

STATE OF MINNESOTA  
MINNESOTA RACING COMMISSION

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In the Matter of the  
Proposed Adoption of  
Rules of the Minnesota  
Racing Commission concerning  
Amendments and Additions to  
the Existing Rules Governing  
Horse Racing.

STATEMENT OF NEED  
AND REASONABLENESS

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I. GENERAL

In an effort to improve the quality of horse racing in this state, the Minnesota Racing Commission ("Commission") proposes amendments to the rules of racing. The proposed amendments are consistent with rules in other racing jurisdictions and are necessary to make Minnesota competitive in the horse racing industry. The Commission believes the proposed amendments are reasonable because they are customary in other racing jurisdictions. The burdens imposed on the participants are not undue, and compliance with similar rules has been obtained in other jurisdictions.

II. STATUTORY AUTHORITY

The Commission is powered by Minn. Stat. §240.03 to:

- 1) Regulate horse racing in Minnesota to ensure that it is conducted in the public interest;
- 2) Enforce all laws and rules governing horse racing;
- 3) Supervise the conduct of pari-mutuel betting on horse races; and
- 4) Take all necessary steps to insure the integrity of racing in Minnesota.

The Commission is also specifically authorized by Minn. Stat. §240.23 and Laws '89, ch. 141 to promulgate rules governing the "conduct of horse racing held at licensed racetracks, including but not limited to the rules of racing, standards of entry, operation of claiming races, filing and handling of objections, carrying of weights, declaration of official results, and conduct of televised racing dates" and "any other aspect of horse racing or pari-mutuel betting, which in its opinion, effects the integrity of racing or the public health, welfare or safety". Moreover, the Legislature has specifically directed the Commission to promulgate rules governing the conduct of televised racing days at licensed racetracks. Minn. Stat. §240.13, subd. 6a (1989).

### III. RULE-BY-RULE ANALYSIS

#### 7869.0100 Definitions

This part contains the definitions relevant to Minn. Rule ch. 7869 to 7899 including new Minn. Rule ch. 7871. The Commission proposes to add subparts 30a, 32a, 33a, 47a, 51a and 65a to this part. The remaining subparts are unchanged.

#### 7869.0100, subpart 30a

This subpart contains the definition of a guest racetrack. The proposed addition is necessary to provide a definition of a licensed racetrack that will be receiving simulcast transmissions from another licensed racetrack. The proposed addition is reasonable because it makes clear to racing participants that the guest racetrack is receiving simulcast races from another racetrack.

#### 7869.0100, subpart 32a

This subpart contains the definition of a host racetrack. The proposed addition is necessary to provide a definition of a licensed racetrack that will be sending simulcast transmission of its live races

of pari-mutuel pools and changes in pools offered by the host racetrack.

7871.0010, subpart 4

The Commission proposes to add this subpart by requiring licensed racetracks to file executed contracts with host racetracks with the Commission. The proposed addition is necessary to conform to existing rules governing simulcasting of races from a licensed racetrack on live racing days.

7871.0020 Approval of Pari-Mutuel Pools on Televised Racing Days

7871.0020, subpart 1

The Commission proposes to add this subpart by requiring the Commission to approve requests by licensed racetracks for pari-mutuel pools on televised racing days. This proposed addition is necessary to conform to existing rules governing approval of pari-mutuel pools for live racing days.

7871.0020, subpart 2

The Commission proposes to add this subpart by providing criteria for the approval of pari-mutuel pools on televised racing days. The proposed addition is necessary to conform to existing rules governing the criteria for approval of pari-mutuel pools for live racing days. The proposed addition is reasonable in that it requires the criteria to be met by both the guest (Class B Licensee) and host racetracks.

7871.0020, subpart 3

The Commission proposes to add this subpart by delegating authority to the Director of Pari-Mutuel Racing to approve changes to previously approved pari-mutuel pools and placement of pools. This proposed addition is necessary and reasonable to allow flexibility for the Commission and licensed racetrack to respond to patron preference for varieties of pari-mutuel pools and changes in pools offered by the host racetrack.

to another licensed racetrack. The proposed addition is reasonable because it makes clear to racing participants that the host racetrack is sending simulcast races to another racetrack.

7869.0100, subpart 33a

This subpart contains the definition of a live racing day. The proposed addition is necessary to provide a distinction to a televised racing day. The proposed addition is reasonable in that it creates a clear understanding among racing participants as to the days pari-mutuel wagering will be conducted on live races at a licensed racetrack.

7869.0100, subpart 47a

This proposed addition is necessary to provide a definition of a presiding official on televised racing days that conforms to accepted standards in the racing industry generally. The proposed addition is a reiteration of Minn. Law and creates a definition that will be more easily understood by racing participants.

7869.0100, subpart 51a

This proposed addition is necessary to provide a definition of racing day. This definition was absent in the initial adoption of rules. This proposed addition is reasonable because it creates a definition more easily understood by racing participants.

7869.0100, subpart 65a

This proposed addition is necessary to provide a definition of a televised racing day. This proposed addition is a reiteration of Minn. Law. This proposed addition is reasonable because it creates a distinction to a live racing day and will be more easily understood by racing participants.

7870.0420 Payment of Class A and B License Fee

The Commission proposes to amend this chapter by reiterating fees set by law for both live and televised racing days. The proposed amendment is necessary to provide the distinction between the fees for each type of racing day requested and approved. The proposed amendment is reasonable because it provides a clear understanding by Class B licensees of the fees required to be paid for each race day.

#### 7871 Pari-Mutuel Rules on Televised Race Days

##### 7871.0010 Application for Pari-Mutuel Pools

###### 7871.0010, subpart 1

The Commission proposes to add this subpart by requiring licensed racetracks to apply for Commission approval of pari-mutuel pools on televised racing days. This proposed addition is necessary to conform to existing rules governing application of pari-mutuel pools for live racing days. It is also necessary and reasonable that the Commission have precise information as to types of wagering that will be offered during televised racing days.

###### 7871.0010, subpart 2

The Commission proposes to add this subpart by requiring the Commission to disseminate requests by licensed racetracks for pari-mutuel pools on televised racing days. This proposed addition is necessary to conform to existing rules governing requests of pari-mutuel pools for live racing days. This proposed addition is reasonable in that it provides for public input into the approval of pari-mutuel pools.

###### 7871.0010, subpart 3

The Commission proposes to add this subpart by allowing the Commission the authority to designate pari-mutuel pools. The proposed addition is necessary and reasonable in that it allows flexibility for the Commission and a licensed racetrack to respond to patron preference for varieties

## 7871.0030 Pari-Mutuel Betting

### 7871.0020, subpart 1

The 1989 legislation authorizing wagering on televised racing days stipulates that the distribution of winnings on pari-mutuel pools shall be that that is in effect at the sending (host) racetrack. This proposed subpart is necessary and reasonable to conform the rule to the statutory language. By rule the minimum return on a live racing day is \$2.10. Should the situation occur where there is not enough money remaining in the net pool to pay \$2.10 on each winning ticket, the licensee must make up the amount by which the pool is insufficient. Whatever the minimum return is at host racetrack(s) it is reasonable that the host and guest tracks share in that liability.

### 7871.0030, subpart 2

The 1989 legislation authorizes the commingling of amounts bet at the guest racetrack with the amounts bet at the host racetrack. This proposed addition is necessary and reasonable to conform the rules to the statutory language. Since this is the thrust of the legislation and rules it is reasonable to include this subpart. This proposed addition is reasonable in that it requires compatibility in respective tote equipment.

### 7871.0040 "Official Sign"

The Commission proposes to add this chapter to make mutuel payoffs final at the time a race is determined official at the host racetrack. This proposed addition is necessary and reasonable in that it conforms to the posting of the official sign and mutuel payoffs currently in existing rule for live racing days.

### 7871.0050 Lost Tickets

This proposed addition is necessary to stipulate the disposition

of lost pari-mutuel tickets from a televised racing day. This proposed addition is reasonable in that it conforms to existing rule governing lost pari-mutuel tickets during a live racing day.

7871.0060 Altered or Mutilated Tickets

This proposed addition is necessary to stipulate the disposition of altered or mutilated tickets presented from a televised racing day. This proposed addition is reasonable in that it conforms to existing rule governing altered or mutilated tickets presented from a live racing day.

7871.0070 Information Window

This proposed addition is necessary so as to provide comprehensive information to the wagering patrons. This proposed addition is reasonable in that it conforms to existing rules requiring information windows during live racing days.

7871.0080 Tip Sheets

7871.0080 Number of Tip Sheets

This proposed addition is necessary to allow the guest racetrack to make tip sheets available to the wagering patrons. This addition is reasonable in that it conforms to existing rule governing the sale of tip sheets during live racing days.

7871.0080, subpart 2

This proposed addition is necessary in that it allows wagering patrons to compare the accuracy of competing tip sheet vendors. This proposed addition is reasonable in that it conforms to existing rules governing the sale of tip sheets on live racing days.

7871.0080, subpart 3

This proposed addition is necessary in that it provides regulatory supervision of tip sheet vendors by the Commission. This addition

is reasonable in that it conforms to existing rules governing tip sheet vendors during live racing days.

7871.0090 Simulcast Wagering on a Televised Racing Day

7871.0090, subpart 1

This proposed addition requires a licensed racetrack to request approval to simulcast additional races during a televised racing day. This addition is necessary because it allows the licensed racetrack to offer to wagering patrons the opportunity to wager on a race of patron interest that might be occurring at a racetrack other than the host track during a televised racing day. This addition is reasonable in that it conforms to existing rules governing requests for simulcast races during a live race day.

7871.0090, subpart 2

This proposed addition is necessary to indicate to racing participants when simulcast races can be offered. This proposed addition is reasonable in that it conforms to existing rules governing approval of simulcast races during live racing days.

7871.0090, subpart 3

A simulcast race during a televised racing day from a licensed racetrack other than the host track will not, in most cases, allow for commingling of wagering pools. This addition is necessary to indicate the tax liability on this race at the licensed (guest) racetrack. This addition is reasonable in that it conforms to existing tax rates imposed on simulcast races offered during live racing days.

7871.0090, subpart 4

This proposed addition is necessary to require compliance with Federal Law governing interstate simulcasting of races. This proposed addition is reasonable in that it conforms to existing rule governing



simulcast of races during live racing days.

7871.0100 Telephone Account Wagering

7871.0100, subpart 1

This proposed addition requires a licensed racetrack to request Commission approval for telephone account wagering during televised racing days. This proposed addition is necessary in that it establishes criteria on which to base the approval for telephone account wagering. This proposed addition is reasonable in that it conforms to existing rule governing requests for telephone account wagering on live racing days.

7871.0100, subpart 2

This proposed addition is necessary in that it sets precise requirements for conducting telephone account wagering. This proposed addition is reasonable in that it conforms to existing rule setting requirements for telephone account wagering on live racing days.

7871.0100, subpart 3

This addition is necessary in that it sets precise procedures for conducting telephone account wagering on televised racing days. This addition is reasonable in that it conforms to existing rules setting procedures for conducting telephone account wagering on live racing days.

7871.0100, Subpart 4

This addition requires each licensed racetrack conducting telephone account wagering on televised racing days to file weekly reports. This addition is necessary in that the Commission will be provided with a complete record of telephone account wagering. This addition is reasonable in that it conforms to existing rules requiring filing of reports for telephone account wagering on live racing days.

7871.0100, subpart 5

This addition is necessary in that it requires compliance by a licensed racetrack conducting telephone account wagering to all laws and rules governing telephone account wagering. This addition is reasonable in that it conforms to the same compliance required of a licensed racetrack that conducts telephone account wagering on live racing days.

7871.0110 Distribution of Purse Money

7871.0110, subpart 1

As no live racing is conducted on a televised racing day and therefore no purse money is earned by participating horsemen, the 1989 legislation stipulates the industry financial participation in the betting handle on televised racing days. This addition reiterates the purse distribution of earnings to participating horsemen during a televised racing day.

7871.0110, subpart 2

This addition requires a licensed racetrack to deposit the monies earned pursuant to subpart 1 in interest bearing escrow accounts. This addition is necessary and reasonable in that it conforms to existing rule governing the deposit of nominating, sustaining, entry and starting fees for live racing days.

7871.0120 Appointment of Presiding Official

7871.0120, subpart 1

This addition reiterates the 1989 legislation requiring an official of the Commission to preside over races on a televised racing day at the licensed (guest) racetrack. This addition is necessary and reasonable in that it conforms to existing law and rules requiring a Board of Stewards during live racing days.

7871.0120, subpart 2

This addition requires the licensed racetrack to provide the presiding

official with continuous telephone communication with the stewards at the sending (host) racetrack. This addition is necessary because it will allow prompt response by the licensed (guest) racetrack to any problems or program interruptions occurring at the host racetrack as well as information to the wagering patrons. This addition is reasonable in that it conforms to existing practice with regard to simulcast races during live racing days.

7871.0130 Authority and Duties of Presiding Official

7871.0130, subpart 1

This addition is required because it is necessary that the Presiding Official have adequate regulatory control over all licensees and wagering public so as to assure compliance with all laws and rules governing racetrack activities and conduct. This addition is reasonable in that it substantially conforms to the authority delegated to the Board of Stewards during live racing days.

7871.0130, subpart 2

This addition is necessary because it stipulates the responsibilities of the Presiding Official in exercising the authority granted in subpart 1. Further, it is necessary that the Presiding Official adequately document and record all events and activities that occurred during a televised racing day in the event there is a subsequent need for information relating to a particular day and incident. This addition is reasonable in that it conforms to the duties required of the Board of Stewards during a live racing day.

7871.0140 Disciplinary and Appeal Procedures

This addition is necessary in that it grants a procedure of recourse to a licensee who may be subject to action by the Presiding Official. This addition is reasonable in that it conforms to the same procedures

for appealing a ruling of the Board of Stewards during a live racing day.

7871.0150 Emergency Procedures for the Totalizator Systems When Pools are Commingled

7871.0150, subpart 1

This subpart is necessary in that it sets procedures to be performed by the guest racetrack in the event of satellite signal interruption at the host racetrack. This addition is reasonable in that it will prevent any interruption to the wagering patrons at the guest racetrack.

7871.0150, subpart 2

This addition is necessary in that it sets procedures to be performed by the guest racetrack in the event that the guest totalizator system fails to transfer wagering data to the host racetrack. Further, it is necessary to protect the integrity of the dollars wagered at the guest racetrack prior to manual commingling with the dollars wagered at the host racetrack. It is reasonable to assure the guest racetrack wagering patrons that their share of the wagering pool will be accurately reported along with subsequent accurate payoffs. It is further reasonable that wagering patrons be provided with a wagering program with as little interruption as possible.

7871.0150, subpart 3

In the event the guest totalizator system fails it is necessary to stipulate the disposition of the monies wagered at the guest racetrack. This addition is reasonable in that the wagering patrons should be refunded all wagers up to the time of failure.

7871.0150, subpart 4

In the event the host totalizator system fails it is necessary to stipulate the disposition of monies wagered at the guest racetrack.

This addition is reasonable in that it allows the guest racetrack to refund monies wagered to its patrons or to continue the wagering program on a separate pool basis thus causing no inconvenience to its wagering patrons.

7872.0100 Application for Racing Days

7872.0100, subpart 1

This subpart contains the deadline for the submission of applications for racing days. The Commission proposes to change the date of submission from May 15 to December 31 of any year as this affects request for live racing days. This change is necessary and reasonable to allow a licensed racetrack adequate time to prepare and plan each years race meet so as to accomodate all racing participants.

7872.0100, subpart 6

This proposed addition requires a licensed racetrack to request approval of the Commission for televised racing dates. This proposed addition is necessary to establish application deadlines, days and dates requested and other criteria the Commission must consider in making the approval. This proposed addition is reasonable in that it conforms to the criteria required in requesting live racing days.

7872.0100, subpart 7

The Commission proposes to add this subpart by delegating authority to the Director of Pari-Mutuel Racing. This addition is necessary to allow the Commission and licensed racetrack the flexibility to make changes, within previously approved televised racing dates, to any racing programs offered by host racetracks and to allow additional host racetracks to offer racing programs to the licensed (guest) racetrack. This addition is reasonable in that it allows flexibility in responding

to attractive racing programs and patron and racing participant preference.

7872.0110 Assignment of Racing Days

7872.0110, subpart 2

The Commission proposes to change this subpart by including host racetracks. The proposed change is necessary to include host racetracks within the criteria the Commission considers in assigning race days. This proposed addition is reasonable in that it conforms to criteria required in assigning live racing days to a licensed racetrack.

IV. OTHER STATUTORY REQUIREMENTS

Minn. Stat. § 14.115 requires agencies, when proposing a new rule or amending existing rules which may affect small businesses, to consider certain methods for reducing the impact of the rule on small business.

The proposed additional amendments to the racing rules indirectly impact small businesses in that these rules will enhance economic activity. The rule does not affect small businesses disproportionately nor does the rule prevent small businesses from participating in horse racing. The Commission considered the impacts of the amendments on small business and determined that because of the nature of the industry, the Commission cannot be less rigorous in its regulation of one type of business than another.

Minn. Stat. § 14.11, subd. 2 is inapplicable because the proposed amendments will not have any direct and substantial adverse impact on agricultural land. Sections 115.43, subd. 1, 116.07, subd. 6 and 114A.29, subd. 4 are not applicable. Section 16A.128, subd. 1 does not apply because the proposed amendments do not set any fee. Likewise, a fiscal note is not required pursuant to section 3.892 as the rule

will not force any local agency or school district to incur costs.

CONCLUSION

Based on the foregoing, the Minnesota Racing Commission's proposed additions and amendments to the existing rules governing horse racing are both necessary and reasonable.

  
RICHARD G. KRUEGER

Minnesota Racing Commission

8/28/89  
Date