

FEB 29 1996



MINNESOTA RACING COMMISSION

7825 Washington Avenue South, Suite 800
Bloomington, Minnesota 55439
Telephone: 612-341-7555
Fax: 612-341-7563

Licensing Office
P.O. Box 315, Shakopee, Minnesota 55379
Telephone: 612-496-6441, Fax: 612-496-6430
Veterinary Office (May-August)
P.O. Box 315, Shakopee, Minnesota 55379
Telephone: 612-445-7223, Ext. 754
Fax: 612-496-6468

February 28, 1996

Ms. Maryanne Hruby, Director
LCRAR
55 State Office Building
St. Paul, MN 55155

Dear Ms. Hruby:

Enclosed you will find a copy of the Statement of Need and Reasonableness for the Proposed Permanent Rules relating to Amendments to Existing Rules for the Minnesota Racing Commission along with a copy of the rules and a copy of the dual notice of hearing. These rules will be published in the State Register on Monday, March 4, 1996.

Please contact me if you have any questions regarding this matter

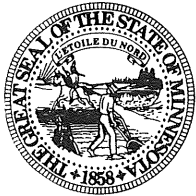
Sincerely,

A handwritten signature in cursive script, appearing to read "Richard G. Krueger".

Richard G. Krueger
Executive Director

RGK:pjw

Enclosure



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STATE OF MINNESOTA

MINNESOTA RACING COMMISSION

STATEMENT OF NEED AND REASONABLENESS

In the Matter of the Proposed Adoption of the Rules of the Minnesota Racing Commission Relating to Minnesota Rules Chapters 7870, Licensure; 7871, Televised Racing Days; 7872, Assignment of Racing Days; 7873, Pari-mutuel Rules; 7874, Direct Deposit; Reporting Payments; 7877, Class C Licenses; 7878, Security Officers; 7879, Stewards; 7883, Horse Races; 7890, Horse Medication; 7892, Medical Testing; 7895, Breeders' Fund.

I. INTRODUCTION AND BACKGROUND

The nature of the proposed rules amendments of the Minnesota Racing Commission at this time are generally to continue to assure the integrity of racing in Minnesota while at the same time recognize the need of the racetrack and horsemen and horsewomen to provide quality racing that is desired by track patrons. Contained herein are provisions that redefine time frames for pre-meet stabling, stipulate procedures for dealing with totalizator problems during simulcasting, define procedures for patron complaints, stipulate reporting procedures for overpayments and underpayments regarding payoff amounts of pari-mutuel pools, changing the restrictions on certain pari-mutuel pools, change certain occupational licensing fees, redefine the requirements for obtaining a stable name, security officer, and other occupational licenses, change requirements for appointment of stewards, entries, workouts, claiming, race disqualifications, horse medication and testing, and clarifies registration of thoroughbred mares and foals.

A Notice of Solicitation of Outside Information and Opinion regarding proposed rules was published in the State Register on September 5, 1995.

Interested parties should refer to the entire proposed rule amendment for the proposed language on specific rule amendments. The rules are published in the State Register on March 4, 1996 and are also being mailed to all persons on the Commission's mailing list

who have expressed an interest in the rulemaking activities of the Commission. Discretionary notice and a copy of the rule amendments are also being mailed to Canterbury and all of the horsemen and women organizations as they are affected by the rule amendments.

The proposed amendments are necessary in order to effectively and efficiently regulate pari-mutuel horseracing and gambling in Minnesota and to insure that the public interest is protected. The Commission, on a periodic basis, undertakes review and revision of various sections of its rules. The Commission strongly believes that such periodic review and proposed revision are necessary to the viability of its rules, to ensure that rules remain consistent with statutory requirements, and to be sure that the rules continue to meet the needs of the evolving pari-mutuel and breeding industries as well as the regulatory mandates of the Commission.

II. STATEMENT OF THE COMMISSION'S STATUTORY AUTHORITY

The Commission's statutory authority to adopt these rules is set out in Minnesota Statutes, sections 240.23, general rulemaking authority; 240.08, Subd. 1, occupational licensing; 240.10, license fees; 240.13, Subd. 3, types of betting; 240.16, Subd. 4, stewards; 240.18, Subd.4, breeders' fund; 240.24, Subd. 1, medication and Subd. 3, fees; and 240.29, required races and definitions.

III. PUBLIC ADVISORY COMMITTEE

A Public Advisory Committee was formally organized to review these proposed rule amendments. In addition some of the amendments proposed came from the organizations the individual members represent. The Public Advisory Committee met jointly with the Commission's Rules Committee on five occasions and met separately once. All meetings included comprehensive discussion of each rule and resulted in a number of revisions from each rule as originally proposed. Members of the Public Advisory Committee is as follows:

Dana Doherty, Executive Director
Minnesota Thoroughbred Association
1100 Canterbury Road, Box 508
Shakopee, MN 55379
612-496-3770

Clyde Fuehrer, Executive Director
Minnesota Horsemen's Benevolent and Protective Association
1100 Canterbury Road, Box 508
Shakopee, MN 55379
612-496-6442

Greg Jensen, President
Minnesota Harness Racing Inc.
140 South Newton
Albert Lea, MN 55104
507-373-5660

Troy Mertens, Mutuels Manager
Canterbury Park
1100 Canterbury Road, Box 508
Shakopee, MN 55379

James Olson, President
Minnesota Quarterhorse Racing Association
16658 Wren Court
Andover, MN 55744
612-434-5660

Racing Commissioner James Filkins, Chair of the Rules Committee, participated with the Public Advisory Committee as did Richard Krueger, Commission Executive Director. Meetings of the Rules Committee were attended by Racing Commissioners James Filkins, Carol Connolly, Mark Custer, Mary Magnuson, and Camille McArdle. Commission staff attending included Richard Krueger, Pamela Webber, Office Manager and Breeders' Fund Coordinator, Jean LeBeau, Pari-mutuel Auditor, Colleen Hurlbert, Licensing Coordinator and legal counsel was provided by Assistant Attorney General E. Joseph Newton. In addition, Pat Shannon and Tom Carroll, Special Agents with the Gambling Enforcement Division of the Department of Public Safety also attended. Public Advisory Committee members that attended Rules Committee meetings were Dana Doherty, Clyde Fuehrer, and Troy Mertens. Other industry representatives that attended included David Dayon, Board Member of the Minnesota Thoroughbred Association and Roberta Knapper, Board Member of the Minnesota Quarterhorse Racing Association.

IV. SMALL BUSINESS CONSIDERATIONS

Minnesota Statutes, section 14.115 requires an agency, when proposing a new rule or amending an existing rule that may affect small businesses, to consider certain methods

of reducing the impact of the rule on small businesses.

The following indicators were considered by the Commission in regard to the effect on small businesses if the proposed rules are successfully adopted.

The establishment of less stringent compliance or reporting requirements for small businesses. The Commission considered whether reporting and/or compliance requirements could be eased for small businesses; on a racetrack this is represented by owners of race horses who operate through their trainer who is the owner's agent. The Commission attempted throughout the proposed rule amendments to ease reporting and compliance with various requirements. For example the detail contained later in this Statement of Need and Reasonableness will show the Commission is proposing to change medication and workout reporting requirements that will permit the trainers more time and flexibility in planning the races in which they desire to participate. Further the Commission is proposing a fee reduction in that horse ownerships that desire to be registered as a stable name pay one fee rather than two as has been the case since 1985. In all cases the Commission has effectively maintained a balance that eases some of the regulatory burdens of participating in this industry without interfering with the integrity of pari-mutuel racing which is required for the patrons.

The establishment of less stringent schedules or deadlines for compliance or reporting requirements for small businesses. As proposed rule amendments were presented, the Commission reviewed the ramifications of reporting deadlines and schedules. Again all that are being proposed will not adversely affect the integrity of racing. For instance one proposal will eliminate the eligibility price that a claimed horse must race for 30 days after being claimed. This will allow greater freedom for the trainers in participating in races that the previous rule prohibited.

The consolidation or simplification of compliance or reporting requirements for small businesses. Rule amendments proposed that would consolidate and/or simplify compliance or reporting were seriously considered by the Commission. Under these rule amendments a trainer representing an owner can register a stable name by paying one fee and using the ownership information that they are already providing to the racing secretary.

The establishment of performance standards for small business to replace design or operational standards required in the rule. Although the Commission considered the simplifying and consolidating of various requirements, it did not relax the performance standards from what it has been. The Commission will continue to hold all participants whether small business or the racetrack itself to a high standard of integrity and performance.

The exemption of small businesses from any or all requirements of the rule. In order to protect the integrity of pari-mutuel horse racing, the Commission must apply its rules

with equal force to all classes of licenses, whether it be an individual, small business, or the racetrack. To apply a lesser standard or to exempt small organizations would seriously compromise the Commission's ability to effectively regulate horse racing in Minnesota which would be detrimental to the entire racing and breeding industry.

In addition to all of the above, the Commission informed all industry groups of this rulemaking process through announcements by Commissioner Filkins during Commission meetings and mailing of Rules Committee meeting agendas to those on the Commission's mailing list. All participants at the meetings were encouraged to review the various proposals with their boards and general membership.

V. COSTS TO LOCAL PUBLIC BODIES

The Dual Notice of Intent to Adopt a Rule does not contain a statement of estimated costs to local public bodies pursuant to Minnesota Statutes, section 14.11, subdivision 1, because there is no cost to local public bodies and, therefore, the reasonable estimate of the total cost to public bodies to implement the rule for the two years following the adoption of the rule is less than \$100,000 and section 14.11, subdivision 1 is not applicable.

VI. NOTIFICATION OF PROPOSED RULES

The Commission published a Notice of Solicitation of Outside Information or Opinions Regarding Proposed Rules in the State Register on September 5, 1995. The Commission will publish the proposed rules and a dual notice of adoption in the State Register on March 4, 1996. Three business days prior to publication, the Commission will mail a copy of the proposed rules and the notice to all persons who have registered their names with the Commission for the purpose of receiving rulemaking notices; there are 104 individuals on that mailing list. Three business days prior to publication, the Commission will mail a copy of the proposed rules and the notice to the heads of the various horseperson's organizations in Minnesota. These include the Minnesota Thoroughbred Association, Horsemens' Benevolent and Protective Association, Minnesota Quarterhorse Racing Association, Minnesota Arabian Racing Association, Minnesota Harness Racing, Inc., and the Traverse County Fair Board. In addition the Commission's Rules Committee Chairman will provide announcements as to the status of the rules during each monthly meeting of the full Commission and the Commission's rulemaking docket will be updated and posted as necessary to reflect the status of the proposed rules.

VII. AGRICULTURAL LAND IMPACT

Minnesota Statutes, section 14.11, subdivision 2, is inapplicable because the proposed rules do not have a direct and substantial adverse impact on agricultural land in the state. If anything, with the renewal of live racing at Canterbury Park last year as well as during the Traverse County Fair, along with the promulgation of these proposed rules, there will be, in all likelihood, a beneficial impact on agricultural land, especially those located in close proximity to the racetracks.

VIII. DEPARTMENTAL CHARGES IMPOSED BY THE RULES

Minnesota Statutes, section 16A.128, subdivision 1 applies inasmuch as rule chapter 7877.0120, subpart 1 changes departmental earnings for various occupational licensing categories. Attached as Exhibit A is a copy of the Commission's correspondence to the Chairs of the House Ways and Means Committee and the Senate Finance Committee as well as the Commissioner of Finance. Attached as Exhibit B is a copy of the reply from the Department of Finance.

IX. FISCAL IMPACT

A fiscal note is not required pursuant to section 3.892 as the proposed rules will not force any local agency or school district to incur costs.

X. WITNESSES

Should these proposed rules be subjected to a public hearing, the witnesses listed below may testify on behalf of the Commission in support of the need for and reasonableness of the rules. The witnesses will be available to answer questions about the development and the content of the rules.

James Filkins, Racing Commissioner, Rules Committee Chair
Richard G. Krueger, Executive Director, Racing Commission
Pam Webber, Office Manager and Breeders' Fund Coordinator, Racing Comm.
The Racing Commission will be represented by E. Joseph Newton, Assistant Attorney General, at any Rules Hearing.

XI. CLASS OF PERSONS AFFECTED BY THE PROPOSED RULES

Throughout these proposed rule amendments which extend over a variety of components of the pari-mutuel, racing, and breeding industry there will be affects, when considered

individually, on racetrack management, the Racing Commission and staff, participating horsepeople, and patrons. Any attendant costs and benefits of the proposed rules are discussed within the detail description of each proposed amendment. Generally these proposed amendments are submitted with the rationale of making participation in this industry less burdensome, at less cost, while at the same time not in any way compromising the integrity of racing.

XII. COST TO STATE AGENCIES TO IMPLEMENT AND ENFORCE THE RULE

There will be no additional costs to state agencies in implementing and enforcing these rules. The Minnesota Racing Commission with legal representation from the Office of the Attorney General are the only state agencies affected by these rules.

XIII. DETERMINATION OF LESS COSTLY OR LESS INTRUSIVE METHODS FOR ACHIEVING THE PURPOSE OF THE RULE

As with the attendant costs and benefits of the proposed rules the discussion regarding less costly or less intrusive methods will be included within the detail description of each proposed amendment if indeed that was included in the rational for proposing an amendment. In many cases the discussion during Rules Committee meetings with the industry individuals in attendance was from a basis of considering what is already in rule, how it has been applied, and how it can be made better and less burdensome.

XIV. DESCRIPTION OF ALTERNATIVE METHODS THAT WERE SERIOUSLY CONSIDERED AND THE REASONS WHY THE ALTERNATIVES WERE REJECTED

It needs to be said here that all of the proposed amendments that were submitted to the Commission for approval were not acted on by the Commission by including them in this proposed rule package. In those cases the proposed amendment was considered seriously but was not acceptable to the Commission as the existing rule provides adequate control. For the most part the rule amendments being proposed were considered from the basis of making each less burdensome, less costly, or more specific regarding reporting, after arriving at a consensus with the industry representatives present without the need to seriously consider alternatives.

XV. PROBABLE COSTS OF COMPLYING WITH THE RULE

There will be no increased costs to any of the individual industry participants, including the Racing Commission, in complying with these rules. Some of these rule amendments

will decrease costs as is discussed in the detail of the description of the proposed rules. Those chapters are 7870.0450; 7870.0490; 7871.0120, Subp.1; 7872.0100, Subp.7; 7872.0120, Subp.1; 7878.0130, Subp.1; 7892.0120, Subp. 1A. There are other requirements of these rule amendments such as additional pari-mutuel reports and calculations and patron complaint forms that are placed on the Commission's Class B licensee, but these proposals are enhancements to what is already required by rule and therefore will require minimal cost increase to comply.

XVI. DIFFERENCES BETWEEN THE RULE AND FEDERAL REQUIREMENTS AND THE NEED FOR AND REASONABLENESS OF EACH DIFFERENCE

There are no differences between these rule amendments and federal requirements.

XVII. DETAIL OF THE PROPOSED RULE AND STATEMENT OF NEED AND REASONABLENESS

M.R. 7870.0450:

This rule amendment is being proposed by Canterbury Park. The purpose is to provide a higher dollar threshold for making physical, structural changes at the racetrack prior to approval by the Commission. As the original threshold was established 11 years ago it is reasonable that costs of construction, renovation, etc. have inflated to the degree represented by this amendment. It is necessary to permit needed flexibility by the Commission's Class A and B licensees to minimally alter its facility to meet patron comfort without imposing burdensome and time consuming reporting requirements.

M.R. 7870.0490:

Stabling facilities need to be available to horsemen and women prior to the commencement of a live race meet. The purpose of this amendment is to reduce that minimum pre-opening time from three weeks to two weeks. This rule is needed as the current rule states that it must be three weeks. Opening the stable area requires staff and equipment for security and maintenance. As the current licensee has incurred substantial financial losses, it is reasonable and necessary to allow for a shorter, less costly period of pre-race meet expenses. The licensee can agree to a longer period with the horsemen's organization through negotiations. A shorter period will reduce costs to Class B licensees (Canterbury Park).

M.R. 7871.0070:

M.S. section 240.13, Subd. 3 authorizes the Racing Commission to promulgate rules governing pari-mutuel betting. This includes rules relating to services that must be provided to patrons. This rule amendment is needed to stipulate a requirement that

must be met by Class B licensees of the Commission that will provide complaint forms for use by racetrack patrons in the event of any problems regarding pari-mutuel betting. In the event of problems it is reasonable that patrons have the opportunity and process to record the nature of the problem, the employees at the racetrack the complaint was filed with, and that the complaint be responded to promptly. Further it is reasonable that the complaint be timely filed with Commission staff so that any necessary background work can be done should the problem not be resolved between the patron and the racetrack. Additionally, this rule amendment is needed for uniformity with the Association of Racing Commissioners International suggested rules. Further with the amendment to M.R. Chapter 7871.0120, Subpart 1 and the eventuality that a designated Commission representative may not be on site for the entire full card simulcasting day and week, this amendment is needed to ensure that the Commission is informed of any problems or complaints that may arise as well as any action taken by the licensee.

M.R. 7871.0120, Subpart 1:

By law the Commission may hire a presiding official to oversee full card simulcasting at Class B facilities. This rule amendment is needed to remove the mandate requiring the appointment of a presiding official as the Commission currently has extremely limited financial resources. As such the Commission is unable to afford such services from an individual supplemental to the four individuals it currently has authority to employ. Consequently the responsibilities are adequately assumed by a combination of existing employees. This rule amendment is reasonable because it allows cost savings while still conforming to language contained in statute regarding the appointment of a presiding official (M.S. Ch. 240.16, Subd. 1a).

M.R. 7871.0150, Subpart 1:

This rule amendment is needed so as to strengthen and clarify the procedures to be performed by the Commission's Class B licensee in the event of signal interruptions with other racetracks. With the increase of full card simulcasting there is a corresponding increased possibility of audio or video loss for infrequent and short periods of time; but enough to be problematic. The rule is reasonable because it requires the licensee to refund all wagers if such a loss occurs and places the patron in the same position as before the race. It is reasonable to attempt to set in place procedures that both maintains the integrity of pari-mutuel wagering and allows measures that will provide enhanced service to those participating in this activity.

M.R. 7871.0150, Subpart 2:

This amended language is needed to conform with the pari-mutuel industry's current operating standards and procedures as prescribed in many of the contracts that are held with host race tracks by the Commission's Class B licensee. Further this rule amendment is needed so as to strengthen and clarify the procedures to be performed by

the Commission's Class B licensee in the event of computer interface interruptions with other racetracks. Because of the increase of full card simulcasting, it is reasonable to adopt more efficient operational procedures performed by the licensee and tote companies so as to provide better service to those patrons who participate in this activity.

M.R. 7871.0150, Subpart 3:

This rule amendment is needed so as to ensure proper notification of both the host mutuel department and host tote representatives of the occurrence of a complete totalizator system failure at the guest racetrack. It is reasonable in that should such a failure occur, the licensee will have taken the responsibility to ensure that each representative at the host racetrack is informed thereby resulting in expedited solutions which in turn will assure better service to those patrons who participate in this activity and also to assure that all participating groups (racetracks, state, and horsepeople organizations) do not suffer any loss of revenue.

M.R. 7871.0150, Subpart 4:

This rule amendment is needed to ensure that the licensee informs the wagering public and the Commission when it becomes necessary to perform separate pool calculations as a result of a complete totalizator system failure at the host racetrack. Because it is not stated in the current rule, this is a reasonable addition to protect the integrity of racing and to keep patrons informed as to what is occurring and thereby maintain their confidence in the integrity of pari-mutuel wagering. It is reasonable to calculate the pools in such a manner so as to allow the patrons the benefits of their bets.

M.R. 7871.0150, Subpart 5:

This rule amendment is needed to serve as a blanket rule for the reporting of the occurrence of any emergency situation delineated above or an emergency situation that is not currently specified. It is reasonable in that it ensures appropriate notification to the Commission and requires documentation by the licensee of such incidents for future reference by both the Commission and the licensee. The reporting will assure that the Commission and licensee can arrive at solutions and procedures that can be set in place so as to deal with future problematic occurrences and thereby eliminate disruption to the patrons participating in pari-mutuel wagering.

M.R. 7872.0100, Subpart 7:

This rule permits a licensee to pursue modest changes to full card simulcasting programs approved by the Commission without going back to the full Commission. This is intended to relieve time and cost considerations of conducting full Commission meetings for inconsequential modifications to previously approved full card simulcasting programs. This rule also permits the licensee business flexibility in that it can more

readily respond to patron preference for certain programs and races upon which they would like to wager. This amended language is needed to keep the Commission informed of all variations in racing programs previously approved by the Commission. Documentation by the licensee of such variations will be useful to the Commission and the licensee for reference when planning future full card simulcasting programs. It is also reasonable to assume that the designated Commission representative may not be on site during the entire full card simulcasting day to note any such variations and it allows for variations without such representation being present.

M.R. 7873.0120, Subpart 1:

This rule amendment is needed so that the Commission's Class B licensee will be permitted a greater financial resource base on which to pay patrons for winning pari-mutuel tickets and to pay the state the required payouts on various pari-mutuel pools. In the case of negative breakage (insufficient amount in a pool to pay the statutory minimum) for a race, the racetrack would be permitted to offset the negative amount in a pool with positive amounts from other pools in that race so as to make the required payments. It is reasonable in that it allows a licensee who is reporting operating deficits access to other pool amounts so as to satisfy minimum payments rather than drawing on other cash resources.

M.R. 7873.0125, Subpart 9:

The purpose of this rule amendment is to require the licensee to control and report any underpayments or overpayments of patron winnings to the Commission and the public. This rule amendment is needed to provide further controls of the monies collected by a racetrack from pari-mutuel wagering and to require rectification of underpayments and overpayments to patrons. Currently no language exists regarding underpayment or overpayment to patrons. The increase of full card simulcasting accordingly brings the increase chance of calculations on separate pools should transmission difficulties occur and should the licensee choose that option. It is reasonable in that the licensee will be required to make every effort possible in notifying the patrons of such an error and to record underpayments or overpayments. For reasons of control and integrity it is reasonable that underpayments be moved into a special account for monitoring by the Commission staff and that underpayments be included as unredeemed tickets if no claims are filed. Overpayments will be the responsibility of the licensee.

M.R. 7873.0185, Subpart 7B:

M.S. section 240.13, Subd. 3 authorizes the Racing Commission to promulgate rules governing pari-mutuel betting. This rule amendment is needed so as to bring Minnesota's rule into conformity with the suggested standard rule governing trifecta wagering of the Association of Racing Commissioners International. It is also needed to

permit the Commission's Class B licensee the flexibility to run a race with seven starters rather than the eight required by current rule. The trifecta bet is popular with racetrack patrons. Currently, should there be less than eight starters, all trifecta wagering must be refunded. With this suggested amendment, the integrity inherent in the entry process is preserved in that eight racing and betting interests must leave the paddock and participate in the post parade. It is reasonable that, having gotten at least eight entries onto the racetrack prior to a race and should there be a late scratch, the racetrack could continue to offer trifecta wagering and only have to refund combinations including the scratched horse. Additionally, as Canterbury simulcasts its live races to other racetracks throughout the country with betting into Canterbury's pari-mutuel pools, it is less problematic if wagering is allowed to be continued in the event of a late scratch rather than refunded. This rule is reasonable because this wagering pool is very popular with bettors in other states as well as those patrons at Canterbury and it allows for combined trifecta wagering.

M.R. 7873.0186, Subpart 9A:

M.S. section 240.13, Subd. 3 authorizes the Racing Commission to promulgate rules governing pari-mutuel betting. This rule amendment is needed so as to bring Minnesota's rule into conformity with the suggested standard rule governing twin trifecta wagering of the Association of Racing Commissioners International and to simplify this rule so that the racetrack must use the same standards in scheduling twin trifecta betting as must be applied for trifecta betting. These standards are uniform with wagering pools offered by racetracks in other states. As Canterbury simulcasts its races to racetracks in other states, it is reasonable that the patrons are not subjected to inconsistent standards which could cause unnecessary confusion.

M.R. 7873.0186, Subpart 9B:

M.S. section 240.13, Subd. 3 authorizes the Racing Commission to promulgate rules governing pari-mutuel betting. This rule amendment is needed as a housekeeping measure as a result of the amendment contained in M.R. 7873.0186, Subpart 9A. It is reasonable to maintain this Subpart consistent with the stipulations of the previous subpart.

M.R. 7873.0192, Subpart 5A:

M.S. section 240.13, Subd. 3 authorizes the Racing Commission to promulgate rules governing pari-mutuel betting. This rule amendment is needed as a housekeeping measure as a result of the amendment contained in M.R. 7873.0192, Subpart 9. It is reasonable to maintain this Subpart consistent with the stipulations of Subpart 9.

M.R. 7873.0192, Subpart 9A:

M.S. section 240.13, Subd. 3 authorizes the Racing Commission to promulgate rules governing pari-mutuel betting. This rule amendment is needed so as to bring Minnesota's rule into conformity with the suggested standard rule governing super-tri wagering of the Association of Racing Commissioners International and to simplify this rule so that the racetrack must use the same standards in scheduling super-tri betting as must be applied for trifecta and twin trifecta betting. These standards are uniform with wagering pools offered by racetracks in other states. As Canterbury simulcasts its races to racetracks in other states, it is reasonable that the patrons are not subjected to inconsistent standards which could cause unnecessary confusion.

M.R. 7873.0192, Subpart 9B:

M.S. section 240.13, Subd. 3 authorizes the Racing Commission to promulgate rules governing pari-mutuel betting. This rule amendment is needed as a housekeeping measure as a result of the amendment contained in the previous subpart. It is reasonable to maintain this subpart consistent with the stipulations of the previous subpart.

M.R. 7873.0230:

M.S. section 240.13, Subd. 3 authorizes the Racing Commission to promulgate rules governing pari-mutuel betting. This includes rules relating to services that must be provided to patrons. This rule amendment is needed to stipulate a requirement that must be met by Class B licensees of the Commission that will provide complaint forms for use by racetrack patrons in the event of any problems regarding pari-mutuel betting. In the event of problems it is reasonable that patrons have the opportunity and process to record the nature of the problem, the employees at the racetrack the complaint was filed with, and that the complaint be responded to promptly. Further it is reasonable that the complaint be timely filed with Commission staff so that any necessary background work can be done should the problem not be resolved between the patron and the racetrack. Additionally, this rule amendment is needed for uniformity with the Association of Racing Commissioners International suggested rules. Further as there is the eventuality that the designated Commission representative may not be on site for the entire full card simulcasting day and week, this amendment is needed to ensure that the Commission is informed of any problems or complaints that may arise as well as any action by the licensee.

M.R. 7874.0100, Subpart 3:

This rule amendment is necessary to specify when Class D licensees must remit the value of race meet unredeemed winning tickets and vouchers to the Commission. This proposed amendment extends the time for the licensee to make this payment by

excluding Saturdays, Sundays, and holidays from the ten day requirement. This amendment is reasonable since most of the people working at the county fairs are volunteers and have full time jobs to which must report. It is intended that this amendment ease the burden of making this payment to the state.

M.R. 7877.0120, Subpart 1:

This proposed rule amendment is necessary to remove obsolete language from the rules. It is reasonable that all licenses to be issued in future years will be after January 1, 1993.

M.R. 7877.0120, Subpart 1P:

M.S. section 240.10 authorizes the Racing Commission to promulgate rules establishing license fees for the various occupational categories established by rule. This rule amendment is needed to specifically delineate the types of ownerships to be licensed in addition to individual licenses. Further it is needed to include a stable as a specific type of license or ownership category. It is reasonable that, taken in conjunction with the change in M.R. 7873.0120, Subpart 1BB, a license for a stable be charged one fee for this type of license rather than two as has been past practice, this relieves a small business (race horse ownership entity) from paying additional fees to participate in pari-mutuel horseracing. This has been submitted to the Department of Finance for comment and recommendation.

M.R. 7877.0120, Subpart 1BB:

The deleted language is needed so as to set a new fee for stable names contained in M.R. 7877.0120, Subpart 1P as previously indicated. It is reasonable that those desiring to be licensed as a stable name pay one fee for such a license. The new language is needed as, with the occurrence of live standardbred (harness) racing at county fairs, most trainers and owners of standardbred horses are also the drivers that participate in the race. It is reasonable that those individuals pay one fee for such a license rather than two fees. It is also reasonable that an individual be licensed for the occupation most vital to the competitive racing event and to determine qualifications to participate in that event that assures safety for all competitors.

M.R. 7877.0120, Subpart 1CC:

M.S. section 240.10 authorizes the Racing Commission to promulgate rules to establish occupational categories and fees for participation in pari-mutuel horseracing. This rule amendment is needed to set a separate fee for all participants at a county fair race meet. Racing at a county fair will be for a minimum of days. In all cases the earnings of individuals for these days will be extremely minimal. Setting a minimum, separate fee for these occupations is reasonable because it provides for equity in these

instances. It is reasonable to take this into consideration when a state agency exercises its fee setting authority.

M.R. 7877.0130, Subpart 2H:

This rule amendment is needed so as to define the conditions under which a horse ownership desires to race under an ownership name other than the individual or multiple ownership name. It is reasonable to provide stipulations that will permit those who desire to use a name other than the ownership name in the track's daily racing program and to appropriately reflect the organization with which they are affiliated for racing purposes.

M.R. 7877.0170, Subpart 1E:

This rule amendment is needed as the responsibilities for a stable name will be delineated under M.R. 7877.0130, Subpart 2H should it be adopted. It is reasonable not to have responsibilities delineated in more than one subpart of the Commission's rules as well as simplifying the requirements.

M.R. 7877.0170, Subpart 7:

During the 1995 race meet at Canterbury Park, which was in the industry a short meet, there were occasions when there was a lack of Jockey Agents to adequately comply with the requirement as to the number of riders that each available agent could name for a race which can be problematic. This rule amendment is needed to allow Jockey Agents, if necessary, to name more than two jockeys for a race and also to clarify the number of calls that an agent may make for a jockey. It is also needed to alleviate the problem of insufficient Jockey Agents. It is reasonable to allow flexibility in the naming of riders for races in the event of a lack of individuals for specific licensed categories and qualifications.

M.R. 7877.0175, Subpart 3D(1):

During the Commission's rule amendment process last year, an amendment to M.R. 7883.0160, Subpart 2, Loading in starting gate, was adopted which says that discretion be exercised in the manner by which the horses competing in a pari-mutuel race are to be loaded in the gate. This rule amendment is needed to bring this subpart into conformity with the change that was adopted last year. It is reasonable that this be consistent with stipulations set elsewhere in the Commission's rules.

M.R. 7877.0175, Subpart 8:

The Commission by rule has defined the conditions under which a horse must be placed on the commission veterinarians list and in that case is ineligible to race for at

least five days and until taken off that list. A short live race meet provides for fewer opportunities for horsemen and women to race those horses that they have had in training and through purse money to recover some of the costs that have been incurred therein. Since the time of entry (entering a horse in a race) can be 2 to 3 days prior to the race, this rule amendment is needed to allow a horse to be entered eventhough it may be on the vets list as long as a horse schedule to comply with the 5 day requirement prior to the day of the race. It is reasonable to allow the horsemen and women the opportunity to get in a race where the conditions are acceptable to the horses they have in training; a like race with similar conditions may not be scheduled for perhaps another week or 10 days. With a short meet a horses starts could be very limited; this rule amendment would enhance the opportunities to get in a race.

Further there are situations that can occur where an owner's veterinarian may not be on racetrack grounds. An example is where a horse has just shipped in and the veterinarian has not yet arrived or the owner or trainer has not solicited the services of a private, licensed veterinarian. In cases where a horse may be in need of immediate veterinary care when the private vet is not available, the commission or association vet may have to administer medications or treatment. This rule amendment is needed to authorize the commission or association vet to administer such treatment or medication in those instances. It is reasonable and humane that treatment be provided to horses that may be in distress and that the commission or association vet be reimbursed for any out of pocket expenses.

M.R. 7878.0100, Subpart 9:

The Racing Commission has adopted rules governing the licensing of security officers to be employed at Class B facilities. This rule amendment is needed as the title of the course has changed since this rule was initially adopted. It is reasonable to have the correct title in the Commission's rules that is used in the health care industry eventhough the course has not changed.

M.R. 7878.0110, Subpart 1B:

In licensing of employees as security officers, there must be certain standards that must be met. This rule amendment is needed so as to be specific as to the application that must be completed by an individual candidate to meet the minimum requirements for licensure as a security officer. This rule amendment is reasonable in that it does not impose a burdensome requirement on any individuals applying for security officer licensure and again it is specific that a Racing Commission license application must be provided not an application from another licensing organization. The submission of an application to the Racing Commission is required of all individuals desiring to work at a racetrack; so this is no more burdensome for an individual applying as a security officer than it is for any other occupational category.

M.R. 7878.0110, Subpart 1G:

The Racing Commission in prior years has adopted rules governing the licensure of security officers. This provision initially addressed the possibility that security officers at a Class A facility would carry firearms. As that has not been the case, this paragraph is not needed in the rules. It is reasonable to eliminate unnecessary language from the Commission's rules.

M.R. 7878.0130, Subpart 1:

The Racing Commission in prior years has adopted rules governing the licensure of security officers. Because the popularity of horse racing has declined and business has decreased, it is reasonable to explore those areas where various cost savings can be achieved. As the racetrack must pay for the training of security officers, one of those would be reduced hours that security officers must train in particular areas of expertise. This rule amendment is needed to reduce some of the less essential requirements for licensure as a security officer without diminishing public safety and protection for both patrons and horses. This rule amendment also updates the Commission's priorities for instruction for security officers without diminishing the response for public safety should various situations occur.

M.R. 7879.0100, Subpart 1A:

This rule establishes the qualifications which enable a candidate to serve as a contract steward for the Minnesota Racing Commission. This subpart considers the experience and training required. This rule amendment is intended to conform to the suggested rules of the Association of Racing Commissioners International in an attempt to assure that all stewards have an optimum background and experience to preserve the integrity of racing. The amendment is reasonable since it provides for uniform requirements for stewards and also assures that the Commission has competent, qualified people overseeing pari-mutuel racing in the state.

M.R. 7879.0100, Subpart 2A:

This rule states that, of the three stewards presiding over a race meet, one may be nominated by the licensee, subject to the approval of the Commission, if the Commission determines that this is in the best interests of racing. The amendment strikes the language that qualifies the approval. This is needed to simplify the language which will still allow for the licensee to nominate a third steward and is still subject to Commission approval. This change is necessary to comply with an administrative order requiring all agencies to simplify rules to the extent that this is possible without infringing on the integrity of the rule.

M.R. 7883.0100, Subpart 7

This rule determines the status of coupled entries (two or more horses grouped together for wagering purposes). This proposed amendment provides for the possible uncoupling of entries that are trained by the same trainer. The amendment is needed to react to the problem of short fields (inadequate number of horses competing in a single race) and also to conform to the Association of Racing Commissioners International suggested uniform rules of racing regarding coupled entries. Since a shorter meet draws fewer horses which frequently result in smaller racing fields, it is reasonable to attempt to allow more betting interests by permitting horses trained by the same trainer to run as separate betting interests. Further it assures that trainers and owners are assured of uniform racing rules in all jurisdictions.

M.R. 7883.0100, Subpart 16:

This rule provides the requirements for conducting workouts for horses prior to racing in Minnesota. This revision clarifies and simplifies language in the rule. The amendment is necessary to simplify the rule and to recognize that shorter meets and fewer race days per week require a revision of the entry process. This is done in this instance by recognizing that trainers and owners (small business people) need flexibility regarding the time of a workout for a horse prior to the race in which it will compete rather than the day it is entered for that race; under past practice this will allow 2 additional days to comply with the workout requirement. The change is reasonable since it recognizes the changes in the meet structure while acting in the best interests of the horses, trainers, owners, licensee, and patrons.

M.R. 7883.0130, Subpart 1E:

In setting the conditions and eligibility for a race, the racing secretary and the horsemen and women must utilize a plethora of information on each horse from a variety of racing and breeding information and statistical sources. A new information source is the organization Equibase which is managed by the Thoroughbred Racing Association and The Jockey Club. This group was organized subsequent to the initial promulgation of this rule. This amendment is needed to include Equibase as a source of information and statistics that will supplement information and statistics already being utilized by participants. It is reasonable that all sources that maintain viable information regarding a horse's breeding and performance be available to those responsible for setting the conditions of a race that will assure as competitive of a race as possible which in turn will challenge the patrons who wager on these races.

M.R. 7883.0140, Subpart 7B:

This rule states that the owner of a claimed horse must pay sales tax on the claiming price. A change is necessary since the 1995 legislature exempted this purchase

process from sales tax. The change is reasonable since it strikes the words "state sales" and retains applicable tax, which will be appropriate if any new taxes are added in the future.

M.R. 7883.0140, Subpart 21:

When a horse is claimed (purchased) it is done so prior to the claiming race in which it is competing. In Minnesota with short race meets, it is necessary to allow those horses which compete at the lower end of a claiming price to be allowed to race back at the same claiming price or lower so as to be competitive. It is reasonable that there be no time limit and price stipulations that would restrict this. This is needed because of Minnesota's short racing season and the need to allow horse owners more freedom in conducting their business. The rule is reasonable because it promotes more starts by a horse that will increase the opportunities for the new owner to earn purse money, fill more races providing more wagering opportunities for the patrons, and stimulate interest in new ownership either by individuals or organizations.

M.R. 7883.0160, Subpart 6C:

Minnesota rules stipulate conduct of individuals licensed by the Commission for the various occupations at a racetrack. This rule states conduct by jockeys during the running of a race which is over when the stewards determine that the race is official, not when the horses cross the finish line. This rule amendment is needed so as to be specific as to a jockey's conduct while mounted on a horse which includes the time the horse crosses the finish line until the jockey dismounts in the winners circle. It is reasonable to determine conduct in this event for both humane purposes and the comfort of patrons who should not be subjected to mistreatment of a racehorse. Any occurrence is dealt with promptly and seriously by the stewards.

M.R. 7883.0160, Subpart 7C:

This subpart stipulates the stewards' specific authority regarding their determinations that disqualify a horse from its finishing position to a lower finishing position. This rule amendment is needed to respond to those in the industry that believe that the owners of horses ought to be given the opportunity to review these decisions with the stewards even though the stewards decision is final and the order of finish cannot be changed thereafter. It is reasonable to permit owners this opportunity as it will provide them as small business owners more insight into the many variables stewards must consider in making their decisions and from those insights perhaps implement improvements to their racing operations.

M.R. 7890.0140, Subpart 3:

This rule is concerned with horses brought in to race in Minnesota from other jurisdictions. The rule provides the process by which a horse racing as a bleeder in another jurisdiction may race in Minnesota, using lasix. The revision is necessary to conform to rules in other jurisdictions and the Association of Racing Commissioners International uniform rules of racing. The change is reasonable since it allows competitors to move from jurisdiction to jurisdiction and be assured they are conforming to the rule and to simplify the regulation of horses racing on lasix without diminishing the integrity of racing.

M.R. 7890.0140, Subpart 5:

This rule outlines the restrictions on confirmed bleeders. The rule is needed to assure that horses which bleed during a race are allowed sufficient time to recover. The rule amendment is necessary to recognize that horses are entered 72 hours before a race and not 48 hours, on which the original rules were based and also to take into account the relative shortness of race meets currently anticipated to take place in Minnesota. The rule change is reasonable since the lay off time remains about the same due to the change in the number of days raced in a given week and because of the short duration of a meet this will allow an owner the opportunity to participate in a race or races it perhaps would not have been able to under the current rule.

M.R. 7892.0120, Subpart 1A:

The commission has by rule stipulated which horses must be tested at the conclusion of every race; every winning horse as well as the second place horse in all races when quinella or exacta wagering is offered. As these wagering pools are offered on all races, at least two horses are tested from each race. In addition the stewards have the authority to special test another horse should there be in their judgement anything questionable occurring during the race. All drug testing is paid by the commission with 100% reimbursement from the racetrack. This rule amendment is needed to achieve a reduction of costs incurred by a Class B licensee while at the same time not compromising the stewards judgement regarding special testing. It is reasonable to attempt to relieve some costs of regulation in an instance like this when at the same time there should not be a detrimental affect on the integrity of racing.

M.R. 7895.0110, Subpart 1A:

M.S. section 240.18, Subd. 4 authorizes the Racing Commission to promulgate rules governing the Minnesota Breeders' Fund. This includes rules regarding the registration of horses to participate in the proceeds of the fund. This rule amendment is needed to clarify the definition of a Minnesota foal. It is reasonable so as to stimulate the economic activity of the horseracing and breeding industry, that all Minnesota foaled

horses be out of a Minnesota broodmare also registered with the Commission pursuant to M.R. 7895.0125, Subpart 1. This rule amendment will make specific and will clarify the registration requirement that has been to date followed by the Commission and the industry.

M.R. 7895.0125, Subpart 3:

M.S. section 240.18, Subd. 4 authorizes the Racing Commission to promulgate rules governing the Minnesota Breeders' Fund. This includes rules regarding the registration of horses to participate in the proceeds of the fund. This rule amendment is needed to make it very specific that to register a foal as a Minnesota bred, it must be out of a mare registered with the Racing Commission. It is reasonable that a registered foal be out of a registered broodmare so that the economic activity surrounding the raising and training of the foal take place in Minnesota.

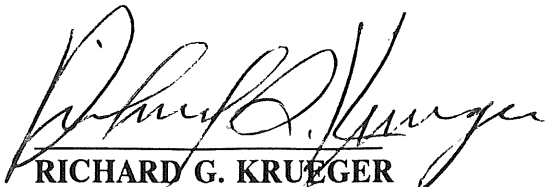
M.R. 7895.0125, Subpart 3A:

M.S. section 240.18, Subd. 4 authorizes the Racing Commission to promulgate rules governing the Minnesota Breeders' Fund. This includes rules regarding the registration of horses to participate in the proceeds of the fund. This rule amendment is needed so as to require that the Jockey Club registration number of the foaling dam be provided at the time the foal is being registered as a Minnesota bred. The Jockey Club registers all thoroughbred race horses in the country. This rule amendment is reasonable in that it provides an additional piece of information and evidence that a horse to be registered as a Minnesota bred is out of a broodmare that is also registered with the Breeders' Fund program of the Racing Commission.

XVIII. CONCLUSION

Based on the foregoing, the proposed Minnesota Rules parts 7870 to 7895 are both necessary and reasonable.

DATED; Feb. 26, 1996



**RICHARD G. KRUEGER
EXECUTIVE DIRECTOR
MINNESOTA RACING COMMISSION**