

Senate Bill 2023
ND Racing Commission
Bruce Johnson, Director
January 13, 2025

69th. Legislative Assembly
Senate Appropriations Committee
Senator Brad Bekkedahl, Chairman

To the Honorable Chairman Senator Bekkedahl and other Honorable members of the Senate Appropriations Committee. Thank you for the opportunity to appear before you to present my testimony for SB 2023, the ND Racing Commission (NDRC) 2025-27 biennium budget.

The North Dakota Racing Commission holds five key responsibilities...

Regulation of Horse Racing

Enforce state laws and rules governing pari-mutuel wagering and horse racing.

Issue licenses to participants, including trainers, jockeys, owners, and racing officials.

Ensure compliance with rules to maintain fairness and transparency.

Oversight of Pari-Mutuel Wagering

Regulate and monitor betting systems to ensure accuracy and legality.

Protect bettors and maintain public confidence in wagering operations.

Promotion of Horse Racing

Encourage the development of horse racing as an economic activity.

Support the breeding and training of racehorses in North Dakota.

Partner with stakeholders to expand racing-related opportunities and events.

Safety and Welfare

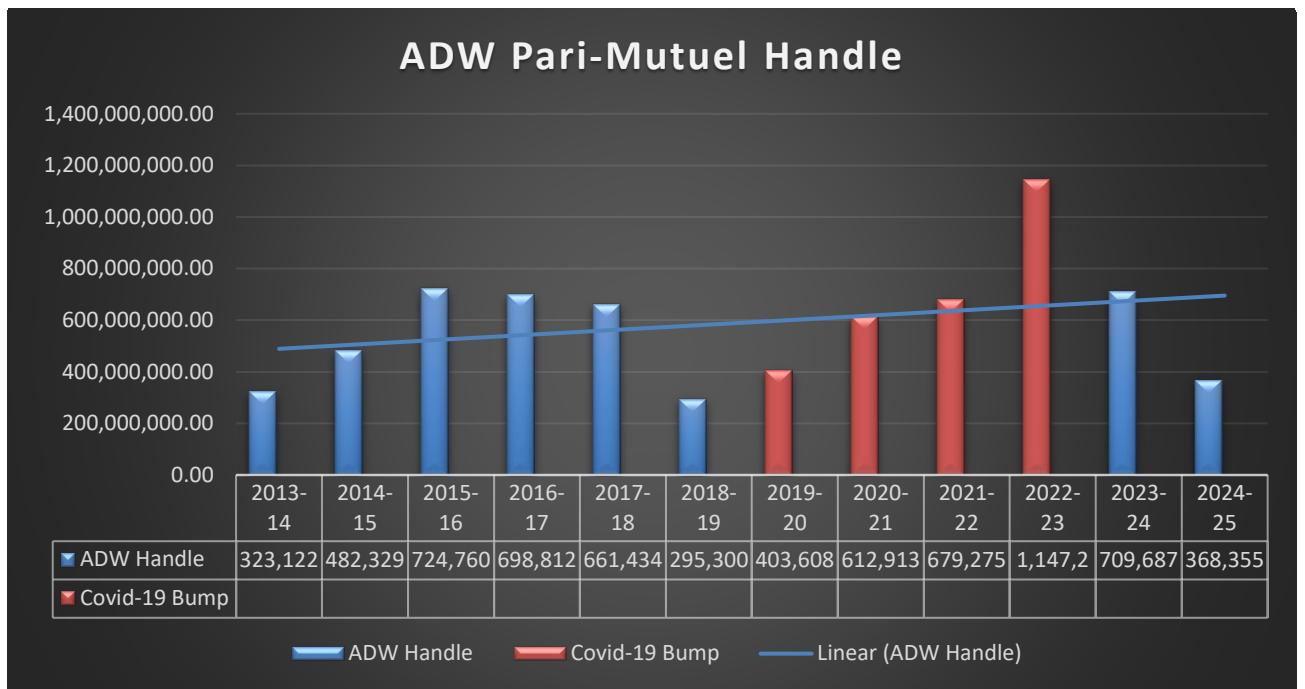
Protect the welfare of horses and participants by enforcing safety standards.

Conduct drug testing for horses and personnel to prevent performance-enhancing substances or abuse.

Allocation of Funds

Administer and distribute funds from pari-mutuel wagering to support racing purses, horse breeding programs, and other industry initiatives.

The future of racing in North Dakota has some significant risks and challenges going forward. One such risk is the effect of the Advanced Deposit Wagering (ADW's) markets on our commissions tax revenues. With the, (post-Covid), decline of retail ADW operations, revenues are more and more dependent upon high-volume bettors. We are seeing that minor changes in a company's business structure, regulatory changes in other jurisdictions, or rate differences between companies result in significant shifts in wagering volume away from the North Dakota licensed and regulated operations. These facts are demonstrated by the actual wagering volume during the 2024 calendar year as shown by the graph below.

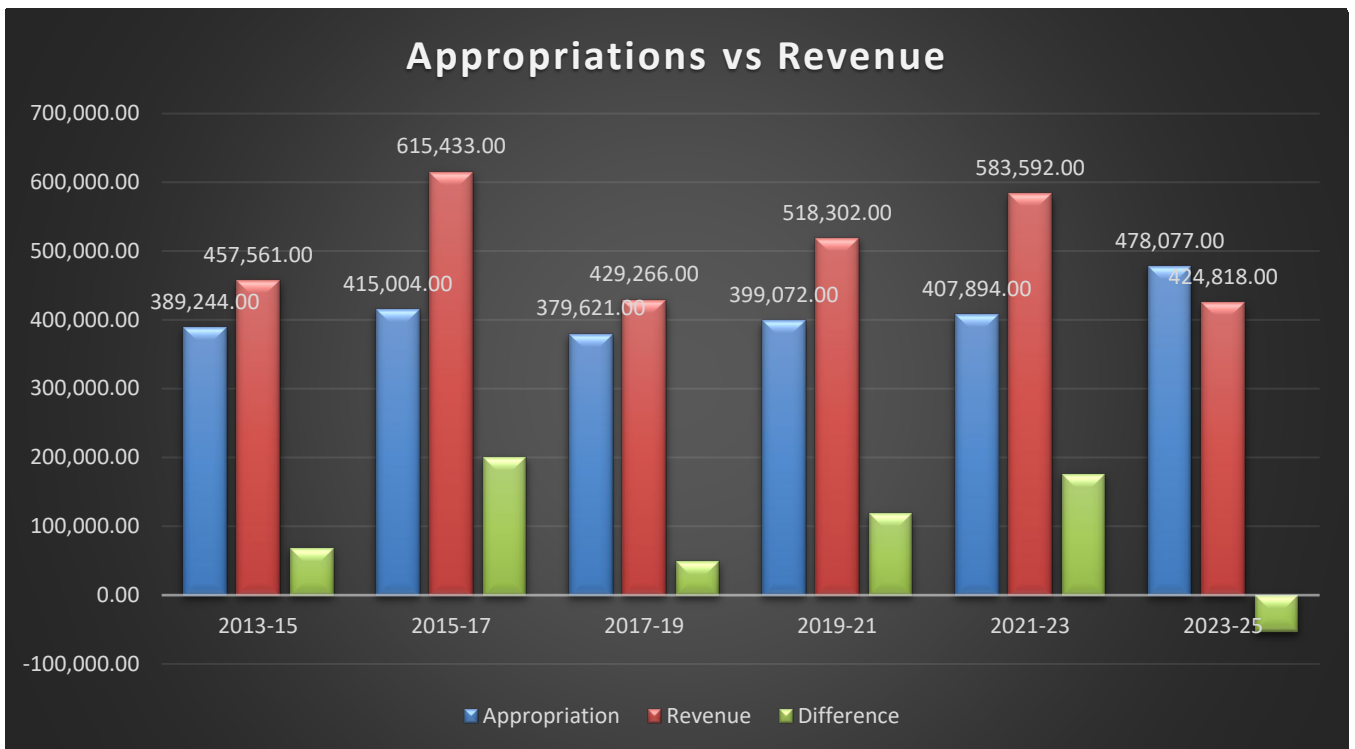


Although we fully expect ADW wagering handle to bounce back in second half of this fiscal year, if the pandemic has taught us anything, it's that anything can happen.

While the Commission has done its best to plan and mitigate the effects of any market changes, significant impacts to our ADW partners wagering volume are omnipresent. COVID-19 created an unanticipated year for ADW in 2020 with wagering and revenues far exceeding our expectations. In that year, and the following 3 years, an initial boon was created however, we are beginning to see a reduction in those numbers beginning in 2024. It is therefore imperative that the North Dakota Racing Commission stands ready to defend the business model our licensed ADW's have built. Moving forward, the racing industry in the state must identify and obtain more reliable sources of revenue by attracting more ADW's to license with our state. One major blow to our licensed ADW models has been the increased pressure from animal rights groups.

Advocates for the rights of racing animals like the Greyhound have made significant progress in disrupting that sport by attacking the pari-mutuel wagering side. Although not legal in North Dakota, many of our ADW's, and simulcast facilities, support wagering on Greyhound racing worldwide. Groups such as Grey2K will be looking to eliminate this important stream of revenue for our ADW partners which in turn effects our agencies revenue generated from taxation on the overall wagering handle.

Even in these volatile times, budget wise, the NDRC has been able to maintain its payments to the general fund exceeding our appropriations for the past 5 biennia.



The Racing Commission fully expects to continue this trend through the end of this current biennium and beyond.

Additionally, in the 2025-27 biennium we are requesting \$ 20,000 for up to 2 Interns each year to work at our office and at the live race meets. The desire is to assist university students in agriculture programs to learn and experience the horse racing industry firsthand and to generate more interest in this industry with our state's young adults.

We have also requested a one-time funding increase of \$13,000. xx for a new office printer / copier.

North Dakota Century Code

Chapter 53-06.2. The agency's major responsibilities include:

- Provide for racing under the certificate system.

- Administration of the Breeders, Purse, Promotion and Operating Funds.

- Administration of licensing for Service Providers/Account Deposit Wagering (ADW's), Totalizator, Charity/Site Operators, Live Race Meets and Individual occupational licenses.

- Adopt regulatory rules for all licensees and events.

Purpose of programs:

- Breeders Fund – established to financially reward breeders or owners of North Dakota-bred horses.

- Purse Fund – established to supplement and improve purses at racetracks within the state.

- Promotion Fund – established to assist in improving and upgrading racetracks in the state, promoting horse racing in the state, and developing new racetracks in the state as necessary and approved by the commission.

An Organizational Chart is listed on the last page.

Audit Findings

Financial Audit Findings for 2021-23. (Last Audit)

None

2023-25 Biennium Accomplishments and Challenges

Live race meets were held in Belcourt (Chippewa Downs) and Fargo (ND Horse Park) this past summer. Despite the reduction ADW handle & revenue Purses and Breed Fund awards remained the same.

Attendance was up at both facilities while pari-mutuel wagering handle remained unchanged. Race fans came out for the racing.

We have increased our licensee base by an important 2 ADW operations. In 2023 we welcomed Xpressbet and in 2024 we welcomed AmWager.

We have paid out about a million dollars from our Purse, Breeders and Promotion Funds to Tracks, Breeders and Horsemen this Biennium, supporting the racing community in these difficult times. We are anticipating that number will not decrease in 2025-27.

In 2024, The Racing Commission passed and instituted a partnership with WDAY to promote racing in North Dakota via with a \$ 50,000.xx television and social media campaign paid for by our racing promotion fund.

2025-27 Biennium Goals & Plans

Our goal in the next biennium is to increase Purse amounts to attract more horses from out of state. Although we will always prioritize North Dakota bred animals, competition in horse racing is proven to bring out the best in any program.

New Agency Positions 2023-25

No new positions requested for 2023-25.

Agency Turnover 2023-25

No Turnover considered during 2023-25.

Funding

2025-27 Explanation of Funding

100% of our General Fund Appropriations go towards Salaries and Benefits with additional funding for salaries and benefits coming from our operating fund.

All other appropriations come from our special/operating fund which is funded through licensing and registration fees set by the commission. Costs associated with the operating fund include...

Rent
Record Keeping
Data Processing Costs (NDIT)

Other Funding.

Grants; None
Special Line Items; None
Capital Assets; None

Changes to FTE.

None

One-Time Funding Current Biennium 2023-25

One-time funding 2023-25 included \$ 20,000. xx funding for two interns to participate in our ongoing Internship Program with the NDRC.

One-Time Funding Requests Next Biennium 2025-27

Printer / Copier - \$13,000. xx

Agency Collections and Deposits

General Fund – Deposits are from collecting taxes from the ADWs.
2023-25 estimate was \$ 466,686. xx

Currently deposited - \$ 424,818. xx; on target to meet or exceed the estimate for this biennium.

Estimated for 2025-27 is \$ 420,000. xx

Special Fund – Deposits are derived from fees from licensing and breed fund registrations.

2023-25 estimate was \$ 135,461.

Currently deposited - \$ 129,055. We should be very close to meeting this estimate.

We would request that we maintain our current budget without any reductions from the 2023-25 biennium budget authorizations of \$ 478,077. xx

New Legislation

The Racing Commission has not committed to any new legislation the session. Although past attempts seemed rational and well thought out, they were not passed for a reason. More dedication and experience should make these past failed legislation attempts possible. For this session, the Racing Commission will be looking out for legislative activity which could be beneficial and reason to get behind. We are also watching out for the real possibility of legislation aimed directly, or indirectly, at limiting our ADW partners from maximizing their wagering handle potential.

Organizational Chart

