

2023 HOUSE INDUSTRY, BUSINESS AND LABOR

HB 1331

2023 HOUSE STANDING COMMITTEE MINUTES

Industry, Business and Labor Committee Room JW327C, State Capitol

HB 1331
01/17/2023

Relating to the racing commission, account deposit wagering, and bet payoff formulas.

Chairman Louser called to order 2:38 PM

Members Present: Chairman Louser, Vice Chairman Ostlie, Representative Boschee, Christy, Dakane, Johnson, Kasper, Koppelman, Ruby, Schauer, Thomas, Tveit, Wagner.
Member Absent Representative Warrey.

Discussion Topics:

- Promotional fund
- Upgrades
- Wagering companies
- Multi-jurisdictional licensees
- Customer service
- Growth
- Veterinarian costs

In favor:

Representative Claire Cory, District 42, #13857
Jack Schulz, Executive Director (Ret.), North Dakota Racing Commission #13575
Leigh Backhouse, Fargo racetrack (no written testimony)
Jessica Benson, Commissioner ND Racing Commission (no written testimony)

Representative Boshee moved a do pass.
Vice Chairman Ostlie seconded the motion.

Roll call vote:

| Representatives | Vote |
|-------------------------------|------|
| Representative Scott Louser | Y |
| Representative Mitch Ostlie | Y |
| Representative Josh Boschee | Y |
| Representative Josh Christy | Y |
| Representative Hamida Dakane | Y |
| Representative Jorin Johnson | Y |
| Representative Jim Kasper | Y |
| Representative Ben Koppelman | Y |
| Representative Dan Ruby | N |
| Representative Austen Schauer | Y |
| Representative Paul J. Thomas | Y |
| Representative Bill Tveit | Y |

| | |
|--------------------------------|----|
| Representative Scott Wagner | Y |
| Representative Jonathan Warrey | AB |

Motion passes 12-1-1

Representative J. Johnson will carry the bill.

Chairman Louser adjourned the meeting adjourns at 3:11 PM

Diane Lillis, Committee Clerk

REPORT OF STANDING COMMITTEE

HB 1331: Industry, Business and Labor Committee (Rep. Louser, Chairman)
recommends **DO PASS** (12 YEAS, 1 NAY, 1 ABSENT AND NOT VOTING). HB 1331
was placed on the Eleventh order on the calendar.

2023 HOUSE STANDING COMMITTEE MINUTES

Industry, Business and Labor Committee Room JW327C, State Capitol

HB 1331
01/17/2023

Relating to the racing commission, account deposit wagering, and bet payoff formulas.

Chairman Louser called to order 4:08 PM

Members Present: Chairman Louser, Vice Chairman Ostlie, Representatives Boschee, Christy, Dakane, Johnson, Kasper, Koppelman, Ruby, Schauer, Thomas, Tveit, Wagner.
Member Absent: Representative Warrey.

Discussion Topics:

- Changing of horse and dog racing.

Representative Koppelman moved to reconsider actions on HB 1331, Seconded by Representative Ruby

Roll call vote:

| Representatives | Vote |
|--------------------------------|------|
| Representative Scott Louser | N |
| Representative Mitch Ostlie | N |
| Representative Josh Boschee | N |
| Representative Josh Christy | N |
| Representative Hamida Dakane | N |
| Representative Jorin Johnson | N |
| Representative Jim Kasper | Y |
| Representative Ben Koppelman | Y |
| Representative Dan Ruby | Y |
| Representative Austen Schauer | AB |
| Representative Paul J. Thomas | N |
| Representative Bill Tveit | N |
| Representative Scott Wagner | N |
| Representative Jonathan Warrey | AB |

Motion failed to reconsider 3-10-1

Chairman closed the meeting at 4:16 PM

Diane Lillis, Committee Clerk

2023 SENATE JUDICIARY

HB 1331

2023 SENATE STANDING COMMITTEE MINUTES

Judiciary Committee
Peace Garden Room, State Capitol

HB 1331
3/29/2023

| |
|--|
| A bill relating to the racing commission, account deposit wagering, and bet payoff formulas. |
|--|

10:31 AM Chairman Larson opened the meeting.
Chairman Larson and Senators Myrdal, Luick, Estenson, Sickler, and Braunberger were present. Senator Paulson was absent.

Discussion Topics:

- Horse racing
- Racing commission
- Wagering
- Breakage

10:31 AM Representative Cory introduced the bill.

10:37 AM Jack Schultz, Past Executive Director, North Dakota Racing Commission, spoke in favor of the bill.

10:55 AM Bruce Johnson Executive Director of Racing, North Dakota Racing Commission, testified in favor of the bill and provided written testimony #26903.

11:09 AM Scott Horst, President, North Dakota Thoroughbred Association, spoke in favor of the bill.

11:14 AM Leigh Backhaus, North Dakota Thoroughbred Association and North Dakota Horse Park spoke in favor of the bill.

Additional written testimony:

Claire Cory #26989

11:19 AM Chairman Larson closed the public hearing.

11:19 AM Chairman Larson closed the meeting.

Rick Schuchard, Committee Clerk

2023 SENATE STANDING COMMITTEE MINUTES

Judiciary Committee
Peace Garden Room, State Capitol

HB 1331
3/29/2023

| |
|--|
| A bill relating to the racing commission, account deposit wagering, and bet payoff formulas. |
|--|

3:18 PM Chairman Larson opened the meeting.

Chairman Larson and Senators Myrdal, Luick, Estenson, Sickler, Paulson and Braunberger are present.

Discussion Topics:

- Amendments
- Breakage
- Racing revenue

3:18 PM The committee has discussion on the bill.

3:29 PM Senator Myrdal moved to Do Not Pass the bill.
Motion seconded by Senator Luick.

3:34 PM Roll call vote was taken.

| Senators | Vote |
|--------------------------|------|
| Senator Diane Larson | Y |
| Senator Bob Paulson | Y |
| Senator Jonathan Sickler | Y |
| Senator Ryan Braunberger | N |
| Senator Judy Estenson | Y |
| Senator Larry Luick | Y |
| Senator Janne Myrdal | Y |

Motion passes 6-1-0.

Senator Myrdal will carry the bill.

This bill does not affect workforce development.

3:37 PM Chairman Larson closed the meeting.

Rick Schuchard, Committee Clerk

REPORT OF STANDING COMMITTEE

HB 1331: Judiciary Committee (Sen. Larson, Chairman) recommends **DO NOT PASS** (6 YEAS, 1 NAY, 0 ABSENT AND NOT VOTING). HB 1331 was placed on the Fourteenth order on the calendar. This bill does not affect workforce development.

TESTIMONY

HB 1331

House Bill 1331
ND Racing Commission
John Hanson, Chairman NDRC
Jack K Schulz, Ex. Director (Ret.)
January 17, 2023

68th Legislative Assembly
House Industry, Business, and Labor Committee
Representative Scott Louser, Chairman

To the Honorable Chairman Louser and other Honorable members of the House Industry, Business, and Labor Committee. Thank you for the opportunity to appear before you to present our testimony for HB 1331, relating to the racing commission, account deposit wagering and bet payoff formulas.

The N.D. Racing Commission is the Agency that Regulates all Parimutuel Wagering and live horse racing in accordance with Chapter 53-06.2. This is the regulatory body for all live racing and pari-mutuel wagering. The ND Racing Commission does not own or operate any live racetracks nor any parimutuel gaming site.

53-06.2-01. Definitions.

1. Page 1, line 9-10. Adding a definition for Account Deposit Wagering (ADW's) to definitions section the statute.
2. Page 2, line 17-19. Amends the definition of racing to follow the definitions in sections 53-06.2-10 and 53-06.2-10.1 to clearly define what live racing is allowed in N.D. and that ADW's can accept wagers on live parimutuel racing in other States and Countries outside of the State of N.D. where those jurisdictions allow parimutuel wagering to occur. Examples include Hong Kong Horse Racing, Europe Horse Racing and Drone Racing, Japan allows

wagering on boats and bicycle racing. This would allow our ADW's to accept wagers on these events, pay the tax to N.D. and yet not allow an expansion of racing within the state. The additional taxes collected would be allocated under the proposed split between General, Promotion, Breeders, and Purse Funds as is currently set by state law. The bulk of these funds pay back directly to our Agricultural Community through grants, purses, and awards.

53-06.2-10.1. Simulcast Wagering

1. Page 3 lines 7, 9, 10, 11, 14, 18, Page 7, lines 1, 5, Page 5, lines 7, 10. The first changes include grammatical changes to coincide with definitions and grammar.
2. Page 3, Lines 29-31 are deleted as the definition is now placed in the definitions.

53-06.2-11. Bet payoff formulas.

1. Page 5, Lines 18, 29, amend the tax to promotional fund from 1/16 of one percent to 1/8 of one percent. This is to correct the offset of tax collections in number 3.
2. Page 6, Line 1-3 amend the dates and amounts that each licensee will pay in taxes each fiscal year starting in 2023. This increases from \$420,000 to \$500,00 and in 2024 raising the cap to \$520,000. These increases will offset the elimination of the breakage collected in line 6.
3. Page 6, line 6 eliminates the requirement for all breakage to be paid to the commission. The lost revenues are recouped in the two previous comments. This change was requested by several of the ADW's to help simplify their tax structure.
4. Page 7 line 1 raises the percentage that the NDRC may receive from the promotion fund for expenses from 25% to 35%. This change is needed as

expenses have increased substantially over the years and the increase is needed to keep providing qualified personnel at the track to oversee the regulations and safety of all animals and personnel. These funds are used to fund such positions as the State Stewards, State Veterinarian, Licensing Staff, and expenses associated with each. Additionally, we use these funds for the Audit firm CHRIMS that audits all ADW financial activity and maintains reports for all tax collections.



North Dakota House of Representatives

STATE CAPITOL
600 EAST BOULEVARD
BISMARCK, ND 58505-0360

#13857



Representative Claire Cory

District 42
P.O. Box 5094
Grand Forks, ND 58206-5094

C: 701-213-6553

clairecory@ndlegis.gov

COMMITTEES:

Judiciary
Government and Veterans Affairs

Chairman Louser and Members of the House Industry, Business, and Labor Committee,

For the record, my name is Claire Cory, and I represent District 42 in Grand Forks.

House Bill 1331 is a bill on behalf of the racing commission.

The N.D. Racing Commission is the Agency that Regulates all Parimutuel Wagering and live horse racing. This is the regulatory body for all live racing and pari-mutuel wagering. The ND Racing Commission does not own or operate any live racetracks nor any parimutuel gaming site.

The goal of the bill is to incorporate changes to the North Dakota Century Code to update definitions to help clarify language and intent; to allow our (ADW) Account Deposit Wagering to accept wagers on any lawful pari-mutuel races being run in jurisdictions outside the State of North Dakota while not expanding pari-mutuel racing within the State; and to simplify the tax structure as requested by several ADWs, while maintaining tax revenues and to increase the amount of funds that maybe spent out of the promotion fund for operations due to higher costs of operations.

Mr. Chairman and Members of the House Industry, Business, and Labor Committee this concludes my testimony and I am happy to answer any questions.

House Bill 1331
ND Racing Commission
Bruce Johnson, Executive Director
March 29, 2023, 10:30 CDT
Peace Garden Room, ND State Capitol

68th Legislative Assembly
Senate Judiciary Committee

To the Honorable Diane Larson and other Honorable members of the Senate Judiciary Committee. Thank you for the opportunity to appear before you to present our testimony for HB 1331, relating to the racing commission, account deposit wagering and bet payoff formulas.

The N.D. Racing Commission is the Agency that Regulates all Parimutuel Wagering and live horse racing in accordance with Chapter 53-06.2. This is the regulatory body for all live racing and pari-mutuel wagering. The ND Racing Commission does not own or operate any live racetracks nor any parimutuel gaming site.

53-06.2-01. Definitions.

1. Page 1, line 9-10. Adding a definition for Account Deposit Wagering (ADW's) to definitions section the statute.
2. Page 2, line 17-19. Amends the definition of racing to follow the definitions in sections 53-06.2-10 and 53-06.2-10.1 to clearly define what live racing is allowed in N.D. and that ADW's can accept wagers on live parimutuel racing in other States and Countries outside of the State of N.D. where those jurisdictions allow parimutuel wagering to occur. Examples include Hong Kong Horse Racing, Europe Horse Racing and Drone Racing, Japan allows

wagering on boats and bicycle racing. This would allow our ADW's to accept wagers on these events, pay the tax to N.D. and yet not allow an expansion of racing within the state. The additional taxes collected would be allocated under the proposed split between General, Promotion, Breeders, and Purse Funds as is currently set by state law. The bulk of these funds pay back directly to our Agricultural Community through grants, purses, and awards.

53-06.2-10.1. Simulcast Wagering

1. Page 3 lines 7, 9, 10, 11, 14, 18, Page 7, lines 1, 5, Page 5, lines 7, 10. The first changes include grammatical changes to coincide with definitions and grammar.
2. Page 3, Lines 29-31 are deleted as the definition is now placed in the definitions.

53-06.2-11. Bet payoff formulas.

1. Page 5, Lines 18, 29, amend the tax to promotional fund from 1/16 of one percent to 1/8 of one percent. This is to correct the offset of tax collections in number 3.
2. Page 6, Line 1-3 amend the dates and amounts that each licensee will pay in taxes each fiscal year starting in 2023. This increases from \$420,000 to \$500,00 and in 2024 raising the cap to \$520,000. These increases will offset the elimination of the breakage collected in line 6.
3. Page 6, line 6 eliminates the requirement for all breakage to be paid to the commission. The lost revenues are recouped in the two previous comments. This change was requested by several of the ADW's to help simplify their tax structure.
4. Page 7 line 1 raises the percentage that the NDRC may receive from the promotion fund for expenses from 25% to 35%. This change is needed as

expenses have increased substantially over the years and the increase is needed to keep providing qualified personnel at the track to oversee the regulations and safety of all animals and personnel. These funds are used to fund such positions as the State Stewards, State Veterinarian, Licensing Staff, and expenses associated with each. Additionally, we use these funds for the Audit firm CHRIMS that audits all ADW financial activity and maintains reports for all tax collections.



North Dakota House of Representatives

STATE CAPITOL
600 EAST BOULEVARD
BISMARCK, ND 58505-0360



Representative Claire Cory

District 42
P.O. Box 5094
Grand Forks, ND 58206-5094
C: 701-213-6553
clairecory@ndlegis.gov

COMMITTEES:

Judiciary
Government and Veterans Affairs

March 1, 2023

Madam Chair Larson and Senate Judiciary members ,

For the record, my name is Claire Cory. I represent District 42 in Grand Forks, which includes the northwestern corner of Grand Forks and expands out to include the Grand Forks Air Force Base. I am here to ask for support of House Bill 1331.

The North Dakota Racing Commission was created in the 1987 legislation session. It is the **regulating body** in charge of regulating live and simulcast horse racing. **The commission doesn't own or operate race tracks or gaming sites.** This is much like the Attorney General gaming division that regulates Charitable Gaming, Online Gaming, Tribal Gaming, and the North Dakota Lottery. The racing commission is made up of 5 members which are appointed by the governor and has an office staff of the executive director and administrative officer. The commission administers three special funds for the benefit of the horse racing industry. The breeders fund helps in promoting breeding of horses and provides monetary awards for top performing horses. The purse fund provides the funding for purses at the state's two race tracks, which are located in Fargo and on the Turtle Mountain Indian Reservation in Belcourt. This funding is significant for track operations. The racing promotional fund assists in improving and upgrading racetracks in the state.

Going through the bill:

Section 1:

- Page 1, subsection 1: Defines "Account deposit wagering" (ADW's). This will clarify ADW's.
- Page 2, new subsection 12: "Racing" is amended to define what live racing is allowed in state and that ADW's can accept wagers on lawful live parimutuel racing outside of the state of North

Dakota. This will allow ADWs to accept wagers on events and pay the tax back to North Dakota.

Section 2

- grammatically changes to align with section 1.

Section 3

- On page 5, lines 18 and 29 change the tax that goes to the promotional fund to 1/8 from the initial 1/16 of one percent. This is to correct the offset tax in subsection 3.
- On page 6, lines 1-3, you'll see a change in date and amount that each licensee will pay in taxes each fiscal year. You'll also see an increase from \$420,000 to \$500,000 and raise the cap to \$520,000. These increases are an offset to the elimination of breakage in subsection 3.
- Page 6, line 6 eliminates breakage to be paid to the commission.
- Page 7, line 1 raises the percentage that the racing commission may receive from the promotional fund for expenses by a 10% increase.

Why is this important to pass?

- North Dakota serves as the country's second largest ADW licensing hub. This bill will make our racing commission more attractive compared to other states.
- These funds pay back directly to our agricultural community through grants, purses, and awards.
- Race weekends impact our communities. It is a fun family friendly event that attracts horseman from all over the country.
- Passage of this bill provides a reliable tax income for the racing commission. The ADW's say it simplifies their reporting requirements and puts a cap on the amount of tax owed.

Madam Chair Larson and members of the Senate Judiciary Committee, this concludes my testimony. I respectfully ask for a do pass recommendation from your committee. I am happy to stand for any questions.