

2013 SENATE APPROPRIATIONS

SB 2023

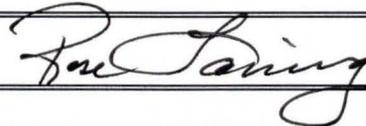
2013 SENATE STANDING COMMITTEE MINUTES

Senate Appropriations Committee Harvest Room, State Capitol

SB 2023
January 24, 2013
Job # 17711

Conference Committee

Committee Clerk Signature



Explanation or reason for introduction of bill/resolution:

A BILL for an Act to provide an appropriation for defraying the expenses of the North Dakota racing commission.

Minutes:

Testimony attached # 1

Legislative Council - Brady Larson
OMB - Sheila Peterson & Laney Herauf

Chairman Holmberg called the committee to order on SB 2023. All committee members were present.

Winston E. Satran, Director, ND Racing Commission

Testified in favor of SB 2023

Testimony attached # 1

Also introduced **Dr. Jim Ozbun, Chairman, ND Racing Commission**

Account deposit wagering: Under the ND law, you can wager on horses either through the internet or through a telephone call center. The majority of the money they tax is from account deposit wagering.

Handle is a horse racing wagering term used to specify the amount of money wagered during a period of time.

(11:08) **V.Chairman Grinberg** wanted to extend an appreciation for **Mr. Satran** and **Dr. Ozbun** for navigating this tumultuous situation into calm waters and said they are doing a great job.

Chairman Holmberg closed the hearing on SB 2023.

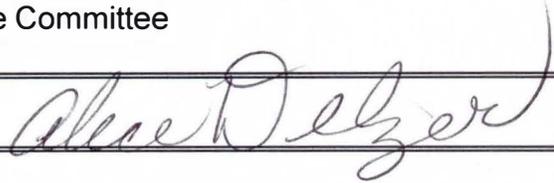
2013 SENATE STANDING COMMITTEE MINUTES

Senate Appropriations Committee Harvest Room, State Capitol

SB 2023
01-30-2013
Job # 17947

Conference Committee

Committee Clerk Signature



Explanation or reason for introduction of bill/resolution:

A Bill for an Appropriation for the ND Racing Commission

Minutes:

No testimony

Chairman Holmberg called the committee to order on Wednesday, January 30, 2013 in regards to 2023. All committee members were present except Senator Warner.

Senator Robinson Moved a Do Pass.

Seconded by Vice Chairman Grindberg .

Senator Mathern stated he hoped we can pass this bill.

Chairman Holmberg Call the roll on SB 2023.

A Roll Call vote was taken. Yea: 12, Nay: 0, Absent: 1.

Vice Chairman Grindberg will carry the bill.

The hearing was closed on SB 2023.

Date: 1-30-13

Roll Call Vote# 1

2013 SENATE STANDING COMMITTEE
ROLL CALL VOTES

BILL/RESOLUTION NO. SB 2023

Senate Appropriations Committee

Check here for Conference Committee

Legislative Council Amendment Number _____

Action Taken Do Pass

Motion Made By Robinson Seconded By Grindberg

Senators	Yes	No	Senator	Yes	No
Chairman Ray Holmberg	✓		Senator Tim Mathern	✓	
Co-Vice Chairman Bill Bowman	✓		Senator David O'Connell	✓	
Co-Vice Chair Tony Grindberg	✓		Senator Larry Robinson	✓	
Senator Ralph Kilzer	✓		Senator John Warner	a	
Senator Karen Krebsbach	✓				
Senator Robert Erbele	✓				
Senator Terry Wanzek	✓				
Senator Ron Carlisle	✓				
Senator Gary Lee	✓				

Total (Yes) 12 No 0

Absent 1

Floor Assignment Grindberg

If the vote is on an amendment, briefly indicate intent:

REPORT OF STANDING COMMITTEE

SB 2023: Appropriations Committee (Sen. Holmberg, Chairman) recommends **DO PASS** (12 YEAS, 0 NAYS, 1 ABSENT AND NOT VOTING). SB 2023 was placed on the Eleventh order on the calendar.

2013 HOUSE APPROPRIATIONS

SB 2023

2013 HOUSE STANDING COMMITTEE MINUTES

House Appropriations Government Operations Division
Medora Room, State Capitol

SB2023
March 8, 2013
Job 19634

Conference Committee

Committee Clerk Signature



Explanation or reason for introduction of bill/resolution:

A BILL for an Act to provide an appropriation for defraying the expenses of the North Dakota racing commission.

Minutes:

Testimony 1

Chairman Thoreson: Opened the hearing on SB2023.

00:21 Winston E. Satran, Director, ND Racing Commission: See testimony attachment 1.

11:00 Chairman Thoreson: What's the status of live racing in ND?

Winston Satran: We have met with the two horse racing associations.

13.32 Chairman Thoreson: What about the major betters?

Winston Satran: The growth in the account deposit wagering has increased.

16.35 Representative Glassheim: Is most of your revenue an activity that has to do with online betting compared to collecting money from people attending racing?

Winston Satran: Yes the association that put on the racing in Fargo charges to get in.

17:27 Representative Glassheim: So the main activity is online and telephone?

17:38 Winston Satran: That's correct.

Representative Glassheim: In your testimony you say you are anticipating \$158,000.00 in general fund revenue from online betting. Would that be over \$300,000.00 for the biennium?

Winston Satran: Yes that would be \$316,000.00 that we should generate in general fund taxes.

18:36 Representative Glassheim: What is the increase in going to a full-time position?

18.52 Winston Satran: Currently the salary for the director is \$58,404.00. What we're requesting in salary and benefits is half of that \$74,000.00 for the biennium. The salary would be around \$75,000.00.

Hearing closed.

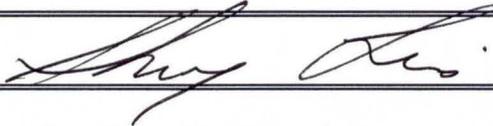
2013 HOUSE STANDING COMMITTEE MINUTES

House Appropriations Government Operations Division
Medora Room, State Capitol

SB2023
March 12, 2013
Recording Job# 19788

Conference Committee

Committee Clerk Signature



Explanation or reason for introduction of bill/resolution:

A BILL for an Act to provide an appropriation for defraying the expenses of the North Dakota racing commission.

Minutes:

Chairman Thoreson: Opened the discussion on SB2023.

Vice Chairman Brandenburg: Made a motion to adjust the salaries and compensation package.

Representative Kempenich: Seconded the motion.

A voice vote was made. Motion carried.

Vice Chairman Brandenburg: Made a motion for a "Do Pass as Amended."

Representative Sanford: Seconded the motion.

A roll call vote was made. 7 Yeas 0 Nays 0 Absent

Representative Sanford: Carried the bill.

Chairman Thoreson: Closed the discussion.

2013 HOUSE STANDING COMMITTEE MINUTES

House Appropriations Committee Roughrider Room, State Capitol

SB 2023
4/9/13
Job 21030

Conference Committee

Committee Clerk Signature



Explanation or reason for introduction of bill/resolution:

A BILL for an Act to provide an appropriation for defraying the expenses of the North Dakota racing commission.

Minutes:

Handout, attachment 1

Rep. Sanford: Distributed and presented Attachment 1. Provided background on North Dakota Racing Commission and how its revenue is generated. Gave details about account deposit wagering companies. North Dakota has one of the lowest tax rates for wagering in the country. Explained Table 1 on Attachment 1. That tax money is divided across four subgroups as shown in Table 2. Explained Table 2 on Attachment 1. Racing days at the two racetracks are determined by the commission. The projections for this year appear to be very conservative. Explained Table 3, the budget. The industry is nearing self-sufficiency. If some of the projections we heard materialize, the fees will fully fund the operation of the Racing Commission this coming biennium.

08:30 **Rep. Sanford:** Presented the green sheet. Referred to House Bill 1068 which puts limits on the amount of tax that an account depositing firm would have to pay going forward. Elaborated on rationale behind the limit.

10:08 **Chairman Delzer:** We had that at one point a number of years ago. It was a lot of money that came in as taxes related to the better you mentioned. If we're giving that up, I'm not so sure we should be doing that. We had better keep an eye on that and two years from now, see what's going on.

10:36 Rep. Sanford **moved to adopt amendment .01001**; motion **seconded** by Rep. Thoreson.

Voice vote on adoption of amendment carries.

Rep. Sanford **moved to recommend a Do Pass as Amended**; motion **seconded** by Rep. Thoreson.

Chairman Delzer: Are they going to have racing at both Belcourt and Fargo this summer?

Rep. Sanford: The commission awarded four weekends to Belcourt and three days to Fargo so far. In May, they probably will award an additional weekend and an additional day to those two sites on the basis of increased revenue.

Chairman Delzer: Several years ago, we had things in place that would have basically gotten rid of the Racing Commission.

Roll call vote on Do Pass as Amended. Motion carries.

Yes = 17

No = 4

Absent = 1

Carrier: Rep. Sanford

VR
4/9/13

PROPOSED AMENDMENTS TO SENATE BILL NO. 2023

Page 1, replace line 12 with:

"Racing commission	\$447,501	\$98,684	\$546,185
Accrued leave payments	0	3,789	3,789
Total all funds	\$447,501	\$102,473	\$549,974"

Page 1, replace line 14 with:

"Total general fund	\$317,501	\$66,066	\$383,567"
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Re-number accordingly

STATEMENT OF PURPOSE OF AMENDMENT:

Senate Bill No. 2023 - Racing Commission - House Action

	Executive Budget	Senate Version	House Changes	House Version
Racing Commission	\$563,967	\$563,967	(\$17,782)	\$546,185
Accrued leave payments			3,789	3,789
Total all funds	\$563,967	\$563,967	(\$13,993)	\$549,974
Less estimated income	166,407	166,407	0	166,407
General fund	\$397,560	\$397,560	(\$13,993)	\$383,567
FTE	2.00	2.00	0.00	2.00

Department No. 670 - Racing Commission - Detail of House Changes

	Adjusts State Employee Compensation and Benefits Package ¹	Provides Separate Line Item for Accrued Leave Payments ²	Total House Changes
Racing Commission	(\$13,993)	(\$3,789)	(\$17,782)
Accrued leave payments		3,789	3,789
Total all funds	(\$13,993)	\$0	(\$13,993)
Less estimated income	0	0	0
General fund	(\$13,993)	\$0	(\$13,993)
FTE	0.00	0.00	0.00

¹This amendment adjusts the state employee compensation and benefits package as follows:

- Reduces the performance component from 3 to 5 percent per year to 2 to 4 percent per year.
- Reduces the market component from 2 to 4 percent per year for employees below the midpoint of their salary range to up to 2 percent for employees in the first quartile of their salary range for the first year of the biennium only.
- Removes funding for additional retirement contribution increases.

²A portion of salaries and wages funding from the general fund (\$3,661) and from other funds (\$128) for permanent employees' compensation and benefits is reallocated to an accrued leave payments line item for paying annual leave and sick leave for eligible employees.

Date: 4/9/13
Roll Call Vote #: 1

2013 HOUSE STANDING COMMITTEE
ROLL CALL VOTES
BILL/RESOLUTION NO. 2023

House Appropriations Committee

Check here for Conference Committee

Legislative Council Amendment Number -0001

Action Taken: Do Pass Do Not Pass Amended Adopt Amendment
 Rerefer to Appropriations Reconsider

Motion Made By Rep. Sanford Seconded By Rep. Thoreson

Representatives	Yes	No	Representatives	Yes	No
Chairman Delzer			Rep. Streyle		
Vice Chairman Kempenich			Rep. Thoreson		
Rep. Bellew			Rep. Wieland		
Rep. Brandenburg					
Rep. Dosch					
Rep. Grande			Rep. Boe		
Rep. Hawken			Rep. Glassheim		
Rep. Kreidt			Rep. Guggisberg		
Rep. Martinson			Rep. Holman		
Rep. Monson			Rep. Williams		
Rep. Nelson					
Rep. Pollert					
Rep. Sanford					
Rep. Skarphol					

Total Yes _____ No _____

Absent _____

Floor Assignment _____

If the vote is on an amendment, briefly indicate intent:

voice vote carries

Date: 4/9/13
 Roll Call Vote #: 2

**2013 HOUSE STANDING COMMITTEE
 ROLL CALL VOTES
 BILL/RESOLUTION NO. 2023**

House Appropriations Committee

Check here for Conference Committee

Legislative Council Amendment Number 13. 8173. 01001

Action Taken: Do Pass Do Not Pass Amended Adopt Amendment
 Rerefer to Appropriations Reconsider

Motion Made By Rep. Sanford Seconded By Rep. Thoreson

Representatives	Yes	No	Representatives	Yes	No
Chairman Delzer		X	Rep. Streyle	X	
Vice Chairman Kempenich	X		Rep. Thoreson	X	
Rep. Bellew		X	Rep. Wieland	X	
Rep. Brandenburg	X				
Rep. Dosch		X			
Rep. Grande		X	Rep. Boe	X	
Rep. Hawken	X		Rep. Glassheim	X	
Rep. Kreidt	X		Rep. Guggisberg	X	
Rep. Martinson	X		Rep. Holman	X	
Rep. Monson	X		Rep. Williams	X	
Rep. Nelson	X				
Rep. Pollert					
Rep. Sanford	X				
Rep. Skarphol	X				

Total Yes 17 No 4

Absent 1

Floor Assignment Rep. Sanford

If the vote is on an amendment, briefly indicate intent:

REPORT OF STANDING COMMITTEE

SB 2023: Appropriations Committee (Rep. Delzer, Chairman) recommends **AMENDMENTS AS FOLLOWS** and when so amended, recommends **DO PASS** (17 YEAS, 4 NAYS, 1 ABSENT AND NOT VOTING). SB 2023 was placed on the Sixth order on the calendar.

Page 1, replace line 12 with:

"Racing commission	\$447,501	\$98,684	\$546,185
Accrued leave payments	<u>0</u>	<u>3,789</u>	<u>3,789</u>
Total all funds	\$447,501	\$102,473	\$549,974"

Page 1, replace line 14 with:

"Total general fund	\$317,501	\$66,066	\$383,567"
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Renumber accordingly

STATEMENT OF PURPOSE OF AMENDMENT:

Senate Bill No. 2023 - Racing Commission - House Action

	Executive Budget	Senate Version	House Changes	House Version
Racing Commission	\$563,967	\$563,967	(\$17,782)	\$546,185
Accrued leave payments			3,789	3,789
Total all funds	\$563,967	\$563,967	(\$13,993)	\$549,974
Less estimated income	<u>166,407</u>	<u>166,407</u>	0	<u>166,407</u>
General fund	\$397,560	\$397,560	(\$13,993)	\$383,567
FTE	2.00	2.00	0.00	2.00

Department No. 670 - Racing Commission - Detail of House Changes

	Adjusts State Employee Compensation and Benefits Package ¹	Provides Separate Line Item for Accrued Leave Payments ²	Total House Changes
Racing Commission	(\$13,993)	(\$3,789)	(\$17,782)
Accrued leave payments		3,789	3,789
Total all funds	(\$13,993)	\$0	(\$13,993)
Less estimated income	<u>0</u>	<u>0</u>	<u>0</u>
General fund	(\$13,993)	\$0	(\$13,993)
FTE	0.00	0.00	0.00

¹This amendment adjusts the state employee compensation and benefits package as follows:

- Reduces the performance component from 3 to 5 percent per year to 2 to 4 percent per year.
- Reduces the market component from 2 to 4 percent per year for employees below the midpoint of their salary range to up to 2 percent for employees in the first quartile of their salary range for the first year of the biennium only.
- Removes funding for additional retirement contribution increases.

²A portion of salaries and wages funding from the general fund (\$3,661) and from other funds (\$128) for permanent employees' compensation and benefits is reallocated to an accrued leave payments line item for paying annual leave and sick leave for eligible employees.

2013 CONFERENCE COMMITTEE

SB 2023

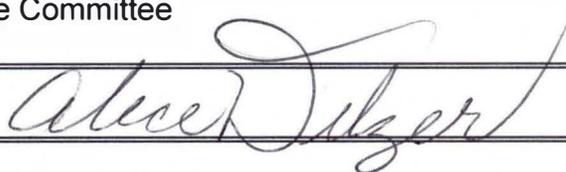
2013 SENATE STANDING COMMITTEE MINUTES

Senate Appropriations Committee
Harvest Room, State Capitol

SB 2023
04-18-2013
Job # 21257

Conference Committee

Committee Clerk Signature



Explanation or reason for introduction of bill/resolution:

A Conference Committee hearing on the ND Racing Commission

Minutes:

You may make reference to "attached testimony."

Senator Erbele called the Conference Committee to order on Thursday, April 18, 2013 at 11:30 am in the Harvest Room in regards to SB 2023. Let the record show all conferees are present.

SENATE: Senators: Robert Erbele, Chairman; Bill Bowman & John Warner
HOUSE: Representatives: Mark Sanford, Blair Thoreson & Ron Guggisberg

Laney Herauf and Sheila Peterson - OMB
Brady Larson - Legislative Council

The Statement of Purpose of Amendment was filed. Testimony attached # 1.

Senator Erbele: I understand the only change in this one is the salary package. Have you been authorized by the powers that be to make any movement.

Representative Thoreson: No, I understand that leadership is working on it.

Representative Sanford: commented that they are meeting this afternoon and hopefully they will come to an agreement.

Representative Thoreson: At least it's something to work off of.

Senator Erbele: With that we will adjourn the meeting until we have further information.

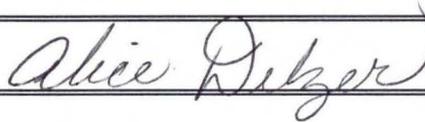
2013 SENATE STANDING COMMITTEE MINUTES

Senate Appropriations Committee
Harvest Room, State Capitol

SB 2023
04-22-2013
Job # 21414

Conference Committee

Committee Clerk Signature



Explanation or reason for introduction of bill/resolution:

A Conference Committee hearing on the ND Racing Commission

Minutes:

See attached testimony.

Senator Erbele called the conference Committee to order on Monday, April 22, 2013 at 5:00 pm in the Sakakawea Room. Let the record show that all conferees are present.

SENATE: Senators: Robert Erbele, Chair; Bill Bowman, John Warner
HOUSE: Representatives: Mark Sanford, Blair Thoreson, Ron Guggisberg

Laney Herauf and Sheila Peterson - OMB
Brady Larson - Legislative Council

Senator Erbele: We just have to settle the salary issue. I entertain a motion to move the amendment # 13.8173.01003. Testimony attached # 1.

Representative Sanford: moves the House recede and further amend. 2nd by Representative Guggisberg.

Senator Erbele: I will have the clerk call A roll call vote on the House receding and further amend. Amendment # 13.8173.01003 on SB 2023.

A Roll Call vote was taken. Yea: 6; Nay: 0; Absent: 0.

Senator Erbele will carry the bill on the floor.

The Conference Committee hearing was closed on SB 2023.

PROPOSED AMENDMENTS TO SENATE BILL NO. 2023

That the House recede from its amendments as printed on pages 1253 and 1254 of the Senate Journal and pages 1336 and 1337 of the House Journal and that Senate Bill No. 2023 be amended as follows:

Page 1, replace lines 12 through 14 with:

"Racing commission	\$447,501	\$104,361	\$551,862
Accrued leave payments	<u>0</u>	<u>3,789</u>	<u>3,789</u>
Total all funds	\$447,501	108,150	\$555,651
Less estimated income	<u>130,000</u>	<u>36,407</u>	<u>166,407</u>
Total general fund	\$317,501	\$71,743	\$389,244"

Renumber accordingly

STATEMENT OF PURPOSE OF AMENDMENT:

Senate Bill No. 2023 - Racing Commission - Conference Committee Action

	Executive Budget	Senate Version	Conference Committee Changes	Conference Committee Version	House Version	Comparison to House
Racing Commission	\$563,967	\$563,967	(\$12,105)	\$551,862	\$546,185	\$5,677
Accrued leave payments			3,789	3,789	3,789	
Total all funds	\$563,967	\$563,967	(\$8,316)	\$555,651	\$549,974	\$5,677
Less estimated income	166,407	166,407	0	166,407	166,407	0
General fund	\$397,560	\$397,560	(\$8,316)	\$389,244	\$383,567	\$5,677
FTE	2.00	2.00	0.00	2.00	2.00	0.00

Department No. 670 - Racing Commission - Detail of Conference Committee Changes

	Adjusts State Employee Compensation and Benefits Package ¹	Provides Separate Line Item for Accrued Leave Payments ²	Total Conference Committee Changes
Racing Commission	(\$8,316)	(\$3,789)	(\$12,105)
Accrued leave payments		3,789	3,789
Total all funds	(\$8,316)	\$0	(\$8,316)
Less estimated income	0	0	0
General fund	(\$8,316)	\$0	(\$8,316)
FTE	0.00	0.00	0.00

¹ This amendment adjusts the state employee compensation and benefits package as follows:

- Reduces the performance component from 3 to 5 percent per year to 3 to 5 percent for the first year of the biennium and 2 to 4 percent for the second year of the biennium.
- Reduces the market component from 2 to 4 percent per year to 1 to 2 percent per year for employees below the midpoint of their salary range.
- Reduces funding for retirement contribution increases to provide for a 1 percent state and 1 percent employee increase beginning in January 2014 and no increase in January 2015.

² A portion of salaries and wages funding from the general fund (\$3,661) and from other funds (\$128) for permanent employees' compensation and benefits is reallocated to an accrued leave payments line item for paying annual leave and sick leave for eligible employees.

Date 4-18-13

Roll Call Vote # #1-4-22-13

2013 SENATE CONFERENCE COMMITTEE
ROLL CALL VOTES

BILL/RESOLUTION NO. SB 2023 as (re) engrossed

Senate Appropriations Committee

- Action Taken
- SENATE accede to House Amendments
 - SENATE accede to House Amendments and further amends
 - HOUSE recede from House amendments
 - HOUSE recede from House amendments and amends as follows
 - Unable to agree, recommends that the committee be discharged and a new committee be appointed

Amendment # 13.8173-01003

Motion Made by: Sanford Seconded by: Duggisberg

Senators	4/18/13	4/18/13	Yes	No	Representatives	4/18/13	4/18/13	Yes	No
<u>Erbele</u>	✓	✓	✓		<u>Sanford</u>	✓	✓	✓	
<u>Bowman</u>	✓	✓	✓		<u>Phoreson</u>	✓	✓	✓	
<u>Warner</u>	✓	✓	✓		<u>Duggisberg</u>	✓	✓	✓	
Total Senate Vote					Total Rep. Vote				

Vote Count Yes: 6 No: 0 Absent: 0

Senate Carrier Erbele House Carrier Sanford

LC Number 13.8173.01003 of amendment

LC Number _____ of engrossment

REPORT OF CONFERENCE COMMITTEE

SB 2023: Your conference committee (Sens. Erbele, Bowman, Warner and Reps. Sanford, Thoreson, Guggisberg) recommends that the **HOUSE RECEDE** from the House amendments as printed on SJ pages 1253-1254, adopt amendments as follows, and place SB 2023 on the Seventh order:

That the House recede from its amendments as printed on pages 1253 and 1254 of the Senate Journal and pages 1336 and 1337 of the House Journal and that Senate Bill No. 2023 be amended as follows:

Page 1, replace lines 12 through 14 with:

"Racing commission	\$447,501	\$104,361	\$551,862
Accrued leave payments	0	<u>3,789</u>	<u>3,789</u>
Total all funds	\$447,501	108,150	\$555,651
Less estimated income	<u>130,000</u>	<u>36,407</u>	<u>166,407</u>
Total general fund	\$317,501	\$71,743	\$389,244"

Renumber accordingly

STATEMENT OF PURPOSE OF AMENDMENT:

Senate Bill No. 2023 - Racing Commission - Conference Committee Action

	Executive Budget	Senate Version	Conference Committee Changes	Conference Committee Version	House Version	Comparison to House
Racing Commission	\$563,967	\$563,967	(\$12,105)	\$551,862	\$546,185	\$5,677
Accrued leave payments			3,789	<u>3,789</u>	<u>3,789</u>	
Total all funds	\$563,967	\$563,967	(\$8,316)	\$555,651	\$549,974	\$5,677
Less estimated income	<u>166,407</u>	<u>166,407</u>	0	<u>166,407</u>	<u>166,407</u>	0
General fund	\$397,560	\$397,560	(\$8,316)	\$389,244	\$383,567	\$5,677
FTE	2.00	2.00	0.00	2.00	2.00	0.00

Department No. 670 - Racing Commission - Detail of Conference Committee Changes

	Adjusts State Employee Compensation and Benefits Package ¹	Provides Separate Line Item for Accrued Leave Payments ²	Total Conference Committee Changes
Racing Commission	(\$8,316)	(\$3,789)	(\$12,105)
Accrued leave payments		<u>3,789</u>	<u>3,789</u>
Total all funds	(\$8,316)	\$0	(\$8,316)
Less estimated income	<u>0</u>	<u>0</u>	<u>0</u>
General fund	(\$8,316)	\$0	(\$8,316)
FTE	0.00	0.00	0.00

¹ This amendment adjusts the state employee compensation and benefits package as follows:

- Reduces the performance component from 3 to 5 percent per year to 3 to 5 percent for the first year of the biennium and 2 to 4 percent for the second year of the biennium.
- Reduces the market component from 2 to 4 percent per year to 1 to 2 percent per year for employees below the midpoint of their salary range.
- Reduces funding for retirement contribution increases to provide for a 1 percent state and 1 percent employee increase beginning in January 2014 and no increase in January 2015.

² A portion of salaries and wages funding from the general fund (\$3,661) and from other funds (\$128) for permanent employees' compensation and benefits is reallocated to an accrued leave payments line item for paying annual leave and sick leave for eligible employees.

SB 2023 was placed on the Seventh order of business on the calendar.

2013 TESTIMONY

SB 2023

/

Senate Bill 2023

ND Racing Commission – Budget No. 670

Winston E. Satran, Director

January 24, 2013

63rd Legislative Assembly
Senate Appropriations Committee
Senator Ray Holmberg, Chairman

The North Dakota Racing Commission has experienced two years of significant revenue growth, which strengthens live horse racing in North Dakota. The current pari-mutuel tax law which contains reduced taxation on account deposit wagering has been attractive to a number of account deposit wagering companies. Currently North Dakota has eight licensed companies and one application pending for an account deposit wagering license. There are 34 companies licensed to do business in the United States.

The past four years has had steady progress in revenue. Below is the growth of handle since 2009:

2009	\$56 million
2010	\$71 million
2011	\$113 million
2012	\$158 million

The tax rate is one-sixteenth of one percent to the General Fund and one-sixteenth of one percent to each of the three racing funds: Purse, Breed, and

Promotion. The taxation rate creates \$2,500 in taxes per million dollars wagered. In 2012, \$395,000 was created in tax revenue. The projection for the handle in 2013 is \$253,000,000 which will generate \$632,500 in taxes and result in \$158,125 to the General Fund. We actually anticipate that this amount will more than double for the biennium.

The taxation on the account deposit wagering is a source of revenue that fuels live horse racing and horse production within our state. House Bill 1068, which is currently before the House of Representatives, has incentives that are designed to attract other account deposit wagering companies to North Dakota. Those incentives are created to limit the maximum amount of taxes paid per fiscal year by each company, once they have reached the threshold of \$400,000 of taxes paid. This threshold will be increased by 5 percent each year.

The 2013-15 budget is a program based budget and a one line item budget. The Racing Commission request:

	<u>2011 – 2013</u>	<u>2013 – 2015</u>	<u>Increase</u>
General Fund request:	\$317,501	\$323,398	\$ 5,897
Special Fund request:	\$130,000	\$166,406	\$36,406
Total	\$447,501	\$489,804	\$42,303

The total Executive Budget Recommendation is \$563,967. That increase focuses on the Racing Commission Director's salary. The Director's salary was budgeted for \$58,404 per year. It is time to hire a full-time Director and it will require paying a salary that is competitive with other jurisdictions. Chairman Jim Ozbun and I had a discussion with the Governor and his staff, and a request was made to make an adjustment to the budget to raise the salary of the Director.

There have been significant changes in the administration of the Racing Commission. The hiring of a credentialed candidate is necessary for the continued growth of North Dakota's participation in the national horse racing profession. To sustain this movement, the Commission will need sound leadership in guiding the state to adhere to laws, rules, and regulations and yet be progressive with the changes in technology and horse racing administration.

The Racing Commission's budget request was \$489,804. After conferring with OMB and the Executive staff, there was an increase in the General Fund request for the Racing Commission of \$74,163 for a total of \$563,967. This increase in benefits and salary has the potential to attract an individual with qualifications to administer the position of Director.

It is anticipated that the increase in the budget will be offset by the tax revenues from the increases in account deposit wagering. As I mentioned, the handle is projected to grow to \$253 million in 2013 with a strong possibility to grow to \$353 million in 2014. These projections are based on growth of the present licensed companies, the addition of newly licensed companies, and innovations in global wagering.

The Racing Commission is also developing new initiatives with its sister state, Minnesota, by engaging in talks with Canterbury Downs in Shakopee. Talks are designed to create cooperation between North Dakota and Minnesota horsemen, develop more avenues for racing, and share expertise in the management of the race tracks. As the Commission reviews its responsibilities to the citizens of North Dakota, it is also engaging in a program formulation with Lutheran Social Services that will address the identification of problem gamblers and strengthen the addiction treatment programs within our state.

The Racing Commission has a history similar to the history of North Dakota. There have been difficult times, major reverses in fortune, and new beginnings. In not too many years past, North Dakota had the reputation of

being the lowest rung on the ladder in the United States horse racing industry.

We have climbed that ladder to where we are not only being recognized nationally but also internationally. With continued persistence, strong administration, and thoughtful guidance, we can contribute substantially to the development of the horse industry within North Dakota.

NORTH DAKOTA RACING COMMISSION

2013 Licensed Account Deposit Wagering Companies

Avatar Ventures, LLC
2700 - 12th Ave. S, Suite A
Fargo ND 58103

MegaTote, LLC
7729 N Eastlake Terrace Apt 1A
Chicago IL 60626

eBet Technologies Inc.
5461 White Ibis Drive
North Port, FL 34287

PariBet, LLC
3400 N Ocean Drive #408
Singer Island FL 33404

I.B.N., LLC
10 N 8th St Suite #A
Fargo ND 58102

SocialGaming Technologies, Inc.
800 Fifth Avenue Suite 4100
Seattle WA 98104

Lien Games Racing LLC
3306 Sheyenne Street, Suite 218
West Fargo ND 58078

WatchandWager.com LLC
European Wagering Services Ltd.
20 California Street 7th Floor
San Francisco CA 94111

2013 Licensed Totalizator Companies

AmTote International, Inc.
11200 Pepper Road
Hunt Valley, MD 21031-1324

Las Vegas Dissemination, Inc.
8924 Spanish Ridge Ave
Las Vegas NV 89148

Sportech Racing LLC
555 Long Wharf Drive 11th Floor
New Haven CT 06511

United Tote Company
5901 DeSoto Ave
Woodland Hills CA 91367

SB 2023
Attachment 1
March 8, 2013

Senate Bill 2023

ND Racing Commission – Budget No. 670
Winston E. Satran, Director
March 8, 2013

63rd Legislative Assembly
House Appropriations Committee
Government Operations Division
Representative Blair Thoreson, Chair

The North Dakota Racing Commission has experienced two years of significant revenue growth, which strengthens live horse racing in North Dakota. The current pari-mutuel tax law which contains a low tax rate on account deposit wagering has been attractive to a number of account deposit wagering companies. Currently North Dakota has nine licensed companies.

There are 35 companies licensed to do business in the United States.

The past four years has had steady progress in wagering revenue. Below is the growth of handle since 2009:

2009	\$56 million
2010	\$71 million
2011	\$113 million
2012	\$158 million

The tax rate is one-sixteenth of one percent to the General Fund and one-sixteenth of one percent to each of the three racing funds: Purse, Breeders', and Promotion. The taxation rate creates \$2,500 in taxes per million dollars wagered. In 2012, \$395,000 was created in tax revenue. The projection for the

handle in 2013 is \$253 million which will generate \$632,500 in taxes. This will result in \$158,125 to the General Fund and \$474,375 to the racing funds per year. We actually anticipate that the General Fund revenue amount will more than double for the biennium.

The taxation on the account deposit wagering is the sole source of revenue that fuels live horse racing and horse production within our state. House Bill 1068, which is currently before the Senate Judiciary Committee, has incentives that are designed to attract other account deposit wagering companies to North Dakota. Those incentives are created to limit the maximum amount of taxes paid per fiscal year by each company, once they have reached the threshold of \$400,000 of taxes paid.

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There have been significant changes in the administration of the Racing Commission. The hiring of a credentialed candidate is necessary for the continued growth of North Dakota's participation in the national horse racing profession. To sustain this movement, the Commission will need sound leadership in guiding the state to adhere to laws, rules, and regulations and yet be progressive with the changes in technology and horse racing administration.

It is anticipated that the increase in the budget will be offset by the tax revenues from the increases in account deposit wagering. As I mentioned previously, the handle is projected to grow to \$253 million in 2013 with a

strong possibility to grow to \$353 million in 2014. These projections are based on growth of the present licensed companies, the addition of newly licensed companies, and innovations in global wagering.

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House Appropriations Committee
Government Operations Division
March 8, 2013

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New Haven CT 06511

United Tote Company
5901 DeSoto Ave
Woodland Hills CA 91367

Senate Bill 2023

Table 1: Tax Revenue Generation

	The Handle	Tax Rev. (\$2500 per 1 m. wagered)
2009	56 m	140,000
2010	71 m	178,000
2011	113 m	282,000
2012	158 m	396,000
2013 (projected)	253 m	632,000

Table 2: Tax Revenue Distribution

	General Fund	Purse	Promotions	Breeders
2009	35,000	35,000	35,000	35,000
2010	44,500	44,500	44,500	44,500
2011	70,500	70,500	70,500	70,500
2012	99,000	99,000	99,000	99,000
2013 (projected)	158,000	158,000	158,000	158,000

Table 3: Racing Commission Budget

	Base Level	Enhancements	Appropriations
Racing Commission	447,501	102,473	549,974
Less Income-License Fees	130,000	36,407	166,407
Total General Fund	317,501	66,066	383,567
Wagering Tax	170,000		316,000
Net	147,501		67,567

STATEMENT OF PURPOSE OF AMENDMENT:

Senate Bill No. 2023 - Funding Summary

	Executive Budget	Senate Version	House Changes	House Version
Racing Commission				
Racing Commission	\$563,967	\$563,967	(\$17,782)	\$546,185
Accrued leave payments			3,789	3,789
Total all funds	\$563,967	\$563,967	(\$13,993)	\$549,974
Less estimated income	166,407	166,407	0	166,407
General fund	\$397,560	\$397,560	(\$13,993)	\$383,567
FTE	2.00	2.00	0.00	2.00
Bill Total				
Total all funds	\$563,967	\$563,967	(\$13,993)	\$549,974
Less estimated income	166,407	166,407	0	166,407
General fund	\$397,560	\$397,560	(\$13,993)	\$383,567
FTE	2.00	2.00	0.00	2.00

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Senate Bill No. 2023 - Racing Commission - Senate Action

The Senate did not change the executive recommendation for the Racing Commission.

Senate Bill No. 2023 - Racing Commission - House Action

	Executive Budget	Senate Version	House Changes	House Version
Racing Commission	\$563,967	\$563,967	(\$17,782)	\$546,185
Accrued leave payments			3,789	3,789
Total all funds	\$563,967	\$563,967	(\$13,993)	\$549,974
Less estimated income	166,407	166,407	0	166,407
General fund	\$397,560	\$397,560	(\$13,993)	\$383,567
FTE	2.00	2.00	0.00	2.00

Department 670 - Racing Commission - Detail of House Changes

	Adjusts State Employee Compensation and Benefits Package¹	Provides Separate Line Item for Accrued Leave Payments²	Total House Changes
Racing Commission	(13,993)	(3,789)	(17,782)
Accrued leave payments		3,789	3,789
Total all funds	(\$13,993)	\$0	(\$13,993)
Less estimated income	0	0	0
General fund	(\$13,993)	\$0	(\$13,993)
FTE	0.00	0.00	0.00

¹ This amendment adjusts the state employee compensation and benefits package as follows:

- Reduces the performance component from 3 to 5 percent per year to 2 to 4 percent per year.
- Reduces the market component from 2 to 4 percent per year for employees below the midpoint of their salary range to up to 2 percent for employees in the first quartile of their salary range for the first year of the biennium only.
- Removes funding for additional retirement contribution increases.

² A portion of salaries and wages funding from the general fund (\$3,661) and from other funds (\$128) for permanent employees' compensation and benefits is reallocated to an accrued leave payments line item for paying annual leave and sick leave for eligible employees.

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PROPOSED AMENDMENTS TO SENATE BILL NO. 2023

That the House recede from its amendments as printed on pages 1253 and 1254 of the Senate Journal and pages 1336 and 1337 of the House Journal and that Senate Bill No. 2023 be amended as follows:

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Page 1, replace lines 12 through 14 with:

"Racing commission	\$447,501	\$104,361	\$551,862
Accrued leave payments	<u>0</u>	<u>3,789</u>	<u>3,789</u>
Total all funds	\$447,501	108,150	\$555,651
Less estimated income	<u>130,000</u>	<u>36,407</u>	<u>166,407</u>
Total general fund	\$317,501	\$71,743	\$389,244"

ReNUMBER accordingly

STATEMENT OF PURPOSE OF AMENDMENT:

Senate Bill No. 2023 - Racing Commission - Conference Committee Action

	Executive Budget	Senate Version	Conference Committee Changes	Conference Committee Version	House Version	Comparison to House
Racing Commission	\$563,967	\$563,967	(\$12,105)	\$551,862	\$546,185	\$5,677
Accrued leave payments			<u>3,789</u>	<u>3,789</u>	<u>3,789</u>	
Total all funds	\$563,967	\$563,967	(\$8,316)	\$555,651	\$549,974	\$5,677
Less estimated income	<u>166,407</u>	<u>166,407</u>	<u>0</u>	<u>166,407</u>	<u>166,407</u>	<u>0</u>
General fund	\$397,560	\$397,560	(\$8,316)	\$389,244	\$383,567	\$5,677
FTE	2.00	2.00	0.00	2.00	2.00	0.00

Department No. 670 - Racing Commission - Detail of Conference Committee Changes

	Adjusts State Employee Compensation and Benefits Package ¹	Provides Separate Line Item for Accrued Leave Payments ²	Total Conference Committee Changes
Racing Commission	(\$8,316)	(\$3,789)	(\$12,105)
Accrued leave payments		<u>3,789</u>	<u>3,789</u>
Total all funds	(\$8,316)	\$0	(\$8,316)
Less estimated income	<u>0</u>	<u>0</u>	<u>0</u>
General fund	(\$8,316)	\$0	(\$8,316)
FTE	0.00	0.00	0.00

¹ This amendment adjusts the state employee compensation and benefits package as follows:

- Reduces the performance component from 3 to 5 percent per year to 3 to 5 percent for the first year of the biennium and 2 to 4 percent for the second year of the biennium.
- Reduces the market component from 2 to 4 percent per year to 1 to 2 percent per year for employees below the midpoint of their salary range.
- Reduces funding for retirement contribution increases to provide for a 1 percent state and 1 percent employee increase beginning in January 2014 and no increase in January 2015.

² A portion of salaries and wages funding from the general fund (\$3,661) and from other funds (\$128) for permanent employees' compensation and benefits is reallocated to an accrued leave payments line item for paying annual leave and sick leave for eligible employees.