

## Minnesota Racing Commission

### NOTICE OF INTENT TO ADOPT RULES WITHOUT A PUBLIC HEARING

#### Proposed Amendments to Rules Governing Horse Racing, Minnesota Rules, 7895 Breeders' Fund

**Introduction.** The Minnesota Racing Commission intends to adopt rules without a public hearing following the procedures in the rules of the Office of Administrative Hearings, *Minnesota Rules*, parts 1400.2300 to 1400.2310, and the Administrative Procedure Act, *Minnesota Statutes*, sections 14.22 to 14.28. You may submit written comments on the proposed rules and may also submit a written request that a hearing be held on the rules until October 22, 2014.

**Agency Contact Person.** You must submit comments or questions on the rules and written requests for a public hearing to the agency contact person. The agency contact person is: Marlene Swanson at Minnesota Racing Commission, P. O. Box 630, Shakopee, MN 55379, phone 952-496-7950, FAX 952-496-7954, and *email* [marlene.swanson@state.mn.us](mailto:marlene.swanson@state.mn.us). TTY users may call the Racing Commission at 800-627-3529.

**Subject of Rules and Statutory Authority.** The Commission is considering rule amendments that affect the distribution of the monies that are deposited in the Minnesota Breeders Fund for the Quarter Horse breed. The statutory authority to adopt the rules is *Minnesota Statutes*, section 240.23, and section 240.18, subd. 4. A copy of the proposed rules is published in the *State Register* and attached to this notice as mailed.

**Comments.** You have until 4:30 p.m. on Wednesday, October 22, 2014, to submit written comment in support of or in opposition to the proposed rules and any part or subpart of the rules. Your comment must be in writing and the agency contact person must receive it by the due date. The Commission encourages comment. Your comment should identify the portion of the proposed rules addressed and the reason for the comment. You are encouraged to propose any change desired. You must also make any comments about the legality of the proposed rules during this comment period.

**Request for a Hearing.** In addition to submitting comments, you may also request that the Commission hold a hearing on the rules. Your request must be in writing and the agency contact person must receive it by 4:30 p.m. on Wednesday, October 22, 2014. Your written request for a public hearing must include your name and address. You must identify the portion of the proposed rules that you object to or state that you oppose the entire set of rules. Any request that does not comply with these requirements is not valid and the agency cannot count it when determining whether it must hold a public hearing. You are also encouraged to state the reason for the request and any changes you want made to the proposed rules.

**Withdrawal of Requests.** If 25 or more persons submit a valid written request for a hearing, the Commission will hold a public hearing unless a sufficient number withdraw their requests in writing. If enough requests for hearing are withdrawn to reduce the number below 25, the agency must give written notice of this to all persons who requested a hearing, explain the actions the agency took to effect the withdrawal, and ask for written comments on this action. If a public hearing is required, the agency will follow the procedures in *Minnesota Statutes*, sections 14.131 to 14.20.

**Alternative Format.** Upon request, this information can be made available in an alternative format, such as large print, braille, or audio. To make such a request, please contact the agency contact person at the address or telephone number listed above.

**Modifications.** The Commission may modify the proposed rules as a result of public comment. The modifications must be supported by comments and information submitted to the agency, and the adopted rules may not be substantially different than these proposed rules, unless the agency follows the procedure under *Minnesota Rules*, part 1400.2110. If the proposed rules affect you in any way, the Commission encourages you to participate in the rulemaking process.

**Statement of Need and Reasonableness.** The statement of need and reasonableness contains a summary of the justification for the proposed rules, including a description of who will be affected by the proposed rules and an estimate of the probable cost of the proposed rules. It is now available from the agency contact person. You may review it or obtain copies for the cost of reproduction by contacting the agency contact person. The statement of need and reasonableness may be viewed on our web site at [www.mrc.state.mn.us](http://www.mrc.state.mn.us).

**Lobbyist Registration.** *Minnesota Statutes*, chapter 10A, requires each lobbyist to register with the State Campaign Finance and Public Disclosure Board. You should direct questions about this requirement to the Campaign Finance and Public Disclosure Board at: Suite 190, Centennial Building, 658 Cedar Street, St. Paul, Minnesota 55155, telephone 651-296-5148 or 1-800-657-3889.

**Adoption and Review of Rules.** If no hearing is required, the agency may adopt the rules after the end of the comment period. The agency will then submit the rules and supporting documents to the Office of Administrative Hearings for review for legality. You may ask to be notified of the date the Commission submits the rules to the office. If you want to be so notified, or want to receive a copy of the adopted rules, or want to register with the agency to receive notice of future rule proceedings, submit your request to the agency contact person listed above.

September 6, 2014  
Date

Thomas DiPasquale  
Thomas DiPasquale  
Executive Director  
Minnesota Racing Commission

1.1 **Minnesota Racing Commission**

1.2 **Proposed Permanent Rules Relating to Quarter Horse Registration**

1.3 **7895.0300 QUARTER HORSE BREEDERS' FUND.**

1.4 Subpart 1. **Definitions.** For purposes of this part, the following terms have the  
1.5 meanings given them unless another intention clearly appears:

1.6 A. "Artificial insemination" means the introduction of semen, either fresh,  
1.7 cooled, or frozen, into the vagina or uterus of the mare without sexual contact.

1.8 B. "Breeder" means the owner or lessee of the dam at the time of conception  
1.9 ~~in Minnesota.~~

1.10 C. "Broodmare" means either a recipient mare, or a mare in foal by natural  
1.11 cover or artificial insemination.

1.12 D. "Donor mare" means the genetic dam of the embryo, oocyte, or fertilized  
1.13 egg, but not the mare carrying the foal.

1.14 E. "Embryo" means an egg that has been fertilized by sperm and undergone one  
1.15 or more divisions.

1.16 ~~D~~ F. "Embryo transfer" means the transfer of an embryo from a donor horse  
1.17 into the uterus of a recipient mare for the duration of the pregnancy.

1.18 ~~E~~ G. "Fertilized egg" means intercytoplasmic sperm injection and conventional  
1.19 in vitro fertilization. The fertilized egg is generally transferred to the uterus of a recipient  
1.20 mare.

1.21 ~~F~~ H. "Minnesota-bred" shall be defined in three different and distinct categories:

1.22 (1) "Minnesota-bred sired and foaled" means a horse that is:

1.23 (a) sired by a registered Minnesota-sire who stood his entire breeding  
1.24 season in Minnesota; and

2.1 (b) Minnesota-foaled.

2.2 (2) "Minnesota-bred foaled" means a Minnesota-foaled horse.

2.3 (3) "Minnesota-bred sired" means a Minnesota-sired horse.

2.4 ~~G~~I. "Minnesota-foaled" means a horse foaled in Minnesota, and registered with  
2.5 the Racing Commission.

2.6 ~~H~~J. "Minnesota-sire" means a stallion owned at least 50 percent by residents  
2.7 of Minnesota or leased entirely by Minnesota residents, and which has stood the entire  
2.8 breeding season, from January 31 through July 31, in Minnesota.

2.9 ~~I~~K. "Minnesota-sired" means a horse sired by a registered Minnesota-sire  
2.10 and registered with the commission. Horses can be sired by natural cover, artificial  
2.11 insemination, or by transfer of an embryo, oocyte, or fertilized egg.

2.12 ~~J~~L. "Natural cover" means natural breeding occurring between a mare and  
2.13 stallion.

2.14 M. "Recipient mare" means a mare carrying a foal by means of transfer of an  
2.15 embryo, oocyte, or fertilized egg from a donor mare. The recipient mare must be identified  
2.16 on a copy of the donor mare's original papers as required by the American Quarter Horse  
2.17 Association (AQHA) and registered with the Racing Commission.

2.18 ~~K~~N. "Oocyte" means an egg or female reproductive cells.

2.19 ~~L~~O. "Oocyte transfer" means the transfer of a retrieved, unfertilized egg(s)  
2.20 from a donor mare into a recipient mare and then the mare is bred.

2.21 Subp. 2. **Division of money.** The money available from the breeders' fund for the  
2.22 quarter horse category shall be divided as follows:

2.23 A. ~~45~~ 80 percent shall be set aside and paid as breeders' awards to breeders  
2.24 the owner of the broodmare at the time of foaling of Minnesota-bred sired and foaled,

3.1 Minnesota-bred sired, and Minnesota-bred foaled horses only (~~Minnesota-bred foaled~~  
3.2 ~~horses and Minnesota-bred sired horses are not eligible for breeders' awards~~); and

3.3 ~~B. 45 percent shall be paid to supplement purses for Minnesota-bred sired and~~  
3.4 ~~foaled horses, Minnesota-bred foaled horses, and Minnesota-bred sired horses. The purse~~  
3.5 ~~supplements shall be apportioned in accordance with the quality of the race as determined~~  
3.6 ~~by the commission; and~~

3.7 ~~€~~ B. ten 20 percent shall be set aside and paid as stallion awards to the owners  
3.8 of the Minnesota-sire of Minnesota-bred sired and foaled horses and Minnesota-bred  
3.9 sired horses at the time of breeding.

3.10 **Subp. 3. Distribution of money.** The award money available from the quarter horse  
3.11 breeders' fund, other than purse supplements, shall be distributed as follows:

3.12 A. "Breeders' Awards" shall be paid to the breeder owner of the broodmare  
3.13 at the time of foaling of a Minnesota-bred sired and foaled horse, a Minnesota-bred  
3.14 foaled horse, or a Minnesota-bred sired horse as reflected on the American Quarter Horse  
3.15 Association (AQHA) certificate registered with the Minnesota Racing Commission, that  
3.16 earns money in any race. An award equal to 80 percent of the purse supplement paid in  
3.17 open company races to the owner of a Minnesota-bred sired and foaled horse will be paid  
3.18 to the owner of the broodmare at the time of foaling of the Minnesota-bred sired and foaled  
3.19 horse at the time Breeders' Awards are paid. This award will be paid from the Breeders'  
3.20 Award pool first and then the remaining money will be divided according to subpart 4.

3.21 B. "Stallion awards" shall be paid to the stallion owner or recorded lessee (at the  
3.22 time of breeding) of a Minnesota-bred sired and foaled horse or a Minnesota-bred sired  
3.23 horse that earns money in any race. An award equal to 20 percent of the purse supplement  
3.24 paid in open company races to the owner of a Minnesota-bred sired and foaled horse will  
3.25 be paid to the stallion owner of the Minnesota-bred sired and foaled horse at the time

4.1 stallion awards are paid. This award will be paid from the stallion award pool first and  
4.2 then the remaining money will be divided according to subpart 4.

4.3 Subp. 4. **Methods of payment.** The amount of money distributed by the commission  
4.4 for awards or purse supplements pursuant to subpart 3, other than the matching purse  
4.5 supplement awards described in subpart 3, shall be paid out for stakes or handicap races in  
4.6 the same percentage as the purse money in the race and shall be paid out in open overnight  
4.7 races and restricted overnight races to Minnesota-bred horses that finish fifth or better.  
4.8 However, the commission may, prior to the beginning of each race meet, establish the  
4.9 maximum amount of earnings per race for a single horse that may be used in calculation  
4.10 of the breeders' fund awards. (For example: if the maximum amount of earnings per race  
4.11 per horse is set at \$10,000, then in the event a horse earns any amount over \$10,000 in  
4.12 one race, the breeders' fund awards will be calculated based on \$10,000 earnings for that  
4.13 race.) The amount of money to be distributed shall be in accordance with subpart 5. Purse  
4.14 supplements earned shall not be included in determining breeders' or stallion awards.

4.15 [For text of subps 5 and 6, see M.R.]

4.16 Subp. 7. **Residual funds.** All unearned purse supplements shall be retained and  
4.17 carried forward to be included as net distributable funds in the succeeding quarter horse  
4.18 race meeting.

4.19 **7895.0350 QUARTER HORSE REGISTRATION.**

4.20 Subpart 1. **Broodmare registration, Minnesota-bred sired and foaled.** To be  
4.21 eligible to receive any breeders' award payments and to make a mare's foal eligible for  
4.22 restricted races, the following requirements must be met:

4.23 [For text of items A and B, see M.R.]

4.24 C. In the event that a broodmare is in foal to a Minnesota-bred sire by means of  
4.25 artificial insemination or transfer of an embryo, oocyte, or fertilized egg ~~both the donor~~

5.1 ~~mare(s) and the recipient mare(s)~~ broodmare must be in Minnesota prior to foaling. The  
5.2 recipient ~~mare(s)~~ mare must be identified on the registration form of the donor ~~mare(s)~~  
5.3 mare that is submitted to the Racing Commission on or before January 31 of the year in  
5.4 which the recipient mare will foal. If there are multiple foals from each mare/stallion  
5.5 combination, only one of these foals from each breeding season may be registered as  
5.6 Minnesota-bred. The breeder retains the right to decide which foal is Minnesota-bred if  
5.7 this event occurs. The registration must be made according to subpart 3 or 4.

5.8 Subp. 1a. **Broodmare registration, Minnesota-bred foaled.** To make a mare's foal  
5.9 eligible for restricted races (~~but not eligible for breeders' and~~ and awards), the following  
5.10 requirements must be met:

5.11 [For text of items A and B, see M.R.]

5.12 C. ~~Both The donor mare and or~~ the recipient mare must be in Minnesota on  
5.13 or before January 31 prior to foaling, ~~except in case of the death of the donor mare prior~~  
5.14 ~~to foaling~~. The recipient mare must be identified on the registration form of the donor  
5.15 mare that is submitted to the Racing Commission on or before January 31 of the year in  
5.16 which the recipient mare will foal. If there are multiple foals from each mare/stallion  
5.17 combination, only one of these foals from each breeding season may be registered as  
5.18 Minnesota-bred. The breeder retains the right to decide which foal is Minnesota-bred  
5.19 registered if this event occurs. The registration must be made according to subpart 3 or 4.  
5.20 This rule will be retroactive to the 2013 foaling season and registrations.

5.21 Subp. 1b. **Broodmare registration, Minnesota-bred sired.** To make a mare's foal  
5.22 eligible for Minnesota-bred restricted races (~~but not and~~ and eligible for breeders' awards),  
5.23 the following requirements must be met:

5.24 [For text of items A and B, see M.R.]

5.25 [For text of subps 1c to 6, see M.R.]

# **Minnesota Racing Commission**

## **STATEMENT OF NEED AND REASONABLENESS**

### **Proposed Amendments to Rules Governing Horse Racing, Minnesota Rules, 7895 Breeders' Fund**

#### **INTRODUCTION**

The Racing Commission is considering rule amendments that will amend the distribution of monies from the Minnesota Quarter Horse Breeders' Fund. On June 13, 2012 the Racing Commission approved the joint marketing and purse enhancement agreement between Canterbury Park Holding Corp. and the Shakopee Mdewakanton Sioux Community which provides \$75 million to enhance purses over the next 10 years. With that purse enhancement, the industry has approached the Commission regarding a proposal to restructure how the monies are distributed from the Breeders Fund so as to provide enhanced monies to the state's breeders and stallion owners.

#### **ALTERNATIVE FORMAT**

Upon request, this Statement of Need and Reasonableness can be made available in an alternative format, such as large print, Braille, or cassette tape, or digital disc. To make a request, contact Ms. Marlene Swanson at the Minnesota Racing Commission, P. O. Box 630, Shakopee, MN 55379; phone 952-496-7950, fax 952-496-7954; or email at [marlene.swanson@state.mn.us](mailto:marlene.swanson@state.mn.us). TTY users may call the Racing Commission at 800-627-3529.

#### **STATUTORY AUTHORITY**

The Racing Commission's statutory authority to adopt the rules is set forth in Minnesota Statutes section 240.23, which provides: The Commission has the authority, in addition to all other rulemaking authority granted elsewhere in this chapter to promulgate rules governing a) the conduct of horse races held at licensed racetracks in Minnesota, including but not limited to the rules of racing, standards of entry, operation of claiming races, filing and handling of objections, carrying of weights, and declaration of official results, b) wire communications between the premises of a licensed racetrack and any place outside the premises, c) information on horse races which is sold on the premises of a licensed racetrack, d) liability insurance which it may require of all racetrack licensees, e) auditing of the books and records of a licensee by an auditor employed or appointed by the Commission, f) emergency action plans maintained by licensed racetracks and their periodic review, g) safety, security, and sanitation of stabling facilities at licensed racetracks, h) entry fees and other funds received by a licensee in the course of conducting racing which the Commission determines must be placed in an escrow account, i) affirmative action in employment and contracting by licensed racetracks, and j) any other aspect of horse racing or pari-mutuel betting which in its opinion affects the integrity of racing or the public health, welfare, or safety.

Further statutory rulemaking authority relating to the amendments contained herein includes M.S. 240.18, subd. 4. The commission shall adopt rules governing the distribution of the fund.

Under these statutes and session law, the Racing Commission has the necessary statutory authority to adopt the proposed rule amendments.



## REGULATORY ANALYSIS

**(1) a description of the classes of persons who probably will be affected by the proposed rule, including classes that will bear the costs of the proposed rule and classes that will benefit from the proposed rule**

As the monies have been increased for purses for horse owners competing at Canterbury Park as a result of the purse enhancement agreement as well as continuing to have those purses supplemented from the Minnesota Breeders Fund, (M.S. ch. 240.18, Subd. 2 and M.R. ch. 7895.0110, Subp. 2), the Quarter Horse industry realized that this would be an opportunity to provide more of the earnings that go to the Breeders Fund to those that breed Quarter Horses that are registered with the Commission. These are the folks that will benefit by this proposed rule.

**(2) the probable costs to the agency and to any other agency of the implementation and enforcement of the proposed rule and any anticipated effect on state revenues**

There is no anticipated change in costs to the Commission or to any other state or local agency due to these proposed amendments. Commission staff currently audits and monitors revenues to the Breeders Fund for disbursement during the race meet and at end of meet for breeders and stallion awards according to rule.

**(3) a determination of whether there are less costly methods or less intrusive methods for achieving the purpose of the proposed rule**

There are no methods that change with this proposal. Recapitulations of the quarter horse breeders fund will be done so as to reflect the revised division and disbursement of the monies.

**(4) a description of any alternative methods for achieving the purpose of the proposed rule that were seriously considered by the agency and the reasons why they were rejected in favor of the proposed rule**

This agency did not consider alternative methods as this proposal was presented to the Commission by industry participants.

**(5) the probable costs of complying with the proposed rule, including the portion of the total costs that will be borne by identifiable categories of affected parties, such as separate classes of governmental units, businesses, or individuals**

There are no probable costs to this agency with this proposal. Monitoring of the breeders funds is an ongoing activity by Commission staff. With the joint marketing and purse enhancement agreement discussed above, racing participants will not be eligible for purse supplements from the pari-mutuel handle but will continue to be eligible for purse supplements from revenue generated by card club activity. The industry's horse breeders and stallion owners will receive a redistributed portion of the breeders fund generated from the pari-mutuel handle as a means to provide more balance in monies that go back to the industry participants in total.

**(6) the probable costs or consequences of not adopting the proposed rule, including those costs or consequences borne by identifiable categories of affected parties, such as separate classes of governmental units, businesses, or individuals**

The consequence of not adopting the proposed rule will be to deny the breeder and stallion owners the revenue share that was intended by current rule. Since this rule was written, card club operations have been added with revenue going to purse supplements and an agreement reached with the Mdewakanton Tribal community adding even more revenue going to purse supplements. These two sources of revenue are not available to breeders or stallion owners.

**(7) an assessment of any differences between the proposed rule and existing federal regulations and a specific analysis of the need for and reasonableness of each difference**

There are no current federal regulations regarding the distribution of Breeders Fund money.

**PERFORMANCE-BASED RULES**

The Commission's mission statement states, "The Minnesota Racing Commission was established to regulate horse racing and card playing in Minnesota to ensure that it is conducted in the public interest, and to take all necessary steps in ensuring the integrity of racing and card playing in Minnesota thus promoting the breeding of race horses in order to stimulate agriculture and rural agribusiness." These proposed rule amendments affect the distribution of the monies that are deposited in the Minnesota Breeders Fund for the quarter horse breed. This proposed rule change is seeking a more balanced distribution of these monies as a result of the joint marketing/purse enhancement agreement between Canterbury Park and the Shakopee Mdewakanton Sioux Community. Money from the Breeders' Fund that was used to supplement purses would now be distributed to breeders and sire owners to add greater incentives to the horse breeding industry. Accordingly the Commission strongly agrees that this will significantly affect and increase the breeding of race horses and consequently stimulate agriculture and rural agribusiness caused by the increased horse population.

**ADDITIONAL NOTICE**

These proposed amendments were discussed by the Minnesota Quarter Horse Racing Association (MQHRA) at various meetings throughout 2012 and 2013. It was a member of this organization that brought the rule change proposal to the Commission. On November 18, 2012 the full Commission authorized initiating a rule change. The request for comments was published in the State Register on December 10, 2012 and on the Racing Commission website. Several revisions to the proposed rules were made following discussions with MQHRA members. The revised proposed rules were submitted to the Commission's Racing Committee for review and discussion on November 4 and December 9, 2013. The discussions contributed to some further refinement of the proposed rules and the Racing Committee voted to recommend approval to the Full Commission. The Full Commission met on December 19, 2013 and authorized the notice to adopt. All rules discussion was clearly included on all agenda duly prepared and mailed or e-mailed 7 days prior to these meetings. Agendas were also posted on the Commission's website. Minutes from the full commission meetings are available on the Commission's website at [www.mrc.state.mn.us](http://www.mrc.state.mn.us).

The Commission's Rulemaking Docket, which is publicly posted in the Commission's office as well as on the Commission's website, will be updated as necessary to reflect the status of these rules.

Our Notice Plan includes:

1. Publishing the Request for Comments in the November 4, 2012 edition of the State Register.

2. Posting the Request for Comments and the language of the proposed rules on the Commission's website.

3. Mailing or e-mailing the Request for Comments to Class A & B licensees as well as horsemen's organizations that are affected by horse racing in Minnesota, including the Minnesota Thoroughbred Association, the Horsemen's Benevolent and Protective Association, Minnesota Harness Racing, Inc., the Minnesota Quarter Horse Racing Association, the Jockey's Guild, and the United States Trotting Association.

4. Mailing or e-mailing the Request for Comments to organizations in Minnesota identified as having an interest in animal health including the Minnesota Board of Animal Health, the Minnesota Humane Society, the Minnesota Veterinary Medical Association, and the University Of Minnesota College Of Veterinary Medicine.

5. Our Notice Plan also includes giving notice required by statute. We will mail the rules and Notice of Intent to Adopt to everyone who has registered to be on the Commission's rulemaking list under Minnesota Statutes, section 14.14, subdivision 1a. We will also give notice to the Legislature per Minnesota Statutes, section 14.116. The Proposed Rules and the Notice of Intent to Adopt will also be published in the State Register.

6. The Commission will provide a copy of the rules and Notice of Intent to Adopt Rules to Class A & B licensees, horsemen's organizations, and animal health organizations in Minnesota as noted in #3 and #4.

## **CONSULT WITH MMB ON LOCAL GOVERNMENT IMPACT**

As required by Minnesota Statutes, section 14.131, the Department will consult with the Minnesota Management and Budget (MMB)). We will do this by sending the MMB copies of the documents that we send to the Governor's Office for review and approval on the same day we send them to the Governor's office. We will do this before the Department's publishing the Notice of Intent to Adopt. The documents will include: the Governor's Office Proposed Rule and SONAR Form; the proposed rules; and the SONAR. The Department will submit a copy of the cover correspondence and any response received from Minnesota Management and Budget to OAH at the hearing or with the documents it submits for ALJ review.

## **DETERMINATION ABOUT RULES REQUIRING LOCAL IMPLEMENTATION**

As required by Minnesota Statutes, section 14.128, subdivision 1, the agency has considered whether these proposed rules will require a local government to adopt or amend any ordinance or other regulation in order to comply with these rules. The Commission has determined that they do not because all activity that these amendments affect occur on licensed racetrack grounds, not out in the local community. There are times where we may have to contact local law enforcement or county/city attorney offices, but that is in the normal course of fulfilling our duties and responsibilities when events warrant. It is not anticipated that these amendments will either increase or decrease those contacts.

## **COST OF COMPLYING FOR SMALL BUSINESS OR CITY**

### **Agency Determination of Cost**

As required by Minnesota Statutes, section 14.127, the Racing Commission has considered whether the cost of complying with the proposed rules in the first year after the rules take effect will exceed \$25,000 for any small business or small city. The Racing Commission has determined that the

cost of complying with the proposed rules in the first year after the rules take effect will not exceed \$25,000 for any small business or small city.

## **LIST OF WITNESSES**

If these rules go to a public hearing, the Racing Commission anticipates having the following witnesses testify in support of the need for and reasonableness of the rules:

1. Mr. Kelvin Childers, President of the MQHRA, will testify about the development and content of the rules.
2. Ms. Pam Webber, Breeders Fund Coordinator for the Commission, will testify about the development and content of the rules.
3. Ms. Marlene Swanson, Rules Coordinator will testify about the development and processing of these rules.

## **RULE-BY-RULE ANALYSIS**

### **Part 7895.0300, Subp. 1, Quarter Horse Breeders' Fund. Definitions.**

The corrections or additions to the definitions are necessary to be certain that all parties clearly understand words that are referred to in other sections.

B. Breeder. The words "in Minnesota" are removed because with the various different ways of conceiving a foal, conception does not always occur in Minnesota.

C. Broodmare. This definition is added again in response to the various ways of conceiving a foal. It may be a recipient mare (i.e. a mare who received an embryo, fertilized egg, or oocyte) or it may be a mare in foal by natural cover (natural breeding between a mare and stallion) or by artificial insemination.

D. Donor mare. This definition clearly spells out that a donor mare is one who provided the embryo, oocyte, or fertilized egg and can be identified by genetic testing as such.

M. Recipient mare. This definition was added to clearly identify the mare that received an embryo, fertilized egg, or oocyte from a donor mare. The mare carries the foal to term but provides no genetic material. For accurate record keeping purposes the name of the recipient and other identifying features must be entered on the donor mare's papers.

### **Part 7895.0300, Subp. 2, Quarter Horse Breeders' Fund. Division of Money.**

The legislature has given the Racing Commission a mandate to collect money for the Breeders' Fund and to distribute 20% of these funds in the form of grants and/or education. The balance of the fund may be used to supplement purses for Minnesota-bred or Minnesota-foaled horses, pay breeders' or owners' awards, and provide other financial incentives to encourage the horse breeding industry in Minnesota. (Minn. Stat. 240.18 Breeders' Fund) The statute also grants the commission the authority to adopt rules governing the distribution of the fund and to establish an advisory committee to advise it on the distribution of money under this section.

The legislation granting the authority to conduct a card club at the racetrack requires the licensee to set aside money from the card club revenues to be used as purses. It was 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. (Minn. Stat. 240.135 Card Club Revenue).

The current rule distributes 45 percent as breeder's award for Minnesota-bred sired and foaled horse only, 45% as purse supplements for Minnesota-bred sired and foaled horses, Minnesota-bred foaled horses, and Minnesota-bred sired horses, and 10% as stallion award to the owners of the Minnesota-sire of Minnesota-bred sired and foaled horses and Minnesota-bred sired horses at the time of breeding. The fund was an incentive to buy and race Minnesota-bred horses as it made purses more competitive in potential race earnings compared to other jurisdictions or non Minnesota-bred horses.

In light of the contract between Canterbury Park and the Shakopee Mdewakanton Sioux Community that significantly raises horse racing purses along with the designated Card Club purse funds, the recommendation was made to modify the rule to provide greater incentives to horse breeding in Minnesota. The proposed rule would eliminate the current rule and redistribute the fund so that 80% would be paid to the owner of the broodmare at the time of foaling of Minnesota- sired and foaled, Minnesota-bred sired, and Minnesota-bred foaled horse and 20% paid as stallion awards to the owners of the Minnesota-sire of Minnesota-bred sired horses at the time of breeding.

**Part 7895.0300, Subp. 3, Quarter Horse Breeders' Fund.** Distribution of Money.

The majority of the award money distributed (80%) is paid to the owner of the broodmare at the time of foaling of a Minnesota-bred sired and foaled horse, a Minnesota-bred foaled horse, or a Minnesota-bred sired horse. The proposal expands the awards program to include all three classifications, not just sired and foaled but also sired as well as foaled. This encourages people to own and breed racing Quarter Horses in Minnesota and increases the number of broodmares available for breeding and foaling. The remainder of the money (20%) is paid the owners of stallions in Minnesota and further supports the growth of the Minnesota Quarter Horse breeding industry and should increase the number of Quarter Horse stallions registered in Minnesota.

**Part 7895.0300, Subp. 4, Quarter Horse Breeders' Fund.** Methods of Payment.

This rule reflects the change in Part 7895.0300, Subp. 3 and supports the payment of matching purse supplement awards as described there.

**Part 7895.0300, Subp. 7, Quarter Horse Breeders' Fund.** Residual Funds.

Any unearned purse supplements that are not paid out during a racing season do not disappear but are kept and included for distribution in the following racing season. This helps to strengthen racing by stabilizing funds and assuring that they are paid out to Quarter Horse race horses.

**Part 7895.0350, Subp. 1, Quarter Horse Registration.** Broodmare Registration, Minnesota-bred Sired and Foaled.

This rule removes the word "breeder's" from the award payments and clarifies the registration procedure for registration of broodmares in foal due to artificial insemination or oocyte, fertilized egg, or embryo transfer insemination. This is necessary as these procedures are approved methods of breeding for racing Quarter Horses by the American Quarter Horse Association.

**Part 7895.0350, Subp. 1a, Quarter Horse Registration.** Broodmare registration, Minnesota-bred Foaled.

This rule removes the word “breeder’s” from the awards and states precisely when the bred mare (either natural or recipient mare) must be in Minnesota. This rule also defines the broodmare as a mare (which are bred by natural cover or artificial insemination) or the recipient mare (which are generally bred by receiving embryo, oocyte, or egg) and states that they must be in Minnesota prior to January 31 and prior to foaling. This supports the agricultural and veterinary industry and also the health of a mare by requiring her to be present in the state prior to foaling and foal in the Minnesota. The portion of the rule regarding donor mares was removed as they simply donate the egg, oocyte, or embryo and are not actually carrying the foal to term and foaling in Minnesota.

**Part 7895.0350, Subp. 1b, Quarter Horse Registration.** Broodmare Registration, Minnesota-bred Sired.

This simply removed the word “breeder’s” from the award and makes horses eligible for awards.

## **EXHIBITS**

## **CONCLUSION**

Based on the foregoing, the proposed rules are both needed and reasonable.

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Date

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Thomas DiPasquale  
Executive Director  
Minnesota Racing Commission