

# Proposed Interstate Racing and Wagering Compact

This projects needs your support  
to be adopted, and your  
participation to succeed

# Corrects Long-Standing Problem – Lack a Mechanism for Acting Together

1. Each state, industry and racing commission, acts alone
  - a. Model Rules are discussions only
  - b. Solo states are prone to mistakes
2. Industry input in one state is not shared with others
3. Hard to follow all the different rules
4. Rules are not changed at the same time

Affects quality of rules; similar problem for programs.

# Compact accepts existing voices:

1. Compact rules are designed and adopted with industry input
2. Each state decides on its own rules
3. Compact delegates have no independent authority
4. Compact can make only rules, not state laws
5. Compact cannot charge fee without horseman consent
6. Enforcement by state racing commissions

# Components of Compact process:

1. All activities overseen by Compact Commission
  - a. One representative from each state racing commission
  - b. All meetings open to interested persons (industry)
  - c. Non-voting participation by major industry organizations
2. In-Take of Rule Suggestions::
  - a.. Anyone may propose a rule
  - b.. Person assigned as Rule coordinator (horsemen are eligible)
  - c.. Public Docket tracks all discussions, meetings, events
3. FIRST PHASE: concept discussed and rule drafted:
  - a. Compact committees include horsemen representatives
  - b. Industry has a standing Advisory Committee
  - c. State racing commission representatives gets input at state level from horsemen
  - d. If consensus emerges, states vote to propose a rule
4. SECOND PHASE: rule proposed and adopted
  - a.. Proposed rule is published in each state registry
  - b.. Horsemen comments to state racing commission
  - c.. All input is shared in compact committee reviews (with industry)
  - d.. If consensus continues, proposal is scheduled for a vote
5. Vote by each state racing commission (via its representative)

Who proposes -- anyone

Who decides – state government (racing commission)

Process – share part of the rule-making process:

RULE CONCEPT PROPOSED (by anyone) TO COMPACT

Basic Info; Public Docket; Rule Coordinator (anyone)

COMPACT DISCUSSIONS (industry participates)

Compact Commission  
Standing Committees  
Ad Hoc Committees

BUILD CONSENSUS → OR STOP



COMPACT PROPOSES RULE → RESEMBLES STATE PROCESS

- 1) published in state
- 2) comments to state commission



COMPACT REVIEWS COMMENTS

CONSENSUS → OR STOP

Each State Votes Independently      3) state racing commission votes



Where “yes,” a State Rule      4) published in state Code

# Industry Collaboration Is Assured

*Our industry members and groups are guaranteed a right to collaborate in drafting new rules.*

**1205(b).** [T]he member states are hereby granted the power and duty, by and through the compact commission: (b) to collaborate with national industry stakeholders and industry organizations ... in the design and implementation of compact rules, fees, practices, and programs in a manner that serves the best interests of racing;

**1202(f).** “National industry stakeholder” means a non-governmental organization that the compact commission determines from a national perspective significantly represents one or more categories of participants in live racing and pari-mutuel wagering;

**1207. Compact rulemaking.** In the exercise of its rule making authority, the compact commission shall: (b) gather information and engage in discussions with advisory committees, national industry stakeholders, and others to foster and conduct a collaborative approach in the design and advancement of compact rules in a manner that serves the best interests of racing ... ;

# Operational Goals: Years 1 - 5

1. Establish Operations of Compact ( < 6 states)
  - racing commissions designate a representative
  - elect temporary officers
  - build a contact list of all industry participants
  - establish industry Advisory Committee
  
2. Adopt uniform rules for Safety Equipment
  - select a Rule coordinator (industry or other)
  - go through process of input at state and compact level
    - Discussion and drafting
    - Proposal and adoption
  - create identical rule around the country

# Operational Goals: Years 1 - 5

3. Uniform Rule to Certify Off-Shore SPMOs
  - Close major regulatory loophole, identify and license off-shore sites
  - Start discussion/drafting/proposal with RCI model rule
  - States need to be able to act at same time
4. Create universal Stable Name/Ownership Entity process
  - Replace current patchwork system with single procedure
  - Need a forum where “everyone can be locked in the room”
5. Develop a Consensus Approach to Non-Controversial Matters
  - Create a comprehensive list of ALL interested parties
  - Identify matters likely to be universally supported
  - Accelerate process only if nobody objections



# Operational Goals: Years 1 - 5

## 6. Initiate Major Projects with Industry Leaders

- Use compact as central forum for all parties to discuss new projects
- Possible topics:
  - National Penalty Guidelines
  - Standardize the language of state rules
  - National Rule Books written by industry
  - National approach to disability issues, retired racehorses

## 7. Adopt Common Licensing System / Implement National License

- Consolidate services to save money
- Broaden scope of national licensing
  - More license categories and states
  - Subset licensing: regional licenses
- Potential use of single computer system

# Controls to Prevent Compact Misuse

1. Industry input is required by statute:
  - 1<sup>st</sup> PHASE: on committees, input at state level
  - 2<sup>nd</sup> PHASE: public participation in each state, on committees
2. Needs a consensus to work (limited uses)
3. Compact delegates have no independent power
4. At end, each racing commission votes on own
5. Compact makes only rules, not state laws
6. Compact fees require consent of horsemen
7. Enforcement is by state racing commission

# Proposed Interstate Racing and Wagering Compact

Ability to share part of the rule-making process with other states

National forum to discuss rules

States may create joint programs



# Fundamentals

1. Each state racing commission operates under same old laws, but is allowed to coordinate its actions with others
2. Compact can engage in rule making – but with state autonomy
  - A. Each state engages in its own rule making (simultaneously)
  - B. Each state follows model State Administrative Procedure Act
  - C. Has to be a rule proposed in identical language by other states
3. No additional scope to make programs, just convenient

# Steering Committee Fundamentals

4. States can make rules through compact only through collaborating with industry
5. Expresses that state racing commission casts the vote in the compact – state delegate is not a freelancer
6. Funding may come from state general fund (not just fees)

# Key Provisions in Model Bill

- (1) *The express function of the compact is only to coordinate what each state racing commission does.*

**1203.** Composition and Meetings of Compact Commission. The member states shall create and participate in a compact commission \* \* \* to coordinate the decision making and actions of each member state racing commission through a compact commission.

- (2) *No compact rule, fee, practice, or program may take effect in our state except by affirmative vote of our state delegate (“commissioner”).*

**1203(a).** ... . A compact rule, fee, practice, or program shall take effect in and for each member state whose commissioner votes affirmatively to adopt it. ... .

- (3) *Our commission controls the vote of our state delegate to the compact.*

**1203(d).** The compact commissioner from each state shall participate as an agent of the state racing commission.

# Overview

1. Create a compact commission of states
2. States can adopt state rules through compact
3. Industry collaborates to draft uniform rules
4. Same rule is proposed for all states
5. Collaborative review of public comments
6. Member states simultaneously vote to adopt
7. Becomes state rule in compact states that vote for it, then enforced by state racing commission



# Success in 5 years

Adoption by 12 to 38 states (minimum 80% of purses)

Pick the “low hanging fruit”:

1. uniform standards for safety equipment
2. e-solution for foal papers
3. single registration/license for SN/OE
4. disclosure of off-shore wagering sites principals
5. equine drug lab standards

Progress on major initiatives:

6. serious, industry-written, national rule books
7. commissions consolidate licensing services/resources
8. steady advances in equine drug uniformity



# Expenses

Considered a business plan, \$360,000 annual cost for central staff – rules coordinator and support staff

Current plan is to use existing RCI and state racing commission resources to implement the compact

Funding by fees (license fees, etc.)

1. Transition period, likely little or no expenses
2. Could be used for central staff/administration

# Formation of racing compact

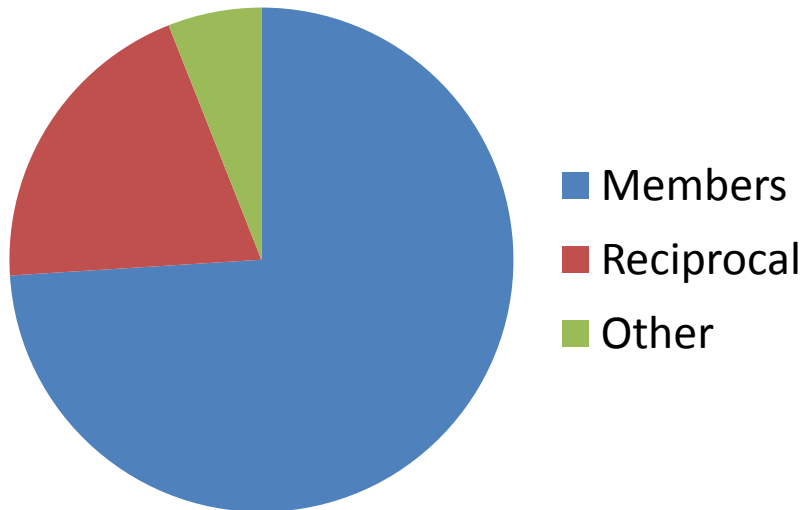
The interstate licensing compact concept was introduced in April 1999 at a meeting of RCI, which gave \$50,000 in seed money. Numerous contributions were added, cash over \$240,000 and \$70,000 in-kind from TJCIS . Much was spent on legal fees to draft a model bill; meetings were held to decide how to operate the compact; and leaders from interested state racing commissions, with assistance from national leaders including NHBPA, began getting approval from individual state legislatures.

Five states formed the compact in 2000: VA, LA, FL, DE, and WV. Five more states joined in 2001: NE, KY, WA, NY, and CA. AZ, NJ, MD, OK, and OH have since joined. Another 9 states (AR, CO, IL, IN, IA, MI, PA, TX, and WY) and Ontario reciprocate.

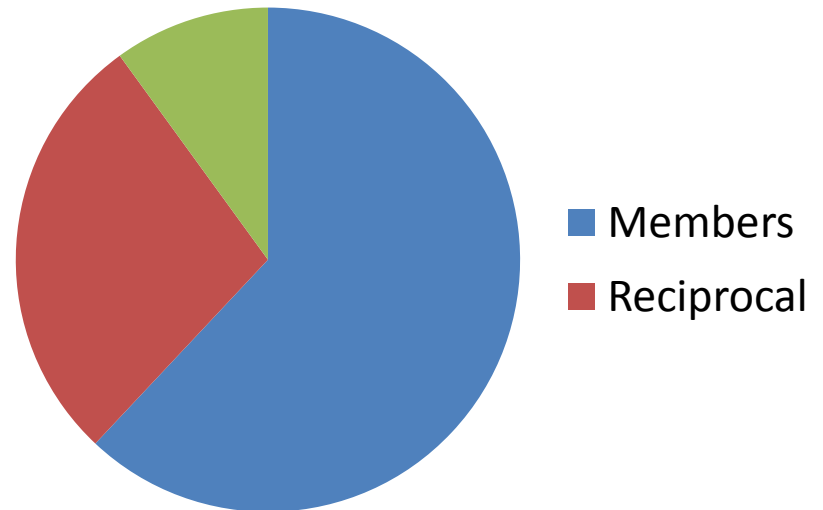
The Compact began issuing national owner's licenses in January 2001 and licenses for jockeys and trainers in May 2001.

# Widespread use of License

**Percentage of Purses**



**Percentage of Races**



# Writing a Rule

Discussions of Rules and Issues

State Racing Commissions ↔ Industry Participants ↔ Compact/Industry Committees



COMPACT AGENDA

*(Public Petition: Text, Effect, Positions)*



STUDY BY COMPACT COMMITTEES (Suggest a Rule)

CONTEXT: EACH STATE RACING COMMISSION ↔ STATE INDUSTRY



COMPACT RULES (INDUSTRY-REGULATOR) COMMITTEE

*(Public Agenda, Docket, Meetings)*



CONTEXT: EACH STATE RACING COMMISSION ↔ STATE INDUSTRY



BUILD CONSENSUS (Write a Rule) → OR STOP



STATES VOTE TO PUBLISH AS “PROPOSED RULE”

# Adopting a Rule

Follows model State Administrative Procedure Act:



PUBLIC-COMMENT PERIOD



PUBLISH on WEB SITE, STATE REGISTRIES, LEGISLATURE NOTIFIED



PUBLIC COMMENTS SHARED, HEARINGS



COMPACT RULES (INDUSTRY-REGULATOR) COMMITTEE

*(Public Agenda, Docket, Meetings)*



RESPONSES TO INPUT → STOP OR AMEND



EACH STATE VOTES, YES = NEW STATE RULE

ENFORCED LIKE OTHER STATE RULES

## Key Changes to New York bill

	<u>Section</u>
1. Reorganized to be more readable	
2. Express statement that state laws still apply	<i>1213(b)</i>
3. State delegate is agent of racing commission	<i>1203(d)</i>
4. Industry expressly involved in developing rules	<i>1205(b), 1207(b)</i>
5. A compact rule is just another state rule	<i>1205(d)</i>
6. Consult with industry about possible fees	<i>1208(b)</i>
7. Public comment period for possible fees	<i>1208(f)</i>
8. By-laws establish FOIL and Open Meetings	<i>1206(g)</i>
9. May be sued like a state racing commission	<i>1211 and 1212</i>



# Compact Rule-Making Process

Collaboration building on RCI model rule process:

1. Create standing industry and compact committees, to build a consensus and draft uniform, model rules
2. Have industry at the table when compact rules are published and adopted
3. Encourage model rule book, adopt by reference

“Formal” process follows model SAPA of 1981:

1. Publication and notice to all who request it
2. Public participation (comments, hearings)
3. Final vote and publication of adopted rule

# Details of proposed compact

State consent for rules and programs

Uniformity depends on workable system,  
leadership

Racing commissions still enforce rules

Possible funding by fees (license fees, etc.)

Absorb licensing compact

State can grant authority to supersede statutes

# Developing a Model Bill

- Reviewed by numerous racing commissions and/or their staff
- “Principles” endorsed by RCI Board, July 2009
- Several meetings of interested industry groups with regulators to improve the proposal
- Council of State Governments has greatly assisted in drafting a model bill

# Racing compact experience

National Racing Compact ([racinglicense.com](http://racinglicense.com))

Operated by 15 member-states

Headquarters in Lexington, Kentucky

Licenses about 2500 owners, trainers, etc.

# How the Licensing compact works

Send application and FPs, NRC issues a License

No license unless member-states all agree:

1. Highest criteria of all racing states, combined
2. Each member-state can veto an applicant
3. Criteria include, must be welcome to apply in all states

License is valid in all member-states:

1. Must pay regular state license fee to use it
2. Compact staff handles transactions for you

Other states issue reciprocal license

# Advantage of compact license

Once licensed, for \$75 a year you have “secretary” to handle all licensing arrangements, everywhere

To race in any member/participating state:

1. Call compact staff toll-free
2. Staff contacts the state licensing personnel
3. Each state accepts your NRC application form
4. Each state accepts the NRC licensing decision
5. NRC bills your credit card and pays the state for you

## Summary of National Racing License

### One Stop Service

- once licensed by us, just call our office to race in 25 jurisdictions
- pay one office, by check or credit card, to race in 25 jurisdictions
- our office handles all your renewals
- universal application forms for individual and for stable/entity applicants
- last fingerprint card you'll ever submit
- convenient website with your current license information for 25 jurisdictions
- we now offer a national stable/entity license

### Unmatched Efficiencies

- FBI record-checks at no extra charge -- included in our 3-year fee
- no FBI fingerprint charges when adding a new state
- you can complete and submit our individual application online
- we can generate state FP cards for you from archived fingerprints
- pay by credit card or check (establish an account with us)
- for a small (\$25) fee, expedited same-day criminal history clearance and licensing
- some states waive their state licensing or fingerprinting fees for our licensees

# What member-states learned

Can run an interstate compact with one person from each state racing commission

Works well with no sacrifice of state interests

Reasonable license fees pay for program



# RCI model rules experience

There are two steps:

1. Write a model rule
2. Make it law

Some success with first step, not so much with second step.

# Step 1: Write a model rule

## **RCI MODEL RULES COMMITTEE: PETITION**

- A. Brief Description of the Issue**
- B. Background on the Issue and Problem**
- C. Possible Solutions and Impact**
- D. Please identify affected stakeholder groups.**
- E. Attach the model rule language you are proposing.**
- F. What rules do racing jurisdictions currently have**
- G. Effect on other RCI Model Rules**

# New York proposal (pending)

1. Form a broader interstate compact with model bill passed by each state legislature
2. Create a compact commission
3. Commission has authority to make rules in centralized process accessed by stakeholders
4. Rules become the governing state rule, in each state that votes for the rule. Published in each state's own administrative code
5. With one vote, many states adopt same Rule