

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

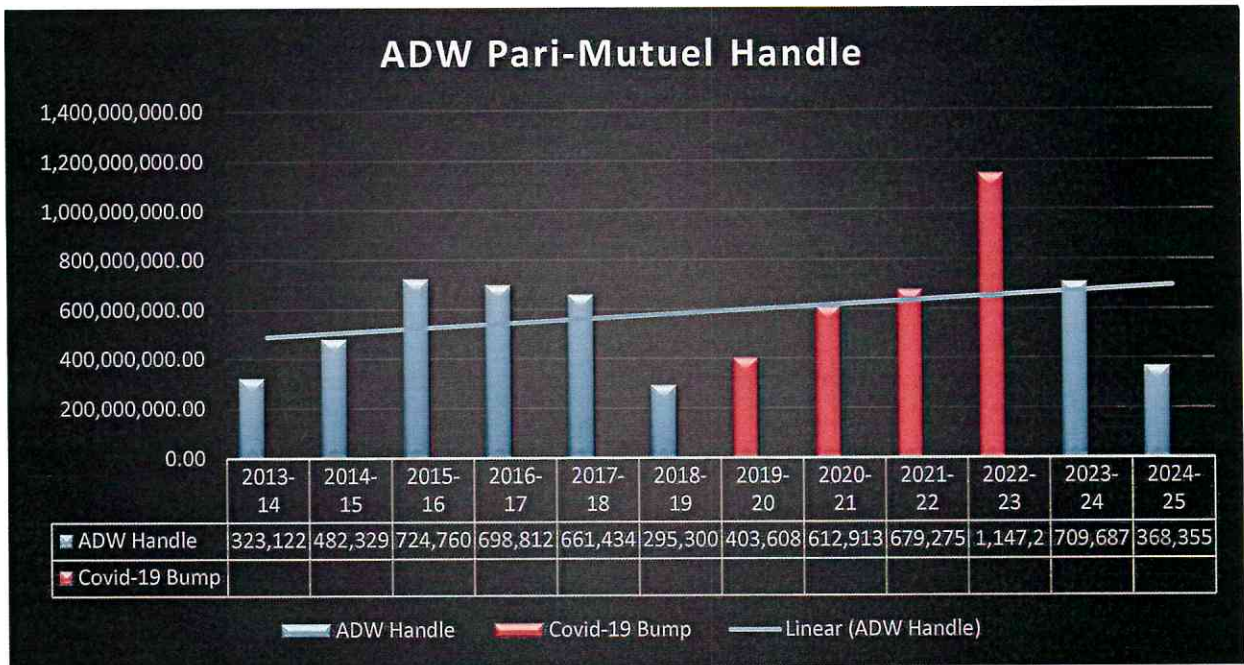
Protect the welfare of horses and participants by enforcing safety standards.

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.

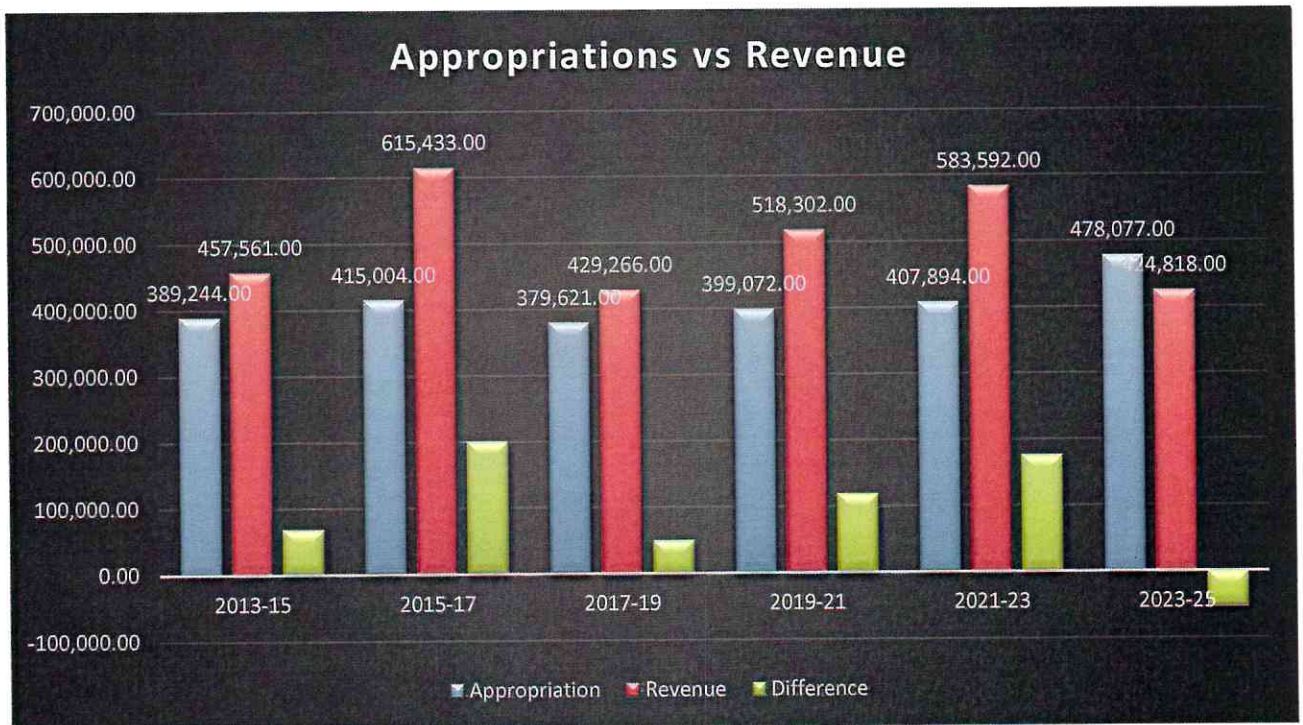


Although we fully expect ADW wagering handle to bounce back in second half of this fiscal year, if the pandemic has taught us anything, it's that anything can happen.

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.

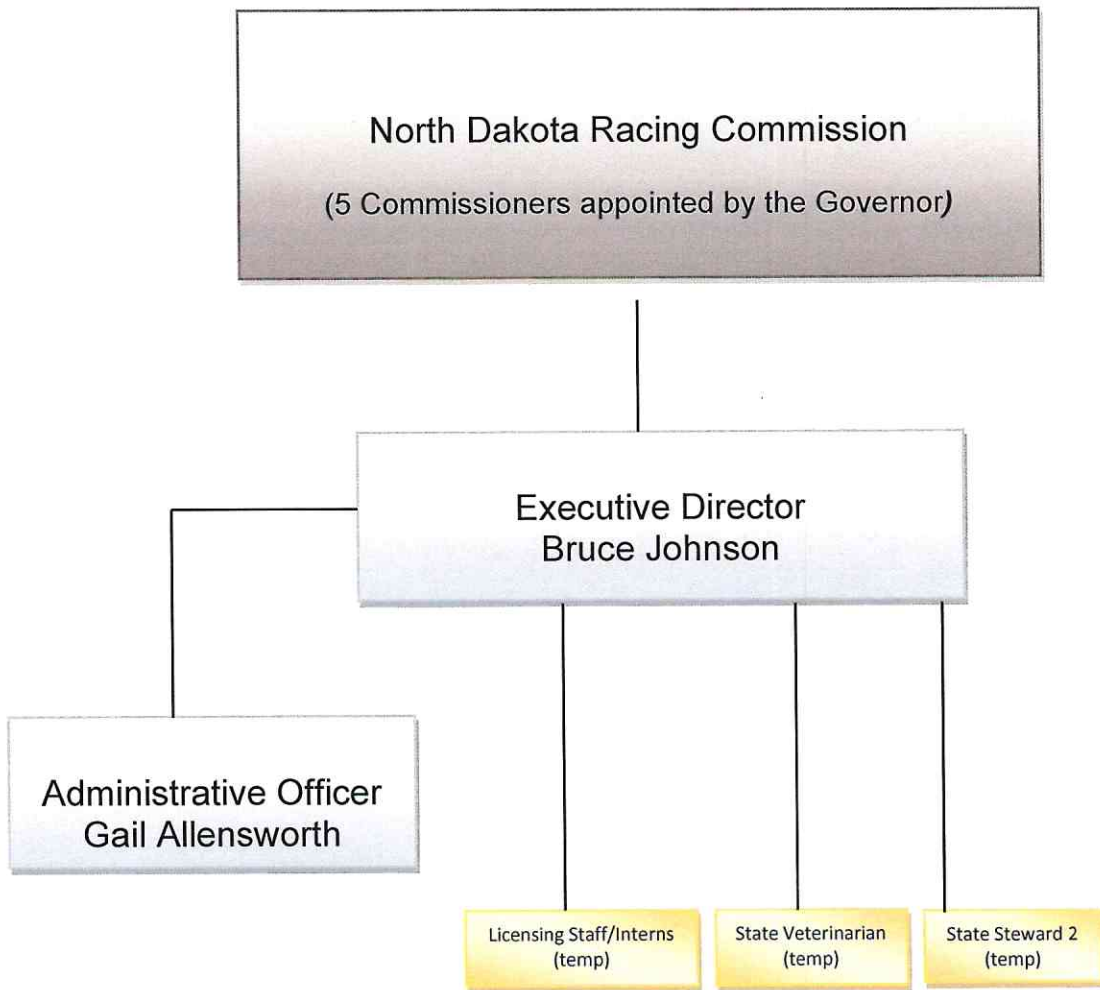
Currently deposited - \$ 129,055. We should be very close to meeting this estimate.

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



North Dakota Horse Park gets finances on track as 2025 season takes shape

The track is proving itself financially viable after some rocky years.



Fans line up along the fence to watch the horse races during opening day at the North Dakota Horse Park on Saturday, July 13, 2024.
Alyssa Goelzer/The Forum



By [Wendy Reuer](#)

December 26, 2024 at 7:51 AM

Comments

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News Reporting

FARGO — Slowly, the North Dakota Horse Park in Fargo is growing its live horse racing meet and for the first time in nearly a decade, the organization that runs the track is not scrambling to make the tax payment that once loomed over it.

The Fargo track is operated by Horse Race North Dakota, a nonprofit organization that contributed when the track was built in 2003.

At a meeting of Horse Race North Dakota on Friday, Dec. 20. Cindy Slaughter, accountant and co-owner of TaxLady, which contracts with Horse Race North Dakota, said the track's overall income is up about \$93,000 from this time last year.

A fourth weekend of racing cost the track about \$148,000 this year. However, that cost can be offset in the future by factors such as attendance and the amount bet on the races.

"There's a couple of things we could do differently this year to reduce that amount," North Dakota Horse Park General Manager Hugh Alan Drexler said.



Horses race out of the starting gates in the 5th race of the day during opening day at the North Dakota Horse Park on Saturday, July 13, 2024.
Alyssa Goelzer/The Forum

While Drexler and HRND will look to decrease costs, they will not try to do that at the expense of the horsemen, as they hope to keep purses for each race flat or increase them in 2025.

"I don't want to cut the purses at all, that would be the last thing we would cut," HRND President Jay Aslop said.

"That is what our goal is, to promote racing and to increase race dates," Drexler said.
"The day the finances don't look the same, that is when we need to make a change."

Live racing receives additional funds from the North Dakota Racing Commission. The commission will meet in February to determine the amount of funds that will be granted

to the Fargo track as well as Chippewa Downs, the second horse racing track in North Dakota near Belcourt.

Overcoming financial struggles

Heavy special assessments loomed over the North Dakota Horse Park for several years after it opened.

In 2003, the city of Fargo spent \$1.5 million to extend sewer, water and other infrastructure to the track. The city planned to recoup the costs with special assessments, a kind of property tax assessed to benefiting properties, but the city agreed to suspend the assessments for five years in hopes that the race track would stimulate the development of commercial and residential properties. This would spread the assessments over more property owners and create a smaller bill for the track, which in 2015 was about \$1.9 million.

The track is now in repayment of its taxes, making annual payments to the city of Fargo, and accountants are confident a fourth weekend of racing in 2025 will not adversely affect the track.

"I don't have any concerns about running a fourth weekend this year," Slaughter said.

Horse racing will be held at the Fargo track in 2025 over four weekends, likely July 12 through Aug. 3, track officials said.

"(It will be) some combination of either Friday, Saturday or Saturday, Sunday depending on what other events are going on in the area," said Drexler.

In 2024, attendance at the Fargo track was up overall with about 8,358 in attendance over the eight race days, up from about 8,127, in 2023.

The Fargo track held horse races on Saturday and Sunday afternoons for four consecutive weekends, starting Saturday, July 13. The weekend of July 27-28, races were held in the evening so as to not compete with the Fargo AirSho. The horse park competed for attendance each weekend as the Fargo Street Fair, Red River Valley Fair and the Renaissance Fair overlapped the schedule. The horse park's closing weekend coincided with WeFest.

The track hosted only three weekends of racing in 2022 and 2023, as it was constricted to operating expenses and the amount of money granted for a live season by the North Dakota Racing Commission. The Fargo track hosted a four-week meet in 2021 but held only two weekends in 2020.