  
8 involved on forms prescribed by the department. A person shall not  
9 advertise the fact that he has notified the department or use the name of  
10 the department in any way whatsoever to promote the activities described  
11 in this section. For the purposes of this paragraph, "advertise" means  
12 the use of any newspaper, magazine or other publication, book, notice,  
13 circular, pamphlet, letter, handbill, tip sheet, poster, bill, sign,  
14 placard, card, label, tag window display, store sign, radio or television  
15 announcement, or other means or methods now or hereafter employed to bring  
16 to the attention of the public information concerning the outcome of horse  
17 or dog races. Nothing contained in this paragraph applies to any daily  
18 newspaper of general circulation that is regularly entered in the United  
19 States mail, or any other daily publication carrying complete past  
20 performances of horses or dogs entered in races, or to any regularly  
21 published magazine or periodical devoted to racing news, that has been  
22 published for at least two years.

23           B. It is a class 4 felony for:

24           1. A trainer or owner to enter a horse ~~or dog~~ in a race if the  
25 trainer or owner knows that the horse ~~or dog~~ is drugged or desensitized  
26 and that the racing performance of the animal is affected.

27           2. A person to perform the drugging or desensitizing of a horse ~~or~~  
28 ~~dog~~ if the person knows that the horse ~~or dog~~ will compete in a race while  
29 so drugged or desensitized and knows that the racing performance of the  
30 animal is affected.

31           3. A person to intentionally fail to notify a steward as soon as  
32 reasonably possible that a horse ~~or dog~~ entered in a race is drugged or  
33 desensitized or that a horse ~~or dog~~ was not properly made available for  
34 the required tests or inspections and knows that the racing performance of  
35 the animal may be affected.

36           4. A person to intentionally impair or alter the normal performance  
37 of a pari-mutuel wagering system with the intent to defraud or injure the  
38 state or a permittee. Alteration of the normal performance of a  
39 pari-mutuel system includes:

40           (a) Altering, changing or interfering with any equipment or device  
41 used in connection with pari-mutuel wagering.

42           (b) Causing any false, inaccurate, delayed or unauthorized data,  
43 impulse or signal to be fed into, transmitted over, registered in or  
44 displayed on any equipment or device used in connection with pari-mutuel  
45 wagering.

1           5. A person to impair or alter the normal operation of simulcast  
2 broadcasts by intentionally doing any of the following with the intent to  
3 defraud or injure the state or a permittee:

4           (a) Intercepting or decoding a transmission of a simulcast signal,  
5 either in whole or in part, which has been authorized in writing for the  
6 use of pari-mutuel wagering and that the director has not provided written  
7 authorization for the person to receive or decode.

8           (b) Without written authorization from the director, manufacturing,  
9 distributing or selling a device, a plan or a kit for a device capable of  
10 intercepting or decoding a transmission of a simulcast signal with the  
11 intent that the device, plan or kit be used for interception or decoding.

12           (c) Without written authorization from the director, possessing a  
13 device, a plan or a kit for a device capable of intercepting or decoding a  
14 transmission of a simulcast signal with the intent that the device, plan  
15 or kit be used for the interception or decoding.

16           C. The department, in addition to any criminal penalties provided  
17 in this chapter and in addition to suspension or revocation of a  
18 credential or a license, may levy a civil penalty as to a licensee or a  
19 holder of a credential as follows:

20           1. In an amount of not more than five thousand dollars for each  
21 violation of any provision of subsection A of this section.

22           2. In an amount of not more than two thousand five hundred dollars  
23 for each violation of any provision of this chapter that constitutes  
24 grounds for suspension or revocation of a credential or license, except  
25 for violation of those provisions contained in subsection A of this  
26 section. All sums paid to the department pursuant to this subsection  
27 shall be deposited, pursuant to sections 35-146 and 35-147, in the state  
28 general fund.

29           D. Any person who holds or conducts any racing meeting or operates  
30 an additional wagering facility without first complying with the  
31 provisions of this article, or any person who fails to submit to a drug  
32 test as directed by stewards or who violates any other provision of this  
33 article for which no other penalty is prescribed, is guilty of a class 2  
34 misdemeanor.

35           E. A member of the commission or an employee of the department who  
36 at any time, directly or indirectly, knowingly receives any money, bribe,  
37 tip or other thing of value or service from any person connected with  
38 racing given with an intent to influence the member's or employee's  
39 official action, or any person connected with racing who, directly or  
40 indirectly, knowingly gives money, a bribe, a tip or any other thing of  
41 value or service to a member of the commission or an employee of the  
42 department with intent to influence the member's or employee's official  
43 action, is guilty of a class 4 felony.

44           F. A person who knowingly removes or alters, either directly or  
45 indirectly, any tattoo, other marking, device, coloration or special

1 characteristic that is required by the department for the purpose of  
2 identifying a greyhound used or bred for racing purposes or a person who  
3 knowingly subjects a greyhound used or bred for racing purposes regulated  
4 under this chapter to grossly inhumane conditions or severe mistreatment  
5 is guilty of a class 6 felony. For the purposes of this subsection:

6 1. "Grossly inhumane conditions" means conditions arising from a  
7 person's reckless indifference to the consequences of an act or omission  
8 if the person, without any actual intent to injure, is aware from the  
9 person's knowledge of existing circumstances and conditions that the  
10 person's conduct will inevitably or probably result in injury to a  
11 greyhound used or bred for racing purposes.

12 2. "Severe mistreatment" means the infliction of physical pain,  
13 suffering or death on a greyhound used or bred for racing purposes in a  
14 manner that is either wanton or with reckless indifference to pain or  
15 suffering.

16 Sec. 19. Section 5-224, Arizona Revised Statutes, is amended to  
17 read:

18 5-224. Division of boxing and mixed martial arts regulation;  
19 powers and duties

20 A. A division of boxing and mixed martial arts regulation is  
21 established in the department to provide staff support for the Arizona  
22 state boxing and mixed martial arts commission. Subject to title 41,  
23 chapter 4, article 4, the director of the department shall appoint an  
24 executive director to perform the duties prescribed in this article. The  
25 resources for the Arizona state boxing and mixed martial arts commission  
26 shall come from monies appropriated to the department from the racing  
27 regulation fund established by section 5-113.01 or from other sources  
28 prescribed in section 5-225, subsection D.

29 B. The commission shall obtain from a physician licensed to  
30 practice in this state rules and standards for the physical examination of  
31 boxers and referees. A schedule of fees to be paid physicians by the  
32 promoter or matchmaker for the examination shall be set by the commission.

33 C. The commission may adopt and issue rules pursuant to title 41,  
34 chapter 6 to carry out the purposes of this chapter.

35 D. The commission shall hold regular meetings at least quarterly  
36 and in addition may hold special meetings. Except as provided in section  
37 5-223, subsection B, all meetings of the commission shall be open to the  
38 public and reasonable notice of the meetings shall be given pursuant to  
39 title 38, chapter 3, article 3.1.

40 E. The commission shall:

41 1. Make and maintain a record of the acts of the division,  
42 including the issuance, denial, renewal, suspension or revocation of  
43 licenses.

44 2. Keep records of the commission open to public inspection at all  
45 reasonable times.

1           3. Assist the director in the development of rules to be  
2 implemented pursuant to section 5-104, subsection ~~U~~ T.

3           4. Conform to the rules adopted pursuant to section 5-104,  
4 subsection ~~U~~ T.

5           F. The commission may enter into intergovernmental agreements with  
6 Indian tribes, tribal councils or tribal organizations to provide for the  
7 regulation of boxing and mixed martial arts contests on Indian  
8 reservations. Nothing in this chapter shall be construed to diminish the  
9 authority of the department.

10          Sec. 20. Section 11-256.01, Arizona Revised Statutes, is amended to  
11 read:

12           11-256.01. Lease or sublease of county lands and buildings to  
13                                   governmental entity, county fair association or  
14                                   nonprofit corporation; exception

15           A. Notwithstanding section 11-256, the board may lease or sublease  
16 any land or building owned by or under the control of the county to this  
17 state, a county fair association ~~which~~ THAT qualifies to conduct a racing  
18 meeting under section 5-111, subsection ~~E~~ D or to receive county monies  
19 as provided in section 11-258, a nonprofit corporation, other than a  
20 municipal or public finance corporation, organized pursuant to title 10,  
21 chapters 24 through 40, an incorporated city or town, a school district or  
22 any other political subdivision of this state without holding a public  
23 auction and for less than the fair rental value. The board may specify  
24 the uses to which the land or building must be devoted and any terms and  
25 conditions for the use ~~which~~ THAT the board determines are in the best  
26 interests of the county.

27           B. Notice of the proposed lease or sublease shall be given by  
28 publication once each week for four consecutive weeks in a newspaper of  
29 general circulation in the county. The notice shall state all material  
30 conditions of the proposed lease, including, if appropriate, the uses to  
31 which the land or building must be devoted and any terms and conditions  
32 for the use ~~which~~ THAT the board establishes.

33           C. If a bid is offered by a person other than the state, a county  
34 fair association, a nonprofit corporation, other than a municipal or  
35 public finance corporation, or a political subdivision during the notice  
36 period, and the bid equals or exceeds the fair rental value of the land or  
37 building, the board shall not enter the proposed lease with the state, the  
38 county fair association, the nonprofit corporation or the political  
39 subdivision and shall offer the land or building for lease in accordance  
40 with ~~the provisions of~~ section 11-256.

41          Sec. 21. Section 42-5073, Arizona Revised Statutes, is amended to  
42 read:

43           42-5073. Amusement classification

44           A. The amusement classification is comprised of the business of  
45 operating or conducting theaters, movies, operas, shows of any type or

1 nature, exhibitions, concerts, carnivals, circuses, amusement parks,  
2 menageries, fairs, races, contests, games, billiard or pool parlors,  
3 bowling alleys, public dances, dance halls, boxing and wrestling matches,  
4 skating rinks, tennis courts, except as provided in subsection B of this  
5 section, video games, pinball machines, sports events or any other  
6 business charging admission or user fees for exhibition, amusement or  
7 entertainment, including the operation or sponsorship of events by a  
8 tourism and sports authority under title 5, chapter 8. For the purposes  
9 of this section, admission or user fees include, but are not limited to,  
10 any revenues derived from any form of contractual agreement for rights to  
11 or use of premium or special seating facilities or arrangements. The  
12 amusement classification does not include:

13 1. Activities or projects of bona fide religious or educational  
14 institutions.

15 2. Private or group instructional activities. For the purposes of  
16 this paragraph, "private or group instructional activities" includes, but  
17 is not limited to, performing arts, martial arts, gymnastics and aerobic  
18 instruction.

19 3. The operation or sponsorship of events by the Arizona exposition  
20 and state fair board or county fair commissions.

21 4. A musical, dramatic or dance group or a botanical garden, museum  
22 or zoo that is qualified as a nonprofit charitable organization under  
23 section 501(c)(3) of the United States internal revenue code and if no  
24 part of its net income inures to the benefit of any private shareholder or  
25 individual.

26 5. Exhibition events in this state sponsored, conducted or operated  
27 by a nonprofit organization that is exempt from taxation under section  
28 501(c)(3), 501(c)(4) or 501(c)(6) of the internal revenue code if the  
29 organization is associated with major league baseball teams or a national  
30 touring professional golfing association and no part of the organization's  
31 net earnings inures to the benefit of any private shareholder or  
32 individual.

33 6. Operating or sponsoring rodeos that feature primarily farm and  
34 ranch animals in this state and that are sponsored, conducted or operated  
35 by a nonprofit organization that is exempt from taxation under section  
36 501(c)(3), 501(c)(4), 501(c)(6), 501(c)(7) or 501(c)(8) of the internal  
37 revenue code and no part of the organization's net earnings inures to the  
38 benefit of any private shareholder or individual.

39 7. Sales of admissions to intercollegiate football contests if the  
40 contests are both:

41 (a) Operated by a nonprofit organization that is exempt from  
42 taxation under section 501(c)(3) of the internal revenue code and no part  
43 of the organization's net earnings inures to the benefit of any private  
44 shareholder or individual.

1 (b) Not held in a multipurpose facility that is owned or operated  
2 by the tourism and sports authority pursuant to title 5, chapter 8.

3 8. Activities and events of, or fees and assessments received by, a  
4 homeowners organization from persons who are members of the organization  
5 or accompanied guests of members. For the purposes of this paragraph,  
6 "homeowners organization" means a mandatory membership organization  
7 comprised of owners of residential property within a specified residential  
8 real estate subdivision development or similar area and established to own  
9 property for the benefit of its members where both of the following apply:

10 (a) No part of the organization's net earnings inures to the  
11 benefit of any private shareholder or individual.

12 (b) The primary purpose of the organization is to provide for the  
13 acquisition, construction, management, maintenance or care of organization  
14 property.

15 9. Activities and events of, or fees received by, a nonprofit  
16 organization that is exempt from taxation under section 501(c)(6) of the  
17 internal revenue code if the organization produces, organizes or promotes  
18 cultural or civic related festivals or events and no part of the  
19 organization's net earnings inures to the benefit of any private  
20 shareholder or individual.

21 10. Arranging an amusement activity as a service to a person's  
22 customers if that person is not otherwise engaged in the business of  
23 operating or conducting an amusement personally or through others. This  
24 exception does not apply to businesses that operate or conduct amusements  
25 pursuant to customer orders and send the billings and receive the payments  
26 associated with that activity, including when the amusement is performed  
27 by third-party independent contractors. For the purposes of this  
28 paragraph, "arranging" includes billing for or collecting amusement  
29 charges from a person's customers on behalf of the persons providing the  
30 amusement.

31 B. The tax base for the amusement classification is the gross  
32 proceeds of sales or gross income derived from the business, except that  
33 the following shall be deducted from the tax base:

34 1. The gross proceeds of sales or gross income derived from  
35 memberships, including initiation fees, that provide for the right to use  
36 a health or fitness establishment or a private recreational establishment,  
37 or any portion of an establishment, including tennis and other racquet  
38 courts at that establishment, for participatory purposes for twenty-eight  
39 days or more and fees charged for use of the health or fitness  
40 establishment or private recreational establishment by bona fide  
41 accompanied guests of members, except that this paragraph does not include  
42 additional fees, other than initiation fees, charged by a health or  
43 fitness establishment or a private recreational establishment for purposes  
44 other than memberships which THAT provide for the right to use a health or  
45 fitness establishment or private recreational establishment, or any

1 portion of an establishment, for participatory purposes for twenty-eight  
2 days or more and accompanied guest use fees.

3 2. Amounts that are exempt under section 5-111, subsection H- G.

4 3. The gross proceeds of sales or gross income derived from  
5 membership fees, including initiation fees, that provide for the right to  
6 use a transient lodging recreational establishment, including golf courses  
7 and tennis and other racquet courts at that establishment, for  
8 participatory purposes for twenty-eight days or more, except that this  
9 paragraph does not include additional fees, other than initiation fees,  
10 that are charged by a transient lodging recreational establishment for  
11 purposes other than memberships and that provide for the right to use a  
12 transient lodging recreational establishment or any portion of the  
13 establishment for participatory purposes for twenty-eight days or more.

14 4. The gross proceeds of sales or gross income derived from sales  
15 to persons engaged in the business of transient lodging classified under  
16 section 42-5070, if all of the following apply:

17 (a) The persons who are engaged in the transient lodging business  
18 sell the amusement to another person for consideration.

19 (b) The consideration received by the transient lodging business is  
20 equal to or greater than the amount to be deducted under this subsection.

21 (c) The transient lodging business has provided an exemption  
22 certificate to the person engaging in business under this section.

23 5. The gross proceeds of sales or gross income derived from:

24 (a) Business activity that is properly included in any other  
25 business classification under this article and that is taxable to the  
26 person engaged in that classification, but the gross proceeds of sales or  
27 gross income to be deducted shall not exceed the consideration paid to the  
28 person conducting the activity.

29 (b) Business activity that is arranged by the person who is subject  
30 to tax under this section and that is not taxable to the person conducting  
31 the activity due to an exclusion, exemption or deduction under this  
32 section or section 42-5062, but the gross proceeds of sales or gross  
33 income to be deducted shall not exceed the consideration paid to the  
34 person conducting the activity.

35 (c) Business activity that is arranged by a person who is subject  
36 to tax under this section and that is taxable to another person under this  
37 section who conducts the activity, but the gross proceeds of sales or  
38 gross income to be deducted shall not exceed the consideration paid to the  
39 person conducting the activity.

40 6. The gross proceeds of sales or gross income derived from entry  
41 fees paid by participants for events that either:

42 (a) Until March 1, 2017, consist of a run, walk, swim or bicycle  
43 ride or a similar event, or any combination of these events.

44 (b) Are operated or conducted by nonprofit organizations that are  
45 exempt from taxation under section 501(c)(3) of the internal revenue code

1 and of which no part of the organization's net earnings inures to the  
2 benefit of any private shareholder or individual, if the event consists of  
3 a run, walk, swim or bicycle ride or a similar event, or any combination  
4 of these events.

5 C. For the purposes of subsection B of this section:

6 1. "Health or fitness establishment" means a facility whose primary  
7 purpose is to provide facilities, equipment, instruction or education to  
8 promote the health and fitness of its members and at least eighty percent  
9 of the monthly gross revenue of the facility is received through accounts  
10 of memberships and accompanied guest use fees which THAT provide for the  
11 right to use the facility, or any portion of the facility, under the terms  
12 of the membership agreement for participatory purposes for twenty-eight  
13 days or more.

14 2. "Private recreational establishment" means a facility whose  
15 primary purpose is to provide recreational facilities, such as tennis,  
16 golf and swimming, for its members and where at least eighty percent of  
17 the monthly gross revenue of the facility is received through accounts of  
18 memberships and accompanied guest use fees which THAT provide for the  
19 right to use the facility, or any portion of the facility, for  
20 participatory purposes for twenty-eight days or more.

21 3. "Transient lodging recreational establishment" means a facility  
22 whose primary purpose is to provide facilities for transient lodging, that  
23 is subject to taxation under this chapter and that also provides  
24 recreational facilities, such as tennis, golf and swimming, for members  
25 for a period of twenty-eight days or more.

26 D. Until December 31, 1988, the revenues from hayrides and other  
27 animal-drawn amusement rides, from horseback riding and riding instruction  
28 and from recreational tours using motor vehicles designed to operate on  
29 and off public highways are exempt from the tax imposed by this section.  
30 Beginning January 1, 1989, the gross proceeds or gross income from  
31 hayrides and other animal-drawn amusement rides, from horseback riding and  
32 from recreational tours using motor vehicles designed to operate on and  
33 off public highways are subject to taxation under this section. Tax  
34 liabilities, penalties and interest paid for taxable periods before  
35 January 1, 1989 shall not be refunded unless the taxpayer requesting the  
36 refund provides proof satisfactory to the department that the taxes will  
37 be returned to the customer.

38 E. If a person is engaged in the business of offering both  
39 exhibition, amusement or entertainment and private or group instructional  
40 activities, the person's books shall be kept to show separately the gross  
41 income from exhibition, amusement or entertainment and the gross income  
42 from instructional activities. If the books do not provide this separate  
43 accounting, the tax is imposed on the person's total gross income from the  
44 business.

1 F. The department shall separately account for revenues collected  
2 under the amusement classification for the purposes of section 42-5029,  
3 subsection D, paragraph 4, subdivision (b).

4 G. For the purposes of section 42-5032.01, the department shall  
5 separately account for revenues collected under the amusement  
6 classification from sales of admissions to:

7 1. Events that are held in a multipurpose facility that is owned or  
8 operated by the tourism and sports authority pursuant to title 5, chapter  
9 8, including intercollegiate football contests that are operated by a  
10 nonprofit organization that is exempt from taxation under section  
11 501(c)(3) of the internal revenue code.

12 2. Professional football contests that are held in a stadium  
13 located on the campus of an institution under the jurisdiction of the  
14 Arizona board of regents.

**APPROVED BY THE GOVERNOR MARCH 21, 2017.**

**FILED IN THE OFFICE OF THE SECRETARY OF STATE MARCH 21, 2017.**

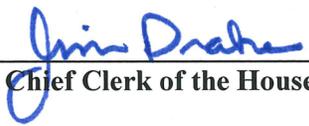
Passed the House February 16, 20 17

by the following vote: 54 Ayes,

4 Nays, 2 Not Voting

  
Speaker of the House

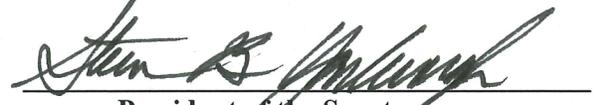
Pro Tempore

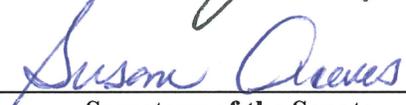
  
Chief Clerk of the House

Passed the Senate March 14, 20 17

by the following vote: 29 Ayes,

1 Nays, 0 Not Voting

  
President of the Senate

  
Secretary of the Senate

EXECUTIVE DEPARTMENT OF ARIZONA  
OFFICE OF GOVERNOR

This Bill received by the Governor this

15<sup>th</sup> day of March, 20 17

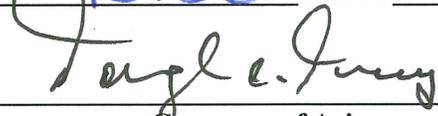
at 4:02 o'clock P. M.

  
Secretary to the Governor

Approved this 21<sup>st</sup> day of

March, 2017

at 10:50 o'clock A M.

  
Governor of Arizona

EXECUTIVE DEPARTMENT OF ARIZONA  
OFFICE OF SECRETARY OF STATE

This Bill received by the Secretary of State

this 21 day of March, 20 17

at 4:51 o'clock P M.

  
Secretary of State

H.B. 2358