

House Bill 1023
ND Racing Commission
John Hanson, Chairman NDRC
January 13, 2023

68th Legislative Assembly
House Appropriations Committee
Representative Don Vigesaa, Chairman

To the Honorable Chairman Vigesaa and other Honorable members of the House Appropriations Committee. Thank you for the opportunity to appear before you to present my testimony for HB 1023, the ND Racing Commission (NDRC) 2023-2025 biennium budget.

The N.D. Racing Commission is the Agency that Regulates all Pari-mutuel Wagering and live horse racing in accordance with Chapter 53-06.2. This is the regulatory body for all live racing and pari-mutuel wagering. The ND Racing Commission does not own or operate any live racetracks nor any pari-mutuel gaming site.

53-06.2-03. Executive director of racing - Appointment - Qualifications - Salary - Duties - Other personnel.

1. The commission shall appoint an executive director of racing. The commission shall establish the executive director's qualifications and salary.

53-06.2-04. Duties of commission.

The commission shall:

1. Provide for racing under the certificate system.
2. Set racing dates.
3. Adopt rules for effectively preventing the use of any substance, compound items,

or combinations of any medicine, narcotic, stimulant, depressant, or anesthetic which could alter the normal performance of a racehorse, unless specifically authorized by the commission.

4. Supervise and check the making of pari-mutuel pools, pari-mutuel machines, and equipment at all races held under the certificate system.

5. Adopt rules governing, restricting, or regulating bids on licensees' concessions and leases on equipment.

6. Consider all proposed extensions, additions, or improvements to the buildings, stables, or tracks on property owned or leased by a licensee.

7. Exclude from racetracks or simulcast pari-mutuel wagering facilities any person who violates any rule of the commission or any law.

8. Determine the cost of inspections performed under subsection 3 of section 53-06.2-05 and require the licensee to pay that cost.

9. Report biennially to the legislative council regarding the operation of the commission.

10. Provide notice to the North Dakota horsemen's council of meetings held by the commission and permit the North Dakota horsemen's council to participate in the meetings through placement of items on the agenda.

11. Complete, distribute, and post on the commission's website the minutes of each commission meeting within thirty days of that meeting or before the next meeting of the commission, whichever occurs first.

2. Purpose of Agency's divisions and programs.

a. The NDRC is comprised of 5 Commissioners that are appointed by the Governor. The Commission hires an executive Director that is then responsible

for hiring staff for the purpose of completing all required duties covered under the N.D. Century Code and the Administrative rules.

b. Administration & Licensing

c. Promotion Fund

- a. 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.

d. Purse Fund

- a. established to supplement and improve purses at racetracks within the state.

e. Breeders Fund

- a. established to financially reward breeders or owners of North Dakota-bred horses.

3. Audit Findings

- a. None for the 4th Biennium in a row.

4. Biennium accomplishments, challenges and the next biennium goals and plans.

a. 21-23 Challenges

1. Increase Purses at the live meets.
2. Increase the number of A.D.W. licensees in N.D.

b. 21-23 Accomplishments

1. Continued growth in our ADW handle
2. Continued status as a net positive revenue agency
3. Live race meets were held in Belcourt (Chippewa Downs) and Fargo (ND Horse Park).

4. The NDRC Office and all on-site services remained intact, and operations have continued as normal with no one working remotely. The office has remained opened for business.
5. We have shown an increase in tax revenue throughout the biennium.
6. We have maintained our licensee base.
7. We have paid out just over 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 grow in 21-23.

c. 23-25 Goals

1. Recruit additional ADW's to the State.
 2. Increase Purse and Breeder Funds for more payments to ND Horseman.
 3. Continue Internship program for aspiring Ag Students.
 4. Hire a new Executive Director and Safety Steward.
 5. Working with NDIT, develop a new Breeder Fund Database for managing the funding and payments of Breeder Fund Awards.
- 5. Compare Agency's request/recommendation totals.**
- a. We requested \$20,000 for 3 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.
 - b. We also requested an increase of \$12,000 for office rent increase. We moved from our offices located at the Attorney General's office located

at 500 North 9th Street in Bismarck. We were asked to move our offices by the previous AG's Office Administration. Additionally, this area had limited/no parking for clients/visitors and sometimes staff. The parking that is available is reserved for AG Staff and are small spaces not practical for larger pickups that many of our clients /visitors drive. Those offices are in the basement of the building with no ADA accessibility making it difficult for our disabled clients and staff.

- c. The last item in this section I would like to address is that our current appropriation levels don't cover the entire cost of salaries and benefits of our two FTE. This discrepancy is covered from our operating fund. Additional FTE may be needed as definitions changes making some private contractors, employees, rather than contracted service providers. These may include Veterinarians, Stewards, Investigators and Licensing Staff/Interns. This would create the need for an additional 8 additional parttime temporary staffing positions creating another \$75,000 to \$85,000 in salaries and expenses.

6. One time funding current biennium.

- a. One time funding was granted for our Internship Program. During the Biennium we were able to hire 2 Interns in 2021 and 3 Interns in 2023. The makeup included students from NDSU, Jamestown University, Dickinson State, the University of Mary and the University of Washington, Seattle. We have had a second year Law Student, Pre-Veterinarian, Agriculture and Business. Our very first Intern Jessica Benson an older than average Agriculture student at NDSU is

now one of our current Commissioners. The program has been a success and should be maintained and the funding should become part of our permanent budget. We would request that an additional \$30,000 be added to our General Fund Appropriation to continue the Internship program. This increase would be completely covered by tax revenue collections.

7. No new one-time funding requests.

8. Agency Collections Agency Collections and deposits

a. General Fund – deposits are from collecting taxes from the ADWs.
2021-23 estimate was \$421,000.

1. **Currently deposited as of 12-31-2022- \$485,383 exceeding the appropriations allocated by almost \$80,000 with an additional 6 months of collections remaining.**
2. Estimated for 2023-25 is \$525,000.

b. Administrative Fund – deposits are from fees from licensing and breed fund registrations.

1. 2021-23 estimate was \$135,000.00.
2. Currently deposited - \$150,573.95 Collections have exceeded this biennium's estimate.
3. Estimated for 2023-25 is \$145,000.00.

10. Special Funds Collections 2022

- a. Promotion Fund – Revenue \$608,200, Expenses \$580,930
- b. Purse Fund – Rev. \$352,230, Grants/Expenses \$316,000
- c. Breeders Fund – Rev. \$329,335, Grants/Exp. \$307,429

11. Other Bills Yes

1. Amend definitions, eliminate the breakage tax, and replace with an increase to the maximum allowable tax to \$500,000.00 and to increase

the tax to the promotion fund to 1/8 of 1% of the handle, increase percentage of promotion fund from 25% to 35%.

2. The changes requested should help maintain our current ADW's to license in the State of N.D. and the goal is to attract additional ADW's that could potentially increase the tax collections by \$500,000.00 each year by any new large ADW that would license with us.

12. Agency change requests to executive recommendation.

1. We are requesting an additional \$35,000.00 in salary expenses to cover the costs of hiring a new Executive Director to include relocation and other possible incentives.
2. We concur with the Governor's budget recommendations.

13. Federal Funding None

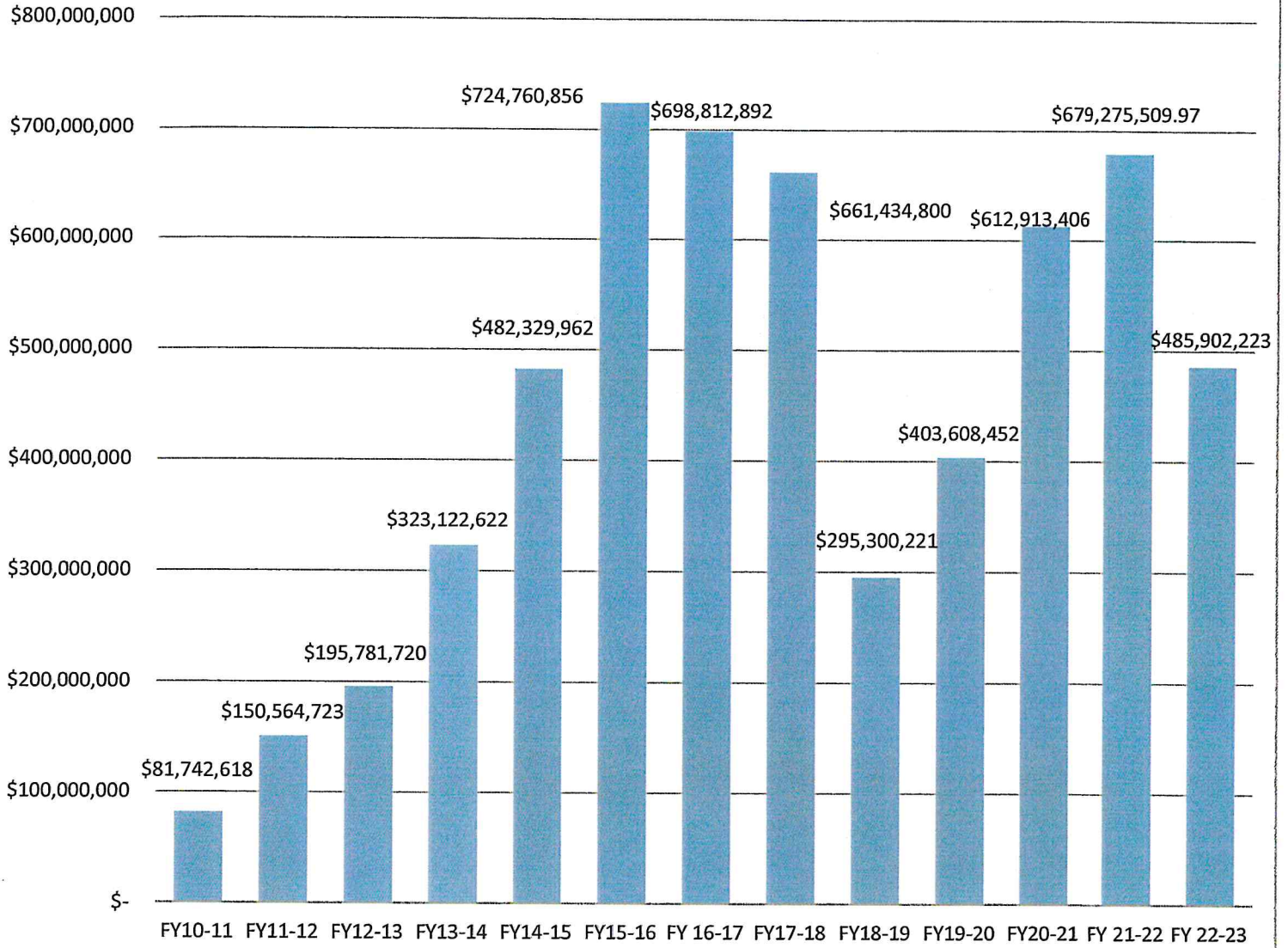
14. Federal funding None

15. Additional Items

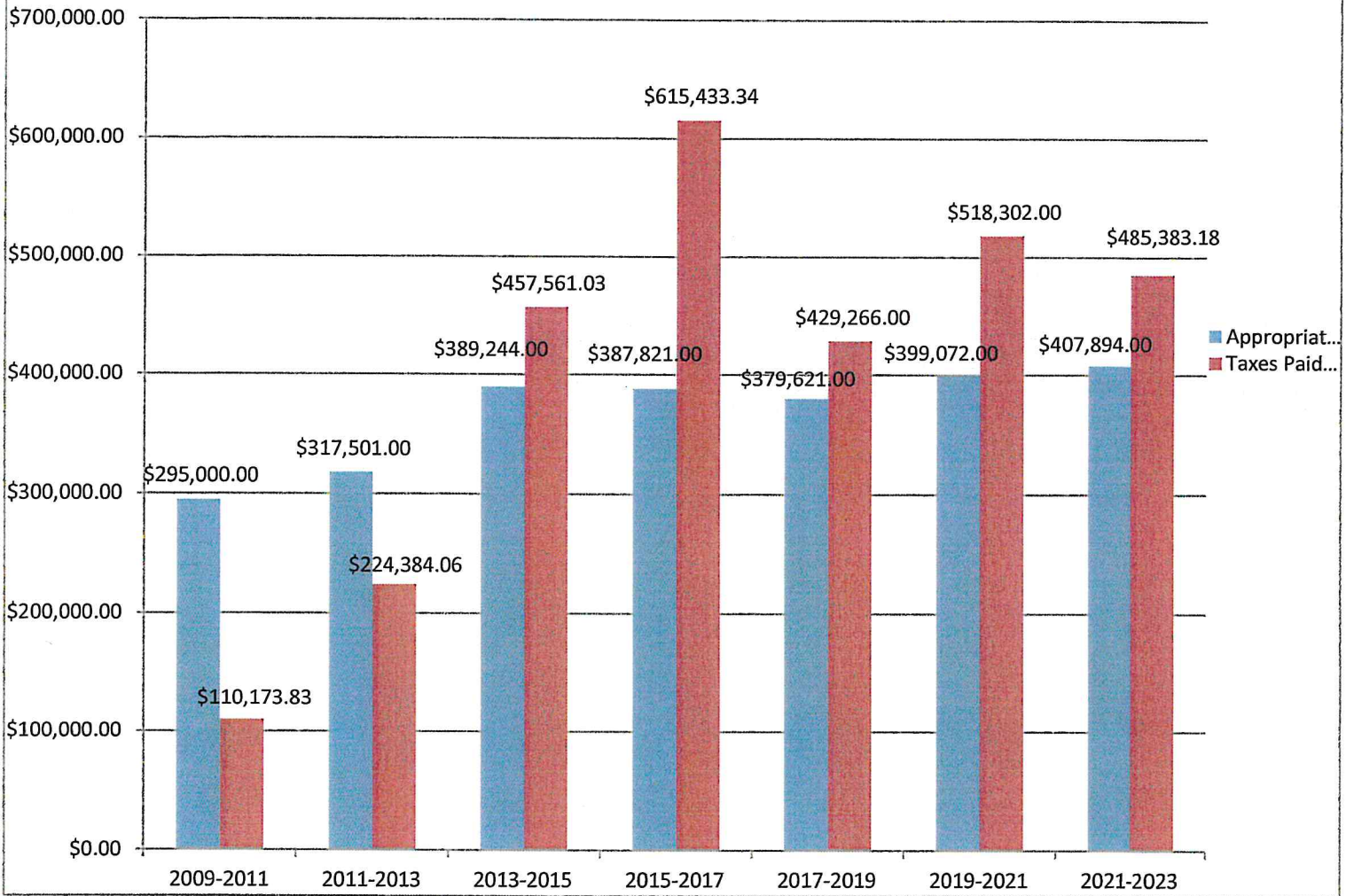
Even in these volatile times, the NDRC has been able to maintain its payments to the general fund exceeding our appropriations for the past 5 biennia.

See charts on the next 2 pages.

ADW Handle by Fiscal Year



General Fund Appropriation and Revenue



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 revenues. 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 North Dakota. In fact, these are demonstrated by our wagering volume during the 2018-2019 fiscal year as shown by the graph on page 8.

While the Commission has done its best to plan and mitigate the effects of any changes, significant impacts to our wagering volume have occurred. COVID-19 created an unanticipated 2020 with wagering and revenues exceeding our expectations. However, we are already seeing a shift in those numbers with the restart of other sports wagering around the world. Moving forward, it's imperative that the racing industry in the state identify and obtain more reliable sources of revenue by attracting more ADW's to license with our state. To accomplish this, we feel that we need to start a marketing campaign that includes retaining existing and acquiring new licensees. This requires funding for conference registration, travel, personnel, equipment, and supplies.

The economic contribution of horse racing to North Dakota in a 2016 study conducted by NDSU reports a total economic impact to the state of nearly \$25 million dollars. Of that amount, the majority (\$20.2 million) was associated with agriculture expenditures including racehorse owners, breeders, and trainers.

Organizational Chart

