

FISCAL NOTE
Requested by Legislative Council
03/21/2019

Amendment to: Engrossed HB 1443

- 1 A. **State fiscal effect:** *Identify the state fiscal effect and the fiscal effect on agency appropriations compared to funding levels and appropriations anticipated under current law.*

	2017-2019 Biennium		2019-2021 Biennium		2021-2023 Biennium	
	General Fund	Other Funds	General Fund	Other Funds	General Fund	Other Funds
Revenues	\$0	\$0	\$0	\$0	\$0	\$0
Expenditures	\$0	\$0	\$0	\$0	\$0	\$0
Appropriations	\$0	\$0	\$0	\$0	\$0	\$0

- 1 B. **County, city, school district and township fiscal effect:** *Identify the fiscal effect on the appropriate political subdivision.*

	2017-2019 Biennium	2019-2021 Biennium	2021-2023 Biennium
Counties	\$0	\$0	\$0
Cities	\$0	\$0	\$0
School Districts	\$0	\$0	\$0
Townships	\$0	\$0	\$0

- 2 A. **Bill and fiscal impact summary:** *Provide a brief summary of the measure, including description of the provisions having fiscal impact (limited to 300 characters).*

HB 1443 authorizes pari-mutuel wagering on historic horse racing to be regulated by the Racing Commission and provides a tax on wagering remitted to the State and Commission administered continuing appropriation funds.

- B. **Fiscal impact sections:** *Identify and provide a brief description of the sections of the measure which have fiscal impact. Include any assumptions and comments relevant to the analysis.*

The amendment to provide for a legislative management study of charitable gaming and racing laws should have no fiscal impact on revenues, expenditures or appropriations.

NDCC 53-06.2-04, 53-06.2-05, 53-06.2-06, 53-06.2-08, 53-06.2-10.1, 53-06.2-10.2

These sections of the measure provide for the legal parameters under which pari-mutuel historic horse racing may be conducted and that the Racing Commission shall license and regulate entities conducting this wagering pursuant to the existing certificate system and charitable gaming requirements. As the North Dakota Racing Commission has not conducted pari-mutuel historic horse racing previously, anticipated revenues and expenditures are undeterminable at this time. Currently the number of location sites, site operators and statewide total machine numbers are unknown making revenue assessments, expenditures and appropriations undeterminable.

NDCC 53-06.2-11

This section of the measure provides for a tax on pari-mutuel historic horse racing to be remitted to the State as well as the three continuing appropriation funds administered by the Racing Commission (Promotion, Purse, Breeders' Funds). For the same reasons stated previously, anticipated revenue is undeterminable.

Item (4) addresses the gaming disorder prevention and treatment fund.

Item (5) addresses the breakage portion in regards to special assessment districts and special assessments for these specific districts.

For the same reasons stated previously anticipated revenue is undeterminable for both items 4 & 5.

3. **State fiscal effect detail:** *For information shown under state fiscal effect in 1A, please:*

- A. **Revenues:** *Explain the revenue amounts. Provide detail, when appropriate, for each revenue type and fund affected and any amounts included in the executive budget.*

For the same reasons stated above revenues are undeterminable at this time.

- B. **Expenditures:** *Explain the expenditure amounts. Provide detail, when appropriate, for each agency, line item, and fund affected and the number of FTE positions affected.*

For the same reasons stated above expenditures are undeterminable at this time.

When using the State of Wyoming as a base for determining expenditures we anticipate

- C. **Appropriations:** *Explain the appropriation amounts. Provide detail, when appropriate, for each agency and fund affected. Explain the relationship between the amounts shown for expenditures and appropriations. Indicate whether the appropriation or a part of the appropriation is included in the executive budget or relates to a continuing appropriation.*

For the same reasons stated above appropriations are undeterminable at this time.

Name: Jack K Schulz

Agency: Racing Commission

Telephone: 701-425-8341

Date Prepared: 01/18/2019

FISCAL NOTE
Requested by Legislative Council
01/29/2019

Amendment to: HB 1443

- 1 A. **State fiscal effect:** *Identify the state fiscal effect and the fiscal effect on agency appropriations compared to funding levels and appropriations anticipated under current law.*

	2017-2019 Biennium		2019-2021 Biennium		2021-2023 Biennium	
	General Fund	Other Funds	General Fund	Other Funds	General Fund	Other Funds
Revenues						
Expenditures						
Appropriations						

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Cities			
School Districts			
Townships			

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For the same reasons stated above appropriations are undeterminable at this time.

Name: Jack K Schulz

Agency: Racing Commission

Telephone: 701-425-8341

Date Prepared: 01/18/2019

FISCAL NOTE
Requested by Legislative Council
01/14/2019

Bill/Resolution No.: HB 1443

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Expenditures						
Appropriations						

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Name: Jack K Schulz

Agency: Racing Commission

Telephone: 701-425-8341

Date Prepared: 01/18/2019

2019 HOUSE AGRICULTURE COMMITTEE

HB 1443

2019 HOUSE STANDING COMMITTEE MINUTES

Agriculture Committee
Peace Garden Room, State Capitol

HB 1443
1/25/2019
Job #31509

☐ Subcommittee
☐ Conference Committee

Committee Clerk Signature ReMae Kuehn

Explanation or reason for introduction of bill/resolution:

Relating to historic horse race wagering and rent limits; and the regulation of historic horse racing

Minutes:

Attachments #1-15

Representative Headland, Sponsor: (Attachment #1 including amendment)

(10:31)

Representative Satrom: 1.55 cents is deducted. Can you explain where all the money goes?

Representative Headland: 12% to the charity, 1 cent to the racing commission that is split between the breeders, the purse and the promotional fund, 3/10ths of a cent goes to the general fund to meet the regulatory obligations, 2/10th of a cent to the purse fund for our horseman. With the amendment, 1/20th of a cent would go to gambling addiction.

Representative Satrom: What about the rest?

Representative Headland: It goes to the people operating and who own the machines.

Representative Satrom: What percentage of that is paid out to the people that win the game?

Representative Headland: That would be a question for the other speakers.

Representative Richter: Explain how to bet without identifying information on the horse to make those decisions.

Representative Headland: There are others to answer.

Representative McWilliams: Do you have a projection of how much money it will generate in the state?

Representative Headland: It would depend on the number of sites. That is why there is no fiscal note.

Representative Satrom: You have an amendment to help with addiction. Do you have information about how addictive this is? Did we see this last session?

Representative Headland: Yes, it was here last session. It passed the Senate and lost in the House by one vote. I don't have statistics on addiction.

Representative Skroch: Question on amendment #.01003. The wording page 13 paragraph has a date of January 1, 2020. What happens after 2020?

Representative Headland: The Fargo race track was special assessed a large amount that they can't pay. This is a way to give them a small amount of money on the breakage, which is when you round up, this would go to them to help pay the special assessment.

Representative Skroch: Can assessments be made against them after 2020?

Representative Headland: That may be a question for a Fargo City Commissioner.

(16:04)

Jack Schulz, Director, Incoming Racing Commissioner for North Dakota:
(Attachment #2)

We can use Wyoming as a resource.

(22:00)

Representative Skroch: The graph on page 2, lists FY 2019 to current. We are in 2019.

Jack Schulz: That is fiscal year 2018-19. Based on the 280 Ws that we lost, one had significant overseas wagering that ran through us, we anticipate this number will be similar for the second half. We anticipate we will be between 2014 and 2015 numbers.

Representative Skroch: Do you see that impact related to the economic decline in our state?

Jack Schulz: The majority of this comes from wagers occurring overseas.

Representative Satrom: What impact would this have on small charities?

Jack Schulz: History has shown that the people placing bets generally don't cross over. People are loyal to what they like. I wouldn't expect to see much of a change.

Representative Satrom: What happened in Idaho? They voted it in and then years later lawmakers repealed it. One of the concerns was the machines resembled slot machines.

What is the money breakdown?

Jack Schulz: The majority of it goes back to the players. 12% goes to the operator.

Representative Satrom: Is that information available?

Jack Schulz: That will be addressed by another speaker.

Representative McWilliams: Your graph goes back to 2011. Do you have additional information that would show a historical precedence of where the industry has been in the last 20 years?

Jack Schulz: The increases you have seen were the additions of advanced deposit wagering companies licensing in North Dakota.

Representative McWilliams: I see a bubble. I would like to see data from 20 years ago. Even with the loss of one, you are projected to do about \$353 million of wagering. That is better than 2014.

Jack Schulz: We still have some healthy companies. We are still in communication with one of the companies we lost to bring some of their ADW activities back to North Dakota.

Representative McWilliams: Have you done a comparative analysis of other states based on populations and size of industry and what it would like in North Dakota?

Jack Schulz: No to that extent. We have looked at Wyoming. We have a lot of similarities. We have differences in availabilities and gaming. It is difficult to know revenue until we know how many sites.

Representative McWilliams: I am concerned we don't have those numbers. When I start a business you should be able to project revenue and expenses.

Jack Schulz: I don't have that. Until I know how many sites and machines, that would be difficult.

Representative Richter: Will an establishment have to have simulcast in order to get one of these machines?

Jack Schulz: That is my understanding.

Representative Richter: They will get new licenses to offer simulcast. It isn't restricted to just those that have them now?

Jack Schulz: Correct.

(33:20)

Gunner laCour, Former Director of the North Dakota Racing Commission:
(Attachment #3)

We have two tracks in the state.

We have a healthier industry than what Wyoming had when they started.

(49:50)

Representative Headland: We heard questions about Idaho. Do you know what happened?

Gunner laCour: Idaho had a great industry for a couple of years. Then the legislature repealed it. They don't have an industry

Representative Headland: What happened to horse racing after the machines were pulled?

Gunner laCour: The industry stopped.

Representative Satrom: I have concerns of what impact will this have on other charities. What kind of transparency do we have on how the money is handled?

Gunner laCour: We have different groups of people that are interested in horse racing. They won't be competing with other charities. It is another tool for the charities to produce revenue.

We worked to put in place some of the stringent requirements in the industry as far as transparency. We have a pari-mutuel auditor. There are daily auditing numbers from the machines. We also do FBI background checks. We have identified things such as GLI reporting, the Thoroughbred Racing Protective Bureau which is the FBI of horseracing. We have historically met or exceeded industry standards for transparency.

Representative Satrom: We were getting percentages on where the money is going. Do we have transparency on where the rest of the money goes?

Gunner laCour: We pool. Those placing bets are betting between each other and not against the house. Out of that pool, a small percentage comes out to cover cost. That is 12% which is the maximum. A lot of these games run at 8%. Then you take out the taxes which will come back to the state. When they set up the locations, the charities will negotiate privately to see who has the best price on machines and setup.

The racing commission will receive those agreements.

Representative Richter: How many simulcast locations are currently in operation?

Gunner laCour: There are four locations. They are in Bismarck, Fargo, Grand Forks, and Belcourt.

Representative Richter: In order for a charity to utilize this, they would have put in a simulcast system. What is the cost?

Gunner laCour: They work with one of the companies. The cost will fluctuate based on how many races, how often and how much wagering. It is within the charities' control based on what they think it is worth to have the full menu or not.

Representative Richter: There were a lot of sites and now it is down to four. Does that say it wasn't popular enough with charities to maintain?

Gunner laCour: I would attribute the loss of sites to the difficulties the racing commission had at one time. The problems were with former leadership. Pari-mutuel racing is more difficult to have a return on than non-skill wagering. Every place in the United States that has these machines, also has simulcast with it. Economically it has proven to be an efficient system.

Representative Richter: The races in North Dakota are part of that simulcast system and are also part of the historic wager system as well?

Gunner laCour: No. Getting the North Dakota races onto the simulcast system requires video and certain feeds. It requires hook ups to the online companies simulcast locations across the United States. The racing we currently have is so small and limited that it is not economical to pay the cost to have that go out. The race track would pay those costs and then recoup it by having lots of people throughout the United States betting at the same time from the live races here. If historic horse racing works, the races will be longer, the fields will be larger and eventually it will be economical to get those races out on the simulcast system.

With regards to the historic horse racing, we haven't been participating in the simulcast system videos of those races. They wouldn't be available to present on the machines.

Vice Chair Trottier: Is there a maximum bet?

Gunner laCour: The maximum bet is \$25.

Vice Chair Trottier: With historic races, do you have to be at the site?

Gunner laCour: Yes. You would have to be at the site. It is not online.

Representative Blum: Is it true that the largest share of the 12% held goes to the charity running the site?

Gunner laCour: Yes.

Representative Satrom: Who would regulate this?

Gunner laCour: It is the North Dakota Racing Commission. We have the experience in this area.

Representative Skroch: In the future a bill could come forward that would ask for an increase in the percentage for addiction or education. Are we allowed to do that?

Gunner laCour: It is legislation so you could do that. It will be up to the economics.

Representative Skroch: There is betting from outside of the United States. You stated that the betting can only occur at the site of the charitable machine. Are there two different accesses?

Gunner laCour: Account Deposit Wagering is an activity the commission currently regulates. It is online wagering on horse racing. Companies get licensed here because we are known for our regulatory ability. They will then take a wager theoretically from a person in Kentucky on a wager in France. That money flows through North Dakota and gets taxed here. That is Account Deposit Wagering.

Historic horse racing is totally physical and is in the state.

Scott Horst, President of North Dakota Thoroughbred's Association: (Attachment #4)

(1:12)

Nathan Davis, Official of Turtle Mountain Band of Chippewa Indians: We have one of the remaining horse tracks in North Dakota. We are a large horse racing community.

We have a dual standard as a horse racing community. There are issues that we have to work out with Representative Headland.

1. How many potential sites will there be in North Dakota?
2. Comparison to slot machines poses another problem with the state-wide gaming.

Leon Glasser, President of the North Dakota Quarter Horse Racing Association:
(Attachment #5)

We have room for everyone to participate in charitable gaming. The feasibility study that says 25 million doesn't include rodeo. Most of my ex-race horses are sold to rodeo people. The animals are very well taken care of. There are veterinary bills to pay. There have been years where I have barely broken even. The breeder's fund would come in if you run 1st, 2nd, or 3rd in a race.

(1:20:40)

Levi Otis, President of Horse Race North Dakota: (Attachment #6) We operate the track in Fargo. Representative Headland brought up special assessments. Since I took over as the President with the new board, we have paid our bills and taxes. The special assessment has hit us at \$3 million that will start at the completion of next year. I am looking for another tool to help us pay bills.

This is another form of entertainment.

(1:24:14)

Pete Hanebutt: North Dakota Farm Bureau: Horse racing and agriculture go together. We are in support.

Representative Headland: North Dakota Stockmen's Association is also in support.

Lisa Vig, Director of the Gamblers Choice, Lutheran Social Services of North Dakota:
(Attachment #7)

(1:27:25)

Representative Satrom: Do we have data on the projected costs of addiction treatment?

Lisa Vig: To do a dedicated public awareness campaign and provide treatment, we would need about a million dollars. This would be an opportunity for gambling to make a commitment. We are a way to go for that dollar amount.

(1:28:55)

Blair Thoreson, Board of Directors of the North Dakota Hospitality Association:
(Attachment #8)

Charities who were planning to be here. (Attachment #9)

Leigh Backhaus: There is income here. One of the largest horse industry feed companies is in Dickinson with Woody's Feed. I don't take my kids to the casino but take them to the horse races.

Opposition:

Ty Hegland, President/CEO of ShareHouse in Fargo, North Dakota: (Attachment #10)

(1:38:40)

Representative Headland: What we are talking about with this bill is charitable gaming. There is no reason why your charity couldn't put in these machines and have the benefit. I am unclear why you would object to this form.

Ty Hegland: Startup costs would be a lot to do charitable gaming.

Representative Headland: Did you put in e-tabs?

Ty Hegland: Yes.

Representative Headland: There was a cost associated with that as well. You are satisfied with what you have, but you are unwilling to put in a different form.

Ty Hegland: Startup costs between e-tabs and horse racing would be different.

Representative McWilliams: Are you aware of any mandate in this bill that would require charitable gaming to put these in?

Ty Hegland: Turn that over to my Gaming Director.

Representative McWilliams: You said you have a \$4 return for every \$1 spent.

Ty Hegland: When we start factoring the hospital impact of \$12 to 1 that would wipe out the return quickly since a lot of the patients are Medicaid patients.

Representative McWilliams: Do you have any data that says historic horse racing is more addictive?

Ty Hegland: We do not provide charitable gaming addiction services. We are in substance abuse.

Representative McWilliams: Then you don't have data that charitable gaming is addictive?

Ty Hegland: No.

Karen Breiner, Vice President of the Charitable Gaming Association of North Dakota:
(Attachment #11)

(1:47:41)

Representative Headland: In the Finance and Tax Committee we have legislation asking taxpayers to help with charitable causes. Here we have citizens asking for help in the industry that they make a living in. How can we tell them they are not allowed their charitable cause?

Karen Breiner: There is opportunity for the horse industry like other charities to produce their income the same way every other charity in North Dakota produces their income.

Representative Headland: How can you ask taxpayers to help with your charities. Then you are telling these taxpayers that this cause isn't worthy?

Karen Breiner: I do want the horse track in Fargo to succeed. I am saying that allowing one segment to prosper is not the best for North Dakota when it will impact 270 plus charities that won't receive the same amount. We don't have a bill for each charity.

Representative Headland: The bill allows every charity the option to use these machines.

Karen Breiner: Most of the small charities will not be able to afford to go into the market. The costs are prohibitive. The charities hurt here will be the small ones.

Representative Richter: Where in the bill does it say you have to use 35 machines?

Karen Breiner: That was the number given by horseracing in order for one location to operate successfully. In Wyoming most of them have 100 machines in each facility.

Representative Richter: So you are assuming the goal of this bill is to establish stand-alone casinos. When I read the bill, it will allow charities to put machines in current locations.

Karen Breiner: You need to have an off-track betting license. Then you have to have at least 35 devices for this to work. It will be large racinos in the state. Most have about 100 in their facilities.

Representative Schreiber-Beck: Is there anything in the bill that precludes charities coming together to do an operation?

Karen Breiner: There is nothing that prevents teaming together.

Representative Schreiber-Beck: Do you have statistics to show that in Wyoming that charitable gaming lost revenue?

Karen Breiner: Wyoming does not have other charitable gaming.

Representative McWilliams: When you talk about 35 machines to make it viable, are you talking about as an independent stand-alone location where only horse racing machines are available?

Karen Breiner: You would need 35 of the historic horse racing machines to make a viable site.

Representative McWilliams: Consisting of no other machines?

Karen Breiner: There is not any vendor that would put in less than 35 machines.

Representative McWilliams: You don't know that.

Karen Breiner: That is information we received from the horse racing side.

Representative McWilliams: This bill doesn't preclude an establishment that already has pull tab machines from putting in a few horse racing machines.

Karen Breiner: The bill doesn't, but your manufacturer may not allow that.

Representative McWilliams: But we don't have a manufacturer's contract stating that.

Karen Breiner: I have information from a source when we were discussing this.

Representative Kiefert: Can you give an idea of who the charities are large enough to participate?

Karen Breiner: Not without asking their permission.

Representative Kiefert: Would it be like the Red Cross? Just an idea?

Karen Breiner: I would say probably the top ten list would be able to make a go of it.

Representative Dobervich: Last session we had bills related to e-pull tabs. We heard that not every where would be able to afford them and smaller gaming sites would be shut down. Since the state expanded options for the gaming industry, how have e-tabs impacted charitable gaming? Do you see similarity in the concerns that your organization and members have now with this expansion?

Karen Breiner: We don't have enough data on e-tabs. Many sites didn't get them until August. E-tabs are taking away from some other game types.

Representative Dobervich: Is it the actual charity having money pulled away or is it just the type of game?

Karen Breiner: I don't have the numbers on the e-tabs.

Representative McWilliams: What is the percentage of pull tab money going to charity?

Karen Breiner: Are you looking for the net? The state requires 90% that we hold.

Jason Campbell, Gaming Manager, West Fargo Hockey: (Attachment #12)

(2:07:45)

Representative Richter: Can you get us documents that show that you have to have 35 machines in order for it to be viable and you have to have a building.

Jason Campbell: We were given the numbers by the proponents. Three machines are not feasible when you have to pay \$5,000 to \$10,000 for a feed to your site.

Representative Schreiber-Beck: Would you consider 5 or 10 organizations coming together to do this?

Jason Campbell: That is possible. It would be difficult to decide who will provide the staffing, who would be in charge, etc.

Representative Headland: How many sites did you operate for West Fargo hockey?

Jason Campbell: West Fargo hockey operates six sites. Of that we have 17 e-tab machines.

Representative McWilliams: The proceeds from your sites go to West Fargo Hockey. Would you consider hockey a game or a profession?

Jason Campbell: It is youth hockey. It is an activity not a profession.

Representative Dobervich: What is the maximum that I could play per hand at a black jack table? Pull tabs are \$2 maximum?

Jason Campbell: The maximum is \$25 on a hand of black jack. \$2 is the maximum in the State of North Dakota for pull tabs.

Representative Tveit: You talked about “them people” is where you are getting information?

Jason Campbell: It was meeting with historic horse racing and their lobbyists.

The Horse Race North Dakota has access to the same e-tabs that we do. There doesn't need to be slot machines.

Representative McWilliams: I am struggling to pin the value of a youth hockey team and compare it to the value of a farmer or rancher who provides for his family and the overall economy.

I would also like to find out if Historic Horse Racing machines adds to the number of people who would partake in gaming?

Jason Campbell: The value of 600 or more kids in youth hockey, you're teaching life lessons with parents and travel all over the state and spending money. A horse breeder is one family.

Ninety-five percent of the people are not going to bet on horses. They are going to play it like a slot machine. This is a way to slip in casinos in North Dakota.

(2:17:50)

John Jorgenson, Sharehouse, Inc.: (Attachment #13)

One handout is a news article relating to the issues in Idaho. (pages 2-4)

The other is a letter from a gaming distributor in Kentucky. That letter speaks about the negative impact it has had on paper and electronic pull tab sales in Kentucky. (page 1)

In the 2015-2017 biennium, Advanced Deposit Wagering accepted over \$1.4 billion in wagers. In that same time charitable gaming had \$540 million in wagers. \$32 million of that went to charitable uses. \$6 million went to the general fund.

My concern is with nearly triple the amount of action coming into North Dakota on Advanced Deposit Wagering, how are they struggling? Charitable gaming is doing a lot more with a lot less. There are charities that can sponsor horse racing. Why aren't tax rates being looked at.

There is limited amount of gaming revenue to go around in North Dakota. The addition of these machines will cause many charities to lose revenue that would be helping those that need support. There are other groups that need help.

People only have so much money. The charities would not be able to compete. They can't afford the startup costs and the monthly costs thereafter.

This bill would require people to buy a product they don't want in order to run these machines.

Idaho felt they were misled. The machines were pulled out of Idaho. It did hurt Idaho horseman and the racing industry. The vote was put to the people. The citizens of Idaho don't want these.

There are issues going on in Wyoming. There are constitutional concerns. Some charities can only operate during bar hours. There is no limit on machines. Charities don't have the money available for large payouts.

Where does the money go with Historic Horse Racing machines? The reason we don't know that is because there are nondisclosure agreements. The racing commission will see the details.

Representative Headland: Do you operate a charity?

John Jorgenson: I am the director of Sharehouse, Inc. charitable gaming.

Representative Headland: Would you consider yourself one of the larger charities in the state?

John Jorgenson: It depends how you want to measure it.

Representative Headland: How many sites and how many e-tab machines?

John Jorgenson: We operate five gaming sites in Fargo. We have a total of 28 e-tab machines.

Chairman Dennis Johnson: How have the other five casinos that we have in the state affecting you?

John Jorgenson: Fargo and Grand Forks are not as affected as Bismarck because the casino is closer. My concern with this bill is it doesn't limit where it could be placed. You can put 400 of these machines in downtown Fargo or Bismarck. The objections coming from the gaming side are that we would be fine with this if there was a limit to the number of machines.

If this bill would work for my organization, it would have to have a lower maximum wager, we would not have to pay for off-tracking betting.

(2:28:30)

Ken Karls, Cystic Fibrosis of North Dakota: (Attachment #14)

Testimony handed in:

Todd Kranda, Attorney for Kelsch Ruff Kranda Nagle and Ludwig Law Firm in Mandan: (Attachment #15)

2019 HOUSE STANDING COMMITTEE MINUTES

Agriculture Committee

Peace Garden Room, State Capitol

HB 1443—Committee Work (p.m.)

1/25/2019

Job #31529

☐ Subcommittee

☐ Conference Committee

Committee Clerk: ReMae Kuehn

Explanation or reason for introduction of bill/resolution:

Relating to historic horse race wagering and rent limits; and the regulation of historic horse racing

Minutes:

Attachment #1

Representative Headland: (Attachment #1) When I first submitted the bill, it was a work in progress. Offer an amendment #.01003.

Representative Headland: Moved to adopt the amendment.

Representative Blum: Seconded the motion.

Representative Headland: There was concern from the opposition. They couldn't support it because it could be a 24-7 casino. Another part was to offer a little of the tax to Lutheran Social Services who run gambling treatment. The last part of the amendment was on the breakage that would help pay for the special assessment for the track in Fargo.

Representative McWilliams: My concern with the amendment is I don't like making something so specific in Century Code that only speaks to one instance.

A Roll Call vote was taken: Yes 12, No 2, Absent 0.

Amendment is adopted.

Representative Headland: Moved Do Pass as amended

Representative Schreiber-Beck: Seconded the motion.

Representative Satrom: I think this is going to create a hardship for smaller charities. I am concerned about the upfront costs. We are diverting money to a racing group rather than traditional charitable gambling. Maybe we need a game for farmers on a bad year.

Representative Headland: The portion that helps the horse racing industry comes from the tax. The charitable gaming benefits from that. This doesn't change anything. They don't get a portion of the tax on the e-pull tabs either. It isn't going to open large casinos. There are sites in Wyoming that only have 6 or 7 machines.

Representative McWilliams: My reluctance isn't out fear that we will end up with big casinos. It is that we create an unequal playing field. The limits here are different than for other gaming. I would like to keep this as fair as possible.

Representative Headland: There were some questions committee members had that we were unable to get answers. (Handed out Attachment #1)

If we defeat this bill, the racing industry has nothing. This is agriculture related. I don't want to harm charitable gaming

Representative Blum: Machine limits are done in rules.

Representative Satrom: People have a limited amount of income. It will hurt the other groups.

Representative Headland: There is nothing in this bill that keeps charities from adding these machines to their sites.

Representative Richter: The funding comes from the tax. The reasons for objecting to this were speculative and they couldn't provide the facts. The costs won't be that prohibitive. I don't know a charity that has enough money to build a casino.

Representative Blum: The racing industry is part of North Dakota's heritage. We can't afford to lose it.

Representative McWilliams: I wish I had more historical data on the horse racing industry. They are doing 4 times better than 2011. I fail to see an urgency.

Representative Headland: There is no tax that flows down to these groups to help them. Even though the data shows some high wagering that doesn't in turn equate to dollars that would help to save this industry.

Representative McWilliams: The data should prove that. What about the auto racers? Should we have historical car racing to support them? If we put this in Century Code, it sets a precedent that the government is supporting one industry over another.

Representative Tveit: We have a lot of information here. I would like to table it.

Representative Satrom: The implications are big. There are some things that should be worked through.

Vice Chair Trottier: To have these machines, you have to have off track betting available. Correct?

Representative Headland: Yes.

Vice Chair Trottier: I don't hear of people rushing into the places that have the off-track betting.

A Roll Call vote was taken: Yes 9, No 5, Absent 0.

Do Pass as amended carries.

Representative Johnson will carry the bill.

TP 1/25/19

PROPOSED AMENDMENTS TO HOUSE BILL NO. 1443

Page 10, after line 18, insert:

"6. Historic horse race wagering may be conducted only during the hours alcoholic beverages may be dispensed in accordance with applicable state, county, or city regulations."

Page 12, after line 28, insert:

"(4) One-twentieth of one percent to be deposited in the gambling disorder prevention and treatment fund."

Page 12, line 29, after "wagering" insert ", except on historic horse racing."

Page 13, line 3, after the underscored period insert: "For all pari-mutuel wagering on historic horse racing, the licensee shall pay to the commission the amount due for all breakage for deposit in the racing promotion fund. The deposits must be distributed no later than the last day of each calendar year to a live racing association whose property is subject to special assessment districts established before January 1, 2020, by a municipality with a population of not less than one hundred thousand as of the last federal decennial census, to the extent necessary to satisfy, in whole or in part, the special assessments. Distributions under this subsection must cease at the time the live racing association certifies to the commission that all special assessments assigned to the property before January 1, 2020, have been paid."

6."

Page 13, line 6, replace "6." with "7."

Page 13, line 11, replace "7." with "8."

Renumber accordingly

Date: 1/25/2019

Roll Call Vote #: 1

**2019 HOUSE STANDING COMMITTEE
ROLL CALL VOTES
BILL/RESOLUTION NO. HB 1443**

House **Agriculture** Committee

☐ Subcommittee

Amendment LC# or Description: .01003 from Rep. Headland

Recommendation

- ☒ Adopt Amendment
☐ Do Pass ☐ Do Not Pass ☐ Without Committee Recommendation
☐ As Amended ☐ Rerefer to Appropriations
☐ Place on Consent Calendar

Other Actions: ☐ Reconsider ☐ _____

Motion Made By Rep. Headland Seconded By Rep. Blum

Representatives	Yes	No	Representatives	Yes	No
Chairman Dennis Johnson	X		Rep. Ruth Buffalo		X
Vice Chairman Wayne Trottier	X		Rep. Gretchen Dobervich	X	
Rep. Jake Blum	X				
Rep. Jay Fisher	X				
Rep. Craig Headland	X				
Rep. Dwight Kiefert	X				
Rep. Aaron McWilliams		X			
Rep. David Richter	X				
Rep. Bernie Satrom	X				
Rep. Cynthia Schreiber Beck	X				
Rep. Kathy Skroch	X				
Rep. Bill Tveit	X				

Total **Yes** 12 **No** 2

Absent 0

Floor Assignment _____

If the vote is on an amendment, briefly indicate intent:

Date: 1/25/2019

Roll Call Vote #: 2

**2019 HOUSE STANDING COMMITTEE
ROLL CALL VOTES
BILL/RESOLUTION NO. HB 1443**

House **Agriculture**

Committee

☐ Subcommittee

Amendment LC# or Description: 19.0978.01003

Recommendation

- ☐ Adopt Amendment
☒ Do Pass ☐ Do Not Pass ☐ Without Committee Recommendation
☒ As Amended ☐ Rerefer to Appropriations
☐ Place on Consent Calendar

Other Actions: ☐ Reconsider ☐ _____

Motion Made By Rep. Headland Seconded By Rep. Schreiber Beck

Representatives	Yes	No	Representatives	Yes	No
Chairman Dennis Johnson	X		Rep. Ruth Buffalo		X
Vice Chairman Wayne Trottier	X		Rep. Gretchen Dobervich	X	
Rep. Jake Blum	X				
Rep. Jay Fisher	X				
Rep. Craig Headland	X				
Rep. Dwight Kiefert	X				
Rep. Aaron McWilliams		X			
Rep. David Richter	X				
Rep. Bernie Satrom		X			
Rep. Cynthia Schreiber Beck	X				
Rep. Kathy Skroch		X			
Rep. Bill Tveit		X			

Total **Yes** 9 **No** 5

Absent 0

Floor Assignment Rep. Johnson

If the vote is on an amendment, briefly indicate intent:

REPORT OF STANDING COMMITTEE

HB 1443: Agriculture Committee (Rep. D. Johnson, Chairman) recommends **AMENDMENTS AS FOLLOWS** and when so amended, recommends **DO PASS** (9 YEAS, 5 NAYS, 0 ABSENT AND NOT VOTING). HB 1443 was placed on the Sixth order on the calendar.

Page 10, after line 18, insert:

"6. Historic horse race wagering may be conducted only during the hours alcoholic beverages may be dispensed in accordance with applicable state, county, or city regulations."

Page 12, after line 28, insert:

"(4) One-twentieth of one percent to be deposited in the gambling disorder prevention and treatment fund."

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Renumber accordingly

2019 SENATE GOVERNMENT AND VETERANS AFFAIRS

HB 1443

2019 SENATE STANDING COMMITTEE MINUTES

Government and Veterans Affairs Committee Sheyenne River Room, State Capitol

HB1443
3/1/2019
33071

- ☐ Subcommittee
☐ Conference Committee

Committee Clerk: Pam Dever

Explanation or reason for introduction of bill/resolution:

Relating to historic race wagering & rent limits and regulation of historic horse racing.

Minutes:

Att #1-3- Rep Headland; Att #4-Sen Meyer; Att #5- Rep. Marschall; Att #6-Mary Ann Durick; Att#7-8 –Gunner LaCour; Att #9-Scott Horst; Att #10-Leon Glasser; Att#11-Wes Heinert; Att#12-Michelle Morgenroth; Att#13-Myra Pearson; Att #14-Jen Soli; Att#15-Rep Ertelt, Att#16-LaRoy Kingsley; Att#17-Jamie Azure; Att#18-Jon Jorgenson; Att#19-20 Stephanie Dassinger;Att#21-Karen Breiner, Att#22- Jason Campbell; Att#23- Shawn Weltikul Att#24-KenRoshau; Att#25-CarlaTice; Att#26-29 at end

Chairman Davison: Let's open the hearing on HB1443. Welcome to all. Attendance was taken and all were present. We will hear an hour from supporters and an hour for opposition.

Rep. Headland, Dist. 29: (see att #1 - #3) I am here on behalf of this bill. This bill was here last session. This bill has gotten better.

Chairman Davison: What has improved since last session?

Rep. Headland: The tax side has changed and improved. I co-sponsor tax bills.

Sen. Erin Oban: You said that a portion of the money will go to horseman and live racing sites. How many do we have? (8.39)

Rep. Headland: Five I think. Someone here can answer. Three I guess, from the crowd.

Sen. Erin Oban: I understand that there is an amendment in the House that limits the distribution of that fund to a municipality of greater than 100,000. How does that exclude?

Rep. Headland: I have no idea of what you are talking about.

Sen. Erin Oban: It was sponsored by you. On page 13, subsection 5. The breakage.

Rep. Headland: Yes, that breakage is directed to one site which is Fargo race track. This was to help them with money issue.

Sen. Shawn Vedaa: What guarantee is there that the money they raise will go for charitable purposes? (11.14)

Rep. Headland: The charity will make sure. The charities will utilize 10% I think.

Sen. Shawn Vedaa: They have to use 10% of that to go for charitable purposes.

Rep. Headland: That is what is available after the wagers are paid and the cost of operations are paid. (12.30)

Sen. Shawn Vedaa: Can these sites go anywhere? Bar, shopping malls. Are there restrictions?

Rep. Headland: Only go in an authorized place with pari-mutual wagering and simulcast.

Sen. Shawn Vedaa: You can have no more new ones in the state?

Rep. Headland: No. They can go in places that offer. Open to any charity.

Sen. Shawn Vedaa: When you talk about breakage. How long will it be before those funds are paid off? I know it is going to that horse racing facility for specials?

Rep. Headland: Correct. We don't know how long. We don't know how successful this will be.

Sen. Shawn Vedaa: When this is paid off, where will these distributions go?

Rep. Headland: Not sure where it goes today.

Sen. Shawn Vedaa: You talked about horsemen that support this. Do you know how many horsemen receive payments last year?

Rep. Headland: I believe it goes back for winning races and purses.

Sen. Richard Marcellais: I am concerned with the regulations. Now it is regulated by Attorney General. Who is regulating then. The Horse Racing Commission? Will they get more staff? They only have one.

Rep. Headland: Yes, but you will have to ask the commissioner.

Vice Chair Meyer: (16.39) I am here in support. This bill does not threaten charities. (see att #4) This is another tool for the charities to use. (19.00)

Rep. Andrew Marschall, Dist. 16, Fargo: (see att #5) (22.00-24.0)

Mary Ann Durick, N.D. Racing Commission: (see att #6) I am here for Jack Schulz who is very sick and can't be here. He is the director. (24.20-29.0)

Chairman Davison: Any questions?

Sen. Erin Oban: I don't know what advanced deposit wagering is.

Mary Ann: It is like putting your money in the bank and then you can withdraw to bet with.

Sen. Erin Oban: This bill would authorize ADW?

Mary Ann: I can't answer that. I believe we already have advance deposit wagering.

Vice Chair Meyer: You said it was imperative that we find more sources of revenue for the racing commission. What if this bill fails?

Mary Ann: Over time, the racing industry will just die.

Chairman Davison: So once you approve an offsite, does it have to be approved by AG?

Mary Ann: Yes, both commission and AG.

Sen. Shawn Vedaa: Are kids allowed in betting facilities?

Mary Ann: I can't answer.

Sen. Richard Marcellais: You said you are the chairwoman of the horse racing commission. How long have you been there?

Mary Ann: Five years.

Sen. Richard Marcellais: Could you get us a financial report of the last five years of revenue and expenses?

Mary Ann: I believe we could do that. (31.44)

Gunner LaCour, former Dir. Racing Commissioner: I was there 5 ½ years. I continue to advocate for the industry. (see att #7 - #8 graph) It is not always about gaming. This gaming can provide support for many people and preserving history.

Chairman Davison: Does the Fargo track have lots of specials?

Gummer: Yes. There are high specials. The two race tracks in N.D. are Fargo and Chippewa. Both are critical. Breakage deals with wager is paid out they round to nearest nickel or dime. That is old rules and live betting. There is a pool of extra money that gets put into our promotion fund. The amendment took this pool and helps pay off their specials in Fargo. Even Belcourt will be negatively impacted if Fargo quits. The other taxes will be split equally among the groups. As soon as the specials are gone, they will not be distributed any more. Sen. Vedaa asked about a guarantee of each to retain. The 60-40 split is unique in AG's office. We never have. (He mentioned the graph) There is no guarantee. Addressing the Racing Commission regulating this activity. We had some really good years. This industry is

so reputation based on a national level and business came to N.D. because of that. (50.19)
The commission is in a great position. If this activity goes forward, we will have to increase staff and increasing.

Chairman Davison: Currently, how much revenue comes off site?

Gunner: I referenced 99% of funding for racing industry comes from on-line wagering. The 1% comes from physical racing. The highest volume when I was there was \$700 million in total wagering. If you take 1% you get in state wagering.

Chairman Davison: There is investment in equipment to run historic horse racing. If we don't have lots of people going to off-site why would charities want to invest?

Gunner: All we can do is look at other states. If it is not economic feasible, then we are doing this for nothing.

Sen. Erin Oban: I was interested in the investment. How much is the lease?

Gunner: It is usually a percentage of total handle (amount wagered). We have service providers in this bill. They can come in and help charities get the sites together.

Sen. Erin Oban: Mary Ann said that one of the risks was advanced deposit wagering markets. There has been a decline in that. Can credit cards be used?

Gunner: ADW already exists in N.D. since 2000. Account and advance are the same thing. You are not authorizing this in this bill. Debit cards can be used. You cannot play on credit.

Sen. Shawn Veda: I have horses. When we start talking about horse trailer and trucks to pull them. I am familiar with rodeos. What is the difference between quarter horses and racing horses? What money is involved or is it just a hobby. Any profit at all?

Gunner: Some people make a profit and some do it as a hobby. Some people have left N.D. because it is so hard to make money here. Some guys have a negative income. Some move on after our season is over. (1.00.49) We have a lot of S.D. guys come here.

Sen. Shawn Veda: What is the average pay back is?

Gunner: Don't know because there is a big difference between hobby and career guys. Most purses in N.D. are \$2000. We get 50% of that. You have to pay a lot of people out of that. You are lucky to get \$800 before transportation.

Sen. Richard Marcellais: How will this benefit our Native American casinos?

Gunner: (1.03.05) They are eligible to operate just like any charitable.

Sen. Richard Marcellais: I know they have live races. I don't want to bet on dead horses. How does that help the simulcast in Belcourt?

Gunner: This is to get people who are already interested in horse racing. Playing the machine will immediately benefit the tribe.

Sen. Richard Marcellais: Did they have the staff to do all this in your five years?

Gunner: We have a commissioner, my former position, and one staff. There is a lot of regulatory in this bill so we will need more staff if this goes forward. (1.05.55)

Sen. Richard Marcellais: Who are the service providers?

Gunner: Chippewa works with a company called Lane Games Racing. They help get the simulcast signals. There is lots of contracting to do on a national basis. It is very technical.

Sen. Richard Marcellais: I know casino have security and surveillance. Will all of these sites require that?

Gunner: I don't remember if it said in the bill. Administrative rules process will deal with that.

Scott Horst, Pres. N.D. Thoroughbreds Assoc.: (see att #9) (1.09.37) Horse racing is in our history. We support this bill and ask for a DO PASS.

Chairman Davison: Do you see many breeders run in Minneapolis and Winnipeg?

Scott: Yes, a few do. I have horses elsewhere but come back to N.D. during their season. My family loves it.

Chairman Davison: Do people from MN and Winnipeg, want to come here?

Scott: They are waiting. The guys in S.D. are waiting to come here. You need to get more days and bigger purse.

Chairman Davison: Does the Fargo place have ability to grow as far as facility.

Scott: Yes, they have a plan to build more barns if they need to. (1.13.49)

Sen. Richard Marcellais: Can you give me an estimate of additional revenue you think will come here?

Scott: We have to go off of other states. The breeders are getting big checks. I don't know here.

Sen. Richard Marcellais: How long has Wyoming been doing this.

Scott: I think 3-4 years.

Sen. Shawn Vedaa: Why don't we need to help the rodeo people? Why only horse racing? My horses cost me lots of money.

Scott: We have a short season. They have bigger purses and more opportunity. Barrel horses get big bucks.

Leon Glasser, Pres. N.D. Quarter Horse Assoc.: I use to race in Wyoming and then it died. (see att #10) They got into historic racing and now are booming. I can't see this bill as hurting the casinos. (1.18.04)

Sen. Richard Marcellais: Which organization is more profitable, quarter horse or thorough breeds.

Leon: Quarter horses. They have better resale value.

Wes Heinert: (see att #11) Past Pres of Horse Park, Past Chair of Horseman Advisory Committee: We have a lot of fun and family friendly at the races in Fargo. (1.25.59) We would not want to do this if this bill would hurt us.

Carol Two Eagles: (1.27.07) For 40 years I shod horses all over America. I raised bucking horses. A race horse is half time. If they break down there is nothing they can be used for except breeding, maybe. Your investment is gone. This adds to the economics of this issue. Please pass this. (1.30.11)

Pete Haneebit, N.D. Farm Bureau: We support this bill because we support the horse industry. (1.30.06)

Chairman Davison: Any agency testimony? We now will have opposition.

Michelle Morgenroth, VFW Post: (see att #12) I am in opposition to this bill. I also included charitable organizations who oppose this bill in the back of my testimony. These machines are not helping us. They help the Fargo track and the Racing Commission. I am very proud to work for the VFW. Please vote no. (1.40.0) Any questions?

Chairman Davison: You said you will lose dollars.

Michelle: If they open up a facility in Fargo, that will take away from our VFW club.

Chairman Davison: How do you know that?

Michelle: If you look at a survey from Kentucky. They dropped charitable gambling 27.6% to 14%.

Chairman Davison: You have the ability to have those machines in your building.

Michelle: I will defer that to gaming. I thought you had to have 30 machines to be profitable.

Myra Pearson, Chairwoman of Spirit Lake Tribe: (see att #13) (1.42.52-1.48) I come in opposition to this bill because there was no tribal consultation. Please vote no.

Sen. Kristin Roers: You referenced that horseracing has a criminal aspect.

Myra: Currently, the casinos in N.D. are dealing with drug trafficking, sex trafficking, and human trafficking. That will only get worse. It is hard to deal with this. We don't have a full police department.

Sen. Kristin Roers: I disagree with you. You referred to slot machines. I researched this, and they do not have a random number generator in them. They can't be a slot machine.

Myra: I defer to the gambling people. I am not assuming. I look out there and see what is going on.

Chairman Davison: You mentioned that e- pull tabs have reduced revenue on reservation casinos. Is there data on that?

Myra: I defer that to another person who will testify and has the data. (1.50.41)

Chairman Davison: You have the ability to have the machines like everyone else, if you choose. Couldn't that be a positive net for the casinos.

Myra: On the reservations, we have to go through the people to get approval. We can't even get the liquor laws passed. This will have to go before our people.

Jen Soli, Charitable Gaming Manager for Velva Fire Dept., Mayor of Velva: (see att #14) (1.52.16-1.55.25) I am here in opposition to HB 1443. Any questions?

Sen. Kristin Roers: You mentioned the Attorney General. What role do they play now?

Jen: We have an auditor that deals with the AG. They audit all of our paper work and make sure that our authorizations are in place.

Sen. Kristin Roers: As I read the bill, historic horse racing is still involved in the same way. In 1443, they are still responsible for a piece of this. The AG should clarify.

Sen. Shawn Vedaa: Welcome to my mayor. I am not familiar with gaming. Have you seen an increase with the new machines?

Jen: Electronic gaming machines, yes. It is amazing how much money goes through those. We have three sites. I use to work 25 hours a week and now I work 40 hours with that.

Sen. Shawn Vedaa: Are you able to take debit cards?

Jen: No. I don't know why. Maybe the AG could answer that.

Chairman Davison: Is there an instant cash in the bars. It is a non-issue with the debit cards, then. Are you in favor of the sports betting bill that supports charities?

Jen: I do not know about that one.

Vice Chair Meyer: The racing commission gave us a pie chart, and you said you had lots of success with the e-pull tabs. They showed us that every dollar wagered, the charities would get 4 cents on the e-pull tabs. This bill would give you 6 cents per dollar. (1.59.34) Why wouldn't you pursue this?

Jen: It is not mandated to give the 40% charitable gaming; is why we are against it. We have a board that votes where the money goes. With our gaming, we have to give 40% and that is not in this bill, so we oppose. (2.00.43)

Chairman Davison: You are in control of the dollars. What difference does it make?

Jen: I would defer that to others behind me.

Rep Ertelt, Dist 26: I brought an amendment for you. (see att #15) I am neutral. I don't like the current bill. Look at section 1 of the bill. This should be in the horseracing part of Code. (2.04.50) This adds a guarantee.

LaRoy Kingsley, KK Bold, Bismarck/Minot: (see att #16) (2.05.15-2.12.42) We are an advertising and marketing company. We are opposed to this bill. These machines are slot machines in disguise. You have an option to have the machine choose for you. With the \$25 limit, this is high stakes gambling.

Vice Chair Meyer: We are void of a random generator chip. Tell me how these will be a slot machine.

LeRoy: In class two gaming, there are also slot machines that are void of the chip. You touch the screen and real stops. They say that is a game of skill. It is similar here. You can play the machine by skill or you can use the auto generated choice. It plays just like a class two gaming slot machine. (2.14.43)

Sen. Kristin Roers: When you talked about the tribal vs rest. Is there any reason why the tribes can't have the machines?

LaRoy: They will have issues because the N.D. Racing Commission will regulate this themselves. How does this work in a tribal atmosphere? They are regulated on a federal, state and tribal level. How would the national gaming view this? Regulatory is probably the biggest issue the tribes have. (1.25.30)

Jamie Azure, Chair of Turtle Mountain Chippewa: (see att #17) We are a small land base with a large population of 34,000 members. 1,800 live on a remote reservation. We have unique challenges to economic development on our reservations. We oppose this bill. We like live horse racing, which is traditional. It would have been helpful if we would have been consulted. Idaho did this and two years later rescinded it. (1.20.30)

Vice Chair Meyer: In 2017 the Chippewa supported this bill. What has changed?

Jamie: The dependency. Once the tribal government was changed, we looked more to the future. When the new government came in, we prioritized with a 10-year plan. I looked at

both sides. Some members are breeders and trainers and racers. They make a living off of horse racing. The lack of consultation and lack of hard information to the tribes makes us weary. We are so dependent on the casino. We have high poverty rate.

Vice Chair Meyer: You already have simulcast racing and live racing. You look like you could use this tool in your casino tool box. Why oppose? (2.22.42)

Jamie: Small picture states that within this next year we would benefit from this bill. Big picture; the vagueness and without the hard information and lack of consultation, we don't need this. Our opinions should have been asked for this bill was brought forward, don't you think?

Sen. Kristin Roers: Did you try and reach out?

Jamie: We did. Scott Davis told us late. Scott was scrambling trying to meet with people about this issue. This was three weeks ago. We were in the middle of a government shutdown. How will we survive because we are grant dependent and casino dependent? I never was contacted. We meet once a month with United Tribes in Bismarck.

Sen. Erin Oban: I think there have been serious improvement made under Gov. Burgum's administration with relationships between our tribal governments and our state government. Did the sponsor of this bill, Rep. Headland, serve on the committee that met with state and tribal leaders?

Jamie: I have not been at any meetings that this was brought up.

Sen. Erin Oban: I think it is fair concern that you brought forward.

Sen. Kristin Roers: There are different lawyer of regulation in this issue. I think the things you may have wanted in here, can be dealt with in the administrative rule process. It makes it a simpler way to adjust rather than waiting two years to fix.

Jamie: I wouldn't feel comfortable taking that chance. (2.27.14)

Sen. Richard Marcellais: Thank you for coming down. This bill should cover state, federal, and tribal governments. They abolished the tribal-state committee last session. Do you think that should be reinvented for communication with the state and tribes?

Jamie: Absolutely I do. Let's reset and do it better and move forward.

John Jorgenson, Dir. of Charitable Gaming at Sharehouse, Inc.: I am also a founder of NDSU American Legion in Fargo. (see att #18) We are both opposed to this bill. The goal of the company coming into N.D. is not to help charities. It may help one. The plan is large scale casinos. 30-35 machine minimum at a site. This will not be spread out like e-tabs. You will not have multiply bars with these machines. Do you want a few charities to make a whole lots of money, and put a ton of charities under? That is what happened in Wyoming. It did work out great for the horse industry. It is not a racing industry anymore, but a gambling industry. In Minneapolis, their tract is known for a poker room. There are 300 machines in

Kentucky at their horse tract. People don't go there for live racing anymore. They go to gamble. Is this a good model for N.D.? (2.38.26)

Vice Chair Meyer: Charities can't compete with historic horse racing in Wyoming, so you can't compare. Do you have documentation with all the states you quoted?

John: Karen Breiner will testify later and she has the information and will have the Kentucky numbers. Wyoming does not have the kind of oversight that we have. We had to call charities directly to get numbers. We had to call everyone to get stats.

Vice Chair Meyer: Do you use e-pull tabs in your charity?

John: Yes, we do.

Vice Chair Meyer: Did you oppose them in 2027?

John: We had concerns in parts. I testified in support with amendments. We were worried there would be large operations. There is intent in this bill for minimum number of machines.

Sen. Kristin Roers: You mentioned the 88% pay back. If it can't be sustainable, you have nothing to worry about because these machines would not be viable and be gone.

John: The maximum they could pay back to player would be 99%. The 88% is the floor.

Sen. Kristin Roers: This bill does not specify the 40% like now. The cut has to be given to charitable gambling and a charity if it were defined as charitable gambling?

John: Yes.

Sen. Kristin Roers: This is charitable gambling because that is the only thing allowed in N.D.

John: This is defined as para-mutual wagering. It is a nice end around the rules that govern charitable gaming.

Sen. Kristin Roers: Is there anything in here that prohibits you from negotiating better than 40% split for the charity.

John: The requirement to have off track betting site. There is extreme cost to that. There is no limit to the amount of rent. Severe limitations to space.

Sen. Erin Oban: You supported the e-tabs with amendment. Are there amendments that you would support on this bill?

John: We did have meeting early on with ParaMax and lobbyists. We told them of our concerns. Limiting the machines to 10 would help us. Putting the 40-60 split in is good.

Sen. Erin Oban: The sponsors knew these and went forward with the bill as is.

John: Yes, my feelings were very clear. E-tabs did not limit. 10 is the limit.

Stephanie Dassinger, N.D. League of Cities: (see att #19-#20) (2.40.0-) Under current gaming law, cities issue site permits for all of the gaming and this is not in the bill. There is the authority for local law enforcement to examine books and all the records. That is also missing from the bill. Any questions?

Vice Chair Meyer: Don't you have to have the local jurisdiction approve of this before you can go forward.

Stephanie: I don't see this in HB1443. Maybe I am missing something in the simulcasting licensing procedure.

Collette Brown, Gaming Chair for Spirit Lake Casino/Resort: (see att #20) The legislature should study the impact of e-tabs before they start another venture. We are opposed to this bill as written. Vote no.

Karen Breiner, N.D. Charitable Gaming Assoc.: (see att #21) We urge a DO NOT PASS. There is nothing in the bill that guarantees charities get a percentage. We don't have those numbers. These machines would not be regulated by AG gaming division. They have a very limited role to the racing commission or licensing done. Wyoming stated that the bingo places died off because of the historic horse racing machines. Kentucky was brought up. There charitable dropped 52.2% to 24.6% in 2016. The biggest drop was 2015 to 2016. The Red Mile Gaming and Racing Park opened in Lexington, KY. That was a direct correlation. In Iowa, the HHR was on the ballot and it was defeated.

Chairman Davison: Did the sponsors and proponents have conversations with you and the board ahead of time.

Karen: Correct.

Chairman Davison: Didn't your board take a vote affirm initially?

Karen: Provided that certain things were put in place that never did come to be. We did not see the bill but had a lot of pitches. We voted to discuss the issue but did not see the bill.

Jason Campbell, W. Fargo Hockey: I am general manager. (see att #22)

Chairman Davison: You are concerned it will take away from the pull tabs.

Jason: Yes, my biggest concern.

Chairman Davison: When I go to my favorite bar, I don't go there to gamble. It is to visit or eat. Most don't go to gamble. I struggle that we make this stretch that people will go specifically to gamble.

Jason: I go to bars just to gamble. The people like you are not the typical gamblers that go just to gamble. They are our source of income. The person who spends \$200 - \$300 is our major revenue.

Chairman Davison: If the casino down in Hankinson has HHR, do you think they would drive there instead of stay in W. Fargo?

Jason: There would be no reason. Casinos already have unlimited jackpots. The casinos don't need slot machines. We cannot compete with this bill.

Chairman Davison: If we limit this bill to five in a facility.

Jason: It would help. When we met with ParaMax, they said it takes 30-35 machines to be profitable. I don't know if we limit to five, I don't know that ParaMax would come to N.D. and this would be mute. I see nothing in this bill that credit cards can't be used. Our max on e-tab is \$2. In the bill it is \$25. \$25 is not N.D. gambling. That is Las Vegas. We don't want this in N.D. The 40% is not in this bill.

Shawn Weltikol, Fire Chief of Devils Lake: (see att# 23) The N.D. Fire chiefs are against this bill.

Ken Roshau, Kildeer, Dunn County Fair, Gaming Manager: It is a slot machine and we can't compete with that. (see att# 24) To have no regulations on how much goes to charity is unbelievable. Why should we fund Fargo?

Carla Tice, Grand Forks Drop in Center: (see att #25) We are a nonprofit and depend on charitable gambling. We take in 1000 per year. We started after Grafton was closed so those people had somewhere to go. (3.12.06) Please DO NOT PASS.

Chairman Davison: We will close the hearing. (3.12.20)

These did not speak:

Att # 26 – Jim Nelson

Att # 27 – Kevin Gefroh

Att # 28 – Joe Vesel

Att # 29 – Melissa Harvey

2019 SENATE STANDING COMMITTEE MINUTES

Government and Veterans Affairs Committee Sheyenne River Room, State Capitol

HB1443
3/8/2019
33451

☐ Subcommittee
☐ Conference Committee

Committee Clerk: Pam Dever

Explanation or reason for introduction of bill/resolution:

Relating to horse racing wagering & rent limits & regulation of historic horse racing.

Minutes:

Att # 1 and #2 – Sen Meyer; Att #3

Chairman Davison: Take up HB1443.

Vice Chair Meyer: You have two amendments before you .03001 and .03002. (see att#1 and #2) These are to address concerns we heard last Friday during the hearing. We added gross proceeds and net proceeds. We deal with site ramps.

Chairman Davison: They took section one and moved it. Committee was reading a copy from Code 53-06.01 printed out by intern. (see att #3) Looked through page 13 and discussed it. Number 10 sets out the dollars in regards similar to charitable gaming. Does this align more to charitable?

Vice Chair Meyer: I believe so.

Chairman Davison: Can we get the L.C. person who did the amendment come and explain?

Vice Chair Meyer: It is Jill Grossman and I will call her. (7.39)

(committee talking to themselves and each other without mics on waiting for Jill)

Chairman Davison: Did everyone find what they were looking for?

Jill Grossman, L.C.: I am here just to explain. We mostly had to get things in the correct section of Code.

Vice Chair Meyer: I move to adopt amendment 19.0978.03002.

Sen. Kristin Roers: I second.

Chairman Davison: Take the roll: **YES -- 7 NO -- 0 -0-absent. Amendment passed.**
(no other vote was taken)

2019 SENATE STANDING COMMITTEE MINUTES

Government and Veterans Affairs Committee Sheyenne River Room, State Capitol

HB1443
3/21/2019
34090

- ☐ Subcommittee
☐ Conference Committee

Committee Clerk: Pam Dever

Explanation or reason for introduction of bill/resolution:

Relating to historic horse race wagering and rent limits and regulation.

Minutes:

Att #1 – Sen. Meyer

Chairman Davison: Look at HB1443.

Vice Chair Meyer: (see att #1) Pretty much a hog house. We have been working hard on this bill. We realized this wouldn't pass as it stands. This needs more studying. Before you is a study for charitable gaming and racing laws. There a six bullet points on here. (2.00)

Chairman Davison: Is that a motion?

Vice Chair Meyer: I move amendment 19.0978.03004. **Sen. Erin Oban:** I second.

Chairman Davison: Discussion? (2.16)

Sen. Erin Oban: I wish this would have happened last session. This will bring more people to the table. (2.41)

Chairman Davison: Call roll: **YES -- 4 NO -- 3. Amendment PASSED.**

Vice Chair Meyer: I move DO PASS as amended. **Sen. Kristin Roers:** I second.

Chairman Davison: Discussion? Take roll: **YES -- 4 NO -- 3 -0-absent
HB1443 PASSED as amended. Vice Chair Meyer will carry the bill.**

2019 SENATE STANDING COMMITTEE MINUTES

Government and Veterans Affairs Committee

Sheyenne River Room, State Capitol

HB1443

3/21/2019

#34097

(.02—2.55)

☐ Subcommittee

☐ Conference Committee

Committee Clerk: Pam Dever

Explanation or reason for introduction of bill/resolution:

Relating to historic horse racing wagering and rent limits and regulation.

Minutes:

HB1443 was already voted on.

Chairman Davison: Let's look at HB1443. We already voted. Just want to explain a bit since we went a bit fast. If you look at that amendment, was a hog house amendment. On page 1, line 1 and it says replaces the remainder of the bill. So the whole bill is gone. It starts with section 1 of the study. None of the bill remains for the horse racing. If that impacted anyone's vote, we can reconsider and vote again. Anyone have problems. It will not change whether it passes or not. You can change your vote on the floor. It is a 'shall' consider. I just wanted to clarify. (2.55) end discussion on HB1443

2019 SENATE STANDING COMMITTEE MINUTES

Government and Veterans Affairs Committee Sheyenne River Room, State Capitol

HB1443
3/21/2019
34133

- ☐ Subcommittee
☐ Conference Committee

Committee Clerk: Pam Dever

Explanation or reason for introduction of bill/resolution:

Relating to historic horse race wagering and rent limits and regulation.

Minutes:

--

Chairman Davison: Look at HB1443. We made a motion to adopt .03002 when we adjusted the proceeds. We need to withdraw that motion from the other day.

Vice Chair Meyer: I move to withdraw the motion on .03002. **Sen. Kristin Roers:** I second.

Chairman Davison: All in favor say AYE. Voice vote passed. (1.44)

March 7, 2019

PROPOSED AMENDMENTS TO ENGROSSED HOUSE BILL NO. 1443

Page 1, line 1, remove "a new subsection to section 53-06.1-11 and"

Page 1, line 2, replace "and" with a comma

Page 1, line 3, after "limits" insert ", and allowable expenses"

Page 1, remove lines 7 through 13

Page 1, line 18, after "1." insert "Adjusted gross proceeds" means gross proceeds less payment of winning wagers, deductions under section 53-06.2-11, and federal excise tax imposed under section 4401 of the Internal Revenue Code [26 U.S.C. 4401].

2."

Page 1, line 21, overstrike "2." and insert immediately thereafter "3."

Page 1, line 22, overstrike "3." and insert immediately thereafter "4."

Page 2, line 1, overstrike "4." and insert immediately thereafter "5."

Page 2, line 9, overstrike "5." and insert immediately thereafter "6."

Page 2, line 10, overstrike "6." and insert immediately thereafter "7."

Page 2, line 11, overstrike "7." and insert immediately thereafter "8."

Page 2, line 13, replace "8." with "9."

Page 2, line 17, replace "9." with:

"10. "Gross proceeds" means all cash and checks received from wagering.

11."

Page 2, line 20, replace "10." with "12."

Page 2, line 23, replace "11." with:

"13. "Net proceeds" means adjusted gross proceeds less allowable expenses and deductions under section 53-06.2-11.

14."

Page 2, line 26, replace "12." with "15."

Page 2, line 28, replace "13." with "16."

Page 2, line 30, replace "14." with "17."

Page 3, line 3, replace "15." with "18."

Page 3, line 7, replace "16." with "19."

Page 3, line 14, replace "17." with "20."

Page 3, line 17, replace "18." with "21."

Page 8, line 29, after "wagering" insert "- Rent limits - Allowable Expenses"

Page 10, after line 21, insert:

- "7. For a site where historic horse racing is conducted, the total monthly rent may not exceed one hundred fifty dollars per machine for the first five machines in the same venue. For each additional machine in the same venue beyond five, the monthly rent may not exceed an additional seventy-five dollars per machine up to a maximum of three thousand dollars per month.
8. Historic horse racing activity for a quarter must be reported on a tax return form prescribed by the racing commission.
9. For historic horse racing and simulcast wagering operated at a historic horse racing site, allowable expenses may be deducted from adjusted gross proceeds. The allowable expense limit for historic horse racing and simulcast wagering operated at a historic horse racing site is sixty percent of the adjusted gross proceeds per quarter.
10. A site operator may not disburse net proceeds of historic horse racing for purposes other than the eligible uses provided in section 53-06.1-11.1."

Renumber accordingly

March 21, 2019

SK
3/21
19/1

PROPOSED AMENDMENTS TO ENGROSSED HOUSE BILL NO. 1443

Page 1, line 1, after "A BILL" replace the remainder of the bill with "for an Act to provide for a legislative management study of charitable gaming and racing laws.

BE IT ENACTED BY THE LEGISLATIVE ASSEMBLY OF NORTH DAKOTA:

SECTION 1. LEGISLATIVE MANAGEMENT STUDY - CHARITABLE GAMING AND RACING LAWS. During the 2019-20 interim, the legislative management shall consider studying the state's charitable gaming and racing laws. The study must include an evaluation of:

1. Whether historic horse racing could provide funding for charitable causes when combined with existing forms of charitable gaming;
2. The effect implementing historic horse racing has had on other forms of charitable gaming in other states;
3. Whether potential laws regarding taxation, limitations, conduct, and play for historic horse racing are fair, adequate, and appropriate;
4. Whether an administrative agency can adequately and effectively provide oversight of historic horse racing;
5. The potential economic impact of historic horse racing on the state and tribes; and
6. The viability of the state horse racing industry, with or without the support of historic horse racing.

The legislative management shall report its findings and recommendations, together with any legislation required to implement the recommendations, to the sixty-seventh legislative assembly."

Renumber accordingly

3-8-19

Date:
Roll Call Vote #: 1

2019 SENATE STANDING COMMITTEE
ROLL CALL VOTES HB 1443
BILL/RESOLUTION NO.

Senate Government and Veterans Affairs Committee☐ SubcommitteeAmendment LC# or Description: 19.0978 03002

Recommendation: ☒ Adopt Amendment
☐ Do Pass ☐ Do Not Pass ☐ Without Committee Recommendation
☐ As Amended ☐ Rerefer to Appropriations
☐ Place on Consent Calendar
Other Actions: ☐ Reconsider ☐ _____

Motion Made By Sen Meyer _____ Seconded By Sen Roers _____

Senators	Yes	No	Senators	Yes	No
Chair Davison	/		Sen. Oban	/	
Vice Chair Meyer	/		Sen. Marcellais	/	
Sen. Elkin	/				
Sen. K. Roers	/				
Sen. Vedaa	/				

Total (Yes) 7 No 0Absent -0-

Floor Assignment _____

If the vote is on an amendment, briefly indicate intent:

*Amend
passed.*

3-21-19
Date:
Roll Call Vote #: 1

2019 SENATE STANDING COMMITTEE
ROLL CALL VOTES
BILL/RESOLUTION NO.

HB 1443

(a.m.)

Senate Government and Veterans Affairs Committee

☐ Subcommittee

Amendment LC# or Description: 19.0978 03004

Recommendation: ☒ Adopt Amendment
☐ Do Pass ☐ Do Not Pass ☐ Without Committee Recommendation
☐ As Amended ☐ Rerefer to Appropriations
☐ Place on Consent Calendar
Other Actions: ☐ Reconsider ☐

Motion Made By Sen Meyer Seconded By Sen. Oban

Senators	Yes	No	Senators	Yes	No
Chairman Davison	/		Senator Marcellais		/
Vice Chairman Meyer	/		Senator Oban	/	
Senator Elkin		/			
Senator Roers	/				
Senator Vedaa	/	/			

Total (Yes) 4 No 3

Absent -0-

Floor Assignment

If the vote is on an amendment, briefly indicate intent:

passed

3-21-19
Date:
Roll Call Vote #: 2

2019 SENATE STANDING COMMITTEE
ROLL CALL VOTES HB 1443
BILL/RESOLUTION NO.

Senate Government and Veterans Affairs Committee

☐ Subcommittee

Amendment LC# or Description: 19, 0978, 03004

Recommendation: ☒ Adopt Amendment
☒ Do Pass ☐ Do Not Pass ☐ Without Committee Recommendation
☒ As Amended ☐ Rerefer to Appropriations
☐ Place on Consent Calendar
Other Actions: ☐ Reconsider ☐

Motion Made By Sen Meyer Seconded By Sen Roers

Senators	Yes	No	Senators	Yes	No
Chairman Davison	/		Senator Marcellais		/
Vice Chairman Meyer	/		Senator Oban	/	
Senator Elkin		/			
Senator Roers	/	/			
Senator Vedaa		/			

Total (Yes) 4 No 3

Absent 0

Floor Assignment Sen Meyer

If the vote is on an amendment, briefly indicate intent:

Date: / /
Roll Call Vote #:

2019 SENATE STANDING COMMITTEE
ROLL CALL VOTES HB 1443
BILL/RESOLUTION NO.

Senate Government and Veterans Affairs Committee

☐ Subcommittee

Amendment LC# or Description: 19.0978.03002

Recommendation: ☐ Adopt Amendment ☐ Do Pass ☐ Do Not Pass ☐ Without Committee Recommendation
☐ As Amended ☐ Rerefer to Appropriations
☐ Place on Consent Calendar
Other Actions: ☒ Reconsider ☐ _____

Motion Made By Sen. Meyer Seconded By Sen. Roes

[illegible]

Total (Yes) _____ No _____

Absent _____

Floor Assignment

If the vote is on an amendment, briefly indicate intent:

ent: passed

REPORT OF STANDING COMMITTEE

HB 1443, as engrossed: Government and Veterans Affairs Committee (Sen. Davison, Chairman) recommends **AMENDMENTS AS FOLLOWS** and when so amended, recommends **DO PASS** (4 YEAS, 3 NAYS, 0 ABSENT AND NOT VOTING). Engrossed HB 1443 was placed on the Sixth order on the calendar.

Page 1, line 1, after "A BILL" replace the remainder of the bill with "for an Act to provide for a legislative management study of charitable gaming and racing laws.

BE IT ENACTED BY THE LEGISLATIVE ASSEMBLY OF NORTH DAKOTA:

SECTION 1. LEGISLATIVE MANAGEMENT STUDY - CHARITABLE GAMING AND RACING LAWS. During the 2019-20 interim, the legislative management shall consider studying the state's charitable gaming and racing laws. The study must include an evaluation of:

1. Whether historic horse racing could provide funding for charitable causes when combined with existing forms of charitable gaming;
2. The effect implementing historic horse racing has had on other forms of charitable gaming in other states;
3. Whether potential laws regarding taxation, limitations, conduct, and play for historic horse racing are fair, adequate, and appropriate;
4. Whether an administrative agency can adequately and effectively provide oversight of historic horse racing;
5. The potential economic impact of historic horse racing on the state and tribes; and
6. The viability of the state horse racing industry, with or without the support of historic horse racing.

The legislative management shall report its findings and recommendations, together with any legislation required to implement the recommendations, to the sixty-seventh legislative assembly."

Renumber accordingly

2019 TESTIMONY

HB 1443

Mr. Chairman and fellow committee members, House Bill 1443 is designed to preserve and strengthen the long-standing tradition of Horse Racing in North Dakota.

Horse Racing has a proud history in North Dakota going back generations. Over 30 years ago the legislature created the Racing Commission and authorized pari-mutuel horse racing statewide.

Let me explain how pari-mutual wagers work for those who may not know the difference. In pari-mutuel wagering, when players make a bet they are betting amongst themselves. The house doesn't care who wins because the operator takes a small commission on every bet. In a casino however players are betting against the house. Either you win or the casino wins.

This important aspect of our heritage positively impacts local communities through expenditures at our race tracks, over 450 full-time, part-time, and seasonal jobs at our live racetracks and off-track betting facilities, and support for family farms, our grain growers, horse breeders, veterinarians, and trainers across North Dakota. This adds up to an overall economic impact of nearly \$25 million per year.

In recent years however, some revenue sources for the industry have been on the decline. Off-track betting revenues are down from their peaks in the early 2000s. The Racing Commission has looked to what other states have done to address this challenge and the most successful examples are state's such as Wyoming who have authorized Historic Horse Racing.

Both our new Racing Commissioner and his immediate predecessor will go into more detail on how this type of wagering will help to revitalize the horse racing industry, but I want to make sure everyone in the room understands a few key terms.

#1
HB 1443
1/25/19

Now before I turn the floor over to our Racing Commissioner, I want to highlight some specific things this bill does do as well as some things this bill definitely does not do:

What this bill does:

This bill does allow for a new electronic format for pari-mutuel wagering – historic horse racing, similar to what the legislature did last year when it passed an electronic version of paper pull tabs.

Historic Horse Racing utilizes an electronic machine that allows patrons to place bets on races that have occurred in the past based on statistics and wagers used on the day the race took place. All identifying information on the horse, the jockey, the track, etc. is removed.

This bill allows these machines to be installed only at licensed simulcast facilities approved and regulated by both the racing commission, which currently regulates over \$700 million of wagers per year, as well as the attorney general, who must approve licenses for service providers, site operators, and organizations applying to conduct this type of wagering.

This bill authorizes a pari-mutual game of skill – not a game of chance – and like live Horse Racing it falls under the purview of the Racing Commission. North Dakota already allows for charitable “off-track” betting of live races at simulcast facilities throughout the state and this electronic version has already been approved by the Association of Racing Commissioners International and has been proven extraordinarily successful in supporting the Horse Racing industry in several states including Wyoming and Kentucky, where state tax collections and corresponding contributions to breeders, purse, and promotion programs have increased substantially.

This bill supports North Dakota's horse racing industry by dedicating a percentage of each wager to dedicated funds that promote horse racing, fund purses at live races, and provide incentives to breeders. These taxes and deductions apply on every wager, so every time someone bets a dollar a total of 1.55 cents is deducted. Of that total:

- One cent goes to the racing commission, split evening between the breeders', purse, and promotion funds.
- Three-tenths of a cent goes to the state general fund.
- Two-tenths of a cent goes to the purse fund to specifically support our horsemen and live racing sites.
- And with the amendment one-twentieth of a cent would go to the compulsive gambling addiction fund.

What this bill does not do:

- [With amendment] Unlike what some opponents have said, this intent of this bill is not allow for 24/7 horse racing casinos to pop up across the entire state. In fact, to address that concern I have prepared an amendment to clarify that venues hosting these machines could only operate them during the hours in which alcoholic beverages may be sold, which is identical to the rule for other charitable game types.
- This bill does not legalize slot machines – period – and here's why: Slot machines are a game of chance that utilize a random number generator. Historic Horse Racing machines are a game of skill and there are things you can actually do to improve your play. In other words, while you can never be a good slots player, you can be a great historic racing player by using your own skill.

#1
HB 1443
1/25/19

- This bill does not threaten charitable gaming. Now I know there are charities that support this bill and there are charities that oppose this bill, but let me be clear – historic horse racing is first and foremost charitable gaming. Just like bingo, just like paddlewheel, and just like blackjack, this is another game type that only charities can take advantage of. The only difference is that rather than being a game of chance, historic horse racing is a pari-mutuel game of skill and has specific percentages deducted from each dollar wagered that are set aside to support the horse racing purse fund, breeders fund, promotion fund, as well as the non-profit horse associations and live racing venues.
- Only charities can operate this game. Private companies can not open up a historic horse racing venue and operate it for a profit. Licensed charities operating the site may only deduct a maximum of 12% of the amount wagered for taxes, expenses, and programming. Furthermore, all money spent on non-charitable expenses must be directly related to conducting pari-mutuel wagering.
- The remaining funds can be spent by non-profit site-operators only on eligible programming. That includes supporting horse racing and the breeders' associations, but also a lot of other things I think everyone in this room supports. Scholarship funds for students. Support for arts and cultural heritage programs. Youth athletics. Supporting local tourism. Veterans organizations. Services to the elderly, homeless, impoverished, or disabled. Volunteer fire departments and public safety. These are the kinds of programs that are supported by charitable gaming today and would also be supported by historic horse racing.
- Several charities today operate off-track betting as well as pull tabs and other game types. This is no different – it is just one more tool in the toolbox, should they choose to take advantage of it, to support their existing operations. There is

H/
HB1443
1/25/19

nothing in this bill that would prevent a charity from becoming a licensed simulcast facility and utilizing historic horse racing.

In closing, this bill allows for an electronic version of a type of wagering that is already occurring in our state and provides an important new revenue stream to support a historic agricultural asset – North Dakota’s Horse Industry. The bill does this while maintaining our tradition of limiting gaming operators to charitable organizations. I encourage you to support this legislation and I will now turn things over to representatives from the Racing Commission to explain how historic racing works and its importance to the future of the industry in our state.

#1
1/25/19

PROPOSED AMENDMENTS TO HOUSE BILL NO. 1443

Page 10, line 18, after the second underscored period insert

"6. Historic horse race wagering may be conducted only during the hours alcoholic beverages may be dispensed in accordance with applicable state, county, or city regulations."

Page 12, line 28, after the underscored period insert

"(4) One-twentieth of one percent to be deposited in the gambling disorder prevention and treatment fund."

Page 12, line 29, after "wagering" insert ", except on historic horse racing."

Page 13, line 3, after "5." insert "For all pari-mutuel wagering on historic horse racing, the licensee shall pay to the commission the amount due for all breakage for deposit in the racing promotion fund. The deposits must be distributed no later than the last day of each calendar year to a live racing association whose property is subject to special assessment districts established before January 1, 2020, by a municipality with a population of not less than one hundred thousand as of the last federal decennial census, to the extent necessary to satisfy, in whole or in part, the special assessments. Distributions under this subsection must cease at the time the live racing association certifies to the commission that all special assessments assigned to the property before January 1, 2020, have been paid."

6."

Page 13, line 6, replace "6." with "7."

Page 13, line 11, replace "7." with "8."

Renumber accordingly

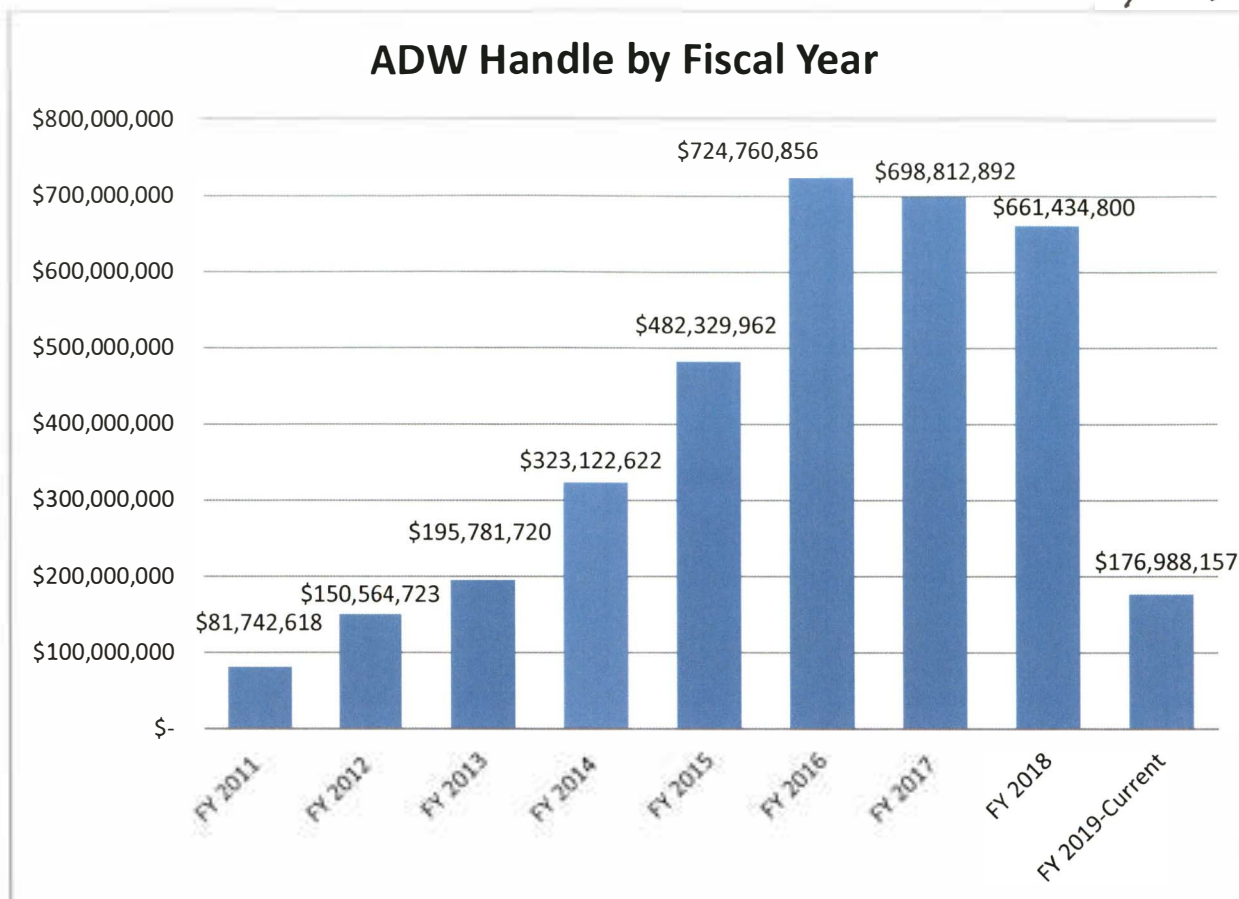
House Bill No. 1443
ND Racing Commission
Jack K Schulz, Director
January 25, 2019

66th Legislative Assembly
House Agriculture Committee
Representative Dennis Johnson, Chairman

Thank you for the opportunity to appear before you to present my support for HB 1443 and the introduction of pari-mutuel historic horse racing in the state. Before I begin, the Racing Commission has not had the opportunity for a formal hearing on this bill. However, it is anticipated that the Racing Commission will support the bill as it is nearly identical to the bill the Racing Commission supported last session. In supporting the bill last session, the Racing Commission recognized the substantial benefits this bill may provide the racing industry and I would anticipate the same conclusion this session.

Though the racing industry has seen many positive improvements over the last few biennia, the future of racing in North Dakota has some very significant risks going forward. One such risk is the effect of the Advanced Deposit Wagering (ADW's) markets on our revenues. With the 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 North Dakota. In fact, these are demonstrated by our wagering volume during the past fiscal year as shown by the graph below.

#2
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While the Commission has done its best to plan and mitigate the effects of any changes, significant impacts to our wagering volume have occurred. Moving forward it's imperative that the racing industry in the state identifies and obtains a more reliable source of revenue.

Historic horse racing has provided significant support to live horse racing in each jurisdiction in which it has been implemented. Additionally, historic horse racing has been proven to provide increased revenues to states where these activities are conducted. Legislation has been passed in the states of Kentucky, Arkansas, Wyoming, Oregon, Virginia and Illinois, with Montana and New Hampshire currently considering adoption.

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 race horse owners, breeders and trainers. Considering the impact that historical horse racing has had on the states like Wyoming I would anticipate substantial economic impact to North Dakota, particularly in Agriculture as well.

Based on the structure of the bill, it is anticipated that regulatory activities would be accomplished through licensing fees with no additional costs to the general fund.

Before concluding, the I would like to note that much of the growing pains and heavy lifting in implementing new pari-mutuel historic horse racing regulatory processes and procedures has already been borne by states where historic racing is currently active. In developing information for the Commission on historic racing, our discussions with the Wyoming Pari-Mutuel Commission have demonstrated that the North Dakota Racing Commission would be able rely on lessons learned and advice from these jurisdictions as well as a full set of newly revised regulations to use as an example going forward. While this may be a new method of pari-mutuel wagering for North Dakota, historic racing does have a track record from which best practices have been established and refined over the years allowing North Dakota to get a "head start" on regulating this activity.

While the Racing Commission's previous efforts have provided solid footing on which we have begun to rebuild our once extensive racing industry, the introduction of pari-mutuel historic horse racing would further bolster these efforts by way of diversification of revenues and increased funding. By providing substantial financial benefits to the

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State without additional cost to the General Fund I see this bill as a net positive to all
involved.

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Historic Horse Racing Boosts Wyoming Economy

By Shelby Kruse on Tue 01/15/2019 10:25pm

Posted in Wyoming

Wyoming is one of the few states in the nation that are permitting the public to bet on historic races at Off Track Betting sites. Regulated by the Pari-Mutuel Commission, the revenue from historic racing terminals is being used to restore the sustainability of the state's horse racing industry as well as securing major economic stability for the state. The revenue from the Historic Horse Racing terminals has helped to boost live horse racing events in Wyoming, supplement bigger incentives for horse breeders throughout the state and bring a great revenue source to the State of Wyoming.

The combined Historic Racing Handle in the State of Wyoming from January 1, 2018 through December 31, 2018 was over \$570.5 million. Over 92% of that revenue was returned to the public.

The revenue from the terminals for Wyoming municipalities for 2018 reached over \$5.7 million to distribute back to cities and counties where the Historic Racing terminals are located. Over \$16.2 million has been distributed to local municipalities since Historic Racing was implemented in 2013. It also generated over \$2.2 million for the Wyoming Breeder Awards fund in 2018, which will be paid out to eligible owners, breeders and stallion owners of Wyoming Bred horses that participate in Wyoming live race meets throughout the state. Over \$6.5 million has been allocated to the fund from Historic Racing terminals since 2013.

For more information on the Wyoming Pari-Mutuel Commission, visit parimutuel.wyo.gov.



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Testimony of Gunner laCour, Former Director ND Racing Commission

House Agriculture Committee – HB 1443

Chairman Johnson and Members of the Agriculture Committee,

I am very pleased to come before the Ag Committee today in support of Historic Horse Racing. When preparing for this presentation I realized that I have never been in front of the Ag Committee which seemed odd to me as horse racing is a quintessential subject for your consideration. I say that knowing, as you will see in the documents provided today, that horse racing in North Dakota has almost a \$25 million economic impact which is almost entirely confined to Agriculture.

Many of you may find that surprising. Gaming is always at the top of people's minds when they think of horse racing. And of course, we are here today to talk about a gaming product. But what gets lost is that none of us are here to support Historic Horse Racing because we simply want to see more gaming. Rather, it is the tremendous support that this activity can provide to local farmers and communities throughout the state. It is about preserving the heritage of this state and refusing to make this one more instance where economics trumps tradition.

The racing industry in North Dakota is essentially a small family with all the connotation that goes along. Groups of farmers and horsemen come together each weekend for two months every year to argue about who is the best trainer, who is

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the best breeder, and who has the best horse. At our two tracks, parents, children, grandparents and even great grandparents work side by side. Each new generation gets a first-hand look what can be earned with your own two hands through hard work, passion and determination, lessons that are becoming more and more scarce in today's society. And on top of it all, local communities in turn get to come out for an afternoon of family friendly entertainment totally unique to the region.

But this racing family could not exist without the support provided by wagering regulated by the Racing Commission. For years, online wagering (called advance deposit wagering or ADW) has been the primary means of funding this activity, 99% of which were dollars from out-of-state. North Dakota has been seen as a desirable location for small to medium size ADWs because of our support of innovation and effective small government approach. Despite weathering some national industry downturns, significant contractions in the horse racing industry over the last five years have finally been felt in North Dakota. The proportion of taxable wagering dollars attributable to online high-volume wagering (large bettors utilizing computer algorithms) has increased dramatically as the online retail operators have either been purchased by companies not licensed in North Dakota or gone out of business. Unfortunately, this high-volume play can be extremely

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volatile leaving the industry unable to effectively cope with downturns like the one currently being experienced.

That is why historic horse racing has become absolutely critical to the survival of the racing industry. The current statutory structure is unable to generate sufficient revenues, historic horse racing has a proven track record of reliable returns to the racing industry in many states. Using Wyoming as an example, they went from four days of racing prior to historic racing to 30 days of racing in 2017 and are still climbing. With an industry in North Dakota that is considerably healthier than Wyoming (16 days of racing in 2018), historic racing has the potential to provide a foundation that will allow members of the “family” to look more than a year ahead; to not have to be concerned about making new investments for fear that there may be not industry in a year or two.

Most in North Dakota are a little unfamiliar with historic horse racing and so I would like to provide a high-level summary. First and foremost, historic racing is charitable gaming. Just as with all North Dakota gaming, it can only be conducted by a charity licensed with the applicable regulatory body; in this case the Racing Commission. The Commission already has in place a regulatory framework that exceed industry standards. There is no doubt the Commission is in an excellent position to support the charities as they enter in this new type of gaming.

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Otherwise, historic racing is simply what the name implies, making wagers on races that have been previously run rather than on a live race. All wagers placed are the same as those currently approved for live race meets. The races presented for wagering are all stripped of identifiable data; place, date, names, etc. Statistics are provided to allow an individual to handicap the race just as they would a live race. A person playing the game may either select his horses manually by handicapping the race or may choose to make the wager automatically using morning line odds; essentially the odds in the race-day program. That wager is placed in a "pool" where the player is competing against other patrons, not the house. The machine itself has lights and graphics, much of which is window dressing that appeals to a group of potential players who do not usually participate in wagering on horse racing. The outcome of the wager is determined solely by the outcome of the horse race allowing anyone with enough skill to become a good Historic Horse Racing player.

Those who have not been introduced to racing in the state might wonder why the loss of the industry matters to greater North Dakota. You need look no farther than the Economic Impact Study provided by NDSU. Despite the relatively small size of our industry, racing creates nearly \$25 million in economic activity state-wide. As you will see, the vast majority of that impact is direct to individuals

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and businesses which by necessity are mostly involved in agriculture. With household (personal income) economic impact coming in at \$9 million and the creation of 663 jobs per year, I would challenge anyone to find an industry that proportionally provides more direct support to farmers than ours.

Further, horseman activity in local communities across the state has a tremendous impact throughout the year. The \$7 million in retail trade impact is not limited to those communities such as Belcourt and Fargo which see seasonal revenue influxes when the tracks are open, but also extends to the communities where these horsemen live and spend to support their passion year-round. As many in this room will tell you, just supporting this activity from one season to the next is an expensive undertaking no matter your level of participation.

Perhaps the most telling number in all of the Study is 5.2. That represents the leverage factor of the industry meaning that every dollar the state spends to support racing, the state economy gets \$5.20 back. I think you would be hard pressed to find an investment with a comparable return.

But the loss of this industry is not just about the economy and the numbers, it is about the people sitting behind me. People that have labored and scarified their whole lives to build their small piece of this game, not because it ever made them rich, but because they love it, because their parents and grandparents loved

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it. The people whose children will be better for the important lessons this work can teach. And the communities who are brought together as a family to create something better for each other. This is North Dakota's heritage, a state rich in horse culture who recognizes the importance of community and the hard work of the individual. These are lessons racing industry teaches in abundance.

Nobody here is looking for a hand out, racing has never given them one. Give the horsemen this tool, let them work hard for themselves because that is all they have ever been taught to do. They will do it because it is their heritage, North Dakota's heritage, and it is worth saving.

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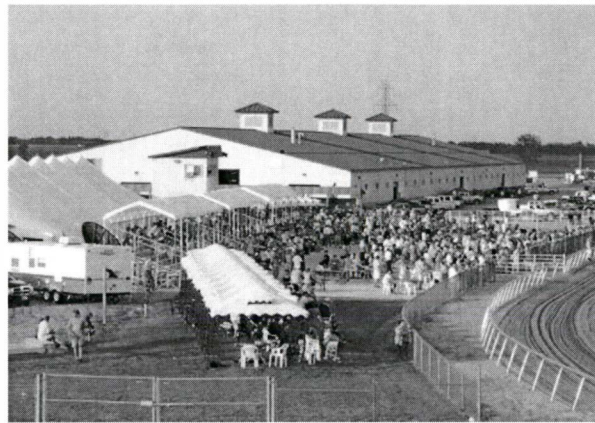
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ECONOMIC CONTRIBUTION OF HORSE RACING TO NORTH DAKOTA IN 2016

Elvis Ndembe, Nancy M. Hodur, Dean A. Bangsund, and Randy Coon



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- Chippewa Downs Race Track, Belcourt ND
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Individuals in North Dakota and elsewhere responded to a survey soliciting information on their horse breeding, training, and racing activities. Sincere appreciation is extended to those individuals who participated in the survey.

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The authors assume responsibility for any errors of omission, logic, or otherwise. Any opinions, findings, and conclusions expressed in this publication are those of the authors and do not necessarily reflect the view of the Department of Agribusiness and Applied Economics, North Dakota State University, or the study sponsors.

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Executive Summary

The horse racing industry is comprised of multiple entities that are interconnected and that together constitute the horse racing industry in North Dakota. Racing activities impact local communities through expenditures for race track operations, horse breeding and training operations and other activities that support the industry. The horse racing industry in North Dakota consists of multiple entities and for purpose of this study, the industry was defined as race horse owners, breeders and trainers, the North Dakota Horse Park in Fargo, Chippewa Downs in Belcourt, North Dakota Quarter Horse Association, North Dakota Thoroughbred Association (Horsemen Groups), North Dakota Racing Commission, and a race horse rescue and adoption non-profit organization.

Overall, the entities that constitute the horse racing industry in 2016 had total in-state expenditures of approximately \$9.0 million. The largest portion of those expenditures, \$4.2 million or 47 percent of the total represent payments for wages, salaries, and racing payouts. Retail purchases for goods and services totaled \$2.1 million or 24 percent of total direct expenditures. Of the \$9.0 million in direct economic effects, \$7.6 million was attributable to in-state expenditures of owners, breeders, and trainers of race horses. The North Dakota Horse Park in Fargo had total in-state expenditures or direct impacts of approximately \$707,000 while Chippewa Downs in Belcourt had a direct impact approaching \$500,000. Direct effects related to the activities of the Racing Commission were about \$206,000. A substantial portion of the expenditures of the North Dakota Racing Commission, the North Dakota Quarter Horse Association, and the North Dakota Thoroughbred Association was directed to the state's two race tracks to support track activities. The economic effects of expenditures by the North Dakota Racing Commission and the Horseman Groups that support track activities are captured in the expenditures of the state's race tracks.

Direct expenditures were allocated to the appropriate sectors of the North Dakota Input-Output model. Model coefficients were applied to the direct expenditures to estimate secondary (indirect and induced) economic effects. Secondary effects result from the spending and re-spending of the industry's outlays. Total secondary impacts across all economic sectors were estimated at \$15.2 million. Total economic impacts (sum of direct and secondary impacts) were estimated to be \$24.2 million. Like direct impacts, total impacts were greatest in the *Households* and *Retail Trade* sectors, \$9.1 and \$7.0 million, respectively. Of the \$24.2 million total (direct plus secondary) impacts industry-wide, \$20.2 million was attributable to expenditures associated with activities of race horse owners, breeders and trainers.

Most of the employment associated with the racing industry in North Dakota is seasonal and associated with the state's two horse race tracks and off-track betting. Seasonal positions at the North Dakota Horse Park include ticket sellers, admission workers, veterinarians, race stewards, and track managers. The North Dakota Horse Park employed 76 people with a total race season payroll of \$104,196. Chippewa Downs employed 60 people with total race season payroll of \$91,599. Off-track simulcast operations offer year-round employment opportunities; however, employment may be full or part-time. There were 65 licensed simulcast employees in 2016. Activities associated with breeders and owners were estimated to support 76 full-time, 228 part-time and 152 seasonal positions.

State tax collections for sales and use, individual, and corporate income associated with horse racing were estimated to be \$311,000 annually. Approximately 72 percent or \$223,000 of secondary tax collection comes from sales and use taxes. The North Dakota Horse Park Foundation (Horse Race North Dakota) and North Dakota Horse Park paid property taxes of \$197,757 in 2016.

Data collected from the state's race tracks and a survey of the state's race horse owners, breeders and trainers provided insight into the characteristics of horse racing operations in North Dakota. Eighty-seven horsemen entered 348 races in 2016. On average horsemen entered 4 races however, horseman most frequently entered 5 or fewer races. Forty percent of respondents entered either one or two races, while 79 percent entered 5 or fewer races. Nearly \$165,000 in purse money was awarded to 79 horsemen. Average purse disbursements were \$2,341 per horseman.

The horse racing industry through the appropriated dollars that fund the North Dakota Racing Commission successfully leverages state funding to generate additional economic activity. The North Dakota Racing Commission received \$387,821 from the state of North Dakota General Fund in 2016. For every appropriated dollar, the industry spent an additional \$5.20 in the state. The \$387,821 in appropriations were leveraged to generate \$1.0 million in industry expenditures.

This analysis suggests in addition to providing entertainment, the industry generates a positive economic contribution relative to the state-funded dollars that are appropriated to support the North Dakota Horse Racing Commission and the horse racing industry. Given the multiple linkages between the components of the industry, in the absence of appropriated dollars and the activities of the North Dakota Racing Commission, the horse racing industry would not likely continue to exist in its present form.

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Economic Contribution of Horse Racing to the North Dakota Economy in 2016

Elvis Ndembe, Nancy M. Hodur, Dean A. Bangsund, and Randy Coon¹

Introduction

Horse racing activities in North Dakota are comprised of multiple entities that are interconnected and together constitute the state's horse racing industry. To provide an overview of the industry the following section provides a description of each of the industry's key stakeholders.

North Dakota Horse Racing Commission

The 1987 legislative session created the North Dakota Horse Racing Commission. The Racing Commission is responsible for regulating horse racing in North Dakota. It is composed of five members, a director and support staff. The governor appoints the five-member commission. In addition to its regulatory role, the commission manages the Breeder Fund, the Purse Fund and the Promotion Fund for the benefit of the horse racing industry. The breeders fund promotes breeding of race horses and provides monetary awards to owners and breeders of top performing horses bred in North Dakota. Breeders with horses registered in the Breed Fund receive end-of-year bonus payments based on how many times the registered horse wins, places or shows in races over the course of the year. Payments also are made if offspring of registered horses win, place or show in North Dakota races. The Breeders Fund supplements race purse payments and provides an incentive to horsemen to invest and breed quality horses in North Dakota.

The Purse Fund provides most of the funding for purses at the state's two race tracks. The Promotion Fund provides significant funding for track operations and supports the

¹ The authors are Research Associate, Department of Agribusiness and Applied Economics, Director, Center for Social Research, Research Scientist and Research Specialist, Department of Agribusiness and Applied Economics respectively, North Dakota State University, Fargo.

promotional efforts of various organizations that promote horse racing in North Dakota. For example, the Promotion Fund provides promotional support for both the North Dakota Thoroughbred Association and the North Dakota Quarter Horse Associations stallion auctions and the Associations' annual awards banquet.

All three funds are supported by taxes from pari-mutuel account deposit wagering, off-track betting and wagering on live racing. Seventy-five percent of each dollar of taxes collected, twenty-five percent each, goes to the Breeders'P promotion, and Purse Funds. The remaining twenty-five percent goes to the state's general fund. The Promotion Fund also receives "breakage" which is the remaining pennies after rounding pari-mutuel payoffs to the nearest nickel or dime. "Breakage" is collected on the first \$20 million in wagers placed through licensed pari-mutuel wagering associations.

Race Tracks

The state has two race tracks; the North Dakota Horse Park, located in Fargo, and Chippewa Downs, located on the Turtle Mountain Indian Reservation in Belcourt. Chippewa Downs held 4 two-day racing weekends in 2012, 2013, 2014 and 2016 (Table 1). The North Dakota Horse Park had 3 two-day racing weekends in 2014 and 2016, 2 two-day racing weekends in 2012 and 1 three-day race weekend in 2013. There were no races in 2015 (Table 1).

Table 1. Racing Days, North Dakota Horse Park and Chippewa Downs, 2012-2016

Year	Number of Racing Days	
	North Dakota Horse Park	Chippewa Downs
2016	6	8
2015	none	14
2014	6	8
2013	3 ¹	8
2012	4	8

¹One three-day weekend

Source: North Dakota Racing Commission, 2016.

Horse Owners and Breeders

A key component of the industry is horse owners and breeders. An examination of the breeder's fund provides some insight into the number of race horses bred in the state and the number of active horsemen in the state. An examination of the number of horsemen that entered races and received payouts also provides some insight into the number and characteristics of North Dakota horsemen.

From 2014 - 2016, 526 horses were registered in the Breed Fund managed by the North Dakota Racing Commission (Table 2). In 2014, 154 horses were registered, in 2015, 196 horses were registered and in 2016, 176 horses were registered (data not shown). A majority of registered horses were Quarter horses (almost 61 percent), followed by Thoroughbred (31 percent), and Standard and Paint horses (about 8 percent).

Table 2. North Dakota Breed Fund, by Type and Breed, North Dakota, 2014 - 2016

Type	Horse Breeds				Totals
	Quarter Horse	Thoroughbred	Standardbred	Paint Horse	
Foal	227	79	12	21	339
Mare	80	76	0	3	159
Stallion	15	10	0	3	28
Totals	322	165	12	27	526

Source: North Dakota Racing Commission, 2016a.

The North Dakota Horse Park had 348 horse races in 2016. Two-thirds of the horsemen that entered horses in those races were from North Dakota (Table 3). Data on race participation and horseman residency was not available for Chippewa Downs. On average, horsemen entered 4 horse races at the North Dakota Horse Park. Horsemen most frequently entered horses in 1 to 5 races. Forty percent of the horsemen entered horses in 1 or 2 races and 39 percent entered horses in 3 to 5 races. Only eight percent of horsemen entered more than 10 races. From purse distribution data some horses were entered in more than one race as the same horse and owner received purse money on different race weekends. However, no data was available to describe how many different horses were entered or how many horses

were entered in multiple races over the course of the racing season. The maximum number of races entered by a single horseman was 16 (Table 3).

Table 3. Race Summary, by Number of Horsemen, by Residency, North Dakota Horse Park, 2016

	North Dakota	Other States
	-----number-----	
Horsemen That Entered One or More Races	57	30
Average Number of Races Entered	4	4
Maximum Number of Races Entered	16	15
Total Number of Races	228	120
Number of Races Entered:		
1 – 2		40.2
3 – 5		39.1
6 – 9		12.6
10 or more		8.0
		(n=87)

Source: North Dakota Horse Park, 2016

During the 2016 horse racing season, 80 horsemen received monetary awards for placing in races (purse) at the North Dakota Horse Park in Fargo (Table 4). Purse winnings pay down to 5th place. Purse disbursements from Chippewa Downs were not available. Most (69 percent) of the horseman that won purses were from North Dakota. Nearly \$129,000 of the \$167,900 or 78 percent of purse winnings went to North Dakota horsemen. Winnings per horsemen varied from a minimum of \$27 to a maximum of \$23,550 (Table 4). Average winnings per North Dakota horsemen were \$2,341. An examination of winnings per horsemen reveals that most horseman's winnings were below the average. The overall average is heavily influenced by a few horsemen with substantially large winnings. Horseman most frequently won less than \$3,000, 45 percent won less than \$1,000, 68 percent won less than \$2,000 to combine for a total of 81 percent that won less than \$3,000 (Figure 1).

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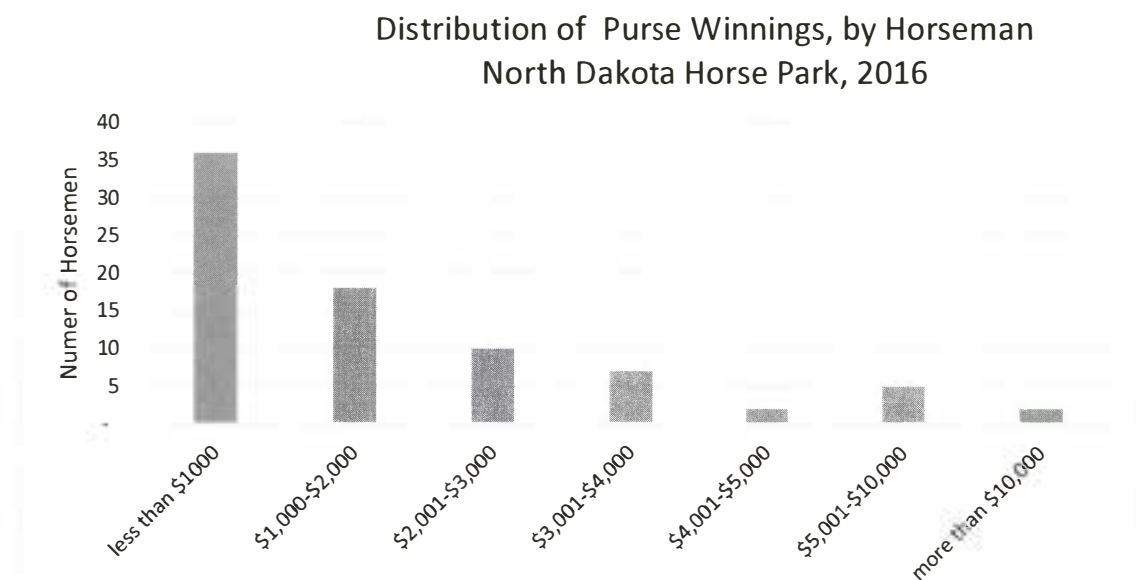


Figure 1. Distribution of Purse Winnings, by Horseman, North Dakota Horse Park, 2016
Source: North Dakota Horse Park, 2016a.

Table 4. Purse Disbursements, by Residency, North Dakota Horse Park, 2016

	Residency		
	North Dakota	Other States	Combined
	-----dollars-----		
Minimum	27	10	27
Average	2,341	165	2,099
Maximum	23,550	6,521	223,55
Total Purse Disbursements	128,767	39,133	167,90
	-----number-----		
Horsemen that Received Purse Awards	55	25	80
	-----percent-----		
Winning per Horseman			
Less than \$1,000		45	
\$1,000 - \$1,999		23	
\$2,000 - \$2,999		13	
\$3,000 - \$3,999		9	
\$4,000 - \$4,999		3	
\$5,000 - \$9,999		6	
\$10,000 or more		3	
		(n=80)	

Source: North Dakota Horse Park, 2016a.

Wagering

Wagers can be made at the race track during race event. On-track wagering operations are managed by each of the respective tracks. Wagers also can be placed through betting associations that operate off-track simulcasting betting. North Dakota has one betting association with four physical locations (Fargo, Bismarck, Grand Forks and Belcourt) where bets can be placed and 13 betting associations that offer on-line wagering. Economic effects of the operations of North Dakota's sole betting association with a physical presence were not included in this assessment to prevent disclosure of confidential financial information.

Other Related Associations

The North Dakota Quarter Horse (NDQHA) and Thoroughbred (NDTA) Associations are non-profit organizations dedicated to the promotion of their respective breeds. The organizations also support the interests of owners and breeders. The Bowman Second Chance Thoroughbred Adoption is a non-profit organization with the mission of finding good adoptive homes for retired race horses.

Study Objectives

The horse racing industry impacts local communities through race track operations, economic activity associated with breeding, training and raising horses, and through expenditures for activities that support the industry. In this study, the industry was defined as the North Dakota Horse Park in Fargo, Chippewa Downs in Belcourt, North Dakota Quarter Horse Association, North Dakota Thoroughbred Association (Horsemen Groups), Bowman Second Chance Thoroughbred Adoption (BSCTA), North Dakota Racing Commission and owners, breeders and trainers of race horses.

Study objectives were to estimate the economic contribution that horse racing activities make to the North Dakota economy. Specific objectives include:

- 1) Estimating the relative contribution of the various entities comprising the industry.
- 2) Expressing the economic size of the industry in terms of employment, personal income, business volume, and tax revenues.

Modeling Economic Impacts

An economic contribution analysis represents an estimate of all relevant in-state expenditures associated with an industry, activity, or project. Numerous assessments of industries, activities, and projects in North Dakota have used the economic contribution approach to describe economic effects. (Bangsund and Hodur 2013; Bangsund and Leistritz 1995, 2005, 2010; Coon et al. 2012a, 2012b, 2012c; Hodur et al. 2006; Hodur and Leistritz 2007).

Direct expenditures by entities that make up the horse racing industry were estimated from data provided by industry representatives, organizations, associations, and horsemen in North Dakota. Only the acquisition of goods and services provided by in-state sources were included.

Numerous linkages between the individual industry components exist and requires careful evaluation of the flow of dollars among the various industry components. Because revenues for one entity may represent expenditures for another entity, expenditure flows were traced to avoid double counting. For example, funds that flow from the North Dakota Racing Commission to each of the horse parks for purses and promotion funds were included in the direct impacts of the race tracks and not the North Dakota Racing Commission. Spectator spending for travel and off-site activities such as expenditures for lodging, food and beverages or retail purchases were not included. Spectator expenditures for 'on-site' wagers, food, beverage and merchandise were captured in race track revenues and expenditures.

Economic activity from a project, program, policy, or activity can be described in terms of direct and secondary impacts. Direct impacts are those changes in output, employment, or income that represent the initial or first-round effects of the project, program, policy, or activity. Secondary impacts (further categorized into indirect and induced effects) result from subsequent rounds of spending and re-spending of the original dollars within the economy. This process of spending and re-spending is sometimes termed the multiplier process, and the resultant secondary effects are often termed multiplier effects (Leistritz and Murdock 1981).

Input-Output analysis is an economic tool that traces linkages among sectors of an economy and calculates the total business activity resulting from a direct impact in a basic sector (Coon et al. 1985). The North Dakota Input-Output Model has 17 economic sectors, is closed with respect to households (households are included as a producing and consuming sector in the model), and was developed from primary (survey) data from firms and households in North Dakota. The North Dakota Input Output Model consists of interdependence coefficients, or multipliers, that measure the level of business activity generated in each economic sector from an additional dollar of expenditures in a given sector. A sector is a group of similar economic units, (e.g., firms engaged in retail trade make up the *Retail Trade Sector*).

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For a complete description of the Input-Output model, see Coon et al. (1985). Definitions for each economic sector can be found in Appendix D.

Empirical testing has shown the North Dakota Input-Output Model is sufficiently accurate in estimating gross business volume, personal income, retail activity, and gross receipts in major economic sectors in North Dakota. Over the period 1958-2013, estimates of statewide personal income derived from the model averaged within 10 percent of comparable values reported by the U.S. Department of Commerce (Coon et al. 2015, Bureau of Economic Analysis 2015). Coon et al. (2015) measured the statistical differences between the estimates of personal income from the two sources and found the absolute average difference was 7.0 percent, mean difference was -4.71 percent, and Theil's U_1 coefficient was 0.0395 for the 1958 to 2013 period.

An estimate of the secondary economic impacts was undertaken using the horse racing industry's expenditure data as input to the North Dakota Input-Output Model. The model estimates the changes in total business activity (gross receipts) for all sectors of the state's economy resulting from the direct expenditures associated with the horse racing industry. Secondary employment and tax revenues based on historic relationships were estimated using increases in business volume.

North Dakota Horse Racing Industry Structure

The North Dakota horse racing industry is comprised of multiple linkages between the various segments of horse racing. Understanding the composition of the horse racing industry is necessary to track the source and disbursement of funds among the industry's various components. An expenditure for one component of the industry may represent revenue to another (Figure 1). Perhaps the best way to follow how funds are moved and used by the industry is to begin with state appropriations to the Racing Commission. From the Racing Commission, funds flow to race tracks, Horsemen Groups and owners and breeders. However, the industry also generates additional revenues from fees, dues, and taxes from the activities of the various individual industry components (Figure 1).

North Dakota Racing Commission

The North Dakota Racing Commission regulates horse racing activities, as well as live, simulcast and on-line wagering on horse racing. The Commission receives appropriated dollars from the state's general fund each biennium. During the 2015-2017 biennium, the North Dakota Racing Commission received a total of \$387,827 in general fund appropriations. In addition, the North Dakota Racing Commission receives a portion of the general revenue funds from the wagering tax. The Racing Commission receives 25 percent of the wagering tax which generated \$308,000 in general revenue funds in 2016. The Racing Commission also generates special revenue funds from registration fees and various fines. In 2016, the Racing Commission generated \$68,670 in special funds.

The Racing Commission uses those funds to pay for day-to-day operations and to support race activities. Expenditures for day-to-day operations by the North Dakota Racing Commission include staff salaries, office supplies, maintenance, and other related expenses. The North Dakota Racing Commission also provides veterinary, investigative, and steward services during race meets to check the health of horses and monitor conduct of racing participants.

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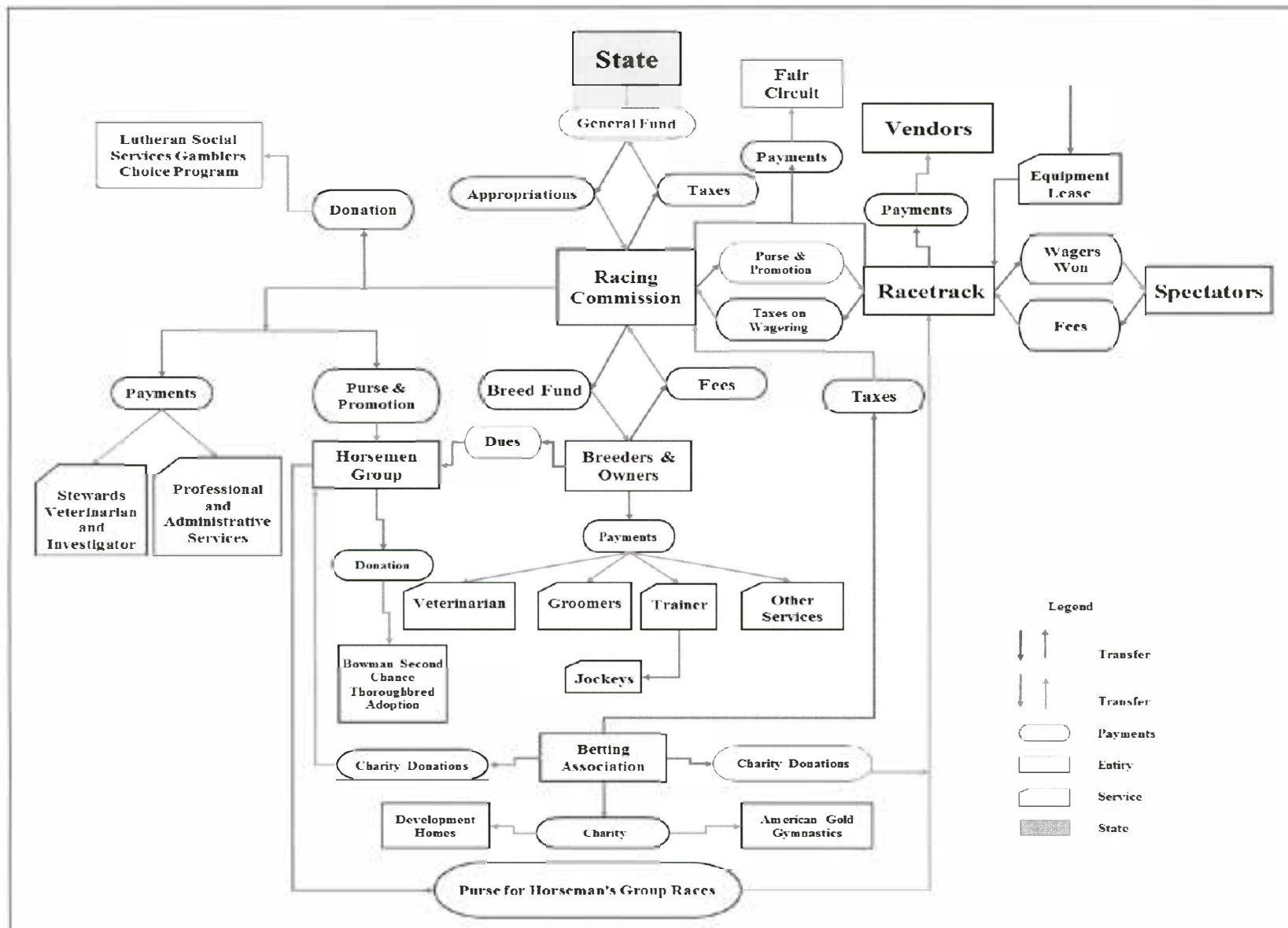


Figure 2. Flow Chart, North Dakota Horse Racing Industry, 2016

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The North Dakota Racing Commission manages the Purse, Promotion, and Breed Funds. In 2016, the North Dakota Racing Commission used those funds to provide financial support to North Dakota Horse Park, Chippewa Downs, North Dakota Quarter Horse Association, North Dakota Thoroughbred Association, and Lutheran Social Services Gamblers Choice program. In 2016, the state's race tracks each received \$115,000 from the Purse Fund and \$200,000 from the Promotion Fund. The North Dakota Racing Commission also awarded \$278,000 to horsemen from the Purse Fund in 2016.

The North Dakota Quarter Horse Association and the North Dakota Thoroughbred Association collectively received \$14,000 from the Promotion Fund and each organization received \$20,000 from the Purse Fund. Both groups use promotion funds to organize and promote their annual association activities. For example, the two associations organize annual banquets to raise funds in support of their activities.

The North Dakota Racing Commission also provides monetary support to the Lutheran Social Services Gamblers Choice program. The Gamblers Choice program helps provide treatment to people with gambling addiction through group, individual, and family counseling. The Gamblers Choice Program received \$12,000 annually from 2015 to 2016 from the Racing Commission.

Race Tracks

Race tracks serve as the central venue for public entertainment provided by the horse racing industry. Spectators pay an entrance fee, place wagers, and purchase concessions. Spectators with successful wagers receive winning payouts, net of applicable state and local taxes. A portion of wagers go to the race track and the remainder goes to the betting association. Taxes collected on wagers go to the North Dakota Racing Commission Purse, Promotion and Breed funds. Revenue from other entertainment activities such as food and merchandise at the race track contributes funding to race track purses.

In addition to administering off-site wagering, the state's betting associations make charitable donations. North Dakota mandates licensed betting organizations share part of their earnings through charitable donations. Recipients of charitable donations from the state's

betting associations are Horse Race North Dakota, Development Homes in Grand Forks, and American Gold Gymnastics in Fargo. Development Homes and American Gold Gymnastics are non-profit organizations that serve people with disabilities and inspiring kids through gymnastics, respectively. Betting organizations also provide financial support to the North Dakota Quarter Horse and North Dakota Thoroughbred Associations. North Dakota Horse Park and the horsemen associations also have occasionally received other voluntary contributions.

The North Dakota Racing Commission and race tracks make payments to vendors to provide a variety of services associated with race tracks. These services include lease payments for race related equipment such as photo finish equipment and payments to local vendors for sanitation, maintenance, and other grounds care.

Horsemen Groups

Horsemen groups receive funding from the North Dakota Racing Commission Promotion Fund for breed association promotion efforts. Horseman Groups also receive funds from the North Dakota Racing Commission Purse Fund which flows to horseman as purse payments for Horseman Group races. The North Dakota Thoroughbred Association in turn provides donations to Bowman Second Chance Thoroughbred Adoption, a non-profit organization that rehabilitates retired racehorses for purposes of adoption.

Horseman Survey

A written mail survey was used to solicit information from horse owners, breeders and trainers (Appendix A). A questionnaire was developed to gather expenditure information on day-to-day horse operations such as feed, veterinary services, training, and equipment and expenses relating to racing activities, such as travel, lodging, jockey and stall fees. The survey also solicited descriptive information of the horse enterprise including the type of operation, type of horses raised, and participation at various regional race tracks.

A mailing list was developed from the North Dakota Breed Fund administered by the North Dakota Racing Commission. The list was the best available proxy for active horse

breeding and racing operations in the state. Family operations (i.e., those with multiple family members listed with common addresses) were treated as one operation. By considering family operations as one unit, a total of 283 individual operations were identified, most with North Dakota addresses. Approximately 80 percent of the horseman operations had North Dakota addresses.

The survey of the 283 operations produced 44 useable responses. Sixteen questionnaires were returned as either undeliverable, no longer horse racing, or recipients were deceased. The response rate was 16.5 percent after adjusting for undeliverable or unusable questionnaires. Among the usable responses, 36 respondents were from North Dakota and 8 were out-of-state residents (Table 5). The distribution of North Dakota and out-of-state respondents was similar to the distribution of addresses in the mailing list; approximately 80 percent of survey recipients were from North Dakota and 20 percent were from other states.

Table 5. Survey Summary, Horseman Survey, 2016

	North Dakota	Other State ¹	
	-----percent-----		(n)
Mailing List	81%	19%	283
Usable Questionnaires	82%	18%	44
Unusable	75%	25%	16

¹ Alaska (1), Colorado (2), Manitoba (2), Oklahoma (1), Ontario (1), Saskatchewan (1), Texas (2), and Wisconsin (2)

Source: Horseman Survey, 2016

Nearly all respondents' owned horses, 92.5 percent, and a majority also breed horses, 77.5 percent (Table 6). Only 32.5 percent of respondents indicated they also train horses and 20 percent indicated they only own race horses. The distribution of horsemen that raised thoroughbred and quarter horses was fairly even. Thirty-six percent of respondents raised both thoroughbred and quarter horses and 36 percent indicated they raised quarter horses only. Twenty-three percent of respondents indicated they raised thoroughbreds only. Most survey respondents participated in race activities in 2016. Eighty-one percent of respondents indicated they raced in 2016. Of those that raced in 2016, 91 percent raced at one or both of

North Dakota's tracks, while only 8 percent of respondents indicated they did not race in North Dakota and only raced in other states (Table 6).

Table 6. Horseman Survey Summary, by Type of Operation, Breed of Horses Raised, Race Activities, Location of Race Activities, Horseman Survey, 2017

	-----percent-----
Type of Operation¹:	
Owner	92.5
Breeder	77.5
Trainer	32.5
Breeder Only	20.0
	(n = 40)
Breed of Horses Raised:	
Thoroughbred and Quarter Horses	39.0
Thoroughbred Only	22.0
Quarter Horse Only	39.0
	(n=42)
Race Activities, 2016:	
Raced in 2016	81.0
Did not race in 2016	19.0
	(n=32)
Location of Race Activities:	
Raced in North Dakota	92.0
Raced in Other States	8.0
	(n=25)

¹Does not sum to 100 percent as respondents were asked to respond to all that apply.

Survey respondents owned an average 14 horses of various characteristics including breeding stock, race horses and retired race horses (Table 7). However, two-thirds of survey respondents had fewer than 10 horses.

Survey respondents entered an average of 10 horses that raced in an average of 20 races. The average was influenced by a few respondents that entered more horses in more races than most respondents. Thirty-five percent of respondents entered one to three horses and 64 percent entered 10 or fewer horses. Only 11 percent of respondents raced more than 20 horses. Survey respondent's response to the number of races entered was consistent with response to the number of horses entered in races. About a third of respondents entered horses in 10 or fewer races and 69 percent entered horses in 20 or fewer. Only 9 percent of

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respondents entered horses in 40 or more races. Survey finding were consistent with data obtained from the North Dakota Horse Park that tracked how many races individual horsemen entered over the course of the race season. Most horsemen enter relatively few races with a few horsemen that entered substantially more races.

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Table 7. Horse Ownership and Race Activity, Horsemen Survey, 2016

Number of Horses Owned	-----percent-----
1-3	27.7
4-10	27.7
10-20	16.6
More than 20	27.7
	(n=36)
	-----number-----
Average	14
Minimum	1
Maximum	62
	(n=36)
Number of Horses Raced	-----percent-----
1-3	34.6
4-10	30.7
11-20	23.0
More than 20	11.5
	(n=36)
	-----number-----
Average	10
Minimum	2
Maximum	52
	(n=26)
Number of Races Entered	-----percent-----
1-10	34.8
11-20	34.8
21-40	21.7
More than 40	8.7
	(n=36)
	-----number-----
Average	20
Minimum	2
Maximum	90
	(n=23)

Survey participants were asked about the number of people (full, part-time or seasonal workers) employed by their horse operations (Table 8). Survey respondents on average employed 1 full-time employee, 2.3 part-time employees and 1.7 seasonal employees. Caution

should be exercised when interpreting employment data from the horseman survey. Average employment estimates were based on a small number of observations.

Table 8. Employment, by Racing Activity Horseman Survey, 2016

Employee Type	All Respondents	Did not Race	Raced,
Full-Time	1.0	0	.9
Part-Time	2.3	0	2.4
Seasonal	1.7	0	1.7
(n = 14)			

The primary focus of the questionnaire was to solicit information on expenditures for day-to-day farm and ranch activities and expenditures for racing activities. While survey recipients were asked to estimate average expenditures for day-to-day operations and expenditures for racing activities separately, many respondents reported combined expenditures. As there was no way to disaggregate expenditures into day-to-day or racing activities, all responses were aggregated. Average expenditures were calculated for each expenditure category stratified by racing activity in 2016.

The survey data was characterized by a few large and small operations. To control the effects of a few large and small observations the top and bottom 10 percent of observations were trimmed. Observations were trimmed based on total expenditures, not individual expenditure categories

Average expenditures were greatest for horse purchases, feed, wages, and trainer fees. Expenditures in those four categories ranged from \$12,100 - \$13,800 in 2016 (Table 9). Expenditures for veterinary care, various fees, equipment purchase and repair, and transportation of horses ranged from \$3,300 to \$4,700 per year. Expenditures for sales prep fees and commissions, insurance, jockey fees, stud fees, farrier care, lodging and pasture rental and grazing fees ranged from \$1,300 to \$2,700. Expenditures in the remaining categories averaged less than \$1,000 per year. Average expenditures were much lower across nearly every expenditure category for respondents that did not race in 2016 (Table 9). Average total expenditures for operations that raced in 2016 were \$93,000 compared to \$41,000 for those operations that did not race in 2016.

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Table 9. Average Expenditures, by Race Activity, Horseman Survey, 2016

Expenditure	Average Expenditures	
	Raced	Did not Race
	-----dollars-----	
Horse purchases, mares, stallions, working horses	13,800	680
All feed; purchased hay, specialty feed blends, grain, minerals, supplements, bedding	13,700	4,000
Wages for full and/or part-time employees	12,780	4,100
Trainer fees	12,100	18,200
Veterinary care, routine and general care, pregnancy and insemination costs, foal examinations and care, race related veterinary care	4,700	3,000
Stall fees, starting fees, entry fees, stakes payments, other track fees	4,600	400
Purchases of equipment, tac, fencing, corrals, haying equipment	4,200	1,000
Transportation costs such as transportation of horses for breeding or training, semen transportation	4,100	1,260
Repairs of equipment, machinery, tac, fencing, buildings	3,300	560
Transportation expense, gas, professional horse transportation services, personal travel to and from race track	2,700	40
Sales prep fees, commissions	2,400	0
Insurance	2,300	1,000
Jockey fees	2,000	1,100
Stud fees	1,900	60
Farrier care	1,900	2,200
Lodging expenses, hotels, motels, camp fees, RV slot rental	1,600	400
Pasture rental, grazing fees	1,300	180
Food and beverage expense at bars and restaurants	960	340
Breed registration fees (North Dakota only)	920	460
Retail purchases, groceries, clothing, supplies, personal items	700	300
Semen costs, including semen collection, containers	440	1,400
Benefits for full and/or part-time employees	260	0
Horse leasing for either racing or breeding	30	0
Other (please specify)	0	0
Total	92,690	40,680

Expenditure categories were further aggregated into seven operations categories to enable individuals familiar with horse racing operations to provide feedback on the calculated averages. Because of the small sample size, survey averages were presented to knowledgeable individuals to provide feedback on representative capacity of the data. Industry feedback on the survey results confirmed that the data was representative of horse operations in the state.

Aggregating into operations categories also provides insight into the cost of operations of horse racing enterprises in North Dakota (Table 10). The expenditure categories were *feed, equipment, wages/benefits/insurance, fees, race travel services and horse/breeding*.

Table 10. Operations Expenditure Categories, Horseman Survey, 2016

Operations Categories:	Individual Expenditure				
Feed	All Feed	Pasture rental			
Equipment	Equipment purchase	Equipment repair			
Wages/Benefits/Insurance	Wages	Benefits	Insurance		
Fees	Stall fees/entry fees/other track fees/stakes payments	Breed registration	Sales preparation fees		
Race Travel	Transportation	Lodging	Food and beverage	Retail	
Services	Veterinary care	Farrier	Trainer	Jockey	
Horse/Breeding	Horse purchase	Horse leasing	Stud Fees	Semen	Horse transportation

Expenditures for various expense categories varied substantially depending if the operation raced or did not race in 2016. For operations that raced, average expenditures were highest for *Services* and *Horse/Breeding*, \$20,700 and \$20,270, respectively. For those operations that raced in 2016, expenditures for *Wages/Benefits/Insurance* averaged \$15,000

each. Expenditures for *Race Travel, Equipment, and Fees* ranged from \$5,900 to \$7,900. Total average expenditures for operations that raced in 2016 were nearly \$93,000 per year. Expenditures of operations that did not race were considerably smaller for every category except *Services*. Operations that did not race spent slightly on more *Services* than those that raced in 2016 (Table 11). Average expenditures for all the remaining categories were \$5,000 or less.

Survey results demonstrated considerable difference in average expenditures for those operations that race. Therefore for purposes of estimating average annual in-state expenditures, the population of active North Dakota horsemen operations should be stratified by race status.

Table 11. Average Expenditures, by Operations Categories, Horsemen Survey, 2016		
Operations Expenditures	Raced in 2016	Did Not Race in 2016
	-----dollars-----	
Services	20,700	24,500
Horse/Breeding	20,270	3,400
Wages/Benefits/Insurance	15,340	5,100
Feed	15,000	4,180
Fees	7,920	860
Equipment	7,500	1,560
Race Travel	5,960	1,080
Total Reported Expenditures	92,690	40,680
Number of Respondents	(n = 20)	(n=11)

Estimate of Active Horseman in North Dakota

To estimate total expenditures for all North Dakota horsemen, average expenditures obtained from the survey data were multiplied by the total number of active horseman in the state. The number of active horsemen in the state was estimated using several data sets as no single registration or dataset could identify all racehorse owners, breeders or trainers in North Dakota.

The North Dakota Racing Commission provided a list of horsemen that had registered a horse in the state's Breed Fund in the last three years. Recent registrations (previous three

years) were assumed to represent active horse racing operations. Including all names on the Breed Fund would greatly inflate the number of active horse racing enterprises in the state because non-active operations would be counted as active operations. North Dakota Horse Park and Chippewa Downs each provided a list of horsemen that entered races in 2016.

The three lists were merged, and duplicate entries were deleted. Because expenditures for most costs related to horse racing operations would likely occur in their home state, entries with out-of-state addresses were excluded from the estimate of the number of active North Dakota horsemen. Finally, many records with the same last name and address appeared to be family operations and would be best represented as a single operation for the purposes of this study. While that may not be the case in all circumstances, that assumption was not expected to have much influence on the study results. Operations with the same last name and address were assumed to be a single operation. In-state entrants that raced at either Chippewa Downs or The North Dakota Horse Park but were not on the breeder's fund list were added to the list. After eliminating duplicates, removing out-of-state operations, and adding 2016 race entrants not contained in the Breed Fund list, 116 unique North Dakota operations were identified that fit one of the following definitions:

- Raced at either the North Dakota Horse Park or Chippewa Downs
- Registered a horse in the North Dakota Breeders fund in the last three years (2014-2016)

To determine what percentage of the 116 operations raced in 2016, those that had raced at either North Dakota Horse Park or Chippewa Downs were identified. Those operations that had registered a horse in the Breed Fund but did not entered a race at either race track were considered active operations that did not race in 2016. Seventy-six operations (65 percent of the active horse racing operations) raced in 2016. Forty operations or 35 percent registered a horse or horses in the Breed Fund in the last three years but did not race in 2016.

Direct Economic Contribution

The North Dakota Racing Commission, North Dakota Quarter Horse Association, and North Dakota Thoroughbred Association and Bowman Second Chance Thoroughbred Adoption

provided data on in-state expenditures. Average expenditures from the horsemen survey were multiplied by the number of horse racing operations, stratified by race activity in 2016. Expenditures for operations that raced and did not race were summed to estimate total direct expenditures for horsemen. Direct operating expenditures for each of the industry segments were allocated to appropriate economic sectors of the North Dakota Input-Output Model. Definitions for each expenditure category (economic sector) can be found in Appendix D.

Direct impacts were the greatest in the *Households* sector for all five components of the horse racing industry. The *Households* sector represents personal income from wages and salaries. Direct economic effects in the *Households* sector for horsemen were \$3.4 million. Direct impacts in the *Households* sector were \$285,000 and \$351,000 for North Dakota Horse Park and Chippewa Downs, respectively. Purse payments from the state's race tracks are included in the *Households* sector. Payments to *Households* sector were \$77,000 for the North Dakota Racing Commission

The second largest expenditure category was *Retail Trade* for owners, breeders and trainers and *Business and Personal Services* for the other industry components. Expenditures in the *Retail Trade* sector for owners, breeders and trainers totaled \$2.0 million and expenditures in *Business and Personal Services* were \$1.6 million. Expenditures in *Business and Personal Services* sector ranged from \$20,000 to \$100,000 for the other four industry components (Table 12).

Total direct impacts for all industry components were \$9.0 million. Total direct expenditures for wages and salaries and payouts represented approximately 46 percent of total direct impacts, \$4.2 million of \$9.0 million (Table 12). Payments in the *Retail Trade* and *Business and Personal Services* sector represented 44 percent of total direct total impacts, \$3.9 million.

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Table 12. In-State Expenditures, North Dakota Horse racing Industry, 2016

	Horsemen (Owners, Breeder and Trainers)	North Dakota Horse Park	Chippewa Downs	North Dakota Racing Commission	Horsemen Groups/ Bowman Second Chance	Total
Economic Sector	-----\$000-----					
Households	3,443	285	351	77	17	4,173
Retail Trade	2,085	24	33	15	12	2,169
Business and Personal Services	1,618	100	23	34	20	1,795
Finance, Insurance and Real Estate	231	55	26	39	5	356
Agriculture- Crops	107	0	0	0	21	128
Government	89	229	4	6	3	331
Communication and Public Utilities	0	7	7	2	1	17
Professional and Social Services	0	7	7	33.	11	58
Construction	0	0	43	0	0	43
Total	7,573	707	494	206	90	9,070

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Total Economic Contribution

The North Dakota Input-Output Model (Coon et al. 2012) was used to estimate the secondary economic effects stemming from spending and re-spending of in-state expenditures associated with the industry. The model estimates the level of business activities (i.e., indirect and induced effects) as initial direct expenditures flow through the state's economy. The levels of business activity in different economic sectors (e.g., retail trade) are used to estimate secondary employment and tax revenues. Definitions for each expenditure category (economic sector) can be found in Appendix D.

The total (direct plus secondary) economic contribution of the horse racing industry was \$24.2 million. Total impacts were greatest in the *Households* and *Retail Trade* sectors, \$9.1 million and \$7.0 million, respectively. Total (direct plus secondary) impacts also were substantial in the *Business and Personal Services* sector and the *Finance, Insurance and Real Estate* sector with impacts of \$2.2 million and \$1.4 million, respectively (Table 13).

Table 13: Direct, Secondary and Total Economic Contribution, North Dakota Horse Racing Industry, 2016.

	Direct	Secondary	Total
	----- 000s \$ -----		
Households	4,173	5,013	9,186
Retail Trade	2,169	4,834	7,003
Business and Personal Services	1,795	419	2,214
Finance, Insurance, and Real Estate	356	1,088	1,444
Government	331	660	991
Agriculture-Crops	128	118	246
Professional and Social Services	58	597	655
Construction	43	585	628
Communication and Public Utilities	17	813	830
Agriculture-Livestock		571	571
Other¹		476	476
Total	9,060	15,174	24,244

¹Other: Non-metal mining, transportation, agriculture processing and miscellaneous manufacturing

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Most of the industry's direct expenditures were attributable to horsemen operations. Direct expenditures of owners, breeders and trainers totaled \$7.5 million. Direct impacts for Chippewa Downs and The North Dakota Horse Park were \$494,000 and \$707,000, respectively. Total direct impacts for the North Dakota Racing Commission were \$206,000 (Table 14).

Like direct effects, secondary impacts stemming from owner and breeder operations were the greatest of all the industry components at \$12.7 million. Secondary effects for the two race tracks were similar, \$901,000 for The North Dakota Horse Park and \$966,000 for Chippewa Downs. Total secondary effects across all industry components was \$15.1 million. Secondary impacts were greatest in the *Households* and *Retail Trade* sectors, \$5.0 and \$4.8 million, respectively (Table 14).

Consistent with direct and secondary impacts, total (direct plus secondary) impacts associated with horse owners, breeders and trainers was the largest of all industry components with total (direct plus secondary) economic contribution of \$20.2 million. The total contributions of the state's two race tracks were similar, \$1.6 million for the North Dakota Horse Park and \$1.5 million for Chippewa Downs. The total economic contribution of the North Dakota Racing Commission was \$628,000 (Table 14).

Table 14. Direct, Secondary and Total Economic Contribution, by Industry Component, North Dakota Horse Racing Industry, 2016

Industry Components	Direct Effects	Secondary Effects	Total (Direct plus Secondary) Effects
	-----\$000 -----		
Owners, Breeders and Trainers	7,573	12,706	20,279
North Dakota Horse Park	707	901	1,608
Chippewa Downs	494	966	1,460
Racing Commission	206	422	628
Horsemen Associations and Bowman Second Chance Thoroughbred Adoption	90	179	269
Total	9,070	15,174	24,244

Employment

People working in the horse racing industry earn wages that are used to pay for goods and services such as housing, healthcare, and food in other sectors of the economy. This study estimates full-time, part-time, and seasonal employment in the key segments of the horse racing industry. Employment associated with the state's two race tracks was obtained from each of the race tracks. Employment related to off-track simulcast operations were based on non-published data of the number of employees of simulcast operations that required licenses from the North Dakota Racing Commission.

Most employment in the industry is seasonal and associated with operations of the state's two race tracks. Seasonal positions at the North Dakota Horse Park include ticket sellers, admission workers, veterinarians, race stewards, and track managers. The North Dakota Horse Park employed 76 people with a total race season payroll of \$104,196. Chippewa Downs employed 60 people with total race season payroll of \$91,599. Data was not available to estimate full-time equivalents of seasonal employees at the race tracks. Off-track simulcast betting association employed 65 licensed employees in 2016. While off-track simulcast operations offer year-round employment, operators are not required to report whether the positions are full-time or part-time. Like seasonal employment at the race tracks, data was not available to convert licensed betting association employment into full-time equivalents. The North Dakota Racing Commission has two full time positions, the Director and a support staff, and four seasonal positions.

As part of the horsemen survey, horsemen were asked if they had any full-time, part-time or seasonal employees. Using survey data and the estimate of active horseman in North Dakota in 2016, employment associated with the activities of owner, breeders and trainers was estimated.

Thirteen North Dakota horse operations that reported employment information indicated that they employed on average one full-time, 2.4 part-time and 1.7 seasonal workers in 2016 (Table 15). Total employment for owners and breeders was estimated by multiplying the number of active horsemen in 2016 (76) by the average number of workers as reported by survey respondents. Activities of breeders and owners were estimated to support 76 full-time,

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228 part-time and 152 seasonal positions. Estimates of employment for horse operations should be interpreted with caution as the estimates were based on only 13 observations from the horseman survey (Table 15).

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Table 15. Employment, North Dakota Horse Racing Industry, 2016

	Full-Time	Part-Time	Seasonal
Racing Commission	2	-	4
Breeders and Owners*	76	228	152
Horse Association	1	-	-
Fargo Race Track	-	-	76
Chippewa Race Track	-	-	60
Simulcast Operations (Year-round off-track betting)	-	-	65
Total	78	228	357

*Estimated using horseman survey data and estimates of active horsemen that raced in 2016 (76).

Tax Revenue

The North Dakota Horse Park in Fargo pays property taxes and special assessment taxes to Cass County. Chippewa Downs does not pay local property taxes as the track is located on the Turtle Mountain Band of Chippewa Indian Reservation. The North Dakota Horse Park Foundation (Horse Race North Dakota) and North Dakota Horse Park paid property taxes of \$197,757 in 2016. Horse Race North Dakota, a non-profit organization, owns the grand stands and parking lot parcel of the North Dakota Horse Park in Fargo.

Taxes on secondary business activity were estimated using the North Dakota Input-Output model. State collections for sales and use, individual, and corporate income taxes associated with horse racing were estimated to be \$311,000 in 2016 (Table 16). Approximately 72 percent or \$223,000 the tax revenue from secondary business activity was generated from sales and use taxes.

Table 16: Tax Collection from Secondary Business Activity, North Dakota Horse Racing Industry, 2016

	-----dollars-----
Sales and Use	223,800
Individual Income	75,200
Corporate Income	12,300
Total	311,300

Appropriated Dollars Leverage Factor

The North Dakota Racing Commission received \$387,821 from the state of North Dakota General Fund in 2016. To estimate how those appropriated dollars are leveraged into additional economic activity a leverage factor was calculated. To calculate the leverage factor, the amount of appropriated dollars less the direct impacts of the horseman groups, horse rescue non-profit and owners, breeders and trainers was subtracted from the industry direct economic contribution. The remaining direct economic contribution was divided by the direct economic contribution of all industry components to estimate the leverage factor.

The direct expenditures of the horseman groups and the horse rescue were excluded from the industry direct economic contribution to avoid over estimating the leverage factor. In the absence of the North Dakota Racing Commission, race horse breeding and training activities and the activities of the horseman groups would likely be diminished substantially, although some horse breeding and training activities would likely continue in the state. While it is possible that even in the absence of appropriated dollars that fund the North Dakota Racing Commission, some horsemen would likely continue to breed and train horses for racing and race them elsewhere, no data exists to suggest to what degree those operations would continue in North Dakota. Because no data was available to suggest to what degree those operations would be ongoing, the most conservative approach would be to exclude the expenditures of horsemen and horsemen groups from the leverage calculation. A conservative approach was used to avoid over-estimating the leverage factor of appropriated dollars.

The leverage factor of appropriated dollars received by the North Dakota Racing Commission was calculated to be a factor of 5.2. For every dollar of appropriated funds, the industry generated \$5.20 in direct spending (direct impacts) industry-wide. The \$387,821 in appropriated dollars were leveraged into \$1.0 million in economic activity. The leverage factor only considers direct spending. Secondary impacts were not included in the calculation of the leverage factor.

Summary

This study examined the economic contribution of the horse racing industry to the North Dakota economy in 2016. The horse racing industry in North Dakota was defined as race horse owners, breeders and trainers, the North Dakota Racing Commission, the North Dakota Horse Park in Fargo, Chippewa Downs in Belcourt, the North Dakota Quarter Horse Association, the North Dakota Thoroughbred Association, the North Dakota Racing Commission and Bowman Second Chance Thoroughbred Adoption.

Financial data obtained from each of the entities and survey data collected from horse owners, breeders and trainers were used to estimate total in-state expenditures for goods and services. The North Dakota Input-Output Model was used to estimate the secondary economic effects stemming from spending and re-spending of in-state expenditures associated with the horse racing industry. Direct expenditures were allocated to the appropriate economic sectors of the North Dakota Input-Output Model to estimate total (direct plus secondary) economic impacts associated with linkages among economic sectors.

Total in-state expenditures were approximately \$9.0 million in 2016. Expenditures were greatest in the *Households* sector, which represents payment for wages and salaries and payouts for betting. The next largest expenditure category was *Retail Trade* with direct expenditures of \$2.2 million followed by *Business and Personal Services* with direct expenditures of \$1.8 million.

The direct economic contribution of race horse owners, breeders, and trainers was estimated to be \$7.6 million. Direct effects associated with activities of the North Dakota Horse Park in Fargo was \$707,000 and \$494,000 for Chippewa Downs in Belcourt. Direct effects related to the Racing Commission were \$206,000 and \$90,000 for the states two Horsemen Associations and Bowman Second Chance Thoroughbred Adoption.

Total (direct plus secondary) impacts were \$24.2 million. Like direct effects, total impacts were greatest in the *Households* and *Retail Trade* sectors, \$9.1 and \$7.0 million, respectively. Of total (direct plus secondary) impacts industry-wide, \$20.2 million was attributable to expenditures associated with activities of race horse owners, breeders and trainers.

Conclusions

Results from this analysis show that apart from providing entertainment, horse racing and associated activities have a positive impact on North Dakota's economy. Impacts stem from direct expenditures (direct effects) made by entities that make up the industry and secondary effects from spending and re-spending of original dollars (direct expenditure) within the economy.

In addition to the direct and secondary effects, the horse racing industry generates employment. Most employment is part-time or seasonal related to race track operations. Total payroll for the state's race tracks was \$195,795 in 2016. In addition to economic activity associated with the industry, donations by the North Dakota Racing Commission and Betting Association support local non-profits, specifically Lutheran Social Services Gamblers Choice Program, Development Homes, and American Gold Gymnastics.

The horse racing Industry through the appropriated dollars that fund the North Dakota Racing Commission successfully leverages state funding to generate additional economic activity. The leverage factor of appropriated dollars received by the North Dakota Racing Commission was calculated to be a factor of 5.2. For every dollar of appropriated funds, the industry generated \$5.20 in economic activity. The \$387,821 in appropriated dollars were leveraged into \$1.0 million in additional industry spending.

This analysis suggests in addition to providing entertainment, the industry generates a positive economic contribution relative to the state-funded dollars that are appropriated to support the North Dakota Horse Racing Commission and the horse racing industry. Given the multiple linkages between the components of the industry, in the absence of appropriated dollars and the activities of the North Dakota Racing Commission, the horse racing industry would not likely continue to exist in its present form.

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Appendix A: Horseman Questionnaire

Enterprise Description

1. Which of the following best describes your horse racing operation? Please check all that apply.

_____ Owner _____ Breeder _____ Trainer

2. How many each of the following do you own, lease or have part ownership? _____

_____ Broodmares _____ Stallions _____ Foals

_____ other (please specify) _____

3. What type of horses do you raise, race or own?

_____ Thoroughbred _____ Quarter Horse _____ Both

4. Did you race any of the horses you own or lease during the 2016 racing season?

Yes			No
If yes, at which tracks did your race? Please check all that apply.	If yes, how many horses did you race?	If yes, how many races did you enter?	If no, please go to Question 5
_____ North Dakota Horse Park, Fargo, ND			
_____ Chippewa Downs, Belcourt, ND			
_____ Stanley County Fairgrounds, Ft. Pierre, SD			
_____ Northeast Area Horse racing, Aberdeen, SD			
_____ Assiniboia Downs, Winnipeg, Manitoba			
_____ Canterbury Park, Shakopee, MN			
_____ Other (please specify)			

5. Do you have any full, part time or seasonal employees?

YES

NO

If no, please go to Question 6.

If yes, how many full-time employees? _____

If yes, how many part-time employees? _____

If yes, how many seasonal employees? _____

6. How much revenue from your horse breeding or racing operation were used for person spending?
For example, expenditures for TV, furniture, vacations, other personal items.

\$ _____

Testimony of North Dakota Thoroughbred Association

House Agriculture Committee - HB 1443

#4
1/25/19

Chairman Johnson and Members of the Agriculture Committee,

Thank you for the opportunity to testify today. My name is Scott Horst and I am the President of the North Dakota Thoroughbred's Association. Our organization exists to develop, promote, and protect Thoroughbred racing and the horse owners and breeders who make it possible.

As the previous testifiers have said, breeding, raising, and riding horses is part of our Heritage in North Dakota going back centuries, from Teddy Roosevelt at the Elkhorn Ranch to today's horsemen, it is part of our heritage that deserves our support. Roosevelt famously once refused an automobile ride, saying "The Roosevelts are horse people." Well North Dakotans are Horse people too and we are here today to speak in support of HB 1443 and the positive impact it will have on the horse industry.

Our association receives funding from the Racing Commission Breeders fund to support a number of programs including awards to owners and breeders of top performing horses bred in North Dakota. This supplements race purse payments and provides an incentive to horsemen to invest and breed quality horses in North Dakota. We also support Bowman Second Chance Thoroughbred Adoption, a non-profit organization that rehabilitates retired racehorses for purposes of adoption.

We strongly support this legislation because, as Rep. Headland mentioned, it will generate additional revenue to support the entire horse racing industry, allowing for both higher purses and enabling tracks to increase the number of racing days. We consistently hear from breeders throughout the state that the racing season is too short and the purses are insufficient for raising a North Dakota-bred race horse to be profitable. The additional revenue that Historic Horse Racing will generate will help to ensure that this important piece of North Dakota's heritage is preserved and maintained for future generations.

Testimony of North Dakota Quarter Horse Racing Association

House Agriculture Committee HB 1443

#5
1/25/19

Chairman Johnson and Members of the Agriculture Committee,

Thank you for the opportunity to testify today. My name is Leon Glasser and I am the President of the North Dakota Quarter Horse Racing Association. The mission of our association is to promote and stimulate interest in breeding and racing the American Quarter Horse.

For our members throughout North Dakota, raising and racing horses is a way of life. It is part of our heritage and a tradition that we pass down from generation to generation.

Unfortunately, due to a variety of challenges in the industry that tradition is in danger of fading away. North Dakota breeder awards have been too meager, purses too small, and days of racing too few to truly support the industry and make it a viable choice for today's

horsemen and the next generation.

Without your support for HB 1443 we could be headed in the same direction Wyoming was 10 years ago. In the 2000s horse racing was a dying industry in Wyoming. In 2009 and 2010, Wyoming hosted zero horse races for the first time since 1967. Then, in 2013, the legislature approved a bill that allowed for historic horse racing. Without historic horse racing there would not be live racing in Wyoming today. They went from zero races in 2010 to 10 races in 2013, 20 in 2014, and 32 in 2015. More in-state horse breeders are attending events with more attendees than the industry has seen in years – thousands of attendees at the track watching live races and spending money at local restaurants, bars, grocery stores, and gas stations while in town.

This legislation is our best hope for saving the industry, preserving horse farms across our state, and maintaining our way of life. By allowing simulcast facilities to operate historic horse racing we hope to save the horse racing industry like Wyoming and other states – more days

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of live racing, larger purses, more funds for breeders, and in turn a greater economic impact

and new jobs in our industry. As Gunner mentioned, the horse racing industry supports

hundreds of jobs and generates close to \$25 million in economic impact to the state and local communities. With your help, we can maintain and expand that impact by passing HB 1443.

Thank you.

Testimony of Horse Race North Dakota

House Agriculture Committee - HB 1443

#6
1/25/19

Chairman Johnson and Members of the Agriculture Committee,

Thank you for the opportunity to testify today. My name is Levi Otis and I am the President of the North Dakota Horse Park Foundation. Since 2004, our organization, along with Horse Race North Dakota, has owned and operated the North Dakota Horse Park in Fargo. We host live racing events throughout the summer and provide family friendly entertainment that supports an iconic North Dakota pastime – the breeding, raising, and racing of horses.

We strongly support HB 1443 because if we don't innovate and create new ways to support horse racing in this state, we risk it disappearing forever. Nearly 40 U.S. racetracks have shut down since the year 2000, some after hosting races for over 100 years. In many states where horse racing has persevered for decades, purses and incentives for breeders have become too small and competition from states with healthier racing industries has become more fierce.

Several of the states that have healthy and vibrant horse racing communities have revitalized the industry through the use of historic horse racing. Wyoming has been mentioned several times already, but it is a perfect example of how this new way of betting on races revitalized an industry that was on death's door.

Wyoming went from essentially having to cancel live racing eight years ago to hosting 30 days this year. Now I can tell you from experience that every day of racing brings significant economic benefits to our community. It attracts competitors and visitors from out of state that buy hotel rooms, eat at local restaurants, and shop at local stores. It provides thousands of attendees, including families, with a kid-friendly opportunity to be outdoors and experience an important aspect of North Dakota's heritage.

The additional revenue generated by allowing historic horse racing in North Dakota will provide the racing commission with the funds necessary to attract top talent from throughout

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the country and make North Dakota a national destination for horse racing. Additionally, the bill takes the added step of setting aside revenue specifically for the live racing venues, which will allow our organization as well as the Turtle Mountain Band to invest in our facilities, racing participants, and employees. Without this added investment, we risk losing a piece of North Dakota heritage and history forever. For that reason, I ask for your support of HB 1443 and thank you for your consideration.

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HOUSE AGRICULTURE COMMITTEE

TESTIMONY IN SUPPORT OF HB1443
Historic Horse Racing with set aside funding for
Gambling Addiction Prevention and Treatment

Representative Johnson and Committee Members. My name is Lisa Vig, and I am the Director of the Gamblers Choice and Free Through Recovery programs for Lutheran Social Services of North Dakota. I am here to support HB1443 with set aside funding for the **Compulsive Gambling Treatment and Prevention Fund.**

Legal gambling options continue to increase in North Dakota. This recreational activity can be safely enjoyed by most people who participate, particularly if effective public messaging about responsible gambling is widely available, and if treatment is available to those who develop compulsive gambling behaviors (ranging from problem gambling to gambling addiction).

When the Lottery was established in 2002, the Attorney General recommended, and the State Legislature agreed that, to counter-balance the concern that people would be harmed by the expansion of legalized gambling, it was important for North Dakota to adopt a “responsible gambling” approach. This approach is rooted in the knowledge that legalized gambling is entertainment for the vast majority of people but turns into a life-altering addiction for some (approximately 2-3% of people struggle with problem gambling, according to prevalence data in DSM-V).

A “Responsible Gambling” philosophy is about two things: **addiction prevention** and **addiction treatment.**

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Addiction prevention requires a consistent, thoughtful, evidence-informed approach to how we talk to people about responsible recreational gambling behaviors. This type of messaging requires consistency if it is going to be effective. Consistency requires funding. With today's funding levels, the size and scope of the public awareness campaign in North Dakota is extremely limited. However, the messaging that has been developed is solid; it's the distribution and reach of that messaging that could increase with additional resources, including greater outreach to youth across the state as this is an area of growing risk and concern.

Without investment in sound public health-oriented messaging around problem gambling, people who engage in gambling of one type or another may be less likely to recognize signs of distress in their own behavior, or in the behavior of others they know. And process addiction is a behavioral addiction. It is when an otherwise harmless activity (ex. shopping, gaming, gambling, internet use) becomes harmful because the "rewards" from the behavior have activated a mal-adjusted brain chemistry that mutates the "normal" sense of pleasure one receives from an activity to something that triggers addictive physical responses.

Recognizing signs of trouble is essential to a person being able to maintain a healthy relationship with gambling as an activity.

As a state, we also want to ensure that addiction treatment is available for those who need it. Given the fact that gambling addiction is an equal opportunity disease (i.e., there is no particular type of gambling that is more likely than another to result in addiction), it makes sense that all forms of legal gambling should share in the responsibility to ensure that recovery is possible for problem and compulsive gamblers.

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To offset the risk gambling poses to individuals and families, a portion of the net proceeds of state Lottery revenues have always been set aside to support public awareness campaigns around problem gambling, and treatment options for people whose lives are negatively affected by gambling addiction. The lottery currently allocates \$100,000 per quarter to this fund for treatment and awareness; this represents approximately the first 1.2-1.5% of annual net proceeds from the ND Lottery.

These funds are collected by the Attorney General's office, directed to the Department of Human Services Behavioral Health Division for oversight, and put to work across the state by a private entity with expertise in treating the process addiction of problem gambling. The program I oversee at Lutheran Social Services has been providing this service across the state since 1997.

As of 2018, it is only the Lottery that has a statutory set-aside for addiction treatment and public awareness. Both casinos and the Racing Commission voluntarily contribute some funds to support public awareness and treatment. To date, charitable gambling has not contributed to the effort to mitigate the negative impact that gambling can have on individuals and families.

The requirement for set-aside funds to support treatment and public awareness could be implemented across all forms of legalized gambling and channeled through the existing state mechanism for ensuring access to this specialized form of addiction treatment.

A consistently applied Responsible Gambling philosophy would suggest that, whenever the legislature considers new forms of legalized gambling in North Dakota, the authorizing legislation should include a provision for prevention and treatment set-aside funds.

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We recommend that the language utilized in SB2221, the historic horse racing bill from the 2017 legislative session, be recognized in HB1443. The ND Century Code (NDCC 53-06.1-12) would be amended to establish an ongoing set-aside of funds to support treatment and prevention.

“Of the amount wagered, One-fourth of one percent to be deposited in the compulsive gambling prevention and treatment fund under 50-06-22.”

Research indicates that problem gambling behaviors do not discriminate between types of gambling. Gambling is gambling is gambling. A person is as likely to develop a gambling addiction from casino-based gambling as they are from online sports betting as they are from electronic pull tabs in their local bar and grill.

The method of gambling is not the determinant of the addiction. It is the act of gambling itself that is the cause of the addiction.

We know that the number of people who will find themselves on the compulsive gambling continuum (from early-stage problem gambling to late-stage addiction), will increase as the availability of gambling options increase. (see attached graphical representation of gambling progression)

It follows that, as we increase gambling options in North Dakota, we must at the same time increase the availability of prevention and treatment services.

The good news is that we know treatment works.

Mike is a 58-year old single man who has worked at his current job in Fargo for 30 years. Mike was defaulting on bank loans and had recently obtained a high interest (24%) rate loan to try and make ends meet. Mike went to the casino every time he got a promotional coupon in the

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mail, spending all of his available money. He had been overdrawn in his checking account and late on nearly all of his monthly expenses for over a year when he started attending group. Mike has not gambled since April 1, 2018. He completed outpatient programming and attends GA every Saturday morning. Because of his demonstrated financial stability, he was able to move the high interest loan back to his regular bank. He is current on all monthly expenses and should have his gambling debt completely paid off in two years.

Brandon is a 38-year old man from Grand Forks. His wife is active duty in the Air Force. During her most recent deployment, Brandon's online sports betting became out of control. He was suicidal, unable to function at work and with parenting responsibilities at home. His employer allowed a leave of absence so that he could begin treatment. He's been gamble free since October, is gainfully employed and pursuing a Master's degree. Brandon is expected to graduate from the treatment program in February.

Richard came to Gamblers Choice in January 2017 after having been convicted of embezzlement from his place of employment. He worked in downtown Fargo in the hospitality industry and spent considerable time playing blackjack at the local bars with friends and co-workers. He is making restitution on the money stolen, has been gamble free since December 2017, and recently completed the Peer Specialist Training Program offered by the Free Through Recovery Program. Richard is anxious to mentor and inspire others to seek recovery.

Kevin is currently serving a sentence in prison for embezzlement. Kevin played pull tabs daily at several bars in the Bismarck/Mandan area completely unbeknownst to his friends or family. He successfully completed treatment but will need to serve the remainder of his prison term. He is currently writing a book and wants to share his experiences; addiction and recovery, in the hopes that others will seek help.

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Gambling is a popular recreational activity in North Dakota. It can be enjoyed responsibly, especially if well-designed public messaging on responsible gambling behaviors is part of our culture.

We also know that while it will not turn into an addiction for most people, gambling addiction is devastating for the individuals and families who are affected by this disease. But recovery is possible with appropriate treatment.

As legalized gambling options continue to increase in our state, it is more important than ever to ensure that we have a consistent and serious commitment to mitigating the potentially negative impacts of this particular form of recreation.

Creating designated set-asides for problem gambling prevention and gambling addiction treatment will help ensure that the positives generated by the expansion of this activity will not be outweighed by the negative impact on the people who are responsible for generating the revenue – those who gamble.

Thank you for the opportunity to speak to you today, and for considering ways to enhance the State's commitment to a Responsible Gambling philosophy. I would be happy to answer any questions you have for me.

*Lisa Vig, Director, Gambler's Choice
Lutheran Social Services of North Dakota
ND Lobbyist #233
Email: lisav@lssnd.org
Phone: 701-271-3279*

Testimony of the North Dakota Hospitality Association

House Agriculture Committee – HB 1443

#8
1/25/19

Chairman Johnson and Members of the Agriculture Committee,

The North Dakota Hospitality Association strongly supports HB 1443. We support this bill not because we expect large numbers of hospitality establishments to host historic horse racing machines in their venues – we understand that only a limited number of charities and venues who are licensed simulcast providers will likely take advantage of this option – but rather because we understand that a healthy and vibrant horse racing industry in North Dakota will benefit local economies throughout the state, including our members – local hospitality venues.

In other states that have adopted historic horse racing, some of the greatest beneficiaries have been communities hosting live racing and the rural communities where many of our horsemen, breeders, and trainers live. Local officials in Wyoming cited increases in tourism from neighboring states as a benefit of having live racing and off-track betting facilities in their communities.

In Fargo alone, every day of Live Racing at the North Dakota Horse Park generates over a quarter of a million dollars in economic impact. That means people staying at local hotels and going out to local bars and restaurants to grab a bite to eat with their families, enjoy a beer with their friends after the race, or maybe play some pull tabs with their winnings from the track. The additional revenue provided by this legislation will help the Racing Commission to increase purses to attract more competitors, increase breeder incentives to urge more North Dakotans to breed and raise horses, and increase their promotion efforts to increase the number of days of live racing in Fargo and Belcourt.

We know that some charities continue to oppose this bill. It is understandable that they may be nervous about introducing something new to the market, but I can say confidently that any

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charity that has the desire and capability to partner with a hospitality venue to create a simulcast facility has the ability to do so under this bill. It won't make sense for everybody. These machines won't be in every bar across the state. Bar owners aren't going to be throwing out their pull tab machines and blackjack tables to make room for historic racing. This is a unique game made for a specific audience.

In closing, the hospitality industry will do whatever we can to support the preservation of North Dakota's proud horse racing tradition and work to maintain the positive economic impact the industry has on our communities. In that spirit members of the committee, I ask for your support on HB 1443. Thank you.

January 23, 2019

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House Agriculture Committee
Rep. Dennis Johnson, Chairman

Chairman Johnson and members of the House Agriculture Committee, my name is Jennifer Spiesz, and I'm the Gaming Manager for Harwood Area Fire & Rescue. Harwood Area Fire & Rescue is asking you for a DO PASS recommendation of HB 1443 for two reasons.

First the Historic Horse Racing bill will provide an additional opportunity for charitable gaming groups like ours to operate a gaming type that supports our Non-profit charitable cause. Additionally, we understand the additional support this bill provides for the Horse Racing industry in North Dakota. This helps two live racing facilities in the state including the North Dakota Horse park in Fargo which has a great economic impact on our region. In fact, this past summer the Horse Park provided summer opportunities for several of Harwood area youth as well as others who attend Northern Cass High School.

Again, I'd like to Thank You for your time and in advance for considering a DO PASS vote on House Bill 1443.

Sincerely,



Jennifer Spiesz, EA
Gaming Mgr, Harwood Area Fire & Rescue
Owner/Accountant, TaxLady LLC

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HOUSE AG. COMMITTEE

MR JOHNSON & MEMBERS OF THE AG COMMITTEE, I'm writing you to consider voting in support of HB 1443. By supporting this bill, it would be very beneficial to the ND HORSE RACING & to everyone involved in the breeding of these great animals. This bill would also be very beneficial to all of the GAMING CHARITIES. We would have more opportunity to bring this to our sites & in turn would benefit our community from the profits.

Thank you,
Dave Bergen
Center Community Club
Gaming Manager
Dave Bergen

Vote No On HB 1443

Ty Hegland, President/CEO, ShareHouse

#10
1/25/19

Chairman Johnson & House Agriculture Committee Members,

My name is Ty Hegland and I want to start my testimony today by saying that I come from a family ranch on the beautiful hills of the Sheyenne River Valley in Sheyenne, ND. Our family has a 100 year history of ranching, horsemanship, and rodeoing. We're old school in that we chase and work our cattle with horses. As a result, you probably won't find someone whose a bigger supporter of the equine industry and some of the members of this committee can testify to that since you are our neighbors.

Beyond my roots, I serve as President/CEO of ShareHouse in Fargo, ND. ShareHouse serves as the largest independent drug & alcohol treatment center in the state of North Dakota. ShareHouse specializes in the treatment of dual-diagnosis patients who suffer from both Substance Use and Mental Health Disorders. To deliver our mission, we utilize 150 highly trained employees, two inpatient facilities, two outpatient clinics, and an average of \$400,000 in charitable gaming annually for the past five years.

Healthcare is a tough industry and Behavioral Health might be one the toughest facets. Our patients come to us at vulnerable times, with life-and-death issues, and we know the road ahead for each patient will be long. Our focus of working with dual-diagnosis Substance Use and Mental Health Disorders means we serve some of the most challenging patients in the healthcare industry. In addition, it means we will work with patients who will often take multiple attempts to get on the road to recovery. Coupled with Opioid and Mental Health Crises, labor shortages, and one of the lowest reimbursed sectors of healthcare, our challenges are great.

The support we receive from our charitable gaming alleviates many of the burdens we face. Typical health systems operate on 3% margins. As an independent, Behavioral Health organization we operate on a 1% margin. Working in this field is not for the faint heart and as a result we have some of the most dedicated employees you will find. Our charitable gaming is often the difference between financial prosperity and financial despair. The funding we receive goes directly to patient care and supports patient stays, clinician salaries, and additional operating expenses. Literally these dollars are utilized to save lives.

When House Bill 1443 was presented this session and I read through the legislation, it left me with two questions; 1) Why would we want to transfer revenue from charitable organizations to live horse racing? 2) What happens at ShareHouse if we lose a projected \$150,000-\$250,000 a year due to racinos? To be honest, I cannot tell you the answer to the first one. What good comes from negatively affecting worthy charities? The answer to my second question is quite simple, the loss of charitable gaming revenue will devastate our ability to serve patients. \$250,000 is the equivalent of three Licensed Addiction Counselor salaries. The loss of three counselors would mean the inability to serve between 230-260 patients per year and potential life-and-death consequences for our patients.

I ask for a no recommendation on House Bill 1443.

H11

TESTIMONY IN OPPOSITION OF
HOUSE BILL NO. 1443
HOUSE AGRICULTURE COMMITTEE
JANUARY 25, 2019

Charitable Gaming Association of North Dakota urges a DO NOT PASS recommendation on HB 1443.

Chairman Johnson, Agriculture Committee members, my name is Karen Breiner and I appear before you today as Vice President of the Charitable Gaming Association of North Dakota (CGAND) in opposition of HB 1443.

North Dakota has a very rich history to be proud of regarding the support for charities and the very important role they play in communities across this great state. For over forty years, charitable gaming has filled the void in communities, big and small, to meet their direct needs. There are over 270 charitable gaming organizations in the state of North Dakota. These charities depend on the net proceeds generated by charitable gaming to continue their charitable missions.

House Bill 1443 impacts charitable gaming for several reasons:

- House Bill 1443 allows Historic Horse Racing (HHR) slot machines. This is a casino bill – it will create an unlimited amount of stand-alone casinos that will be built anywhere in North Dakota, including the middle of major cities. They will be directly competing with the current charitable gaming market.
 - There is no limit on the number of slot machines that can be put in each casino.
 - The maximum bet allowed is **\$25**.
 - The casinos may operate twenty-four hours, seven days a week.
 - If passed the Horse Racing Commission will regulate the casinos, **NOT** Gaming Division of the Office of Attorney General. This gives the horse racing industry major financial and regulatory advantage over the charitable gaming market because the racing commission has less stringent regulations and tax burden.
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House Bill No. 1443 tries to make you believe that this bill is a Charitable Gaming Bill. In-fact the requirements of operating Off-Track Betting (OTB) and a requirement of at least 35 machines per location will make it almost impossible for any small charity to enter the market. Some of the costs are:

- Off-Track Betting fees of \$8,000 to \$10,000 per month.
- Cost of devices, either leased or purchased (we were not able to get a number for this).
- Other Organization costs include:
 - Staffing
 - Security
 - Cash flow
 - Rent to bar owners (\$3,000/month)
 - Promotion
 - Remodeling/Infrastructure

At the end of the day there is no guarantee that any of the money generated will go to a charitable purpose. This bill raises money earmarked for the North Dakota racing industry, rather than the array of charitable causes being funded by the traditional Charitable Gaming. This is a big move toward privatized gaming. The manufacturers and service providers control the product and pricing, locations, terms of contracts and will take their cut of the pie first.

This bill is not good for North Dakota Charities and not good for North Dakota. Charitable Gaming Association of North Dakota would appreciate a DO NOT PASS recommendation for HB 1443.

Thank you for your time.

militia; and no other organized body of armed men shall be permitted to perform military duty in this state except the army of the United States, without the proclamation of the governor of the state.

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Section 19. All militia officers shall be appointed or elected in such a manner as the legislative assembly shall provide.

Section 20. The commissioned officers of the militia shall be commissioned by the governor, and no commissioned officer shall be removed from office except by sentence of court-martial, pursuant to law.

Section 21. The militia forces shall in all cases, except treason, felony or breach of the peace, be privileged from arrest during their attendance at musters, parades and elections of officers, and in going to and returning from the same.

Section 22. The right of the debtor to enjoy the comforts and necessities of life shall be recognized by wholesome laws, exempting from forced sale to all heads of families a homestead, the value of which shall be limited and defined by law; and a reasonable amount of personal property; the kind and value shall be fixed by law. This section shall not be construed to prevent liens against the homestead for labor done and materials furnished in the improvement thereof, in such manner as may be prescribed by law.

Section 23. The real and personal property of any woman in this state, acquired before marriage, and all property to which she may, after marriage become in any manner rightfully entitled, shall be her separate property, and shall not be liable for the debts of her husband.

Section 24. The labor of children under twelve years of age, shall be prohibited in mines, factories and workshops in this state.

Section 25. The legislative assembly shall not authorize any game of chance, lottery, or gift enterprises, under any pretense, or for any purpose whatever. However, the legislative assembly shall authorize the state of North Dakota to join a multi-state lottery for the benefit of the state of North Dakota, and, the legislative assembly may authorize by law bona fide nonprofit veterans', charitable, educational, religious, or fraternal organizations, civic and service clubs, or such other public-spirited organizations as it may recognize, to conduct games of chance when the entire net proceeds of such games of chance are to be devoted to educational, charitable, patriotic, fraternal, religious, or other public-spirited uses.

Section 26. The legislative, executive, and judicial branches are coequal branches of government. Elected members and officials of each branch shall receive as compensation for their services only such amounts as may be specifically set by law. Payment for necessary expenses shall not exceed those allowed for other state employees.

Section 27. Hunting, trapping, and fishing and the taking of game and fish are a valued part of our heritage and will be forever preserved for the people and managed by law and regulation for the public good.

Section 28. Marriage consists only of the legal union between a man and a woman. No other domestic union, however denominated, may be recognized as a marriage or given the same or substantially equivalent legal effect.

Section 29. The right of farmers and ranchers to engage in modern farming and ranching practices shall be forever guaranteed in this state. No law shall be enacted which abridges the

HOUSE AGRICULTURE COMMITTEE**HOUSE BILL 1443**

**Testimony Submitted by Jason Campbell
Gaming Manager, West Fargo Hockey**

JANUARY 25TH, 2019

I am speaking on behalf of the charity West Fargo Hockey, and I urge a Do Not Pass recommendation on HB 1443.

I am the Gaming Manager for West Fargo Hockey. We proudly raise funds through our gaming to help local children with youth sporting activities. In 2018 we allocated over \$500,000 to helping West Fargo kids with athletic activities.

North Dakota has a very unique history with charitable gaming. ND Charities have raised millions of dollars through gaming to use towards their missions. Charities big and small across this state contribute these dollars to their local communities and their direct needs. For nearly 40 years legislators and the citizens of ND have contributed in this very successful, thoughtful partnership.

This is not an agriculture bill, or a horse racing bill. This is a bill to create casinos in ND. This type of gambling needs 35 or more slot machines per venue to produce a positive income. This requires large casinos to provide that many slot machines.

These machines also offer \$25 bets. That is a very large bet, that can be made approximately every 15 seconds on these machines. This is Vegas style gambling, not social, North Dakota gaming.

This bill is designed to hijack the money spent on charitable gaming to historic horse racing slot machines. The fiscal note and projections from the last legislative session clearly indicates that this is only a transfer of money spent with charities to money spent on these slot machines.

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This bill requires an Off-Track Betting facility in order to be able to offer these machines, which is very expensive to run and not feasible for a large majority of charitable gaming organizations. Direct costs just to offer Off-Track Betting at a facility are \$5,000-\$10,000 per month not including any staff expenses.

There are also many unknown costs to consider, in which data has not been provided. This includes costs to the manufacturer and local service provider, costs of staffing, security, cash availability, space and rent, and remodeling costs. We also have not been provided with net income anticipation. And there is no provision in this bill ensuring dollars will be going to charitable uses.

Legislators have a clear choice. This bill raises money specifically earmarked for the private ND horse racing industry, at the expense of the 300 wonderful charities that provide funding for worthy causes across this state.

I appreciate your consideration of a Do Not Pass recommendation on HB 1443. Thank you.

Regarding Historic Instant Horse Race Machines

1/24/19

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To Whom It Concerns:

I am a distributor of charitable gaming products in Kentucky and our company has been selling product for almost four decades.

Kentucky approved the horse race machines years ago and the impact on my customers was direct and immediate. Pulltab sales took an immediate dip and areas close to the race tracks. Based on my sales numbers the decline in pulltab sales has been sharper when compared to paper sales and player numbers. It is not a leap to see that bingo players are still going to play bingo, but have less available funds after spending an hour playing instant racing. My customers rely on pulltab sales to make money, in many cases they are lucky to break even on paper and handset sales.

In Franklin, KY, the Kentucky Downs racetrack has 750 units, a number that has repeatedly expanded since they started. My organizations are held to a different standard of rules and regulation than the instant horse racing. The games, like electronic pulltabs and paper pulltabs, that we can offer customers to try and compete, by law cannot match the payouts of the games they offer. If you are a player, would you rather play for a chance at thousands? or a maximum pulltab payout of \$599?

While my organizations continue to operate and provide games for both players that don't want the atmosphere of the racetrack, and players that enjoy both, there has been an undisputable negative financial impact on those organizations.

Regards,

Ryan Kelly
US Amusements & Novelties

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Here's how little "historical horse racing machines" have to do with historical horse racing

By Daniel Walters



Young Kwak Photo

Cherries feature far more prominently than horses with modern "historical horse machines."

Idaho voters this year will be faced with a statewide initiative purporting to authorize "historical horse racing at certain locations where live or simulcast horse racing occurs."

Now, if you're a fan of *Seabiscuit* or *Secretariat* that notion might sound pretty cool. The way the initiative outlines it, it sounds like this simply gives racetracks the ability to bet on historical horse races the same way they bet on modern-day horse races.

And doing that, the initiative claims, you'll save modern-day horse racing *and* help out rural Idaho schools.

But back in 2015, we not only tested out the slew of "historical horse race" machines at the Greyhound Park and Event Center in Post Falls, we accidentally won over \$200 in the process of reporting on them.

So, does this sound like "historical horse racing" to you?



Careful listeners may notice the lack of stampeding hooves, roaring crowds or manic here-comes-Beetlebomb announcers. Instead, they may notice a reggae-style song proclaiming "It's time to make your dreams come true and live a life of pleasure! Don't stay behind; it's time to find your deep sea treasure!"

As we reported back then:

Hit a few buttons, and the columns of treasure chests, pufferfish and minnows start spinning.

There are 35 gaming machines at Greyhound Park, with names like "Cruisin' For Cash," "Yukon Willie's Gold Rush!" and "Wild West Willie's Bonus Spin!" They look like slot machines, spin like slot machines, beep and whirl and shell out big winnings like slot machines.

And yet slot machines, even back in 2015, were illegal according to the Idaho Constitution, with gambling specifically prohibited, including "blackjack, craps, roulette, poker, bacarrat, keno and slot machines," as were "any electronic or electromechanical imitation or simulation of any form of casino gambling."

So how did those machines get through? They were sold to the Legislature in 2013 as "historic horse racing" machines. Ostensibly, track visitors were being offered the chance to bet on historic horse races, just like they were able to bet on current horse races in select locations throughout Idaho.

But as the machines evolved, they resembled slot machines more and more, and any tie to horse racing was harder and harder to detect.

Once the hearts, sevens, guitars, mining picks, gold nuggets, Egyptian scarabs or fuzzy dice stop spinning, a tiny video, barely as tall as a business card, plays a few blurry seconds of horses passing a finish line.

The results of the slots were apparently tied to the results of some horse race throughout history. Not only did few people use the machines like they were betting on actual horse races, preferring to simply slap the auto-wager button without watching the horse race itself, many machines made it extremely difficult to treat the flashy video gambling machines as if they had anything to do with horses. Odds information was hidden.

All that information on horses and jockeys? On most of the machines at Greyhound Park, it's nested deep within layers of screens and buttons: Finding the stats requires pressing the "Help" button, the "Handicap" button, the "Page Down" button, the "Handicap Next Race" button and then — only after confirming a bet — a button that offers up a few pie charts with the horse's statistics on them.

The charts last for five seconds, barely enough time to read the numbers, before permanently disappearing and being replaced by the words "Good Luck!"

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We also discovered Douglas Okuniewicz, then the manager at Greyhound Park, has filed multiple patents concerning slot-machine technology.

Later in 2015, the Idaho Legislature voted to ban the machines, arguing they had been tricked two years earlier into approving them by a deceptive sales pitch. But now, voters are being asked to not only legalize the machines again, but to codify in state law that they're *not* considered slot machines.

And already, media outlets are raising objections that the "Committee to Save Idaho Horse Racing" ads are putting deceptive sales pitches in front of the voters. One ad run deceptively suggests that politicians voted to ban "Idaho horse racing" instead of just making the video gambling machines at the tracks illegal. The ad doesn't show the video gambling machines *at all*.

And another Committee to Save Idaho Horse Racing ad actually *alters the audio* of an Idaho newscast, changing the line "Joe Parris verifies *if* those claims are accurate" to "verifies those claims are accurate."

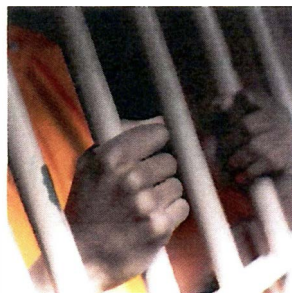
Now, the case can be made that legalizing these video gambling machines are necessary to raise enough revenue to keep tracks open and help fund other programs. But don't be fooled: "Historical horse racing" and "historical horse racing machines" are wildly different creatures.

For one, real historical horse racing never got the "Deep Sea Treasure" jingle stuck in your head.

SPEAKING OF...



A WSU researcher lived with grizzly bears in Alaska. She came away convinced humans and grizzlies can coexist
Jan 17, 2019



Idaho appeals ruling mandating that they provide sex reassignment surgery to transgender inmate
Jan 10, 2019



Sandpoint-based Pastease has you covered in style
Jan 10, 2019

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READERS ALSO LIKED...

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House Bill 1443

January 25, 2019

Testimony of Ken Karls for Cystic Fibrosis Association of ND

Chairman Johnson and members of the Committee, my name is Ken Karls and I represent the Cystic Fibrosis Association of North Dakota (CFA).

CFA is a 501 c (3) North Dakota non-profit that offers assistance to individuals and families living with cystic fibrosis. It has been in existence since 1980, and assists with the non-insured costs of medications, therapeutic equipment, scholarships, lung transplants and other costs associated with care provided.

It is no coincidence that CFA began in 1980, because that's the year North Dakota allowed charities to conduct charitable gaming as a means of raising money to help fund their programs. I wasn't with CFA at the time, but I know the parents of children with cystic fibrosis who spent evenings constructing blackjack tables so money could be raised to help pay the costs associated with trying to keep their children alive.

CFA has since then worked to diversify its income stream through traditional fundraising methods; special events, donors and cooperation from businesses who saw a need and reached out to meet it. CFA receives no government assistance and never has. It has no national or international parent organization upon which to rely. It raises the money it uses to help kids with cystic fibrosis through a number of means, but the majority of that money comes from charitable gaming like electronic pull tab devices.

That is why the Cystic Fibrosis Association of North Dakota opposes HB 1443. We believe the bill severely challenges the income potential that is so necessary for CFA to continue its mission of helping young North Dakotans with cystic fibrosis. I would like to cite a few examples.

In the Administrative Rules for Electronic Pull Tab devices, charities are restricted to installing 10 devices in a site. On page 1, lines 9-13, House Bill 1443 allows those conducting "historic horse racing" to install 35 or more devices at a site.

The Administrative rules for electronic pull tab devices stipulates that the maximum wager is \$2. On page 9, line 19, HB 1443 sets a single wager maximum of \$25, but allows that machine to comeingle its

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pot with other machines to form a larger pool. Such progressive pots are not allowed to be offered by charities who utilize electronic pull tab machines.

The Administrative rules for electronic pull tab devices says that these devices may only be operated during hours when alcoholic beverages may be dispensed. On page 6, lines 13-15, HB 1443 allows wagering on "historic horse races" "on any day." Even if the bill repealing "Blue Laws" passes, only charities conducting electronic pull tab devices would continue to be restricted.

On page 5, lines 11-13, the racing commission is granted arbitrary authority to select who gets to take part in historic horse racing according to an ambiguous, assurance that they will subjectively ensure a competitive marketplace.

Although one may represent that conducting "historic horse racing" is open to "civic and service clubs; charitable, fraternal, religious, and veteran's organizations," HB 1443 spells out on lines 28-31 on page 9, and continuing on lines 1-4 of page 10 that participation in "historic horse racing" is to become an exclusive club of entities that can afford a \$500 thousand bond in order to participate.

We have heard many times already this session that the legislature tries not to set up classes of winners and losers. We believe these few examples (and there are many more) indicate that HB 1443 would clearly establish classes of "winners and losers." Those who rely on this exclusively North Dakota charity would suffer as a result of being placed in the loser class if this bill becomes law.

We encourage the Committee to vote "Do Not Pass" on HB 1443, and to advise your colleagues in the House to do the same.

Testimony in Opposition to
HOUSE BILL NO. 1443
House Agriculture Committee
January 25, 2019

Chairman Johnson, House Agriculture Committee members, for the record my name is Todd D. Kranda. I am an attorney with the Kelsch Ruff Kranda Nagle & Ludwig Law Firm in Mandan. I appear before you today as a lobbyist on behalf of the Northern Prairie Performing Arts (NPPA) also known as Fargo Moorhead Community Theatre to oppose HB 1443.

NPPA is a North Dakota non profit entity that has a stated mission to provide live theatrical and education opportunities which enrich and engage the greater community. Programs supported by NPPA include theatre performances and childrens instruction courses in live theatre, mainstage productions, children's productions, senior adult theatre and workshops.

NPPA is opposed to HB 1443 and would like to provide the following comments on the specific provisions for consideration by the committee which would support a **Do Not Pass** recommendation:

1. Any charitable organization authorized as a Site Operator must conduct operations as an Off-Track Betting location in order to be able to conduct historic horse racing.
2. Historic horse racing is conducted on races that have already happened and are operated similarly to E-tab machines, but are not under the oversight and umbrella of the Attorney General's Office, Gaming Division.
3. Maximum wager for historic horse racing is set at \$25 per play. By example and as a comparison, with E-tabs the limit is \$2 per play.
4. There is no limit to the number of historic horse racing machines that the Racing Commission may allow at any site. By example and as a comparison, with E-tabs the limit is a maximum of 10 machines per site.
5. The fiscal benefit to any charitable organization is not stated anywhere. A successful site will have to provide significant traffic and wagers to have any chance

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of being financially viable.

6. There is rent on machines, staff to pay, and questions about who pays for other expenses, such as the per machine fee to the Racing Commission for regulation and oversight.

7. HB 1443 may not have any restrictions on the number of sites eligible or organizations that may conduct, but the reality is that very few organizations will be able to function with any profitability for their charitable causes.

In summary, while HB 1443 may have excellent potential for horse racing in North Dakota, it provides very little opportunity for the charitable gaming industry and could be considered direct competition to currently operating charities to be able to provide for their charitable purposes existing throughout the state.

In conclusion, NPPA urges your opposition to **HB 1440** and respectfully requests a **Do Not Pass** recommendation.

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Historic Horse Racing – Responses to Committee Questions and Opposition Testimony

Will HB 1443 allow for 24 hours a day, seven days a week casinos?

This is absolutely false. The amendment that Rep. Headland proposed clarifies that historic horse racing will operate during the same hours as any other type of charitable gaming, which is only hours during which alcohol can be served.

How many machines can be placed in one venue? Is there a limit?

That will be established administratively through the racing commission, similar to what was done with electronic pull tabs. Because the game is pari-mutuel and you are not betting against the house – 88-92% of the bet is always going back to other consumers. You can not only install one machine at a location, you need to install multiple machines for bettors to compete against other players. Again, the difference is that this is a pari-mutuel game. E-tabs you play against the house. In HHR you are playing against the other bettors.

Electronic pull tabs have fewer machines per location but they are all across the state, which is why there is a machine limit on them, because they can proliferate easily and there is a low barrier of entry. For historic horse racing venues you would have very few sites with higher numbers of machines. The locations in Wyoming have machines numbering in the 20s on the low end and in the 8s at the high end.

No site in Wyoming has over 100 machines, much less 400 machines as thrown out during the testimony today. This is the only type of charitable gaming in the state and despite that face, no venue that many machines.

Why is the maximum bet \$25?

The average bet on these machines is \$3 for Historic Horse Racing. Blackjack has a \$25 bet limit so this is no higher than the limits proposed on some other forms of charitable gaming.

Are the costs associated with HHR too high for charities to be able to operate this game? What about the \$500,000 bond?

Any interested charity should be able to do this. You can open an OTB for \$3,000 and there are smaller charities that have OTBs today including the Cystic Fibrosis Association of North Dakota, who currently benefits from off-track betting.

How much does it cost per machine? Who covers the upfront costs?

The cost will be determined based on how the charity wants to participate. Like electronic pull tabs, a charity may purchase a machine outright, enter a lease-to-buy agreement with a distributor, or they may enter into a cost-sharing agreement with the distributor that gives them the machine at no additional cost. As an example, the cost to buy an electronic pull tab machine outright is \$7,000. The costs per machine for historic horse racing will likely be less.

The bond of \$500,000 is also paid by the manufacturer, not the charity, so that was an inaccurate criticism brought up during the hearing.

Are HHR machines the same as slot machines?

As with electronic pull tabs, these machines may have graphical representations for entertainment purposes only. In fact, electronic pull tab machines are a closer cousin to slot machines than historic horse racing machines are.

The electronic pull tab is a pre-determined outcome game of chance where historic horse racing is a pre-determined outcome game of skill. Unlike electronic pull tabs, you can be a good historic horse racing player by studying the statistics and making an informed wager, but it is impossible to be a good electronic pull tabs player. Some may choose to view the entire video recording of the live race, or simply view the final few moments of the live race recording. Or, they may choose to simply see a digital re-creation of the race simply for entertainment purposes. Unlike slot machines, these machines also have no random number generator

component whatsoever.

Is this related to a rumored Fargo Simulcast Parlor?

We are unaware of any new facility or site being planned for Fargo, but all sites are subject to approval by both the Racing Commission *and* the Attorney General.

Has the Belcourt track and the Turtle Mountain Band been invited to discuss the bill?

Yes.

Are there going to be Racinos?

In Wyoming, where HHR has been operating for five years, there are no locations with more than 100 machines. The rule-making process under the Racing Commission will determine the number of sites and/or numbers of machines.

We appreciate charitable gaming and everything it does for this state. This committee should not to pick winners and losers. Some charities support historic racing while others oppose, but do not give in to the fear-mongering and limit some charities ability to pursue this aspect of pari-mutuel wagering by siding with those who may not want to pursue it themselves.

#1

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1/25/19 (p.m.)

Rep. Craig Headland Testimony – HB1443

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Att #1
pg 1

Mr. Chairman and members of the committee, House Bill 1443 is designed to preserve and strengthen the long-standing tradition of Horse Racing in North Dakota. Thank you for your time to speak on behalf of this legislation today.

This may not be something you're used to hearing from a member of the House, but I wanted to start out by saying thank you to the Senate as a body, including every member of this committee that was serving in 2017, for supporting this proposal when it last came before the Senate. Since that time the bill has only gotten better through the input of numerous stakeholders including our state's horsemen, our live racing tracks, multiple charitable organizations, hospitality venues, the farm bureau, and other interested parties.

Horse Racing has a proud history in North Dakota going back generations. Over 30 years ago the legislature created the Racing Commission and authorized pari-mutuel horse racing statewide.

Horse Racing is an important aspect of our heritage that positively impacts local communities through expenditures at our race tracks, over 450 full-time, part-time, and seasonal jobs at our live racetracks and off-track betting facilities, and support for family farms, our grain growers, horse breeders, veterinarians, and trainers across North Dakota. This adds up to an overall economic impact of nearly \$25 million per year.

In recent years however, the racing industry is facing significant challenges that threaten its very existence and revenues have been on the decline. The Racing Commission has looked to what other states have done to address this challenge and the most successful examples are states such as Wyoming who have authorized

Historic Horse Racing.

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pg 2

A representative from the Racing Commission and our immediate past Director of the Commission are here to go into more detail and answer questions, but I want to take just a few moments to make sure everyone in the room understands what this bill does.

This bill allows for a new electronic format for pari-mutuel wagering – historic horse racing, similar to what the legislature did last year when it passed an electronic version of paper pull tabs.

Historic Horse Racing utilizes an electronic machine that allows patrons to place bets on races that have occurred in the past based on statistics and wagers used on the day the race took place. All identifying information on the horse, the jockey, the track, etc. is removed.

This bill allows these machines to be installed only at licensed simulcast facilities approved and regulated by both the racing commission, which currently regulates over \$700 million of wagers per year, as well as the attorney general, who must approve licenses for service providers, site operators, and organizations applying to conduct this type of wagering. Let me be clear – the only organizations that will be able to run historic horse racing facilities are the same two types of organizations that can operate gaming currently – charitable organizations and our states native American tribes.

This bill authorizes a game of skill – not a game of chance – and like live Horse Racing it falls under the purview of the Racing Commission. North Dakota already allows for charitable “off-track” betting of live races at simulcast facilities throughout the state and this electronic version has already been approved by the Association of Racing Commissioners International and has been proven extraordinarily successful in supporting the Horse Racing industry in several states including Wyoming and Kentucky, where state tax collections and corresponding contributions to breeders, purse, and promotion programs have increased substantially.

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pg 3

This bill supports North Dakota's horse racing industry by dedicating a percentage of each wager to dedicated funds that promote horse racing, fund purses at live races, and provide incentives to breeders. These taxes and deductions apply on every wager, so every time someone bets a dollar a total of 1.55 cents is deducted. Of that total:

- One cent goes to the racing commission, split evenly between the breeders', purse, and promotion funds.
- Three-tenths of a cent goes to the state general fund.
- Two-tenths of a cent goes to the purse fund to specifically support our horsemen and live racing sites.
- One-twentieth of a cent would go to the compulsive gambling addiction fund.

I authored this bill because I believe in protecting and preserving North Dakota's Horse Racing industry. Many of you know that I rarely get involved in gaming issues, but when I do I always strive to advocate on behalf of the charitable organizations who are entrusted with the operation of gaming sites in our state.

That's why I am a proud co-sponsor of legislation to clean-up some of the rules regarding electronic pull tabs, as well as a co-sponsor of a bill to fix an issue where charities were being significantly over-taxed on electronic pull tabs. I supported the charities position on their tax bill when it came through my committee and supported no less than three charitable gaming bills on the floor.

I view this bill as an extension of that work and am grateful that the bill is supported by our North Dakota horsemen and several charities who see this bill as I do, as a valuable new tool for charities to support their mission while also helping to save our state's horse racing industry. Mr. Chairman I would like to submit for the record along with my testimony two letters from charities offering support for this legislation - Harwood Area Fire & Rescue as well as Center Community Club. Thank you.

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pg 4

In summary, this bill allows for an electronic version of a type of wagering that is already occurring in our state and provides an important new revenue stream to support a historic agricultural asset – North Dakota’s Horse Industry. It does so while maintaining our tradition of limiting gaming operators to charitable organizations. I encourage you to support this legislation and I will now turn things over to Senator Meyer who I understand would like to address some assertions that have been made in the past regarding the bill before we turn things over to representatives from the Racing Commission to explain how historic racing works and its importance to the future of the industry in our state.

Thank you.

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Att #2

Headland:

HB 1443 Historic Horse Racing Fact Check

pg 1

You have undoubtedly been receiving significant amounts of information regarding HB 1443, much of it unsubstantiated claims and fuzzy math. This Fact Check is intended to provide some clarity on the important issues before you.

**FACT
CHECK**



- **Difference between a Service Provider and a Site Operator** – Horse racing language can be a little unique with terms such as Service Provider and Site Operator. A Site Operator is simply a charity. As provided in statute, only a charity can be licensed to operate a simulcast and historic horse racing site. A Service Provider is not a charity, it is a company providing support services to the charity. All of this is laid out in NDCC 53-06.2-01 in black and white.
- **Historic Horse Racing MUST Be Charitable** – Page 6, lines 1-5 of HB 1443 states that only charitable organizations may be licensed to conduct historic horse racing
- **Regulation of Historic Horse Racing** – The Racing Commission will continue to regulate industry with additional oversight from Attorney General, as they have done with other types of pari-mutuel wagering. Current statute clearly states that service providers and charitable organizations applying to conduct this type of wagering must be approved by both Racing Commission and the Attorney General.
- **Bond** – As mentioned many times, there is a \$500,000 bond required to obtain a license which must be paid by the Service Provider, not the charity. However, this bond is not full cash and can be easily obtained for a small fee from a bank or insurance company.
- **Local Jurisdiction Notification** – Local jurisdictions are required to be notified of an application for any simulcast/historic racing site and provide input on its location per Racing Commission Administrative Rule 69.5-01-11-05(1)(i): “Support or nonsupport of the local jurisdictional government.”
- **Rental Rate Cap** – A cap on site rent was included which mirrors the current agreement between CGAND and the ND Hospitality Association. It was included in the charitable gaming rules because that is where eligible expenses for charitable gaming are housed in the Century Code. Rent is not required, but rather specifically capped to protect charities working with venues they do not control from being overcharged for machine space. This is exactly the kind of limit on expenses the charities claim to want.
- **Racing Commission Machine Fee Cap** – Again, the provision for a per machine fee and fee cap was included at the suggestion of the charities. This fee is required at any site but charities are welcome to work out any private arrangement to have their business partner (Service Provider) cover the cost if they so choose.

HB 1443 Historic Horse Racing Fact Check

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att #2
pg 2

- **Licensing Fees** – The bill provides for a licensing fee to be set by the Commission and a cap on total fees. As with all other wagering, the Commission will work to establish a fee that offsets costs but is economically feasible for the charities. In no event can the Commission exceed the revenue cap proposed or cost to regulate the industry, whichever is lower.
- **Rules on Pools** – Racing Commission administrative rules will identify the requirements applicable to wagering on historic horse racing. These are very specific rules utilized in many different jurisdictions. By its very nature these pari-mutuel wagers are placed in a common pool for payout to the customer after deduction of the charities take.
- **Online Betting Not Allowed** – Historic horse racing cannot be conducted online. The black and white language of the bill clearly provides requirements for physical terminals. Any other reading is simply incorrect.
- **Commissions** – Commissions, otherwise known as the charities' hold, on historic horse racing can go as high as 12%. This is different from breakage which are the odd cents rounded off in horse racing for any payout to the nickel or dime.

Electronic Pulltabs vs. Historic Racing Tax Revenue – The Opposition's Numbers Just Don't Add Up

Opponents of HB 1443 have been using fuzzy math to push misinformation regarding the fiscal impact of Historic Horse Racing. The tax rate for these types of gaming are very similar, the difference is that instead of only going to the general fund, revenue from historic racing goes to other state funds to help promote and preserve the racing industry.

Let's break down the numbers:

- Under this bill, charitable organizations may deduct no more than 12% of the total amount wagered with 88% returning to players.
- From the 12% taxes are deducted as follows:
 - 0.3% goes to the general fund
 - 1% is split three ways, evenly, between the breeder's fund, the purse fund, and the racing promotion fund
 - An additional 0.2% is deposited into the purse fund and distributed in the following manner: 0.1% is split evenly between the ND Quarter Horse Racing Association and the ND Thoroughbred Association; 0.1% is split evenly between live racing licensees in the state
 - 0.05% is deposited in the gambling disorder prevention and treatment fund

This adds up to a tax of 1.55%, not the misleading 0.3% figure included on handouts circulated by the opposition. Again, their numbers just don't add up.

This leaves 10.45% for the charitable organizations to cover the costs associated with Historic Horse Racing and to help them carry out their charitable mission.

HB 1443 Historic Horse Racing Fact Check

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At the same time, charities are using inflated tax numbers from last year to overstate their contribution to the general fund while they are seeking a substantial tax decrease under separate legislation. The facts are that Historic Horse Racing will contribute more money to state funds than electronic pull tabs.

Frequently Asked Questions – HB 1443

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Will HB 1443 allow for 24 hours a day, seven days a week gaming?

Absolutely not. Per the bill, venues hosting these machines can only operate during the hours in which alcoholic beverages are sold, which is identical to the rule for all other charitable game types.

How will this impact charitable gaming?

The only entities that can operate this game are charitable organizations. Historic horse racing is charitable gaming, pure and simple.

While not all charities will choose to take advantage of historic horse racing (similar to how not every charity has blackjack tables or electronic pull tab machines), there are many who will. Small charities are not precluded from participation. There are many other options to allow every charity to take advantage of this new opportunity.

Is Historic Horse Racing too expensive for charities to operate?

Simply, no. The service provider, not the charity, cover almost all costs. 8-12 cents on every dollar wagered goes to the licensed charity operating the site. They will keep the majority of that revenue. Only a small percentage of the amount wagered will go towards expenses and taxes, with the added benefit that the tax revenue generated on these wagers will help save the horse racing industry. Even factoring in expenses, the operating charity is the entity generating the most revenue after bets are paid out.

Charities are not required to put up a \$500,000 cash bond to participate; another false claim by opponents. First, per the explicit language of the bill the service provider, not the charity, is responsible for providing this bond. Second, only a bond is required, not a full cash bond, which can be provided to the service provider by any bank or insurance company for a small fee.

Will HB 1443 legalize slot machines?

No. Slot machines are a game of chance that utilize a random number generator. Historic Horse Racing machines are a game of skill and there are things you can actually do to improve your play. In other words, while you can never be a good slots player, you can be a great historic racing player by using your own skill, analyzing the statistics, and making an informed wager. These machines have been thoroughly vetted in other states and even by state courts, which have ruled that they are not slot machines (*The Kentucky Horse Racing Commission v. The Family Trust Foundation of Kentucky, Inc. – Franklin Circuit Court Civil Action No. 10-CI-01154*).

Will this lead to “Racinos” being built in ND metro areas?

We are talking about a limited number of simulcast sites statewide that are geared towards horse racing enthusiasts. There are only 5 simulcast facilities in the entire state today, compared to hundreds of locations offering other types of charitable gaming. Due to this being tied to specific simulcast locations approved,

licensed, and regulated by the Racing Commission, charities will be more selective about where these venues are located and whether the local market will support them.

How is the industry struggling when the Racing Commission is handling millions of dollars in online betting?

The Racing Commission has barely brought in enough tax revenue to cover its general fund appropriation. Horsemen are leaving the sport in droves due to lower purses and insufficient breeder incentives. The Fargo track can barely pay its special assessments. Does this sound like a thriving industry?

The truth is that despite a few years with high wagering volume, the industry driven tax rate on this wagering is too low to ensure North Dakota remains competitive with other states. One of the two largest wagering groups took their wagering out-of-state last year causing a loss of approximately half the wagering volume.

What prevents a person making a wager from researching the race to find out who won?

All of the information regarding specific horses have been scrubbed. The same with the date of the race, the name of the track, and even the horse numbers. All players can see are the same statistics that bettors would have had access to the date that the race occurred. Using those statistics, they can place their bets and win or lose based on the choices they make.

How do you address gambling addiction?

In 2017 Lutheran Social Services looked at how many people from their gamblers' choice program had problems related to horse racing and it was only 1% of participants. However, in recognition of the importance of treating gambling addiction this bill dedicates 0.05% of the amount wagered on Historic Horse Racing to the Compulsive Gambling Prevention Fund. The fund currently receives between \$800,000 or \$900,000 from the lottery, their primary source of revenue. This would likely provide a substantive increase to continue and expand that program.

What other states currently have these machines and what has their experience been?

Wyoming, Kentucky, Oregon, and Arkansas all have these machines in use, they have been legalized in Virginia and Illinois, and states such as Montana and New Hampshire are exploring them as a solution to challenges the industry is facing in their states.

States with these machines have seen significant proceeds for the local horse racing industry as well as additional revenue for state governments. In Wyoming for example, historic racing led to a 45-fold increase in their Breeder's Award Fund and a substantial increase in the number of live racing days from just a handful per year to 30 in 2017. North Dakota horsemen and breeders would see significant benefit from the use of these machines in our state.

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Dear Members of the North Dakota Senate,

My name is Damon Thayer, and I serve as the Majority Leader of the Kentucky State Senate. I understand that you are considering legislation that would authorize Historic Horse Racing in North Dakota. Please allow me to share the experience we have had with HHR in Kentucky.

Historic Horse Racing started in 2011, and in the past seven years, it has been more successful than most people would have imagined. It has not only created thousands of jobs and generated millions in new state revenue, but it has played a significant role in helping our equine industry and creating and protecting numerous jobs in our agricultural economy.

Thanks to the success of Historic Horse Racing in Kentucky, Wyoming, and elsewhere, it is no surprise that numerous states are now considering authorizing this form of pari-mutuel wagering on horse racing. In fact, the Virginia legislature recently authorized HHR in order to preserve its horse racing industry and protect its racing heritage.

There was some concern when Historic Horse Racing was authorized that it would negatively impact charitable wagering in Kentucky. That has not happened - in fact - charitable gaming has benefited from HHR, as charitable wagering receipts have grown alongside HHR. In fact, many charitable groups have partnered with HHR racetrack operators to offer enhanced charitable wagering opportunities. That partnership has turned out to be a positive for both the charities and the HHR operators. I have no doubt that a similar result would be seen in North Dakota.

As you may know, Kentucky is a socially conservative state - we have no casino gaming of any kind. However, pari-mutuel wagering on historic horse racing is clearly not casino gaming, and has proven to be very popular with people who enjoy handicapping and wagering on horse races.

I am confident that Historic Horse Racing in North Dakota will produce new revenue for your General Fund, will create numerous new jobs, will make your horse racing industry nationally competitive while contributing to your overall agricultural economy, and will simultaneously help charitable wagering in your state. It stands to reason that the success story of Historic Horse Racing in Kentucky, Wyoming and Arkansas would also be realized in North Dakota.

Sincerely,



Senator Damon Thayer

Kentucky Senate Majority Leader



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att #3
psa

Governor
Mark Gordon

Wyoming Pari-Mutuel Commission

Energy II Building, 951 Werner Court, Suite 335
Casper, WY 82601
Phone: (307) 265-4015 Fax: (307) 265-4279

Executive Director
Charles E. Moore

COMMISSIONERS

Randy Leinen, President Troy Broussard, Vice President
Bob Davis Jacqueline Crow Danny Glick Dr. Tom J. Berry Mantha Phillips

January 23, 2019

Mr. Jack K. Schulz, Director
North Dakota Racing Commission
500 N. 9th St.
Bismarck, ND 58501-4509

Re: Historic Horse Racing

Dear Mr. Schulz and Members of the North Dakota Racing Commission:

The State of Wyoming authorized Historic Horse Racing via House Bill 25 Enrolled Act 46 in 2013. December of that same year the first terminals went into operation. At that time, live racing was dismal at its best and the Permittees were only offering a few days of racing each year. Now five years later, we have a vibrant summer racing season with more opportunities, higher purses and a very competitive Breeders Award Fund.

I welcome any further questions.

Sincerely,

Charles E. Moore

Digitally signed by Charles E.
Moore
Date: 2019.01.23 11:50:51 -07'00'

Charles E. Moore
Executive Director

HISTORIC RACING IN WYOMING, SETTING THE PACE

January 14, 2019

Wyoming Pari-Mutuel Commission

Brande J. Koltiska, Wagering Coordinator

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pg 3

The Pari-Mutuel Commission, founded in 1967 has over five decades of experience regulating pari-mutuel wagering and now with new technology, historic racing terminals. When it comes to Historic Racing, Wyoming is setting the pace. Wyoming is one of the few states in the nation that are permitting the public to bet on historic races at Off Track Betting sites. The revenue from historic racing terminals is being used to restore the sustainability of the state's horse racing industry as well as securing major economic stability for the state. The revenue from the Historic Horse Racing terminals has helped to boost live horse racing events in Wyoming, supplement bigger incentives for horse breeders throughout the state and bring a great revenue source to the State of Wyoming and Wyoming municipalities.

The combined Historic Racing handle in the State of Wyoming from January 1, 2018 through December 31, 2018 was \$570,598,999.60. Of the \$570 million wagered, over 92% was returned to the public (roughly over \$525 million).

The revenue from the terminals for Wyoming municipalities for 2018 reached over \$5.7 million to distribute back to cities and counties where the Historic Racing terminals are located. Over \$16.2 million dollars has been distributed to local municipalities since Historic Racing was implemented in 2013.

It also generated over \$2.2 million for the Wyoming Breeder Awards fund in 2018, which will be paid out to eligible owners, breeders and stallion owners of Wyoming Bred horses that participate in Wyoming live race meets throughout the state. Over \$6.5 million dollars has been allocated to the fund from Historic Racing terminals since 2013.

With the resurgence of racing again in Wyoming the Commission strives to continue the protection of the wagering public and the health, safety and welfare of both human and equine participants with our regulatory processes, presence and integrity. "Integrity and transparency are critical," stated Charles Moore, Executive Director of the Wyoming Pari-Mutuel Commission. "The continued growth depends upon the public confidence and trust in licensed wagering activities." "Therefore, public confidence is maintained by strict regulations of all persons, places, practices, organizations and activities related to the operation of licensed wagering establishments."

For more information on the Wyoming Pari-Mutuel Commission please visit the following website: parimutuel.wyo.gov.

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January 23, 2019

House Agriculture Committee
Rep. Dennis Johnson, Chairman

Chairman Johnson and members of the House Agriculture Committee, my name is Jennifer Spiesz, and I'm the Gaming Manager for Harwood Area Fire & Rescue. Harwood Area Fire & Rescue is asking you for a DO PASS recommendation of HB 1443 for two reasons.

First the Historic Horse Racing bill will provide an additional opportunity for charitable gaming groups like ours to operate a gaming type that supports our Non-profit charitable cause. Additionally, we understand the additional support this bill provides for the Horse Racing industry in North Dakota. This helps two live racing facilities in the state including the North Dakota Horse park in Fargo which has a great economic impact on our region. In fact, this past summer the Horse Park provided summer opportunities for several of Harwood area youth as well as others who attend Northern Cass High School.

Again, I'd like to Thank You for your time and in advance for considering a DO PASS vote on House Bill 1443.

Sincerely,



Jennifer Spiesz, EA
Gaming Mgr, Harwood Area Fire & Rescue
Owner/Accountant, TaxLady LLC

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House Ag. Committee

Mr Johnson & MEMBERS of the Ag Committee, I'm writing you to consider voting in support of HB 1443. By supporting this bill, it would be very beneficial to the ND HORSE RACING & to everyone involved in the breeding of these great animals. This bill would also be very beneficial to all of the GAMING CHARITIES. We would have more opportunity to bring this to our sites & in turn would benefit our community from the profits.

Thank you,
Dave Bergen
Center Community Club
Gaming Manager
Dave Bergen



North Dakota Senate

State Capitol
600 East Boulevard Avenue
Bismarck, ND 58505-0360

Senator
Scott Meyer
District 18
1624 Seventh Avenue North
Grand Forks, ND 58203-3010
218-791-7655
scottmeyer@nd.gov

Committees:
Finance and Taxation
Government and Veterans
Affairs

Senator Scott Meyer Testimony – HB1443

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pg 1

Mr. Chairman and members of the committee, I as a proud co-sponsor of House Bill 1443 I wanted to correct the record on some of the comments I have heard over the course of the past few weeks from those opposing this bill.

- First, this bill does not threaten charitable gaming. There are charities that support this bill, as Rep. Headland mentioned, and there are charities that oppose this bill, but let me be clear – historic horse racing is first and foremost charitable gaming. Just like bingo, just like pigwheel, and blackjack, this is another game type that only charities can take advantage of. The difference between historic horse racing and other game types is that historic horse racing has specific percentages deducted from each dollar wagered that are set aside in taxes to support the Racing Commission's purse fund, breeders fund, promotion fund, as well as the non-profit horse associations and live racing venues.
- Unfortunately, I've seen in my email misleading statistics and math errors to try to show that the tax rates and revenue generated for North Dakota charities would work differently under historic horse racing. I would submit to this body a copy of one of these handouts, which unfortunately uses inaccurate data to misrepresent the tax rate paid by some charitable organizations as well as basic math errors regarding the revenue generated by these game types.

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- I also would like to reference a very simply chart providing an example of how revenue, expenses, and taxes from these machines would compare to electronic pull tabs. Some charities have claimed that they won't be able to make any money for their programs with historic horse racing. As you can see from this simple chart, I don't think the math bears out that claim. Charities are the primary recipients of any revenue and any charity can participate that wants to invest in this activity. Even factoring in expenses, the operating charity is the entity generating the most revenue after bets are paid out.
- Several charities today operate off-track betting facilities as well as pull tabs and other game types. This is no different – it is just one more tool in the toolbox, should they choose to take advantage of it, to support their existing operations. There is nothing in this bill that would prevent a charity from becoming a licensed simulcast facility and utilizing historic horse racing and I know some are exploring becoming licensed should this bill pass.
- Lastly, this bill does not legalize slot machines – period. Slot machines are a game of chance that utilize a random number generator. Historic Horse Racing machines are a game of skill and there are things you can actually do to improve your play. In other words, while you can never be a

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good slots player, you can be a great historic horse racing player by using your own skill.

In closing, I just want to reemphasize that historic horse racing is charitable gaming. Private companies cannot open historic horse racing venues and operate them for a profit. Only charities can operate this game and they may only deduct a maximum of 12% of the amount wagered for taxes, expenses, and eligible programming.

That includes supporting horse racing and the breeders' associations, but also a lot of other things I think everyone in this room supports. Scholarship funds for students. Support for arts and cultural heritage programs. Youth athletics. Supporting local tourism. Veterans organizations. Services to the elderly, homeless, impoverished, or disabled. Volunteer fire departments and public safety. These are the kinds of programs that are supported by charitable gaming today and would also be supported by historic horse racing. The benefit is that in addition to providing the kinds of services I just described, they would also be helping to preserve our state's equine industry.

Fellow committee members I hope you will see past the fear-based arguments surrounding this bill – the sky is not falling. Please help support our state's horsemen and live racing venues by voting yes on this bill. Thank you.

Rep. Andrew Marschall Testimony – HB1443

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Chairman Davison and Members of the Government and Veterans Affairs Committee,

As many of you know, I wear many hats: I am a legislator, a bar owner, and a veteran of our country's armed services. I am also a strong supporter of North Dakota's horse racing industry, which is why I was proud to vote in favor of House Bill 1443.

I served for 24 and a half years active duty in the Air Force. Our country's men and women in uniform are near and dear to my heart, which is why I am an active member of the Disabled American Veterans, the Veterans of Foreign Wars, and the American Legion. I believe that HB 1443 provides a unique opportunity for veterans across North Dakota.

This bill allows charitable organizations, including veterans' organizations, to partner with one another to run a charitable gaming site – a unique opportunity they currently do not have with other game types. Different veterans' organizations would be able to collaborate with one another – much like how the different branches of our military collaborate – in pursuit of a common goal; in this case, raising needed funds for programs that support our veterans.

The horse racing industry generates nearly \$25 million in economic impact across our state, and not just at the tracks themselves – the local communities also benefit greatly. I support this bill not because I would utilize these machines in my bar in West Fargo, I believe only a limited number of venues who are licensed simulcast providers will, but rather because I understand that a healthy and vibrant horse racing industry is vitally important to North Dakota.

MAK COPS

In closing, this bill can save the horse racing industry in North Dakota, provide charitable organizations, including those who do important work for our veterans, with another tool to raise funds for their mission, and help reinvigorate local economies throughout the state. Members of the committee, I ask for your support on HB 1443.

Thank you.

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House Bill No. 1443
ND Racing Commission
Mary Ann Durick, Chairman
Jack K. Schulz, Director
March 1, 2019

66th Legislative Assembly
Senate Government & Veterans Affairs Committee
Senator Kyle Davison, Chairman

Chairman Davison and members of the committee, thank you for the opportunity to appear before you today on behalf of the North Dakota Racing Commission. Our new Director, Jack Schulz, very much was hoping to be here today, but he unfortunately is in the hospital battling an infection and we are all wishing him a speedy recovery. For that reason, I am here to offer the testimony of the Racing Commission on his behalf.

The North Dakota Racing Commission has long supported the concept of historic horse racing, and last week the commission voted unanimously to HB 1443 as passed by the North Dakota House of Representatives.

Though the racing industry has seen many positive improvements over the last few biennia, the future of racing in North Dakota has some very significant risks going forward. One such risk is the effect of the Advanced Deposit Wagering (ADW's) markets on our revenues. With the 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 North Dakota.

While the Commission has done its best to plan and mitigate the effects of any changes, significant impacts to our wagering volume have occurred. Moving forward it's imperative that the racing industry in the state identifies and obtains a more reliable source of revenue and we believe we have identified a solution in historic horse racing.

Historic horse racing has a proven track record generating significant support to live horse racing in each jurisdiction in which it has been implemented. Legislation has been passed in the states of Kentucky, Arkansas, Wyoming, Oregon, Virginia and Illinois, with Montana and New Hampshire currently considering adoption.

Based on the structure of the bill, it is anticipated that regulatory activities would be accomplished through licensing fees with no additional costs to the general fund. Additionally, much of the heavy lifting in implementing new pari-mutuel historic horse racing regulatory processes and procedures has already been borne by states where historic racing is currently active. From our discussions with the Wyoming Pari-Mutuel Commission, the North Dakota Racing Commission would be able rely on lessons learned and advice from these jurisdictions as well as a full set of newly revised regulations to use as an example going forward. While this may be a new method of pari-mutuel wagering for North Dakota, historic racing does have a track record from which best practices have been established and refined over the years allowing North Dakota to get a "head start" on regulating this activity.

While the Racing Commission's previous efforts have provided solid footing on which we have begun to rebuild our once extensive racing industry, the introduction of pari-mutuel historic horse racing would further bolster these efforts by way of diversification

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of revenues and increased funding. By providing substantial financial benefits to the industry and Racing Commission Special Funds, while also generating additional revenue above and beyond covering regulatory costs to the General Fund, we see this bill as a net positive to all involved.

Thank you.

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Testimony of Gunner laCour, Former Director ND Racing Commission

Senate Government and Veterans Affairs Committee – HB 1443

For

Chairman Davison and Members of the Government & Veterans Affairs Committee,

My name is Gunner laCour and I am very pleased to come before the Committee today to answer questions and testify in support of Historic Horse Racing. I am here to answer your questions as the former Director of the North Dakota Racing Commission and also as a member of Primacy Strategy Group, where I continue to advocate on behalf of the State's Horse Racing Industry in a private capacity.

Today, the horse racing industry in North Dakota has almost a \$25 million economic impact, and this bill provides an opportunity for the industry to have an even greater impact.

While gaming is always at the top of people's minds when they think of horse racing, none of us are here to support Historic Horse Racing simply because we want to see more gaming. Rather, it is the tremendous support that this activity can provide to local communities throughout the state. It is about preserving the heritage of this state and refusing to make this one more instance where economics trumps tradition.

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The racing industry in North Dakota is essentially a small family with all the connotation that goes along. Groups of farmers and horsemen come together each weekend for two months every year to argue about who is the best trainer, who is the best breeder, and who has the best horse. At our two tracks, parents, children, grandparents and even great grandparents work side by side. Each new generation gets a first-hand look what can be earned with your own two hands through hard work, passion and determination, lessons that are becoming more and more scarce in today's society. And on top of it all, local communities in turn get to come out for an afternoon of family friendly entertainment totally unique to the region.

But this racing family could not exist without the support provided by wagering regulated by the Racing Commission. For years, online wagering (called advance deposit wagering or ADW) has been the primary means of funding this activity, 99% of which were dollars from out-of-state. North Dakota has been seen as a desirable location for small to medium size ADWs because of our support of innovation and effective small government approach. Despite weathering some national industry downturns, significant contractions in the horse racing industry over the last five years have finally been felt in North Dakota. The proportion of taxable wagering dollars attributable to online high-volume wagering (large bettors utilizing computer algorithms) has increased dramatically as the online retail

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operators have either been purchased by companies not licensed in North Dakota or gone out of business. Unfortunately, this high-volume of play can be extremely volatile leaving the industry unable to effectively cope with downturns like the one currently being experienced.

That is why historic horse racing has become absolutely critical to the survival of the racing industry. While the current statutory structure is unable to generate sufficient revenues, historic horse racing has a proven track record of reliable returns to the racing industry in many states. Using Wyoming as an example, they went from four days of racing prior to historic racing to 30 days of racing in 2017 and are still climbing. With an industry in North Dakota that is considerably healthier than Wyoming (16 days of racing in 2018), historic racing has the potential to provide a foundation that will allow members of the “family” to look more than a year ahead; to not have to be concerned about making new investments for fear that there may be not industry in a year or two.

Most in North Dakota are a little unfamiliar with historic horse racing and so I would like to provide a high-level summary. First and foremost, historic racing is charitable gaming. Just as with all North Dakota gaming, it can only be conducted by a charity, including a veterans’ organization, that is licensed with the applicable regulatory body; in this case the Racing Commission. The Commission already has

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in place a regulatory framework that exceed industry standards. There is no doubt the Commission is in an excellent position to support the charities as they enter in this new type of gaming.

Otherwise, historic racing is simply what the name implies, making wagers on races that have been previously run rather than on a live race. All wagers placed are the same as those currently approved for live race meets. The races presented for wagering are all stripped of identifiable data; place, date, names, etc. Statistics are provided to allow an individual to handicap the race just as they would a live race. A person playing the game may either select his horses manually by handicapping the race or may choose to make the wager automatically using morning line odds; essentially the odds in the race-day program. That wager is placed in a "pool" where the player is competing against other patrons, not the house. The machine itself has lights and graphics, much of which is window dressing that appeals to a group of potential players who do not usually participate in wagering on horse racing. The outcome of the wager is determined solely by the outcome of the horse race allowing anyone with enough skill to become a good Historic Horse Racing player.

Some have raised the concern that historic horse racing will compete with, and ultimately detract from, other forms of charitable gaming in North Dakota. If

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you look at the state of Kentucky as an example, this is simply not the case. Before historic horse racing was legalized in Kentucky, charitable gaming revenues were flat at best or on the decline. Now, nearly eight years after historic horse racing was established, charitable gaming revenues have stabilized and are actually increasing. This is even more meaningful given that charitable organizations are not even allowed to operate historic horse racing in Kentucky. In this bill however, North Dakota charitable organizations will be the only entities able to utilize this game type and realize the increased revenues it will provide both to charitable organizations and North Dakota's horse racing industry, which is at risk of fading away without urgent action.

Those who have not been introduced to racing in the state might wonder why the loss of the industry matters to greater North Dakota. You need look no farther than the Economic Impact Study provided by NDSU. Despite the relatively small size of our industry, racing creates nearly \$25 million in economic activity state-wide. Further, horseman activity in local communities across the state has a tremendous impact throughout the year. The \$7 million in retail trade impact is not limited to those communities such as Belcourt and Fargo which see seasonal revenue influxes when the tracks are open, but also extends to the communities where these horsemen live and spend to support their passion year-round. As

many in this room will tell you, just supporting this activity from one season to the next is an expensive undertaking no matter your level of participation.

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Perhaps the most telling number in all of the Study is 5.2. That represents the leverage factor of the industry meaning that every dollar the state spends to support racing, the state economy gets \$5.20 back. I think you would be hard pressed to find an investment with a comparable return.

pg 6

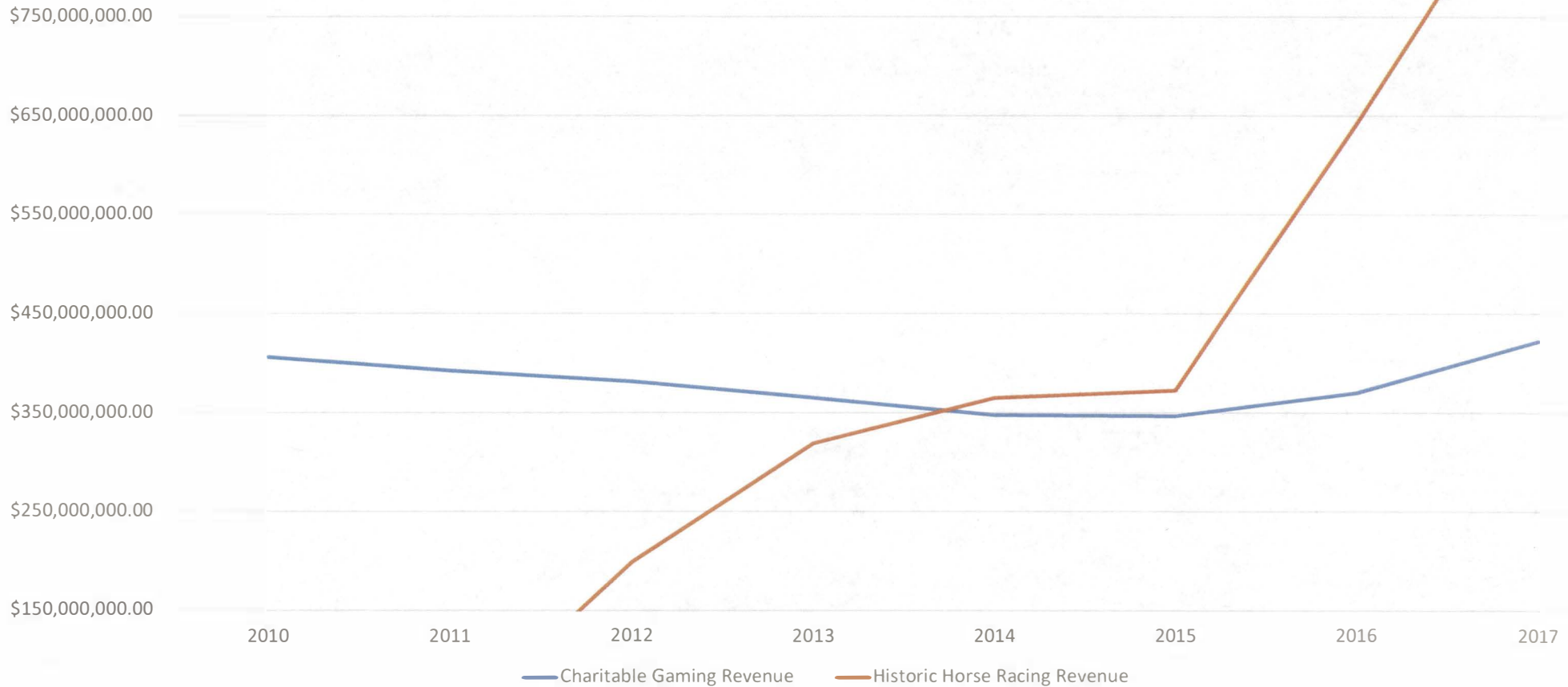
But the loss of this industry is not just about the economy and the numbers, it is about the people sitting behind me. People that have labored and scarified their whole lives to build their small piece of this game, not because it ever made them rich, but because they love it, because their parents and grandparents loved it. The people whose children will be better for the important lessons this work can teach. And the communities who are brought together as a family to create something better for each other. This is North Dakota's heritage, a state rich in horse culture who recognizes the importance of community and the hard work of the individual. These are lessons racing industry teaches in abundance.

Nobody here is looking for a hand out, racing has never given them one. Give the horsemen this tool, let them work hard for themselves because that is all they have ever been taught to do. They will do it because it is their heritage, North Dakota's heritage, and it is worth saving.

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Gunner
Att #8

Kentucky Gaming Revenue 2010-2017

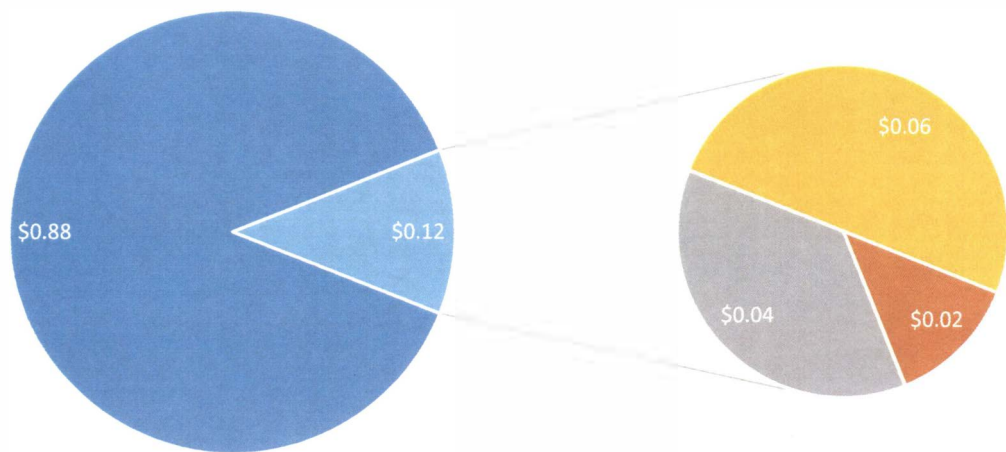


NOTE: In Kentucky, Charities do not operate Historic Horse Racing machines. However, charitable gaming revenues actually increased with the inception of Historic Horse Racing. In North Dakota, Charities will operate Historic Horse Racing machines and will benefit from an increase in both existing gaming and Historic Horse Racing revenues.

Information from: Kentucky Public Protection Cabinet, Department of Charitable Gaming and Kentucky Public Protection Cabinet, Kentucky Horse Racing Commission

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Historic Horse Racing Revenue Based
on \$1 Wager



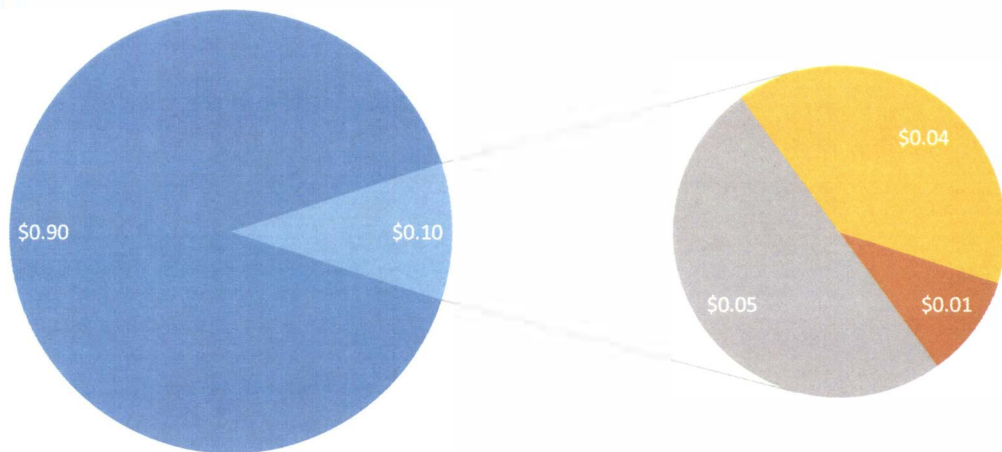
■ Winnings for Players

■ Taxes

■ Expenses

■ Money for Charitable Purposes

Electronic Pull Tabs Revenue Based on
\$1 Wager



■ Winnings for Players

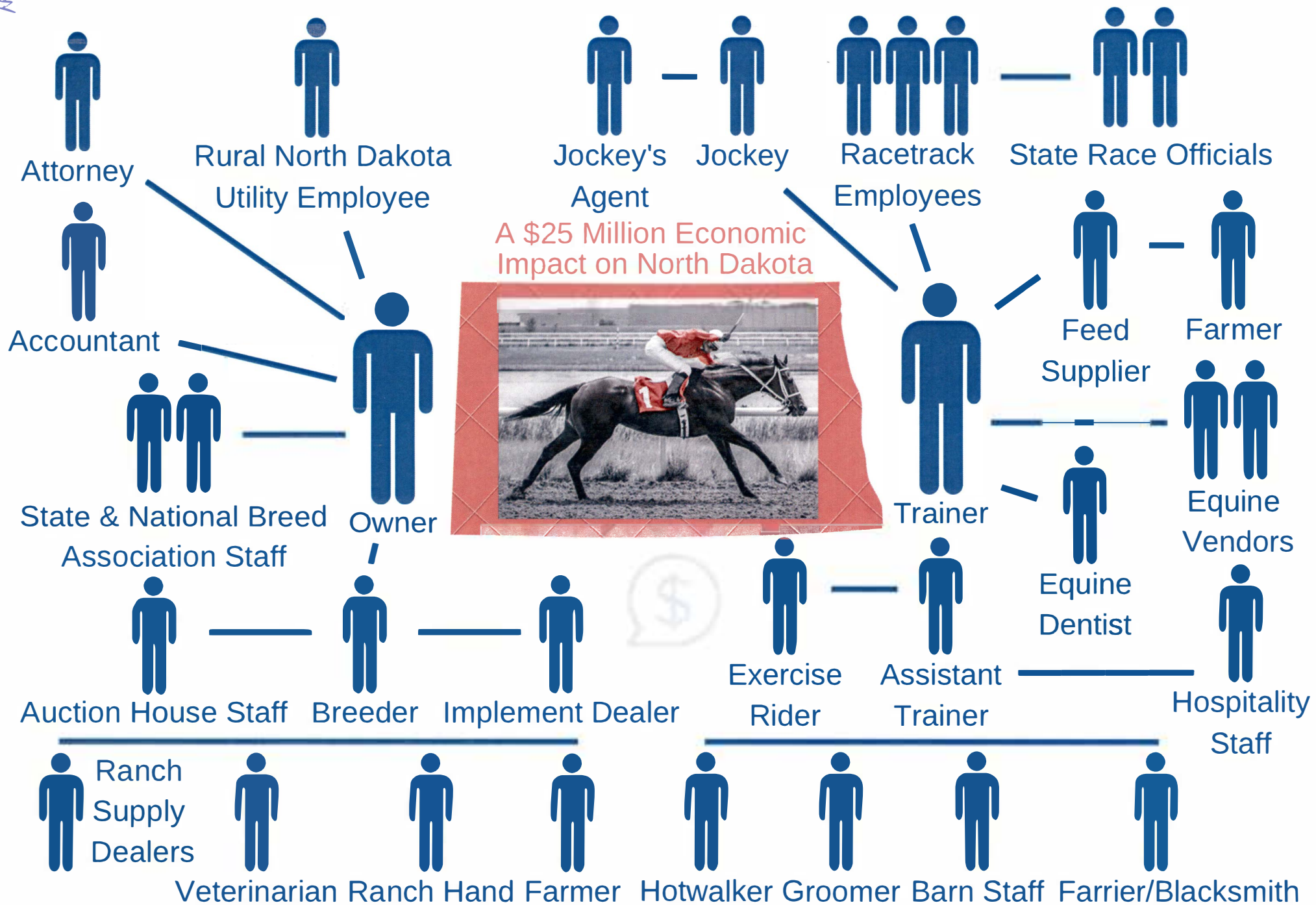
■ Taxes

■ Expenses

■ Money for Charitable Purposes

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How many people does (1) North Dakota racehorse employ?



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AH #9
PS1

Testimony of North Dakota Thoroughbred Association
Senate Government & Veterans Affairs Committee – HB 1443

Chairman Davison and Members of the Government & Veterans Affairs Committee,

Thank you for the opportunity to testify today. My name is Scott Horst and I am the President of the North Dakota Thoroughbred's Association. Our organization exists to develop, promote, and protect Thoroughbred racing and the horse owners and breeders who make it possible.

As the previous testifiers have said, breeding, raising, and riding horses is part of our Heritage in North Dakota going back centuries, from Teddy Roosevelt at the Elkhorn Ranch to today's horsemen, it is part of our heritage that deserves our support. Roosevelt famously once refused an automobile ride, saying "The Roosevelts are horse people." Well North Dakotans are Horse people too and we are here today to speak in support of HB 1443 and the positive impact it will have on the horse industry.

Our association receives funding from the Racing Commission Breeders fund to support a number of programs including awards to owners and breeders of top performing horses bred in North Dakota. This supplements race purse payments and provides an incentive to horsemen to invest and breed quality horses in North Dakota. We also support Bowman Second Chance Thoroughbred Adoption, a non-profit organization that rehabilitates retired racehorses for purposes of adoption.

We strongly support this legislation because it will generate additional revenue to support the entire horse racing industry, allowing for both higher purses and enabling tracks to increase the number of racing days. We consistently hear from breeders throughout the state that the racing season is too short, and the purses are insufficient for raising a North Dakota-bred race horse to be profitable. The additional revenue that Historic Horse Racing will generate will

help to ensure that this important piece of North Dakota's heritage is preserved and maintained for future generations.

Testimony of North Dakota Quarter Horse Racing Association
Senate Government & Veterans Affairs Committee – HB 1443

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Att #10
pg 1

Chairman Davison and Members of the Government & Veterans Affairs Committee,

Thank you for the opportunity to testify today. My name is Leon Glasser and I am the President of the North Dakota Quarter Horse Racing Association. The mission of our association is to promote and stimulate interest in breeding and racing the American Quarter Horse.

For our members throughout North Dakota, raising and racing horses is a way of life. It is part of our heritage and a tradition that we pass down from generation to generation.

Unfortunately, due to a variety of challenges in the industry that tradition is in danger of fading away. North Dakota breeder awards have been too meager, purses too small, and days of racing too few to truly support the industry and make it a viable choice for today's horsemen and the next generation.

Without your support for HB 1443 we could be headed in the same direction Wyoming was 10 years ago. In the 2000s horse racing was a dying industry in Wyoming. In 2009 and 2010, Wyoming hosted zero horse races for the first time since 1967. Then, in 2013, the legislature approved a bill that allowed for historic horse racing. Without historic horse racing there would not be live racing in Wyoming today. They went from zero races in 2010 to 10 races in 2013, 20 in 2014, and 32 in 2015. More in-state horse breeders are attending events with more attendees than the industry has seen in years – thousands of attendees at the track watching live races and spending money at local restaurants, bars, grocery stores, and gas stations while in town.

This legislation is our best hope for saving the industry, preserving horse farms across our state, and maintaining our way of life. By allowing simulcast facilities to operate historic horse racing we hope to save the horse racing industry like Wyoming and other states – more days

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of live racing, larger purses, more funds for breeders, and in turn a greater economic impact and new jobs in our industry. As Gunner mentioned, the horse racing industry supports hundreds of jobs and generates close to \$25 million in economic impact to the state and local communities. With your help, we can maintain and expand that impact by passing HB 1443.

24 #10

pg 2

Thank you.

Testimony of Horse Race North Dakota

Senate Government & Veterans Affairs Committee – HB 1443

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AH #11
pg 1

Chairman Davison and Members of the Government & Veterans Affairs Committee,

Thank you for the opportunity to testify today. My name is Wes Heinert and I am the President of the North Dakota Horse Park Foundation. Since 2004, our organization, along with Horse Race North Dakota, has owned and operated the North Dakota Horse Park in Fargo. We host live racing events throughout the summer and provide family friendly entertainment that supports an iconic North Dakota pastime – the breeding, raising, and racing of horses.

We strongly support HB 1443 because if we don't innovate and create new ways to support horse racing in this state, we risk it disappearing forever. Nearly 40 U.S. racetracks have shut down since the year 2000, some after hosting races for over 100 years. In many states where horse racing has persevered for decades, purses and incentives for breeders have become too small and competition from states with healthier racing industries has become much fiercer.

Several of the states that have healthy and vibrant horse racing communities have revitalized the industry through the use of historic horse racing. Wyoming has been mentioned several times already, but it is a perfect example of how this new way of betting on races revitalized an industry that was on death's door.

Wyoming went from essentially having to cancel live racing eight years ago to hosting 30 days this year. Now I can tell you from experience that every day of racing brings significant economic benefits to our community. It attracts competitors and visitors from out of state that buy hotel rooms, eat at local restaurants, and shop at local stores. It provides thousands of attendees, including families, with a kid-friendly opportunity to be outdoors and experience an important aspect of North Dakota's heritage.

The additional revenue generated by allowing historic horse racing in North Dakota will provide the racing commission with the funds necessary to attract top talent from throughout

the country and make North Dakota a national destination for horse racing. Additionally, the bill takes the added step of setting aside revenue specifically for the live racing venues, which will allow our organization as well as the Turtle Mountain Band to invest in our facilities, racing participants, and employees. Without this added investment, we risk losing a piece of North Dakota heritage and history forever. For that reason, I ask for your support of HB 1443 and thank you for your consideration.

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AH #12
pg 1

Senate Government and Veterans Affairs Committee
March 1, 2019
HB 1443 – Testimony by Michelle Morgenroth

oppose

Good morning Mr. Chairman and members of the committee,

My name is Michelle Morgenroth and I am here representing the Veterans of Foreign Wars in opposition to HB 1443. Also attached to my testimony is a list of over 70 charities that are on record as opposing HB 1443 for the same reason I am opposing this bill - it will take charitable gaming revenue away from the charities.

I am a member of VFW Post 7564 in West Fargo. I joined this Post one week after returning home from Iraq. I deployed with over 600 Soldiers with the 142nd Engineer Combat Battalion from January 2003 until May 2004. I served in the ND Army National Guard for over 27 years, retiring as a Sergeant First Class in 2012. I was full-time with the ND ARNG for over 21 years.

When I retired, I became more active in the VFW Post in West Fargo. One of my positions was as the Community Service Program Chairperson. I worked with this program for 5 years. We are required to report money given and volunteer hours to the VFW, Department of ND, who in turn, reports this information to VFW National. The VFW is a 501C3 Charitable Organization. There are three areas we focus on when it comes to donating money and hours. These areas are Community Activities, Youth Activities and Veterans and Troops. I don't believe many people are aware of how much this organization does for their community. Charitable Gaming is what allows us to give what we do. I am going to give you figures for the one- year period starting May 1, 2017 to April 30, 2018.

Community Activities:	\$132,772	24,129 Hours
Youth Activities:	\$47,448	8,955 Hours
Veterans and Troops:	<u>\$282,928</u>	<u>25,714 Hours</u>
TOTAL:	\$463,148	58,798 Hours

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That is a large amount of money and hours donated by one VFW Post for a one-year period. If historical horse racing machines are allowed to be in our state, in our cities, they will take away money from charitable gaming. The VFW provides so much to our communities because the need is there. If we can't provide it anymore, who will? The need won't go away. But if the VFWs go away, if we close our doors, the state of North Dakota, its citizens, our communities, our youth and our Veterans and Soldiers will be the ones that suffer.

So, let's talk about what these machines will do. First off, who will they be helping? They are not charitable gaming, they are supporting the ND Racing Commission and the horse park in Fargo. They are not controlled by the Attorney Generals Office, as charitable gaming is. Where is the benefit for our state and communities? I'm sorry that the horse park is not a profitable business venture, but we should not vote in casinos to subsidize race tracks and boost purses. When you look at what Charitable Gaming supports and what the ND Racing Commission supports, I cannot believe you would vote for this bill. Common sense should prevail, and common sense says this is not good for North Dakota.

I want to talk to you about a project we started at the West Fargo VFW about three years ago. Like any charitable organization, we receive requests from our school activities groups. Every month, our house committee votes on these requests. Three years ago, we decided to open up our Post on Sundays for pancake breakfasts. So, instead of giving all these youth groups a \$300 or \$500 donation. We offered their group our facility to hold a pancake breakfast and if they want, a silent auction. The VFW pays for all the supplies, pancake mix, eggs, sausage, etc. There is no cost to the youth groups, all they need to do is provide workers. The West Fargo and Sheyenne HS Girls and Boys Basketball, the Swim and Dive team, The Prom Committee, Wrestling, Hockey, Dance Group, Volleyball, Boy Scouts pick their Sunday, and the parents and kids, along with VFW volunteers, work their own event. We start in September and usually are done in March. In 2017, the VFW hosted 14 pancake breakfasts. These youth groups made \$26,972. This year so far, we have hosted 12 pancake breakfasts. We still have 4 more scheduled this year, but we

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have almost doubled our amount from last year. So far, these groups have made just over \$50,000. Our charitable gaming pays for the supplies these groups use. The effect historical horse racing machines will have on charitable gaming will be devastating to our support of these youth groups.

I want to tell you about another event we have at the VFW in West Fargo. Charlie Weible, a Vietnam Veteran and member of our post for over 21 years started an event to help our Family Readiness Groups raise money. The ROSS Event, Remembering our Serving Soldiers, started in 2003, when my Battalion in Fargo deployed to Iraq. Charlie Weible saw a need and came up with a day long event consisting of a silent auction, meat and prize raffles and a steak fry. In October last year, we had our 15th Annual ROSS event. We now have 12 Family Readiness Groups in the Fargo area that we support. These are groups with the ND Army National Guard, the ND Air National Guard, the Navy Reserve, and the Army Reserve. Every year, we give each group \$2000. Sometimes, the event doesn't make enough to cover the amount needed, but the Post covers it. It is because of charitable gaming, that we can provide this for our Soldiers and their families.

Mr. Chairman, Committee members, I'm proud of my service to this country and my state, but I have to say I am even more proud to work with and for an organization that does so much. I, and the VFW Post and Auxiliary members are still serving. Now we serve our communities, our youth and our Veterans and Soldiers. I ask that you vote No on HB 1443. I want to continue to serve in the VFW, and we can only be a viable organization with access to charitable gaming. Historical horse racing machines are not charitable gaming machines. Please look at who benefits from them and who will suffer because of them.

Thank you for your time and I'd be happy to answer any questions.

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Charity	City	Position
Abercrombie Volunteer Fire & Rescue	Abercrombie	Opposed
Mercer County Women's Action & Resource Center	Beulah	Opposed
Amvets Post #9	Bismarck	Opposed
Bismarck Hockey Boosters Inc.	Bismarck	Opposed
Nodak Sportsmen's Club	Bismarck	Opposed
Bismarck-Mandan Convention & Visitors Bureau In.c	Bismarck	Opposed
Mandan Baseball Club	Bismarck	Opposed
Matpac Wrestling	Bismarck	Opposed
Bowman County Development Corp/Gaming	Bowman	Opposed
Devils Lake Rural Fire Dept, Inc.	Devils Lake	Opposed
Devils Lake Youth Activities Assoc.	Devils Lake	Opposed
Brotherhood of Saint Anthony	Dickinson	Opposed
Dickinson Aerie #2328 F.O.E.	Dickinson	Opposed
Dickinson Charities	Dickinson	Opposed
Grafton Curlers Inc.	Drayton	Opposed
Herman-Schlenker Post # 137	Ellendale	Opposed
Emerado-Arvilla Lions Club	Emerado	Opposed
Enderlin Alumni Association Inc	Enderlin	Opposed
VFW Club of Fargo Post 762	Fargo	Opposed
Amvets Jon Greenley Post #7	Fargo	Opposed
Fargo Youth Hockey Association	Fargo	Opposed
Prairie Public Broadcasting Inc.	Fargo	Opposed
Plains Art Museum	Fargo	Opposed
Red River Human Services Foundation	Fargo	Opposed
Share House Inc.	Fargo	Opposed
Boys & Girls Club of The Red River	Fargo	Opposed
Fargo Metro Baseball	Fargo	Opposed
Grafton Volunteer Fire Department	Grafton	Opposed
Citizen Assistance Programs	Grand Forks	Opposed
Grand Forks Blue Line Club Inc.	Grand Forks	Opposed
Special Olympics ND	Grand Forks	Opposed
The Arc Upper Valley Inc.	Grand Forks	Opposed
Listen Inc	Grand Forks	Opposed
Harwood Post #297-American Legion	Harwood	Opposed
Hazen Winter Sports Association	Hazen	Opposed
Horace Lions Club	Horace	Opposed
Jamestown Council Knights of Columbus #1883	Jamestown	Opposed
Progress Enterprises, Inc.	Jamestown	Opposed
Jamestown Veterans Club	Jamestown	Opposed
Veterans Club	Kenmare	Opposed
Dunn County Fair Association	Killdeer	Opposed
Larimore Booster Club Inc.	Larimore	Opposed
Lisbon Fire Department Inc.	Lisbon	Opposed

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Mandan Lodge #425	Mandan	Opposed
Fraternal Order of Eagles #2451	Mandan	Opposed
Mandan Hockey Club	Mandan	Opposed
Fort Abraham Lincoln Foundation	Mandan	Opposed
Comet Athletic Club	Mapleton	Opposed
Buxton Daycare & Brian Pedersen	Mapleton	Opposed
Mayport Multipurpose Community Event Center	Mapleton	Opposed
Minot Lodge #822 Moose	Minot	Opposed
Minot Junior Golf Association	Minot	Opposed
Minot State University - Alumni Association	Minot	Opposed
MSU Beaver Boosters Inc	Minot	Opposed
New Salem Civic Club	New Salem	Opposed
Richardton Firemen's Auxiliary	Richardton	Opposed
Friends of Scranton Fire Protection Dist	Scranton	Opposed
Jorgenson American Legion Post #181	Thompson	Opposed
Tuttle Betterment Club	Tuttle	Opposed
Valley City Aerie #2192	Valley City	Opposed
Velva Volunteer Fire Department	Velva	Opposed
Arthur W. Jones Post #7564	West Fargo	Opposed
West Fargo Fire Department	West Fargo	Opposed
West Fargo Hockey Association	West Fargo	Opposed
American Legion Post #29	Watford City	Opposed
Edgar M Boyd Post #37	Williston	Opposed
	66	
Fire Departments:		
ND Fire Chiefs Association	Statewide	Opposed
Watford City Fire Department	Watford City	Opposed
New England Fire Department	New England	Opposed
Wyndmere Fire Department	Wyndmere	Opposed
Flasher Fire Department	Flasher	Opposed
Glen Ullin Fire	Glen Ullin	Opposed
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SPIRIT LAKE TRIBE
HB 1443 FORMAL TESTIMONY
SENATE GOVERNMENT & VETERANS AFFAIRS COMMITTEE
March 1, 2019

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pg 1

My name is Myra Pearson and I serve as Chairwoman of the Spirit Lake Tribe. I would like to thank you for the opportunity to testify regarding House Bill 1443. We oppose this bill as it was developed without tribal consultation. It will have a negative impact on tribal and state economies, supports gaming activities that are susceptible to criminal activities, unnecessarily expands gaming in North Dakota and would damage the existing collaborative efforts between the tribes and the state. The Spirit Lake Tribe has worked diligently to foster collaboration with the State relative to gaming activities. Despite many years of collaborative efforts, House Bill 1443 has been proposed without any consultation with the Spirit Lake Tribe.

Following the Federal Indian Gaming Regulatory Act, the State of North Dakota and the tribes entered into a formal compact for tribal gaming. This collaborative approach to gaming has not only focused on economic revenue but also on the need for providing such services in a manner that protects the health and welfare of the public. The Spirit Lake Tribe has utilized gaming revenue to support education, care for our children and elders, provide essential government services and invest in our tribal infrastructure. This bill could violate that compact.

Please do not be fooled by the title of this proposed legislation. This is not a bill that supports gaming relevant to horse racing, rather it is a bill that supports off reservation video slot machines and is an expansion of gaming in the state of North Dakota. The nature of gaming activities that would be supported by House Bill 1443 support off reservation video slot machines and not live horse racing. The video slot machines supported by House Bill 1443 play exactly like any other video slot machines, and as such, the support of such activities directly interfere with gaming operations conducted by the Spirit Lake Tribe.

In North Dakota, Indian gaming is heavily regulated through the National Indian Gaming Commission. Regulations ensure fair play for patrons while preventing fraudulent or

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criminal activities from occurring. The type of activities supported by House Bill 1443 come with no similar oversights or protection for patrons. In that regard, the Spirit Lake Tribe has deep concerns for the patrons and the overall integrity of this type of gaming operation.

Gaming revenues in the state have created thousands of jobs and contributed millions of dollars to the individuals, and state and tribal governments in the form of employment and tourism. Such revenue generating opportunities are extremely difficult to replicate especially in the most rural areas of North Dakota. House Bill 1443 would completely undermine the efforts made by the state and the tribes to develop Indian gaming. We have already seen a significant decline in tribal gaming revenues with the expansion of electronic pull tab machines. By permitting video slot machines contemplated in House Bill 1443, it is almost certain that tribes will see a decline in employment opportunities, tourism, and revenue, all of which are essential to our economy. As tribal economies are negatively impacted, so too is the state economy.

In closing, H.B. 1443 is bad for the Spirit Lake Tribe, it is bad for the state of North Dakota and it is bad for gaming patrons. I respectfully request that you vote no on House Bill 1443.

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Good morning Chairman and members of the committee.

My name is Jen Soli and I stand before you today wearing two hats. I am the Charitable Gaming Manager for the Velva Volunteer Fire Department. I was also elected and serve the fine residents of Velva as the Mayor.

I am here today to present testimony in opposition to House Bill 1443 also known as Historic Horse Racing (HHR).

There are several reasons many of the charitable entities in the state, including the Velva Volunteer Fire Department, will not put the HHR machines into our spaces and oppose this legislation.

Our first concern is governing oversight. Without the historical and legal guidance of the State's Attorney General, we are concerned for the long-term legal management of the industry. We have, and continue to, trust the Attorney General's office to keep this industry fair across the entire state.

Second, and most important to many smaller communities in North Dakota, this bill does not provide the legal requirements for nonprofit and charitable giving. In our case, these mandated funds provide safety, quality of life, recreation and compassionate support that is needed in a small, rural community.

As the current law states, gaming operations are mandated to provide funds to local charities and community areas. Many of us are part of this process for that reason. The ability to give back and provide resources to much needed entities in the state. We keep our operations minimal so we can provide the greatest amount of funds locally.

Charitable gaming under the Velva Volunteer Fire Department has provided over \$1.3 million dollars in the last 25 years. With the charitable gaming contributions, we have provided \$444,000 for the volunteer fire department which covers over 400 square miles for fire and 1,000 square miles for rescue. These funds provided trucks and safety equipment used for field fires, auto accidents, bin fires, grain bin evacuations and equipment fires that our firefighters would have either gone without or been forced to request funds from other state resources. This would potentially create additional burden to our state's General Fund.

The remaining \$887,000 dollars have provided immense support to our community of 1,100 people. Senior Citizens, youth recreation leagues, individual medical benefits, after prom and graduation parties, Main Street improvements and holiday festivities are just a few of the small-town items that either would have been a cost to the individuals or not occurred without our charitable donations.

We are 20 miles from Minot and 90 minutes from two casinos. We already compete for the allure of bigger, newer and more attractive locations.

Adding HHR machines, which by law do not mandate charitable giving, hollows out many smaller charitable entities' opportunity to provide critical funds and community donations across North Dakota.

PROPOSED AMENDMENTS TO ENGROSSED HOUSE BILL NO. 1443

Page 1, line 1, remove "a new subsection to section 53-06.1-11 and"

Page 1, remove lines 7 through 13

Page 10, after line 21, insert:

"7. For a site where historic horse racing is conducted, the total monthly rent may not exceed one hundred fifty dollars per machine for the first five machines in the same venue. For each additional machine in the same venue beyond five, the monthly rent may not exceed an additional seventy-five dollars per machine up to a maximum of three thousand dollars per month."

Page 13, line 21, overstrike "and" and insert immediately thereafter an underscored comma

Page 13, line 21, after "2" insert ", and 3"

Renumber accordingly

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pg 1

Testimony of HB 1443.

Chairman Davison and honorable members of the committee.

My name is LaRoy Kingsley from Mandan ND. I own KK Bold a full-service advertising, marketing and public relation firm with offices in Bismarck and Minot. I am here today representing the United Tribes Gaming Association and to ask that this committee send a strong DO Not Pass on HB 1443.

Currently my agency is entering our 30th year in business. For 25 of those years we have had the distinguished pleasure of being the Agency of Record for Prairie Knights Casino and Resort which is owned by the Standing Rock Sioux Tribe. My firm is also the agency of record for the ND Lottery although I am not here to speak on their behalf today. We also work with nearly a dozen tribal, charitable and commercial gaming entities across the US and we are considered one of the top casino marketing firms in the country.

HB 1443 in our opinion is a bad proposition for all gaming related entities currently in the state including tribal, charitable and the lottery, but I will focus specifically on the problems with the bill and its potential negative impact to Tribal Gaming and the tribal members in our state.

1. This bill basically provides an additional subsidy to the ND Horse Racing Association and horse breeders in our state. And while the state does subsidize certain industries that are vital to our economy, ND holds only a handful of horse races each year. And while no one wants to see horse racing go away, according to an Economic impact study done for the association in 2016 by NDSU, it states. "in the absence of appropriated dollars, the horse racing industry would not likely continue to exist in its present form". Which leads us to wonder if this is an industry we should continue to prop up.
2. These are slot machines disguised as historic horse racing terminals.
 - A. In fact in 2015, the Idaho Legislature voted to ban the machines, arguing they had been tricked two years earlier into approving them by a deceptive sales pitch.
 - B. Nebraska Wesleyan Professor Loretta Fairchild's study of similar cities in Iowa concludes: "The operation of a casino in a mid-size city, far from

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contributing to economic development, creates a measurable drain on the economy of the city."

- C. The machines have an option that allows you to bypass any of the actual "choosing a horse" and "betting on a race" aspect and turns it into slot machine play with the race betting automated.
3. The way this bill is set up it will allow the Horse racing association to regulate their own gaming. All gaming in the state is regulated by the Attorney General's office, but this group is proposing to set up their own commission to regulate their gaming entities. Tribal gaming, for example, is actually regulated on a federal, state and tribal level. This sounds a little like the fox guarding the hen house.
 4. With no limit on the number of devices or where they can be installed means they could (and most likely will) be setting up full scale casinos with class II gaming right within the city limits of major cities in ND. And with a \$25 limit makes it high-stakes gaming. The average Tribal casino in the state only has 800 gaming devices. So, you can imagine the impact this expansion will have. In fact, this has the potential to be the most substantial expansion of gaming in the state since tribal gaming in 1993.
 5. The rental structure is set up to allow rapid expansion and it provides great incentive to the manufacturers to get as many machines as possible online. At \$150 per machine per month for the first 5 machines and \$75 per machine per month up to \$3000 a month gives them 35 machines at an average of \$85 per month. But what happens if we have one property with 800 machines? Then your monthly rent drops to a very advantageous \$3.75 per machine per month.
 6. There are only 7 or 8 horse racing days held within the state each year in Fargo and all this money is going to support that one track and a limited number of breeders.

Enacted in October 1988, the Indian Gaming Regulatory Act provides a statutory basis for the operation of gaming by Indian tribes as a means of promoting tribal economic development, self-sufficiency and strong tribal governments and to provide federal regulatory authority and protections.

More than any other policy in the previous 200 years, the IGRA strengthened the inherent powers of American Indian governments to determine and build their own economic futures.

For example, unemployment rates in Sioux County (at the time one of the most impoverished in the US) fell dramatically with construction and operation of Prairie Knights Casino, which opened its doors in December 1993. According to the U.S.

Bureau of Labor Statistics, the Sioux County unemployment rate reached 43.3 percent in June 1991. Since 1994, the rates have fluctuated between a high of 13.6 percent in June 1994 and a low of 3.2 percent in October 2016.

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Currently, the Standing Rock Sioux Tribe and Prairie Knights Casino are the first and second largest employers in Sioux County, respectively.

Each year, casino-generated revenues help support the states 5 Indian nations. The Tribes depends on this funding to provide K – 12 education, Head Start programs, fire and ambulance services, heating fuel assistance for the elderly, wellness and prevention services to combat diseases, such as diabetes and addiction, veterans' programs – and so much more! This expansion could significantly impact their people's health and welfare.

Tribal Gaming works in ND and for ND.

Statewide, the 5 tribes employ in their casinos alone 1,989 people. Of that 1186 are enrolled tribal members which is well over 50%. Nationally tribal casinos employ less than 20% tribal members.

The total casino employee payroll for the tribes is in excess of \$70 million a year

Direct economic impact annually into the local markets serving these casinos is \$62,500,000 in the form of goods and services. This includes at least 500 local businesses including everything from electricians, plumbers and hvac companies to auto dealers, electric co-ops and food and beverage distributors who rely on the business they receive from these casinos.

The tribal casinos are also generous corporate citizens donating \$428,307 a year to local charities and non-profits. Groups like the Abused Adult Resource Center, Lutheran Social Services, ND Autism Connection, ND Rodeo assoc. and the Governor's Cup Walleye tournament are just a few of the dozens of groups that receive donations and sponsorship funding form the casinos.

So now imagine just one more casino with 800 machines, but located within Fargo, making it much easier for people to get to, and you can see how this one property alone could have an easy 20% negative impact on all other gaming. People are not going to spend more than they are today just because there's a new casino. The pieces of the

pie will simply get smaller as we subsidize a struggling industry at the expense of vital programs and services that directly benefit the citizens of our state.

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Good morning!

For the record my name is Jamie Azure, I am Chairman of the Turtle Mountain Band of Chippewa

(TMBCI) Indians. We are a very small land base with a large membership in excess of 34,000 and 18,500 living on or near our remote reservation. I'm sure most of you are aware of the unique challenges to economic growth and development on our reservation.

Previous testimony at prior ND Congressional tax meetings, show TMBCI has been in an economic cycle of dependency on Federal Grants until very recently. Minimal surface water resources limit the ability to attract industry to our area. For water we rely on the Shell Valley Aquifer. Highway transportation is along a forty mile stretch north of Highway 2 and is the only viable route for industry. The closest rail corridor, forty miles south in Rugby North Dakota, does not support economic development. Our primary natural resources are and have been our people who have varied skills revolving around labor. That cycle has been impacted the last two years as the Tribe itself has prioritized updating and upgrading our infrastructure to not only better support economic development, but to also provide opportunity to our professionals out in the work force and are currently working their way through Turtle Mountain Community College. Why is this important? The TMBCI has Indian Gaming, including pari-mutuel betting, and live horse racing. Gaming is our Tribes primary source of revenue and provides the Tribe a limited flexibility of resources to aid in our reversing this 'Dependency Cycle'. Any threat to this economic driver, which also employs more than 350 local members of the TMBCI, is detrimental to this Strategic Plan of Self Sufficiency. This Economic Development Strategic Plan greatly affects the northern region of North Dakota and the counties that surround the TMBCI.

The TMBCI opposes House Bill 1443 at this time. We have had live horse racing since 1971 and have had simulcast for more than 25 years. The revenue generated by horse racing provides a much needed

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income to the reservation, small businesses in and around the reservation, and for the horse breeders and racers in the area. The proposed law creates traditional horse racing parlors, per se, with slot machines. This bill's design props up the horse racing industries and the area around the Fargo track. It seems contrary to capitalism to prop up industries too expensive to support themselves. Understand this, these are slot machines with few if any relationship to traditional horse racing.

The TMBCI would like to stress the importance of consultation or the lack thereof. In recent years, many major situations that have arisen between Tribes and the State. The common denominator in many of those adverse situations have been a lack of consultation. The Tribe would be more than open to discussing a future agreement if the TMBCI and other North Dakota Tribes are involved at the ground level.

A few other states offer these forms of gambling. Idaho for example adopted this type of gambling, and then rescinded the law as not being consistent with their conservative values. North Dakota politics are similar to Idaho's.

We are in a new age of Partnership between Sovereign Nations and the State Government. I ask that we do not repeat previous mistakes that revolve around miscommunication or lack of communication.

Again, my name is Jamie Azure and I have the honor to hold the Title of Chairman of the Turtle Mountain Band of Chippewa.

Thank You for allowing me the time to express my Tribes concerns.

info

HB 1443-ShareHouse urges DO NOT PASS

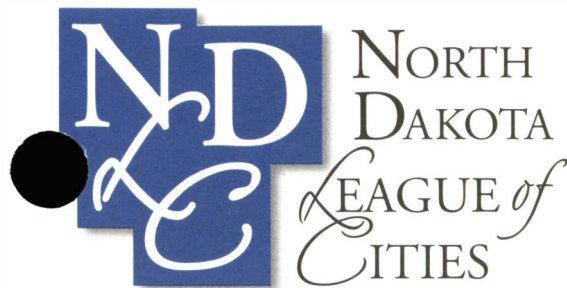
Jon Jorgensen, Director of Gaming ShareHouse Inc.

Look and function of Historic Horse Racing Machines (HHR)

- HHR machines look and play like slot machines
- 92% Payback to mimic the play of traditional slot machines
- Races are chosen at random, which decides the range of possible wins
- Auto pick/auto handicap removes any skill
- Random races combined with no skill makes this a gambling device
- Players are not wagering on the same races, unlike live or OTB wagering
- Nevada and New Jersey allow skill to determine wins on slot machines
- Legal issues in Nebraska, Texas, Idaho, Wyoming and Kentucky arose from HHR introduction attempts

HHR is not Charitable Gaming- 40/60 and oversight

- Charitable gaming is defined in ND law as having 40% of revenue, after paying players and taxes, required to be used for eligible charitable uses
- HB 1443 would not require any funds to be used for charitable uses
- Private for profit businesses would be able to take a majority of the gambling profits, making this for profit gambling and not charitable, possibly violating the ND constitution
- If HHR were under the Gaming Division of the Attorney General, charities would be protected by the 40/60 requirements
- The racing commission is not staffed or equipped to deal with hundreds to thousands of machines



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March 1, 2019

Senate Political Subdivisions Committee
HB 1443

Chairman Davison and members of the committee, for the record I am Stephanie Dassinger, deputy director and attorney for the North Dakota League of Cities.

I appear before you today to express the League's concerns with HB 1443.

Our member cities have expressed concerns about the ability to fund fire departments and fire protection districts if Historic Horse Racing is implemented as the bill is written. For Fiscal Year 2018, there were a total of 48 public safety gaming organizations who raised over \$1,118,000 in net proceeds for their corresponding public safety charities. Those charities were mainly fire departments.

Under current charitable gaming law 40% of the adjusted gross proceeds from games of chance must be paid to qualifying charitable organization. HB 1443 does not have any minimum requirement of proceeds that must be paid to a charitable organization. Concern exists about how this will affect charitable gaming money that is used to fund fire departments and fire protection districts.

Additionally, under current charitable gaming law, organizations apply to a city for a site permit for their gaming site. This site permit system allows the city governing body to determine whether a proposed location is in the best interest of city residents. HB 1443 does not have a permitting process for city governing bodies.

Finally, charitable gaming law gives the city governing body or local law enforcement official the ability to inspect a site's gaming equipment, gaming-related books, and records of a licensed or permitted organization. HB 1443 lacks similar provisions.

Due to these concerns, the League of Cities requests a DO NOT PASS recommendation on HB 1443 as it is currently written.

Thank you for your time and consideration.

Stephanie

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Governor
Matthew H. Mead

Wyoming Pari-Mutuel Commission
Energy II Building, 951 Werner Court, Suite 335
Casper, WY 82601
Phone: (307) 265-4015 Fax: (307) 265-4279

Executive Director
Charles E. Moore

Wyoming Downs LLC

Locations	Number of Terminals Approved	Number of Terminals on Site	Number of Active Terminals ¹ 10/01/18
Cheyenne 1	60	60	59
Cheyenne 2	101	86	67
Evanston	52	52	49
Evansville (closed)	70	0	0
Gillette	100	80	68
Laramie	33	33	33
Rock Springs	99	80	66
Sheridan	44	44	44
Casper	70	65	63
Track/Seasonal	40	0	0
Total	669	500	449

Wyoming Horse Racing LLC

Locations	Number of Terminals Approved	Number of Terminals on Site	Number of Active Terminals ² 10/01/18
Cheyenne	95	84	83
Gillette	52	52	51
Mills	77	77	74
Riverton (closed)	0	0	0
Rock Springs	60	59	58
Sheridan	50	46	46
Evanston	40	30	30
Total	374	348	342

Total number of approved HHR terminals 1,043

Total number of active HHR terminals 791

¹ Active as of the day reported.

² Active as of the day reported.

Opposition Testimony for HB 1443
March 1, 2019 – Collette Brown

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PS1

Chairman Davison and members of the committee, for the record my name is Collette Brown, Gaming Commission Executive Director of the Gaming Regulations and Compliance Department at the Spirit Lake Casino and Resort, located 7 miles south of Devils Lake, ND.

Our casino jobs mean everything to us; personally I went from being a single mother working at our tribal fire department to getting a job at the casino. While working there I am able to get health insurance, have a steady income, and have a retirement plan, I was also encouraged to attain my bachelor's degree. I am also grateful for the opportunities our casino has allowed for my good friend who has been with the casino since it started operating in 1992. Her husband passed away and then her son, she had to provide for her three grandchildren her son left behind not only them but her daughter's three children as well who also passed away soon after. She takes care of a lot great grandchildren still, she is elderly and they depend on our casino to prosper.

We are good neighbors, with clean, well-regulated operations. Popular buffets, popular entertainment, and some of the best hunting and fishing in America. Spirit Lake is the premier destination in North Dakota. We are an Indian success story, but in fact, we are a true North Dakota success story. In North Dakota, everyone wins with Indian gaming.

Last year, the Charitable community got electronic pull-tabs. They have been a success for charities, thus far. Naturally, there is an economic impact on overall gaming throughout the state and we are not sure on the exact extent of the economic impact on the overall gaming industry, so the State Legislature should study the electronic pull-tabs before introducing another type of gaming.

House Bill 1443, when I talk about House Bill 1443, I want to say first: Horses are sacred to our Dakota people. Sunka Wakan.

This bill is not *really* about horses, especially not North Dakota horses. Simulcast slot parlors can run without any in-state horse races. The bill permits all out-of-state races. No North Dakota horses required. In fact, the whole bill will most likely turn out to be an out-of-state bill, with out-of-state machine manufacturers, and Las Vegas business coming in to North Dakota to run a Mecca for gaming with the lowest tax rate in the nation, with only the in-state dollars being taxed.

Historic horse racing machines are not about horses. They are slot machines. Other machine manufacturers say that the games "play just like slots."

The manufacturer says that they want to build a "fast paced world." That's because real horse racing takes time, and they want an instant game. Exakta Systems wants to capture the major share of all pari-mutuel bets throughout the United States, and they want to be in every

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state that has horse-racing. Under the HB 1443, the operator keeps up to 12% of the handle, which is the high end of the handle for commercial slots. Clearly, the out-of-state machine manufacturers are one of the biggest winners under this bill.

This bill is about slots. Unlimited slots in unlimited locations.

The bill puts the horse racing commission in charge of unlimited slot machines with no regulatory system.

In contrast, Indian gaming is well and fully regulated first and foremost by our tribal gaming regulatory agencies with the oversight and support of the National Indian Gaming Commission, Department of Interior and Department of Justice. Under our Class III tribal-state compacts, we partner with the North Dakota Attorney General's Office. We have audits from the IRS and independent audit firms. We report bank secrecy activity to the Department of Treasury we report all suspicious activity to the Financial Crimes Enforcement Network to prevent money laundering. Anti-money laundering regulation prevents the infiltration of criminal elements. Furthermore, the FBI and the U.S. Attorneys protect our Indian gaming facilities. The FBI investigates and the U.S. Attorneys prosecute any dishonesty by players or operators at Indian gaming facilities. We have law enforcement, tribal regulators, security and financial bookkeepers on hand at all times.

The bill also clearly violates the Federal Wire Act. In January 2019, the U.S. Justice Department Office of Legal Counsel restored its original interpretation of the Wire Act—gambling operators may not use the wires to place or receive bets.

Therefore HB 1443 violates the Wire Act with its advance deposit wagering-ADW, because the player deposits money into an account and/or calls in bets by telephone or sends in bets with the internet, with a credit card or bank account. If this is not the intention of advance deposit wagering then what is the reason for having it in the bill. Under the Justice Department's January 14, 2019 decision, the advance deposit wagering otherwise known as a "bookie" operation is a violation of Federal law. And remember the racing commission is in total control. This will create an even larger problem for addicted gamblers by bringing the temptation to their home.

Please remember that North Dakota comes first. Don't let out-of-state machine manufactures to eliminate North Dakota's gaming industry, and send the profits out-of-state.

Our North Dakota people need our jobs. We need our charities. We need to preserve our family values state. Please Vote No on HB 1443.

Thank you for listening. Hau, Mitakuye Oyasin. God Bless You.

Senate Government & Veterans Affairs Committee
Hearing on HB 1443 – March 1, 2019
Charitable Gaming Association of North Dakota
Karen Breiner

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The Charitable Gaming Association of North Dakota urges you to support the work nonprofits do in the state and issue a Do Not Pass recommendation on HB 1443 in relation to historic horse racing (HHR) slot machines. The charities that have come out against this bill have plenty of data to back up their concerns.

Currently in North Dakota, charities are required by state law to spend 40% of their Adjusted Gross Proceeds after taxes for charitable purposes. This 40% does not include expenses. Proceeds from the HHR slot machines will be going into private individuals' and companies' pockets instead of charitable purposes or the state general fund. There is no provision in HB 1443 that ensures these dollars will go to a charitable purpose or guaranteeing a specific percentage of the revenue will benefit charities.

HB 1443 gives the horse racing industry a major financial and regulatory advantage over North Dakota charities. Compared to the current charitable gaming laws and regulation, HB1443 allows a less-stringent tax burden, less-stringent regulations, less-stringent reporting, and less-stringent oversight by the Racing Commission.

Concern has been raised of lost revenue, but the facts are clear the state will lose in regard to general fund taxes. Prior to E-tabs, the North Dakota's General Fund received an average of 1.2% from taxes on all wagered dollars for charitable gaming. The tax rate in HB 1443 is 0.3% on all the wagered dollars from historical racing slot machines to the General Fund. This will be a considerable decrease in taxes to the general fund.

OTHER STATES' EXPERIENCE WITH HHR

Proponents of HHR slot machines claim other states are benefiting greatly from the machines. The American Legion Post 6 in Cheyenne, Wyoming is just a few miles from an Electronic Horse Racing facility. The American Legion staff says bingo has all but died off because of HHR racing down the road. They also say that some of the individuals who were spending money on pull-tabs are instead dropping money in the slot machines at the racing place.

Kentucky is often cited as a great example of a state that benefits from HHR gambling. Unfortunately, that's not true. Since the first HHR machines were installed in September of 2011, the total Charitable Gaming Receipts in Kentucky dropped from 52.58% in 2010 to 24.68% in 2016. The most significant drop occurred from 2015 to 2016. This is in direct correlation with the opening of the Red Mile Gaming and Racing park which is located Lexington, which is the second largest city in Kentucky. Below is a chart that shows the decreasing rate of charitable gaming in Kentucky since 2009.

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The chart also shows that since the inception of HHR machines there has been a massive expansion in gaming activity. From 2009 to 2016 there was a 308.5% increase in the amount of money wagered on Racetrack Gaming receipts. It went from \$423 Million dollars in 2009 before HHR machines were legal to \$1.1 Billion dollars in 2016.

Year	KY Total Gaming Receipts (Not including Lottery)	Charitable Gaming Receipts	Charity %	Racetrack Gaming Receipts	Racetrack %
2016	\$1,499,861,524	\$370,150,918	24.68%	\$1,129,710,606	75.32%
2015	\$796,336,205	\$346,556,926	43.52%	\$449,779,279	56.48%
2014	\$661,287,436	\$347,617,530	52.57%	\$313,669,906	47.43%
2013	\$706,647,751	\$365,002,717	51.65%	\$341,645,034	48.35%
2012	\$736,352,079	\$381,694,382	51.84%	\$354,657,697	48.16%
2011	\$758,994,643	\$392,530,563	51.72%	\$366,464,080	48.28%
2010	\$772,244,807	\$406,056,065	52.58%	\$366,188,742	47.42%
2009	\$850,388,646	\$427,177,351	50.23%	\$423,211,295	49.77%

*Revenue info courtesy of Kentucky Department of Charitable Gaming.

Other states have approved the use of HHR machines, only to later question the legality of these machines because they are slot machines that attempt to mimic traditional pari-mutuel wagering. In Idaho, the legislature approved HHR slot machines in 2013. Just two years later, State legislators enacted a ban on the machines because they felt they were misled about the nature of HHR gambling. When the possibility of bringing HHR machines back to Idaho appeared on the ballot last year, voters again defeated the measure.

HHR IS EXPENSIVE FOR CHARITIES

HB 1443 requires charities to operate at an Off-Track Betting facility, which is very expensive and unnecessary. The direct costs to offer real horse racing bets at one of these facilities may cost up to \$10,000 per month.

The concern lies in the additional unknown and unwillingness to release certain costs and revenue projections. These unknowns include cost to the manufacturer and local service provider; cost of staffing, security, cash availability; cost of space and rent; and remodeling costs. The proponents of HHR slot machines have not provided an anticipated net amount that would go toward charitable purposes.

In closing, as HB 1443 is written, charities will see a decrease in the amount of funds for their charitable purposes and a decrease in contributions to the North Dakota General Fund. This bill detracts from the charitable gaming we currently know and further reduces the dollars designated for charitable distribution in our great state.

For the sake of the good works North Dakota charities do and want to continue, please issue a Do Not Pass recommendation for HB 1443.

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**SENATE GOVERNMENT & VETERANS AFFAIRS COMMITTEE
HOUSE BILL 1443**

**Testimony Submitted by Jason Campbell
Gaming Manager, West Fargo Hockey
March 1, 2019**

I am speaking on behalf of the charity West Fargo Hockey, and I urge a Do Not Pass recommendation on HB 1443.

I am the Gaming Manager for West Fargo Hockey. We proudly raise funds through our gaming to help local children with youth sporting activities. In 2018 we allocated over \$500,000 to helping children of West Fargo and surrounding areas with athletic activities. This funding helps pay for hundreds upon hundreds of hours of ice time for children ages 3 to 14. The money we raise helps keep children remain active and healthy. Studies have suggested that children active in youth sports stay are more productive in the class room and out of trouble. The economic impact of youth hockey alone in the state of ND is also in the millions of dollars. (equipment, coaches, paying for ice, hotels, food, drinks, gas and memorabilia at tournaments just to name a few.) I unfortunately do not have an NDSU study to give you exact numbers.

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North Dakota has a very unique history with charitable gaming. In the late 1970s and early 1980s ND adopted various legislation to allow for charities to raise funds through charitable gaming. ND charities have raised millions upon millions of dollars through gaming to use towards their missions. Charities big and small across this state contribute these dollars to their local communities and their direct needs. For nearly 40 years legislators and the citizens of ND have contributed in this very successful, thoughtful partnership.

This is not a veteran's bill, an agricultural bill, or a horse racing bill. This clearly is a bill to create large scale casinos in ND. As told to the charities by Parimax this type of gambling needs 30/35 or more slot machines per venue to produce a positive income. The intent of the rent provision in this bill shows this. This requires large casinos to provide that many slot machines. As of October 2018 Wyoming had 17 approved locations, with over 1043 slot machine terminals approved and 791 of those active. The Wyoming venues range from 30 to 83 in use at the time of the report, not 2, or 5, or 7.

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This is Vegas style gambling, not social, North Dakota gaming. The payouts are not required to be cash, as they are in our charitable gaming laws. They can be cars, trips, anything that you would see in large jackpot casino environments.

ND charitable laws do not allow for progressive wagering on electronics or the use of **credit cards** in machines--this bill allows for progressive wagering AND the use of credit cards! The maximum bet allowed on this game type is \$25 per spin. Charitable gaming rules allow for pull tabs, both paper and electronic to have a MAX CASH wager of \$2 per ticket. Those supporting this bill will say the \$25 is like a blackjack bet in ND. A \$25 bet on blackjack is not comparable to a \$25 bet on a slot machine. The \$25 max, cash or credit card per spin sets the stage for the wagers to be extremely high creating virtually unlimited jackpots. Compare these wildly loose regulations to the maximum CASH \$2 per bet that exists today and you have the perfect combination to push out the small and medium sized charity in exchange for casinos in vacant buildings across North Dakota.

This bill raises money specifically earmarked for the private ND horse racing industry, at the expense of the 300 wonderful charities that provide funding

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for worthy causes across this state. Senators you have a clear choice and that is a NO VOTE on HB 1443.

I will leave you all with one question I'd like you to all ask yourself. Why would so many people in the charitable gambling world with hundreds of years combined experience be against a bill that would basically legalize slot machines anywhere in the state. The answer is this. This bill is extremely loosely written and will hurt almost all charities in this great state and the bill does NOT QUARANTEE that even a single dollar will get to the missions of our charities.

I appreciate your consideration of a Do Not Pass recommendation on HB 1443. Thank you.

Senate Government and Veterans Affairs Committee

House Bill 1443

By Shawn Weltikol

March 1, 2019

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PS1

Mr. Chairman and members of the committee, my name is Shawn Weltikol, Fire Chief of the Devils Lake Rural Fire Department. I also serve as the Vice President of the North Dakota Fire Chief's Association.

We are in opposition of House Bill 1443. It is our understanding that this bill would have an adverse funding impact on the existing charitable gaming organizations. Because the vast majority of fire departments in the state are volunteer, and many of these departments rely on charitable gaming as part of their funding source. The North Dakota Fire Chief's Association opposes a bill that could take revenue away from these fire departments. It is also our understanding that the proponents of House Bill 1443 would be paying a lesser tax than the charitable gaming entities. We believe that House Bill 1443 is going to harm North Dakota Fire Departments' income. We would strongly appreciate your opposition on House Bill 1443. I will be available for any questions at this time.

Thank you.

February 22nd, 2019

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North Dakota Senators:

The North Dakota Fire Chiefs Association and members oppose House Bill 1443. This bill will dramatically affect funding sources for local and volunteer fire departments. Local fraternal and volunteer organizations provide funding for North Dakota fire departments through charitable gaming. This bill is written solely for the horse industry and will create further competition to other charitable gaming operations, squeezing out small to mid-sized charities. The following fire departments oppose HB 1443:

Name of Fire Department

Signature

Name of Fire Department

Signature

Douglas Lake Rural Fire

[Signature]

Wadena Fire Dept

[Signature]

Abercrombie FPD

[Signature]

[Signature]

Watford City FD

[Signature]

Harwood Fire & Rescue

[Signature]

NEW ENGLAND

[Signature]

Wyndmere Fire Dept

[Signature]

Richardson Fire Dept

[Signature]

Glen Ullin Fire

[Signature]

Scranton Fire

[Signature]

Flasher Fire

[Signature]

Thank you for your consideration on voting NO on HB 1443.

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Senate Government & Veterans Affairs Committee
HB 1443 Hearing
Testimony by Ken Roshau

Mr. Chairman and Senate Committee Members,

My name is Ken Roshau and I am the Gaming Manager for Dunn County Fair Association in Killdeer. I am here today to ask for a NO vote on this bill.

The Dunn County Fair Association raised nearly \$85,000 last year from charitable gaming. Our association uses these charitable funds to provide and maintain a much needed community center in Killdeer. This facility helps to keep our community vibrant, and together. This center is used for town events, school activities and banquets, funerals, weddings, meetings for various companies, and other local functions. This facility provides a local gym for our students to work out in, host their sporting events, sponsor special events, and hold school related banquets and parties. We are very proud of our charitable gaming and how it contributes to the people of Killdeer.

I see this bill threatening charitable gaming in North Dakota. This will especially be harmful to small charities, including mine, the Dunn County Fair Association. This bill will allow large scale, primarily private operations to drive out small, long-standing local gaming charities. It provides more competition to the limited gaming dollars. Let's be very clear – this will hurt small charities. There are only so many dollars to spend on gaming in North Dakota, and the small charities will suffer the most. We absolutely cannot compete.

Charitable gaming in North Dakota was created for local charities to address local, community needs. This bill takes dollars and the control out of the hands of charities and local communities. Please vote NO on this bill.

Thank you for your time.

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Att #25
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**Testimony in Opposition to
HOUSE BILL NO. 1443**

Government and Veteran's Affairs Committee

March 1st, 2019

Chairman Davison, Government and Veteran's Affairs Committee members, for the record my name is Carla Tice. I am the Program Director at the L.I.S.T.E.N. Drop-In, a non-profit community center in Grand Forks, N.D. The Drop-In was started in 1970, it was a place where people who had been previously institutionalized, people with developmental and intellectual disabilities could come and meet friends, learn new skills and be integrated into the community. Fundamental to the provision of services at Drop-In is the belief that each individual is valuable and should be afforded the same choices, opportunities and responsibilities as all members of our community. The L.I.S.T.E.N Drop-In has a rich history of providing for many firsts in the state of North Dakota. It was the first organization that saw the value in giving people a choice and support to do what everyone else did for the same reason. Drop-In coordinated the first bowling team, people with disabilities could bowl on league nights, side by side with everyone else, it was also the first organization that started an integrated softball team that played on the summer city league, side by side with everyone else. It was the first organization to start a performing arts program for people with and without disabilities, and it was the first organization to have a person with a disability speak at an International Forum in Doha, Qatar. It was the first organization in the state to bring awareness of Respectful language to every University Campus in the state, having thousands of North Dakota Students sign pledges to end using the R word in a derogatory manner. It was the first organization in North Dakota to represent North Dakota at the Disability Pride Parade in Chicago, Illinois. It is the first Drop-In organization to employ qualified people with disabilities, working side by side with everyone else for a competitive wage. Drop-In had the first person with a disability from this state participate in events at the United Nations, promoting the Convention of Rights for Persons with Disabilities. Drop-In sponsored a group to do voting training to over 1000 people with disabilities. It was the first organization to support people to go through the Olmstead Academy. It goes without saying, that the Drop-In has been a leader in helping people with disabilities become leaders and feel valued in their communities and more important feel comfortable in their own skin. These firsts didn't come without a lot of heart, many great people, perhaps you are one of them, by passing legislation that assists people with disabilities to live in the least restrictive environment and have the supports needed so they too can exercise their human rights. All the good intentions in the world couldn't of did what this center has did without the help of charitable gaming. The L.I.S.T.E.N. Drop-In is funded 85% by charitable gaming. This funding has been the key to the many firsts and the many successes we have had at the center. The funding has been key to allowing the people we serve to do things side by side with everyone else, as it should be.

L.I.S.T.E.N. Drop-In is opposed to HB 1443 and would like to provide the following comments on the value of this organization for our fellow citizens of North Dakota.

1. Any person with or without a disability is welcomed at Drop-In. Due to our charitable gaming revenue we can provide services to over 1,500 people, 70 % have disabilities and 30% are without disabilities, all of our guests have economic challenges and are living on fixed incomes that would not allow them to have the resources to be involved in the kinds of services, activities L.I.S.T.E.N. Drop-In offers. Our attendance this past year was 16,000 in those visits there were a lot of firsts. Drop-In is affordable.

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2. The L.I.S.T.E.N. Drop-In is a place where everybody knows your name, everybody's glad you came. Due to many circumstances people with disabilities become shut-ins, the only people they know are people that they live with, or their staff. With pride Drop-In extends a hardy, "Meet my friend, Bobby, he truly is the coolest." Because it is a Drop-In, people from all walks of life walk through our door, from all agencies and all backgrounds, people can share their gifts without conditions and limitations. Drop-In helps prevent isolation and depression.

3. The L.I.S.T.E.N. Drop-In is a place where one can learn new skills in the way they can best learn. The love of dance became a reality for Mark, when Drop-In offered dance classes that accommodated him in a way he best could learn. Prior to living out this passion, Mark's Mom said, "Mark rarely left his room, he would come home from the Day Service and close the door to his room." She continues, "he now thinks he is a rock star, and tells everyone, from the grocery bagger to his Doctor about the upcoming performances. Mark is just one of 78 people who have a passion for the arts, the human right the arts and culture, the support of charitable gaming that took them to the stages of their dreams, stages in Chicago, St. Paul, Indiana, Kansas City, Oklahoma City, just to name a few. Drop-In raises self-esteem, self-determination and a sense of wellbeing.

4. There is no comparison to a summer night on the softball field, unless you are talking about the guy who is visually impaired and he just gets a base run, or the whole team is invited for a BBQ with another team in the league. Ten winless seasons, and everyone comes out a winner, because they had the chance and the choice to play the kind of ball they wanted, side by side with everyone else. Charitable gaming makes this game possible, it can't catch a fly ball in left field, but it has made the Field of Dreams for so many, that otherwise could not afford the league. Drop-In takes away stigma, paving the way for the next generation to have it better.

5. Last but not least the L.I.S.T.E.N. Drop-In Center has been a great ally to the Civil rights movement. "Participation in Political and Public Life," acknowledges the right of people with disabilities to participate in political and public life on an equal basis with others. This involves ensuring that voting procedures, facilities and materials are appropriate, accessible, and easy to understand. In 2008 and 2012, Drop-In Trained over 1000 on the voting process. A gentleman cried as he was 58 years old and never had voted, he was informed and passionate on his beliefs but never knew he had the right and support to vote. Drop-In teaches the value of giving back.

In summary, HB 1443 could bring an end to the many more firsts that have happen in the past 49 years at L.I.S.T.E.N. Drop-In. The many firsts that happen on a daily basis at Drop-In, the first friend, the first dance and even the first romance. In many cases the first chance at making dreams come true.

With heartfelt conclusion, L.I.S.T.E.N. Drop-In urges your opposition to HB 1443 and respectfully requests a Do Not Pass recommendation.

Jim Nelson

HB 1443—relating to historic horse racing

agst.

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AH #26
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House Bill 1443 Electronic Historic Horse Racing could have a drastic and devastating impact on charitable gaming in North Dakota. Many Veterans and Fraternal groups have expressed in concert that passage of this bill would hurt our gaming operations and limit the contributions we provide to our Veterans, Youth and other charitable organizations that we support.

The literature shows that there is little correlation between “historical horse racing machines” and historical horse racing. In 1913 Idaho passed a bill very similar to this one and in 2015 voted to ban these machines.

We believe that this bill promotes large venue to operate historic racing slot machines in a casino atmosphere. There is no guarantee charities will have any funds remaining for their charitable purpose with this game type. Charities will be required to run off track horse betting to offer historic racing slot machines.

The passage of this bill would devastate gaming in our state.

The North Dakota Veterans Legislative Council strongly urges a DO NOT PASS

Thank you Jim Nelson Legislative Director for the NDVLC

not speak

House Senate Committee Meeting

For

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3-1-19
att #27
PSI

Bill 1443 - Historic Racing Economic Development for all involved in the horse business

To whom it may concern:

The passing of this bill would stimulate the horse industry. All involved would benefit from the bill passing. It would mean more mares and stallions to provide more colts for horse shows, rodeos and racing. It would also mean more horses bought and sold, more feed, bedding, hay, feed buckets, water buckets, saddles, bridles, blankets, trucks bought and sold, and more horse trailers. It would mean more work for veterinarians, jockeys, riders, and people working at horse shows, rodeos and horse tracks.

It means better purses for all involved. All venues would benefit. People would come to town and spend money at hotels, casinos, gas stations, restaurants, grocery stores, and shopping centers. Charities would also benefit, spreading those benefits to many others. This is economic development for all. Without this, the industry would die. That would be catastrophic for all involved.

Facilities would be able to be upgraded, providing more jobs. The growth would allow for more people to attend horse shows, rodeos and races.

As you sit on this committee and have to think about the big picture, remember that means economic development for our state. There are a lot of people praying for this to pass, and they all believe it is worth it to save the horse industry. We ask you to support this for the many people in our great state.

Kevin Gefroh

Kevin Gefroh

Horse and race owner for over 50 years

e-mailed

Senate Government & Veterans Affairs Committee
HB 1443 - March 1, 2019
Boys & Girls Club of the Red River
Joe Vesel

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3-1-19

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- 1) Boys and Girls Club has a small charitable gaming operation, and like many small organizations has gaming sites in smaller locations.
- 2) We will lose a lot of our customer base to large, in-town casino-style operations.
- 3) HB 1443 has no limit on # of machines, and we cannot compete against that.
- 4) The 'pie' of gaming dollars is rather fixed, small charities like mine will see their already small slice of that pie shrink as we lose players to the horse casinos.
- 5) Only larger charities will be able to operate these new casinos, and HB 1443 allows out of state interests to control services these charities are required to have, as well as control the cost.
- 6) Summary: this bill will transfer gaming revenue away from small charities to large organizations with substantial out of state interests.
- 7) BGC gaming dollars fully support around 140 youth in after-school programs. These youth would otherwise be left unattended or in a negative environment. Even a modest 20% decrease in gaming revenue would force us to turn away nearly 30 of those youth.

We are opposed to HB 1443 and ask you to defeat this legislation.

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Horace, ND Lions Club
Charitable Donations

Date	Transaction Type	Name	Memo/Description	Amount	Balance
01/24/2018	Check	Sheyenne Post Prom		1,000.00	1,000.00
01/26/2018	Check	West Fargo Area Scholarship Fund		1,000.00	2,000.00
01/26/2018	Check	Mustang Booster Club	Fund raiser donation	750.00	2,750.00
01/26/2018	Check	Horace Elementary PTO	Fun Fair	250.00	3,000.00
02/26/2018	Check		Chad Hausen - Eye screening	154.08	3,154.08
03/01/2018	Check	Cub Scouts Pack 274	Pancake fundraiser 1.21.18	987.00	4,141.08
03/01/2018	Check	Boy Scouts	pack 274 breakfast 2.18.18	564.00	4,705.08
03/15/2018	Check	Horace Senior Center	Facility Improvement	1,500.00	6,205.08
03/17/2018	Check	LCIF	Disaster Fund	1,000.00	7,205.08
03/22/2018	Check	NDSU Lions Club	Duffle bag funding	500.00	7,705.08
03/22/2018	Check	NDAB	Annual "Walk for Vision"	1,000.00	8,705.08
03/22/2018	Check	Leader Dogs for the Blind	Fundraiser	500.00	9,205.08
03/22/2018	Check	Emergency Food Shelter	58 households request a food basket every day.	500.00	9,705.08
05/01/2018	Check	Horace Lutheran Church	Ecuador Trip	3,200.00	12,905.08
05/05/2018	Check	Liberty Middle School	Tiny House Project	1,000.00	13,905.08
05/05/2018	Check	SEND Community Action	Sharing Hearts Day	200.00	14,105.08
05/05/2018	Check	West Fargo Mustang-Packers	Scrambler	295.00	14,400.08
05/05/2018	Check	ND Patriot Guards	12th Annual Honor Ride	500.00	14,900.08
05/07/2018	Check	ND Leadership Seminar	Youth Leadership seminar. High School sophomores	1,000.00	15,900.08
05/07/2018	Check	JJ Cemetary	Veteran Cemetery Flags	500.00	16,400.08
06/12/2018	Check	CGAND Treasurer		100.00	16,500.08
06/26/2018	Check	Kristen Follman	Haiti trip	1,500.00	18,000.08
06/26/2018	Check	Wayne Smith	Haiti trip	1,500.00	19,500.08
06/26/2018	Check	Kory Peterson	Haiti trip	1,500.00	21,000.08
06/27/2018	Check	Wings For All	Autism disorder to practice airline procedures	500.00	21,500.08
06/27/2018	Check	Helmets for Kids	Pedal Monster Mike - Safety helmets for kids	1,000.00	22,500.08
07/23/2018	Check	Horace Lutheran Church	Ian Olson Eagle Scout Project	1,000.00	23,500.08
08/14/2018	Check	Leader Dogs for the Blind	Fundraiser	0.00	23,500.08
08/19/2018	Check	Susan Komen 3 Day	Danielle Pretzer Cancer Walk	1,000.00	24,500.08
08/27/2018	Check	Horace Bean Days		500.00	25,000.08
08/27/2018	Check	Handi Wheels	Extra Mile Spaghetti meal fundraiser	1,000.00	26,000.08
08/27/2018	Check	Horace Senior Center	Home & Hearth to repair leaking hot water heater	500.00	26,500.08
08/27/2018	Check	Boy Scouts	David Werner - Bonanzaville pigeon project. Troup 274	800.00	27,300.08
09/02/2018	Check	LCIF	State Convention	0.00	27,300.08
09/02/2018	Check	LCIF	101 State Convention	0.00	27,300.08
09/15/2018	Check	2018 ND State Lions Convention	101 Donations	700.00	28,000.08
09/15/2018	Check	JDRF	Match Danica Johnson Fund raising	1,000.00	29,000.08
09/29/2018	Check	Cub Scouts Pack 274	Pancake fundraiser 9.8.18	802.00	29,802.08
09/29/2018	Check	Boy Scouts	pack 274 breakfast 9.8.18	802.00	30,604.08
10/02/2018	Check	HERO	Healthcare equipment	500.00	31,104.08
10/05/2018	Check	Sheyenne Football Parents		250.00	31,354.08
10/22/2018	Check	Bob Tanner	Bean Days parade	61.67	31,415.75
10/22/2018	Check	Chad Haugen		0.00	31,415.75
10/22/2018	Check	Chad Haugen		0.00	31,415.75
10/22/2018	Check	Chad Haugen	Gift cards for Horace teachers appreciation	1,850.00	33,265.75
10/22/2018	Check	Chad Haugen	Red Ribbon	125.00	33,390.75
10/23/2018	Check	Horace Elementary School	Lego Club	3,000.00	36,390.75
10/23/2018	Check	New Life Center	Christian outreach - Chad Williams	500.00	36,890.75
10/23/2018	Check	Bonanzaville	Christmas on the Prairie	1,000.00	37,890.75

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10/23/2018	Check	Heart Gallery	organizations with mission to encourage adoption with forever homes	500.00	38,390.75
10/23/2018	Check	West Fargo Baseball	Young Field Grandstand	3,000.00	41,390.75
11/16/2018	Check	Leader Dogs for the Blind	Fundraiser This is a replacement check for one they didn't get???? I kept same date for quarterly reporting accuracy	2,000.00	43,390.75
11/26/2018	Check	Horace Senior Center	furnace repairs	500.00	43,890.75
12/03/2018	Check	Kristen Follman	Haiti trip donation - eye screening	1,800.00	45,690.75
12/03/2018	Check	Kory Peterson	Haiti trip eye screening	1,800.00	47,490.75
12/03/2018	Check	Hospice Red River Valley		1,000.00	48,490.75
12/03/2018	Check	Haiti Eye Mission	Eye screenings	2,000.00	50,490.75
12/18/2018	Check	Sheyenne High Bank	No request. Just a donation after several Jazz bank students performed at General Holiday Night.	1,000.00	51,490.75
12/18/2018	Check	Horace Senior Center	dishwasher repairs	500.00	51,990.75
12/18/2018	Check	West Fargo Area Scholarship Fund		1,000.00	52,990.75
12/18/2018	Check	Historical & Cultural Society		250.00	53,240.75
12/20/2018	Check	Jr Achievement of the Upper Midwest		1,000.00	54,240.75
12/29/2018	Check	Kory Peterson	Christmas baskets	1,374.22	55,614.97
12/29/2018	Check	Chad Haugen	Band appreciation for playing at our Holiday meeting - Caribou Coffee gift cards, and Thank you cards.	95.45	55,710.42
01/17/2019	Check	Cub Scouts Pack 274	Pancake fundraiser 1/13/19	633.00	56,343.42
01/29/2019	Check	Dr. Jonathan Bultema	7 members trip to Guatemala for dental missions	4,000.00	60,343.42
01/30/2019	Check	Horace Elementary PTO	Fun Fair	500.00	60,843.42
01/30/2019	Check	NDAB	Giving Hearts Day	1,000.00	61,843.42
01/30/2019	Check	F5 Project	Help for the adaption and rehabilitation for felons back in mainstream	1,000.00	62,843.42
01/30/2019	Check	Kevin Benson	Haiti trip - vision screening	1,800.00	64,643.42
02/11/2019	Check	Horace Parks & Rec.	Lights for ball park	15,000.00	79,643.42
02/23/2019	Check	Cub Scouts Pack 274	Pancake fundraiser 2.17.19	539.50	80,182.92
				\$ 80,182.92	
				\$ 80,182.92	

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Senate Government and Veterans Affairs Committee

not speak
HB 1443

March 1, 2019

Chairman Davison, Vice Chairman Meyer, and members of the committee, my name is Melissa Harvey. I am the Charitable Gaming Manager for The Arc, Upper Valley in Grand Forks. I am here today on behalf of our Executive Director, Rachel Hafner, and The Arc to ask that you vote "do not pass" on HB 1443.

Our organization began raising money through charitable gaming in 1981, during a time when we were working fiercely to improve the living conditions for people with intellectual and developmental disabilities. The grassroots advocacy work of The Arc, Upper Valley, in conjunction with other chapters of The Arcs across North Dakota, resulted in North Dakota's modern system of residential and community services that are utilized by people with intellectual and developmental disabilities across North Dakota today.

The work of The Arc has allowed people like our board member Roberta Middaugh to move from institutional care to community living. Roberta proudly shares her story with everyone about how she moved to Grand Forks at the age of 19 and never has any intention of returning to the institution at Grafton. She is actively involved in community life, having retired after 29 years as a dishwasher. She continues to live in her own apartment, volunteer for various organizations such as ours, and advocate for the rights of people with disabilities. Roberta is well-connected in Grand Forks and can navigate the city bus route to attend events with friends around town. When asked what advice she would have for someone moving to the community, she said "I'd say welcome to Grand Forks. Here is my phone number. Call me if you need help or just want to talk."

Today our organization does charitable gaming in West Fargo, Casselton, and Grand Forks. The money that is raised provides revenue necessary to continue our work as advocates for people who have a history of being discriminated against and marginalized. While we have come a long way in North Dakota, there are still many issues to fight for to ensure that all people can live, work and play in the community

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without limitations. Not only do we fight for basic human rights through individual and systemic advocacy, but we educate individuals, families and community members about disability related topics, and we provide opportunities for socialization with peers across the lifespan. We do this through play groups, teen groups, book clubs and other activities throughout the year.

Historic horse racing sites are large casino operations that are cost-prohibitive for small charities, such as ours, to start up or operate. We know that these large casinos and games will draw clientele away from smaller operations such as The Arc, Upper Valley, thereby ruining charitable gaming for small organizations. Though many charities such as ours are small, collectively, licensed gaming organizations raised over \$42 million for charitable uses during the 2015-2017 biennium, much of which went to help our most vulnerable citizens in North Dakota. If historic horse racing casinos become a reality, how will North Dakota compensate for the loss of \$21 million a year necessary for charities to do the good work that they do? Are you willing to put our most vulnerable citizens at risk?

Be a good neighbor. Help charities who are helping people like Roberta have the resources necessary to be active citizens of their community and state. Vote "do not pass" on HB 1443. Thank you.

Melissa Harvey
701-772-6191

2009 Annual Report

January 1, 2009 – December 31, 2009



Fr.
Karen Breiner

Kentucky Department of Charitable Gaming

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The Year In Review

2009 Charitable Gaming Advisory Commission

Secretary Robert D. Vance

Public Protection Cabinet
Frankfort, Kentucky
Member by virtue of office

Attorney General Jack Conway

Proxy Nicole Pang

Office of the Attorney General
Frankfort, Kentucky
Member by virtue of office

Richard Scott Kimmich, Chairman

Member-at-large
Erlanger, Kentucky
Term expires **July 10, 2010**

Michael E. Hayes

Catholic Organizations
Louisville, Kentucky
Term expires **July 10, 2012**

Carlos Pugh

Joint Executive Council of Veterans' Organizations
Frankfort, Kentucky
Term expires **July 10, 2011**

Sherrie Simpson

Certified Public Accountants
Lexington, Kentucky
Term expires **November 11, 2013**

John Rollin Wilson, Vice Chair

Kentucky Charitable Gaming Association
Anchorage, Kentucky
Term expires **July 10, 2010**

Ralph D. "Danny" Spurlock

Volunteer Firefighters
London, Kentucky
Term expires **July 10, 2011**

Larry Cleveland

Commonwealth Attorneys
Frankfort, Kentucky
Term expires **July 10, 2011**

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The Year In Review

Administration

During this year, many responsibilities throughout the department continued to be more clearly defined, combined and/or streamlined to meet internal efficiency standards. The full staff of the Department of Charitable Gaming has met this challenge as an opportunity and exceeded all expectations.

The Department of Charitable Gaming is required by statute to be self-supporting through a fee collected on gross gaming receipts paid by more than 739 Kentucky Licensed Charitable Gaming Organizations, while an additional 649 licenses are classified as exempt because they earn below \$25,000 annually. Effective July 1, 2007, KRS 238.570 was amended to allow adjustment to this fee based on annual gross receipts by October 1 of each odd-numbered year.

DCG Outlook

The focus of the Kentucky Department of Charitable Gaming is educating the public on the statutes and regulations that govern the charitable gaming industry, emphasizing the importance of charitable gaming to the citizens and communities across the Commonwealth of Kentucky, and ensuring the integrity and accountability of nearly a half billion dollar cash industry. The department is consistently examining methods used across the state for ways to make charitable gaming easier and more profitable for charities. The department's number one goal is to ensure every dollar made available in charitable gaming ends up in the hands of the charities in order to achieve their charitable purpose.

The department continues to seek ways to be more service friendly, helpful and find new ways to assist the charities in maintaining compliance. The department staff is committed to enhancing and improving our outreach efforts and is here to help charities with questions, concerns, or issues that may arise. We look forward to working with you and best wishes to each and every organization in reaching their charitable goal.

In FY 2009, the Department of Charitable Gaming operating budget information and comparative information to previous years is as follows:

Fiscal Year	Budget Appropriation	# of Staff	Fee
2005	\$3,476,600	43	.0053
2006	\$2,932,800	44	.0053
2007	\$3,299,600	43	.0053
2008	\$3,143,200	42	.0060
2009	\$3,092,900	38	.00649

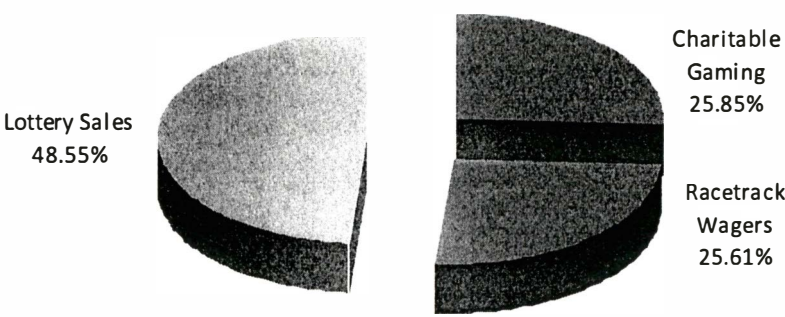
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The Year In Review

Gross Receipts

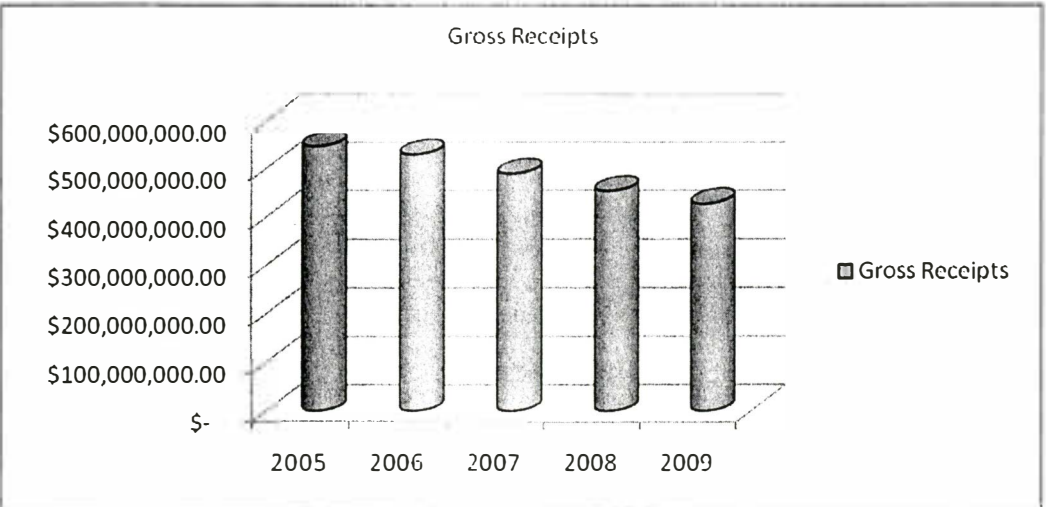
In 2009, charitable gaming players spent more money on charitable gaming than wagered on horseracing in Kentucky. Of the three types of legalized gaming in Kentucky, charitable gaming received approximately \$427 million in gross receipts, or 25.85 percent of the dollars wagered. The Kentucky Lottery had the largest amount of gaming revenue, capturing approximately \$802 million, or 48.55 percent in gross receipts, while horseracing wagered receipts were approximately \$423 million, or 25.61 percent.

2009 Kentucky Gaming Receipts



- The gross receipts of a charitable gaming organization are defined as the money taken at the door before payouts or expenses are deducted. In 2009, the gross receipts for Kentucky's Charitable Gaming Organizations were **\$427,177,351.34**.

The following chart represents the comparison with previous years:



The Year In Review

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Retention Percentage

Amazingly enough, while gross receipts have experienced a steady loss, the retention percentage (money available for charitable use) has increased. Kentucky has a 40 percent retention percentage that, by law, must be retained for charitable purposes.

Total Gross Receipt \$427,886,020.69
Total Pay-Outs \$343,333,448.48
Total Adjusted Gross \$84,552,572.21
Total Expenses \$31,318,587.02

2016 Annual Report

January 1, 2016 – December 31, 2016



Kentucky Department of Charitable Gaming

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pg 1

Fr.
Karen Breiner

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2016 Advisory Commission Members

Secretary David A. Dickerson
Public Protection Cabinet
Member by virtue of office

Deputy Secretary K. Gail Russell (Proxy)
Public Protection Cabinet

James K. "Kenton" Pleasants – Chairman
Lexington, KY 40502
Certified Public Accountants
Term Expires July 10, 2017

La Tasha Buckner, representing Attorney General Andrew Beshear
Frankfort, KY 40601
Member by virtue of office

Michael Hayes
Louisville, KY 40232
Member at Large
Term Expires July 10, 2018

Denzil T. Lile
Elizabethtown, KY 42701
Representing JEVCO
Term Expires July 10, 2019

Jennifer M. McKenna
Frankfort, KY 40601
Catholic Organizations
Term Expires July 10, 2016

Robert L. Clark
Louisville, KY 40208
Kentucky Charitable Gaming Association
Term Expires July 10, 2018

Lynn Pryor
Hopkinsville, KY 42240
Commonwealth Attorney Association
Term Expires July 10, 2019

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Department Outlook

The Kentucky Department of Charitable Gaming (DCG) educates the public on the statutes and regulations that govern the charitable gaming industry and ensures the integrity and accountability of a \$370-million-industry. The department examines charitable gaming methods used across the Commonwealth and explores new approaches to make the industry more profitable for charities. The department understands the importance of charitable gaming and works to ensure that charitable gaming proceeds are used to achieve charitable purposes.

The department continues to focus on customer service, efficiency, and endeavors to assist charities in maintaining compliance. The DCG staff is committed to enhancing and improving outreach efforts, and our staff is readily available to address questions, concerns, or issues. We look forward to working with Kentucky organizations to reach their charitable goal.

Annual Budget Appropriations

The chart below shows annual budget appropriations for the last five years, together with the corresponding department staff complement for the period and each year's gross receipts fee. The Department of Charitable Gaming is required by statute to be self-supporting through fees on gross gaming receipts, which are paid by more than 579 Kentucky-licensed charitable gaming organizations. An additional 818 licensees are exempt because they earn below \$25,000 annually. Effective July 1, 2007, KRS 238.570 was amended to allow adjustment to this fee based on annual gross receipts as of October 1 of each odd-numbered year.

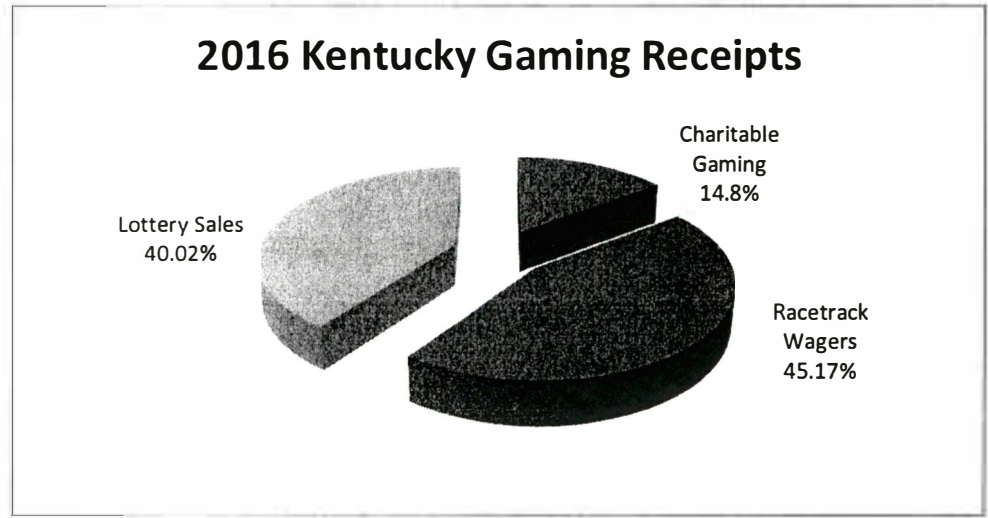
Fiscal Year (July 1 – June 30)	Budget Appropriation	No. of Staff	Fee
2012	\$3,299,500	34	.00764
2013	\$3,498,600	32	.00914
2014	\$3,818,850	34	.00914
2015	\$4,310,564	34	.00962
2016	\$5,464,300	32	.00962

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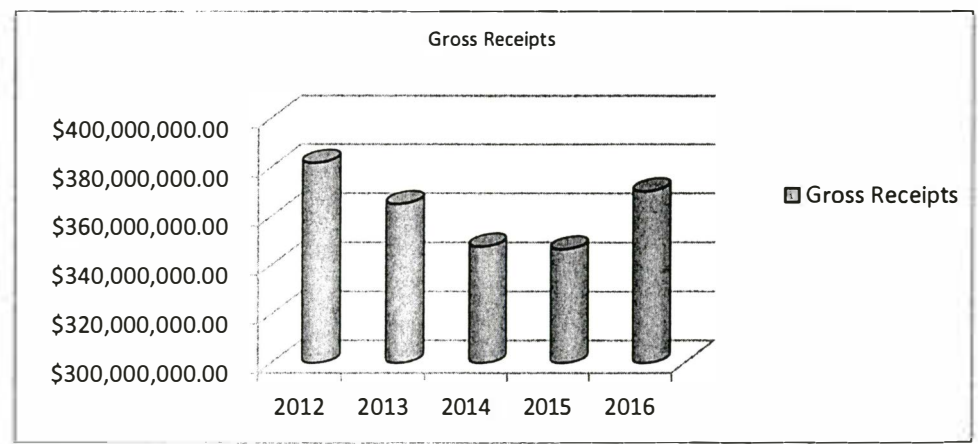
Gross Receipts

pg 4

Of the three types of legalized gaming in Kentucky, charitable gaming received over \$370.1 million in gross receipts during 2016, which constitutes approximately 14.8 percent of the dollars wagered. Kentucky horse racing had the largest amount of gaming revenue, capturing approximately \$1.1 billion (45.17 percent) in gross receipts, while the Kentucky Lottery had receipts of approximately \$1 billion (40.02 percent).




- The gross receipts of a charitable gaming organization are defined as the monies received before payouts or expenses are deducted. In 2016, the gross receipts for Kentucky's charitable gaming organizations totaled **\$370,150,918.03**
- The following chart represents the gross receipts comparison over five years:



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Retention Percentage

By statute, Kentucky requires a 40 percent retention percentage for the charity. Charities must retain 40 percent of their adjusted gross receipts and devote these proceeds to their charitable purposes. The retention percentage (money available for charitable purposes) was 63.65 percent in 2016.



19.0978.03001
Title.

Prepared by the Legislative Council staff for
Representative Ertelt
February 28, 2019

HB 1443
3-8-19
att # 1
pg 1

PROPOSED AMENDMENTS TO ENGROSSED HOUSE BILL NO. 1443

Page 1, line 1, remove "a new subsection to section 53-06.1-11 and"

Page 1, remove lines 7 through 13

Page 10, after line 21, insert:

"7. For a site where historic horse racing is conducted, the total monthly rent may not exceed one hundred fifty dollars per machine for the first five machines in the same venue. For each additional machine in the same venue beyond five, the monthly rent may not exceed an additional seventy-five dollars per machine up to a maximum of three thousand dollars per month."

Page 13, line 21, overstrike "and" and insert immediately thereafter an underscored comma

Page 13, line 21, after "2" insert ", and 3"

Renumber accordingly

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pg 1

19.0978.03002
Title.

Prepared by the Legislative Council staff for
Senator Meyer

March 7, 2019

PROPOSED AMENDMENTS TO ENGROSSED HOUSE BILL NO. 1443

Page 1, line 1, remove "a new subsection to section 53-06.1-11 and"

Page 1, line 2, replace "and" with a comma

Page 1, line 3, after "limits" insert ", and allowable expenses"

Page 1, remove lines 7 through 13

Page 1, line 18, after "1." insert "Adjusted gross proceeds" means gross proceeds less payment of winning wagers, deductions under section 53-06.2-11, and federal excise tax imposed under section 4401 of the Internal Revenue Code [26 U.S.C. 4401].

2."

Page 1, line 21, overstrike "2." and insert immediately thereafter "3."

Page 1, line 22, overstrike "3." and insert immediately thereafter "4."

Page 2, line 1, overstrike "4." and insert immediately thereafter "5."

Page 2, line 9, overstrike "5." and insert immediately thereafter "6."

Page 2, line 10, overstrike "6." and insert immediately thereafter "7."

Page 2, line 11, overstrike "7." and insert immediately thereafter "8."

Page 2, line 13, replace "8." with "9."

Page 2, line 17, replace "9." with:

"10. "Gross proceeds" means all cash and checks received from wagering.

11"

Page 2, line 20, replace "10." with "12."

Page 2, line 23, replace "11." with:

"13. "Net proceeds" means adjusted gross proceeds less allowable expenses and deductions under section 53-06.2-11.

14."

Page 2, line 26, replace "12." with "15."

Page 2, line 28, replace "13." with "16."

Page 2, line 30, replace "14." with "17."

Page 3, line 3, replace "15." with "18."

Page 3, line 7, replace "16." with "19."

Page 3, line 14, replace "17." with "20."

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AH #2
PS 2

Page 3, line 17, replace "18." with "21."

Page 8, line 29, after "wagering" insert "- Rent limits - Allowable Expenses"

Page 10, after line 21, insert:

- "7. For a site where historic horse racing is conducted, the total monthly rent may not exceed one hundred fifty dollars per machine for the first five machines in the same venue. For each additional machine in the same venue beyond five, the monthly rent may not exceed an additional seventy-five dollars per machine up to a maximum of three thousand dollars per month.
8. Historic horse racing activity for a quarter must be reported on a tax return form prescribed by the racing commission.
9. For historic horse racing and simulcast wagering operated at a historic horse racing site, allowable expenses may be deducted from adjusted gross proceeds. The allowable expense limit for historic horse racing and simulcast wagering operated at a historic horse racing site is sixty percent of the adjusted gross proceeds per quarter.
10. A site operator may not disburse net proceeds of historic horse racing for purposes other than the eligible uses provided in section 53-06.1-11.1."

Renumber accordingly

2. An electronic quick shot bingo marking device under subsection 1 is not a "coin-operated gaming device" as defined in subsection 4 of section 12.1-28-02.

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pg 1

53-06.1-11. Gross proceeds - Allowable expenses - Rent limits.

1. All money received from games must be accounted for according to the gaming rules. Gaming activity for a quarter must be reported on a tax return form prescribed by the attorney general. Unless otherwise authorized by the attorney general, the purchase price of a merchandise prize must be paid from a gaming bank account by check. A cash prize paid by check must be paid from a gaming bank account. No check drawn from a gaming or trust bank account may be payable to "cash" or a fictitious payee. A cash prize that exceeds an amount set by rule must be accounted for by a receipt prescribed by the gaming rules.
2. Allowable expenses may be deducted from adjusted gross proceeds. The allowable expense limit is sixty percent of the adjusted gross proceeds per quarter.
3. Cash shorts incurred in games and interest and penalty are classified as expenses.
4. For a site where bingo is conducted:
 - a. If bingo is the primary game, the monthly rent must be reasonable.
 - b. If bingo is not the primary game, but is conducted with twenty-one, paddlewheels, or pull tabs, no additional rent is allowed.
5. For a site where bingo is not the primary game:
 - a. If twenty-one or paddlewheels is conducted, the monthly rent may not exceed two hundred dollars multiplied by the necessary number of tables based on criteria prescribed by gaming rule. For each twenty-one table with a wager greater than five dollars, an additional amount up to one hundred dollars may be added to the monthly rent. If pull tabs is also conducted involving only a jar bar, the monthly rent for pull tabs may not exceed an additional one hundred seventy-five dollars. If pull tabs is conducted involving only a dispensing device, electronic pull tab device, or a jar bar and dispensing device or electronic pull tab device, the monthly rent for pull tabs may not exceed an additional three hundred twenty-five dollars.
 - b. If twenty-one and paddlewheels are not conducted but pull tabs is conducted involving either a jar bar or dispensing device, or electronic pull tab device, or any combination, the monthly rent may not exceed four hundred dollars.

53-06.1-11.1. Restricted use of money in certain political activities - Eligible uses of net proceeds.

1. A licensed organization or an organization that has a permit may not use money from any source for placing an initiated or referred measure on a ballot or for a political campaign to promote or oppose a person for public office. Except for a use related to an organization's primary purpose, a licensed organization or organization that has a permit may not use net proceeds to influence legislation or promote or oppose referendums or initiatives. Any funds expended by a licensed organization or an organization that has a permit to promote or oppose an initiated or referred measure that is on the ballot or for any activities of a lobbyist under section 54-05.1-02, that are not compensation or expenses paid to a lobbyist, and that are not required to be reported under section 54-05.1-03 must be reported to the attorney general as prescribed by the attorney general. A violation of this subsection subjects an organization to a suspension of its license or permit for up to one year.
2. A licensed organization or an organization that has a charity local permit shall disburse net proceeds within the period prescribed by rule and for only these educational, charitable, patriotic, fraternal, religious, or public-spirited uses:
 - a. Uses for stimulating and promoting state and community-based economic development programs within the state which improve the quality of life of community residents.
 - b. Uses for developing, promoting, and supporting tourism within a city, county, or the state.

X Comm
reference to
net proceeds.

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pg 2
- c. Uses benefiting an indefinite number of persons by bringing them under the influence of education, cultural programs, or religion which include disbursements to provide:
 - (1) Scholarships for students, if the disbursement is deposited in a scholarship fund for defraying the cost of education to students and the scholarships are awarded through an open and fair selection process.
 - (2) Supplementary assistance to a public or private nonprofit educational institution registered with or accredited by any state.
 - (3) Assistance to libraries and museums.
 - (4) Assistance for the performing arts and humanities.
 - (5) Preservation of cultural heritage.
 - (6) Youth community, social welfare, and athletic activities.
 - (7) Adult amateur athletic activities within the state, including team uniforms and equipment.
 - (8) Maintenance of places of public worship or support of a body of communicants, gathered in common membership for mutual support and edification in piety, worship, or religious observances.
 - (9) Scientific research.
 - d. Uses benefiting an indefinite number of persons by relieving them of disease, suffering, or constraint which include disbursements to provide:
 - (1) Assistance to an individual or family suffering from poverty or homelessness.
 - (2) Encouragement and enhancement of the active participation of the elderly in our society.
 - (3) Services to the abused.
 - (4) Services to persons with an addicted behavior toward alcohol, gambling, or drugs.
 - (5) Funds to combat juvenile delinquency and rehabilitate ex-offenders.
 - (6) Relief for the sick, diseased, and terminally ill and their physical well-being.
 - (7) Funds for emergency relief and volunteer services.
 - (8) Funds to nonprofit nursing homes, nonprofit day care centers, and nonprofit medical facilities.
 - (9) Social services and education programs aimed at aiding emotionally and physically distressed, handicapped, elderly, and underprivileged persons.
 - (10) Funds for crime prevention, fire protection and prevention, and public safety.
 - (11) Funds to relieve, improve, and advance the physical and mental conditions, care and medical treatment, and health and welfare of injured or disabled veterans.
 - e. Uses that perpetuate the memory and history of the dead.
 - f. Uses increasing comprehension of and devotion to the principles upon which the nation was founded, including disbursements to aid in teaching the principles of liberty, truth, justice, and equality. However, beauty pageants do not qualify.
 - g. The erection or maintenance of public buildings, facilities, utilities, or waterworks.
 - h. Uses lessening the burden of government which include disbursements to an entity that is normally funded by a city, county, state, or United States government and disbursements directly to a government entity or its agency.
 - i. Uses benefiting a definite number of persons who are the victims of loss of home or household possessions through explosion, fire, flood, or storm and the loss is not covered by insurance.
 - j. Uses benefiting a definite number of persons suffering from a seriously disabling disease or injury causing severe loss of income or incurring extraordinary medical expense which is not covered by insurance.
 - k. Uses, for community service projects, by chambers of commerce exempt from federal income tax under section 501(c)(6) of the Internal Revenue Code. A project qualifies if it develops or promotes public services, including education, housing, transportation, recreation, crime prevention, fire protection and

- prevention, safety, tourism, and health. Uses that directly benefit a chamber of commerce do not qualify.
- l. Uses for or of benefit to efforts in support of the health, comfort, or well-being of the community which include disbursements to provide:
- (1) Funds for adult bands, including drum and bugle corps.
 - (2) Funds for trade shows and conventions conducted in this state.
 - (3) Funds for nonprofit organizations that operate a humane society, zoo, or fish or wildlife reproduction and habitat enhancement program.
 - (4) Funds for public transportation, community celebration, and recreation.
 - (5) Funds for preservation and cleanup of the environment.
- m. To the extent net proceeds are used toward the primary purpose of a charitable, educational, religious, public safety, or public-spirited organization, or are used for a veterans or public cemetery by a veterans organization, that has obtained a final determination from the internal revenue service as qualifying for exemption from federal income tax under section 501(c)(3) or 501(c)(19) of the Internal Revenue Code, the organization may establish a special trust fund or foundation as a contingency for funding or maintaining the organization's future program services should the organization discontinue conducting games or dissolve.
- n. Uses for a fundraising activity unrelated to an organization's primary purpose provided that the gross revenue from the activity is disbursed to uses prescribed by this subsection.
3. With the exception of a veterans organization, the uses in subsection 2 do not include the erection, acquisition, improvement, maintenance, or repair of real or personal property owned or leased by an organization unless it is used exclusively for an eligible use.
4. A licensed organization or recipient of net proceeds may not use net proceeds for administrative or operating expenses involving the conduct of games.

53-06.1-12. Gaming tax - Deposits and allocations.

1. A gaming tax is imposed on the total gross proceeds received by a licensed organization in a quarter and it must be computed and paid to the attorney general on a quarterly basis on the tax return. This tax must be paid from adjusted gross proceeds and is not part of the allowable expenses. For a licensed organization with gross proceeds:
 - a. Not exceeding one million five hundred thousand dollars the tax is one percent of gross proceeds.
 - b. Exceeding one million five hundred thousand dollars the tax is fifteen thousand dollars plus two and twenty-five hundredths percent of gross proceeds exceeding one million five hundred thousand dollars.
2. The tax must be paid to the attorney general at the time tax returns are filed.
3. Except as provided in subsection 4, the attorney general shall deposit gaming taxes, monetary fines, and interest and penalties collected in the general fund in the state treasury.
4. The attorney general shall deposit seven percent of the total taxes, less refunds, collected under this section into a gaming tax allocation fund. Pursuant to legislative appropriation, moneys in the fund must be distributed quarterly to cities and counties in proportion to the taxes collected under this section from licensed organizations conducting games within each city, for sites within city limits, or within each county, for sites outside city limits. If a city or county allocation under this subsection is less than two hundred dollars, that city or county is not entitled to receive a payment for the quarter and the undistributed amount must be included in the total amount to be distributed to other cities and counties for the quarter.

53-06.1-12.1. Deposits.

Repealed by S.L. 1997, ch. 428, § 21.

March 21, 2019

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3-21-19
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PROPOSED AMENDMENTS TO ENGROSSED HOUSE BILL NO. 1443

Page 1, line 1, after "A BILL" replace the remainder of the bill with "for an Act to provide for a legislative management study of charitable gaming and racing laws.

BE IT ENACTED BY THE LEGISLATIVE ASSEMBLY OF NORTH DAKOTA:

SECTION 1. LEGISLATIVE MANAGEMENT STUDY - CHARITABLE GAMING AND RACING LAWS. During the 2019-20 interim, the legislative management shall consider studying the state's charitable gaming and racing laws. The study must include an evaluation of:

1. Whether historic horse racing could provide funding for charitable causes when combined with existing forms of charitable gaming;
2. The effect of implementing historic horse racing has had on other forms of charitable gaming in other states;
3. Whether potential laws regarding taxation, limitations, conduct, and play for historic horse racing are fair, adequate, and appropriate;
4. Whether an administrative agency can adequately and effectively provide oversight of historic horse racing;
5. The potential economic impact of historic horse racing on the state and tribes; and
6. The viability of the state horse racing industry, with or without the support of historic horse racing.

The legislative management shall report its findings and recommendations, together with any legislation required to implement the recommendations, to the sixty-seventh legislative assembly."

Renumber accordingly