02/08/19 REVISOR JSK/EH 19-3018 as introduced

# SENATE STATE OF MINNESOTA NINETY-FIRST SESSION

S.F. No. 2112

(SENATE AUTHORS: PRATT and Benson)

**DATE D-PG** 03/07/2019 695

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OFFICIAL STATUS

/07/2019 695 Introduction and first reading
Referred to State Government

Referred to State Government Finance and Policy and Elections See First Special Session 2019, SF10, Art. 8, Sec. 1-9, 13-18

A bill for an act

relating to pari-mutuel horse racing; modifying licensing, reporting, and other

regulatory provisions of the Racing Commission; amending Minnesota Statutes

2018, sections 240.01, by adding a subdivision; 240.02, subdivisions 2, 6; 240.08, 1.4 subdivision 5; 240.10; 240.12; 240.13, subdivision 5; 240.131, subdivision 7; 1.5 240.135; 240.16, subdivisions 1, 2; 240.18, subdivisions 2, 3; 240.22; 240.27. 1.6 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MINNESOTA: 1.7 Section 1. Minnesota Statutes 2018, section 240.01, is amended by adding a subdivision 1.8 to read: 1.9 Subd. 18a. Racing or gaming-related vendor. "Racing or gaming-related vendor" 1.10 means any person or entity that manufactures, sells, provides, distributes, repairs or maintains 1.11 equipment or supplies used at a Class A facility, or provides services to a Class A facility 1.12 or Class B license holder, that are directly related to the running of a horse race, simulcasting, 1.13 pari-mutuel betting, or card playing. 1.14 **EFFECTIVE DATE.** This section is effective July 1, 2019. 1.15 Sec. 2. Minnesota Statutes 2018, section 240.02, subdivision 2, is amended to read: 1.16 Subd. 2. Qualifications. A member of the commission must have been a resident of 1.17 Minnesota for at least five years before appointment, and must have a background and 1.18 experience as would qualify for membership on the commission. A member must, before 1.19 taking a place on the commission, file a bond in the principal sum of \$100,000 payable to 1.20 the state, conditioned upon the faithful performance of duties. No commissioner, nor any 1.21

member of the commissioner's immediate family residing in the same household, may hold

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a license issued by the commission or have a direct or indirect financial interest in a corporation, partnership, or association which holds a license issued by the commission.

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- Sec. 3. Minnesota Statutes 2018, section 240.02, subdivision 6, is amended to read:
- Subd. 6. **Annual Biennial report.** The commission shall on February 15 of each odd-numbered year submit a report to the governor and legislature on its activities, organizational structure, receipts and disbursements, and recommendations for changes in the laws relating to racing and pari-mutuel betting.
- Sec. 4. Minnesota Statutes 2018, section 240.08, subdivision 5, is amended to read:
  - Subd. 5. **Revocation and suspension.** (a) After providing a licensee with notice and an opportunity to be heard, the commission may:
  - (1) revoke a class C license for a violation of law or rule which in the commission's opinion adversely affects the integrity of horse racing in Minnesota, the public health, welfare, or safety, or for an intentional false statement made in a license application-; or
  - The commission may (2) suspend a class C license for up to one year five years for a violation of law, order or rule. If the license expires during the term of suspension, the licensee shall be ineligible to apply for another license from the commission until the expiration of the term of suspension.
    - (b) The commission may delegate to its designated agents the authority to impose suspensions of class C licenses<del>, and</del>.
  - (c) Except as provided in paragraph (d), the revocation or suspension of a class C license may be appealed to the commission according to its rules.
    - (b) A license revocation or suspension for more than 90 days is a contested case under sections 14.57 to 14.69 of the Administrative Procedure Act and is in addition to criminal penalties imposed for a violation of law or rule.
    - (d) If the commission revokes or suspends a class C license for more than one year, the licensee has the right to appeal by requesting a contested case hearing under chapter 14. The request must be made in writing and sent to the commission by certified mail or personal service. A request sent by certified mail must be postmarked within ten days after the licensee receives the order of revocation or suspension from the commission. A request sent by personal service must be received by the commission within ten days after the licensee receives the order of revocation or suspension from the commission.

Sec. 4. 2

(e) The commission may summarily suspend a license for more than up to 90 days prior to a contested case hearing where it is necessary to ensure the integrity of racing or to protect the public health, welfare, or safety. A contested case hearing must be held within 30 days of the summary suspension and the administrative law judge's report must be issued within 30 days from the close of the hearing record. In all cases involving summary suspension the commission must issue its final decision within 30 days from receipt of the report of the administrative law judge and subsequent exceptions and argument under section 14.61. The licensee has the right to appeal a summary suspension to the commission according to its rules.

#### **EFFECTIVE DATE.** This section is effective the day following final enactment.

Sec. 5. Minnesota Statutes 2018, section 240.10, is amended to read:

#### 240.10 LICENSE FEES.

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- (a) The fee for a class A license is \$253,000 per year and must be remitted on July 1. The fee for a class B license is \$500 for each assigned racing day and \$100 for each day on which simulcasting is authorized and must be remitted on July 1. The fee for a class D license is \$50 for each assigned racing day on which racing is actually conducted. Fees imposed on class D licenses must be paid to the commission at a time and in a manner as provided by rule of the commission.
- (b) The commission shall by rule establish an annual license fee for each occupation it licenses under section 240.08.
- (c) The initial annual license application fee for a class C license to provide advance deposit wagering on horse racing under this chapter is \$10,000 and an annual license fee of \$2,500 applies thereafter.
- (d) Notwithstanding section 16A.1283, the commission shall by rule establish an annual license fee for each type of racing or gaming-related vendor it licenses, not to exceed \$2,500.

#### 3.26 **EFFECTIVE DATE.** This section is effective July 1, 2019.

Sec. 6. Minnesota Statutes 2018, section 240.12, is amended to read:

#### 240.12 LICENSE AGREEMENTS.

The commission may enter into agreements or compacts with comparable bodies in other racing jurisdictions for the mutual recognition of occupational licenses issued by each body. The commission may by rule provide for and may charge a fee for the registration of each license issued in another jurisdiction.

Sec. 6. 3

**EFFECTIVE DATE.** This section is effective the day following final enactment.

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Sec. 7. Minnesota Statutes 2018, section 240.13, subdivision 5, is amended to read:

- Subd. 5. **Purses.** (a) From the amounts deducted from all pari-mutuel pools by a licensee, including breakage, an amount equal to not less than the following percentages of all money in all pools must be set aside by the licensee and used for purses for races conducted by the licensee, provided that a licensee may agree by contract with an organization representing a majority of the horsepersons racing the breed involved to set aside amounts in addition to the following percentages, if the contract is in writing and filed with reviewed by the commission for compliance with this subdivision:
  - (1) for live races conducted at a class A facility, 8.4 percent of handle;
- (2) for simulcasts conducted any day a class A facility is licensed, not less than 37 percent of the <u>takeout</u> <u>amount</u> remaining after deduction for the state pari-mutuel tax, payment to the breeders fund, and payment to the sending out-of-state racetrack for receipt of the signal.

The commission may by rule provide for the administration and enforcement of this subdivision. The deductions for payment to the sending out-of-state racetrack must be actual, except that when there exists any overlap of ownership, control, or interest between the sending out-of-state racetrack and the receiving licensee, the deduction must not be greater than three percent unless agreed to between the licensee and the horsepersons' organization representing the majority of horsepersons racing the breed racing the majority of races during the existing racing meeting or, if outside of the racing season, during the most recent racing meeting.

The licensee shall pay to the commission for deposit in the Minnesota breeders fund 5-1/2 percent of the takeout from all pari-mutuel pools generated by wagering at the licensee's facility on simulcasts of races not conducted in this state.

(b) From the money set aside for purses, The licensee shall pay to the horseperson's organization representing the majority of the horsepersons racing the breed involved and contracting with the licensee with respect to purses and the conduct of the racing meetings and providing representation to its members, an amount as may be determined by agreement by the licensee and the horsepersons' organization sufficient to provide benevolent programs, benefits, and services for horsepersons and their on-track employees. The amount paid may be deducted only from the money set aside for purses to be paid in races for the breed represented by the horseperson's organization or may be paid from breakage retained by the licensee from live or simulcast wagering as agreed between the licensee and horsepersons'

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organization. With respect to racing meetings where more than one breed is racing, the licensee may contract independently with the horseperson's organization representing each breed racing. The contract must be in writing and reviewed by the commission for compliance with this subdivision.

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- (c) Notwithstanding sections 325D.49 to 325D.66, a horseperson's organization representing the majority of the horsepersons racing a breed at a meeting, and the members thereof, may agree to withhold horses during a meeting.
- (d) Money set aside for purses from wagering on simulcasts must be used for purses for live races involving the same breed involved in the simulcast except that money set aside for purses and payments to the breeders fund from wagering on simulcasts of races not conducted in this state, occurring during a live mixed meet, must be allotted to the purses and breeders fund for each breed participating in the mixed meet as agreed upon by the breed organizations participating in the live mixed meet. The agreement shall be in writing and filed with reviewed by the commission for compliance with this subdivision prior to the first day of the live mixed meet. In the absence of a written agreement filed with reviewed by the commission, the money set aside for purses and payments to the breeders fund from wagering on simulcasts, occurring during a live mixed meet, shall be allotted to each breed participating in the live mixed meet in the same proportion that the number of live races run by each breed bears to the total number of live races conducted during the period of the mixed meet.
- (e) The allocation of money set aside for purses to particular racing meets may be adjusted, relative to overpayments and underpayments, by contract between the licensee and the horsepersons' organization representing the majority of horsepersons racing the breed involved at the licensee's facility. The contract must be in writing and reviewed by the commission for compliance with this subdivision.
- (f) Subject to the provisions of this chapter, money set aside from pari-mutuel pools for purses must be for the breed involved in the race that generated the pool, except that if the breed involved in the race generating the pari-mutuel pool is not racing in the current racing meeting, or has not raced within the preceding 12 months at the licensee's class A facility, money set aside for purses may be distributed proportionately to those breeds that have run during the preceding 12 months or paid to the commission and used for purses or to promote racing for the breed involved in the race generating the pari-mutuel pool, or both, in a manner prescribed by the commission.
  - (g) This subdivision does not apply to a class D licensee.

Sec. 7. 5

### **EFFECTIVE DATE.** This section is effective July 1, 2019.

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Sec. 8. Minnesota Statutes 2018, section 240.131, subdivision 7, is amended to read:

- Subd. 7. **Payments to state.** (a) A regulatory fee is imposed at the rate of one percent of all amounts wagered by Minnesota residents with an authorized advance deposit wagering provider. The fee shall be declared on a form prescribed by the commission. The ADW provider must pay the fee to the commission no more than seven 15 days after the end of the month in which the wager was made. Fees collected under this paragraph must be deposited in the state treasury and credited to a racing and card-playing regulation account in the special revenue fund and are appropriated to the commission to offset the costs associated with regulating horse racing and pari-mutuel wagering in Minnesota.
- (b) A breeders fund fee is imposed in the amount of one-quarter of one percent of all amounts wagered by Minnesota residents with an authorized advance deposit wagering provider. The fee shall be declared on a form prescribed by the commission. The ADW provider must pay the fee to the commission no more than seven 15 days after the end of the month in which the wager was made. Fees collected under this paragraph must be deposited in the state treasury and credited to a racing and card-playing regulation account in the special revenue fund and are appropriated to the commission to offset the cost of administering the breeders fund and promote horse breeding in Minnesota.

### **EFFECTIVE DATE.** This section is effective July 1, 2019.

Sec. 9. Minnesota Statutes 2018, section 240.135, is amended to read:

#### 240.135 CARD CLUB REVENUE.

- (a) From the amounts received from charges authorized under section 240.30, subdivision 4, the licensee shall set aside the amounts specified in this section to be used for purse payments. These amounts are in addition to the breeders fund and purse requirements set forth elsewhere in this chapter.
- 6.26 (1) For amounts between zero and \$6,000,000, the licensee shall set aside not less than 6.27 ten percent to be used as purses.
  - (2) For amounts in excess of \$6,000,000, the licensee shall set aside not less than 14 percent to be used as purses.
- 6.30 (b) From all amounts set aside under paragraph (a), the licensee shall set aside ten percent to be deposited in the breeders fund.

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(c) It is the intent of the legislature that the proceeds of the card playing activities authorized by this chapter be used to improve the horse racing industry by improving purses. The licensee and the horseperson's organization representing the majority of horsepersons who have raced at the racetrack during the preceding 12 months may negotiate percentages that exceed those stated in this section if the agreement is in writing and filed with reviewed by the commission for compliance with this section. The commission shall annually review the financial details of card playing activities and determine if the present use of card playing proceeds is consistent with the policy established by this paragraph. If the commission determines that the use of the proceeds does not comply with the policy set forth herein, then the commission shall direct the parties to make the changes necessary to ensure compliance. If these changes require legislation, the commission shall make the appropriate recommendations to the legislature.

# **EFFECTIVE DATE.** This section is effective July 1, 2019.

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Sec. 10. Minnesota Statutes 2018, section 240.16, subdivision 1, is amended to read:

Subdivision 1. **Powers and duties.** All horse races run at a licensed racetrack must be presided over by a board of three stewards, who must be appointees of the commission or persons approved by it. The commission shall designate one steward as chair. At least two stewards for all races either shall be employees of the commission who shall serve in the unclassified service, or shall be under contract with the commission to serve as stewards. The commission may delegate the following duties and powers to a board of stewards:

- (1) to ensure that races are run in accordance with the commission's rules;
- (2) to supervise the conduct of racing to ensure the integrity of the sport;
- (3) to settle disputes arising from the running of horse races, and to certify official results;
  - (4) to impose on licensees, for violation of law or commission rules, fines not exceeding \$5,000 and license suspensions not exceeding 90 days of up to \$10,000, suspensions of up to one year, and other sanctions as delegated by the commission or permitted under its rules;
- (5) to recommend to the commission where warranted penalties in excess of those in clause (4);
- 7.29 (6) to otherwise enforce the laws and rules of racing; and
- 7.30 (7) to perform other duties and have other powers assigned by the commission.

7.31 **EFFECTIVE DATE.** This section is effective the day following final enactment.

Sec. 10. 7

Sec. 11. Minnesota Statutes 2018, section 240.16, subdivision 2, is amended to read:

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Subd. 2. **Appeals; hearings.** Except as provided by section 240.08, subdivision 5, a ruling of a board of stewards may be appealed to the commission or be reviewed by it. The commission may review any ruling by the board of stewards on its own initiative. The commission may provide for appeals to be heard by less than a quorum of the commission. A hearing on a penalty imposed by a board of stewards must be granted on request.

## **EFFECTIVE DATE.** This section is effective the day following final enactment.

- Sec. 12. Minnesota Statutes 2018, section 240.18, subdivision 2, is amended to read:
- Subd. 2. **Thoroughbred and quarterhorse categories.** (a) With respect to available money apportioned in the thoroughbred and quarterhorse categories, 20 percent must be expended as follows:
- (1) at least one-half in the form of grants, contracts, or expenditures for equine research and related education at the University of Minnesota School of Veterinary Medicine public institutions of postsecondary learning in the state; and
- (2) the balance in the form of grants, contracts, or expenditures for one or more of the following:
  - (i) additional equine research and related education;
  - (ii) substance abuse programs for licensed personnel at racetracks in this state; and
- (iii) promotion and public information regarding industry and commission activities; racehorse breeding, ownership, and management; and development and expansion of economic benefits from racing.
- (b) As a condition of a grant, contract, or expenditure under paragraph (a), the commission shall require an annual report from the recipient on the use of the funds to the commission, the chair of the house of representatives Committee on General Legislation, Veterans Affairs, and Gaming, and the chair of the senate committee on Gaming Regulation.
- (c) The commission shall include in its <u>annual biennial</u> report a summary of each grant, contract, or expenditure under paragraph (a), clause (2), and a description of how the commission has coordinated activities among recipients to ensure the most efficient and effective use of funds.
- (d) After deducting the amount for paragraph (a), the balance of the available proceeds in each category may be expended by the commission to:

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(1) supplement purses for races held exclusively for Minnesota-bred or Minnesota-foaled 9.1 horses, and supplement purses for Minnesota-bred or Minnesota-foaled horses racing in 9.2 nonrestricted races in that category; 9.3 (2) pay breeders' or owners' awards to the breeders or owners of Minnesota-bred horses 9.4 in that category which win money at <del>licensed</del> pari-mutuel racetracks in the state licensed 9.5 by any state or province; and 9.6 (3) provide other financial incentives to encourage the horse breeding industry in 9.7 Minnesota. 9.8 Sec. 13. Minnesota Statutes 2018, section 240.18, subdivision 3, is amended to read: 9.9 Subd. 3. Standardbred category. (a) With respect to the available money apportioned 9.10 in the standardbred category, 20 percent must be expended as follows: 9.11 (1) one-half of that amount to supplement purses for standardbreds at non-pari-mutuel 9.12 9.13 racetracks in the state; and (2) one-fourth of that amount for the development of non-pari-mutuel standardbred 9.14 9.15 tracks in the state; and (3) one-fourth (2) one-half of that amount as grants for equine research and related 9.16 education at public institutions of postsecondary learning in the state. 9.17 (b) After deducting the amount for paragraph (a), the balance of the available proceeds 9.18 in the standardbred category must be expended by the commission to: 9.19 (1) supplement purses for races held exclusively for Minnesota-bred and Minnesota-foaled 9.20 standardbreds; 9.21 (2) pay breeders or owners awards to the breeders or owners of Minnesota-bred 9.22 standardbreds which win money at licensed racetracks in the state; and 9.23 (3) provide other financial incentives to encourage the horse breeding industry in 9.24 Minnesota. 9 25 Sec. 14. Minnesota Statutes 2018, section 240.22, is amended to read: 9.26 240.22 FINES. 9.27 9.28 (a) The commission shall by rule establish a schedule of civil fines of up to \$50,000 for a class C licensee and up to \$200,000 for a class A, B, or D licensee for violations of laws 9.29 related to horse racing or of the commission's rules. The schedule must be based on and 9.30

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reflect the culpability, frequency and severity of the violator's actions. The commission may impose a fine from this schedule on a licensee for a violation of those rules or laws relating to horse racing. The fine is in addition to any criminal penalty imposed for the same violation. Except as provided in paragraph (b), fines may be appealed to the commission according to its rules. Fines imposed by the commission must be paid to the commission and except as provided in paragraph (c), forwarded to the commissioner of management and budget for deposit in the state treasury and credited to a racing and card-playing regulation account in the special revenue fund and appropriated to the commission to distribute in the form of grants, contracts, or expenditures to support racehorse adoption, retirement, and repurposing.

- (b) If the commission issues a fine in excess of \$5,000 \$10,000, the license holder has the right to request a contested case hearing under chapter 14, to be held as set forth in Minnesota Rules, chapter 1400. The appeal of a fine must be made in writing to the commission by certified mail or personal service. An appeal sent by certified mail must be postmarked within ten days after the license holder receives the fine order from the commission. An appeal sent by personal service must be received by the commission within ten days after the license holder receives the fine order from the commission.
- (c) If the commission is the prevailing party in a contested case proceeding, the commission may recover, from amounts to be forwarded under paragraph (a), reasonable attorney fees and costs associated with the contested case.

### **EFFECTIVE DATE.** This section is effective the day following final enactment.

Sec. 15. Minnesota Statutes 2018, section 240.27, is amended to read:

# 240.27 EXCLUSION OF CERTAIN PERSONS.

- Subdivision 1. **Persons excluded.** The commission may exclude from any and all licensed 10.23 racetracks in the state a person who: 10.24
  - (1) has been convicted of a felony under the laws of any state or the United States;
- (2) has had a license suspended, revoked, or denied by the commission or by the racing 10.26 authority of any other jurisdiction; or 10.27
  - (3) is determined by the commission, on the basis of evidence presented to it, to be a threat to the public safety or the integrity of racing or card playing in Minnesota.
  - Subd. 2. **Hearing**; appeal. An order to exclude a an unlicensed person from any or all licensed racetracks in the state must be made by the commission at following a public hearing of which the person to be excluded must have had at least five days' notice. If present

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at the hearing, the person must be permitted to show cause why the exclusion should not be ordered. An appeal of the order may be made in the same manner as other appeals under section 240.20.

Subd. 3. **Notice to racetracks.** Upon issuing an order excluding a person from any or all licensed racetracks, the commission shall send a copy of the order to the excluded person and to all racetracks or teleracing facilities named in it, along with other information as it deems necessary to permit compliance with the order.

Subd. 4. **Prohibitions.** It is a gross misdemeanor for a person named in an exclusion order to enter, attempt to enter, or be on the premises of a racetrack named in the order while it is in effect, and for a person licensed to conduct racing or operate a racetrack knowingly to permit an excluded person to enter or be on the premises.

Subd. 5. Exclusions by racetrack. The holder of a license to conduct racing may eject and exclude from its premises any licensee or any other person who is in violation of any state law or commission rule or order or who is a threat to racing integrity or the public safety. A person so excluded from racetrack premises may appeal the exclusion to the commission and must be given a public hearing on the appeal upon request. At the hearing the person must be given the opportunity to show cause why the exclusion should not have been ordered. If the commission after the hearing finds that the integrity of racing and the public safety do not justify the exclusion, it shall order the racetrack making the exclusion to reinstate or readmit the person. An appeal of a commission order upholding the exclusion is governed by section 240.20. A licensed racetrack may eject and exclude from its premises any person for any lawful reason. If a licensed racetrack excludes a person for a suspected or potential violation of law or rule, or if a licensed racetrack excludes any person for more than five days, the licensed racetrack shall provide the person's name and reason for the exclusion to the commission within 72 hours.

Sec. 15.