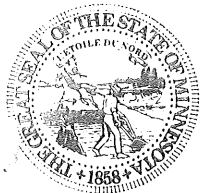


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MINNESOTA RACING COMMISSION

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Bloomington, Minnesota 55439
Telephone: 612-341-7555
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Licensing Office (April - October)
P.O. Box 315, Shakopee, Minnesota 55379
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February 27, 1992

Ms. MaryAnne Hruby
Legislative Committee to Review
Administrative Rules
55 State Office Building
100 Constitution Avenue
St Paul MN 55155

Dear Ms. Hruby:

Enclosed for your review is a copy of the MRC's Statement of Need and Reasonableness pertaining to certain amendments to our existing rules.

The proposed rule and notice of adoption will be published in the State Register on March 2, 1992, and that date will be the start of the 30-day comment period on the rule. If everything goes as planned, we anticipate that the rules will be effective on or about May 31, 1992.

If you have any questions or need further information please call me.

Sincerely,

A handwritten signature in cursive script, appearing to read "Richard G. Krueger".

RICHARD G. KRUEGER
Executive Director

RGK:sb
encl.

The Legislative Commission to
Review Administrative Rules

MAR 3 1992



STATE OF MINNESOTA

MINNESOTA RACING COMMISSION

In the Matter of the Proposed Adoption
of Rules Relating to Amendments to Existing
Rules

STATEMENT OF NEED
AND
REASONABLENESS

GENERAL

In an effort to improve the quality of horse racing in this state, the Minnesota Racing Commission ("Commission") proposes certain amendments to the rules of racing. The proposed amendments are consistent with rules in other racing jurisdictions and are necessary in order for Minnesota to remain competitive in the horse racing industry. The Commission believes the proposed amendments are reasonable because they are customary in other racing jurisdictions. The burdens imposed on the participants are not undue, and compliance with similar rules has been obtained in other jurisdictions.

STATUTORY AUTHORITY

The Commission is empowered by Minn. Stat. 240.03 to:

- 1) Regulate horse racing in Minnesota to ensure that it is conducted in the public interest;
 - (2) Enforce all laws and rules governing horse racing;
 - (3) Supervise the conduct of pari-mutuel betting on horse races;
- and
- (4) Take all necessary steps to insure the integrity of racing in Minnesota.

The Commission is also specifically authorized by Minn. Stat. Ch. 240.23 to promulgate rules governing Disclosure of Improvements and Equipment by Class A and B licensees, Medical Services at licensed racetracks, Prevention to Start, Trifecta, Twin Trifecta, Procedure for Obtaining Class C Licensees, Fees, Standards Required of Applicants for Specific Licenses, Dual Licensing, Duties and Responsibilities of Class C Licensees, Duties and Responsibilities of Racing Officials, Conflicts, Licensing of Security Officers, Rules of Racing, Racing Soundness Examination, Purses, Thoroughbred Breeders Fund, Thoroughbred Registration, Standardbred Breeders' Fund, Standardbred Registration, Quarter Horse Breeders'

Fund, Quarter Horse Registration, Prohibited Acts and Variances.

These broad statutory provisions clearly authorize the Commission to promulgate the proposed amendments to the rule governing horse racing in Minnesota.

RULE-BY-RULE ANALYSIS

7870.0050 DISCLOSURE OF IMPROVEMENTS AND EQUIPMENT.

The Commission proposes to amend the rule to include Arabian or other breeds. The present rule is restrictive to only thoroughbred, standardbred and quarter horse breeds. The addition of Arabian and other breeds permits all breeds of racehorses to be included in pari-mutuel racing in Minnesota. It is necessary to amend the rule because of a number of requests from representatives of various breed organizations to participate in racing at licensed racetracks in Minnesota, and because the present rule only allows for Thoroughbred, Standardbred and Quarter Horse racing. The proposed amendment is reasonable because it imposes no undue burden on the licensee, is consistent with rules presently in use in other racing jurisdictions, and has been successfully applied in other states.

7870.0220 DISCLOSURE OF IMPROVEMENTS AND EQUIPMENT.

The Commission proposes to amend the rule to include Arabian or other breeds. The present rule is restrictive to only thoroughbred, standardbred and quarter horse breeds. The addition of Arabian and other breeds permits all breeds of racehorses to be included in pari-mutuel racing in Minnesota. It is necessary to amend the rule because present rules only allow for thoroughbred, standardbred and quarter horse breeds and there have been requests to include Arabian and other breeds. The proposed amendment is reasonable because it imposes no undue burden on the licensee, is consistent with rules presently in use in other racing jurisdictions, and has been successfully applied in other states.

7870.0480 MEDICAL SERVICES.

The Commission proposes to amend the rule by allowing the substitution of a Certified Emergency Medical Technician in place of a Registered Nurse to be in the first aid room on all days on which racing is conducted. The rule change is necessary in response to the current shortage of available registered nurses able to perform this function, and it is less expensive for the licensee to use EMT's rather than registered nurses. The rule change is reasonable in that it imposes no undue safety concerns for persons working in the horse racing industry or patrons in attendance at races, and the change has been agreed to by the licensee, representatives of the Jockeys' Guild, and other concerned industry representatives.

7873.0130 PREVENTION TO START.

The Commission proposes to amend the rule to include Arabian or other breeds of horses. The present rule is restricted to thoroughbreds and quarter horses only, and it is necessary to expand the scope of the rule to allow for participation by Arabians or other breeds in the future as has been requested by a number of individuals on behalf of breeders organizations. The rule change is reasonable in that it imposes no undue burdens on the licensee, the breeds of horses racing, or the wagering public. The rule has been used successfully in other jurisdictions.

7873.0185 TRIFECTA.

The Commission proposes to amend subpart 7 of the rule to remove the prohibition on trifecta wagering on handicap races. The rule change is necessary in order to allow the licensee to offer trifecta wagering on handicap races, which is not allowed under present rules, and will allow for fuller fields in handicap race. The rule change is reasonable in that it imposes no undue burden on the licensee, and enhances the wagering opportunities for patrons attending races at licensed racetracks.

7873.0186 TWIN TRIFECTA.

The Commission proposes to amend subpart 9 of the rule to remove the prohibition on twin trifecta wagering on handicap races. The rule change is necessary in order to allow the licensee to offer twin trifecta wagering on handicap races which is not presently allowed in order to allow for fuller fields in handicap races. The rule change is reasonable in that it imposes no undue burden on the licensee, and enhances the wagering opportunities for patrons attending races at licensed racetracks.

7877.0110 PROCEDURE FOR OBTAINING CLASS C LICENSE.

The Commission proposes to amend subpart 2(C) of the rule to include the language "through 80 years of age" inasmuch as the Federal Bureau of Investigation does not process fingerprint cards for persons 80 years old and older. The rule change is necessary in order to conform the Commission's policies to those of the FBI, and to save Class C license applicants who are 80 years of age or older from having to pay for a service which will not be performed. The rule change is reasonable because it does not prohibit or unduly hinder the Commission from performing background investigations on applicants 80 years of age or older and, thus, the integrity of racing will not be harmed. The rule change is also reasonable in that it will save certain license applicants the fingerprinting fee.

7877.0120 FEES.

The Commission proposes to amend subpart 1 (C, D, E, F, G, H, J, K, L, M, N, O, P, Q, R, S, T, U, W, X and to add Y and Z) to the rule. The rule change is necessary in order for the Commission to comply with the directive from the Minnesota Department of Finance during the biennial budget process concluded in 1991 that the Commission recover the costs of its occupational licensing function through the license fees. The rule change is reasonable because the costs to the various categories of Class C licenses has been split across-the-board, with no one category bearing the brunt of the increase, and the increase has been kept to the minimum amount necessary to recover the cost of licensing. The rule change is also reasonable because the license fees are consistent with those charged in other racing jurisdictions, and those fees have been successfully collected in other states.

The Commission has complied with all procedures of the State and the Minnesota Department of Finance in preparing and submitting fee reviews for these increases.

The Commission is also proposing to amend subpart 2 of this rule. The change will conform the rule to the change sought in 7877.0110 (Procedure for Obtaining Class C License), and will reflect that fingerprint processing fees will not be collected from applicants 80 years of age or older. The rule change is necessary in order to make 7877.0120 consistent with 7877.0110. The change is reasonable in that license applicants age 80 or over will not be required to pay fingerprint processing fees, it imposes no undue burdens on the licensee, and the Commission will still be performing adequate background investigations on applicants 80 years of age or older.

7877.0130 STANDARDS REQUIRED OF APPLICANTS FOR SPECIFIC LICENSES.

The Commission is proposing to amend subpart 1 of the rule in order for the Commission to know the background of all owners who race their horses at licensed racetracks in Minnesota. Under the current rule, an individual who is ineligible for licensure as an owner for any reason is able to lease his horse to someone who is eligible for licensure. In order to further ensure the integrity of racing in Minnesota, it is reasonable to require lessors of race horses to undergo the same stringent background investigation as other Class C licensees in order that the Commission may have true knowledge of a horse's ownership, and to perform comprehensive background investigations on lessors of race horses. The rule change is necessary in order for the Commission to ensure the integrity of racing in Minnesota. The rule change is reasonable in that it imposes no undue burdens on licensees, and serves to enhance the welfare and safety of the wagering public.

The Commission also proposes to amend subpart 2 of the rule to insure that applicants for a multiple owners' license comply with all requirements of subpart 1 of the rule concerning lessors of race horses. The rule change is necessary to conform subpart 2 of the rule to subpart 1. The rule change is reasonable in that it

imposes no undue burdens on licensees, and serves to enhance the welfare and safety of the wagering public.

The Commission is proposing to amend subpart 14 of the rule pertaining to authorized agents. The amendment will expand the scope of the rule to provide that multiple ownerships using authorized agents also abide by this rule. The current rule provides that only individual owners must formally authorize agents to act on their behalf. The rule change is necessary in order to provide clarity as to who speaks on behalf of a multiple ownership. The rule change is reasonable in that it imposes no undue burdens on the licensee, and serves to make clear who acts on behalf of a multiple ownership.

7877.0135 DUAL LICENSING.

The Commission proposes to amend the rule to allow a farrier to earn a living while licensed in another capacity at the racetrack, and also allow someone who is licensed in another capacity to work as a farrier. The current rule prohibits farriers from being licensed in other capacities. The proposed change is necessary in order to respond to economic issues facing farriers and other individuals working within the horse racing industry at the present time. The proposed change is reasonable in that it allows farriers and other Class C licensees more freedom in providing for their families and earning a living while working at licensed racetracks.

7877.0170 DUTIES AND RESPONSIBILITIES OF CLASS C LICENSEES.

The Commission is proposing to amend subpart 1(d) of the rule to expand the scope of the rule to include Arabian and other breeds and require them to register their colors with the Commission. The rule change is necessary because of numerous requests for Arabian horse racing and because the rules presently do not impose the duties and responsibilities on Arabian horse owners. Further, the change is necessary in order to conform the requirements for Arabians and other breeds to the requirements for thoroughbreds and quarter horses. The rule is reasonable in that no undue burden is imposed on the licensee and the rule has been successfully applied in other racing jurisdictions.

The Commission is proposing to amend subpart 1(e) of the rule to more clearly define the term "stable name". The rule change is necessary in order to remove confusion regarding the term in past years. The rule change is reasonable in that it imposes no undue burdens on the licensee, and serves to better inform the wagering public regarding horses listed on the racing program for any particular race.

A change is being proposed to subpart 2(e) of the rule to allow Arabians and other breeds to be registered by their owners. The rule change is necessary to enforce the same stringent requirements upon Arabians and other breeds as are

currently in use for thoroughbreds and quarter horses. The rule change is reasonable in that it serves to enhance the integrity of Arabian and other breed racing, and helps to guard against the wrong horse being entered and run in a race.

The Commission is proposing to amend subpart 2(k) of the rule to require trainers of Arabians and other breeds to personally attend to his or her horses in the paddock, and to supervise his or her horse's preparations to race, unless excused by the stewards because of illness or other emergency. The rule change is necessary to ensure that Arabians and other breeds comply with the same requirements currently in existence for trainers of thoroughbreds and quarter horses. The rule change is reasonable because it imposes no undue burdens on the licensee, and serves to protect the health and welfare of animals participating in the race, as well as the safety and welfare of the wagering public.

A new section, subpart 10, is being proposed. This subpart has been designed to address the care and handling of non-racing animals involved in the racing program. There are some twenty-five to fifty horses which work at the racetrack, but which are not covered by the present rules. Subpart 10 specifically applies to these animals, known as "pony horses".

Pony riders are persons who lead race horses to the track from the back of another horse, a "pony". These persons are licensed by the Commission and allotted stalls for their needs. Most pony riders own four to six ponies which are rotated on and off the track over the course of a racing season. On occasion the care or health status of one of these animals has come into question, yet there are no rules in effect to require pony riders to meet the same standards as other horse owners in these instances.

Item A requires each pony rider to register his or her pony horses with the Commission veterinarian. This section is needed so the Commission can keep track of each pony's health certificates and ensure the health and safety of the pony horses. Item B requires all ponies to be tested free of Equine Infectious Anemia once every twelve months and requires each pony rider to submit proof of such test to the Commission veterinarian. As ponies are in contact with many race horses in the course of a day, this rule is necessary to protect the infection of those horses with this fatal disease. Item C requires pony riders to obtain health certificates for all ponies to be transported onto the grounds of the racetrack. Item D covers minimum care which must be provided to ponies and Item E covers measures for the investigation of the death of any pony. These last items are necessary to promote the health and safety of the pony horses and is needed for closer oversight.

These five provisions are reasonable in that they reflect exactly the same standards of care and compliance with animal health regulations as do the present rules which pertain to horses which race. Working horses are still horses and should

be treated as well.

7877.0175 DUTIES AND RESPONSIBILITIES OF RACING OFFICIALS.

The Commission is proposing a change to subpart 2(f) of the rule to dispense with the current requirement of weighing in every jockey in public view immediately after the conclusion of a race, and substituting a requirement any jockeys finishing first through fourth in non-stakes races and any other jockey designated by the steward in non-stakes races be weighed-in in public view immediately after the conclusion of a race; and that all jockeys finishing stakes races be so weighed in in public view. The rule change is necessary in order to allow for less time between races and thus better compete with other forms of racing. The rule change is reasonable in that the Commission's authority to weigh any jockey is not impugned, and will result in less turnaround time between races for the benefit of patrons attending the races.

A change in subpart 12 is being proposed to mandate that Arabians and other breeds have documented timed workouts and meet the same racing requirements as thoroughbreds and quarter horses. The change is necessary because Arabians and other breeds must be required to undergo the same racing requirements as thoroughbreds and quarter horses, and is necessary to provide for the safety of all horses participating in races at licensed racetracks. The rule change is reasonable in that it imposes no undue burdens and has been applied successfully in other racing jurisdictions.

The Commission is proposing a change to subpart 13 to require outriders to comply with requirements of 7877.0170, subpart 10, for all pony horses in his or her care. The rule is needed because the present rules do not cover such working horses and will serve to ensure the health and safety of such horses. The rule is reasonable because trainers are required to provide the same care and health testing services for race horses.

7877.0180 CONFLICTS.

The Commission is proposing a change to subpart 2 to prohibit veterinarians or veterinary assistants from participating in pari-mutuel wagering while licensed by the Commission. Veterinarians treating horses which race are in a unique position among licensees in the racing industry. They are permitted to be in possession of most drugs and hypodermic equipment without question and routinely spend time in a number of unrelated racing stables every day as a normal course of business. A veterinarian who wished to influence the outcome of a race by administering drugs to one or more participants could do so relatively easily, because of this normal contact with one or more horses daily.

With the introduction of the trifecta form of wagering to Minnesota pari-mutuel racing came an increased incentive for the possible manipulation of horses' performances to create larger winning payoffs. Again, the veterinarian is in the best position to do so, better than that of a jockey for example. A veterinarian might be able to tamper with five or six horses in one race without anyone knowing, while a jockey would need the collusion of other jockeys to do the same.

The rule change prohibiting veterinarians and veterinary assistants from betting is therefore necessary to control the possibility of such tampering and to decrease the opportunities for illegally influencing the outcome of a horse race. The change is reasonable because several other types of licensees, e.g., jockeys, racing officials, racing commissioners, etc., are similarly prohibited from betting.

7878.0120 LICENSING OF SECURITY OFFICERS.

The Commission is proposing to amend subpart 4 of the rule to increase the license fee for a Class C security officer from \$10 to \$15. The rule is necessary to comply with the directive from the Minnesota Department of Finance that the Commission recover the cost of its licensing operations through the Class C license fees. The rule is reasonable in that it corresponds to the increased license fees in 7877.0120, is a minimum amount, and is commensurate with licensing fees for security officers in other racing jurisdictions.

7883.0100 ENTRIES AND SUBSCRIPTIONS.

Changes are being proposed to subparts A, B and E to provide for documented entry and eligibility requirements for Arabians and other breeds racing at licensed racetracks in Minnesota.

The change to subpart A would require that such horses be duly registered with the Arabian Horse Registry of America, Inc. or the nationally recognized registration organization relative to other breeds.

New language in subpart B would require that the the Arabian ID Supplement or any supplement relative to other breeds be filed with the racing secretary not less than two hours prior to the scheduled post time for any stakes race.

A change to subpart E would require that name changes for Arabians or other breeds be registered with the Arabian Horse Registry of America, Inc. or the nationally recognized registration organization relative to other breeds.

The rule changes are necessary to conform entry and subscription requirements for Arabians and other breeds to those required for thoroughbreds and quarter horses. The rule is reasonable in that it imposes no undue burdens, and has

been successfully applied in other jurisdictions.

A change is being proposed to subpart 16 to make the present rule clearer, and allow a horse to work on the day on which it is entered. The rule change is necessary because wording in the present rule is vague and allows for differing interpretations. The rule change is reasonable in that it imposes no undue burdens on horses or licensees, and makes the rule more understandable to all licensees.

7883.0120 DECLARATIONS AND SCRATCHES.

The Commission is proposing a change to subpart 6 of the rule to allow the stewards to declare a horse a non-starter after the start of a race. The present rule limits the stewards to making such a declaration to "before the running of a race". The rule change is necessary to allow the stewards to declare a horse a non-starter after the start of a race in emergency situations. The rule change is reasonable because it serves to protect the wagering public, allow for refunds of wagers under those emergency conditions, and protects the integrity of the wagering pools themselves.

7883.0120 PENALTIES AND ALLOWANCES.

A change is being proposed to subpart 1(e) to allow for the inclusion of Arabians and other breeds under the requirements of this rule. Specifically, the rule requires that determination of eligibility, penalties, and allowances of weight will be made from reports, records and statistics furnished by the Arabian Jockey Club (Colorado), from certificates issued by the Arabian Horse Registry of America, Inc. and further stipulates that information not included on these certificates will not be considered.

The change is necessary to require the same documentation for Arabians and other breeds as is currently required for thoroughbreds and quarter horses. The change is reasonable in that it imposes no undue hardships on licensees, and the requirements are used successfully in other racing jurisdictions.

7883.0140 CLAIMING RACES.

The Commission is proposing a change to subpart 21 to include Arabians under the same rule as thoroughbreds and quarter horses. The rule change is necessary in order to allow Arabians to participate in claiming races. The rule change is reasonable in that it imposes no undue burdens on Arabians when compared to thoroughbreds and quarter horses. The rule change is also reasonable because it has been used successfully in other racing jurisdictions, and serves to protect those individuals participating in claiming races in Minnesota.

7883.0160 POST TO FINISH.

The Commission is proposing a change to subpart 3. The change would allow a jockey riding in a race to claim a foul or protest to an outrider while still on the racetrack. The rule change is necessary in order to allow for less time between races, and to allow the stewards more time to review the tapes of the alleged infractions. The rule change is reasonable in that it imposes no undue burdens on the jockeys or other licensees, serves to lessen the time between races, and responds to requests from the wagering public for less time between races.

7891.0100 RACING SOUNDNESS EXAMINATION.

The proposed changes to this rule pertain to changes which have occurred in the Minnesota racing industry as a result of the decreases in attendance and handle over the past several years. As the purse monies have steadily decreased, so too has the quality of the horses racing in Minnesota. On the average, the racing stables are smaller, the trainers have less experience, there are fewer stable employees to do the required work, and horses are more likely to be shipped back and forth between track and training center or between this track and other tracks.

The examining veterinarians have found it more and more difficult to properly perform pre-race examinations over the past several years. Horses have been exceedingly difficult to locate in the stable area, as last minute ship-ins are more common. Often the horse can be found but there is no attendant to help with the examination. The lack of good stable help has also resulted in horses still standing in bandages or poultice as of the veterinarian's third or fourth attempt to examine the horse.

The change to subpart 1 requires the trainer of an entered horse to be responsible for assisting with the examination, by ensuring that the horse is available and clean-legged and that someone is present to move the horse during the exam. It also requires that the horse has not been subjected to "freezing" of the legs to cover up evidence of soreness. This change is needed because effective pre-race examinations are the first line of protecting the horses from abuse. Subpart 2 calls for the trainer to report the correct location of the horse when an entry is made. This is necessary for the examining veterinarians to find the horse for its pre-race exam and for veterinarians to more fully, carefully and properly conduct a pre-race exam. Subpart 3 requires the racing secretary to provide a list of horse locations for each racing card to the Commission veterinarian. Again, this change is needed to prevent the problem of missing horses and allow veterinarians to more fully and properly perform their duties.

The proposed changes to this rule are reasonable because they do not place any undue burden on any licensee and they reflect actual practice at most race

tracks.

7892.0150 PURSES.

The Commission is proposing a change to subpart 2 to delete the purse redistribution determination for a violation of chapter 7890 (horse medication) and to include several new factors (ineligible horse, ineligible owner, improper underweight carried in race and not discovered prior to official, and fraud) for the stewards or Commission to consider in determining whether or not to order the redistribution of a purse. In other words, the Commission is seeking to broaden the scope of the rule, and to allow for other instances of purse redistribution other than for infractions of Chapter 7890.

The rule change is necessary to clear up certain ambiguities in the rule and to make it more clear under what circumstances a purse redistribution shall be considered. The rule change is reasonable in that it imposes no undue burdens on any licensee, and is in use successfully in other racing jurisdictions at the present time.

7895.0110 THOROUGHBRED BREEDERS' FUND.

The Commission is proposing changes to subparts 4 and 6 of the present rule. The changes are being proposed to provide for the Commission to consider two alternative methods of paying purse supplements. Recent meetings in 1991 with members of the Thoroughbred Breeders Fund Appropriations Advisory Committee of the Racing Commission resulted in a request from the thoroughbred horsemen to allow alternative methods of paying purse supplements to ensure a more equitable distribution.

The rule change is necessary to provide authority to the Commission to consider alternative methods when determining purse supplement payments and to allow more equitable distribution. The rule change is reasonable in that it responds to needs and issues raised by the thoroughbred horsemen in Minnesota, does not dilute the Commission's authority in determining the method of paying purse supplements, and serves to foster the growth of the thoroughbred industry in Minnesota.

7895.0125 THOROUGHBRED REGISTRATION.

Changes are being proposed to subparts 1(d), 2(d) and 3(c) of the present rule. The amendments would allow the Commission to levy late fees of \$300 upon owners of broodmares and stallions for failure to comply with registration requirements currently in the rules, and to also levy late fees of \$300 for foal registration forms not submitted on or before 120 days of the date of foaling. The change is necessary to allow the Commission to impose the late fee, and to encourage

the timely submission of registration documents.

The Commission's experiences over the past racing seasons has shown an increasing number of late filings of such documents, resulting in those individuals applying for relief through the Commission's variance procedures. The rule change is intended to encourage the timely filing of all documents to register broodmares, stallions and foals.

The amendment is reasonable in that it imposes no burden greater than those successfully imposed in other states, and will result in fewer variance hearings being convened by the Commission.

7895.0250 STANDARDBRED BREEDERS FUND.

The Commission is proposing new language to this rule in subpart 9. No live standardbred pari-mutuel racing has occurred in Minnesota since 1986. However, standardbred simulcasting of certain races will occur in Minnesota in 1992. It is necessary to promulgate a rule to provide for disbursement of monies accruing to the standardbred breeders fund from such simulcast races. The new subpart is intended to allow the Commission to disburse those monies as purse supplements at either pari-mutuel race meets licensed by the Commission, or at non-pari-mutuel meets conducted at county fairs throughout the state, or a combination of both.

The rule is necessary to allow for proper disbursement of such monies to the standardbred breeders' fund. The rule is reasonable in that it allows for such distribution whether or nor pari-mutuel live standardbred racing is being conducted at any given time. The rule is also reasonable in that the standardbred organization in the state was consulted, and had input into the drafting of the rule.

7895.0275 STANDARDBRED REGISTRATION.

The Commission is proposing a change to subpart 1(d) of the rule to allow the Commission to levy a late fee of \$300 for stallion registrations not submitted on or before May 1 of any respective breeding year. The rule change is necessary to discourage the increasing number of horse owners from applying for variances through the Commission's formal variance procedure, and to allow for greater flexibility in dealing with late registrations. The rule change is reasonable in that such late fees have been imposed successfully in other racing jurisdictions, and it will encourage the timely filing of stallion registration forms from standardbred owners.

7895.0300 QUARTER HORSE BREEDERS FUND.

The Commission is proposing changes to subparts 1, 2, 3, and 4 of this

rule. Specifically, the changes to subpart 1 define two new types of Minnesota-bred quarter horses which will be allowed to earn purse supplement and award monies under the auspices of the quarter horse breeders' fund. The change to subpart 2 delineates how the monies in the quarter horse breeders' fund will be allocated. The new language in subpart 3 defines eligibility for receiving breeder and stallion awards, and deletes the owners award category from the rule. The change in subpart 4 explains how the money will be allocated in determining award payments.

The rule change is necessary to encourage the growth of the Minnesota quarter horse breeders' fund program, and to bring the quarter horse breeders' fund rules to closer conformation to existing thoroughbred breeders' fund rules. The rule change is reasonable because it imposes no undue burden on the horsemen, any licensees, or the wagering public. The rule change is also reasonable because the quarter horse organization in Minnesota was involved in the drafting of the proposed language. The rule change is further reasonable because it does not dilute the Commission's authority in making determinations relative to payments and awards, and serves to protect and enhance the integrity of the quarter horse breeders' fund program.

7895.0350 QUARTER HORSE REGISTRATION.

The Commission is proposing changes to this rule to further define registration requirements for individuals participating the quarter horse breeders' fund program.

Changes to subpart 1 provide new definitions for quarter horse broodmares, and adds language to make a mare's foal eligible for restricted races, in the case of a thoroughbred mare in foal to a Minnesota quarter horse sire registered in the Permanent Registry of the American Quarter Horse Association, by submission of a Jockey Club Certificate. The change to subpart 1 also provides that if a broodmare not registered with the Commission should foal in Minnesota before January 31 of any given year, a sworn affidavit to the racing commission or official registering agency is considered evidence that the foal is considered Minnesota-bred sired and foaled.

New language in subpart 2 outlines requirements for broodmare registration for Minnesota-bred foaled horses, and delineates the requirements for making those mares' foals eligible for restricted races under the breeders' fund program.

Subpart 3 contains language outlining requirements for broodmare registration for Minnesota-bred sired horses, and outlines the requirements for making those mares' foals eligible for entry in Minnesota-bred restricted races under the breeders' fund program.

Subpart 4 outlines the late fee schedule for quarter horse broodmare registrations, and further imposes a late fee of \$300 for failure to submit broodmare registration forms on or before May 1 of any foaling year.

Subpart 5 deals with quarter horse stallion registrations, and imposes a late fee of \$300 for failure to submit stallion registration forms on or before May 1 of any breeding year.

Subpart 6 contains language expanding the scope of the rule to include Minnesota-bred sired and foaled horses as well as Minnesota-bred foaled horses. Section E of the rule has been amended to impose a late fee of \$300 for failure to submit foal registration forms on or before 120 days of the date of foaling for any subsequent claims to enter that horse in a restricted race.

Subpart 7 is a new section, dealing with Minnesota-bred sired quarter horses. The subpart outlines registration requirements, and provides for late fees for failure to submit registrations on time.

These rule changes are necessary in order to allow for the orderly expansion and growth of the quarter horse racing industry in Minnesota, and to encourage the timely submission of all documents and registration papers. The rule change is reasonable in that it is not substantially different from rules governing thoroughbred and standard breeders' funds in Minnesota, the Minnesota Quarter Horse Racing Association has been involved in the rulemaking process and concurs with the amendments, and the changes will allow the Commission to more closely monitor and administer the program.

7895.0400 ARABIAN BREEDERS' FUND.

This is a new section of rules being proposed by the Commission. It provides for the distribution of breeders' fund monies accruing to owners and breeders of Arabian horses in Minnesota. Specifically, subpart 1 of the rule defines Minnesota-foaled or Minnesota-bred horses, Minnesota-sire, and breeder. Subpart 2 deals with the division of monies accruing to the Arabian breeders' fund, subpart 3 outlines how the monies will be allocated among breeders, stallions, and owners awards, and subpart 4 outlines the method of payment. Subpart 5 deals with adjustments to purse supplements, subpart 6 deals with payment of purse supplements, and subpart 7 deals residual funds in the form of unearned purse supplements.

The above rule is necessary in order to allow Arabian horses to participate in the Minnesota breeders' fund programs, and to encourage and foster the growth of the Arabian racing program in the Minnesota. The rule is necessary to allow the Commission to register horses into the program, and to disburse monies pursuant to rule. The rule is reasonable in that it has been patterned after breeders'

fund rules currently in use for thoroughbreds, standardbreds and quarter horses in Minnesota and does not differ significantly. The rule is also reasonable because it reflects input from the Arabian racing interests in Minnesota, and does not impose any undue burdens on Arabian owners or breeders.

7895.0450 ARABIAN REGISTRATION.

7895.0450 is a new rule proposed by the Commission. Subparts 1 lists requirements and imposes late fees for broodmare registration. Subpart 2 deals with registration procedures for Arabian stallions and the imposition of late fees, and subpart 3 lists requirements for Arabian foal registration and imposes late fees.

The rule is necessary to provide incentives for the growth of the Minnesota Arabian horse industry, and to allow the Commission to properly and efficiently manage the Arabian breeders' fund. The rule is reasonable in that it is not unlike registration rules currently in use for the Minnesota thoroughbred, standardbred and quarter horse breeders' fund. The rule is reasonable in that it imposes no undue hardships upon the participants, and will provide for the orderly management of this breeders' fund.

7897.0100 PROHIBITED ACTS.

The Commission is proposing a change to subpart 9 to prohibit licensees from engaging in fraud or misrepresentation with regard to the sale of horses. The rule change is necessary to broaden the scope of the Commission's authority in dealing with frauds and misrepresentations involving the sale of horses and to oversee and penalize such misconduct. It is also necessary to protect consumers from possible fraud in connection with the sale of horses. Many times such sales take place upon the grounds of a licensed racetrack, and this rule gives the Commission the authority to impose disciplinary sanctions against those involved in such fraud or misrepresentation. The rule is reasonable in that it serves to further insure the integrity of racing in Minnesota, and to protect the welfare and safety of those participating in the racing industry in the state of Minnesota.

The Commission is also proposing a change to subpart 10 of the rule to allow the Commission to impose disciplinary sanctions upon licensees involved in financial responsibility complaints directly related to that licensee's racing activities. The current rule provides for such actions to be taken only in regard to racing activities in Minnesota. Oftentimes, such financial responsibility complaints arise from actions of licensees at another track in another state. This rule change gives the Commission the authority to deal with financial responsibility complaints brought against any licensee at a Minnesota licensed racetrack, regardless of where the activity resulting in the complaint took place. The rule change is necessary to allow the Commission to discipline licensees for infraction of the rule, and to allow for more

expeditious settling and arbitrating of complaints. The rule change is reasonable in that it serves to enhance the integrity of racing in Minnesota, and to better protect the safety and welfare of the participants in racing, and to protect vendors and local merchants from individuals who are transient and difficult to collect debts from.

7899.0100 VARIANCES.

The Commission is seeking a change to this rule to prohibit the filing of variance requests dealing with impositions of late fees on various breeders' fund matters.

Current rules allow the Commission to impose late fees for late filings of papers and documents concerning the various breeders' funds. The Commission originally sought to impose these late fees to discourage breeders and owners from filing late registrations. However, the Commission has discovered that many breeders and owners are now filing for formal variances from the late fee requirements.

The rule change is necessary in order to prevent persons from attempting to circumvent breeders' fund registration rules by the filing of a variance. The rule is also necessary in order to efficiently manage the breeders' fund programs, and prevent the rapid escalation of formal variance hearings to deal with these breeders' fund issues. The rule change is reasonable in that it imposes no undue hardship on breeders, will serve to make the application of the rule apply fairly to all participants, and will discourage the frivolous requests for formal variance hearings.

OTHER STATUTORY REQUIREMENTS

Minn. Stat. 14.115 requires agencies, when proposing a new rule or amending existing rules which may affect small business, to consider certain methods for reducing the impact of the rule on small business.

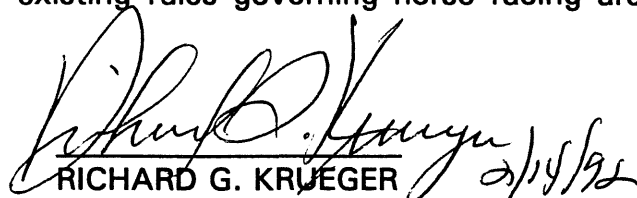
The proposed amendments to the racing rules and new rules indirectly impact small businesses in that these rules may affect vendors and material suppliers, as well as Class C occupational license holders. The rule does not affect small businesses disproportionately nor does the rule prevent small businesses from participating in horse racing. The Commission considered the method to reduce the impact of the amendments and new rules on small business pursuant to Minn. Stat. 14.115, subd. 2 and determined that, because of the nature of the industry, the Commission cannot be less rigorous in its regulation of one type of business than another. The Commission's review included evaluation of the impact of the rules not only on the racetrack but also individual owners and trainers who work at the racetrack and small business vendors providing goods and services to the racetrack.

Minn. Stat. 14.11, subd. 2 is not applicable because the proposed

amendments will not have any direct and substantial adverse impact on agricultural land. Sections 115.43, subd. 1 and 116.07, subd. 6 are not applicable. Likewise, a fiscal note is not required pursuant to section 3.892 as the rule will not force any local agency or school district to incur costs.

CONCLUSION

Based on the foregoing, the Minnesota Racing Commission's proposed additions and amendments to the existing rules governing horse racing are both necessary and reasonable.


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MINNESOTA RACING COMMISSION