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**AT A GLANCE**

- Regulates wagering activities on Horse Racing (\$57 million annually) and Card Playing (\$48 million annually) at Canterbury Park and Running Aces Harness Park
- Administers \$1.2 million in Minnesota Breeders Funds for the benefit of owners and breeders of Minnesota bred race horses
- Issues over 5,000 licenses to horse racing and card club participants

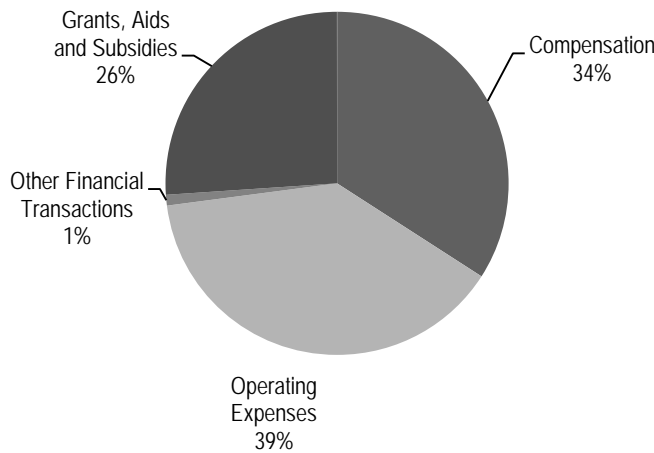
**PURPOSE**

The Racing Commission (MRC) operates in the public interest to ensure the integrity of horse racing and card playing, oversee the proper distribution of funds back into the industry, and provide for the safety and welfare of the human and animal participants. Additionally, the commission works to promote the horse racing and breeding industry in Minnesota in order to provide economic stimulus, offer residents and visitors an exciting entertainment option, and support agriculture and rural agribusiness.

The Racing Commission supports the statewide outcomes of a **thriving economy that encourages business growth and employment opportunities and efficient and accountable government services.**

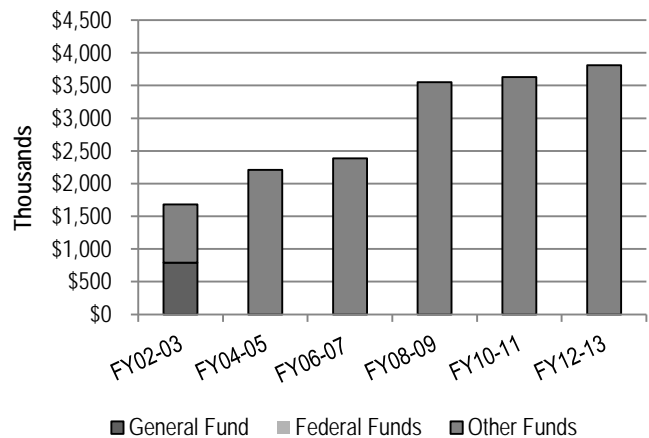
**BUDGET**

**Spending by Program  
FY 13 Actual**



Source: SWIFT

**Historical Spending**



Source: Consolidated Fund Statement

The Racing Commission's basic operations are financed by racetrack and occupational license fees that are limited to a direct appropriation from the special revenue fund, currently capped by statute at \$1.798 million per biennium. The Commission also has statutory appropriations from the special revenue fund that finance portions of the Commission's operations regarding stewards, veterinarians, the drug testing laboratory and oversight of card rooms through reimbursements. Other spending in the chart reflects a statutory appropriation from the Minnesota Breeders' Fund, a pass through from race tracks to the breeders and owners of race horses in Minnesota.

**STRATEGIES**

To accomplish the Racing Commission's mission of regulating this extremely complex industry, administering Breeders' Funds, and overseeing the safety and welfare of the human and equine participants, a number of strategies are evoked:

1. Licensing – Facilitate a licensing process that is detailed, accurate, and administered in a way that licenses are issued only to individuals and vendors who are competent, have a record of law abidance, financial responsibility, and reputation that is consistent with the best interests of the industry.

2. Fiscal Oversight – Ensure that all monies flowing through the pari-mutuel and card revenue streams are reviewed, tested, and verified in order to keep associations in compliance with their obligations to the participants, the public, and the state.
3. Policing – Engage contractors and hire staff who are expert in the fields of veterinary science, criminal justice, and the rules of racing to conduct drug testing, investigate potential criminal activity, and administer the rules governing horseracing and card playing in order to maintain the highest level of integrity for the wagering public.
4. Civic Engagement – Lead the industry forward through active communication with all areas of state government in order to provide laws, rules, and funding that will afford the greatest opportunity for the industry to expand and thrive.
5. Education – Educate all participants including licensees, vendors, and all those who work with our equines or the public, on what is expected under our laws and rules.

## RESULTS

<i>Type of Measure</i>	<i>Name of Measure</i>	<i>Previous</i>	<i>Current</i>	<i>Dates</i>
Quantity	Licenses Issued. MRC issues Class C licenses to all individuals working for, or participating within, the racing industry including, but not limited to, horse owners, trainers, jockeys, vendors, dealers, security staff, etc.	4861	5226	2012 & 2013
Quantity	Monies Wagered. Monies Wagered is the amount of money wagered on horse racing plus the revenues retained by the card clubs the MRC regulates.	\$102 million	\$105 million	2012 & 2013
Quality	Confirmed Split Sample Tests. These tests are conducted when the MRC identifies a positive drug test and the trainer requests a confirmation via a second accredited laboratory. Percentages indicate confirmation of the original positive drug test.	100%	90%	2013 & 2014
Results	Foal Registrations in Minnesota. Foals are new born race horses.	234	391	2012 & 2013

Source: Minnesota Racing Commission records

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The Minnesota Racing Commission's legal authority comes from [M.S.Chapter 240](https://www.revisor.mn.gov/statutes/?id=240) <https://www.revisor.mn.gov/statutes/?id=240>

**Expenditures By Fund**

	Actual		Actual FY14	Estimate FY15	Forecast Base		Governor's Recommendation	
	FY12	FY13			FY16	FY17	FY16	FY17
1000 - General	0	0	0	0	0	0	269	72
2000 - Restricted Misc Special Rev	1,804	2,007	2,263	2,773	2,675	2,690	2,675	2,872
6000 - Miscellaneous Agency	1,096	965	1,254	1,198	1,198	1,198	1,198	1,198
<b>Total</b>	<b>2,899</b>	<b>2,972</b>	<b>3,517</b>	<b>3,971</b>	<b>3,873</b>	<b>3,888</b>	<b>4,142</b>	<b>4,142</b>
<i>Biennial Change</i>				1,617		274		797
<i>Biennial % Change</i>				28		4		11
<i>Governor's Change from Base</i>								523
<i>Governor's % Change from Base</i>								7

**Expenditures by Program**

Program: Racing Commission	2,899	2,972	3,517	3,971	3,873	3,888	4,142	4,142
<b>Total</b>	<b>2,899</b>	<b>2,972</b>	<b>3,517</b>	<b>3,971</b>	<b>3,873</b>	<b>3,888</b>	<b>4,142</b>	<b>4,142</b>

**Expenditures by Category**

Compensation	908	1,010	1,004	1,202	1,015	1,048	1,284	1,242
Operating Expenses	1,092	1,151	2,097	2,360	2,449	2,431	2,449	2,491
Other Financial Transactions	10	17	12	2	2	2	2	2
Grants, Aids and Subsidies	889	794	404	407	407	407	407	407
<b>Total</b>	<b>2,899</b>	<b>2,972</b>	<b>3,517</b>	<b>3,971</b>	<b>3,873</b>	<b>3,888</b>	<b>4,142</b>	<b>4,142</b>

**Full-Time Equivalents**

	<b>11.9</b>	<b>13.6</b>	<b>12.8</b>	<b>14.8</b>	<b>12.1</b>	<b>12.1</b>	<b>14.3</b>	<b>15.3</b>
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(Dollars in Thousands)

**1000 - General**

	Actual		Actual	Estimate	Forecast Base		Governor's Recommendation	
	FY12	FY 13			FY 14	FY15	FY16	FY17
Direct Appropriation							269	72
<b>Expenditures</b>	0	0	0	0	0	0	<b>269</b>	<b>72</b>
<i>Biennial Change in Expenditures</i>				0		0		341
<i>Biennial % Change in Expenditures</i>				0		0		
<i>Gov's Exp Change from Base</i>								341
FTEs							2.3	1.0

**2000 - Restricted Misc Special Rev**

	Actual		Actual	Estimate	Forecast Base		Governor's Recommendation	
	FY12	FY 13			FY 14	FY15	FY16	FY17
Balance Forward In	119	86	111	197	67	76	67	76
Direct Appropriation	899	899	999	984	899	899	899	1,081
Receipts	1,029	1,163	1,337	1,827	1,786	1,800	1,786	1,800
Cancellations		48	-13	167	0	0	0	0
<b>Expenditures</b>	<b>1,804</b>	<b>2,007</b>	<b>2,263</b>	<b>2,773</b>	<b>2,675</b>	<b>2,690</b>	<b>2,675</b>	<b>2,872</b>
Balance Forward Out	58	93	197	67	76	84	76	84
<i>Biennial Change in Expenditures</i>				1,225		330		512
<i>Biennial % Change in Expenditures</i>				32		7		10
<i>Gov's Exp Change from Base</i>								182
<i>Gov's Exp % Change from Base</i>								3
FTEs	11.9	13.6	12.8	14.8	12.1	12.1	12.1	14.3

**6000 - Miscellaneous Agency**

	Actual		Actual	Estimate	Forecast Base		Governor's Recommendation	
	FY12	FY 13			FY 14	FY15	FY16	FY17
Balance Forward In	645	676	869	784	762	740	762	740
Receipts	1,127	1,156	1,169	1,176	1,176	1,176	1,176	1,176
<b>Expenditures</b>	<b>1,096</b>	<b>965</b>	<b>1,254</b>	<b>1,198</b>	<b>1,198</b>	<b>1,198</b>	<b>1,198</b>	<b>1,198</b>
Balance Forward Out	676	868	784	762	740	718	740	718
<i>Biennial Change in Expenditures</i>				391		(56)		(56)
<i>Biennial % Change in Expenditures</i>				19		(2)		(2)
<i>Gov's Exp Change from Base</i>								0
<i>Gov's Exp % Change from Base</i>								0

# Racing Commission

## FY16-17 Biennial Budget Change Item

### Change Item: One-Time General Fund Operating Increase and Class C License Changes

Fiscal Impact (\$000s)	FY 2016	FY 2017	FY 2018	FY 2019
General Fund				
Expenditures	269	72	0	0
Revenues	0	0	0	0
Special Revenue Funds				
Expenditures	0	182	73	72
Revenues	0	182	73	72
Net Fiscal Impact = (Expenditures – Revenues)	269	72	0	0
FTEs	2.2	3.2	1	1

#### Recommendation:

The Governor recommends one-time general fund appropriations of \$269,000 in FY 2016 and \$72,000 in FY 2017. The Governor also recommends that the statutory cap on occupational (Class C) licenses be removed and that the Racing Commission be given the authority to issue three year licenses instead of one year licenses. The additional fee revenue would be added to the Commission's dedicated account and appropriated for expenditure. Finally, the Governor recommends that the Racing Commission work in consultation with the racing industry to propose permanent dedicated funding changes in the 2016 legislative session to fully support the operations of the Commission to ensure that racing is conducted in the public interest.

#### Rationale/Background:

Current base funding for the Commission of \$899,000 each year is not supported by current law estimated annual revenues of \$833,000. Without any law change, a small, accumulated fund balance would cover the difference through the FY 2016-17 biennium, but would not be sufficient to maintain that expenditure level beyond that time. The relatively new management working for the Commission has highlighted a number of areas in which they believe adequate regulation of the racing industry requires changes in their operations and increased costs. These include staffing levels, IT systems, and legal support.

Additional one-time support from the general fund would assist with maintaining improvements the Commission has made in the current biennium. It would also give the Commission time to propose rule changes relating to the removal of the cap on Class C licenses and allow them to issue licenses for a three year time period. The one-time nature of the additional general fund support reiterates the necessity for the Commission to propose a long-term dedicated revenue structure to maintain their operations at a level they believe is appropriate to carry out their responsibilities.

#### Proposal:

The general fund increase is a one-time proposal which will allow the Commission to maintain operations while seeking a more permanent revenue fix.

Changes in the law to take the cap off occupational (Class C) license fees will still require the Commission to go through the rulemaking process to raise any of those fees. The revenue assumptions for this portion of the proposal assume that the rulemaking process would take about a year and that the additional fees generated would approximate \$107,000 in FY 2017 and \$110,000 each year thereafter. These amounts would be added to the base for the direct appropriation of the receipts to the Commission.

Changes in the law to allow the Commission to issue three year occupational licenses rather than one year licenses would also have to go through the rulemaking process. The revenue assumptions assume one year to complete the rulemaking process, then additional fees of \$75,000 collected in FY 2017, but fees would be reduced by the same total amount in the FY 2018-19 biennium. Those amounts would be added and subtracted to the base for the direct appropriation of the receipts to the Commission.

#### Results:

This change will positively impact the fragile balance between the Commission's revenues and expenditures in the upcoming biennium. It will assist the Commission in maintaining its ability to carry out its core mission to protect the integrity of racing and card room activities.

#### Statutory Change(s):

M.S. 240.08 and 240.10.