

Judiciary Committee
North Dakota Legislative Management
April 11, 2012 – 10:50 a.m.
Roughrider Room, State Capitol

Presentation: Winston E. Satran
Director, North Dakota Racing Commission

The North Dakota Racing Commission has been able to get a glance at prosperity over the last few months. The change in financial fortune has brought about the restoration of horse racing in Fargo this coming summer. On July 14th and 15th and 21st and 22nd, horse racing will again take place at the North Dakota Horse Park. The Racing Commission will provide \$89,000 in purse funds for the four days of racing and \$18,000 in promotion funds to assist in the operation of the race meet. Two account deposit wagering companies have donated an additional \$54,000 to assist with the operational costs of the race meet.

The operation of a race meet has significant costs related to its daily functions. Listed below are some of the categories of expenses:

- State Veterinarian who provides drug testing on participating horses.
- Analysis of samples by a certified laboratory.

- Security - checking of health papers on all horses brought to the racing facilities and providing safety in the stables and spectator areas.
- Ambulance services during racing and the exercising of the horses on the morning gallops.
- Insurance costs:
 - Jockey
 - Liability
 - Spectator
- Stable rental from NDSU.
- Labor costs:
 - Paddock and Starting Gate Personnel
 - Out Riders and Pony Riders
 - Wagering Clerks
 - Racing Secretary
 - Financial Officer
 - Announcer
 - Grounds and Maintenance Personnel

- Equipment Rental and Fuel Costs
- Track Maintenance
- Utilities
- Manure Disposal
- Advertising
- Concessions

The expenses of operating the race meets are returned to the Fargo and Belcourt communities through dollars spent by race participants and spectators. Horse racing, if properly operated, is a financial asset to the local community and state.

This new abbreviated racing season in Fargo is due to an increase in account deposit wagering activity. In 2009 there was \$56 million wagered; in 2010 the total handle from account deposit wagering was \$69 million; and in 2011 it grew to \$112 million. This growth is due to the fact that the North Dakota licensed companies are growing in reputation and attracting more clients nationally and internationally. The Racing Commission continues to see positive growth in the future with companies maturing and refining their business practices.

The Racing Commission continues to implement safeguards to ensure monitoring and accountability of the wagering activity. Racing Commission staff worked with State Procurement and solicited bids for a new contract to hire qualified auditors for the wagering activity. California Horse Racing Information Management Systems was awarded the bid. We have been implementing the auditing system since last November and it has been operating since January of this year. CHRIMS has a positive national reputation and is highly respected across the horse racing industry. CHRIMS will be an excellent partner in managing the wagering activity conducted by the North Dakota licensed companies.

One of the most common questions asked of the Racing Commission members is -- who operates these companies? There is always a suspicion that it is organized crime prowling behind the scenes. The Racing Commission has signed an agreement with the Thoroughbred Racing Protective Bureau to do background checks on the officers and board of directors of each company. The initial background check, which is \$6,500, is paid by the account deposit wagering companies. The information is designated specifically for use by the Racing Commission. As the companies become more established and have an

increase in wagering dollars they are required to go through an extensive background investigation that requires them to pay \$65,000 to the TRPB for the examination of their operations. Those results are shared with the major thoroughbred race tracks and the Racing Commission.

The Racing Commission continues to work on other revenue generating projects such as the Mad Scramble wager which became law on July 1, 2011. We are working in conjunction with a Totalizator company, CHRIMS, and an Account Deposit Wagering company to implement this wager worldwide. A change in our administrative regulation is in process to assess higher fees for the use of this wager. It will be submitted to the Attorney General's office for his review and opinion, and then it will be presented to the Legislative Administrative Rules Committee. This wager has significant potential to raise tax dollars for the General Fund and for horse racing.

The Racing Commission is presently revising the Conduct of Racing administrative regulations to implement the control of racing medications, conduct of participants, organization of the race meets, and increase fairness and accountability.

A significant effort by the Racing Commission, along with other governmental and private agencies, is being made to professionalize the sport

of horse racing and increase horse production. A continuous effort is being made by the Racing Commission to bring responsibility and stability to horse racing in our state.