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State of Minnesota

HOUSE OF REPRESENTATIVES H. F. No. 2018

NINETY-FIRST SESSION

Authored by Tabke and Albright The bill was read for the first time and referred to the Committee on Commerce 03/04/2019

1.1	A bill for an act
1.2 1.3 1.4 1.5 1.6	relating to pari-mutuel horse racing; modifying licensing, reporting, and other regulatory provisions of the Racing Commission; amending Minnesota Statutes 2018, sections 240.01, by adding a subdivision; 240.02, subdivisions 2, 6; 240.08, subdivision 5; 240.10; 240.12; 240.13, subdivision 5; 240.131, subdivision 7; 240.135; 240.16, subdivisions 1, 2; 240.18, subdivisions 2, 3; 240.22; 240.27.
1.7	BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MINNESOTA:
1.8	Section 1. Minnesota Statutes 2018, section 240.01, is amended by adding a subdivision
1.9	to read:
1.10	Subd. 18a. Racing or gaming-related vendor. "Racing or gaming-related vendor"
1.11	means any person or entity that manufactures, sells, provides, distributes, repairs or maintains
1.12	equipment or supplies used at a Class A facility, or provides services to a Class A facility
1.13	or Class B license holder, that are directly related to the running of a horse race, simulcasting,
1.14	pari-mutuel betting, or card playing.
1.15	EFFECTIVE DATE. This section is effective July 1, 2019.
1.16	Sec. 2. Minnesota Statutes 2018, section 240.02, subdivision 2, is amended to read:
1.17	Subd. 2. Qualifications. A member of the commission must have been a resident of
1.18	Minnesota for at least five years before appointment, and must have a background and
1.19	experience as would qualify for membership on the commission. A member must, before
1.20	taking a place on the commission, file a bond in the principal sum of \$100,000 payable to
1.21	the state, conditioned upon the faithful performance of duties. No commissioner, nor any
1.22	member of the commissioner's immediate family residing in the same household, may hold

02/08/19 REVISOR JSK/EH 19-3018 a license issued by the commission or have a direct or indirect financial interest in a 2.1 corporation, partnership, or association which holds a license issued by the commission. 2.2 Sec. 3. Minnesota Statutes 2018, section 240.02, subdivision 6, is amended to read: 2.3 Subd. 6. Annual Biennial report. The commission shall on February 15 of each 2.4 odd-numbered year submit a report to the governor and legislature on its activities, 2.5 organizational structure, receipts and disbursements, and recommendations for changes in 2.6 the laws relating to racing and pari-mutuel betting. 2.7 Sec. 4. Minnesota Statutes 2018, section 240.08, subdivision 5, is amended to read: 2.8 Subd. 5. Revocation and suspension. (a) After providing a licensee with notice and an 2.9 opportunity to be heard, the commission may: 2.10 (1) revoke a class C license for a violation of law or rule which in the commission's 2.11 opinion adversely affects the integrity of horse racing in Minnesota, the public health, 2.12 welfare, or safety, or for an intentional false statement made in a license application-; or 2.13 The commission may (2) suspend a class C license for up to one year five years for a 2.14 violation of law, order or rule. If the license expires during the term of suspension, the 2.15 licensee shall be ineligible to apply for another license from the commission until the 2.16 expiration of the term of suspension. 2.17 (b) The commission may delegate to its designated agents the authority to impose 2.18 suspensions of class C licenses, and. 2.19 (c) Except as provided in paragraph (d), the revocation or suspension of a class C license 2.20 may be appealed to the commission according to its rules. 2.21 (b) A license revocation or suspension for more than 90 days is a contested case under 2.22 sections 14.57 to 14.69 of the Administrative Procedure Act and is in addition to criminal 2.23 penalties imposed for a violation of law or rule. 2.24 (d) If the commission revokes or suspends a class C license for more than one year, the 2.25 licensee has the right to appeal by requesting a contested case hearing under chapter 14. The 2.26 request must be made in writing and sent to the commission by certified mail or personal 2.27 service. A request sent by certified mail must be postmarked within ten days after the licensee 2.28 receives the order of revocation or suspension from the commission. A request sent by 2.29 personal service must be received by the commission within ten days after the licensee 2.30 receives the order of revocation or suspension from the commission. 2.31

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3.1	(e) The commission may summarily suspend a license for more than up to 90 days prior
3.2	to a contested case hearing where it is necessary to ensure the integrity of racing or to protect
3.3	the public health, welfare, or safety. A contested case hearing must be held within 30 days
3.4	of the summary suspension and the administrative law judge's report must be issued within
3.5	30 days from the close of the hearing record. In all cases involving summary suspension
3.6	the commission must issue its final decision within 30 days from receipt of the report of
3.7	the administrative law judge and subsequent exceptions and argument under section 14.61.
3.8	The licensee has the right to appeal a summary suspension to the commission according to
3.9	its rules.
3.10	EFFECTIVE DATE. This section is effective the day following final enactment.
3.11	Sec. 5. Minnesota Statutes 2018, section 240.10, is amended to read:
3.12	240.10 LICENSE FEES.
3.13	(a) The fee for a class A license is \$253,000 per year and must be remitted on July 1.
3.14	The fee for a class B license is \$500 for each assigned racing day and \$100 for each day on
3.15	which simulcasting is authorized and must be remitted on July 1. The fee for a class D
3.16	license is \$50 for each assigned racing day on which racing is actually conducted. Fees
3.17	imposed on class D licenses must be paid to the commission at a time and in a manner as
3.18	provided by rule of the commission.
3.19	(b) The commission shall by rule establish an annual license fee for each occupation it
3.20	licenses under section 240.08.
3.21	(c) The initial annual license application fee for a class C license to provide advance
3.22	deposit wagering on horse racing under this chapter is \$10,000 and an annual license fee
3.23	of \$2,500 applies thereafter.
3.24	(d) Notwithstanding section 16A.1283, the commission shall by rule establish an annual
3.25	license fee for each type of racing or gaming-related vendor it licenses, not to exceed \$2,500.
3.26	EFFECTIVE DATE. This section is effective July 1, 2019.
3.27	Sec. 6. Minnesota Statutes 2018, section 240.12, is amended to read:
3.28	240.12 LICENSE AGREEMENTS.
3.29	The commission may enter into agreements or compacts with comparable bodies in
3.30	other racing jurisdictions for the mutual recognition of occupational licenses issued by each
3.31	body. The commission may by rule provide for and may charge a fee for the registration of
3.32	each license issued in another jurisdiction.

EFFECTIVE DATE. This section is effective the day following final enactment. 4.1 Sec. 7. Minnesota Statutes 2018, section 240.13, subdivision 5, is amended to read: 4.2 Subd. 5. Purses. (a) From the amounts deducted from all pari-mutuel pools by a licensee, 4.3 including breakage, an amount equal to not less than the following percentages of all money 4.4 in all pools must be set aside by the licensee and used for purses for races conducted by the 4.5 licensee, provided that a licensee may agree by contract with an organization representing 4.6 a majority of the horsepersons racing the breed involved to set aside amounts in addition 4.7 to the following percentages, if the contract is in writing and filed with reviewed by the 4.8 commission for compliance with this subdivision: 4.9 (1) for live races conducted at a class A facility, 8.4 percent of handle; 4.10 (2) for simulcasts conducted any day a class A facility is licensed, not less than 37 percent 4.11 of the takeout amount remaining after deduction for the state pari-mutuel tax, payment to 4.12 the breeders fund, and payment to the sending out-of-state racetrack for receipt of the signal. 4.13 The commission may by rule provide for the administration and enforcement of this 4.14 subdivision. The deductions for payment to the sending out-of-state racetrack must be actual, 4.15 except that when there exists any overlap of ownership, control, or interest between the 4.16 sending out-of-state racetrack and the receiving licensee, the deduction must not be greater 4.17 4.18 than three percent unless agreed to between the licensee and the horsepersons' organization representing the majority of horsepersons racing the breed racing the majority of races 4.19 during the existing racing meeting or, if outside of the racing season, during the most recent 4.20 racing meeting. 4.21 The licensee shall pay to the commission for deposit in the Minnesota breeders fund 4.22 5-1/2 percent of the takeout from all pari-mutuel pools generated by wagering at the licensee's 4.23 facility on simulcasts of races not conducted in this state. 4.24

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(b) From the money set aside for purses, The licensee shall pay to the horseperson's 4.25 organization representing the majority of the horsepersons racing the breed involved and 4.26 4.27 contracting with the licensee with respect to purses and the conduct of the racing meetings and providing representation to its members, an amount as may be determined by agreement 4.28 by the licensee and the horsepersons' organization sufficient to provide benevolent programs, 4.29 benefits, and services for horsepersons and their on-track employees. The amount paid may 4.30 be deducted only from the money set aside for purses to be paid in races for the breed 4.31 4.32 represented by the horseperson's organization or may be paid from breakage retained by the licensee from live or simulcast wagering as agreed between the licensee and horsepersons' 4.33

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- 5.1 <u>organization</u>. With respect to racing meetings where more than one breed is racing, the
- 5.2 licensee may contract independently with the horseperson's organization representing each
 5.3 breed racing. The contract must be in writing and reviewed by the commission for compliance
- 5.4 with this subdivision.
- (c) Notwithstanding sections 325D.49 to 325D.66, a horseperson's organization
 representing the majority of the horsepersons racing a breed at a meeting, and the members
 thereof, may agree to withhold horses during a meeting.

(d) Money set aside for purses from wagering on simulcasts must be used for purses for 5.8 live races involving the same breed involved in the simulcast except that money set aside 5.9 5.10 for purses and payments to the breeders fund from wagering on simulcasts of races not conducted in this state, occurring during a live mixed meet, must be allotted to the purses 5.11 and breeders fund for each breed participating in the mixed meet as agreed upon by the 5.12 breed organizations participating in the live mixed meet. The agreement shall be in writing 5.13 and filed with reviewed by the commission for compliance with this subdivision prior to 5.14 the first day of the live mixed meet. In the absence of a written agreement filed with reviewed 5.15 by the commission, the money set aside for purses and payments to the breeders fund from 5.16 wagering on simulcasts, occurring during a live mixed meet, shall be allotted to each breed 5.17 participating in the live mixed meet in the same proportion that the number of live races 5.18 run by each breed bears to the total number of live races conducted during the period of the 5.19 mixed meet. 5.20

(e) The allocation of money set aside for purses to particular racing meets may be
adjusted, relative to overpayments and underpayments, by contract between the licensee
and the horsepersons' organization representing the majority of horsepersons racing the
breed involved at the licensee's facility. The contract must be in writing and reviewed by
the commission for compliance with this subdivision.

5.26 (f) Subject to the provisions of this chapter, money set aside from pari-mutuel pools for purses must be for the breed involved in the race that generated the pool, except that if the 5.27 breed involved in the race generating the pari-mutuel pool is not racing in the current racing 5.28 meeting, or has not raced within the preceding 12 months at the licensee's class A facility, 5.29 money set aside for purses may be distributed proportionately to those breeds that have run 5.30 during the preceding 12 months or paid to the commission and used for purses or to promote 5.31 racing for the breed involved in the race generating the pari-mutuel pool, or both, in a manner 5.32 prescribed by the commission. 5.33

- 5.34
- (g) This subdivision does not apply to a class D licensee.

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6.1

EFFECTIVE DATE. This section is effective July 1, 2019.

6.2 Sec. 8. Minnesota Statutes 2018, section 240.131, subdivision 7, is amended to read:

Subd. 7. Payments to state. (a) A regulatory fee is imposed at the rate of one percent 6.3 of all amounts wagered by Minnesota residents with an authorized advance deposit wagering 6.4 provider. The fee shall be declared on a form prescribed by the commission. The ADW 6.5 provider must pay the fee to the commission no more than seven 15 days after the end of 6.6 the month in which the wager was made. Fees collected under this paragraph must be 6.7 deposited in the state treasury and credited to a racing and card-playing regulation account 68 in the special revenue fund and are appropriated to the commission to offset the costs 6.9 associated with regulating horse racing and pari-mutuel wagering in Minnesota. 6.10

6.11 (b) A breeders fund fee is imposed in the amount of one-quarter of one percent of all amounts wagered by Minnesota residents with an authorized advance deposit wagering 6.12 provider. The fee shall be declared on a form prescribed by the commission. The ADW 6.13 provider must pay the fee to the commission no more than seven 15 days after the end of 6.14 the month in which the wager was made. Fees collected under this paragraph must be 6.15 6.16 deposited in the state treasury and credited to a racing and card-playing regulation account in the special revenue fund and are appropriated to the commission to offset the cost of 6.17 administering the breeders fund and promote horse breeding in Minnesota. 6.18

6.19 **EFFECTIVE DATE.** This section is effective July 1, 2019.

6.20 Sec. 9. Minnesota Statutes 2018, section 240.135, is amended to read:

6.21 **240.135 CARD CLUB REVENUE.**

(a) From the amounts received from charges authorized under section 240.30, subdivision
4, the licensee shall set aside the amounts specified in this section to be used for purse
payments. These amounts are in addition to the breeders fund and purse requirements set
forth elsewhere in this chapter.

- 6.26 (1) For amounts between zero and \$6,000,000, the licensee shall set aside not less than
 6.27 ten percent to be used as purses.
- 6.28 (2) For amounts in excess of \$6,000,000, the licensee shall set aside not less than 14
 6.29 percent to be used as purses.

6.30 (b) From all amounts set aside under paragraph (a), the licensee shall set aside ten percent6.31 to be deposited in the breeders fund.

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(c) It is the intent of the legislature that the proceeds of the card playing activities 7.1 authorized by this chapter be used to improve the horse racing industry by improving purses. 7.2 The licensee and the horseperson's organization representing the majority of horsepersons 7.3 who have raced at the racetrack during the preceding 12 months may negotiate percentages 7.4 that exceed those stated in this section if the agreement is in writing and filed with reviewed 7.5 by the commission for compliance with this section. The commission shall annually review 7.6 the financial details of card playing activities and determine if the present use of card playing 7.7 proceeds is consistent with the policy established by this paragraph. If the commission 7.8 determines that the use of the proceeds does not comply with the policy set forth herein, 7.9 then the commission shall direct the parties to make the changes necessary to ensure 7.10 compliance. If these changes require legislation, the commission shall make the appropriate 7.11 recommendations to the legislature. 7.12

7.13

EFFECTIVE DATE. This section is effective July 1, 2019.

7.14 Sec. 10. Minnesota Statutes 2018, section 240.16, subdivision 1, is amended to read:

7.15 Subdivision 1. Powers and duties. All horse races run at a licensed racetrack must be 7.16 presided over by a board of three stewards, who must be appointees of the commission or 7.17 persons approved by it. The commission shall designate one steward as chair. At least two 7.18 stewards for all races either shall be employees of the commission who shall serve in the 7.19 unclassified service, or shall be under contract with the commission to serve as stewards. 7.20 The commission may delegate the following duties and powers to a board of stewards:

7.21 (1) to ensure that races are run in accordance with the commission's rules;

7.22 (2) to supervise the conduct of racing to ensure the integrity of the sport;

7.23 (3) to settle disputes arising from the running of horse races, and to certify official results;

(4) to impose on licensees, for violation of law or commission rules, fines not exceeding
\$5,000 and license suspensions not exceeding 90 days of up to \$10,000, suspensions of up
to one year, and other sanctions as delegated by the commission or permitted under its rules;

7.27 (5) to recommend to the commission where warranted penalties in excess of those in7.28 clause (4);

7.29 (6) to otherwise enforce the laws and rules of racing; and

7.30 (7) to perform other duties and have other powers assigned by the commission.

7.31 **EFFECTIVE DATE.** This section is effective the day following final enactment.

02/08/19 REVISOR JSK/EH 19-3018 Sec. 11. Minnesota Statutes 2018, section 240.16, subdivision 2, is amended to read: 8.1 Subd. 2. Appeals; hearings. Except as provided by section 240.08, subdivision 5, a 82 ruling of a board of stewards may be appealed to the commission or be reviewed by it. The 8.3 commission may review any ruling by the board of stewards on its own initiative. The 8.4 commission may provide for appeals to be heard by less than a quorum of the commission. 8.5 A hearing on a penalty imposed by a board of stewards must be granted on request. 8.6 **EFFECTIVE DATE.** This section is effective the day following final enactment. 8.7 Sec. 12. Minnesota Statutes 2018, section 240.18, subdivision 2, is amended to read: 8.8 Subd. 2. Thoroughbred and quarterhorse categories. (a) With respect to available 8.9 money apportioned in the thoroughbred and quarterhorse categories, 20 percent must be 8.10 expended as follows: 8.11 (1) at least one-half in the form of grants, contracts, or expenditures for equine research 8.12 8.13 and related education at the University of Minnesota School of Veterinary Medicine public institutions of postsecondary learning in the state; and 8.14 8.15 (2) the balance in the form of grants, contracts, or expenditures for one or more of the following: 8.16 (i) additional equine research and related education; 8.17 (ii) substance abuse programs for licensed personnel at racetracks in this state; and 8.18 (iii) promotion and public information regarding industry and commission activities; 8.19 racehorse breeding, ownership, and management; and development and expansion of 8.20 economic benefits from racing. 8.21 (b) As a condition of a grant, contract, or expenditure under paragraph (a), the commission 8.22 shall require an annual report from the recipient on the use of the funds to the commission, 8.23 the chair of the house of representatives Committee on General Legislation, Veterans Affairs, 8.24 and Gaming, and the chair of the senate committee on Gaming Regulation. 8.25 (c) The commission shall include in its annual biennial report a summary of each grant, 8.26 contract, or expenditure under paragraph (a), clause (2), and a description of how the 8.27 commission has coordinated activities among recipients to ensure the most efficient and 8.28 effective use of funds. 8.29 (d) After deducting the amount for paragraph (a), the balance of the available proceeds 8.30 in each category may be expended by the commission to: 8.31

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9.1	(1) supplement purses for races held exclusively for Minnesota-bred or Minnesota-foaled
9.2	horses, and supplement purses for Minnesota-bred or Minnesota-foaled horses racing in
9.3	nonrestricted races in that category;
9.4	(2) pay breeders' or owners' awards to the breeders or owners of Minnesota-bred horses
9.5	in that category which win money at licensed pari-mutuel racetracks in the state licensed
9.6	by any state or province; and
9.7	(3) provide other financial incentives to encourage the horse breeding industry in
9.8	Minnesota.
9.9	Sec. 13. Minnesota Statutes 2018, section 240.18, subdivision 3, is amended to read:
9.10	Subd. 3. Standardbred category. (a) With respect to the available money apportioned
9.11	in the standardbred category, 20 percent must be expended as follows:
9.12	(1) one-half of that amount to supplement purses for standardbreds at non-pari-mutuel
9.13	racetracks in the state; and
9.14	(2) one-fourth of that amount for the development of non-pari-mutuel standardbred
9.15	tracks in the state; and
9.16	(3) one-fourth (2) one-half of that amount as grants for equine research and related
9.17	education at public institutions of postsecondary learning in the state.
9.18	(b) After deducting the amount for paragraph (a), the balance of the available proceeds
9.19	in the standardbred category must be expended by the commission to:
9.20	(1) supplement purses for races held exclusively for Minnesota-bred and Minnesota-foaled
9.21	standardbreds;
9.22	(2) pay breeders or owners awards to the breeders or owners of Minnesota-bred
9.23	standardbreds which win money at licensed racetracks in the state; and
9.24	(3) provide other financial incentives to encourage the horse breeding industry in
9.25	Minnesota.
9.26	Sec. 14. Minnesota Statutes 2018, section 240.22, is amended to read:
9.27	240.22 FINES.
9.28	(a) The commission shall by rule establish a schedule of civil fines of up to \$50,000 for
9.29	a class C licensee and up to \$200,000 for a class A, B, or D licensee for violations of laws

9.30 related to horse racing or of the commission's rules. The schedule must be based on and

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reflect the culpability, frequency and severity of the violator's actions. The commission may 10.1 impose a fine from this schedule on a licensee for a violation of those rules or laws relating 10.2 10.3 to horse racing. The fine is in addition to any criminal penalty imposed for the same violation. Except as provided in paragraph (b), fines may be appealed to the commission according 10.4 to its rules. Fines imposed by the commission must be paid to the commission and except 10.5 as provided in paragraph (c), forwarded to the commissioner of management and budget 10.6 for deposit in the state treasury and credited to a racing and card-playing regulation account 10.7 10.8 in the special revenue fund and appropriated to the commission to distribute in the form of grants, contracts, or expenditures to support racehorse adoption, retirement, and repurposing. 10.9

(b) If the commission issues a fine in excess of \$5,000 \$10,000, the license holder has
the right to request a contested case hearing under chapter 14, to be held as set forth in
Minnesota Rules, chapter 1400. The appeal of a fine must be made in writing to the
commission by certified mail or personal service. An appeal sent by certified mail must be
postmarked within ten days after the license holder receives the fine order from the
commission. An appeal sent by personal service must be received by the commission within
ten days after the license holder receives the fine order from the commission.

10.17 (c) If the commission is the prevailing party in a contested case proceeding, the
10.18 commission may recover, from amounts to be forwarded under paragraph (a), reasonable
10.19 attorney fees and costs associated with the contested case.

10.20 **EFFECTIVE DATE.** This section is effective the day following final enactment.

- 10.21 Sec. 15. Minnesota Statutes 2018, section 240.27, is amended to read:
- 10.22 **240.27 EXCLUSION OF CERTAIN PERSONS.**

Subdivision 1. Persons excluded. The commission may exclude from any and all licensedracetracks in the state a person who:

10.25 (1) has been convicted of a felony under the laws of any state or the United States;

10.26 (2) has had a license suspended, revoked, or denied by the commission or by the racing10.27 authority of any other jurisdiction; or

- (3) is determined by the commission, on the basis of evidence presented to it, to be athreat to the public safety or the integrity of racing or card playing in Minnesota.
- Subd. 2. Hearing; appeal. An order to exclude <u>a an unlicensed</u> person from any or all
 licensed racetracks in the state must be made by the commission <u>at following</u> a public
 hearing of which the person to be excluded must have <u>had</u> at least five days' notice. If present

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at the hearing, the person must be permitted to show cause why the exclusion should not
be ordered. An appeal of the order may be made in the same manner as other appeals under

11.3 section 240.20.

11.4 Subd. 3. Notice to racetracks. Upon issuing an order excluding a person from any or 11.5 all licensed racetracks, the commission shall send a copy of the order to the excluded person 11.6 and to all racetracks or teleracing facilities named in it, along with other information as it 11.7 deems necessary to permit compliance with the order.

11.8 Subd. 4. **Prohibitions.** It is a gross misdemeanor for a person named in an exclusion 11.9 order to enter, attempt to enter, or be on the premises of a racetrack named in the order 11.10 while it is in effect, and for a person licensed to conduct racing or operate a racetrack 11.11 knowingly to permit an excluded person to enter or be on the premises.

Subd. 5. Exclusions by racetrack. The holder of a license to conduct racing may eject 11.12 and exclude from its premises any licensee or any other person who is in violation of any 11.13 state law or commission rule or order or who is a threat to racing integrity or the public 11.14 safety. A person so excluded from racetrack premises may appeal the exclusion to the 11.15 commission and must be given a public hearing on the appeal upon request. At the hearing 11.16 the person must be given the opportunity to show cause why the exclusion should not have 11.17 been ordered. If the commission after the hearing finds that the integrity of racing and the 11.18 public safety do not justify the exclusion, it shall order the racetrack making the exclusion 11.19 to reinstate or readmit the person. An appeal of a commission order upholding the exclusion 11.20 is governed by section 240.20. A licensed racetrack may eject and exclude from its premises 11.21 any person for any lawful reason. If a licensed racetrack excludes a person for a suspected 11.22 or potential violation of law or rule, or if a licensed racetrack excludes any person for more 11.23 than five days, the licensed racetrack shall provide the person's name and reason for the 11.24 exclusion to the commission within 72 hours. 11.25