



Interim Judiciary Committee March 7, 2024

Mission: The mission of the North Dakota Racing Commission is to ensure pari-mutuel wagering and live horse racing are viable and productive within North Dakota.

Goals/Objectives: The North Dakota Racing Commission's primary objective is to regulate and promote the pari-mutuel wagering and live horse racing industry in North Dakota.

Testimony of the ND Racing Commission's Executive Director Bruce Johnson before the Interim Judiciary Committee on the North Dakota Racing Commission's Biennial Report.

The core of our Commission's efforts has to do with the two months of live horse racing in the state of North Dakota. The NDRC is charged with licensing and overseeing these two live racetracks. The first race meet this year will be held at Chippewa Downs. Races this year will start on the first Saturday in June and will race each Saturday & Sunday for four weekends, weather permitting. Chippewa Downs is a beautiful little racetrack located in the city of Belcourt, situated on the Turtle Mountain Band of Chippewa Reservation. Our other active live racetrack is in Fargo. The Fargo track seems to bring a bit more cosmopolitan feel to their races. It's a larger ground and will draw more people than Chippewa Downs. The North Dakota Horse Park is scheduled to also race 4 weekends, Saturday & Sunday. They will be skipping one race day to avoid a conflict with a well-known country western act performing in Fargo but aside from that, this track should be wrapping up its meet the ~~last weekend of July~~ first weekend of August. The

NDRC helps support over 500 full and part-time jobs annually throughout the State. Many of these jobs are located at Chippewa Downs on the Turtle Mountain Band of Chippewa lands. These jobs in turn provide these same individuals the opportunity to hold positions at the ND Horse Park in Fargo during the live race meet there and most make the trip down for the opportunity.

Horse racing in our state, and nearly everywhere in the world it seems these days, gets a bad rap. It would be my sincerest hope that many of you sitting on this Judiciary Committee today find the time to spend just one afternoon out at either of these tracks. The hard work and dedication of everyone involved with the production will be on display from the minute you walk onto the grounds. Horse racing in North Dakota truly should be a source of pride for all North Dakotans.

Aside from its commitments to the live racing industry within our own borders, the NDRC is also tasked with an obligation to help fund these race meets. Betting and horse racing has always gone hand in hand. Since the introduction of the Pari-Mutuel form of wagering to racing in the mid-to-late 1800's, funds earned by the racing community have been completely taken over by this "commission" based, "pool" wagering format. Long gone are the independent bookmakers setting odds and taking on risks. Racetracks do not have a say in wins and losses as it pertains to the wagering side of the racing business. Pari-Mutuel wagering has taken the "gamble" out of the racetrack's hands and left it solely up to the people wagering on the race events. North Dakota and its Pari-Mutuel entities are no different.

Aside from taxes collected on wagering from our two, relatively small, live race wagering events held at our local, in state facilities, the NDRC also licenses and taxes four (4) Off Track Betting (OTB) facilities within North Dakota. These facilities allow for local horse race fans to

watch and wager on events from all over the world. Along with a collection of taxes from these facilities towards the NDRC special funds, OTB stands to keep racing fresh for those interested in keeping up with the action outside our state or honing handicapping skills in anticipation of our own race meets in the summer.

The NDRC also licenses and taxes seven (7) of the businesses whose job it is to facilitate the complicated movement of Pari-Mutuel wagering funds. Totalizator (Tote) companies' partner/contract with racetracks, OTB's and Account Deposit Wagering (ADW)'s to ensure funds wagered on their racing product(s) are handled correctly and that both the race content provider, and race bettors, receive exactly what they're supposed to on each wager. A racing entity cannot function without a Tote company, and a Tote company cannot function without a racing entity. Although no actual wagering happens within the activities of a Tote company, applying for a license annually and paying the appropriate fees, does make the operations of these related businesses vital to the NDRC overall program.

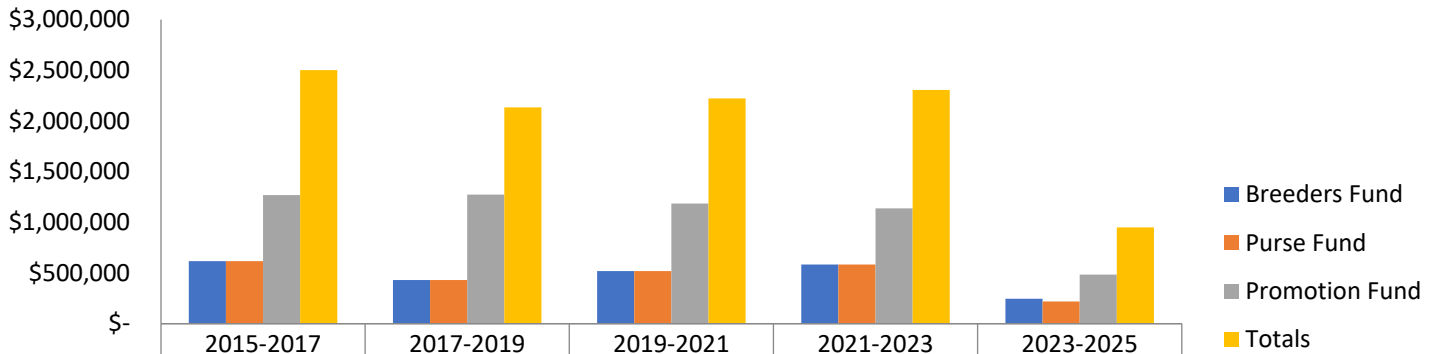
After the passage of the Interstate Horseracing Act of 1978, racetracks throughout the country began looking for sources of Pari-Mutuel wagering handle outside their own jurisdiction. The initial thinking was a racetrack in New York offering its racing content for wagering by race fans at a racetrack in California. This was the beginning of what the industry called, Intertrack wagering. As technology grew, racetracks around the country began to see the value of sending their video and wagering signals out to facilities which had nothing to do with a racetrack. The modern day OTB system was born. Soon after the successes of OTB, it became technically possible for a business to contract with a live racetrack to offer its race wagering content to horse players and handicappers from the comfort of their own home through internet, web-based sites. Account Deposit Wagering was born. The North Dakota Racing Commission

currently licenses and taxes fifteen (15) ADW companies which have clients (account holders), wagering on their favorite tracks throughout the world. For an annual fee and a small percentage of every dollar wagered through one of our ADW partners, we offer a legitimate license for them to continue to serve a valuable purpose to the entire, worldwide, racing industry.

Tax revenues collected from these ADW's are deposited equally to each of our three NDRC special funds, (Breeders Fund / Promotion Fund / Purse Fund) and the General Fund, of which the special funds are in turn used to help finance, produce, and improve our own North Dakota horse race program. A separate tax made up of "Breakage", and in the case of our OTB & live race wagering, "Outs", or uncashed tickets, are deposited directly into the commissions Promotion Fund.

In addition to helping support our own North Dakota racing industry, our licensed ADW partners are obligated to negotiate a deal with one of five NDRC licensed Site Operators within the state. Each of these Site Operators must be a charitable organization certified to conduct operations in North Dakota. Much of what these organizations do is aimed at contributing back to the racing industry throughout the state which serves as an important piece to keeping the racetracks, the horses, and the horsemen, including their families with a level of support when needed.

Revenue Generation to Horsemen's Funds



	2015-2017	2017-2019	2019-2021	2021-2023	2023-2025
Breeders Fund	\$616,659	\$430,085	\$518,840	\$584,358	\$246,262
Purse Fund	\$616,660	\$430,086	\$518,841	\$584,359	\$219,235
Promotion Fund	\$1,268,237	\$1,272,882	\$1,184,470	\$1,137,279	\$484,050
Totals	\$2,501,556	\$2,133,053	\$2,222,151	\$2,305,996	\$949,547

A 2016 NDSU study showed us that Horse Racing in North Dakota has had a positive and significant economic impact for North Dakota. The study shows that racing provides almost \$25,000,000 in economic impact and we believe that number has grown significantly over the past eight years. We will be seeing a new study coming out soon as the commission has voted to retain WDAY out of the Fargo area to begin a much-anticipated marketing and advertising campaign. The NDRC established an internship program in 2020 and has employed eight college students over the past four summers. The NDRC made direct contributions to the state's equine industry totaling over \$2,000,000 during the 2021-2023 biennium. This includes grants and payments to Chippewa Downs and Horse Race North Dakota, ND Thoroughbred Association, ND Quarter Horse Racing Association, salaries, and dozens of North Dakota horsemen including owners and breeders.

North Dakota continues to maintain a positive image in the industry through our strict adherence to the rules and maintaining our oversight with partnerships with the Thoroughbred

Racing Protective Bureau (TRPB), CHRIMS (Pari-Mutuel Accounting), Association of Racing Commissioners International (ARCI) and the ND Attorney General's Office (Licensing & Rules).

The NDRC must also look forward in anticipation of emerging technologies, Federal & State Law changes, and the opportunity to expand live racing, employment, internships, and breeding development within the state. As we move forward in maintaining and expanding our Tribal communities and states rich heritage in horse racing.

While many aspects of Horse Racing in North Dakota are positive, the future of racing in general has significant risk. State Senators and Representatives should expect to be hearing from animal rights groups looking to remove the ability of our important ADW partners to offer wagering content currently limited to just horse and dog racing. National anti-gambling expansion groups are now partnering with animal rights groups, in our case specifically Greyhound Dog "rights" groups, to infiltrate state government with propaganda aimed at eliminating an important source of wagering handle for our ADW partners. The NDRC will look to work closely with legislators to ensure this "tip of the iceberg" approach fails. If these groups are allowed to bully the North Dakota legislature into banning one source of wagering revenue by veiling it as, "animal rights", what will be next for these groups? horses perhaps? Then the question becomes, where does it stop? Racing? Rodeo? Show?

I sincerely hope that the information provided today has been helpful and I would like to extend an invitation to you to attend a live race meet this summer either at Chippewa Downs in June or the ND Horse Park in July.

I stand now for any questions or comments the committee might have.

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