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## OTHER STATES' HORSE RACING TRACKS - NORTH DAKOTA RACING COMMISSION REVENUE HISTORY

This memorandum provides information on the parimutuel horse racing industry, horse racing tracks in other states, and the history of Racing Commission revenues from parimutuel wagering in North Dakota.

### PARIMUTUEL HORSE RACING INDUSTRY

According to the American Gaming Association, an organization based in Washington, D.C., representing the commercial casino entertainment industry, and a United States General Accounting Office report, Americans gamble an estimated \$600 billion a year on everything from blackjack to bingo to poker to office pools. Approximately \$60 billion of that total ends up with the gambling industry as gross revenue or the take before taxes and wages are paid. The rest is either passed directly from gambler to gambler or paid out as winnings at racetracks and casinos. Approximately 7 percent, or \$4.2 billion, of total gambling revenues is from parimutuel wagering. Parimutuel wagering is a system in which players bet against each other as opposed to the "house" or the management. The winners divide the total amount of the money wagered, minus the percentage that goes to the house, otherwise known as the "rake," to pay for its expenses. Horse racing, with more than \$3 billion a year in revenue, is the largest piece of the parimutuel industry. Some form of parimutuel wagering is legal in 43 states.

The North American Pari-mutuel Regulators Association (NAPRA) is a tax-exempt organization incorporated in Kansas in 1997 to provide a cost-effective focal point for communications and dispersing information relating to the parimutuel industry. According to NAPRA, virtually every horse racetrack in the United States is subsidized by simulcast racing and without revenues from simulcast wagering nearly every horse track facility would lose money. In 1990 approximately 85 percent of the money wagered on horse racing was at the track for live events. In 2000 approximately 85 percent of the money wagered on horse racing was through a simulcast facility and transferred across state lines.

### OTHER STATES' HORSE RACING TRACKS Minnesota - Canterbury Downs

According to a report published by the Research Department of the Minnesota House of Representatives, Canterbury Downs--Minnesota's only parimutuel horse racetrack--was opened in 1985 at a cost of approximately \$80 million. The track was an early success but subsequent expansion of legal gambling

in Minnesota led to declines in attendance and betting and after the 1992 racing season Canterbury Downs closed. In 1994 several Minnesota horsemen formed the Canterbury Park Holding Corporation and purchased Canterbury Downs. The track was renamed Canterbury Park and opened for simulcast betting in 1994 and reopened for live racing in 1995. Canterbury Park is a publicly traded company (Amex: ECP) with over 2,500 shareholders, the majority of whom are Minnesotans. Since 1995 the track has had slow but reasonably steady growth in attendance and betting.

Canterbury Park revenues have been enhanced by the opening of the Canterbury card club in 2000. The card club is open 24 hours a day 7 days a week and receives collection revenue from 31 poker tables and 19 tables offering a variety of "unbanked" card games. Unbanked card games are games where the players play only against each other instead of against the house. The racetrack's revenue from the card club is derived from seat charges and a "rake" on wagers, 10 percent of the first \$6 million and 14 percent on the amounts above \$6 million are set aside for purses for live races at the track. Ten percent of this card club set-aside goes to the Minnesota Breeders' Fund--a fund established by law to promote the horse industry in Minnesota. In 2001 the card club raised \$1.8 million for Canterbury purses and \$200,000 for the breeders' fund.

According to the Canterbury Park web site, approximately 300,000 people annually attend live racing at Canterbury Park. One percent of the total handle on live racing and 5.5 percent of the total handle on full-cast simulcast racing is set aside for the Minnesota Breeders' Fund. In 2001 the total breeders' fund revenues, including card club contributions, were just over \$1 million.

Canterbury Park is home to special events year round, ranging from snowmobile racing to craft shows. Over 100,000 people visit Canterbury Park each year for special events alone.

In 2005 a proposal was introduced, but not approved by the Minnesota Legislative Assembly, to open a racino (combination racetrack and casino) at Canterbury Park. The racino would have added slot gaming and banked blackjack at Canterbury Park.

### Iowa - Prairie Meadows Racetrack

Prairie Meadows Racetrack in Altoona, Iowa, was bankrupt and its doors closed prior to approval of slot machines in 1994. From 1995 to 1997 Iowa became the nation's fastest-growing thoroughbred breeding state, jumping from 28th to 12th nationally in total

foals bred. In 2002 Polk County residents voted to approve the racino for another eight years.

**OTHER STATES' RACINOS**

Other states that have authorized racinos include:

- Delaware.
- Louisiana.
- Maine.
- New Mexico.
- New York.
- Oklahoma.
- Pennsylvania.
- Rhode Island.
- West Virginia.

**HORSE TRACKS IN REGIONAL SUMMARY STATES**

According to information provided by the racing commissioners from the six regional states, all horse tracks are subsidized by simulcast racing. In addition, the horse track in Minnesota is subsidized by a card room and the horse track in Iowa is subsidized by a racino and card room. The results of the survey are as follows:

Minnesota	Minnesota has one horse track (Canterbury Park) which has approximately 32 days per year of live racing. A card club is operated at Canterbury Park. Canterbury Park is subsidized by the card room and simulcast racing. No state funds are provided to Canterbury Park.
Montana	Montana had five horse tracks that operated in 2005, each ranging from 3 to 12 days of races (primarily in conjunction with state and county fairs). There are no other types of gambling entertainment offered at these horse tracks. The horse tracks are subsidized from offtrack simulcast wagering. No state funds are provided to the horse tracks.
South Dakota	South Dakota has two horse tracks that each operate for seven weekends a year (Brown County Fair and Fort Pierre). There are no other types of gambling entertainment offered at these horse tracks. The horse tracks are subsidized from offtrack simulcast wagering. No state funds are provided to the horse tracks.
Wyoming	Wyoming has one horse track (Wyoming Downs) that operates 18 days per year. There are no other types of gambling entertainment offered at Wyoming Downs. Wyoming Downs is subsidized from offtrack simulcast wagering. No state funds are provided to Wyoming Downs.
Iowa	Iowa has one horse track (Prairie Meadows Racetrack and Casino) that operates approximately 48 days per year.

	The casino at Prairie Meadows is open year round and includes slot machines and a card room and the track also offers simulcast racing. Prairie Meadows is subsidized from the casino and simulcast racing. No state funds are provided to Prairie Meadows.
Nebraska	Nebraska has six horse tracks that operate from 1 to 38 days per year, with a total of 107 days of live racing. Simulcast racing is also conducted at the horse tracks. The horse tracks are subsidized by simulcast racing. No state funds are provided to the horse tracks.

**REVENUES FROM PARIMUTUEL WAGERING IN NORTH DAKOTA  
Racing Commission Funds**

The North Dakota Racing Commission maintains three funds:

- Breeders' fund - Established to financially reward breeders or owners of North Dakota-bred horses to be paid in accordance with rules as approved by the Racing Commission (North Dakota Century Code (NDCC) Section 53-06.2-01(1)).
- Purse fund - Established to supplement and improve purses offered at racetracks within the state (NDCC Section 53-06.2-02(10)).
- Promotion fund - Established to assist in improving and upgrading racetracks in North Dakota, for promotion of horse racing within North Dakota, and in developing new race-tracks in the state as necessary and approved by the Racing Commission. The Racing Commission may receive up to 25 percent of this fund for the purpose of payment of operating expenses of the commission (NDCC Section 53-06.2-11(3)).

**SUMMARY OF LEGISLATIVE CHANGES**

The breeders', purse, and promotion funds and the general fund each receive a percentage of the total amount wagered through parimutuel horse racing in North Dakota. The following is a history of the legislative changes in the allocation of revenues from parimutuel horse racing to the North Dakota Racing Commission funds and the general fund and other related statutory changes.

**1987 Senate Bill No. 2319**

- Established the North Dakota Racing Commission in the Secretary of State's office and authorized parimutuel horse racing.
- Authorized the commission to issue licenses to conduct horse races. Every license must specify the number of days the licensed races may continue, the hours during which racing may be conducted, and the number of races that may be

held each day. The license fee charged by the commission is to be commensurate with the size and attendance of the race meet. The revenues from the license fees were to be placed in the operating fund of the Tourism Division of the Economic Development Commission.

#### **1989 House Bill No. 1184**

- Moved the Racing Commission from the Secretary of State's office to the Attorney General's office.
- Established the breeders' fund and purse fund.
- Provided that .5 percent of the amount wagered on a live or simulcast race for each day of racing was to be deposited in the breeders' fund and .5 percent was to be deposited in the purse fund.
- Depending on the pool, either 3 or 4 percent was to be deposited in the state general fund.

#### **1989 House Bill No. 1204**

- Provided that license fees of the North Dakota Racing Commission be deposited in the general fund rather than the operating fund of the Tourism Division of the Economic Development Commission.

#### **1991 House Bill No. 1260**

- Established the promotion fund.
- Provided that unclaimed tickets and breakage (relating to rounding of payoffs down to the nearest 10 cents) from each live race or simulcast program be deposited in the promotion fund to assist in improving and upgrading racetracks in North Dakota, for promotion of horse racing within North Dakota, and in developing new racetracks in the state as necessary and approved by the Racing Commission.
- Provided that the money in the breeders', purse, and promotion funds be spent by the Racing Commission, pursuant to a continuing appropriation.
- Reduced the percentage of the pools deposited in the state general fund from 3 or 4 percent to 2 or 3 percent.

#### **1995 House Bill No. 1365**

- Provided that the promotion fund, in addition to the purse and breeders' funds, will receive .5 percent of each exotic wager on a live or simulcast race placed in North Dakota (exotic wagers involve double, quinella, exacta, trifecta, or any other wager combining two or more horses for winning payoffs).
- Reduced the percentage deposited in the general fund from these pools from 3 to 2.5 percent.

#### **2003 Senate Bill No. 2285**

##### **Win, Place, and Show Wagers**

- Provided that the percentage deposited in the general fund is 2 percent on a live or simulcast race wager placed in North Dakota of the first \$35.5 million in wagers per year and .5 percent after that.
- Provided that the purse and breeders' funds are each to receive .5 percent of the total amount wagered.

##### **Exotic Wagers**

- Provided that the percentage deposited in the general fund is 2.5 percent on any live or simulcast race placed in North Dakota of the first \$102.4 million in wagers per year and .25 percent after that.
- Provided that the purse, promotion, and breeders' funds are to receive .5 percent of the total amount wagered.

#### **2005 House Bill No. 1003**

- Removed the Racing Commission from the Attorney General's office.

#### **2005 Senate Bill No. 2344**

- Provided that license fees collected by the Racing Commission be deposited into the Racing Commission operating fund rather than the general fund.

#### **2005 House Bill No. 1389**

##### **(Effective Only for the Two-Year Period Beginning**

##### **July 1, 2005, and Ending June 30, 2007)**

##### **Win, Place, and Show Wagers**

- Provided that the percentage deposited in the general fund is 2 percent on a live or simulcast race wager placed in North Dakota of the first \$11 million in wagers per year and .0625 percent after that.
- Provided that the purse and breeders' funds are each to receive .5 percent of the first \$11 million in wagers and the purse, promotion, and breeders' funds are each to receive .0625 percent of the amount wagered in excess of \$11 million.

##### **Exotic Wagers**

- Provided that the percentage deposited in the general fund is 2.5 percent on any live or simulcast race wager placed in North Dakota of the first \$11 million in wagers per year and .0625 percent after that.
- Provided that the purse, promotion, and breeders' funds are each to receive .5 percent of the first \$11 million in wagers and each fund is to receive .0625 percent of the amount wagered in excess of \$11 million.

## **NORTH DAKOTA RACING COMMISSION FUND BALANCES**

The October 15, 2005, balances in each of the North Dakota Racing Commission funds were:

- Breeders' fund - \$1,664,491.

- Purse fund - \$1,732,387.
- Promotion fund - \$1,140,287.

### NORTH DAKOTA RACING COMMISSION REVENUES - HISTORY

	1997-99 Biennium	1999-2001 Biennium	2001-03 Biennium	2003-05 Biennium	2005-07 Biennium (July 1, 2005 to September 30, 2005)
General fund	\$592,769	\$6,396,078	\$7,660,826	\$5,250,888	\$62,211
Breeders' fund	135,547	1,137,719	2,779,470	795,815	40,453
Purse fund	135,512	1,136,578	2,767,303	795,815	40,637
Promotion fund	308,234	2,071,931	5,229,897	1,391,644	69,392
Total	\$1,172,062	\$10,742,306	\$18,437,496	\$8,234,162	\$212,693

**NOTE:** Revenues decreased during the 2003-05 biennium due to a loss of the "big bettors." These were individual bettors that were wagering up to \$170 million per year on simulcast racing in North Dakota. These individuals moved their wagering operations to another state during the 2003-05 biennium.

### NORTH DAKOTA RACING COMMISSION - SUPPORT OF NORTH DAKOTA HORSE PARK

Based on information included in the State Auditor's office audit report of the North Dakota Racing Commission for the two-year period ended June 30, 2004, the following is a summary of the Racing Commission's support of the North Dakota Horse Park:

	Funds Provided for Construction Costs of Horse Park
2001 commitment	\$1,000,000
April 2002	1,500,000
October 2003	231,430
Commitment for bathroom facility	85,000
Total	\$2,816,430
	Funds Provided for Operating Costs of Horse Park
2003	\$900,000
2004	718,400
2005 (estimated)	799,000
Total	\$2,417,400