

Minnesota Racing Commission

2013 Annual Report

**To:
Governor Mark Dayton
And
The Minnesota Legislature**



MINNESOTA RACING COMMISSION

February 1, 2014

The Honorable Mark Dayton, Governor
State of Minnesota
130 State Capitol
St. Paul, MN 55155

Dear Governor Dayton and Members of the Legislature:

Accompanying this letter as its 2013 Annual Report is information regarding the Minnesota Racing Commission including a description of the Commission's activities, organizational structure, receipt and disbursements and important information on Canterbury Park and Running Aces Harness Park, the two racetracks (with card clubs) in Minnesota that are under the regulatory supervision of the Minnesota Racing Commission. In this letter I want to focus on important 2013 events that affected the Minnesota Racing Commission. I also want to identify continuing priorities and objectives of the Minnesota Racing Commission.

During 2013 there were three vacancies on the Minnesota Racing Commission. In July, you appointed Thomas DiPasquale to one of the vacancies, reappointed the former Chairman to one of the vacancies and appointed me to a vacancy and as the Chair. Subsequently, the former Chair resigned and so we have operated since July with that position being vacant.

Since the retirement of the former Executive Director in 2012, the Acting Executive Director had been Kristin Batson who was on assignment from Management Analysis and Development. She provided significant and valuable assistance to the Racing Commission particularly recognizing that for substantially all of the duration of her tenure, there was no Deputy Executive Director.

In December 2013, you appointed Thomas DiPasquale as Executive Director. He succeeded Kristin Batson. His appointment created a second vacancy on the Minnesota Racing Commission so as of the date of this letter there are two vacancies that need to be filled. Mr. DiPasquale brought to the Executive Director's position skills as an experienced lawyer along with the considerable industry knowledge as a person strongly interested in horse racing. We are fortunate to have filled the Executive Director's position with someone of Mr. DiPasquale's skills and experience; a search is currently underway for a Deputy Executive Director.

There were several matters that have carried over from 2012 (and prior years). We have a plan to resolve these matters so that our calendar is current.

We have the good fortune to have as continuing members of the Minnesota Racing Commission Dan Erhart, James Lane, Camille McArdle, Dave Roe, Kristine Sundberg and Mark Urista. These continuing Commissioners provide continuity and historical context to our work and our efforts.

We are dedicated to maintaining the integrity of racing and compliance with statutory obligations and regulatory requirements. It is my objective, which I know is shared by other Members of the Commission, that we continue to assess future developments in the industry and upgrade our ability to protect the public health and safety, insure the integrity of racing and gaming while at the same time enhancing the viability of the sport to the benefit of the tracks, the owners, breeders and all those that are associated with both tracks. Given the industry dynamics, such as electronic video

gaming, association/tribal affiliation, movement towards more uniform regulation across racing jurisdictions, and the need for increasingly sophisticated analytical methods for detecting medication violations, the Commission expects that it will incur additional costs and will need additional personnel. Our regulatory oversight must be accomplished in a way that avoids unnecessary delays. Proper staffing will insure that objective and the discharge of our basic responsibility – the integrity of racing.

As noted, changes in card club gaming opportunities also will be an important area of oversight for the Commission. We recognize the importance of providing expanded opportunities for the card clubs at Canterbury Park and Running Aces Harness Park since they support infrastructure and provide additional purses for the horses at each track. At the same time, we also recognize the constraints that exist under Minnesota law and must assure that any gaming that is approved is legal, appropriately authorized and properly conducted and supervised.

As you will note from the accompanying information, both tracks had successful years and horse racing in Minnesota continues to prosper. There were 5,226 licensees in 2013 giving some sense of the scope of this industry as it affects employment and generates economic benefit for the State. We intend to use our best efforts to assure that the progress made over the last several years continues as it is the foundation for the entire industry.

I refer you to the additional portions of this 2013 Annual Report for details on the Commission, the tracks, the licenses and the industry. In particular, I draw attention to the legislative section at the end of this Report, which describes the need for eventual reform of chapter 240 and the Commission's appropriations.

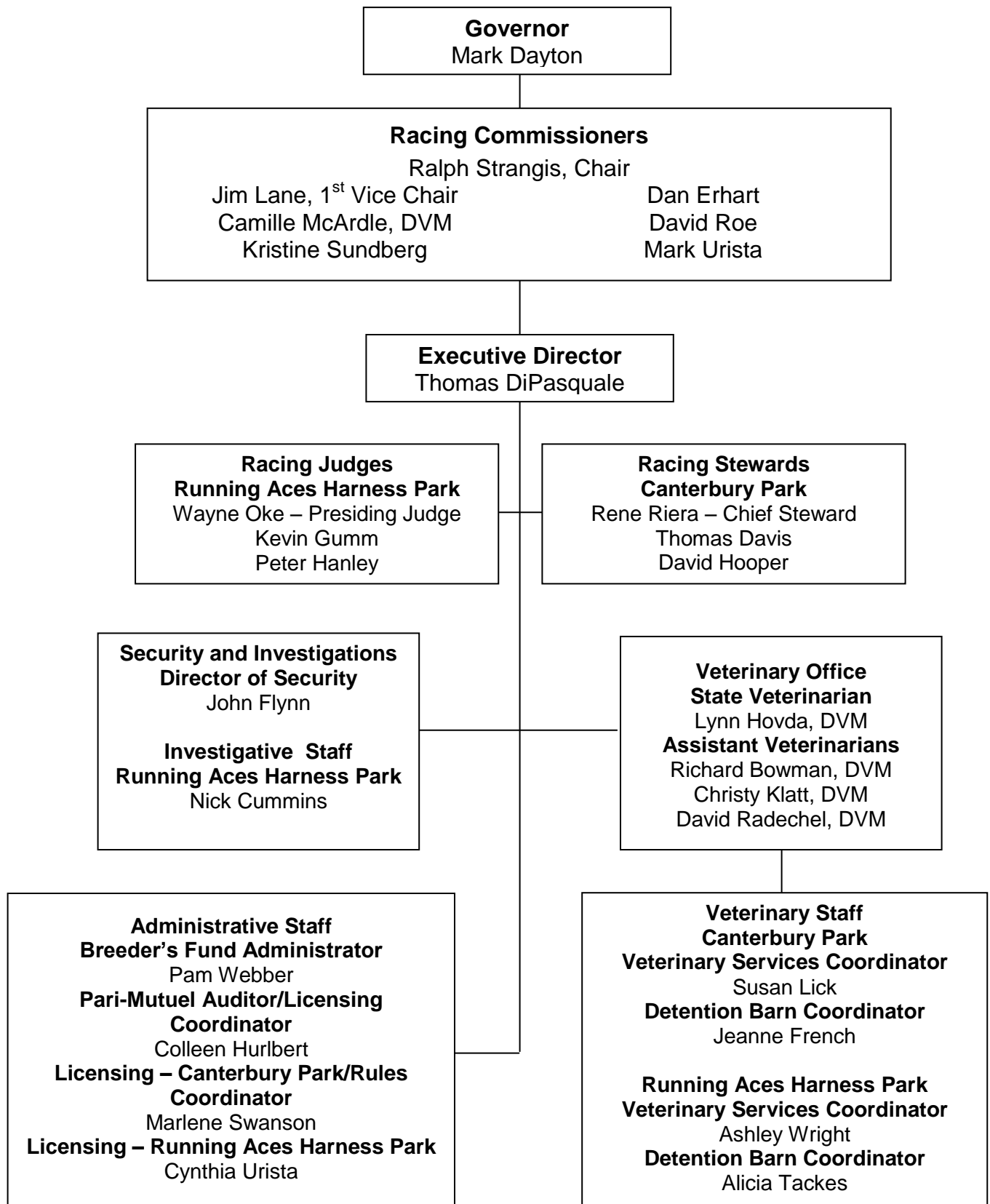
The Minnesota Racing Commission and all of those affected by racing in Minnesota appreciate the support that we have received from your office, the Legislature and the various administrative agencies that interact with racing.

Regards,

A handwritten signature in black ink, appearing to read 'Ralph Strangis', with a stylized flourish at the end.

Ralph Strangis, Chair

The MINNESOTA RACING COMMISSION



MINNESOTA RACING COMMISSION

2013 ANNUAL REPORT

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I. MINNESOTA RACING COMMISSION

MISSION STATEMENT

The Minnesota Racing Commission was established to regulate horse racing and card playing in Minnesota; to ensure that it is conducted in the public interest, and to take all necessary steps to ensure the integrity of racing and card playing in Minnesota thus promoting the breeding of race horses in order to stimulate agriculture and rural agribusiness.

INTRODUCTION

This annual report is being submitted to the Governor and the Legislature pursuant to Minnesota Statutes §240.02, Subd. 6 and to the Secretary of the Senate, the Chief Clerk of the House of Representatives and the Legislative Reference Library pursuant to Minnesota Statutes §3.195. In compliance with the Laws of 1994, Chapter 559, Section 1, it is estimated that it cost \$1000 to prepare this report.

CONSTITUTIONAL / LEGISLATIVE AUTHORITY

In November 1982, the Minnesota voters approved by an overwhelming majority a constitutional amendment allowing pari-mutuel horse racing. The amendment provides that:

"The Legislature may authorize on-track pari-mutuel betting on horse racing in a manner prescribed by law." Minnesota Constitution, Article X, Section 8.

In response to that public mandate, in 1983, the Minnesota Legislature enacted Minnesota Statute, Chapter 240, which created and empowered the Minnesota Racing Commission.

DUTIES OF THE COMMISSION

The legislature has empowered the Racing Commission with certain duties including, among others, the authority to:

1. Regulate horse racing and card club operation in Minnesota to ensure that it is conducted in the public interest;
2. Issue racetrack owner, operator, and occupational licenses;
3. Enforce all laws and rules concerning horse racing and the card club plan of operation;
4. Supervise the conduct of pari-mutuel betting on horse racing and collect and distribute all pari-mutuel taxes;
5. Conduct investigations and inquiries the Commission deems necessary to carry out its duties; and
6. Take all necessary steps to ensure the integrity of horse racing and card playing in Minnesota.

THE COMMISSIONERS

The Racing Commission is comprised of nine members appointed by the Governor and confirmed by the Senate for six-year terms. The names of the current Commissioners are listed below along with city of residence and ending date of each of their respective terms.

Ralph Strangis, Chair
Minneapolis, Minnesota
Term Expires June 30, 2019

Dan Erhart
Coon Rapids, MN
Term Expires June 30, 2017

James S. Lane
Medina, Minnesota
Term Expires June 30, 2015

Camille McArdle, DVM
Corcoran, Minnesota
Term Expires June 30, 2017

David Roe
Apple Valley, MN 55124
Term expires June 30, 2017

Kristine Sundberg
Minnetonka, Minnesota
Term Expires June 30, 2015

Mark Urista
Anoka, Minnesota
Term Expires June 30, 2015

Vacant

Vacant

Pursuant to state law, the Commissioners are paid \$55 for each day spent on Racing Commission business.

THE COMMISSION STAFF

In 2013 the Racing Commission was staffed by the following individuals:

Kristin Batson	Interim Executive Director (until December 2013)
Mary M. Manney	Deputy Director (until June 28, 2013)
Pamela Webber	Office Manager/Breeders' Fund Administrator
Colleen Hurlbert	Pari-mutuel Auditor/Licensing Coordinator
Marlene Swanson	Rules Coordinator/Licensing Clerk
Cynthia Urista	Licensing Clerk
John Flynn	Director of Security
Mark Custer	Investigator (until September 3, 2013)
Nick Cummins	Investigator

To further assist the Commission with its regulatory responsibilities, the following individuals were contracted or employed seasonally by the MRC for professional and technical services during the 2013 racing season:

Stewards – Canterbury Park	Rene Riera, Chief Steward Tom Davis David Hooper
Judges – Running Aces Harness Park	Wayne Oke, Presiding Judge Kevin Gumm Peter Hanley, II
Veterinarians and Assistants	Chief Veterinarian Lynn Hovda, DVM Richard Bowman, DVM Christy Klatt, DVM David Radechel, DVM Susan Lick, Veterinary Services Coordinator, Canterbury Park Ashley Wright, Veterinary Services Coordinator, Running Aces Harness Park Jeanne French, Lead Test Barn Technician, Canterbury Park Alicia Tackes, Lead Test Barn Technician, Running Aces Harness Park

ADVISORY COMMITTEES

The Thoroughbred Breeders Fund Advisory Committee advised the Racing Commission regarding thoroughbred topics during 2013.

BREEDERS' FUND APPROPRIATIONS ADVISORY COMMITTEE

Carin Offerman, Chair	Orono
David Astar	Hastings
Dean Benson	Webster
Dan Cohen	Minneapolis
Dave Dayon	St. Michael
Chad Kuehn	Austin
Dan Mjolsness	Red Wing
Rick Osborne	Cambridge
Gary Speich	Wayzata
Dennis Strohkirch	Stillwater
Jack Walsh	Stillwater

MEETINGS OF THE COMMISSION

The Racing Commission meets the third Thursday of each month. In addition, the Commission has four committees that meet at the call of the Chairs. These committees are Racing, Finance, Compliance and Administrative Affairs.

COMMISSION OFFICES

The Minnesota Racing Commission offices are located at:

Canterbury Park
P.O. Box 630
1100 Canterbury Road
Shakopee, MN 55379
Telephone: (952) 496-7950
Fax: (952) 496-7954

Running Aces Harness Park
15201 Zurich Street
Columbus, MN 55025
Telephone: (651) 925-3951
Fax: (651) 925-3953

Website: <http://www.mrc.state.mn.us>
1-800-627-3529 (TDD-Voice Relay Service)

II. COMMISSION ACTIVITIES

RULEMAKING

The Minnesota Legislature has delegated rulemaking authority to the Minnesota Racing Commission to regulate horse racing and card playing in Minnesota. “Rulemaking” is an administrative process that resembles a legislature’s enactment of a statute and is governed by the [Minnesota Administrative Procedure Act, Minnesota Statutes, chapter 14](#). A “rule” is the product of the rulemaking process and the rules governing horseracing and card playing can be found in the [Minnesota Rules, Chapter 7869 through Chapter 7899](#). It is the intent of the Racing Commission to promulgate rules that will aid in the regulation of horse racing and card club operations to ensure their integrity for the public and to ensure the safety of the participants, human and non-human, without the burden of undue over regulation or operating costs. The Commission makes every attempt to invite all affected parties to participate in the rulemaking process.

The Commission concluded two rulemaking initiatives in 2013 and a third is nearly completed. The first project was to establish threshold levels of Nonsteroidal anti-inflammatory drugs (NSAIDs) in all horses that are racing and a restriction on the use of NSAIDs in two year old horses that are racing. The proposed rule change started with discussions at the full commission meeting on November 17, 2011. The Request for Comments was published in the July 2, 2012 edition of the State Register. On January 15 a hearing on the rule proposal was held in front of the Honorable Manuel J. Cervantes, an Administrative Law Judge in the Office of Administrative Hearings. The legal review found that the Commission had the statutory authority to adopt the rules, that the rules were adopted in compliance with the procedural requirements of Minnesota Statutes, Chapter 14, and Minnesota Rules, Chapter 1400, and that the adopted rules were approved by the Office of Administrative Hearings. The Notice of Adoption was published in the State Register on May 13, 2013.

The second rulemaking process was initiated at the suggestion of the Thoroughbred Breeders Fund Advisory Committee. With the agreement for purse enhancement between Canterbury Park and the Shakopee Mdewakanton Sioux Community, the Advisory Committee pursued and proposed a rule change to provide additional revenues to the state’s horse breeders (mare owners) and stallion owners. The card club legislation of 1990 directed all of the earnings for purses and purse supplements, with the breeders and stallion owners receiving a smaller portion of the total monies going to the industry in total. The purse enhancement agreement adds on to that disparity. The proposed rule received no comments through both comment periods. Having no opposition, the rule change became effective on April 27, 2013.

The third rulemaking process was initiated at the suggestion of the quarter horse owners. It follows the same initial purpose as the thoroughbred amendment. There are additional changes that were offered to the Quarter Horse Breeders Fund language. This rule proposal has undergone several revisions over the course of 2013 and is entering the final stages of the rulemaking process in early 2014.

A rulemaking process of wider scope was started in September of 2013 involving fifteen areas of medication/veterinary rules and over fifty areas of non-medication rules being proposed for amendment. These proposed rules are designed to bring Minnesota’s regulatory scheme into conformance with the Model and Uniform rules initiatives within the industry. The proposed rule changes were presented to the Racing Committee of the Minnesota Racing Commission over the

course of two meetings held in November and December of 2013. Following these meetings and after receiving public input, the full Commission at the December meeting gave authority to initiate formal rulemaking.

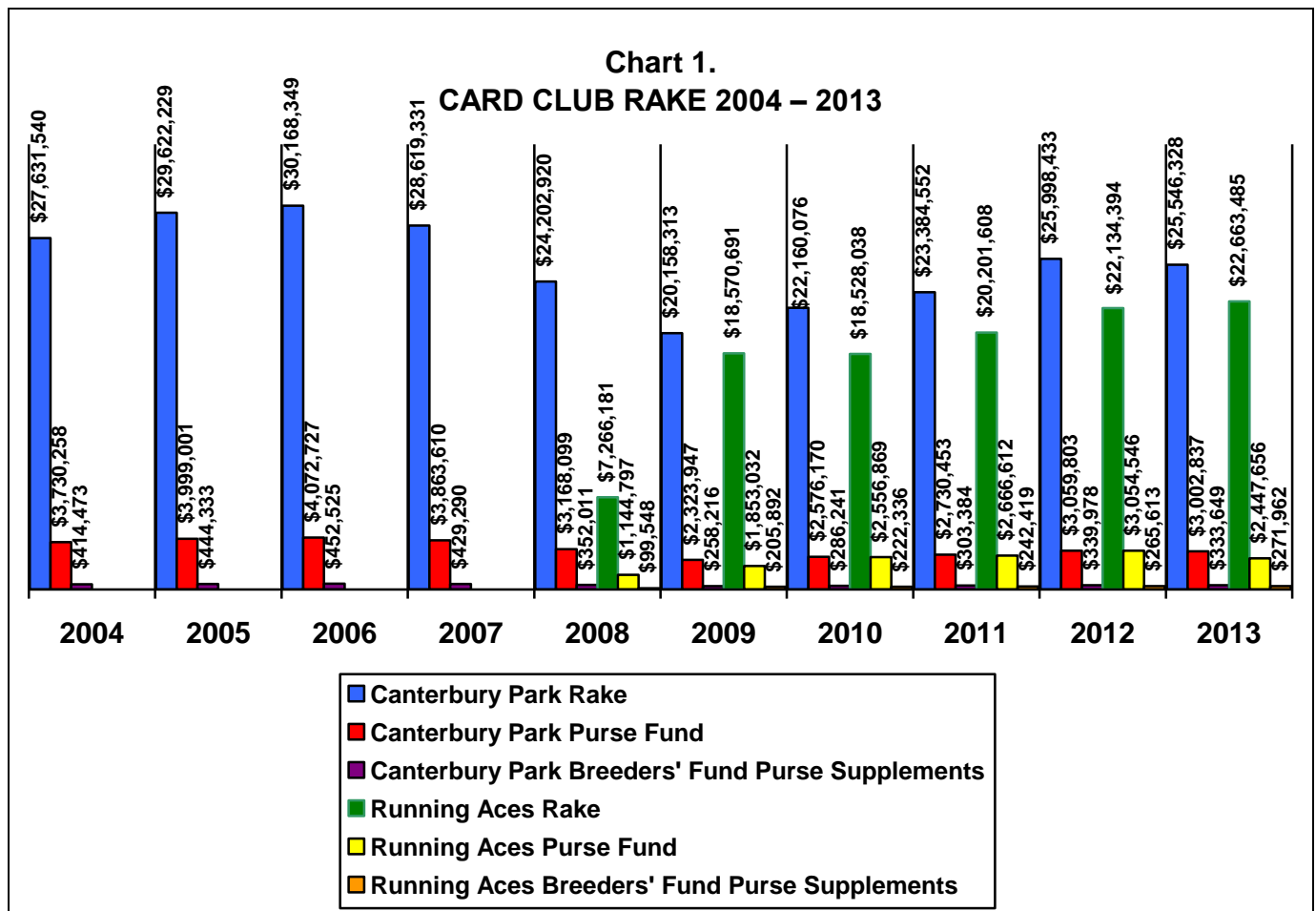
SUMMARY OF CARD CLUB OPERATION

During the 1999 legislative session, the legislature passed [chapter 240.30](#) allowing a licensed racetrack to operate a card club in addition to live racing and simulcasting. The card club at Canterbury Park opened in April of 2000. A second card club, at Running Aces Harness Park, opened in July of 2008.

In 2013 Canterbury Park's card club revenue was \$25,546,327.82, a 1.74% decrease from 2012. Out of that revenue, \$3,336,485.89 went for the thoroughbred and quarter horse breeders' and purse funds. At Running Aces the revenue in 2013 was \$22,663,484.59, a 2.4% increase. Out of that revenue, \$2,719,618.16 went to the standardbred purse fund and breeders' fund.

Commission investigators work with the surveillance and security departments on a continuing basis to insure the integrity of horse racing and card club operations.

Through usage of a collection or rake taken from each card game as set forth in [chapter 240.30 subd. 4](#), and [240.135](#), the card clubs provide an additional revenue source for thoroughbred, quarter horse and standardbred purses and breeders' funds as shown in Chart 1.



LICENSING, SECURITY AND INVESTIGATIONS

A primary function of the Minnesota Racing Commission security and licensing staff is to allow only qualified personnel to participate in racing in Minnesota. Another function is to ensure that the statutes and the Minnesota Racing Commission rules and regulations of racing and card club operations are enforced. Additionally, investigators assist the stewards and judges in the oversight of the daily operations before, during and after the live meet.

The card room requires additional investigative responsibility to ensure that all the card games are played in compliance with statutes, Commission rules and the card club plan of operation. The investigators work closely with the surveillance room personnel to monitor the behavior of the patrons and the card room employees.

MRC investigators work in cooperation with the following entities to protect the health, safety and welfare of both human and equine participants and to ensure the integrity of racing: Federal Bureau of Investigation; Minnesota Department of Public Safety, Alcohol and Gambling Enforcement Division; Minnesota Bureau of Criminal Apprehension; US Citizenship and Immigration Services (USCIS); Immigration and Customs Enforcement; Anoka County Sheriff's Office, Internal Revenue Service; Minnesota Department of Revenue; Scott County Sheriff's Office; Scott County Attorney's Office; State Attorney General's Office; Shakopee Police Department; Association of Racing Commissioners International (ARCI); Organization of Racing Investigators (ORI); racing and gaming regulatory agencies in other jurisdictions; Board of Stewards; The Jockeys' Guild; The Jockey Club; U.S. Trotting Association; Minnesota Thoroughbred Association; Minnesota Quarter Horse Racing Association; Minnesota Harness Racing, Inc.; Arabian Racing Association of Minnesota; Canterbury Park and Running Aces Harness Park.

OCCUPATIONAL LICENSING

The Minnesota Racing Commission must license everyone who is employed at a racetrack/card club in Minnesota. Applicants are fingerprinted and authorize the release of personal information to verify application content. The applicants must also submit an Affidavit of Qualification stating they are not in debt to the State of Minnesota, have never been convicted of a felony in a state or federal court, or for occupations that do not involve gaming operations have not been convicted of a felony or crime involving fraud or misrepresentation within 10 years, do not have a state or federal felony charge pending, have been discharged from any supervision related to a disqualifying offense for a period of at least 5 years, are not required to register pursuant to section 243.166 (Predatory Offender Status), nor have they been convicted of a crime related to horse racing or gambling.

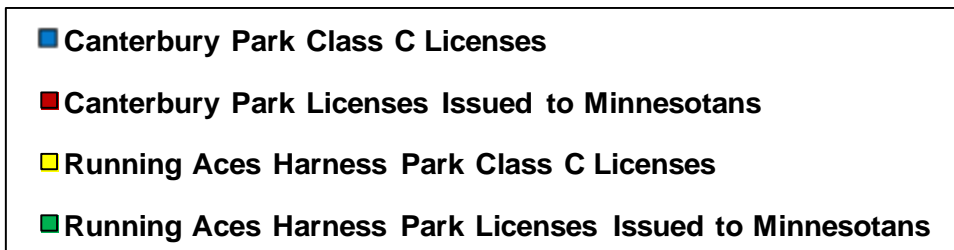
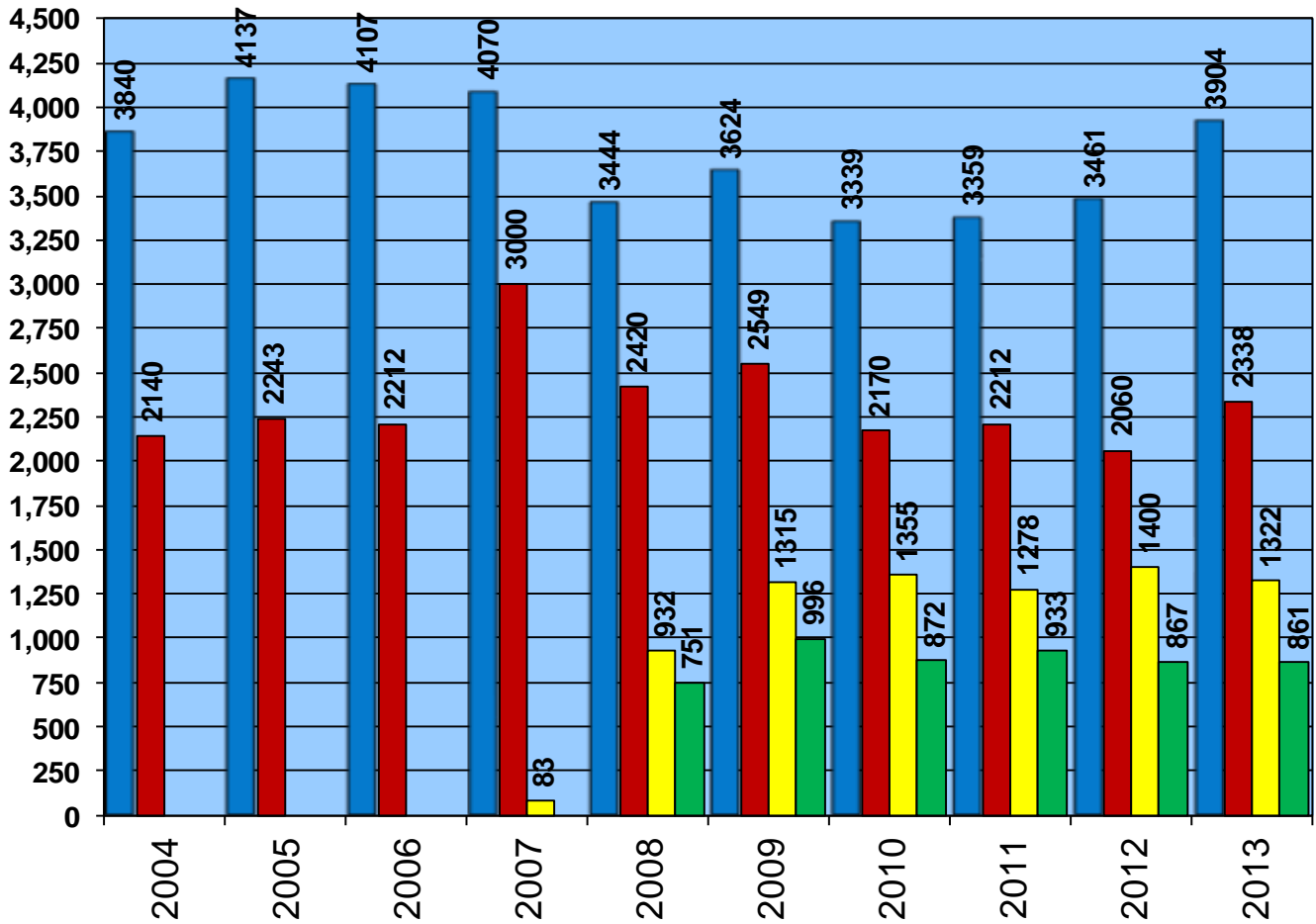
In 2013, 5,226 Class C occupational licenses were issued by the Minnesota Racing Commission during the live and simulcast racing meets. Of these, 3,904 licenses were issued to individuals or businesses racing or working in various occupations at Canterbury Park. 1,322 licenses were issued to individuals or businesses racing or working in various occupations at Running Aces Harness Park. Licenses were issued to applicants from 46 different states as well as different countries including Canada and Mexico. Table 1, page 8 summarizes by occupation, the licenses issued by the Commission since 2004. Of the 5,226 licenses issued in 2013, 2,970 were held by Minnesota residents. The largest of these categories were Canterbury Park and Running Aces employees, owners and employees of vendors. Chart 2 provides a visual trend in licensing numbers since 2004.

Table 1.
OCCUPATIONAL (CLASS C) LICENSE SUMMARY
BY YEAR 2004 - 2013

LICENSE TYPE	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Authorized Agent	84	82	113	112	117	57	61	54	67	63
Bloodstock Agent	1	2	2	2	2	4	0	0	0	0
Canterbury Employees	1330	1351	1320	1338	1279	1095	1137	1189	1227	1218
Commission/MRC Staff	29	32	38	35	48	27	36	37	29	29
County Fair Volunteers	0	0	0	0	0	0	0	0	0	0
Detention Barn Technician	14	22	19	19	18	26	24	24	26	21
Driver	0	0	0	0	12	32	33	14	25	18
Exercise Rider	64	66	66	54	53	71	70	77	71	81
Farrier	12	12	11	10	16	13	8	11	13	11
Farrier's Assistant	0	0	0	0	0	1	1	3	0	0
Groom/Hotwalker	285	294	299	278	324	286	317	291	304	352
Horsemen's Organizations							7	12	14	12
Jockey	76	77	59	58	69	63	61	53	50	70
Jockey Agent	8	8	9	12	9	11	8	8	13	14
Jockey, Apprentice	2	4	2	4	3	1	3	1	4	4
Non-Profit							10	8	7	10
Other	18	38	29	25	24	12	0	0	0	0
Owner, Individual	1051	1178	1160	1090	1293	1212	1165	1069	1142	1376
Owner, Multiple	267	299	315	283	324	321	293	280	294	374
Owner/Trainer	93	93	100	74	76	77	74	82	102	71
Owner/Trainer/Driver	0	0	0	0	32	46	60	49	51	48
Pony Rider	16	9	14	15	16	12	13	15	21	21
Running Aces Employees		7	9	20	591	651	682	747	758	719
Stable	46	40	41	46	55	44	31	21	25	38
Stable Foreman	1	0	2	0	2	1	3	5	3	1
Trainer	85	100	86	70	101	95	103	62	82	102
Trainer, Assistant	41	41	46	54	46	43	29	36	33	50
Vendor	96	109	104	134	144	170	128	138	145	128
Vendor Employees	206	260	251	326	369	354	317	366	340	380
Veterinarian	8	14	15	17	20	16	12	12	10	10
Veterinary Assistant	7	6	6	12	9	7	8	6	5	5
Totals	3840	4137	4107	4068	5052	4748	4694	4670	4861	5226

Chart 2.

CLASS C OCCUPATIONAL LICENSES ISSUED 2004 – 2013



PARI-MUTUEL STATISTICS

The MRC audits wagering information provided by the associations and totalizator systems. This information is useful in verifying the accuracy of payments made to the betting public and to various state funds, including the breeders fund and equine research. Tables 2 and 3 show a breakdown of wagering by track and breed along with average winnings paid to the bettors. Chart 3 provides a visual trend of racing handle from 2004 to present.

Table 2.

2013 PARI-MUTUEL STATISTICS CANTERBURY PARK

LIVE WAGERING

2013 Live Thoroughbred and Quarter Horse Races Mixed Meet (Thoroughbred & Quarter Horse) – May 17, 2013 – September 14, 2013 Festival of Champions – September 1, 2013						
BREED	HANDLE	TAKEOUT	# OF RACES	AVERAGE HANDLE PER RACE	BETTOR RETURN	WINNING %
Thoroughbred	\$12,139,632	\$2,316,928	544	\$22,315.50	\$9,209,675	75.86%
Quarter Horse	\$1,159,291	\$222,868	103	\$11,255.25	\$910,144	78.51%
TOTAL	\$13,298,923	\$2,539,796	647	\$20,554.75	\$10,119,819	76.10%

SIMULCAST WAGERING

2013 Full-Card Simulcast Meets January 1, 2013 – December 31, 2013						
BREED	HANDLE	TAKEOUT	# OF RACE DAYS	AVERAGE HANDLE PER RACE DAY	BETTOR RETURN	WINNING %
Thoroughbred	\$33,084,256	\$6,750,875	363	\$91,141	\$25,624,284	77.45%
Quarter Horse	\$935,455	\$199,770	329	\$2,843	\$720,140	76.98%
Standardbred	\$166,657	\$36,440	48	\$3,472	\$124,797	74.88%
Arabian	\$47,773	\$9,645	111	\$ 430	\$37,026	77.50%
TOTAL	\$34,234,141	\$6,996,730		\$99,518	\$26,506,247	77.43%

Table 3.

2013 PARI-MUTUEL STATISTICS RUNNING ACES HARNESS PARK

LIVE WAGERING

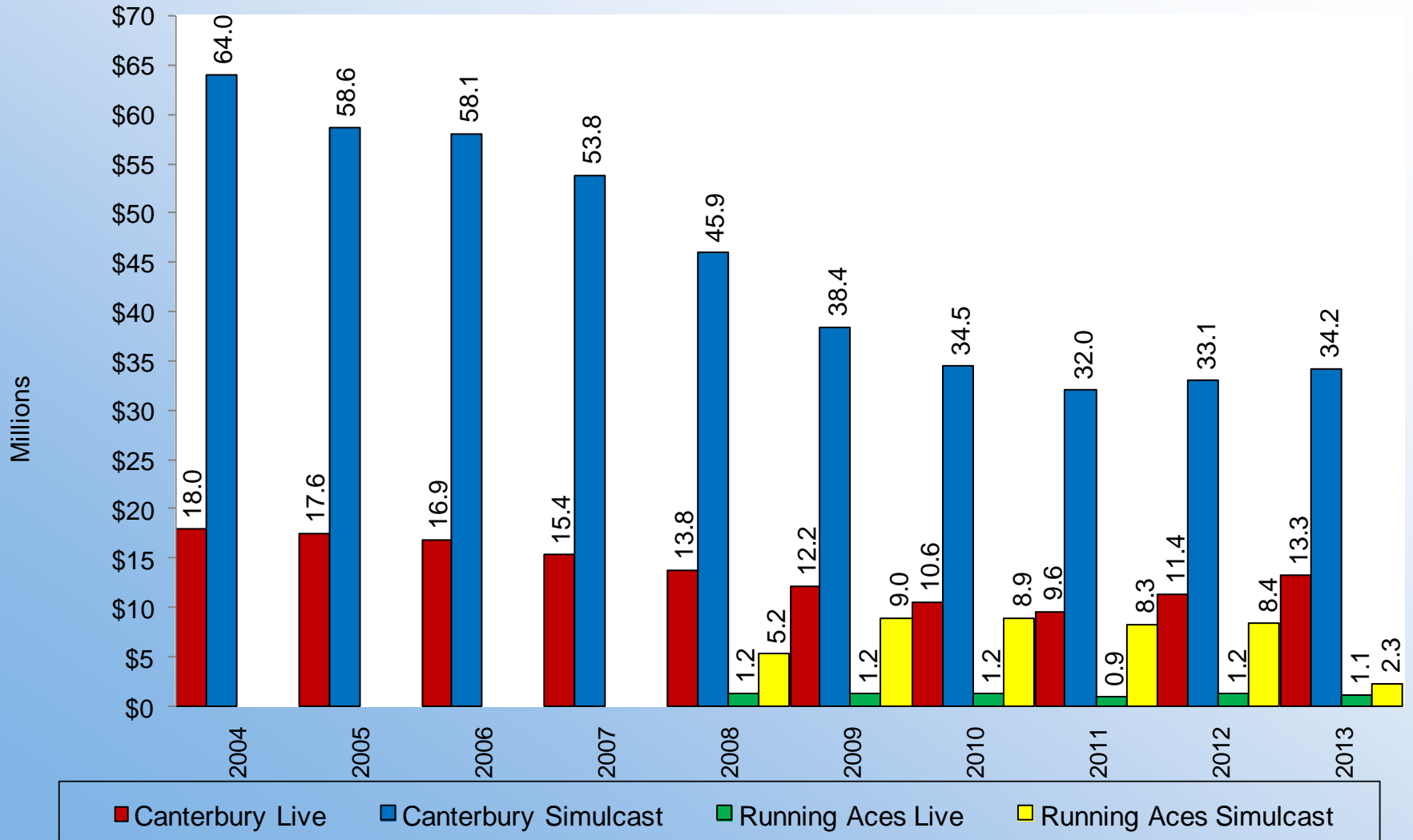
2013 Live Standardbred Races June 1, 2013 – August 31, 2013						
BREED	HANDLE	TAKEOUT	# OF RACES	AVERAGE HANDLE PER RACE	BETTOR RETURN	WINNING %
Standardbred	\$1,099,425	\$209,941	478	\$2,300.05	\$834,021	75.86%
TOTAL	\$1,099,425	\$209,941	478	\$2,300.05	\$834,021	75.86%

SIMULCAST WAGERING

2013 Full-Card Simulcast Meets January 1, 2013 – December 31, 2013						
BREED	HANDLE	TAKEOUT	# OF RACE DAYS	AVERAGE HANDLE PER RACE DAY	BETTOR RETURN	WINNING %
Thoroughbred	\$569,636	\$119,191	49	\$11,625.22	\$449,478	78.91%
Quarter Horse	\$20,816	\$4,433	32	\$650.50	\$15,615	75.01%
Standardbred	\$1,708,047	\$379,384	363	\$4,705.36	\$1,246,160	72.96%
Arabian	\$517	\$110	7	\$73.86	\$189	36.56%
TOTAL	\$8,379,304	\$1,744,463	265	\$31,620.02	\$6,424,805	76.67%

Chart 3.

RACING HANDLE 2004 - 2013



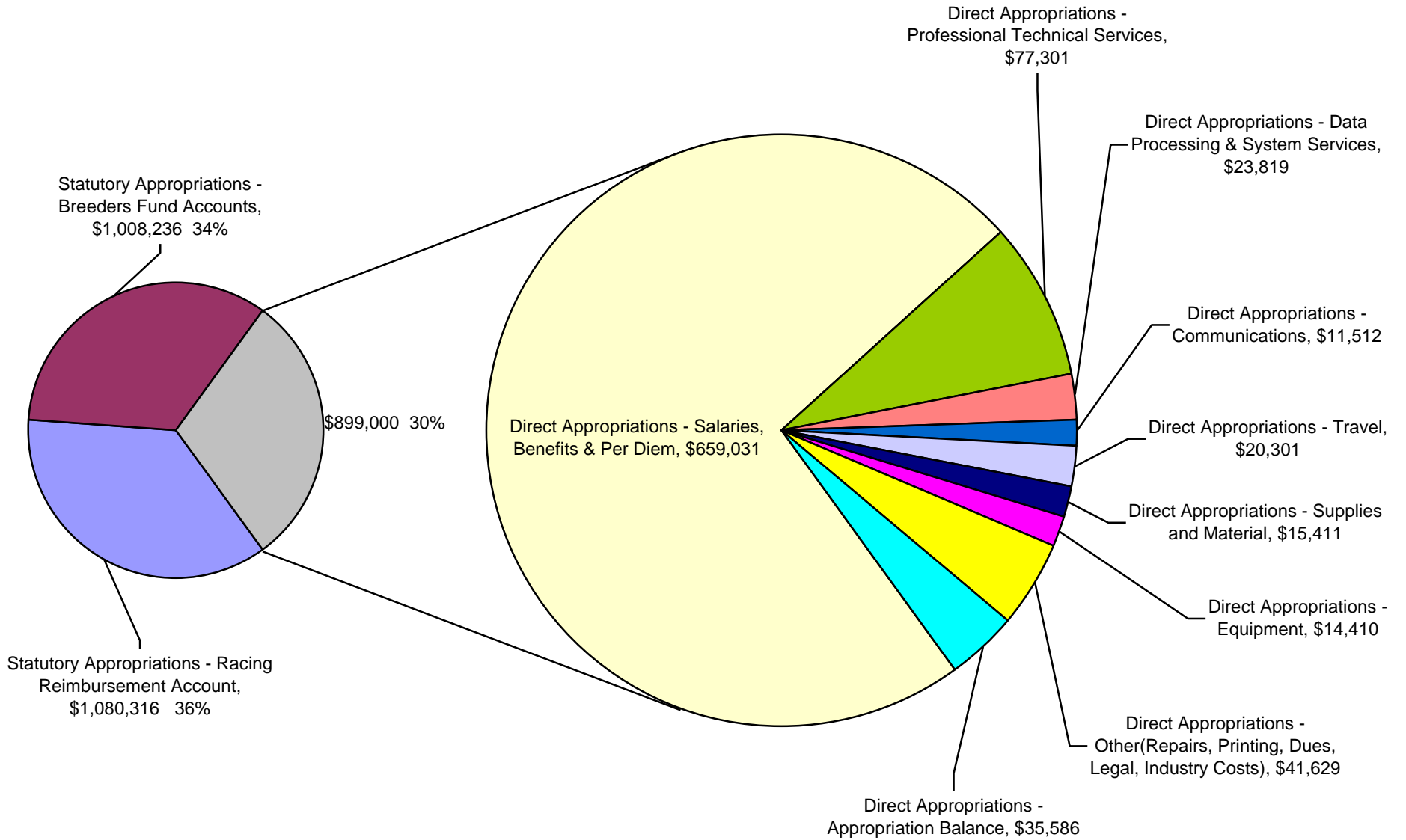
The summary from Table 4 reflects expenditures for operations of the Commission that are financed by racetrack and occupational license fees that are subject to direct appropriation from the special revenue fund by the Legislature. The Commission also has statutory appropriations from the special revenue fund that finance the Commission's operations regarding stewards, veterinarians, drug testing laboratory, and oversight of the card rooms. As well the Commission has statutory appropriation from the miscellaneous agency fund that finances breeders' awards, stallion awards, and purse supplements that are paid to the state's horsemen and women that compete at both racetracks. The breakdown of those funding sources are shown on Chart 4.

Table 4.

FIVE YEAR FINANCIAL SUMMARY FISCAL YEARS 2009 – 2013

DIRECT APPROPRIATIONS					
	FY 2013	FY 2012	FY 2011	FY 2010	FY 2009
Special Revenue Appropriation	\$899,000	\$899,000	\$899,000	\$899,000	\$899,000
Deficiency Appropriation					
Statutory Carry Forward					
Unallotment			-\$29,000	-\$19,000	
Total	\$899,000	\$899,000	\$870,000	\$880,000	\$899,000
	Actual 13	Actual 12	Actual 11	Actual 10	Actual 09
Salaries, Benefits & Per Diem	\$659,031	\$578,685	\$594,406	\$571,022	\$553,500
Rents	\$0	\$154	\$168	\$376	\$200
Consultant Services	\$0	\$0	\$0	\$0	\$0
Professional/Technical Services	\$77,301	\$7,670	\$10,292	\$10,358	\$15,600
Data Processing & System Services	\$23,819	\$13,670	\$15,606	\$18,828	\$11,600
Communications	\$11,512	\$7,445	\$6,167	\$5,969	\$6,100
Travel	\$20,301	\$17,523	\$15,301	\$15,330	\$23,200
Supplies and Material	\$15,411	\$10,206	\$11,702	\$13,205	\$14,300
Equipment	\$14,410	\$16,681	\$17,687	\$12,821	\$8,800
Other (Repairs, Printing, Dues, Legal, Ind. Cost)	\$41,628	\$48,223	\$79,418	\$82,459	\$61,248
Total	\$863,413	\$700,257	\$750,747	\$730,368	\$694,548
	Actual 13	Actual 12	Actual 11	Actual 10	Actual 09
Appropriation Balance	\$35,586	\$198,743	\$119,253	\$149,865	\$205,200
License Revenues to General Fund/Special Revenue Fund	\$800,056	\$792,635	\$790,995	\$795,803	\$800,608
Pari-Mutuel Taxes to General Fund	\$0	\$0	\$0	\$0	\$18,500
Fines to General Fund	\$24,540	\$28,785	\$53,755	\$30,710	\$30,600

Chart 4. EXPENDITURES BY FUND



EQUINE GRANT PROGRAMS

Pursuant to [Minnesota Statute 240.15](#), after the cost of administering the Breeders' Fund program is deducted, twenty percent of the Breeders' Fund monies accumulated from live racing are expended in the form of grants for equine research and related education in the State of Minnesota.

Legislative changes enacted in 1991 to [Minnesota Statute 240.18](#), Breeders' Fund, expanded and clarified the uses to which the equine grants portion of Breeders' Fund monies may be applied. One-half of the equine grant monies are dedicated specifically to equine research and education at the University of Minnesota's College of Veterinary Medicine. The remainder may be expended for any one or more of the following:

- (1) Additional equine research and related education;
- (2) Substance abuse programs for licensed personnel at racetracks in this state;
- (3) Promotion and public information regarding the industry, Commission activities, ownership, breeding and the development and expansion of the economic benefits from racing.

During 2013 the Racing Commission awarded grants to:

- (1) The Horsemen's Benevolent and Protective Association, in the amount of \$3,600 to help fund the Groom Elite Program, a training program for racetrack grooms designed to ensure proper care of the race horse.
- (2) The College of Veterinary Population Medicine, in the amount of \$13,000, to go towards the funding of three separate studies:
 - a study to investigate a new therapy for equine arthritis the results of which may lead to scientific validation of purported beneficial effect of a commercially available therapy (IRAP) in horses.
 - a study to determine the genetic basis for a chronic neurodegenerative disease that affects thoroughbreds, warmbloods and draft horses. Results could potentially lead to a DNA test for Shivers susceptibility that would be useful for prepurchase examinations, veterinary diagnostics and breeding decisions.
 - a study to evaluate the effect of 4 different types of grasses grown commonly in Minnesota on the amount of grass horses can consume when wearing a grazing muzzle. The results may lead to a better understanding of equine metabolic disease and foundering of horses in Minnesota pastures.
- (3) The Minnesota Thoroughbred Association (MTA), in the amount of \$2,200, to conduct a series of monthly educational events on racehorse ownership. The goal of this series is to recruit new owners by generating interest, providing education and ultimately giving individuals the opportunity to purchase racehorses at Minnesota thoroughbred and quarter horse sales.

BREEDERS' FUND

The primary purpose of the Minnesota Breeders' Fund is to provide incentive monies to enhance the horse racing industry in the State of Minnesota and to encourage Minnesotans to participate in the racing and breeding industry.

[Minnesota Statute 240.15](#) and [240.13](#) require that the funds earn one percent of the total handle wagered on live racing and 5.5% of the take-out from full-card simulcasting. [Minnesota Statute 240.135](#) requires that the Breeders' Fund receive ten percent of the card club rake that is set aside for purses. This amount is distributed to the thoroughbred, quarter horse and standardbred funds. Each breed has a separate fund. Breeders' Fund monies are distributed as both purse supplements and awards.

In 2013 the Breeder's Fund earned \$556,475 from live and simulcast racing and earned \$608,334 from card club operations. 208 individuals and partnerships received \$274,690 in thoroughbred, quarter horse, and standardbred award payments from monies available at the end of the live racing season. Purse supplements paid out at pari-mutuel meets totaled \$423,021. Purse supplements of \$40,000 were paid out during four days of non pari-mutuel harness racing at county fair venues. The monies available for the 2013 purse supplements included carryovers from 2012.

Committees consisting of the industry participants advise the Commission on distribution of these funds. The committees review distribution alternatives on an ongoing basis.

Table 5.

2013 BREEDERS' FUND RECAP

THOROUGHBRED		QUARTER HORSE	
Live and Simulcast Racing	\$482,569	Live and Simulcast Racing	\$39,553
Card Club Operations	\$300,843	Card Club Operations	\$33,226
Total Earnings	\$783,412	Total Earnings	\$72,779
Less Administrative Costs	\$21,840	Less Administrative Costs	\$2,060
= Net Breeders' Fund	\$761,572	= Net Breeders' Fund	\$70,719
Less Equine Research	\$19,969	Less Equine Research	\$1,848
= Net Available Breeders' Fund	\$741,603	= Net Available Breeders' Fund	\$68,871
Less Purse Supplements	\$372,879	Less Purse Supplements	\$49,267
= Balance Remaining for Awards	\$368,724	= Balance Remaining for Awards	\$19,604
STANDARDTBRED		ARABIAN	
Live and Simulcast Racing	\$33,865	Total Earnings	\$488
Card Club Operations	\$274,469	Less Purse Supplements	\$268
Total Earnings	\$308,334	= Balance Remaining for Awards	\$ 220
Less Administrative Costs	\$4,820		
= Net Breeders' Fund	\$303,514		
Less Purse Supplements	\$294,765		
Less Equine Research	\$1,450		
Less Non-PM Development	\$1,450		
= Balance Remaining for Awards	\$5,849		

Effective November 1, 2001 all Breeders' Fund monies set aside from card club revenues were designated for purse supplements only.

Table 6.

HORSE REGISTRATIONS

Year	THOROUGHBRED			QUARTER HORSE			STANDARD BRED	
	Stallions	Mares	Foals	Stallions	Mares	Foals	Stallions	Foals
1985	54	543	403	1	0	97	1	17
1986	99	895	601	70	241	70	22	13
1987	112	988	648	73	178	78	15	20
1988	141	1261	760	94	229	109	18	23
1989	141	1334	844	119	272	143	22	28
1990	118	1145	653	95	257	134	19	30
1991	104	966	612	88	214	112	11	21
1992	85	735	450	72	175	90	7	16
1993	63	444	242	52	131	81	6	17
1994	49	253	160	40	85	64	3	14
1995	46	265	179	43	98	59	3	9
1996	44	275	168	47	105	54	3	8
1997	41	210	138	48	95	53	4	8
1998	40	211	140	49	103	75	7	8
1999	31	234	166	41	88	48	4	10
2000	26	232	171	35	91	41	3	10
2001	31	304	232	37	124	46	4	12
2002	34	323	265	35	102	58	8	9
2003	30	365	284	28	107	73	11	28
2004	35	408	336	21	91	71	15	35
2005	42	451	344	24	80	49	19	56
2006	42	440	341	24	79	56	16	93
2007	38	410	316	20	80	45	16	76
2008	37	395	296	18	69	40	24	96
2009	41	331	241	16	69	37	20	92
2010	34	278	182	13	69	46	20	102
2011	32	204	131	10	41	22	19	123
2012	26	163	96	12	67	39	14	99
2013	30	323	246	15	101	44	19	101

III. LEGISLATION

The Legislature did not pass legislation related to horse racing, pari-mutuel wagering or card playing in Minnesota in the 2013 session. However, there are a number of developments that impact the regulated associations and the Commission and which suggest the need for a fresh look at Minnesota Statutes, Chapter 240, the enabling legislation for regulation of horse racing and card clubs at licensed tracks.

The expansion of Internet-based gaming of all types, including advance deposit wagering accounts which siphon live handle from Minnesota tracks, sharpen competition across all forms of gaming in the State. In turn, the associations are looking for new ways to strengthen their competitive position in the gaming and entertainment markets. Technology-driven card games (which may stretch commonly understood concepts of these games), race track/tribal affiliations authorized by recent legislation, and aggressive marketing promotions are examples of initiatives that require Commission oversight and approval. These industry trends, along with the nationwide movement to uniform rules which requires rule revisions in Minnesota, are demanding increased regulatory resources.

These developments are taking place against a backdrop of flat legislative appropriations and an enabling statute that is in need of modernization. With respect to appropriations, the Laws of 2013, Chapter 142, Article 1, Sec. 16 provides appropriations of \$899,000 each year for FY 2013 and 2014 for operations. These appropriations are from revenues deposited to the racing and card playing regulation accounts in the special revenue fund. The annual appropriation has been at this level since FY 2009. The Racing Commission's annual expenses are projected to exceed this amount either in the current fiscal year or in FY 2015, and the Commission is currently evaluating legislative options for increasing revenues to meet expenses into the future.

Increased legislative appropriations will be needed to meet staffing needs, upgraded IT needs, and the expanded scope of regulatory activities. New funding sources such as those being considered in other racing jurisdictions may also be considered. In short, the structural imbalance between anticipated costs and available resources will soon compromise the Commission's ability to meet its statutory obligations.

As to the enabling legislation, Chapter 240, the Commission believes there are opportunities to bring the law up to date with today's industry realities and to provide Minnesota with a more facile legal framework for regulation of the pari-mutuel industry. Reform initiatives in other jurisdictions are being watched closely. The Commission will provide recommendations for modernization during the fiscal 2014-2015 biennium.

Please notify the Racing Commission if you required this material to be made available in alternative format, i.e., large print, Braille, audiocassette, or other requested special format.

**The Racing Commission can be reached at:
952-496-7950; 1-800-627-3529, (TTY/VOICE RELAY SERVICES)**

2013 COMMISSION VETERINARIAN'S REPORT

MISSION STATEMENT

The mission of the Minnesota Racing Commission's Veterinary Department is to protect the participants in the sport of horse racing, including horses, riders or drivers, owners, and fans, from harm that may occur through negligence or deliberate mistreatment of horses.

The mission statement applies equally to Canterbury Park and Running Aces Harness Park. Each racetrack has different needs and expectations yet the underlying regulations and goals are the same. Common to both are complying with state and federal guidelines regarding equine transport and infectious diseases, protecting horses from abuse and neglect, preventing, detecting and deterring the use of illegal medications, minimizing race related injuries and accidents to horses as well as riders and drivers, serving as an educational resource for backside workers, safeguarding the owners' investment(s), and ensuring consistent equine performances.

BOTH TRACKS

The total number of medication violations for the combined racetracks in 2013 was lower than 2012. This low level continues to be due to a number of factors including the development and institution of laboratory detection (threshold) levels for common therapeutic medications, an agreement with Industrial Laboratories to prescreen blood samples prior to entering a horse into a race, and increased education for veterinarians, trainers, and grooms by the veterinarian services department. Of these, providing accurate, timely, and useful information was given the highest priority in 2013.

In 2012, detection levels were established for 14 therapeutic medications; these continued for the 2013 racing season. A list of these therapeutic medications along with detection levels, route of administration, dose and dosage recommendations, and suggested withdrawal times was provided to the practicing veterinarians and trainers in their manuals as well as being clearly posted outside veterinary offices at the respective racetracks.

On a national level, many states are just beginning the move towards standardized medication thresholds similar to those already implemented by the Minnesota Racing Commission (MRC). In early 2013, the Racing Commissioners International (RCI), using scientific data and analyses provided by the Racing Medication Testing Consortium (RMTC), began a yearlong campaign towards national medication uniformity. Minnesota is well advanced in this area needing only minor rule modifications to comply with the RCI recommendations. These modifications were presented to the MRC Racing Committee in early November and are currently moving through the rulemaking process.

Industrial Laboratories, Wheat Ridge, Colorado, the MRC's 2013 contract testing laboratory is an A₂LA/ISO 17025 accredited laboratory utilizing state of the art equipment and methodologies. Blood is analyzed with liquid chromatography/mass spectrometry (LC-MS/MS) and urine with various methods including immunoassay. During the 2013 season trainers elected to send seven split samples to four different laboratories. Serum in these split samples was confirmed to have medication overages or positives originally identified by Industrial Laboratories and serves to support the accuracy and quality of Industrial Laboratories.

CANTERBURY PARK STATISTICS

The 69 day Canterbury Park 2013 race meet began on Friday, May 17th and concluded on Monday, September 14th. During this time, 1,591 thoroughbreds and quarter horses entered the grounds, an increase of almost 200 horses over 2012. In compliance with state and federal regulations and to keep infectious diseases at a minimum all horses allowed on the grounds were accompanied by a Certificate of Veterinary Inspection (CVI) with current Equine Infectious Anemia (EIA or Coggins) information clearly documented. Certificates were collected at the time of entry and examined each day by a Commission Veterinarian for accuracy and completeness.

Pre-race examinations were performed every race day on all horses entered to race. Each examination included accurate horse identification by tattoo and markings, manual palpation of limbs, and a visual exam of the horse in motion. Abnormal findings were noted on a medical record examination card specific to each individual horse. Three Commission Veterinarians performed a total of 5541 examinations. These examinations resulted in recommendations to the Board of Stewards that 168 horses be scratched from racing for veterinary reasons. An additional 36 horses were scratched for veterinary related problems in the saddling paddock, on the way to the starting gate, or at the gate itself.

Industrial Laboratories analyzed 1400 blood samples and 1243 urine samples for possible medication violations. All first and second place finishers, claimed horses, horses with race related injuries, horses working to be removed from the Veterinarian's List, and any other horses requested by the Board of Stewards were tested. The total cost for drug testing by Industrial Laboratories for Canterbury Park was \$134,270 (Table A).

Industrial Laboratories reported 15 medication violations in 2013, a number similar to 2012. Most medication violations were slight overages of permitted medications, in particular the nonsteroidal anti-inflammatory drugs (NSAIDS). Investigators pursued the source of these overages and their findings were presented to the Board of Stewards who dealt with them in a manner they deemed fair and equitable.

Twenty-two horses died or were humanely euthanized during the 2013 meet (Table B). Five of these horses suffered catastrophic injuries during or immediately after a race resulting in a race related breakdown rate of 0.9/1000 starts. This number is far below the 2012 national average of 1.92 horses /1000 starts (<http://www.jockeyclub.com/initiatives.asp>). No national 2013 number is available for comparison at this time. Information collected from these five horses was analyzed for common factors (sex, age, number of starts, years of racing), but no statistical analysis was performed due to the small sample number. Seven horses were euthanized after training related accidents. While no specific number of horses training each day is kept, roughly 37,785 horses trained during the 2013 season giving an incidence rate 0.18 deaths/1000 horses. No national rate is available for comparison. The remaining horses died or were euthanized for a variety of illnesses or medical problems. All horses dying or euthanized on the grounds for any reason were transported to the University of Minnesota Veterinary Diagnostic Laboratory within eight hours of their death for a complete post mortem examination. Data from all horses injured during the 2013 meet as well as information regarding horses scratched from racing for unsoundness issues was submitted to the Jockey Club for inclusion in the Equine Injury Database™.

The Commission Veterinarians' commitment to the care and placement of retired racehorses continued with 33 horses moved into a rescue/rehoming facility. Several other horses in foster care were moved to permanent homes. No horse in need of help was turned away regardless of their condition. These horses have gone on to successful careers in polo, games, dressage, pleasure, hunters, jumpers, and other forms of recreational riding.

RUNNING ACES HARNESS PARK STATISTICS

The 53 day, 2013 race meet at Running Aces Harness Park began on Saturday, June 1st and concluded on Saturday, August 31st. Stalls were requested for 470 horses, a modest increase of 45 horses over the 2012 season. The number of starters (7.19 starters/race in 487 races) was

slightly decreased over the 2012 season (7.43 starters/race in 480 races). Thirty-three qualifying races were run with 233 horses qualifying to race.

Pre-race examinations, modified for standardbreds, were performed on all horses entered to race. A total of 3500 examinations were performed with 68 horses recommended to be scratched by the veterinarian prior to racing or on the track surface. Abnormal findings were noted on a medical record examination card maintained for each individual horse.

Industrial Laboratories analyzed 977 blood samples and 903 urine samples for medication violations. All first and second place finishers, claimed horses, and any horse requested by the Board of Judges were tested. A Commission Veterinarian was present during each of the 33 qualifying races with medication testing provided at the request of the Judges. The total cost of medication testing by Industrial Laboratory for Running Aces Harness Park was \$95,020 (Table A)

Three race related medication violations occurred, a decrease over prior years. The Judges dealt with the 3 race related violations in a manner deemed fair and equitable by them.

No deaths occurred at RAHP during the 2013 racing season. The horse ambulance was used only twice, both times safely carrying a horse from the track surface to a stall for treatment and recovery.

CONCLUSION

The Minnesota Racing Commission’s veterinary staff had a high visibility and strong presence at Canterbury Park and Running Aces Harness Park both on the backside and the racing surface. The office provided medication information, trainer education, and assistance to backside veterinarians while keeping medication controls tight. Their daily presence ensured the humane treatment of all horses and helped maintain the integrity of horse racing in Minnesota.

Table A	
2013 Laboratory Expenditures	
Canterbury Park	
TCO ₂ (5.92%)	\$7,950
Blood/urine (83.32%)	\$111,870
Blood only (9.65%)	\$12,960
Special samples (0.37%)	\$500
Workout samples (0.74%)	\$990
	\$134,270
Running Aces Harness Park	
TCO ₂ (6.5%)	\$6,180
Blood/urine (86.10%)	\$81,810
Blood only (7.29%)	\$6,930
Special samples (0.11%)	\$100
	\$95,020

Table B
Summary of 2013 Horse Deaths
Canterbury Park

RACING RELATED

• Fractured sesamoid bones	3
• Fractured cannon bone	1
• Fractured elbow	1
	5

TRAINING RELATED

• Fractured cannon bone	2
• Fractured pastern bone	1
• Fractured humerus	2
• Severe soft tissue injury	1
• Acute collapse/sudden death	1
	7

ILLNESS

• Colic	2
• Abscess/pleuritis	1
• Severe arthritis	1
• Osteomyelitis	1
• Open (undetermined)	1
	6

OTHER

• Fractured coffin bone	1
• Fractured knee	1
• Fractured spine	1
• Fractured pelvis	1
	4

Total	22
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