

July 2001

RACING COMMISSION - BACKGROUND MEMORANDUM

Section 14 of House Bill No. 1003, a copy of which is attached as Appendix A, directs the Legislative Council to study the Racing Commission, including its authority to schedule, promote, support, and regulate live or simulcast racing in North Dakota. The study is also to address the effectiveness of the commission's authority to both promote and regulate racing and whether its authority is appropriate for the commission and its members.

2001 LEGISLATIVE ACTION

The 2001 Legislative Assembly approved House Bill No. 1003, the Attorney General's appropriations bill. The bill appropriates \$300,000 for the operating expenses of the Racing Commission, of which \$150,000 is from the general fund, \$50,000 from the Racing Commission promotion fund, \$50,000 from the purse fund, and \$50,000 from the breeders' fund.

The bill also provides that:

1. The Racing Commission is under the supervision of the Attorney General.
2. The Attorney General may charge the Racing Commission for services provided to the commission.
3. The Attorney General rather than the Emergency Commission may authorize the Racing Commission to spend up to 25 percent of the promotion fund for operating expenses of the commission.
4. Compensation of Racing Commission members be \$75 per day, an increase of \$35 per day from the previous rate of \$40.

HISTORY OF THE RACING COMMISSION

The Racing Commission was established and parimutuel horse racing authorized by the 1987 Legislative Assembly in Senate Bill No. 2319. Initially, the Racing Commission was established in the office of the Secretary of State. Members of the commission originally were the Secretary of State and four other members appointed by the Governor.

The 1989 Legislative Assembly approved House Bill No. 1184 which moved the Racing Commission from the Secretary of State's office to the office of Attorney General. The Secretary of State was removed as chairman of the commission and one other member was added appointed by the Governor. This bill also established the breeders' fund and purse fund. The bill provided that one-half of 1 percent of the parimutuel pool and other wagering pools for each day of racing be

deposited in the breeders' fund, one-half of 1 percent be deposited in the purse fund, and depending on the total of the pool, either 3 or 4 percent be deposited in the general fund. The bill also authorized offtrack wagering on races held at licensed racecourses either in state or out of state.

The 1991 Legislative Assembly approved House Bill No. 1260 that replaced the offtrack wagering statute enacted by the 1989 Legislative Assembly with a similar statute providing for simulcast wagering for in-state or out-of-state races. This bill also created the promotion fund and provided that unclaimed tickets and breakage from each live race and simulcast program be deposited in the promotion fund. The bill also provided that the moneys in the breeders' fund, purse fund, and promotion fund may be spent by the commission pursuant to a continuing appropriation. In addition, the bill reduced the percentage of the pools deposited in the general fund from 3 or 4 percent to 2 or 3 percent.

The 1991 Legislative Assembly approved Senate Bill No. 2354 providing that of the Governor's five appointees, one must be nominated by the state chapter or affiliate of the American Quarter Horse Racing Association, one by the state chapter or affiliate of the United States Trotting Association, one nominated by the state chapter or affiliate of the International Arabian Horse Association, and one nominated by the state chapter or affiliate of the North Dakota Thoroughbred Association.

The 1993 Legislative Assembly approved Senate Bill No. 2155 authorizing simulcast dog racing in the state.

The 1995 Legislative Assembly approved House Bill No. 1365 providing that for each live race or simulcast wagering pool, excluding win, place, and show pools, one-half of 1 percent of the pool must be deposited in the promotion fund. The percentage deposited in the general fund from these pools was reduced from 3 to 2.5 percent.

The 2001 Legislative Assembly approved Senate Bill No. 2381 authorizing parimutuel wagering to be conducted through account wagering and that an account wager may be made on an account only through a licensed simulcast services provider authorized to operate the simulcast parimutuel wagering system under the certificate system.

STATUTORY PROVISIONS

The statutory provisions relating to the Racing Commission and parimutuel horse racing are included

in North Dakota Century Code Chapter 53-06.2, a copy of which is attached as Appendix B.

COMMISSION MEMBERSHIP

The current members of the Racing Commission are listed in Appendix C.

FUNDING

The schedule below provides the legislative appropriations for the Racing Commission, included as a separate line item in the Attorney General's appropriations bill.

Biennium	General Fund	Estimated Income	Total
1993-95	\$222,421		\$222,421
1995-97	\$211,300		\$211,300
1997-99	\$219,744		\$219,744
1999-2001	\$222,067		\$222,067
2001-03	\$150,000	\$150,000	\$300,000

During the 1989-91 and 1991-93 bienniums, funding for the Racing Commission was included in the various line items of the Attorney General's appropriation and not specifically identified in the appropriations bill.

TAXES AND FEES

For each live race or simulcast program on win, place, and show parimutuel pools:

- One-half of 1 percent is deposited in the breeders' fund;
- One-half of 1 percent is deposited in the purse fund; and
- 2 percent is deposited in the general fund.

For each live race or simulcast program for daily double, quinella, exacta, trifecta, or other wager combining two or more horses for winning payoffs in a pool:

- One-half of 1 percent is deposited in the breeders' fund;
- One-half of 1 percent in the purse fund;
- One-half of 1 percent in the promotion fund; and
- 2.5 percent in the general fund.

Unclaimed tickets and breakage from each live race or simulcast program are deposited in the promotion fund.

The following schedule presents the income, expenditures, and balances of the breeders' fund, purse fund, and promotion fund.

	Breeders' Fund	Purse Fund	Promotion Fund	Total
1993-95				
Revenues	\$63,093	\$59,534	\$126,412	\$249,039
Expenditures	\$76,196	\$68,811	\$69,603	\$214,610
1995-97				
Revenues	\$58,683	\$56,605	\$183,326	\$298,614
Expenditures	\$110,621	\$48,490	\$116,759	\$275,870
1997-99				
Revenues	\$136,088	\$136,485	\$331,237	\$603,810
Expenditures	\$72,197	\$64,500	\$220,938	\$357,635
1999-2001 (to date)				
Revenues	\$1,389,700	\$1,389,960	\$2,544,113	\$5,323,773
Expenditures	\$239,446	\$259,640	\$331,704	\$830,790
May 31, 2001, fund balance	\$1,230,364	\$1,222,197	\$2,489,142	\$4,941,703

The following schedule presents general fund revenues generated from racing activities since 1993.

Biennium	General Fund Revenues
1993-95	\$331,373
1995-97	\$235,521
1997-99	\$614,566
1999-2001 (through May 2001)	\$6,367,719
2001-03 projection (general fund forecast)	\$270,000

STUDY PLAN

The committee may wish to proceed with this study as follows:

1. Receive testimony from representatives of the Attorney General's office and the Racing Commission regarding the duties and responsibilities of the Racing Commission, the effectiveness of the commission, and the appropriateness of the commission's authority.
2. Receive testimony from other interested persons regarding the effectiveness of the Racing Commission and the appropriateness of its authority.
3. Review the appropriateness of the commission's authority, its effectiveness, and funding allocations.
4. Develop committee recommendations and prepare any legislation necessary to implement the recommendations.
5. Prepare a final report for submission to the Legislative Council.

ATTACH:3