

This Document can be made available
in alternative formats upon request

State of Minnesota
HOUSE OF REPRESENTATIVES

EIGHTY-SIXTH
SESSION

HOUSE FILE No. 1420

March 9, 2009

Authored by Nornes

The bill was read for the first time and referred to the Committee on Commerce and Labor

1.1 A bill for an act
1.2 relating to horse racing; allowing racetracks outside of the seven-county
1.3 metropolitan area; allowing these racetracks to operate card clubs; amending
1.4 Minnesota Statutes 2008, sections 240.05, subdivision 1; 240.10; 240.13,
1.5 subdivisions 1, 5; 240.30, subdivisions 1, 5, 6, 10; proposing coding for new
1.6 law in Minnesota Statutes, chapter 240.

1.7 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MINNESOTA:

1.8 Section 1. Minnesota Statutes 2008, section 240.05, subdivision 1, is amended to read:

1.9 Subdivision 1. **Classes.** The commission may issue ~~four~~ five classes of licenses:

1.10 (a) class A licenses, for the ownership and operation of a racetrack with horse racing
1.11 on which pari-mutuel betting is conducted;

1.12 (b) class B licenses, for the sponsorship and management of horse racing on which
1.13 pari-mutuel betting is conducted;

1.14 (c) class C licenses, for the privilege of engaging in certain occupations related
1.15 to horse racing; ~~and~~

1.16 (d) class D licenses, for the conduct of pari-mutuel horse racing by county
1.17 agricultural societies or associations; and

1.18 (e) class E licenses, for the conduct of pari-mutuel horse racing by organizations
1.19 outside of the seven-county metropolitan area.

1.20 No person may engage in any of the above activities without first having obtained
1.21 the appropriate license from the commission.

1.22 Sec. 2. [240.095] NONMETRO LICENSEES.

1.23 Subdivision 1. Application. The commission may issue class E licenses to
1.24 applicants to operate a racetrack, including existing holders of a class D license who apply

2.1 for a class E license, to conduct and manage on a site of their choosing horse racing on
2.2 which pari-mutuel betting is conducted. An application for a class E license must be on a
2.3 form the commission prescribes and must be accompanied by detailed plans of the track,
2.4 buildings, fences and other improvements.

2.5 Subd. 2. **Occupational licenses.** A person who participates in the management
2.6 or conduct of horse racing or pari-mutuel betting for an organization holding a class E
2.7 license who is in an occupation listed in section 240.08, subdivision 1, or the rules of the
2.8 commission must have a class C license from the commission except for active members,
2.9 as defined in section 349.12, of nonprofit organizations who act without compensation as
2.10 concession workers.

2.11 Subd. 3. **Hearing.** Before granting an initial class E license, the commission must
2.12 hold at least one public hearing in the county where the license is to be issued, and if the
2.13 racetrack to be licensed is within a city, it must also request comments on the application
2.14 from the city council.

2.15 Subd. 4. **Investigation.** Before granting a class E license the director shall
2.16 conduct, or request the Division of Alcohol and Gambling Enforcement to conduct, a
2.17 comprehensive background and financial investigation of the applicant and the sources of
2.18 financing. The director may charge an applicant an investigation fee to cover the cost of
2.19 the investigation, and shall from this fee reimburse the Division of Alcohol and Gambling
2.20 Enforcement for its share of the cost of the investigation. The director has access to all
2.21 criminal history data compiled by the Division of Alcohol and Gambling Enforcement on
2.22 class A licensees and applicants.

2.23 Subd. 5. **Issuance.** If after considering the information received at the hearing or
2.24 hearings and considering the comments requested under subdivision 3, the commission
2.25 determines that the license will not adversely affect the public health, welfare, and safety
2.26 and that the racing to be licensed will be conducted in accordance with all applicable laws
2.27 and rules, it may issue a class E license to the applicant. The license is for a period of
2.28 one year.

2.29 Subd. 6. **Renewal.** On making the same determination as in subdivision 5, the
2.30 commission may renew a class E license without a hearing unless it determines a hearing
2.31 is necessary.

2.32 Subd. 7. **Revocation and suspension.** Revocation and suspension of class E
2.33 licenses, and refusals to renew class E licenses, are as provided in section 240.06,
2.34 subdivision 7. A license suspension or revocation or a refusal to renew a class E license is
2.35 a contested case under sections 14.57 to 14.69 of the Administrative Procedure Act and is
2.36 in addition to criminal penalties imposed for a violation of law or rule.

3.1 Sec. 3. Minnesota Statutes 2008, section 240.10, is amended to read:

3.2 **240.10 LICENSE FEES.**

3.3 The fee for a class A license is \$253,000 per year and must be remitted on July 1.
3.4 The fee for a class B license is \$500 for each assigned racing day and \$100 for each day
3.5 on which simulcasting is authorized and must be remitted on July 1. Included herein are
3.6 all days assigned to be conducted after January 1, 2003. The fee for ~~a~~ class D license and
3.7 class E licenses is \$50 for each assigned racing day on which racing is actually conducted.
3.8 Fees imposed on class D and class E licenses must be paid to the commission at a time and
3.9 in a manner as provided by rule of the commission. An organization may hold both a class
3.10 D and class E license, and the commission shall adjust fees accordingly.

3.11 The commission shall by rule establish an annual license fee for each occupation it
3.12 licenses under section 240.08 but no annual fee for a class C license may exceed \$100.

3.13 Sec. 4. Minnesota Statutes 2008, section 240.13, subdivision 1, is amended to read:

3.14 Subdivision 1. **Authorized.** (a) Class B ~~and,~~ class D, and class E licenses give the
3.15 licensees authority to conduct pari-mutuel betting on the results of races run at the licensed
3.16 racetrack, and on other races as authorized by the commission under this section.

3.17 (b) A class B ~~or,~~ class D, or class E license gives the licensee the authority to
3.18 transmit and receive telecasts and conduct pari-mutuel betting on the results of horse races
3.19 run at its class A facility, and of other horse races run at other locations, as authorized
3.20 by the commission. The class B ~~or class,~~ D, or E licensee may present racing programs
3.21 separately or concurrently.

3.22 (c) Subject to the approval of the commission the types of betting, takeout, and
3.23 distribution of winnings on pari-mutuel pools on simulcast races at a class B ~~or class,~~
3.24 D, or E facility are those in effect at the sending racetrack. Pari-mutuel pools may be
3.25 commingled with pools at the sending racetrack, for the purposes of determining odds and
3.26 payout prices, via the totalizator computer at the class A facility.

3.27 (d) The commission may not authorize a class B licensee to conduct simulcasting or
3.28 telerace simulcasting unless 125 days of live racing, consisting of not less than eight live
3.29 races on each racing day, have been conducted at the class A facility within the preceding
3.30 12 months. The number of live racing days required may be adjusted by agreement
3.31 between the licensee and the horsepersons' organization representing the majority of
3.32 horsepersons racing the breed racing the majority of races at the licensee's class A facility
3.33 during the preceding 12 months. The number of live racing days required must be reduced
3.34 by one day for each assigned racing day that the licensee is unable to conduct live racing
3.35 due to natural occurrences or catastrophes beyond its control.

4.1 (e) The commission may authorize no more than five class D licensees and ten
4.2 class E licensees to conduct simulcasting in any year. Simulcasting may be conducted at
4.3 each class D or class E licensee's facility:

4.4 (1) only on races conducted at another class D facility during a county fair day at
4.5 that facility or on races conducted at a class E facility; and

4.6 (2) for holders of a class D license, only on standardbred races.

4.7 A class D or class E licensee may not conduct simulcasting for wagering purposes
4.8 unless the licensee has a written contract, permitting the simulcasting, with a horseperson's
4.9 organization representing ~~the standardbred industry~~ the breed being simulcast under
4.10 authority of the class D or E license.

4.11 Sec. 5. Minnesota Statutes 2008, section 240.13, subdivision 5, is amended to read:

4.12 Subd. 5. **Purses.** (a) From the amounts deducted from all pari-mutuel pools by a
4.13 licensee, an amount equal to not less than the following percentages of all money in all
4.14 pools must be set aside by the licensee and used for purses for races conducted by the
4.15 licensee, provided that a licensee may agree by contract with an organization representing
4.16 a majority of the horsepersons racing the breed involved to set aside amounts in addition
4.17 to the following percentages:

4.18 (1) for live races conducted at a class A facility, and for races that are part of full
4.19 racing card simulcasting that takes place within the time period of the live races, 8.4
4.20 percent;

4.21 (2) for simulcasts conducted during the racing season other than as provided for in
4.22 clause (1), 50 percent of the takeout remaining after deduction for taxes on pari-mutuel
4.23 pools, payment to the breeders fund, and payment to the sending out-of-state racetrack for
4.24 receipt of the signal; and

4.25 (3) for simulcasts conducted outside of the racing season, 25 percent of the takeout
4.26 remaining after deduction for the state pari-mutuel tax, payment to the breeders fund,
4.27 payment to the sending out-of-state racetrack for receipt of the signal and, before January
4.28 1, 2005, a further deduction of eight percent of all money in all pools. In the event
4.29 that wagering on simulcasts outside of the racing season exceeds \$125 million in any
4.30 calendar year, the amount set aside for purses by this formula is increased to 30 percent
4.31 on amounts between \$125,000,000 and \$150,000,000 wagered; 40 percent on amounts
4.32 between \$150,000,000 and \$175,000,000 wagered; and 50 percent on amounts in excess
4.33 of \$175,000,000 wagered. In lieu of the eight percent deduction, a deduction as agreed
4.34 to between the licensee and the horsepersons' organization representing the majority of

5.1 horsepersons racing at the licensee's class A facility during the preceding 12 months, is
5.2 allowed after December 31, 2004.

5.3 The commission may by rule provide for the administration and enforcement of
5.4 this subdivision. The deductions for payment to the sending out-of-state racetrack must
5.5 be actual, except that when there exists any overlap of ownership, control, or interest
5.6 between the sending out-of-state racetrack and the receiving licensee, the deduction
5.7 must not be greater than three percent unless agreed to between the licensee and the
5.8 horsepersons' organization representing the majority of horsepersons racing the breed
5.9 racing the majority of races during the existing racing meeting or, if outside of the racing
5.10 season, during the most recent racing meeting.

5.11 In lieu of the amount the licensee must pay to the commission for deposit in the
5.12 Minnesota breeders fund under section 240.15, subdivision 1, the licensee shall pay 5-1/2
5.13 percent of the takeout from all pari-mutuel pools generated by wagering at the licensee's
5.14 facility on full racing card simulcasts of races not conducted in this state.

5.15 (b) From the money set aside for purses, the licensee shall pay to the horseperson's
5.16 organization representing the majority of the horsepersons racing the breed involved and
5.17 contracting with the licensee with respect to purses and the conduct of the racing meetings
5.18 and providing representation, benevolent programs, benefits, and services for horsepersons
5.19 and their on-track employees, an amount, sufficient to perform these services, as may be
5.20 determined by agreement by the licensee and the horseperson's organization. The amount
5.21 paid may be deducted only from the money set aside for purses to be paid in races for
5.22 the breed represented by the horseperson's organization. With respect to racing meetings
5.23 where more than one breed is racing, the licensee may contract independently with the
5.24 horseperson's organization representing each breed racing.

5.25 (c) Notwithstanding sections 325D.49 to 325D.66, a horseperson's organization
5.26 representing the majority of the horsepersons racing a breed at a meeting, and the members
5.27 thereof, may agree to withhold horses during a meeting.

5.28 (d) Money set aside for purses from wagering, during the racing season, on
5.29 simulcasts must be used for purses for live races conducted at the licensee's class A facility
5.30 during the same racing season, over and above the 8.4 percent purse requirement or any
5.31 higher requirement to which the parties agree, for races conducted in this state. Money
5.32 set aside for purses from wagering, outside of the racing season, on simulcasts must be
5.33 for purses for live races conducted at the licensee's class A facility during the next racing
5.34 season, over and above the 8.4 percent purse requirement or any higher requirement to
5.35 which the parties agree, for races conducted in this state.

6.1 (e) Money set aside for purses from wagering on simulcasts must be used for purses
6.2 for live races involving the same breed involved in the simulcast except that money set
6.3 aside for purses and payments to the breeders fund from wagering on full racing card
6.4 simulcasts of races not conducted in this state, occurring during a live mixed meet, must
6.5 be allotted to the purses and breeders fund for each breed participating in the mixed meet
6.6 in the same proportion that the number of live races run by each breed bears to the total
6.7 number of live races conducted during the period of the mixed meet.

6.8 (f) The allocation of money set aside for purses to particular racing meets may be
6.9 adjusted, relative to overpayments and underpayments, by contract between the licensee
6.10 and the horsepersons' organization representing the majority of horsepersons racing the
6.11 breed involved at the licensee's facility.

6.12 (g) Subject to the provisions of this chapter, money set aside from pari-mutuel pools
6.13 for purses must be for the breed involved in the race that generated the pool, except that if
6.14 the breed involved in the race generating the pari-mutuel pool is not racing in the current
6.15 racing meeting, or has not raced within the preceding 12 months at the licensee's class A
6.16 facility, money set aside for purses may be distributed proportionately to those breeds that
6.17 have run during the preceding 12 months or paid to the commission and used for purses or
6.18 to promote racing for the breed involved in the race generating the pari-mutuel pool, or
6.19 both, in a manner prescribed by the commission.

6.20 (h) This subdivision does not apply to a class D or class E licensee.

6.21 Sec. 6. Minnesota Statutes 2008, section 240.30, subdivision 1, is amended to read:

6.22 Subdivision 1. **Card club operation.** A class B licensee conducting pari-mutuel
6.23 betting on horse racing at a class A racetrack or a class E licensee may operate a card club
6.24 at the racetrack and offer card playing services to patrons only if the commission has
6.25 authorized the licensee to operate a card club operation under section 240.07, subdivision
6.26 3, paragraph (b), and the commission has approved the licensee's plan of operation under
6.27 subdivision 6. The commission may withdraw its authorization for operation of a card
6.28 club at any time for a violation of a law or rule governing card club operation.

6.29 Sec. 7. Minnesota Statutes 2008, section 240.30, subdivision 5, is amended to read:

6.30 Subd. 5. **Limitation.** The commission shall not authorize a class B licensee to
6.31 operate a card club unless the licensee has conducted at least 50 days of live racing at a
6.32 class A facility within the past 12 months or during the preceding calendar year. The
6.33 commission shall not authorize a class E licensee to operate a card club unless the licensee

7.1 has conducted at least ten days of live racing at the class E facility within the past 12
7.2 months, or during the preceding calendar year.

7.3 Sec. 8. Minnesota Statutes 2008, section 240.30, subdivision 6, is amended to read:

7.4 Subd. 6. **Plan of operation.** (a) The commission shall not authorize a class B
7.5 or class E licensee to operate a card club unless the licensee has submitted, and the
7.6 commission approved, a plan of operation for card playing activities. The plan must set
7.7 forth all necessary details for conducting card playing activities, including, among other
7.8 things:

7.9 (1) specifying and defining all card games to be played, including all governing
7.10 aspects of each game;

7.11 (2) time and location of card playing activities;

7.12 (3) amount and method by which participants will be charged for card playing
7.13 services;

7.14 (4) arrangements to ensure the security of card playing activities;

7.15 (5) designation of all licensed employees of the licensee who undertake supervisory
7.16 positions related to card playing activities;

7.17 (6) internal control systems for card playing activities; and

7.18 (7) a plan for the training of card club personnel in identification of problem
7.19 gamblers and appropriate action to prevent or control problem gambling.

7.20 (b) The licensee must prepare and make available to all customers a written manual
7.21 that covers all portions of the current plan of operation. The licensee must also publish,
7.22 in pamphlet form, a condensed and comprehensive version of the manual and make it
7.23 available to all customers.

7.24 Sec. 9. Minnesota Statutes 2008, section 240.30, subdivision 10, is amended to read:

7.25 Subd. 10. **Reporting.** The class B and class E licensee shall report all income
7.26 generated by the card club in an annual report to the Racing Commission. The report shall
7.27 also account for all costs of operation, taxes paid, amounts paid to the breeder's fund, and
7.28 net profits to the class B or class E licensee.

7.29 Sec. 10. **EFFECTIVE DATE.**

7.30 Sections 1 to 9 are effective the day following final enactment.