

2011 HOUSE JUDICIARY

HB 1093

2011 HOUSE STANDING COMMITTEE MINUTES

House Judiciary Committee
Prairie Room, State Capitol

HB 1093
January 12, 2011
12838

☐ Conference Committee

Committee Clerk Signature



Minutes:

Chairman DeKrey: We will open the hearing on HB 1093.

Winston Satran, Director, ND Racing Commission: Sponsor, support (see attached testimony).

Rep. Koppelman: You talked about the changes you are willing to make that would make it more attractive because of the cost of licensing in ND being disadvantaged, apparently, compared to other places. Yet, in your testimony you talked about two of these companies in 2010 and now there are 7, so it looks like people aren't afraid to come here, can you elaborate on that.

Winston Satran: Last summer, we hosted a meeting with some of the account deposit wagering companies, which the chairman of the Commission attended with me, and we tried to educate ourselves, as to what direction we needed to go in the wagering business. We met for two days, and we literally took apart where we needed to go in the future. I could best describe account deposit wagering as kind of like running a grocery store, the more money they take in, they have about a 2% profit on that. When you take the breakage out, and I should explain that a lot of the companies that are coming to ND are start-up companies. So as they start to pass that \$20 million mark in account deposit wagering, then it costs more money to be here. The interesting thing about it, is they can grow rather rapidly. We are looking at retaining the companies that we have had, and making it available to other companies that might want to come here.

Rep. Klemin: Any further questions. Thank you. Further testimony in support. Testimony in opposition. Neutral testimony to HB 1093. We will close the hearing.

Chairman DeKrey: What are the committee's wishes in regard to HB 1093.

Rep. Maragos: I move a Do Pass.

Rep. Boehning: Seconded.

14 YES 0 NO 0 ABSENT

DO PASS

CARRIER: Rep. Maragos

FISCAL NOTE

Requested by Legislative Council
12/21/2010

Bill/Resolution No.: HB 1093

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.*

	2009-2011 Biennium		2011-2013 Biennium		2013-2015 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.*

2009-2011 Biennium			2011-2013 Biennium			2013-2015 Biennium		
Counties	Cities	School Districts	Counties	Cities	School Districts	Counties	Cities	School Districts
\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0

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

Section 1, Amendment to part 3: It is anticipated this amendment will generate additional revenue, however, the amount can not be determined at this time.

Moneys in the Promotion Fund are appropriated to the Commission on a continuing basis to carry out the purposes of those 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.*

Fiscal impact can not be determined at this time.

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.*

Fiscal impact can not be determined 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.*

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 is also included in the executive budget or relates to a continuing appropriation.*

Name: Winston E. Satran	Agency: ND Racing Commission
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Phone Number: 328-4633

Date Prepared: 12/27/2010

Date: 1/12/11
Roll Call Vote # ONE

2011 HOUSE STANDING COMMITTEE ROLL CALL VOTES
BILL/RESOLUTION NO. 1093

House JUDICIARY Committee

☐ Check here for Conference Committee

Legislative Council Amendment Number _____

Action Taken: ☒ Do Pass ☐ Do Not Pass ☐ Amended ☐ Adopt Amendment
☐ Rerefer to Appropriations ☐ Reconsider

Motion Made By Rep. Maragos Seconded By Rep. Boehning

Representatives	Yes	No	Representatives	Yes	No
Ch. DeKrey	✓		Rep. Delmore	✓	
Rep. Klemin	✓		Rep. Guggisberg	✓	
Rep. Beadle	✓		Rep. Hogan	✓	
Rep. Boehning	✓		Rep. Onstad	✓	
Rep. Brabandt	✓				
Rep. Kingsbury	✓				
Rep. Koppelman	✓				
Rep. Kretschmar	✓				
Rep. Maragos	✓				
Rep. Steiner	✓				

Total (Yes) 14 No 0

Absent 0

Floor Assignment Rep. Maragos

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

REPORT OF STANDING COMMITTEE

HB 1093: Judiciary Committee (Rep. DeKrey, Chairman) recommends **DO PASS**
(14 YEAS, 0 NAYS, 0 ABSENT AND NOT VOTING). HB 1093 was placed on the
Eleventh order on the calendar.

2011 SENATE JUDICIARY

HB 1093

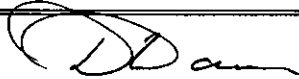
2011 SENATE STANDING COMMITTEE MINUTES

Senate Judiciary Committee
Fort Lincoln Room, State Capitol

HB1093
3/23/11
Job #16032

☐ Conference Committee

Committee Clerk Signature



Explanation or reason for introduction of bill/resolution:

Relating to payment of breakage to and operating expenses of the racing commission.

Minutes:

There is attached testimony

Senator Nething – Chairman

Winston Satran –Director ND Racing Commission – See written testimony.

Senator Olafson – States the Oregon has a fixed fee but ND could fluctuate because of the breakage.

Satran – Says ND does have a licensing fee. They pay \$1,000 per year and also they pay breakage on the total sum wagered. He says it appears to him because there has been an increase in the number of companies and not all will reach 20 million dollars, some will exceed 20 million dollars but if we are to retain those that do lots of wagering we don't want it to get more expensive in ND than in Oregon because they'll leave and then we would lose the tax revenue to promote horse racing in ND.

Senator Olafson – Asks about Oregon's fixed fee.

Satran – Said it is a fixed \$200 per day.

Senator Olafson – Ask why the wagering increases because there are more companies.

Satran – Says they ask each company for a projection of what they think their handle will be per year and that is how they arrived at the 130 million dollars. Out of the nine licensed companies some are just getting started up and won't have any handle this year.

Senator Olafson – States these companies would then be able to accept wagers from all over the country on races in ND.

Satran – Says they can accept wagers from all over the country from races all over the US.

Senator Sitte – Asks about the betting.

Satran – Replies the race tracks are very minor betting. He says when these companies are licensed in ND they advertise on the internet, the bet comes into a computer and sends it to the racetrack elsewhere and the money is added to the pool there.

Senator Sorvaag – Asks if Oregon and ND are the only states licensing.

Satran – Replies there are a number of states that have account deposit wagering. He goes on to say ND and Oregon seem to be generating the most business. He said you have to do lots of volume to make it. If a player is a big player and he realizes he has to pay tax on that he will go to a state he doesn't have to pay the breakage.

Senator Nelson – Asks for definitions.

Satran – Explains breakage and handle.

Senator Nelson – Asks if the Fargo race track not running will affect any of this.

Satran – Replies yes it does. ND has the poorest reputation in the nation for conducting racing. Part of that is due to the over expenditures at the Fargo track. He says in the racing business there is a background checking agency that does a check on every one of the account deposit wagering companies that gets large tracks. He said if they are licensed in ND it is a detriment because of ND history. He says that is his and Dr. Ozbun's goal to raise ND's image nationally.

Senator Sitte – Asks if racing will ever be self sustaining.

Satran – States that is his goal totally. Explains he doesn't like being on the bottom rung of the ladder. He is proud of ND. He speaks of the people who raise horses for racing. He says there are 78 people in the Thoroughbred Association and 54 people in the Quarter Horse Association many which raise horses as their lively hood.

Senator Nelson – Questions the breakage on the first 20 million.

Senator Nething – Commends Mr. Satran for his efforts on this subject.

Satran – Remarks that he and Dr. Ozbun are doing this for the State of ND.

Senator Nething - They discuss the investigation of the racing commission and the bills that came out of it.

Satran – Tells of world betters and how they are examining us as well.

Senator Olafson – Asks how the breeders are paid.

Satran – Responds that as the money comes in from the taxes on the account deposit wagering it goes into 3 funds, the promotion fund, which is set up to help conduct the racing, the purse fund, is for 1st, 2nd, or 3rd place, and the breed fund goes into a pool for

the people that raise horses. They get a certain percentage out of the breed fund if their horse's offspring wins a race.

Opposition – 0

Neutral – 0

Close 1093

Committee discusses the issues the Racing Commission has had in the past and feels there is very good people in charge now. Senator Sitte does not feel it deserves support if it isn't self sustaining. Senator Sorvaag says we have we need to support it.

Senator Olafson moves a do pass

Senator Lyson seconded

Roll call vote – 5 yes, 1 no

Senator Olafson will carry

Date: 3/23/11
Roll Call Vote # 1

2011 SENATE STANDING COMMITTEE ROLL CALL VOTES
BILL/RESOLUTION NO. 1693

Senate Judiciary Committee

☐ Check here for Conference Committee

Legislative Council Amendment Number _____

Action Taken: ☒ Do Pass ☐ Do Not Pass ☐ Amended ☐ Adopt Amendment
☐ Rerefer to Appropriations ☐ Reconsider

Motion Made By Senator Olafson Seconded By Senator Lyson

Senators	Yes	No	Senators	Yes	No
Dave Nething - Chairman	X		Carolyn Nelson	X	
Curtis Olafson - V. Chairman	X				
Stanley Lyson	X				
Margaret Sitte		X			
Ronald Sorvaag	X				

Total (Yes) 5 No 1

Absent _____

Floor Assignment Senator Olafson

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

REPORT OF STANDING COMMITTEE

HB 1093: Judiciary Committee (Sen. Nething, Chairman) recommends DO PASS
(5 YEAS, 1 NAYS, 0 ABSENT AND NOT VOTING). HB 1093 was placed on the
Fourteenth order on the calendar.

2011 TESTIMONY

HB 1093

House Bill 1093
ND Racing Commission
Winston E. Satran, Director
January 12, 2011

62nd Legislative Assembly
House Judiciary Committee
Prairie Room, State Capitol
Representative Duane DeKrey, Chairman

The North Dakota Racing Commission is making changes to improve the financial viability of the Commission in order to support horse racing and horse production in North Dakota. Along with this effort the Racing Commission is seeking methods to increase the examination of the wagering transactions to provide greater oversight and accountability.

The Racing Commission at their September 28, 2010 meeting passed the motion to draft legislation restricting the payment of breakage to \$20,000,000 per year for each account deposit wagering company licensed in North Dakota. Breakage is the downward rounding of the odds on the winning wagers. All tracks in the United States currently use dime breakage which means that the fair odds on a horse are always rounded down to the nearest tenth. For example, if the odds on a specific placing horse were \$6.73, they would be rounded down to \$6.70. The other 3 cents on every bet wagered through an account deposit wagering company licensed here would be forwarded to North Dakota under the current tax law requiring the payment of breakage.

This becomes an issue after the account deposit wagering companies wager over \$20,000,000. It then becomes clearly more expensive to be licensed in North Dakota because we retain the breakage on the entire sum wagered through an account deposit wagering company. Oregon's yearly licensing fee is \$73,000. Breakage based on \$20,000,000 pays North Dakota \$81,200 in taxes per year for the Purse, Promotion, and Breed Funds. The taxation on breakage past the \$20,000,000 threshold makes it

more expensive to do business under a North Dakota Racing Commission license than in the State of Oregon. This provides the rationale to reduce the breakage threshold to \$20,000,000 per company for each year of the biennium which nets \$81,200 revenue from each company if they reach the \$20 million dollar limit. This allows the State to retain the companies already licensed in North Dakota and remain attractive to do business with other companies.

In 2010 there was \$70,673,886 wagered through two account deposit wagering companies licensed in North Dakota. There are now seven companies that are licensed and the Racing Commission is projecting a handle in 2011 of \$130,000,000 wagered through account deposit wagering. It is expected that the total handle will increase again in 2012. North Dakota can expect to realize a minimum of \$324,800 each year from breakage as opposed to the current year of breakage revenues of \$286,935. The handle figure will increase as more companies become licensed in North Dakota and each of the presently licensed companies grows their wagering business.

The Racing Commission is also proposing to change the method of accessing funds from the Promotion Fund for the operation of the Commission. Presently the account deposit wagering companies are paying the audit fees for the monthly audit of their wagering records. It would ensure better control of the auditing function if the Racing Commission was responsible for the payment of the auditor's fees. It would give significantly more control to the Racing Commission to eliminate the payment by the account deposit wagering companies for the monthly audit and have that function under the control of the State.

Access to the current dollars for the operation of the Racing Commission office from the Promotion Fund under the current law is granted by the Emergency

Commission. The Racing Commission is requesting the Legislature to grant the Commission to receive \$25,000 per year or 25% per year, whichever is greater, from the Promotion Fund, for the payment of the Commission's operating expenses to fund auditing of the wagering.

These changes requested by the Racing Commission are to encourage the continued licensing of account deposit wagering companies in North Dakota which will generate funds to support horse production and the racing industry. The changes in the current law will strengthen the Racing Commission's ability to regulate wagering.

These statute changes will have zero impact on the General Fund.

House Bill 1093
ND Racing Commission
Winston E. Satran, Director
March 23, 2011
9:00 a.m.

62nd Legislative Assembly
Senate Judiciary Committee
Fort Lincoln Room, State Capitol
Senator Dave Nething, Chairman

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