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Minnesota Racing Commission

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<https://mn.gov/mrc/>

AT A GLANCE

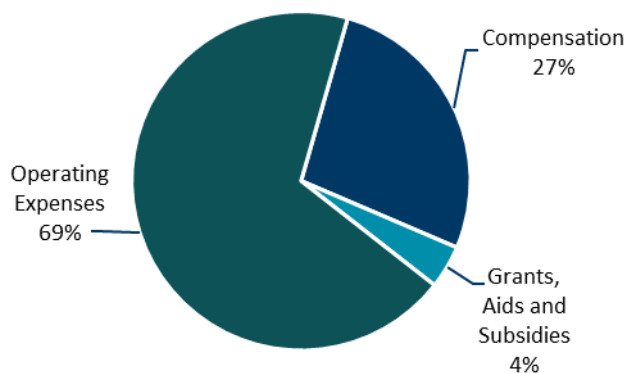
- Regulates wagering activities on Horse Racing (\$92 million annually) and Card Playing (\$82 million annually) at both Canterbury Park and Running Aces Casino, Hotel and Racetrack
- Licenses Advance Deposit Wagering (ADW) providers and regulates wagering conducted in Minnesota on horseracing via ADW platforms (\$60 million annually)
- Administers \$1.2 million in purse supplements and \$650,000 in Breeders Awards from the Minnesota Breeders Fund for the benefit of owners and breeders of Minnesota bred racehorses
- Issues more than 4,400 occupational and vendor licenses to industry participants per year

PURPOSE

The Minnesota Racing Commission (MRC) operates in the public interest to ensure the integrity of horseracing and card playing by providing robust regulatory oversight, overseeing the distribution of funds back into the industry, and providing for the safety and welfare of the human and equine participants. Additionally, the commission works to promote the horse racing and breeding industries in Minnesota to provide economic stimulus, offer residents and visitors exciting entertainment options, and support agriculture and rural agribusiness.

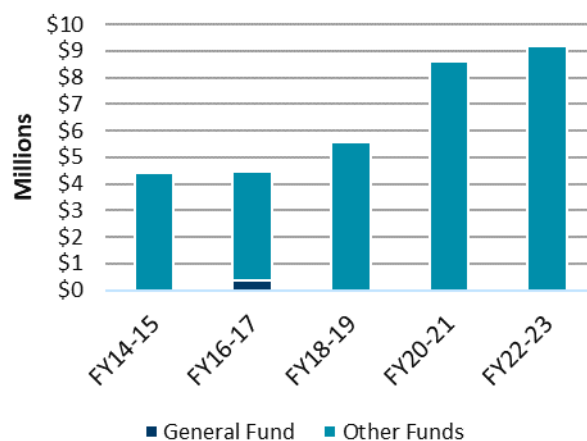
BUDGET

**Spending by Category
FY 2023 Actual**



Source: Budget Planning & Analysis System (BPAS)

Historical Spending



Source: Consolidated Fund Statement

The Racing Commission's basic operations are currently financed entirely by the industry it regulates. Racetrack and occupational license fees (limited by a direct appropriation from the special revenue fund per statute), reimbursements outlined in M.S. 240.30 Subd.9 (<https://www.revisor.mn.gov/statutes/cite/240.30>) and M.S. 240.155 Subd.1 (<https://www.revisor.mn.gov/statutes/cite/240.155>) paid by the racetracks, and regulatory fees paid by advance deposit wagering (ADW) providers provide the funding for Commission operations.

STRATEGIES

To accomplish the Racing Commission's mission of regulating this extremely complex industry, administering the Breeders Fund, and overseeing the safety and welfare of the human and equine participants, several strategies are employed:

- Licensing – Facilitate a licensing process that is detailed, accurate, and administered in a way that licenses are issued only to individuals and vendors who meet the criteria established in law and rule, and whose participation in racing and/or card playing is consistent with the best interests of the industry.
- Fiscal Oversight – Ensure that all monies flowing through the pari-mutuel, ADW, and card revenue streams are reviewed, tested, and verified to keep associations in compliance with their obligations to the participants, the public, and the state.
- Policing – Engage contractors and hire staff who are experts 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 to maintain the highest level of integrity for the wagering public.
- Civic Engagement – Lead the industry forward through active communication with all areas of state government to encourage public policy that will afford the greatest opportunity for the industry to expand and thrive.
- 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

| Measure name | Measure type | Measure data source | Historical trend | Most recent data |
|---|--------------|--|--|---|
| Occupational licenses | Quantity | Licensing report | Generally steady, despite concerns of contracting industry market | 4,409 in CY23 4,021 in CY22 4,214 in CY21 |
| Medication violations | Quality | Veterinarian reports | Medication violations are trending downward-largely due to increased educations and increased severity of penalties for violations | 7 violations in CY23 10 violations in CY22 |
| Racing violations | Quality | Stewards' and Judges' rulings | Rulings by our racing officials are trending downward, likely due to better education for horsemen and setting clear expectations with racing participants | 111 rulings in CY23 150 rulings in CY24 |
| Grants awarded to retired racehorse aftercare organizations | Results | Disbursements to aftercare organizations | MRC had been increasing annual grant disbursements until current year, due to diminishing revenue streams for grant account | \$155,000 in CY24 \$196,000 in CY23 |

Source: Minnesota Racing Commission record

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

Racing Commission

Agency Expenditure Overview

(Dollars in Thousands)

| | Actual FY22 | Actual FY23 | Actual FY24 | Estimate FY25 | Forecast Base | | Governor's Recommendation | |
|--|----------------|----------------|----------------|------------------|---------------|------|------------------------------|------|
| | | | | | FY26 | FY27 | FY26 | FY27 |

Expenditures by Fund

| | | | | | | | | |
|--------------------------------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|
| 1000 - General | | | 965 | 35 | | | | |
| 2000 - Restrict Misc Special Revenue | 4,347 | 4,854 | 5,238 | 5,561 | 5,540 | 5,568 | 6,015 | 5,968 |
| Total | 4,347 | 4,854 | 6,203 | 5,596 | 5,540 | 5,568 | 6,015 | 5,968 |
| Biennial Change | | | | 2,598 | | (691) | | 184 |
| Biennial % Change | | | | 28 | | (6) | | 2 |
| Governor's Change from Base | | | | | | | | 875 |
| Governor's % Change from Base | | | | | | | | 8 |

Expenditures by Program

| | | | | | | | | |
|-------------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|
| Racing Commission | 4,347 | 4,854 | 6,203 | 5,596 | 5,540 | 5,568 | 6,015 | 5,968 |
| Total | 4,347 | 4,854 | 6,203 | 5,596 | 5,540 | 5,568 | 6,015 | 5,968 |

Expenditures by Category

| | | | | | | | | |
|-----------------------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|
| Compensation | 1,243 | 1,308 | 1,611 | 1,887 | 1,935 | 1,981 | 1,935 | 1,981 |
| Operating Expenses | 2,944 | 3,339 | 4,384 | 3,518 | 3,456 | 3,462 | 3,931 | 3,862 |
| Grants, Aids and Subsidies | 154 | 200 | 197 | 182 | 140 | 120 | 140 | 120 |
| Other Financial Transaction | 5 | 7 | 11 | 9 | 9 | 5 | 9 | 5 |
| Total | 4,347 | 4,854 | 6,203 | 5,596 | 5,540 | 5,568 | 6,015 | 5,968 |

Full-Time Equivalents

| | | | | | | | |
|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|
| 14.67 | 15.88 | 15.68 | 19.26 | 19.26 | 19.26 | 19.26 | 19.26 |
|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|

Racing Commission

Agency Financing by Fund

(Dollars in Thousands)

| | Actual | Actual | Actual | Estimate | Forecast Base | | Governor's Recommendation | |
|-----------------------------------|--------|--------|--------|----------|---------------|---------|---------------------------|---------|
| | FY22 | FY23 | FY24 | FY25 | FY26 | FY27 | FY26 | FY27 |
| 1000 - General | | | | | | | | |
| Balance Forward In | | | | 35 | | | | |
| Direct Appropriation | | | 1,000 | | | | | |
| Balance Forward Out | | | 35 | | | | | |
| Expenditures | | | 965 | 35 | | | | |
| Biennial Change in Expenditures | | | | 1,000 | | (1,000) | | (1,000) |
| Biennial % Change in Expenditures | | | | | | (100) | | (100) |
| Governor's Change from Base | | | | | | | | 0 |
| Governor's % Change from Base | | | | | | | | |

2000 - Restrict Misc Special Revenue

| | | | | | | | | |
|-----------------------------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|
| Balance Forward In | 3,275 | 3,966 | 3,830 | 3,838 | 3,594 | 3,354 | 3,594 | 3,354 |
| Direct Appropriation | 913 | 913 | 933 | 954 | 954 | 954 | 954 | 954 |
| Receipts | 4,120 | 3,855 | 4,315 | 4,363 | 4,346 | 4,310 | 4,821 | 4,710 |
| Transfers In | 613 | 735 | 647 | 655 | 655 | 655 | 655 | 655 |
| Transfers Out | 613 | 735 | 647 | 655 | 655 | 655 | 655 | 655 |
| Cancellations | | 205 | | | | | | |
| Balance Forward Out | 3,961 | 3,674 | 3,840 | 3,594 | 3,354 | 3,050 | 3,354 | 3,050 |
| Expenditures | 4,347 | 4,854 | 5,238 | 5,561 | 5,540 | 5,568 | 6,015 | 5,968 |
| Biennial Change in Expenditures | | | | 1,598 | | 309 | | 1,184 |
| Biennial % Change in Expenditures | | | | 17 | | 3 | | 11 |
| Governor's Change from Base | | | | | | | | 875 |
| Governor's % Change from Base | | | | | | | | 8 |
| Full-Time Equivalents | 14.67 | 15.88 | 15.68 | 19.26 | 19.26 | 19.26 | 19.26 | 19.26 |

(Dollars in Thousands)

| | FY25 | FY26 | FY27 | Biennium 2026-27 |
|---|--------------|--------------|--------------|---------------------|
| <i>Direct</i> | | | | |
| Fund: 2000 - Restrict Misc Special Revenue | | | | |
| FY2025 Appropriations | 954 | 954 | 954 | 1,908 |
| Forecast Base | 954 | 954 | 954 | 1,908 |
| Total Governor's Recommendations | 954 | 954 | 954 | 1,908 |
| <i>Dedicated</i> | | | | |
| Fund: 2000 - Restrict Misc Special Revenue | | | | |
| Planned Spending | 4,574 | 4,586 | 4,614 | 9,200 |
| Forecast Base | 4,574 | 4,586 | 4,614 | 9,200 |
| Change Items | | | | |
| Advanced Deposit Wagering Regulatory Fee Increase | | 475 | 400 | 875 |
| Total Governor's Recommendations | 4,574 | 5,061 | 5,014 | 10,075 |
| <i>Revenue Change Summary</i> | | | | |
| <i>Dedicated</i> | | | | |
| Fund: 2000 - Restrict Misc Special Revenue | | | | |
| Forecast Revenues | 4,363 | 4,346 | 4,310 | 8,656 |
| Change Items | | | | |
| Advanced Deposit Wagering Regulatory Fee Increase | | 475 | 400 | 875 |
| Total Governor's Recommendations | 4,363 | 4,821 | 4,710 | 9,531 |
| <i>Non-Dedicated</i> | | | | |
| Fund: 2000 - Restrict Misc Special Revenue | | | | |
| Forecast Revenues | 830 | 830 | 830 | 1,660 |
| Total Governor's Recommendations | 830 | 830 | 830 | 1,660 |

Minnesota Racing Commission

FY 2026-27 Biennial Budget Change Item

Change Item Title: Advanced Deposit Wagering Regulatory Fee Increase

| Fiscal Impact (\$000s) | FY 2026 | FY 2027 | FY 2028 | FY 2029 |
|--|----------|----------|----------|----------|
| General Fund | | | | |
| Expenditures | 0 | 0 | 0 | 0 |
| Revenues | 0 | 0 | 0 | 0 |
| Other Funds | | | | |
| Expenditures | 475 | 400 | 375 | 350 |
| Revenues | 475 | 400 | 375 | 350 |
| Net Fiscal Impact = (Expenditures – Revenues) | 0 | 0 | 0 | 0 |
| FTEs | 0 | 0 | 0 | 0 |

Recommendation:

The Governor recommends an increase to the regulatory fee imposed on advanced deposit wagering providers, from one percent to two percent of all amounts wagered by Minnesotans on horse racing on these platforms for a period of two years. Advanced deposit wagering (ADW) allows Minnesotans to wager online on horse races that are conducted outside of Minnesota. The fees collected from ADW providers are used to offset some of the costs incurred by the Commission. The additional fees that would be collected from this proposed change would provide a temporary source of revenue to pay the annual federal regulatory fees that are assessed to the Commission by the Horseracing Integrity and Safety Authority for its administration of the Horseracing Integrity and Safety Act (HISA).

Rationale/Background:

The Horseracing Integrity and Safety Act was passed by Congress and signed into law in 2020. This act recognized the Horseracing Integrity and Safety Authority (HISA) as being responsible for drafting and enforcing uniform safety and integrity rules in Thoroughbred racing in the U.S. Overseen by the Federal Trade Commission (FTC), HISA was created to implement, for the first time, a national, uniform set of rules applicable to every Thoroughbred racing participant and racetrack facility. HISA is composed of two programs: the Racetrack Safety Program, which went into effect in 2022, and the Anti-Doping and Medication Control (ADMC) Program. The ADMC Program's rules took effect in May of 2023.

Congress did not provide funding for HISA or the costs associated with implementing the Racetrack Safety or ADMC Programs. Therefore, HISA is assessing states for the costs of their oversight functions. In 2022, the federal HISA Authority assessed the Commission approximately \$240,000, which the Racing Commission paid from money it received from a fee on online Advanced Deposit Wagering. For 2023, the Authority assessed the Commission nearly \$1 million for the Racetrack Safety and ADMC Programs. The Commission received credits totaling over \$300,000 by providing the regulatory veterinarians and other staff to administer the new rules.

The Governor and Legislature approved a one-time, \$1 million request from the Commission in 2023 to pay for the costs of implementing HISA, including the assessment from the federal Authority. While this allowed the Commission to pay its assessment for 2023, the Commission does not have the resources to pay the annual assessments that will be made against it by the federal Authority. If the Commission is not able to pay the full assessment, the remaining balance of the assessment would need to be passed on to Canterbury Park, which in turn would likely pass much of the costs to the horsepersons at the track. This would put a significant economic burden on those who own or train horses, as well as the many people who work for horse trainers.

Proposal:

The Governor's recommendation would create a source of revenue that would be used to pay a portion of the annual assessment from the federal Authority that administers HISA by increasing the regulatory fee on advanced deposit wagering from one percent to two percent. By increasing this regulatory fee, it would provide a source of revenue that would not require ongoing appropriations from the Legislature, while limiting the financial burden of paying the HISA assessment on those involved in an industry that faces economic pressures from rising costs and limited available purse money.

ADW regulatory fees are generated from Minnesotans wagering on out-of-state horse races. In FY23, the ADW fees collected by the Commission totaled \$612,000, and in FY24, the fees collected were \$565,000. ADW wagering is declining slightly, year-over-year, so this proposal is expected to generate approximately \$475,000 in the first year, and declining revenues in subsequent years.

Dollars in Thousands

| Net Impact by Fund | FY26 | FY27 | FY 26-27 | FY28 | FY29 | FY 28-29 |
|----------------------------------|----------|----------|----------|----------|----------|----------|
| Restricted Misc. Special Revenue | 0 | 0 | 0 | 0 | 0 | 0 |
| Total All Funds | 0 | 0 | 0 | 0 | 0 | 0 |

| Fund | Component Description | FY26 | FY27 | FY 26-27 | FY28 | FY29 | FY 28-29 |
|------|-----------------------|------|------|----------|------|------|----------|
| 2000 | Fee Revenue | 475 | 400 | 875 | 375 | 350 | 725 |
| 2000 | Expenditures | 475 | 400 | 875 | 375 | 350 | 725 |

Impact on Children and Families:

Horseracing in Minnesota provides over 1,200 jobs, many to low wage, immigrant workers who fill jobs on the backstretch of the tracks and come to Minnesota with their families for the racing season. This number does not include the many farmers and breeders that gain from horseracing as well.

Equity and Inclusion:

A large portion of those employed on the backstretch by trainers are immigrants who work for low wages. These workers are accompanied by their families at the track, where they live during the racing season in rent-free accommodations provided by the track. This proposal would ensure that the cost of the HISA assessment is not passed along to owners and trainers, as doing so could result in trainers needing to reduce the number of their employees.

Tribal Consultation:

Does this proposal have a substantial direct effect on one or more of the Minnesota Tribal governments?

☐ Yes
☒ No

Results:

This recommendation is intended to create a source of revenue that would be used to pay a portion of the annual assessment from the federal Authority that administers HISA.

Statutory Change(s):

Minn. Stat. § 240.131, subd. 7