

**INTERIM REPORT OF THE
PARI-MUTUEL BETTING STUDY COMMISSION
To
THE GOVERNOR
And
THE GENERAL ASSEMBLY OF VIRGINIA**



HD 21

COMMONWEALTH OF VIRGINIA
Department of Purchases and Supply
Richmond
1972

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Interim Report of the
Pari-Mutuel Betting Study Commission
to
The Governor and The General Assembly of Virginia

Richmond, Virginia

To: HONORABLE LINWOOD HOLTON, *Governor of Virginia*

and

THE GENERAL ASSEMBLY OF VIRGINIA

In the recent revision of the Constitution, effective on July 1, 1971, section 60, which had been inserted in 1902 to prohibit lotteries, was removed. The effect of its removal from the Constitution was to place on the General Assembly the responsibility of deciding whether State-regulated wagering enterprises such as lotteries or pari-mutuel betting should be permitted.

Pursuant to this responsibility, the 1971 Session of the General Assembly adopted House Joint Resolution No. 8, which created a commission to study one kind of wagering enterprise, pari-mutuel betting on horse racing.

HOUSE JOINT RESOLUTION NO. 8

Providing for a study of the desirability of legalizing pari-mutuel betting on horse races in Virginia and for a study of methods of implementing pari-mutuel betting on horse races.

Whereas, the voters of this Commonwealth in a referendum duly held in November, 1970, ratified proposed changes to anti-lottery provision of the Constitution so that, under such changes, the General Assembly can provide for such carefully controlled pari-mutuel betting on horse races as will benefit all concerned; and

Whereas, in order to bring about most appropriate conditions surrounding pari-mutuel betting on horse racing so as to provide a wise regulatory policy together with a program which will produce maximum revenues to the political subdivisions of the Commonwealth and the State, it is necessary for a careful study to be made to accomplish these purposes and to prepare appropriate legislation to effect the same; now, therefore, be it

Resolved by the House of Delegates, the Senate concurring, That a Commission is hereby created to make a study and report upon the desirability of legalizing pari-mutuel betting on horse racing in Virginia and upon the most practicable and feasible methods for the conduct of pari-mutuel betting on horse racing under a plan which will further the public interest and produce maximum revenues to the Commonwealth and its political subdivisions from the conduct of such activities. The Commission shall be composed of twenty-one members appointed as follows: the Speaker of the House of Delegates shall appoint seven members from the membership of the House and three members from the

public at large; the President of the Senate shall appoint four persons from the membership thereof and two from the public at large; the Governor shall appoint five members from the State at large. The Commission shall select its Chairman from among its members.

The members of the Commission shall receive no salary for their services but shall be paid their necessary expenses for which, and for such secretarial, technical and other assistance as may be required, there is hereby appropriated the sum of thirty thousand dollars (\$30,000) from the contingent fund of the General Assembly.

The Commission shall conclude its study and make its report to the Governor and General Assembly not later than December 1, 1971 and shall set forth therein such measures as will promote the public interest and be conducive to the financial well-being of the Commonwealth and of its political subdivisions.

Appointed to serve on the Commission were: State Senator Peter K. Babalas of Norfolk, Delegate Vincent F. Callahan, Jr., of McLean, William M. Camp, Jr., of Franklin, State Senator Edward T. Caton, III, of Virginia Beach, Walter W. Craigie, Sr., of Richmond, H. Addison Dalton of Richmond, Raymond R. Guest of King George, John W. Hanes, Sr., of New York City, State Senator Omer L. Hirst of Annandale, Delegate George J. Kostel of Clifton Forge, Delegate Julien J. Mason of Bowling Green, Charles F. Phillips, Jr., of Lexington, Delegate Samuel E. Pope of Drewryville, Delegate William Ferguson Reid of Richmond, Randolph D. Rouse of Arlington, Alson H. Smith, Jr. of Winchester, Harold Soldinger of Norfolk, T. D. Steele of Roanoke, Delegate Daniel G. Van Clief of Esmont, Delegate Stanley C. Walker of Norfolk and State Senator Lawrence Douglas Wilder of Richmond. Mr. Van Clief was elected Chairman and Senator Caton was elected Vice-Chairman. The Division of Statutory Research and Drafting, represented by Sally T. Warthen, and the Department of Agriculture and Commerce, represented by Raymond D. Vaughan, provided staff facilities and support.

During the Commission's seven months of study its members have expended considerable time and effort to acquaint themselves in detail with the management and operation of horse racing and pari-mutuel betting. A few members, already highly knowledgeable, were of considerable assistance. Statistics, descriptive material, and other valuable information were provided by the National Association of State Racing Commissioners, the Virginia Thoroughbred Association, the Thoroughbred Racing Protective Bureau, the American Quarter Horse Association and other interested groups and individuals. The Commission has made contact with officials in charge of law enforcement and welfare in states with pari-mutuel betting, and with federal government officials knowledgeable in the area of organized crime, in order to assess the true magnitude of the difficulties which critics have asserted.

We were fortunate in obtaining candid advice and guidance from individuals thoroughly acquainted with all aspects of horse racing. One group of experts appeared at an open meeting which was televised for the information of the public. Reports from states such as Delaware and Kentucky, which have studied their own racing establishments, and Connecticut and Texas, which are considering legalization of pari-mutuel betting, were useful. A subcommittee of the Commission, after substantial research and investigation, made a detailed report on the feasibility of financing and operating racing establishments in Virginia; this information proved invaluable.

As the Commission was charged with ascertaining whether the legalization of pari-mutuel betting would be desirable, the members felt that public hearings were necessary to permit them to assess the nature and magnitude of the support for and opposition to it, despite the fact that a separate referendum in the fall of 1970 on the lottery provision of the Constitution showed little

opposition. Hearings were duly held in Norfolk, Bristol, Roanoke, Fairfax and Richmond.

As a result of its work and study, consideration of testimony and much deliberation, the Commission concludes that the legalization of pari-mutuel betting on horse racing under a carefully developed program which includes sufficient safeguards would be beneficial to the Commonwealth. Adequate planning and safeguards are all-important. The Commission would not be in favor of legalizing pari-mutuel wagering if it were not convinced that proper planning would ensure a racing operation, regulated by persons of high integrity and ability, which would be a credit to the Commonwealth. A hastily conceived scheme might not provide adequate security against abuse.

The Commission believes that the legislation should require, among other things, the establishment of a strong racing commission of highly qualified men and women, appointed for staggered terms of sufficient length to ensure continuity and the development of expertise. The racing commission should be empowered to grant franchises for only those track operations in the State which are shown to be well planned and honestly run and to have a good chance of success. Its power to approve tracks should be subject to statutory guidelines as to adequate size and investment, proper location, and responsible ownership and management. The possibility of restricting shareholdings would be considered. The racing commission should be required to set the racing days and to promulgate strict regulations as to the rules of racing and the proper operation of the tracks, including provision for minimum standards for policing employees of the track, positive identification of the horses, and supervision of racing operations. All owners, trainers and jockeys, and all employees of the track, concessionaires and trainers, should be licensed and fingerprinted by the commission and retain their licenses only during good behavior. Enforcement of regulations should be strict.

As can be seen by the foregoing outline, appropriate legislation, though it need not be lengthy or intricate, must be tightly drawn and planned with a great deal of care and thought. Although the time and study expended by the members in self-education and research have been substantial, the Commission is not yet prepared to present to the General Assembly the kind of legislative plan we believe should be a prerequisite to the legalization of pari-mutuel betting. A few more months of work is necessary.

For these reasons, the Commission recommends that its life be extended, so that model legislation may be conceived for presentation to the General Assembly in 1973. We would anticipate that a final report with recommended legislation should be ready by the fall of 1972. Since the present members have invested considerable time in self-education and research, which would have to be repeated if new members were appointed, they should continue to serve. The unexpended portion of the Commission's current appropriation should be sufficient to cover the completion of its work.

Respectfully submitted,
DANIEL G. VAN CLIEF—*Chairman*
*EDWARD T. CATON, III—*Vice-Chairman*
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*Mr. Caton hesitates to approve the report in its entirety based on the recent report of the State Crime Commission on organized crime in Virginia.

**Mr. Dalton disagrees with the conclusions in this report, as he is opposed to the legalization of pari-mutuel betting for the following reasons: (1) any form of gambling tends to downgrade moral values; (2) legalized gambling tends to attract criminal elements, and increase illegal gambling; and (3) the revenue produced, when compared with potential harmful effects, is insignificant.

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APPENDIX

HOUSE JOINT RESOLUTION NO. _____

Continuing the study of methods of implementing pari-mutuel betting on horse races.

Whereas, the voters of this Commonwealth in a referendum duly held in November, 1970, removed from the Constitution the prohibition against lotteries, giving the General Assembly the responsibility for deciding whether any State-controlled wagering activities should be permitted; and

Whereas, in accordance with this responsibility the General Assembly, realizing the potential benefits to the Commonwealth from carefully regulated State-controlled wagering, and the necessity for extensive study of the advantages and disadvantages thereof, created a Commission to study the desirability of legalizing pari-mutuel betting on horse racing in Virginia and the most practicable and feasible methods for implementation thereof; and

Whereas such Commission, duly appointed, has made an exhaustive study, and has concluded that, if carefully planned under proper, tightly drawn legislation, legalization of pari-mutuel betting on horse racing would be beneficial to the Commonwealth; and

Whereas, such Commission has found that additional time is necessary to conceive the proper legislative plan; now, therefore, be it

Resolved by the House of Delegates, the Senate concurring, That the General Assembly continue the Commission studying legalization of pari-mutuel betting, for the purpose of completing the work which it has initiated, and submitting to the General Assembly for its consideration a full report with proper legislation.

The original twenty-one member Commission shall be continued with the Chairman and Vice-Chairman who are now serving. The official, or his successor, who initially appointed any member who is unable to continue to serve shall be authorized to make an appointment to fill the vacancy.

Members of the Commission shall be reimbursed for all necessary expenses incurred in the performance of their duties, but shall receive no other compensation. The Commission may employ such consultants and other assistants as may be required for the conduct of its study and the preparation of its report. For the expenses of the Commission and the conduct of its study there is hereby appropriated from the contingent fund of the General Assembly the amount of the unexpended balance of the appropriation made to the Commission on its creation in nineteen hundred seventy-one, estimated at twenty-three thousand dollars.

The Commission shall conclude its study and submit its final report to the Governor and the General Assembly no later than November one, nineteen hundred seventy-two.

