MICROFILM DIVIDER

OMB/RECORDS MANAGEMENT DIVISION
SFN 2053 (2/85) 5M

GREAT SEAL STATE OF NORTH DAKOTA

ROLL NUMBER

DESCRIPTION

1389

2005 HOUSE JUDICIARY

HB 1389

2005 HOUSE STANDING COMMITTEE MINUTES

BILL/RESOLUTION NO. HB 1389

House Judiciary Committee

❑ Conference Committee

Hearing Date 2/2/05

Tape Number	Side A	Side B	Meter #
2		x	29.5-end
3	x		0-11.8
3		x	4.4-13.5
Committee Clerk Signature			

Minutes: 14 members present.

Chairman DeKrey: We will open the hearing on HB 1389.

Mike Cichy, General Manager for Lien Games: Explained the bill (see written testimony).

Chairman DeKrey: The fiscal note says there is a $27,239 loss of funds in the 2005-2007 and again in the 2007-2009 biennium. If I recall your testimony, you said it wasn't going to cost the same, what is the difference here.

Dean Meyer, Director of Racing: There is an amendment that is written that changes that fiscal note. The fiscal note is correct as the bill is written, there would be a $27,000 loss to the promotion fund. There is an amendment, after lengthy negotiations the day before yesterday, between the Racing Commission, Lien Games, the Horse Track people from ND and the amendment is so that there is no effect on the first $11 million dollars per biennium, which is about what our forecast to be wagered now. Last year it was $5.2 million wagered after the big bettors left. If the amendment is adopted, there would be no fiscal effect on the first $11 million dollars.

Representative Klemin: I guess I thought I heard you say that you needed $400-500 million dollars per year to make this work.

Mike Cichy: That is correct.

Representative Klemin: Could you explain that. In looking at this, you said the average amount wagered in ND is about $5 million a year. Are we talking about a 100 fold increase.

Mike Cichy: Yes, the 100 fold increase would come from the group that's in the file that we handed around. Your average walk-up player, will make $10, $20 bets and cumulatively what we call walk-up handle in ND runs a little over $5 million a year. These would be players from outside the state, who would place their bets at the track in Fargo, and when they reach that $11 million dollar threshold, then their bets would be taxed at a lower rate. As near as we can do the numbers, in order to support the track in Fargo, if they come in a do $50 million dollars in handle, that won't get the job done. In my discussions with the players, we are in agreement that we would be able to generate that kind of handle.

Representative Klemin: From the fiscal standpoint, and I haven't read this amendment, the idea here then is that regardless of fact that there is a lower tax rate over $11 million dollars, it's not going to affect the tax revenue stream that we currently have negatively.

Mike Cichy: Correct, if anything it will help because there will be a first class facility at the track for walk-up handle. We've felt for a couple of years now that we would do better if we had a facility at the track because of the number of people who come through for live racing and we don't have anything to offer them once the meets over.

Representative Klemin: I don't know anything about Lien Games. What is that.

Mike Cichy: Ken Lien is the owner, he started 30 years ago in ND as a gaming distributor, bingo paper, pull tabs, poker chips, etc. He's a classmate of mine from Shanley High School, and the AG's office has had him as a gaming supplier for decades.

Representative Klemin: Lien Games has a facility at the track.

Mike Cichy: We have a series of trailers at the track and a nice rest room, and a 450 stall barn that NDSU has built.

Representative Klemin: But if this bill passed, then you would have a facility there then.

Mike Cichy: Yes. It doesn't work unless we are at the track, and the track, ND Horse Park would function as the charity.

Representative Maragos: How were the bets previously made, you mean you operated out of horse trailers instead of a building.

Mike Cichy: They rented a tent at the track, and it was a large ...

Representative Maragos: Was that RSI.

Mike Cichy: No, that was the ND Horse Park.

Representative Maragos: Will they continue to do that, or will you do that.

Mike Cichy: No, the charity will be the track and they will continue to do that, and they will ultimately own the property.

Representative Maragos: What is your relationship, sir.

Mike Cichy: We take the bets.

Representative Maragos: They will hire you.

Mike Cichy: Yes. The State Racing Commission awarded Lien Games the service provider's license.

Representative Maragos: In going back, was that previously RSI, before.

Mike Cichy: Yes, 04 was Lien Games, 03 was RSI.

Chairman DeKrey: Thank you. Further testimony in support of HB 1389.

Dean Meyer, Racing Director for the State: In HB 1389, as it was written, when you saw the negative fiscal note, the commission was not for it, but after the negotiations took place on a conference call on Monday afternoon, with the amendments that are passed out, we did reach an agreement that said the Horse Park people, Lien Games, the Racing Commission, so there's no effect on the first $11 million per biennium, which is hopefully where we are going to stay at right now, we are stable at that. After that the tax drops dramatically and hopefully that will bring in some major players. It also splits the break. It changes the last part of the bill where the breakages are set out. In the bill, as drafted, goes to the provider, the amendment splits up breakage between the charity that is operating the site, the racing commission and the provider, all three would share in that. Breakage is a very substantial thing, it amounts to more than a ½ of a percent that our fund is operating on now. What breakage is, it's the rounding down of a payout bet. Let's say a horse paid $3.88 to win a race on a $2 bet. You don't pay back $3.88, you pay back $3.80. Most tracks round down to the dime, 8 cents is the breakage that ends up being a substantial amount of money. I think last year, just with Lien Games, our breakage was $23,000 for the year. On a $5 million dollar year, it's a substantial thing that will be split three ways. With that amendment, the Commission is supporting the bill.

Representative Boehning: We have no fiscal note, but we're going to be building a new building out there.

Dean Meyer: No, we're not, the State Racing Commission would not be involved in that at all.

Representative Boehning: Who is going to be building the building.

Dean Meyer: Lien Games and the Horse Park, the Racing Commission is not involved in that at all.

Representative Boehning: Lien Games is going to pay for the building facility at the Horse Park, is that what we're saying here.

Dean Meyer: That would be between them and the Horse Park. Our duty as the Racing Commission, all we are is the police. We regulate them, we license the track, we license all the people that participate. We have about 75 licensees that are employed by Lien Games and do background checks on. Then we award money, like the promotion fund, you will see it mentioned a lot, the three funds that the Racing Commission administers, the Promotion Fund, The Purse Fund and the Greeters Fund. The Purse Fund and the Greeters Fund are for the horsemen in the state. We provide Fargo and Belcourt with money, purse money, for their races for their live meets. The Breeders Fund is incentive money to keep them improving horses in ND, it's part of the tax that is set aside to encourage people to have higher quality horses to run at the races, and we award guys that win races. We distribute that money next month. Promotion fund is the money we get in off the tax, and we give it to Fargo, Belcourt. We give some for advertising for the simulcast sites, and a request we are acting on this month, is about $800,000 in promotion funds that are requested. We probably won't give that much away, because our funds are rapidly dropping down. They did have several million dollars, a lot of it went to build the track at Fargo. Last year, our first year of really operating without a major player in the state, our funds have dropped, each fund has dropped about a half a million dollars from $2 million to $1.5 million, roughly that in the promotion fund. The others have dropped from $2.5 to $2 million. Really it's been a race, you look at this bill's economic development, it's been a race in ND, ND was up here being able to give rebates, which is a way of doing business. We had machine wagering, and all of the other states caught up with us. There was a bidding down in the taxes. What this bill does is get us down to the tax level that other states are at, to encourage people to come back here and wager.

Representative Kretschmar: Pg 1, section 1A, there's a 3% tax.

Dean Meyer: Roughly 4, it varies, right now it varies between the state on a win, place or show bet, which is a very common bet, the state gets 2%, two of the funds each get ½ %, on exotic bets, which are bets combining two more horses, like a daily double, the state gets 2.5%, each of the three funds gets .5%, so it runs up to 4. Our overall tax on the simulcasting varies usually from 3.9-4.1%, that would stay on the first $11 million, after that it drops drastically, to a ¼ %, with each fund getting ¼ of that, a 1/16th. If we don't have anymore wagers, which some people believe this wouldn't do, it doesn't affect us, because we're still at our same tax on the $11 million that is wagered in a biennium now. If we had $100 million or $200 million or $500 million, then we could start replenishing those funds, which the horsemen and the track both need. This is really a tax incentive bill, everybody bid down, and now SD will probably be at a ¼ %. I believe Oregon is there now. It's just trying to keep up to par with them.

Representative Bernstein: Back to the building being built at the track, who's going to own it.

Dean Meyer: That's a question for Mr. Cichy, that's out of my ballpark. I can explain what is there now. There are three entities who own the track at Fargo. The 14 acres are owned by the college, NDSU, where the barn that will hold 450 horses, which is full when a race is on in Fargo, it takes that many horses to run the races there. Horse Race ND owns part of it, that's a 501(c)(3) or (4), one or the other, and Race Horse ND is another park. Two different nonprofits and NDSU. There isn't any permanent building there except for the horse barn, which is owned by the college and a permanent bathroom, which is handicapped accessible, which the Racing Commission funded a year ago, to the tune of $85,000 to build that. So when you have a 1,000 people there, it was sorely needed. They did have portable bathrooms during the first year of racing.

Representative Bernstein: Last session, RSI was in here looking for a special break on something, and I can't recall what that was about.

Representative Maragos: RSI came in and asked for a break to hold on to this one big bettor, and that bettor went to Oklahoma onto a reservation that offered...

Dean Meyer: If you see the old language, that language was put in last session. Those levels were put in two years ago, I wasn't here when that happened The idea was to keep a big bettor there, but it was a race to the bottom to get down, by the time we did, other states lowered theirs and we were competing with reservations. I think at ¼ % we don't make a lot of money, but we might make some.

Representative Maragos: Do you remember what the funds were making with that big bettor, even when we reduced it down.

Dean Meyer: Well, we went from have $50,000 to work with in the Racing Commission to having millions in the state General Fund, took in about $20 million over a period of four or five years, with virtually one big player. I think the state took in $20 million and we took in $5 or $6 million in the racing office. It was given back out to horsemen and to the park.

Representative Maragos: I know that this didn't happen under your watch, because I assume that precautions are in place now. It seemed like RSI kept dangling all this money out in front of us, while they owed the state $6 million. I don't know that we will ever see that money. I would hope, that as the Racing Commissioner, that regardless of who is responsible for remitting that, that you will not wait even one day, or let anybody pass on those remittances, along with the Tax Dept.

Dean Meyer: There are two different things to respond to. One is that the big bettor was an honest one, the guy that gave the state $20 million, he was the one doing things right. We enticed him in with some lucrative deals, RSI did. The other thing is the illegal site that went on, I think it proved that the system worked. The trial is going on now, the people were caught. I think there has to be more oversight and that's one of the things that our job is to do, and I think there is money in the budget to hire another investigator. One of the problems in anything with lost of money, whether it's a business, one of the things we audit, we audit the figures they give us to audit. So it's hard to catch bad things.

Representative Maragos: I appreciate those comments, but it seemed to me that in the past, there was a rationale for helping RSI, well if we don't we'll probably never see what they owe. I was extremely upset for getting into the position in the first place.

Dean Meyer: As I read the rules, and we've talked about this amongst ourselves, the former Commission itself that granted those tax waivers, or let them be late, probably could not do that under the rules. When I read the rules, I can see where we can grant harsher penalties for infractions. I don't see where we can waive or let things slide. I'm sure they meant well in doing that, but I think it was something that should have been addressed at the time. I know if you're behind in your taxes and not getting them paid, you don't help anybody by saying, we'll let you get behind on next month, and the month after that, too. It just snowballs.

Representative Zaiser: I think one of the things that Representative Maragos is getting at, is the collection of those late fees, it seemed like they got waived. I think he is talking about diligence.

Dean Meyer: I don't think there is any doubt that that has to happen. I think legally that's the only thing that can happen. The live track, Lien Games or the simulcast, they have 30 days after they collect the money to have it into our office.

Chairman DeKrey: Thank you.

Mike Cichy: One of the things that has happened to Mr. Meyer's facility with computers, is that the reporting system and oversight system has gone electronic. So the state gets reports from Lien Games, but the Commission office can independently monitor all reports and all the handle that is going through the service provider at any site serviced by us. The old days when they had to believe what the service provider sent them, are gone. He has an independent method of monitoring.

Dean Meyer: We have an auditor that we pay $700/month which Lien Games reimburses us for to audit them monthly and I get a weekly report that I can check every Monday what was wagered across the state at the simulcast sites.

Chairman DeKrey: Thank you. Further testimony in support. Testimony in opposition.

Cy Plummer, Horse Race man: We're looking at $11 million, ½ % will bring in $55,000 over the biennium for each one of the promotion, purse and breeders funds. Last session, you passed a bill that takes $100,000 out of each of our purses, so we're losing $45,000. You have a bill before the legislature this time, taking $129,002 out of each one of the purses. The breeders fund gets $129,003. We're going to be bringing in $55,000, so as a horsemen, this thing just doesn't fly. We're talking then about we're down to 1/16 when we get over $11 million per biennium, and we're talking $400-500 million of bets. It isn't going to happen. That's a lot of daydreaming. Last year we were told that if we lowered these percentages, we'll keep the big bettor and everything will go great. You see what is happening when you read the newspapers. That's the tip of the iceberg. I think we should at least maintain our ½ % which is way below what we normally should be getting to run the race tracks, and race the horses, to provide racing in ND. I wonder how some of this stuff did go on, it went on for two years, being behind on taxes paid to the state and horsemen. We had an Asst. Attorney General sitting in on most horse racing commission meeting for 16 years, how did this happen. Where was our tax commissioner, where was our attorney general advising the racing commission. There's been a breakdown and I think we've got to restore some credibility in ND before we move on.

Representative Kretschmar: You mentioned the $129,000 less, is that in this bill.

Cy Plummer: No, that's a house bill in the budget, before the Appropriations Committee to run the attorney general's office and the racing commission. It's a $129,000 out of each one of our purses. That's our money, sure they made it probably by some ill gains, but it went into the horsemen's accounts and we didn't pay out the purses and breeder's fund like it was supposed to be paid out for two or three years, and now it's our money that they are taking to pay back to run the racing commission and attorney general's office who let this kind of stuff happens. It is totally wrong and unethical.

Representative Maragos: Would that responsibility have fallen on the previous commissioner.

Cy Plummer: Part of it would have, because they had contracts in there on these charities, indicating the percentage that the charity, and site was supposed to get. It also spelled out what the state is supposed to get, and each purse is supposed to get. That wasn't followed up, otherwise, if you read the papers now, we're talking about some of our charities, we made a sham of our charitable gaming here in ND, we indicate 4-5% going to the site provider at these sites, and we're talking down to ¼ % on some of these. Apparently, they went in and made some negotiations after the fact for these big bettors, but it isn't fair to our local bettors. When I went out to start horse racing, I went out to have a level playing field to see whether my horses could run and it's been the most uneven operation you could ever expect from the paddock to the top. I'm really disappointed in our effort, maybe we should repeal the 1989 law. I've got about 70-80 horses, I should just have a buyout like the dairy program did.

Chairman DeKrey: Thank you. Further testimony in HB 1389.

Scott Horst: I live here in Mandan, and I'm getting into the horse racing business. I've been out of it for about 20 years, I did it with my grandfather. You look around at the track and see that most of the people are older people that do it. It's hard for us young people to get into it, it's a very expensive game. Thoroughbred people have to haul our mares all over the country to get bred. Quarterhorse people bring in the semen, they ship it in cold. We cannot do that. It costs us money, time to haul our animals everywhere. The stud fees are anywhere from $1,000 on up. I'm in favor of Mr. Cichy's plan, and anything over $11 million, we don't have. We've got $5 million right now coming into the state. Without the big bettors we don't have racing in two years, we're done. All the money and time I've spent in learning from the old gentlemen that do racing, I do have a real job. This is a hobby. I spend lots of money, and I want to continue it. In ND we can go back to Fessenden, ND, we used to run for $80.00, but it isn't feasible and that's what is going to happen without the big bettors.

Representative Meyer: You're in favor of this bill.

Scott Horst: Yes.

Chairman DeKrey: Thank you. Further testimony on HB 1389. We will close the hearing. (Reopened later in the same session).

Chairman DeKrey: What are the committee's wishes in regard to HB 1389.

Representative Kretschmar: I move the amendments.

Representative Delmore: Seconded.

Chairman DeKrey: Motion carried.

Representative Kretschmar: I move a Do Pass as Amended.

Representative Boehning: Seconded.

Discussion followed.

Representative Klemin: I would like to add an amendment to add a sunset clause to this bill, that it be effective through 6/30/07, so that if it doesn't happen in the next two years, then it will expire.

The motion to move a Do Pass as amended and the second were withdrawn.

Representative Klemin: I move the sunset clause amendment be added to this bill as stated above.

Representative Zaiser: Seconded.

Chairman DeKrey: Motion carried.

Representative Kretschmar: I move a Do Pass as Amended.

Representative Boehning: Seconded.

12 YES 1 NO 1 ABSENT DO PASS AS AMENDED CARRIER: Rep. Kretschmar

2005 HOUSE STANDING COMMITTEE MINUTES

BILL/RESOLUTION NO. HB 1389

House Judiciary Committee

☐ Conference Committee

Hearing Date 2/9/05

Tape Number	Side A	Side B	Meter #
1		x	44.6-end
2	xx		0-2.2
Committee Clerk Signature Dawn Penrose			

Minutes: 14 members present.

Chairman DeKrey: This bill, I'm going to pull this bill off the floor and bring it back to committee, because they're two words in that bill, that have the overstrike on it, and so the amendments we put on that bill, are meaningless without that overstrike. It's got to do with the break. They are splitting that break on the horse racing, three different ways. Without those two lines, there is no break. So the amendments mean nothing. We know that was everybody's intent, but we went and talked to LC, and what's going to happen is if we do nothing, that they are going to jack the fiscal note way up on that bill, because of the fact that the racing will break them. We have to bring it back to committee, I was hoping to finish this morning. I don't want to take action on this amendment now, before we take it back from the floor this afternoon, we will put the amendment on it and give it back to the desk and that way we don't have to come back into committee to do it.

Representative Delmore: I move to reconsider our actions on HB 1389.

Representative Koppelman: Seconded.

Chairman DeKrey: Motion carried. We need to move this amendment.

Representative Koppelman: I move the DeKrey amendment of 2/9/05, 0201.

Representative Delmore: Seconded.

Chairman DeKrey: We are just removing the overstrike "and breakage". Motion carried.

Now we have the bill before us as amended.

Representative Delmore: I move a Do Pass as amended.

Representative Boehning: Seconded.

11 YES 2 NO 1 ABSENT DO PASS AS AMENDED CARRIER: Rep. Kretschmar

FISCAL NOTE

Requested by Legislative Council
02/11/2005

Amendment to: Engrossed HB 1389

1A. **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.*

	2003-2005 Biennium		2005-2007 Biennium		2007-2009 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

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

2003-2005 Biennium			2005-2007 Biennium			2007-2009 Biennium		
Counties	Cities	School Districts	Counties	Cities	School Districts	Counties	Cities	School Districts
$0	$0	$0	$0	$0	$0	$0	$0	$0

2. **Narrative:** *Identify the aspects of the measure which cause fiscal impact and include any comments relevant to your analysis.*

The bill provides for a reduction in the taxes assessed on both live and simulcast horse racing wagers. The amount of wagering that must occur before the tax rate is decreased as follows:

This bill changes from $35.5 million to $11 million per biennium the amount of win, place and show wagers needed before the tax rates decrease to a total of 3/16 of 1% - 1/16 of 1% each for the general fund, purse, and breeders' funds. Under current law, win, place and show wagers above $35.5 million are taxed at ½ of 1% for the general fund, purse, and breeders funds, for a total tax of 1½%. Wagers of less than $35.5 million are taxed at 2% for the general fund, and ½ of 1% for the purse and breeders' funds, for a total tax of 3%. This bill does not change the tax rates for wagering of $11 million or less.

This bill changes from $102.4 million to $11 million per biennium the amount of exotic wagers (wagers combining two or more horses) needed before the tax rates decrease to ¼ of 1% - 1/16 of 1% each for the general fund, purse, breeders, and promotion funds. Under current law, wagers above $102.4 million are taxed at ¼ of 1% for the general fund,and ½ of 1% each for the purse, promotion, and breeders funds, for a total tax of 1.75%. Wagers of less than $102.4 million are taxed at 2% for the general fund, and ½ of 1% each for the promotion, purse, and breeders' funds, for a total tax of 3½%. This bill does not change the tax rates for wagering of $11 million or less.

As amended, there is no fiscal impact anticipated by this bill at the current wagering level.

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.*

N/A

   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.*

N/A

C. **Appropriations:** *Explain the appropriation amounts. Provide detail, when appropriate, of the effect on the biennial appropriation for each agency and fund affected and any amounts included in the executive budget. Indicate the relationship between the amounts shown for expenditures and appropriations.*

N/A

Name:	Dean Meyer Kathy Roll	**Agency:**	Office of Attorney General
Phone Number:	328-4290 328-3622	**Date Prepared:**	02/14/2005

FISCAL NOTE

Requested by Legislative Council
01/18/2005

Bill/Resolution No.: HB 1389

1A. **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.*

	2003-2005 Biennium		2005-2007 Biennium		2007-2009 Biennium	
	General Fund	Other Funds	General Fund	Other Funds	General Fund	Other Funds
Revenues	$0	$0	$0	($27,239)	$0	($27,239)
Expenditures	$0	$0	$0	($27,239)	$0	($27,239)
Appropriations	$0	$0	$0	$0	$0	$0

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

2003-2005 Biennium			2005-2007 Biennium			2007-2009 Biennium		
Counties	Cities	School Districts	Counties	Cities	School Districts	Counties	Cities	School Districts
$0	$0	$0	$0	$0	$0	$0	$0	$0

2. **Narrative:** *Identify the aspects of the measure which cause fiscal impact and include any comments relevant to your analysis.*

The bill provides for a reduction in the taxes assessed on both live and simulcast horse racing wagers. The amount of wagering that must occur before the tax rate is decreased as follows:

Changes from $35.5 million to $11 million per biennium the amount of win, place and show wagers needed before the tax rates decrease to a total of 3/16 of 1% - 1/16 of 1% each for the general fund, purse, and breeders' funds. Under current law, win, place and show wagers above $35.5 million are taxed at ½ of 1% for the general fund, purse, and breeders funds, for a total tax of 1½%. Wagers of less than $35.5 million are taxed at 2% for the general fund, and ½ of 1% for the purse and breeders' funds, for a total tax of 3%. This bill does not change the tax rates for wagering of $11 million or less.

Changes from $102.4 million to $11 million per biennium the amount of exotic wagers (wagers combining two or more horses) needed before the tax rates decrease to ¼ of 1% - 1/16 of 1% each for the general fund, purse, breeders, and promotion funds. Under current law, wagers above $102.4 million are taxed at ¼ of 1% for the general fund,and ½ of 1% each for the purse, promotion, and breeders funds, for a total tax of 1.75%. Wagers of less than $102.4 million are taxed at 2% for the general fund, and ½ of 1% each for the promotion, purse, and breeders' funds, for a total tax of 3½%. This bill does not change the tax rates for wagering of $11 million or less.

This bill allows the provider to retain the breakage, which is currently deposited in the promotion fund. Breakage is the rounding down of winning payoffs. For example, if a wager paid $3.88 on a $2 wager, the payoff is rounded down to the nearest dime. The breakage would be $.08.

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.*

In lieu of the breakage, the promotion fund would receive ¼ of 1% on the first $11 million in wagers, which will generate an estimated $18,989 for the biennium. Using the $23,114 collected for calendar year 2004 as an annual estimate, the net reduction to the promotion fund for breakage is estimated at $27,239.

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.*

With the revenue reduction reflected above, up to $27,239 in expenditures could be reduced.

C. **Appropriations:** *Explain the appropriation amounts. Provide detail, when appropriate, of the effect on the biennial appropriation for each agency and fund affected and any amounts included in the executive budget. Indicate the relationship between the amounts shown for expenditures and appropriations.*

The purse, breeders', and promotion funds are continuing appropriations and are not budgeted.

Name:	Dean Meyer - / Kathy Roll	**Agency:**	Racing Commission
Phone Number:	328-4295 328-3622	**Date Prepared:**	01/31/2005

58286.0102
Title.0200

Adopted by the Judiciary Committee
February 2, 2005

House Amendments to HB 1389 - Judiciary Committee 02/03/2005

Page 1, line 2, after "formulas" insert "; and to provide an expiration date"

Page 1, line 19, after the overstruck period insert "<u>Breakage must be paid to the North Dakota racing commission to be deposited in the promotion fund.</u>"

House Amendments to HB 1389 - Judiciary Committee 02/03/2005

Page 2, line 31, replace "<u>In lieu of breakage, one-fourth</u>" with "<u>For wagering handle in excess of eleven million dollars in each biennium, breakage must be divided, one-third to the North Dakota racing commission to be deposited in the promotion fund, one-third to the charity operating the site where the wagers are placed, and one-third to the service provider.</u>

SECTION 2. EXPIRATION DATE. This Act is effective through June 30, 2007, and after that date is ineffective."

House Amendments to HB 1389 - Judiciary Committee 02/03/2005

Page 3, remove lines 1 through 4

Renumber accordingly

Date: 2/2/05
Roll Call Vote #: 1

2005 HOUSE STANDING COMMITTEE ROLL CALL VOTES
BILL/RESOLUTION NO. 1389

HOUSE JUDICIARY COMMITTEE

☐ Check here for Conference Committee

Legislative Council Amendment Number ____________________

Action Taken: Do Pass as Amended

Motion Made By: Rep. Kretschmar   Seconded By: Rep. Boehning

Representatives	Yes	No	Representatives	Yes	No
Chairman DeKrey	✓		Representative Delmore	✓	
Representative Maragos	A		Representative Meyer	✓	
Representative Bernstein	✓		Representative Onstad	✓	
Representative Boehning	✓		Representative Zaiser	✓	
Representative Charging	✓				
Representative Galvin	✓				
Representative Kingsbury		✓			
Representative Klemin	✓				
Representative Koppelman	✓				
Representative Kretschmar	✓				

Total (Yes) 12   No 1

Absent 1

Floor Assignment: Rep. Kretschmar

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

REPORT OF STANDING COMMITTEE

HB 1389: Judiciary Committee (Rep. DeKrey, Chairman) recommends **AMENDMENTS AS FOLLOWS** and when so amended, recommends **DO PASS** and **BE REREFERRED** to the **Appropriations Committee** (12 YEAS, 1 NAY, 1 ABSENT AND NOT VOTING). HB 1389 was placed on the Sixth order on the calendar.

Page 1, line 2, after "formulas" insert "; and to provide an expiration date"

Page 1, line 19, after the overstruck period insert "<u>Breakage must be paid to the North Dakota racing commission to be deposited in the promotion fund.</u>"

Page 2, line 31, replace "<u>In lieu of breakage, one-fourth</u>" with "<u>For wagering handle in excess of eleven million dollars in each biennium, breakage must be divided, one-third to the North Dakota racing commission to be deposited in the promotion fund, one-third to the charity operating the site where the wagers are placed, and one-third to the service provider.</u>

SECTION 2. EXPIRATION DATE. This Act is effective through June 30, 2007, and after that date is ineffective."

Page 3, remove lines 1 through 4

Renumber accordingly

58286.0201
Title.

Prepared by the Legislative Council staff for
Representative DeKrey
February 9, 2005

PROPOSED AMENDMENTS TO ENGROSSED HOUSE BILL NO. 1389

Page 2, line 25, remove the overstrike over "~~and breakage~~"

Renumber accordingly

Date: 2/9/05
Roll Call Vote #: 1

2005 HOUSE STANDING COMMITTEE ROLL CALL VOTES
BILL/RESOLUTION NO. 1389

HOUSE JUDICIARY COMMITTEE

☐ Check here for Conference Committee

Legislative Council Amendment Number

Action Taken Do Pass as Amended

Motion Made By Rep. Delmore Seconded By Rep. Boehning

Representatives	Yes	No	Representatives	Yes	No
Chairman DeKrey	✓		Representative Delmore	✓	
Representative Maragos	✓		Representative Meyer	✓	
Representative Bernstein	✓		Representative Onstad	✓	
Representative Boehning	✓		Representative Zaiser	✓	
Representative Charging	✓				
Representative Galvin		✓			
Representative Kingsbury		✓			
Representative Klemin	✓				
Representative Koppelman	A				
Representative Kretschmar	✓				

Total (Yes) 11 No 2

Absent 1

Floor Assignment Rep. Kretschmar

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

REPORT OF STANDING COMMITTEE

HB 1389, as engrossed: Judiciary Committee (Rep. DeKrey, Chairman) recommends **AMENDMENTS AS FOLLOWS** and when so amended, recommends **DO PASS** (11 YEAS, 2 NAYS, 1 ABSENT AND NOT VOTING). Engrossed HB 1389 was placed on the Sixth order on the calendar.

Page 2, line 25, remove the overstrike over "~~and breakage~~"

Renumber accordingly

2005 SENATE JUDICIARY

HB 1389

2005 SENATE STANDING COMMITTEE MINUTES

BILL/RESOLUTION NO. HB1389

Senate Judiciary Committee

❑ Conference Committee

Hearing Date March 1, 2005

Tape Number	Side A	Side B	Meter #
1		X	0.0 -917
			2025 - end
Committee Clerk Signature Moira L Solberg			

Minutes: Relating to bet payoff formulas; expiration date.

Senator John (Jack) T. Traynor, Chairman called the Judiciary committee to order. All Senators were present. The hearing opened with the following testimony:

Testimony In Support of the Bill:

Dean Meyer, Director of Racing - Introduced the bill -Att. #1 The three racing funds administration administers and its description Described how the amendment effects the process. Discussed letter denying funding request, due to fund diminishment. - Att. #2 Referred to sunset clause.

Joe Cichey, Lien Games Lobby #220, Gave his testimony - Att. #3. This bill adjust the tax rate. Discussed people who are coming to ND from Iowa if this legislation passes. This legislation has a sunset clause and if it is not successful then it has a sunset clause.

Sen. Traynor asked if the Attorney Generals office has seen this? Yes

Sen. Nelson asked what a wagering handle? It is a total bet. An individual bet is a handle. Everybody's bet is a total handle. Breakage is the pool money split between several people (meter 400). Discussed percent of bets on different types of betting. Submitted overview of Lien Games Horse players and Relationships - Att. #4. Discussion of Promotion-built tracks, Purse-supplementing the purses, and Breeders Funds-investments into the horses.

Testimony in Opposition of the Bill:

none

Senator John (Jack) T. Traynor, Chairman closed the Hearing

Senator John (Jack) T. Traynor, Chairman reopened the Hearing (meter2025)

Sen. Trenbeath made the motion to Do Pass and **Senator Triplett** seconded the motion. All members were in favor and motion passes.

Carrier: **Sen. Trenbeath**

Senator John (Jack) T. Traynor, Chairman closed the Hearing

Date: 3-1-05
Roll Call Vote #: 1

2005 SENATE STANDING COMMITTEE ROLL CALL VOTES
BILL/RESOLUTION NO. HB 1389

Senate Judiciary Committee

☐ Check here for Conference Committee

Legislative Council Amendment Number

Action Taken Do Pass

Motion Made By Senator Trenbeath Seconded By Senator Triplett

Senators	Yes	No	Senators	Yes	No
Sen. Traynor	✓		Sen. Nelson	✓	
Senator Syverson	✓		Senator Triplett	✓	
Senator Hacker	✓				
Sen. Trenbeath	✓				

Total (Yes) 6 No 0

Absent 0

Floor Assignment Senator Trenbeath

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

REPORT OF STANDING COMMITTEE

HB 1389, as reengrossed: Judiciary Committee (Sen. Traynor, Chairman) recommends **DO PASS** (6 YEAS, 0 NAYS, 0 ABSENT AND NOT VOTING). Reengrossed HB 1389 was placed on the Fourteenth order on the calendar.

2005 TESTIMONY

HB 1389

Mike Cichy

HB1389

- Adjust the tax rate.
- The first 11 million in wagers are taxed at the current rate. There is no revenue loss to the State.
- The average amount wagered in North Dakota is about 5 million per year.
- A change in the rate applied to wagers over 11 million will make North Dakota competitive internationally and attract outside players.
- Lien Games, the Horsemen, Horse Race North Dakota, and the Racing Commission see this legislation as an opportunity to finish building the needed facilities at the track and provide a revenue stream.
- We wish to attach an amendment that will reflect the wishes of Lien Games, Horse Race North Dakota (the charity/track), the horsemen, and the Racing Commission regarding the distribution of breakage.

Proposed amendments to HB 1389

Page1, line 14, after the period insert "Breakage must be paid to the North Dakota racing commission to be deposited in the promotion fund."

Page 2, line 31, after the period delete "In lieu of breakage, one-fourth" and insert "For wagering handle in excess of eleven million dollars in each biennium, breakage must be divided, one third to the North Dakota racing commission to be deposited in the promotion fund, one third to the charity operating the site where the wagers are placed, and one third to the service provider."

Page 3, remove lines 1 through 4

Renumber accordingly

Overview of Lien Games
Horseplayers and Relationships

The major horseplayers that have been responsible for the majority of wagers since Oct. 1st 2004 are well respected horsemen and businessmen. The reason for their relationship with Lien Games has one major purpose, and that is to be a partner in the process of managing and marketing of OTB outlets that are currently in contract with Lien Games.

In this proposed co-venture the players own a company called Trackside Inc., which will have the agreement with Lien Games. In managing and marketing the outlets to the general public there is absolutely no intention or future plans to rebate any part of track commissions or take outs whatsoever.

The marketing will be traditional in nature ie. Handicapping Contests, Horseplayer Clubs, Raffles etc.

A player reward system may be implemented for meals, appliances, vacations etc. The Horseplayers Club will be open for inspection or audit by any track. There is no intention to use the club as a mask or vehicle to provide rebates.

Trackside Inc. will share in the profits or losses that the co-venture incurs. Two individuals own this company. They are also responsible for the majority of Lien Games handle since Oct. 1st 2004.

Ernest J. Dahlman

Ernest is probably New York's most celebrated horseplayer for the last 40 years. He is also a horse owner, and has been owner of the year or meet multiple times. One of his partners has been Barry Swartz, recent president of the N.Y.R.A. Their relationship was based on horse ownership.

Henry Hackel

Henry has been a horseplayer for over 35 years. He is also a horse owner and currently races his horses on the New York circuit.

The agreement between Lien Games and Trackside Inc. has not yet been finalized for the following reasons. It was unexpected by both parties that some track rates may be higher for Lien Games than its' competitors due to the relationship between the two partners. When the agreement is finalized the players will apply to be licensed by the state of North Dakota as HUB operators. Their plan is to also apply to other jurisdictions deemed good business ventures, such as South Dakota and Oregon. This is in addition to operating the race track in Fargo.

Employees of Trackside Inc. will be managed by Bob Gregorka who currently is Vice President and Director of Race operations for Coast Casinos in Las Vegas. Bob holds a Nevada State Gaming Card License and has been in casino management for 28 years. At this time other small handle horseplayers that are playing at the same site that Ernest and Henry are playing include:

Gene Hauman—retired Long Island, New York teacher

Chip Taylor—professional singer and song writer, brother of actor Jon Voight

Ernest Dahlman Jr. –owner of a N.Y.C. brokerage firm

Thomas Bona---sports web site owner

Hopefully it is clear to all that the group of individuals named above are respectable horse owners, horseplayers, managers and individuals well known for their honesty and integrity within their business and personal circles. It will always be their intention to be completely forthcoming and transparent in their dealings with race tracks and wagering jurisdictions.

K2 Raci[illegible]len Games)
North Dakota State Report
For Week Ending 12/31/2004

	12/27/2004 Monday	12/28/2004 Tuesday	12/29/2004 Wednesday	12/30/2004 Thursday	12/31/2004 Friday	Saturday	Sunday	Week	M-T-D	Y-T-D
otal North Dakota Handle										
Iorth Dakota WPS Totals	1,479	853	1,447	2,392	2,181			8,352	100,663	1,445,229
Iorth Dakota Exotics Totals	4,632	4,208	6,371	7,355	10,625			33,191	256,438	3,797,792
Total	6,111	5,061	7,818	9,747	12,806	-	-	41,543	357,101	5,243,021
urtle Mountan Casino Handle										
Turtle Mtn Casino WPS Total	-	-	25	25	55			105	3,390	72,504
Turtle Mtn Casino Exotics Total	-	-	377	1,263	542			2,182	29,530	417,424
Total	-	-	402	1,288	597	-	-	2,287	32,920	489,928
otal Taxable Handle										
Taxable WPS Handle	1,479	853	1,422	2,367	2,126	-	-	8,247	97,273	1,372,725
Taxable Exotics Handle	4,632	4,208	5,994	6,092	10,083	-	-	31,009	226,908	3,380,368
Total	6,111	5,061	7,416	8,459	12,209	-	-	39,256	324,181	4,753,093
tate Taxes										
W-P-S at 2%	29.58	17.06	28.44	47.34	42.52	-	-	164.94	1,945.46	27,454.50
Exotics at 2.5%	115.80	105.20	149.85	152.30	252.08	-	-	775.23	5,672.70	84,509.20
Total	145.38	122.26	178.29	199.64	294.60	-	-	940.17	7,618.16	111,963.70
tate Fees										
Promotion Fund at 0.5%	23.16	21.04	31.86	36.78	53.13	-	-	165.96	1,282.19	18,988.96
Purse Fund at 0.5%	30.56	25.31	39.09	48.74	64.03	-	-	207.72	1,785.51	26,215.11
Breeders Fund at 0.5%	30.56	25.31	39.09	48.74	64.03	-	-	207.72	1,785.51	26,215.11
Breakage	21.60	16.68	28.66	46.51	41.99			155.44	1,419.50	23,114.27
Total	105.87	88.33	138.70	180.76	223.18	-	-	736.83	6,272.70	94,533.44
Total to State	251.25	210.59	316.99	380.40	517.77	-	-	1,676.99	13,890.86	206,497.14
% of Handle to State	4.11%	4.16%	4.05%	3.90%	4.04%	#DIV/0!	#DIV/0!	4.04%	3.89%	3.94%

AH #1

Breeders' Fund - 2004

Balance of fund on January 1, 2004 $ 2,369,553.59

Month	Income		Expense		Ending Balance
January	Interest	802.78	Salaries	2,559.87	$2,367,796.50
		$ 802.78		$ 2,559.87	
February	Interest	750.47	Salaries	2,032.45	$2,366,514.52
		$ 750.47		$ 2,032.45	
March	Lien Games - Jan. '04	1,719.37	Breeders Fund Admin Acct	296,194.20	$2,072,039.69
	Interest	724.56	Salaries	2,031.74	$2,070,732.51
			Legal Fees	283.20	$2,070,449.31
		$ 2,443.93		$ 298,509.14	
April	Interest	763.38	ORDA	10,000.00	$2,061,212.69
	Lien Games - Feb. '04	2,218.26	Salaries	2,027.28	$2,061,403.67
		$ 2,981.64		$ 12,027.28	
May	Lien Games - Mar. '04	2,432.64	Salaries	$2,027.28	$2,061,809.03
	Interest	786.55			$2,062,595.58
		$ 3,219.19		$ 2,027.28	
June	Lien Games - Apr. '04	2,141.23	ND Horse Park *	132,500.00	$1,932,236.81
	ORDA June '04 Meet *	293.81	Salaries	2,027.28	$1,930,503.34
	Lien Games - May '04 *	3,267.59			$1,933,770.93
	Interest	761.35			$1,934,532.28
		$ 6,463.98		$ 134,527.28	
July	* applied back to June '04		* applied back to June '04		$1,934,532.28
	Interest	950.43	Salaries	$2,027.28	$1,933,455.43
		$ 950.43		$ 2,027.28	
August	Lien Games - June '04	2,177.24	Salaries	2,027.28	$1,933,605.39
	Interest	901.53			$1,934,506.92
		$ 3,078.77		$ 2,027.28	
September	Lien Games - July '04	2,084.42	Salaries	2,030.13	$1,934,561.21
	Interest	1,031.68			$1,935,592.89
		$ 3,116.10		$ 2,030.13	
October	Lien Games - Aug. '04	2,123.26	Salaries	$ 2,420.91	$1,935,295.24
	Interest - (OMB to post Feb. '05)				
		$ 2,123.26		$ 2,420.91	

Breeders' Fund - 2004

Balance of fund on January 1, 2004 $ 2,369,553.59

	Lien Games - Sept. '04	$1,822.04	Salaries - Overpaid	$ (7.00)	$1,937,124.28
ember	Interest - (OMB to post Feb. '05)				
		$ 1,822.04		$ (7.00)	
	Lien Games - Oct. '04	$2,385.24	Workers Comp	$ 57.85	$1,939,451.67
December	Interest - (OMB to post Feb. '05)				$1,939,451.67
		$ 2,385.24		$ 57.85	

$1,939,451.67

Promotion Fund - 2004

Balance of Fund on January 1, 2004 ***$1,943,743.79***

Month	Income		Expense		Ending Balance
[illegible]	RSI - 2003 3rd Quarter Outs	$8,812.95	Development Homes (2003)	$3,500.00	$1,949,056.74
	RSI - Dec. Auditor's Fee	700.00	Williston CVB (2003)	284.99	$1,949,471.75
	Interest	658.77	Legal Fees	123.90	$1,950,006.62
			Auditor's Fee - Dec. '03	700.00	$1,949,306.62
			Salaries	2,035.26	$1,947,271.36
			State Auditor's Fee	992.41	$1,946,278.95
		$ 10,171.72		$ 7,636.56	
February	Interest	$616.75	Auditor's Fee - Jan.	$700.00	$1,946,195.70
			Salaries	2,034.24	$1,944,161.46
		$ 616.75		$ 2,734.24	
March	Lien Games - Jan. Auditor's Fee	$700.00	Horse Race North Dakota '04	$100,000.00	$1,844,861.46
	Lien Games - Jan. '04 Breakage	1,340.30	NAPRA '04 Dues	10,000.00	$1,836,201.76
	Lien Games - Jan. '04	1,293.83	Williston CVB '04	1,300.00	$1,836,195.59
	Interest	651.93	Auditor's Fee - Feb.	700.00	$1,836,147.52
			Salaries	2,033.52	$1,834,114.00
		$ 3,986.06		$ 114,033.52	
April	Lien Games - Feb. '04 Breakage	$1,788.20	NDQHR -'04 Stallion Auction	$2,054.56	$1,833,847.64
	Lien Games - Feb. '04	1,640.29	NDTBA - '04 Stallion Auction	5,000.00	$1,830,487.93
	FCHRA - '03 Outs	5,391.05	Team Makers Club '03	1,590.28	$1,834,288.70
	Lien Games - Feb. Auditor's Fee	700.00	Fort Abraham Lincoln Found. '03	7,000.00	$1,827,988.70
	Interest	669.58	ORDA - Track Improvements	15,000.00	$1,813,658.28
			ORDA - Operations	35,000.00	$1,778,658.28
			Auditor's Fee - Mar.	700.00	$1,777,958.28
			Salaries	2,029.05	$1,775,929.23
					$1,775,929.23
		$ 10,189.12		$ 68,373.89	
May	Lien Games - Mar. '04 Breakage	$1,956.77	Fair Circuit Horse Racing Assn.	$1,022.39	$1,776,863.61
	Lien Games - Mar. '04	1,845.71	Auditor's Fee - April	700.00	$1,778,009.32
	Lien Games - Mar. Auditor's Fee	700.00	Salaries	2,029.04	$1,776,680.28
	Lien Games - Apr. Auditor's Fee	700.00			$1,777,380.28
	Interest	681.36			$1,778,061.64
		$ 5,883.84		$ 3,751.43	
June	Lien Games - Apr. '04 Breakage	$1,871.88	Horse Race ND - Restrooms	$85,000.00	$1,694,933.52
	Lien Games - Apr. '04	1,608.21	Fair Circuit Horse Racing Assn.	972.00	$1,695,569.73
	Lien Games - May Auditor's Fee	700.00	ND Horse Park/Horse Race ND	100,000.00	$1,596,269.73
	Interest	594.41	Auditor's Fee - May	700.00	$1,596,164.14
	Lien Games - May '04 Breakage *	4,088.54	Salaries	2,029.05	$1,598,223.63
	Lien Games - May '04 *	2,276.26	Williston CVB '04 *	500.00	$1,599,999.89
	Lien Games - June Aud. Fee *	700.00	Williston CVB '04 *	325.00	$1,600,374.89
	ORDA - Outs *	179.21	Fair Circuit Horse Racing Assn. *	1,446.00	$1,599,108.10
			ND Horse Park *	150,000.00	$1,449,108.10
		$ 12,018.51		$ 340,972.05	
July	* applied back to June '04		* applied back to June '04		$1,449,108.10
	Interest	$735.29	Auditor's Fee - June	$700.00	$1,449,143.39
			Salaries	2,029.04	$1,447,114.35
		$ 735.29		$ 2,729.04	

Promotion Fund - 2004

Balance of Fund on January 1, 2004 ***$1,943,743.79***

Month	Income		Expense		Ending Balance
[illegible]t	Lien Games - June '04 Breakage	$1,775.64	Williston CVB '04	$800.00	$1,448,089.99
	Lien Games - June '04	1,578.30	Auditor's Fee - July	700.00	$1,448,968.29
	Lien Games - July Aud. Fee	700.00	Fair Circuit Horse Racing Assn.	59.61	$1,449,608.68
	Interest	679.87	Randy Blaseg	7,800.00	$1,442,488.55
			Salaries	2,029.05	$1,440,459.50
		$ 4,733.81		$ 11,388.66	
September	Lien Games - July '04 Breakage	$1,810.81	Auditor's Fee - August	$700.00	$1,441,570.31
	Lien Games - July '04	1,518.52	Dr. Allen Hoverson	12,000.00	$1,431,088.83
	ORDA - '04 Breakage & Outs	1,349.85	Randy Blaseg	5,850.00	$1,426,588.68
	Interest	772.15	Salaries	2,031.90	$1,425,328.93
		$ 5,451.33		$ 20,581.90	
October	Lien Games - Aug. Aud. Fee	$700.00	Auditor's Fee - September	$ 700.00	$1,425,328.93
	Lien Games - Aug. '04 Breakage	1,972.74	Dr. A. Hoverson - NDHP Lab. Shipping	704.57	$1,426,597.10
	Lien Games - Aug. '04	1,463.54	Donna Schmidt	750.00	$1,427,310.64
	Lien Games - Sept. Aud. Fee	700.00	Salaries		$1,428,010.64
	Interest - OMB to post Feb. '05				
		$4,836.28		$ 2,154.57	
[illegible]ber	Lien Games - Oct. Aud. Fee	$700.00	Williston CVB	$575.00	$1,427,435.64
	Lien Games - Sept. '04 Breakage	1,689.13	Industrial Laboratories - NDHP	9,130.00	$1,419,994.77
	Lien Games - Sept. '04	1,263.10	Auditor's Fee - October	700.00	$1,420,557.87
	Lien Games - 1st Qtr Outs	4,260.50	Salaries	-7.00	$1,424,825.37
	Lien Games - 2nd Qtr Quts	9,333.65			$1,434,159.02
	Interest - OMB to post Feb. '05	$ 17,246.38		$ 10,398.00	
December	Lien Games - Oct. '04 Breakage	$1,831.17	Auditor's Fee - November	$ 700.00	$1,425,956.54
	Lien Games - Oct. '04	1,769.54	NDQHRA '04	1,590.12	$1,426,135.96
	Lien Games - Nov. Aud. Fee	700.00	Development Homes '04	3,500.00	$1,423,335.96
			Auditor's Fee - December	700.00	$1,422,635.96
			NAPRA '05 Dues	10,000.00	$1,412,635.96
	Interest - OMB to post Feb. '05		Salaries		
		$ 4,300.71		$ 16,490.12	

		Committed Funds	Balance	
	ND Horse Park Foundation - Operating Expenses			
11/20/00	Grant ($500,000 over the next 5 years)	500,000.00	300,000.00	
12/22/03	Grant	300,000.00	0.00	
12/22/03	Development Homes Inc	3,500.00	0.00	
12/22/03	Fair Circuit Horse Racing Ass'n.	3,500.00	0.00	
12/22/03	Fort Abraham Lincoln Foundation	7,000.00	7,000.00	
12/22/03	NAPRA	10,000.00	0.00	
12/22/03	NDTBA	5,000.00	0.00	
12/22/03	ND Quarter Horse Racing Assn - Stallion Auction	5,000.00	1,355.32	
12/22/03	ORDA - Track Improvements	15,000.00	0.00	
12/22/03	ORDA - Operations	35,000.00	0.00	
12/22/03	Pembina County Fair	7,000.00	7,000.00	
12/22/03	Team Makers Inc	3,500.00	440.68	
12/22/03	Williston Convention & Visitors Bureau	3,500.00	0.00	
[illegible]4	Horse Race North Dakota	85,000.00	0.00	
			$315,796.00	$1,096,839.96

$1,096,839.96

Purse Fund - 2004

Balance of fund on January 1, 2004 ***$2,415,584.34***

Month	Income		Expense		Ending Balance
January	Interest - Dec. '03	818.37	Salaries	2,033.47	$2,414,369.24
			Audit	526.37	$2,413,842.87
		$ 818.37		$ 2,559.84	
February	Interest - Jan. '04	765.07	Salaries	2,032.45	$2,412,575.49
		$ 765.07		$ 2,032.45	
March	Interest - Feb. '04	817.88	Salaries	2,031.74	$2,411,361.63
	Lien Games - Jan. '04	1,719.37			$2,413,081.00
		$ 2,537.25		$ 2,031.74	
April	Interest - March '04	880.17	Salaries	2,027.28	$2,411,933.89
	Lien Games - Feb. '04	2,218.26	ORDA - Gen. Purses	70,000.00	$2,344,152.15
			NDQHRA - Stallion Stakes	10,000.00	$2,334,152.15
		$ 3,098.43		$ 82,027.28	
May	Interest - April '04	890.50	Salaries	2,027.28	$2,333,015.37
	Lien Games - March '04	2,432.64			$2,335,448.01
		$ 3,323.14		$ 2,027.28	
June	Lien Games - April '04	2,141.23	ORDA - Futurity & Derby '05-'06	10,000.00	$2,327,589.24
	Interest - May '04	858.30	Salaries	2,027.28	$2,326,420.26
	Lien Games - May '04 *	3,267.59	ND Horse Park *	325,000.00	$2,004,687.85
	ORDA - June '04 Meet *	293.81			$2,004,981.66
		$ 6,560.93		$ 337,027.28	
July	* applied back to June '04		* applied back to June '04		$2,004,981.66
	Interest	$1,055.56	Salaries	$2,027.28	$2,004,009.94
		$ 1,055.56		$ 2,027.28	
August	Lien Games - June '04	2,177.24	Salaries	2,027.28	$2,004,159.90
	Interest	934.40			$2,005,094.30
		$ 3,111.64		$ 2,027.28	
September	Lien Games - July '04	2,084.42	Salaries	2,030.13	$2,005,148.59
	Interest	1,069.29			$2,006,217.88
		$ 3,153.71		$ 2,030.13	

Purse Fund - 2004

Balance of fund on January 1, 2004 ***$2,415,584.34***

Month	Income		Expense		Ending Balance
October	Lien Games - Aug. '04	2,123.26	Salaries	$ 2,420.89	$2,005,920.25
	Interest - (OMB to post Feb. '05)				
		$ 2,123.26		$ 2,420.89	
November	Lien Games - Sept. '04	$1,822.04	Salaries		$2,007,742.29
	Interest - (OMB to post Feb. '05)				
		$ 1,822.04		$ -	
December	Lien Games - Oct. '04	$2,385.24			$2,010,127.53
	Interest - (OMB to post Feb. '05)				
		$ 2,385.24		$ -	

Committed Funds

11/13/2002 ND Horse Park Foundation
(2004 Commitment - Year #2)
(appx. $300,000/yr for 8 years)

$2,010,127.53

Att #2

Dean Meyer
Director of Racing

PHONE (701) 328-4290
FAX (701) 328-4280

NORTH DAKOTA RACING COMMISSION

500 North 9th Street • Bismarck, ND 58501-4509

Helen Tessmann
Administrative Officer

PHONE (701) 328-4633
FAX (701) 328-4280

February 28, 2005

Nancy McDonald, Exec. Dir.
Development Homes
3880 S Columbia Rd
Grand Forks ND 58201

Leon Glasser, Sec.
Fair Circuit Horse Racing Assn.
223 Crown Butte Dr.
Mandan ND 58554

Kraig Rygg
ND Association for the Disabled
1913 So Washington Street
Grand Forks ND 58201

Connie Belgarde
Sky Dancer Hotel & Casino
PO Box 1449
Belcourt ND 58316

Jennifer McDaniels, Gaming Mgr.
Team Makers Club Inc.
2220 E Main Ave Ste S
West Fargo ND 58078

Jeff Altizer, Exec. Dir.
Williston Convention and Visitors Bureau
PO Box 760
Williston ND 58802-0760

RE: 2005 Promotion Fund Grant Request

To Whom It May Concern:

I regret to inform you that your request for funding from the promotion fund was denied by the Racing Commission at the meeting on February 25, 2005.

As you are aware, the total handle for the state has suffered a dramatic decrease. We have gone from about $180,000,000 per year, to $5.2 million last year. In 2005, we are currently running about $100,000 behind last years meager amount.

The commission is struggling to maintain a balance in the fund that will allow us to operate for a minimum of three years, as we attempt to find methods to bolster our income. Hopefully, we can do some things legislatively that will entice more bettors into the state.

Again, we regret not being able to assist you at this time, but look forward to working with you in the future.

Sincerely,

Dean Meyer
Director of Racing

Cc: Commissioners

Att #3

March 1, 2005

Testimony before the Senate Judiciary Committee regarding House Bill 1389
Fort Lincoln Room
Senator Jack Traynor, Chairman

Chairman Traynor and members of the Senate Judiciary my name is Joe Cichy and I appear here on behalf of Lien Games in support of House Bill 1389.

- Adjust the tax rate.
- The first 11 million in wagers are taxed at the current rate. There is no revenue loss to the State.
- The average amount wagered in North Dakota is about 5 million per year.
- A change in the rate applied to wagers over 11 million will make North Dakota competitive internationally and attract outside players. See attachment:
- Lien Games, the Horsemen, Horse Race North Dakota, and the Racing Commission see this legislation as an opportunity to finish building the needed facilities at the track and provide a revenue stream.
- If you have any questions call Mike Cichy at 701.271.0970 or email mike@liengames.com

AH #4

Overview of Lien Games
Horseplayers and Relationships

The partners responsible for the majority of wagers since Oct. 1st 2004 are respected horsemen and businessmen. Their relationship with Lien Games has one major purpose; to be a partner in managing and marketing of OTB outlets that are currently in contract with Lien Games.

In this venture the players own a company called Trackside Inc., which has an agreement with Lien Games. In managing and marketing the outlets to the general public there is absolutely no intention or future plans to rebate any part of track commissions or take outs whatsoever.

The marketing will be traditional in nature, i.e. Handicapping Contests, Horseplayer Clubs, Raffles etc.

A player reward system may be implemented for meals, appliances, vacations etc. The Horseplayers Club will be open for inspection or audit by any track. There is no intention to use the club as a mask or vehicle to provide rebates.

Trackside Inc. will share in the profits or losses that the co-venture incurs. Two individuals own this company. They are also responsible for the majority of Lien Games handle since Oct. 1st 2004.

Ernest J. Dahlman

Ernest has been one of New York's most celebrated horseplayers for 40 years. He is also a horse owner, and has been owner of the year or meet multiple times. One of his partners is Barry Schwartz, recent president of the N.Y.R.A. Their relationship was based on horse ownership.

Henry Hackel

Henry has been a horseplayer for over 35 years. Currently he also owns and races his horses on the New York circuit.

When the agreement is finalized the players will apply to be licensed by the state of North Dakota as a Simulcast Service provider. Their plan is to also apply to other jurisdictions deemed good business ventures, such as South Dakota and Oregon. This is in addition to an agreement with Horse Race North Dakota, the charity operating the race track in Fargo.

Employees of Trackside Inc. will be managed by Bob Gregorka. Bob holds a Nevada State Gaming License and has been in casino management for 28 years. At this time other horseplayers that are playing at the same site that Ernest and Henry are include:

Gene Hauman—retired Long Island, New York teacher

Chip Taylor—professional singer and song writer, brother of actor Jon Voight

Ernest Dahlman Jr. –owner of a N.Y.C. brokerage firm

Thomas Bona---sports web site owner

Hopefully it is clear to all that the group of individuals named above are horse owners, horseplayers, managers and individuals known for their honesty and integrity within their business and personal circles. It will always be their intention to be completely forthcoming and transparent in their dealings with race tracks and wagering jurisdictions.