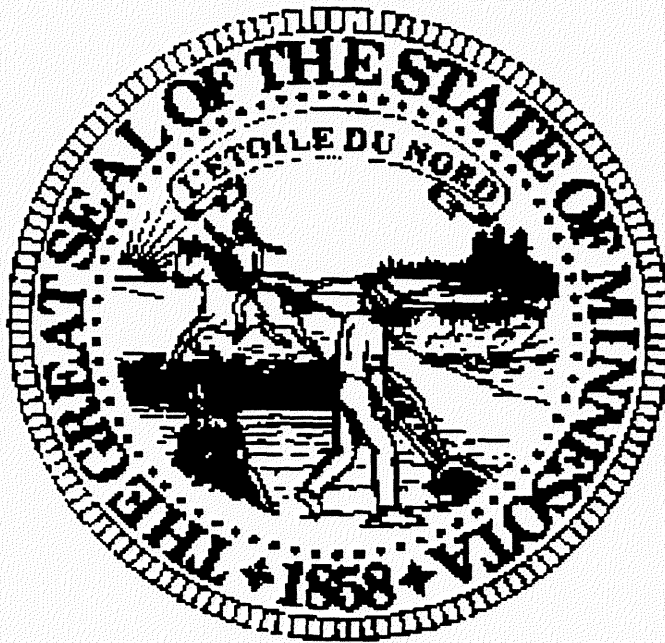




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THE MINNESOTA RACING COMMISSION

1998 ANNUAL REPORT

To:

GOVERNOR JESSE VENTURA

and the

MINNESOTA LEGISLATURE

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M56
1998



MINNESOTA RACING COMMISSION
P.O. Box 630
Shakopee, Minnesota 55379
Telephone: 612-496-7950
Fax: 612-496-7954

February 15, 1999

The Honorable Jesse Ventura, Governor
State of Minnesota
130 State Capitol
St. Paul, MN 55155

Patrick E. Flahaven, Secretary of Senate
Minnesota Senate
State Capitol
St. Paul, MN 55155

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Edward A. Burdick, Chief Clerk
Minnesota House of Representatives
211 State Capitol
St. Paul, MN 55155

Dear Governor Ventura and Members of the Legislature:

As provided by Minnesota Statutes 240.02, Subd. 6, we herewith submit on behalf of the Minnesota Racing Commission its Annual Report for 1998. The information set forth will provide details on the Commission's activities, organizational structure, and disbursements.

Even though the racing industry and the operation of Canterbury Park have been in a decline since the late 1980's, it nonetheless produced a significant economic benefit to the State. In the September 1992 report compiled by the Governor's Commission on Canterbury Park, the industry contributed over 2,000 full time job equivalents to the State's economy. The gross state product contribution of the industry was over \$100 million.

The pari-mutuel racing industry in Minnesota represents an important segment of the state's economy, not only as reflected by the 1998 operations of the racing facilities themselves, Canterbury Park and Traverse County Fairgrounds, but also through the economic/agri-business activity represented by the breeding, training and related support activities for the racing animals throughout the state.

Canterbury Park conducted 55 days of live racing for thoroughbreds, quarter horses, standardbreds and arabians this past summer from May 16 through September 7 and conducted simulcasting throughout the year. Also during 1998 the Traverse County Agricultural Association's Class D license was renewed by the Commission permitting the Association to conduct pari-mutuel wagering on the standardbred races run at its county fairgrounds in Wheaton. The fair conducted 2 days of racing, during its county fair on August 29 and 30.

The Commission looks forward to working with you and your staff, the legislature and other state agencies in carrying out its responsibilities in this important area.

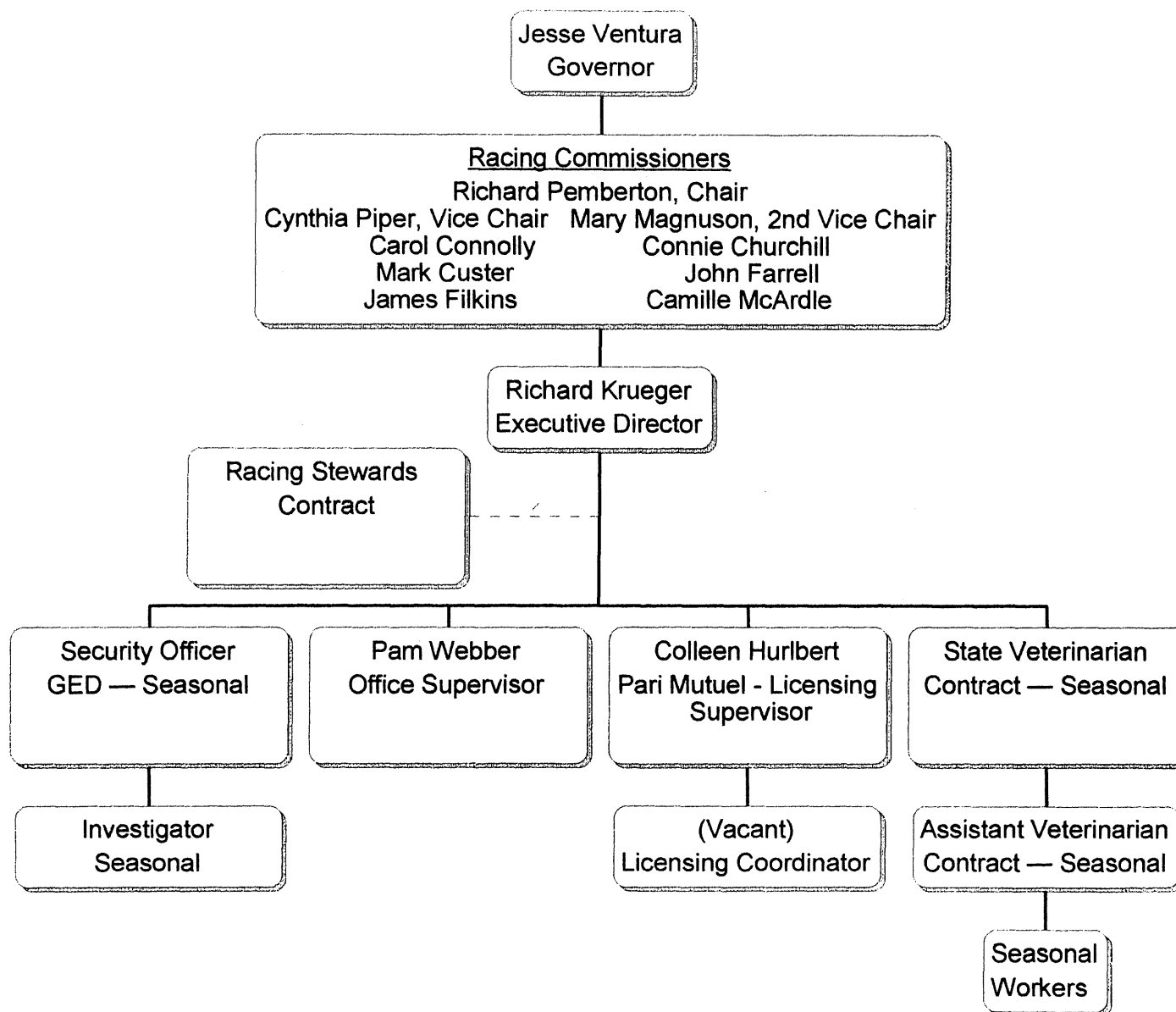
The Minnesota Racing Commission and all the members of the industry appreciate the assistance provided by all levels of government and, most particularly, the Governor's office and the legislature in addressing matters of interest and of significance to horse racing and pari-mutuel wagering. The Commission and its staff is working and will continue to work with all concerned to restore the growth of live pari-mutuel horse racing in the near future.

Regards,

A handwritten signature in dark ink, appearing to read "Richard Pemberton".

Richard Pemberton, Chairman

THE MINNESOTA RACING COMMISSION



MINNESOTA RACING COMMISSION

1998 ANNUAL REPORT

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I. MINNESOTA RACING COMMISSION

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 \$1700 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 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;
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 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.

Richard Pemberton (Chair)	Fergus Falls	June 30, 2003
Cynthia Piper (1st Vice Chair)	Hamel	June 30, 2003
Mary Magnuson (2nd Vice Chair)	Mendota Heights	June 30, 1999
Carol Connolly	St. Paul	June 30, 2001
Mark Custer	Howard Lake	June 30, 2001
James Filkins	Bloomington	June 30, 2001
Connie Churchill	Wheaton	June 30, 1999
John Farrell	Waverly	June 30, 2003
Camille McArdle	Corcoran	June 30, 1999

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

THE COMMISSION STAFF

The Racing Commission is currently staffed by the following individuals:

Richard G. Krueger	Executive Director
Pamela J. Webber	Office Manager
Colleen M. Hurlbert	Pari-mutuels/Licensing
Vacant	Licensing/Pari-mutuel Assistant

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 1998 racing season:

Stewards	Richard Kinsey, Noble Hay, Jr. Stephen Pagano, Thomas Rockey
Veterinarian and Assistants	Lynn Hovda, Richard Bowman, Deborah McKay, Jean French Sonia Field
Special Agents - Alcohol and Gambling Enforcement Division	Patrick Shannon, Jim Arlt Melissa Atkins

ORGANIZATION OF THE COMMISSION

The Racing Commission has standing committees which as of December 31, 1998 were comprised of the following commissioners:

Executive/Personnel Committee:

Richard Pemberton, Chair
James Filkins
Mary Magnuson
Camille McArdle
Cynthia Piper

Rules Committee:

James Filkins, Chair
Carol Connolly
Mark Custer
John Farrell
Mary Magnuson
Camille McArdle
Cynthia Piper

Affirmative Action Committee:

Carol Connolly, Chair
Richard Pemberton
Mark Custer

Financial Oversight Committee:

James Filkins, Chair
Richard Pemberton
Mark Custer
John Farrell

Public Information Committee:

Carol Connolly, Chair
Connie Churchill
John Farrell
Cynthia Piper

Legislative Committee:

Mary Magnuson, Chair
Mark Custer
James Filkins

Medication Committee:

Cynthia Piper, Chair
Mark Custer
James Filkins
John Farrell
Camille McArdle

The MRC encouraged involvement from the following advisory bodies during 1998:

BREEDERS' FUND APPROPRIATIONS ADVISORY COMMITTEE:

Gerry Herringer, Chair, Columbia Heights; Burt Dahlberg, Lakeville; Dave Dayon, St. Michael; Marlys Goebel, Cottage Grove; Kathy Kisson, Bloomington; Dan Mjolsness, Red Wing; Carin Offerman, Minneapolis; Jack Walsh, Stillwater; Charles Yahnke, LeSueur.

Liaisons: Commissioners Farrell, Filkins, and Piper.

RESEARCH AND EDUCATIONAL GRANTS COMMITTEE:

Muriel Poehler, Chair, Royalton; Dr. Terry Arnesen, Stillwater; Dr. Gene Beaulieu, Maple Plain; Dr. Sarah Carlson, Waverly; Dan Mjolsness, Red Wing.

Liaisons: Commissioners Farrell, Filkins, McArdle, and Piper.

COUNTY FAIR RACING ADVISORY COMMITTEE:

Ray Swanson, Chair, Stillwater; Jack Junker, Stillwater; Lou Michaels-Feldman, New Brighton; James Sweet, Blaine.

Liaisons: Commissioners Churchill, Custer, Farrell, and Filkins.

MEETINGS OF THE COMMISSION

The Racing Commission usually meets the third Wednesday of each month. The committees meet at the call of their respective chairs.

COMMISSION OFFICE

The office of the Minnesota Racing Commission is located at:

**Canterbury Park
P.O. Box 630
1100 Canterbury Road
Shakopee, MN 55379
Telephone: (612) 496-7950
Telefax: (612) 496-7954
Website: <http://www.mnrace.commission.state.mn.us>
1-800-627-3529 (TDD-Voice Relay Service)**

II. COMMISSION ACTIVITIES

RULEMAKING

Of the many ongoing duties and responsibilities of the Minnesota Racing Commission, perhaps the most important is to promulgate the rules by which pari-mutuel racing and wagering will be conducted. All rules and amendments thereto have served well to regulate and control the industry. Through the events of the past race meets, it remained apparent that several rules, many of them unique to Minnesota, required certain revisions. As a result the Minnesota Racing Commission through its Rules Committee and other affected parties revises and updates it's rules to meet the current needs of the industry.

The major categories of rules for which the commission has direct authority and accountability for oversight include:

Racetrack Licensure (Class A)	County Fair Licensure (Class D)
Racing Licensure (Class B)	Conduct of the Race
Pari-Mutuel Betting	Horse Medication and Examination
Racing Facilities and Stabling	Medical Testing
Occupational Licensure (Class C)	Breeders Fund

Rules that have been worked on by the Commission during the past year include: changing the date for registration of thoroughbred broodmares and clarifying the rules governing pari-mutuel data processing equipment. The Rules Committee and the Commission attempt to gain uniformity of rules with those of other states since many horse persons compete in other states as well as in Minnesota.

During 1995, a Public Advisory committee was formally organized to provide input to proposed rule changes, additions and deletions and was consulted during 1998. Members of the Advisory Committee are:

Stephanie McCarthy:	Executive Director, MN Thoroughbred Association
Tom Metzen:	President, MN H.B.P.A.
Ron Banks:	President, MN Harness Racing Inc.
Troy Mertens:	Vice President, Canterbury Park
John Broeker:	President, MN Quarterhorse Racing Association

The overriding concern of the Minnesota Racing Commission is to provide the controls to build in safeguards for the patrons of Canterbury Park and the citizens of Minnesota. The Rules Committee has not overlooked the fact that the rules should also provide protection for the participants and allow them to conduct their business in an orderly fashion without the burden of undue overregulation or operating costs. Strict compliance with the Minnesota Administrative Procedures Act has been observed and participation by all persons has been encouraged.

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 are enforced. This requires communication with the Federal Bureau of Investigation; Minnesota Department of Public Safety, Alcohol and Gambling Enforcement Division; Minnesota Bureau of Criminal Apprehension; U.S. Department of Immigration; Internal Revenue Service; Minnesota Department of Revenue; Scott County Sheriff's Office; State Attorney General's Office; Shakopee Police; North American Pari-Mutuel Regulators Association (NAPRA); Board of Stewards; The Jockeys' Guild; The Jockey Club; Thoroughbred Racing Protective Bureau; U.S. Trotting Association; Minnesota Thoroughbred Association; Minnesota Quarter Horse Racing Association; Minnesota Harness Racing, Inc.; Arabian Racing Association of Minnesota and Canterbury Park's track security.

INVESTIGATIONS SUMMARY

The Minnesota Racing Commission relied on investigators from the Department of Public Safety's Alcohol and Gambling Enforcement Division during the live meets. The investigators worked on both the backstretch to enforce the statutes and rules of racing in the community, and on the front side in the licensing office, to interview and screen applicants. The investigators and licensing staff are responsible for ensuring that Class C (occupational) licensees comply with all Minnesota statutes including applicant eligibility and workers' compensation requirements.

The majority of investigations consist of criminal history and background checks on licensees. Minnesota has strict laws about the eligibility of license applicants with criminal backgrounds. As a result, additional investigation may be required in the processing of an applicant. During live racing, surveillance of those directly involved in racing competition is necessary. Those individuals include jockeys, drivers, gate crew members, trainers and other backstretch employees. The investigators work closely with the stewards in following up on complaints and instances where irregularities are noticed.

OCCUPATIONAL LICENSING

Everyone who is employed at a racetrack in Minnesota must be licensed by the Minnesota Racing Commission. Applicants are fingerprinted and authorize the release of personal information to verify application content. The applicants must also complete a notarized Affidavit of Qualification stating that they are not in debt to the State of Minnesota, have never been convicted of a felony, have never been involved in illegal business or fraud, nor have they been convicted of a crime related to horse racing or gambling.

In 1998, 2720 Class C occupational licenses were issued by the Minnesota Racing Commission during the live and simulcast racing meets. Of these, 186 were licenses issued in conjunction with harness racing that was conducted at the Traverse County Fair and Canterbury Park. 2278 licenses were issued to individuals racing or working in various occupations at Canterbury Park. Table 1, page 7 summarizes by occupation, the licenses issued by the Commission since 1992. Table 2, page 8 summarizes licenses issued to Minnesotans by occupation since 1992.

TABLE 1

Occupational (Class C) License Summary By Year

LICENSE TYPE	1992	1993	1994	1995	1996	1997	1998
Commission/MRC Staff	43		20	35	31	31	34
Authorized Agent	0		0	0	0	0	0
Bloodstock Agent	0		0	1	1	0	0
Concessionaire/Vendor	33		11	32	28	60	29
Concession/Vendor Employee	301		194	360	311	298	268
Vendor, Sole Proprietor	9	N	2	8	10	12	24
Detention Barn Technician	32	O	0	12	17	20	11
Driver	0		0	0	4	15	14
Equine Dentist	4		0	2	4	2	0
Exercise Rider	74	R	0	71	66	40	46
Farrier	18	A	0	12	16	12	10
Farrier's Assistant	1	C	0	0	0	1	1
Gate Crew	16	I	0	12	14	14	12
Horsemen's Bookkeeper	1	N	0	1	1	1	1
Groom/Hotwalker	282	G	9	262	266	209	241
Jockey	50		0	72	54	60	61
Jockey Agent	13		0	7	12	6	8
Jockey, Apprentice	7		0	4	3	4	3
Owner, Individual	1,573		15	1,061	1,038	908	976
Owner, Multiple	230		0	181	212	135	180
Owner, Trainer, Driver	0		24	28	17	37	39
Pari-mutuel Clerk	206		132	228	151	147	136
Pony Rider	23	N	0	18	21	19	19
Racing Official	13	O	3	19	21	18	19
Security Officer	41		27	55	42	41	36
Stable Foreman	10		0	9	5	3	6
Trainer	207	R	0	186	172	180	185
Trainer, Assistant	45	A	0	52	42	40	38
Valet	17	C	0	10	9	11	10
Veterinarian	7	I	0	7	9	7	7
Veterinary Assistant	4	N	0	3	2	2	3
Canterbury Assoc. Employees	21	G	3	16	16	20	22
Canterbury Plant Employees	35		38	77	69	63	55
Canterbury Staff	11		20	32	37	15	55
Canterbury Operations	51		46	80	90	83	60
Canterbury Medical	13		0	39	27	38	40
Canterbury Marketing	18		4	4	8	21	8
Stables	34		0	42	52	36	47
Other	21		1	11	40	36	16
Totals	3,464		549	3,049	2,918	2,645	2,720

TABLE 2

Occupational Licenses Issued To Minnesotans

LICENSE TYPE	1992	1993	1994	1995	1996	1997	1998
Commission/MRC Staff	37		19	30	24	30	28
Authorized Agent	0		0	0	0		0
Bloodstock Agent	0		0	1	1		0
Concessionaire/Vendor	29		9	24	22	15	24
Concession/Vendor Employee	281		192	345	298	278	253
Vendor, Sole Proprietor	8	N	1	8	8	10	18
Detention Barn Technician	32	O	0	10	16	17	9
Driver	0		0	0	1	1	2
Equine Dentist	1		0	2	2	1	0
Exercise Rider	30	R	0	22	20	15	20
Farrier	8	A	0	4	3	4	1
Farrier's Assistant	1	C	0	0	0	1	1
Gate Crew	6	I	0	1	3	4	2
Horsemen's Bookkeeper	1	N	0	1	1	1	1
Groom/Hotwalker	119	G	3	112	88	71	80
Jockey	10		0	5	2	3	5
Jockey Agent	4		0	1	3	2	2
Jockey, Apprentice	3		0	1	0	0	0
Owner, Individual	930		5	531	504	437	394
Owner, Multiple	63		0	115	119		
Owner/Trainer/Driver	0		8	11	9	10	9
Pari-mutuel Clerk	204		130	224	148	141	129
Pony Rider	11	N	0	5	6	6	6
Racing Official	1	O	2	4	5	5	7
Security Officer	40		27	55	42	39	36
Stable Foreman	5		0	2	2		3
Trainer	72	R	0	46	41	43	44
Trainer, Assistant	16	A	0	10	5	7	7
Valet	7	C	0	0	2	4	4
Veterinarian	6	I	0	7	7	5	6
Veterinary Assistant	3	N	0	3	2	1	2
Canterbury Assoc. Employees	2	G	3	15	15	18	17
Canterbury Plant Employees	35		38	73	61	50	45
Canterbury Staff	11		21	30	36	15	53
Canterbury Operations	50		46	81	90	83	59
Canterbury Medical	12		0	36	26	36	40
Canterbury Marketing	15		4	4	6	20	7
Stables	22		0	16	20		
Other	13		1	6	34	21	14
Totals	2,088		509	1,841	1,672	1,394	1,328



VETERINARY AND LABORATORY PROGRAMS

CANTERBURY PARK, SHAKOPEE, MINNESOTA

The Veterinary Services department functions to maintain the integrity of horse racing and protect the well being of the equine athlete. This is accomplished through a number of well-established programs such as pre-race examinations, monitored workouts, documented Veterinarian's list, controlled Lasix® administration, and race day blood/urine laboratory analysis.

During the 1998 race season, 1,149 Thoroughbred, Quarter Horse and Standardbred, and Arabian horses entered the grounds of Canterbury Park. Of these, 3,716 Thoroughbreds, 406 Quarter Horses, 214 Standardbreds, and 10 Arabians entered the starting gate. A medical record was made for each horse as it was entered into a race. Each medical record was updated whenever a Commission Veterinarian examined a horse. Physical exam findings, diagnostic procedures, and radiographic or ultrasonographic abnormalities were noted on the medical records.

More than 4,600 race day examinations were performed on horses entered to race. From these exams, 99 horses were found to be unfit and recommended to be scratched from racing. These 99 horses, along with 111 with visible or endoscopic evidence of exercise induced pulmonary hemorrhage and an additional 27 horses noted to be lame or sore were placed on the Veterinarian's List and not allowed to race again until deemed sound by a Commission Veterinarian. The racing performance of 51 of these horses was evaluated during and after training excise before removing them from the Veterinarian's list.

As part of the race day controlled medication program 2,308 blood and urine samples were submitted to Industrial Laboratories, Denver, Colorado for analysis. 37 exceeded the 3.0 microgram threshold limit for phenylbutazone or metabolites. This number extrapolated to horse/race day was higher than prior years. Two other positive samples reported by the testing laboratory [Ketoprofen] were investigated and dealt with accordingly by the Board of Stewards.

The quality assurance program processed twelve known contaminated blood and urine samples. All samples were subsequently analyzed and reported correctly by Industrial Laboratories.

In 1998, 867 horses racing at Canterbury Park received Lasix®. No positive samples were found on any horse tested. The horses received Lasix® in their stalls under the supervision of a Minnesota Racing Commission employee. While more labor intensive for the veterinary staff, this procedure is less stressful for the horse and widely received by the horsemen and women.

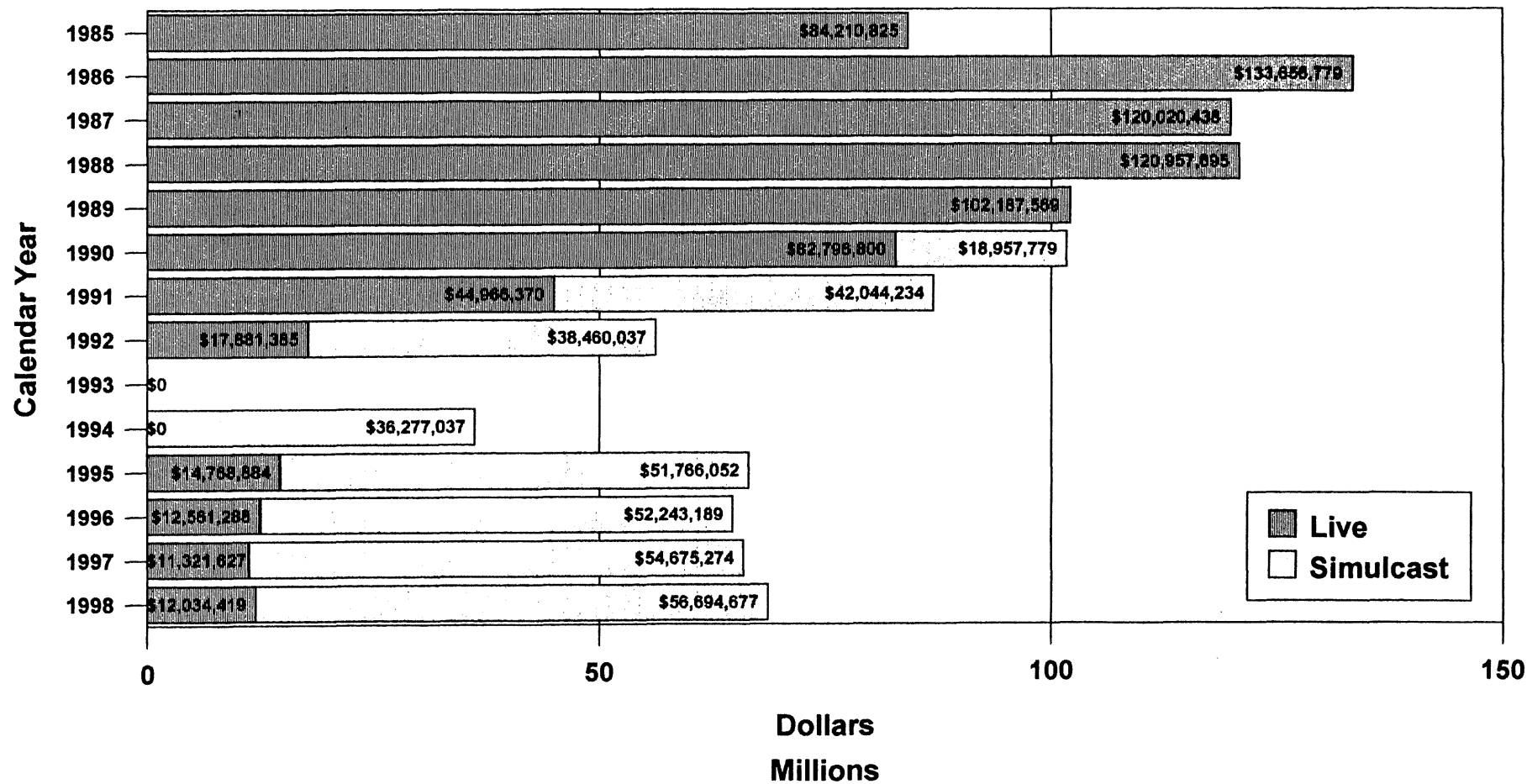
The horse ambulance was used 27 times during the 1998 racing season. Only four horses suffered catastrophic racing related injuries and just two sustained catastrophic training related injuries. This resulted in a race related catastrophic incident rate of 0.08%, well below the accepted range of 0.15% to 0.5%.

TRAVERSE COUNTY FAIR, WHEATON, MINNESOTA



The 1998 racing season marked the fifth year of veterinary services participation in Standardbred racing at Wheaton, Minnesota. The same veterinary policies and procedures used at Canterbury Park were followed at Wheaton, Minnesota. In 170 starts, six horses were scratched from racing for veterinary related problems. No catastrophic injuries occurred during the races. Twelve horses raced under the Lasix® program with no positive samples found. A total of 90 blood and urine samples were submitted to Industrial Laboratories, Denver, Colorado for analysis. Three samples exceeded the 3.0 microgram threshold limit for phenylbutazone or metabolites and were dealt with accordingly by the Minnesota Racing Commission Board of Stewards. No other foreign contaminants were present. As in previous years, the Veterinary Services department provided tight controls, maintained the integrity of racing and ensure humane treatment of the horses.

Canterbury Park Handle Calendar Years 1985 -- 1998



1993 -- No Live or Simulcast Racing
 1994 -- No Live Racing

TABLE 3
Pari-Mutuel Statistics For The 1998 Full-Card Simulcast Meets
January 1, 1998 - December 31, 1998

BREED	HANDLE	TAKEOUTS	TOTAL BETTOR RETURN	TOTAL RACE DAYS	AVERAGE HANDLE PER RACE DAY
THOROUGHBRED	\$54,125,622	\$10,533,998			
QUARTERHORSE	\$574,109	\$116,650			
STANDARD BRED	\$1,854,991	\$379,639			
ARABIAN	\$139,955	\$29,381			
TOTAL SIMULCAST	\$56,694,677	\$11,059,667	\$45,232,202	364	\$155,755

TABLE 4
Pari-Mutuel Statistics For The 1998 Live Standardbred Meets
August 29, 1998 - September 7, 1998

LOCATION & TRACK	HANDLE	TAKE - OUTS	BETTOR RETURN	# OF RACES	AVERAGE RACE HANDLE
TRAVERSE COUNTY Wheaton, MN	\$21,035	\$3,977	\$16,767	28	\$751
CANTERBURY PARK Shakopee, MN	\$174,672	\$34,824	\$137,845	30	\$5,822
TOTALS	\$195,707	\$38,801	\$154,612	58	\$3,374

Traverse County Fair August 29-30, 1998 - Total Attendance 779

Canterbury Park September 5-7, 1998 - Total Attendance 6,312

TABLE 5
Pari-Mutuel Statistics For the 1998 Live Thoroughbred, Quarter Horse and Arabian Races
May 16, 1998 - August 16, 1998 (52 days)

	HANDLE	TAKE - OUTS	BETTOR RETURN	# OF RACES	AVERAGE RACE HANDLE
THOROUGHBRED	\$11,010,918	\$2,224,919	\$8,651,826	442	\$24,912
QUARTERHORSE	\$801,559	\$160,570	\$633,937	54	\$14,844
ARABIAN	\$26,235	\$5,081	\$19,411	2	\$13,118
TOTALS	\$11,838,712	\$2,390,570	\$9,305,174	498	\$23,773

Mixed Meet (Thoroughbred & Quarter Horse) - May 16 - June 28, 1998

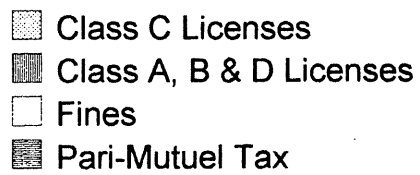
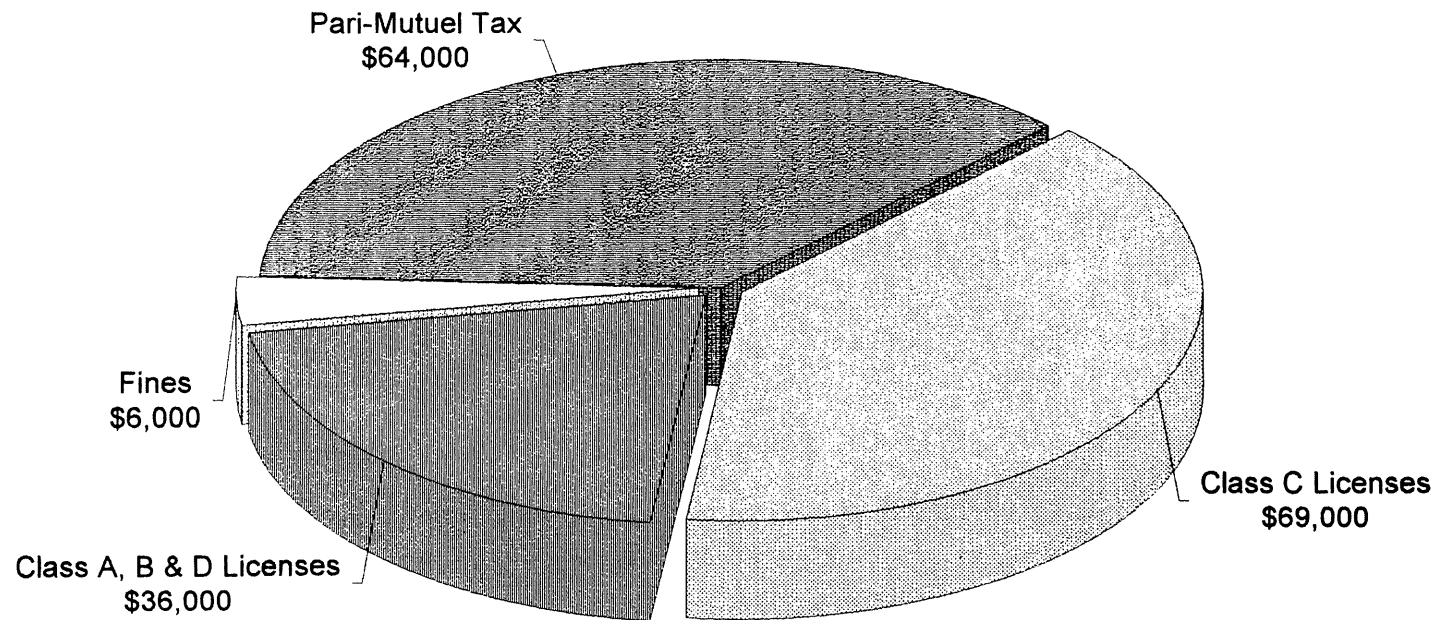
Thoroughbred Meet - July 2 - August 16, 1998

Arabian Meet (2 Races) - August 8, 1998

Total Attendance for Live Racing May 16-August 16, 1998 (52 Days) - 186,658

SOURCES OF MRC REVENUE

Fiscal Year 1998



MINNESOTA RACING COMMISSION

Financial Report
Fiscal Years 1994 -- 1998

APPROPRIATIONS

	<i>FY 1999</i>	<i>FY 1998</i>	<i>FY 1997</i>	<i>FY 1996</i>	<i>FY 1995</i>	<i>FY 1994</i>
General Fund Appropriation	\$379,000	\$371,000	\$370,000	\$370,000	\$201,000	\$366,000
Statutory Carry Forward	\$7,717	(\$7,717)	\$9,431	(\$9,431)	\$83,000	(\$83,000)
Supplemental Appropriation	\$0	\$0	\$11,643	\$6,414	\$77,000	\$0
	\$386,717	\$363,283	\$391,074	\$366,983	\$361,000	\$283,000

EXPENSES

	<i>Forecast</i>	<i>Actual</i>	<i>Actual</i>	<i>Actual</i>	<i>Actual</i>	<i>Actual</i>
Salaries, Benefits and Per Diem	\$270,060	\$264,681	\$235,271	\$255,324	\$211,721	\$201,374
Rents	\$1,000	\$172	\$797	\$16,571	\$19,043	\$21,109
Consultant Services	\$0	\$0	\$0	\$0	\$0	\$0
Professional/Technical Services	\$39,560	\$36,163	\$31,571	\$27,205	\$49,062	\$25,322
Data Processing and System Services	\$6,100	\$6,973	\$1,838	\$17,053	\$1,386	\$2,811
Communications	\$9,500	\$4,186	\$9,311	\$9,971	\$10,610	\$8,301
Travel	\$15,000	\$14,572	\$15,103	\$8,637	\$8,890	\$4,956
Supplies and Material	\$4,450	\$8,713	\$19,370	\$11,262	\$17,044	\$1,953
Equipment	\$6,830	\$8,562	\$18,641	\$10,650	\$0	\$0
Other	\$26,500	\$19,261	\$15,906	\$10,310	\$22,775	\$17,187
Total	\$379,000	\$363,283	\$347,808	\$366,983	\$340,531	\$283,013

SUMMARY

	<i>Forecast '99</i>	<i>Actual '98</i>	<i>Actual '97</i>	<i>Actual '96</i>	<i>Actual '95</i>	<i>Actual '94</i>
Appropriation Balance	\$7,717	\$0	\$43,266	\$0	\$20,469	(\$13)
Revenues to General Fund	\$185,000	\$169,920	\$143,844	\$1,199,000	\$918,747	\$243,634
Return to General Fund (\$)	(\$194,000)	(\$193,363)	(\$203,964)	\$832,017	\$578,216	(\$39,379)
Return To GF As % of Appropriation	-50.17%	-53.23%	-52.15%	226.72%	160.17%	-13.91%
Gross Return To GF As % of Approp.	47.84%	46.77%	36.78%	326.72%	254.50%	86.09%

Notes: (1) Forecast data are in italics

(2) 1998 Statute permanently returns first \$720,000 of the pari-mutuel tax and all unredeemed tickets to Canterbury Park.

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. Each breed has a separate fund. The Breeders' Fund monies are distributed as both purse supplements and awards. During the Live Mixed Meet only, Breeders' Fund monies earned from full-card simulcasts, regardless of breed racing, are apportioned between the Thoroughbred and Quarter Horse funds based on the number of live races for each breed as compared to the total number of races for both breeds.

In 1998 the Breeder's Fund earned \$728,569 from live and simulcast racing. One hundred twenty-five individuals and partnerships received \$254,150 in thoroughbred, Quarter Horse and standardbred award payments from monies available at the end of the live racing season. Purse supplement's paid out at pari-mutuel meets totaled \$369,461. Purse supplements of \$7,250 were also paid during non pari-mutuel harness racing at three county fair meets. The monies available for the 1998 supplements included carryovers from 1997.

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

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 is 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.

The Racing Commission awarded three grants from the fund during 1998:

(1) The Minnesota Festival of Champions received \$4,000 to help fund education activities and dissemination of information regarding the running of a championship series of races for Minnesota-Bred Thoroughbreds and Quarter Horses at Canterbury Park on August 16, 1998. By providing information about Minnesota's breeding, training and racing activities throughout the state, the Minnesota Festival of Champions greatly increases the public's awareness on the importance of the industry's social and economic impacts.

(2) The College of Veterinary Medicine received \$988.75 to help fund the Equine Neonatal Education Program and Colostrum Network. This service, which the Minnesota Racing Commission has helped support for several years, educates horse owners on the importance of protective antibodies transmitted to neonatal foals through the mare's first milk, the colostrum, and helps collect and freeze this substance and makes it available for orphan foals.

(3) The Writers Project, Inc. received \$1,500. The Writers Project based in Princeton, New Jersey completed its sixth year of bringing creative writers to the nation's racetracks for an up-close look at racing. This was the second year that a workshop for high school students was held at Canterbury Park. During the workshop, students visited the backstretch area and the racing facility meeting owners, trainers, jockeys, racetrack personnel, grooms and veterinarians, to learn how racehorses are cared for and brought to race readiness. They also received traditional classroom style instruction in creative writing, using their experiences at the racetrack as the subject for novels, short stories, poetry and essays.

Eleven students from around Minnesota participated in the two day project which was conducted on June 18 - 19, 1998. It has been proven that the writing workshops provide an excellent way to establish the many facets of the horse breeding and racing industry within the imaginations of writers and that as they pursue their writing careers, the favorable impressions they gained at Canterbury Park should become evident in their writing.

The Writers Project is supported by the American Association of Equine Practitioners, American Quarter Horse Association, Blood-Horse, Inc., Churchill Downs, Hermitage Farm, Keeneland Association, Kentucky Derby Museum, Kentucky Thoroughbred Association, The Missouri Review, National Turf Writers Association, Thoroughbred Racing Communications, Three Chimneys Farm and Turf Publicists of America.

(4) The Minnesota Equine Research Center (MERC) of the University of Minnesota received \$40,000 to help fund research proposals in the areas of equine health, performance and reproduction. MERC is an interdisciplinary program, administered through the office of the associate dean for research in the College of Veterinary Medicine, dedicated to the creation and dissemination of new knowledge leading to the improvement of health in performance horses. MERC's Advisory Council is comprised of horse owners and leaders in the horse industry and will advise the Center of research area priorities and in fund development. The Scientific Committee,

made up of equine veterinarians and select lay people, will advise the Center on research project selection and funding.

The grant monies were used to help fund five research studies; *"Alterations in jejunal neurotransmitter activity following adjacent intestinal ischemia in the horse"*, *"Muscle calcium regulation in recurrent exertional rhabdomyolysis (tying-up)"*, *"The role of seminal plasma in the regulation of breeding-induced endometritis"*, *"Development of a clinical inhibin assay for detection of granulosa-thecal cell tumors in mares"*, and *"Prospective study of back injuries of the horse."*

1998 Breeders' Fund Recap

THOROUGHBRED

Total Earnings	\$675,360
Less Administrative Cost	\$14,208
= Net Breeders' Fund	\$661,152
Less 20% Equine Research	\$19,228
= Net Available Breeders' Fund	\$641,924
Less Purse Supplements	\$397,993
= Balance Remaining for Awards	\$243,931

QUARTERHORSE

Total Earnings	\$28,494
Less Administrative Cost	\$1,728
= Net Breeders' Fund	\$26,766
Less 20% Equine Research	\$1,257
= Net Available Breeders' Fund	\$25,509
Less Purse Supplements	\$11,479
= Balance Remaining for Awards	\$14,030

STANDARD BRED

Total Earnings	\$22,837
Less Administrative Cost	\$960
= Net Breeders' Fund	\$21,877
Less Purse Supplements	\$15,314
Less Equine Research	\$1,094
Less Non-PM Development	\$1,094
= Balance Remaining for Awards	\$4,375

ARABIANS

Total Earnings	\$1,878
Less Administrative Cost	\$64
= Net Breeders' Fund	\$1,814
Less 20% Equine Research	\$39
= Net Available Breeders' Fund	\$1,775
Less Purse Supplements	\$976
= Balance Remaining for Awards	\$799

MINNESOTA RACING COMMISSION

BREEDERS' FUND PROGRAM HORSE REGISTRATIONS

Year	THOROUGHBRED				QUARTER HORSE				STANDARD BRED	
	Stallions	Mares	Foals		Stallions	Mares	Foals		Stallions	Foals
1985	54	543	403		1		106			17
1986	99	895	601		70	241	70		22	13
1987	112	988	648		73	178	79		15	20
1988	141	1261	760		94	229	109		18	23
1989	141	1333	844		119	272	144		22	28
1990	118	1145	654		95	257	134		19	30
1991	104	966	612		88	214	112		11	21
1992	85	735	451		72	175	90		7	16
1993	63	444	242		52	131	81		6	17
1994	49	251	159		40	85	64		2	14
1995	46	265	179		42	98	59		3	7
1996	44	271	167		47	106	54		3	7
1997	41	208	136		47	92	50		4	3
1998	39	208	135		49	100	73		6	*

* Pursuant to Racing Commission Rule 7895.0275, Subp. 2A. Standardbred foals, unlike Thoroughbreds and Quarter Horses, are not required to be registered in the year of foaling. The rule just requires that they be registered before they are entered in restricted races.

LEGISLATION

At this time, the Commission does not anticipate proposing policy legislation for consideration by the 1999 session of the Legislature.

Please notify the Racing Commission if you require this material to be made available in alternative format, i.e., large print, Braille, audio cassette, or other requested special format. The Racing Commission can be reached at 612-496-7950; 1-800-627-3529, (TDD/VOICE RELAY SERVICES).