

Table of Contents

Minnesota Racing Commission

Agency Profile.....	1
Expenditures Overview.....	3
Financing by Fund.....	4
Change Item: Operating Adjustment.....	6

www.mrc.state.mn.us/

AT A GLANCE

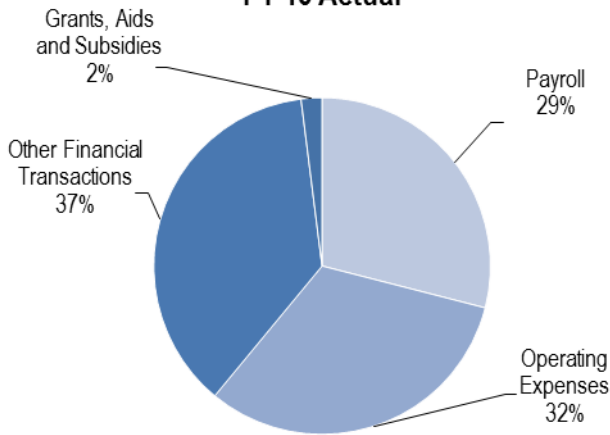
- Regulates wagering activities on Horse Racing (\$83 million annually) and Card Playing (\$55 million annually) at Canterbury Park and Running Aces Casino and Racetrack
- Administers \$1.2 million in Minnesota Breeders Funds for the benefit of owners and breeders of Minnesota bred race horses
- Issues over 5,000 licenses to horse racing and card club participants

PURPOSE

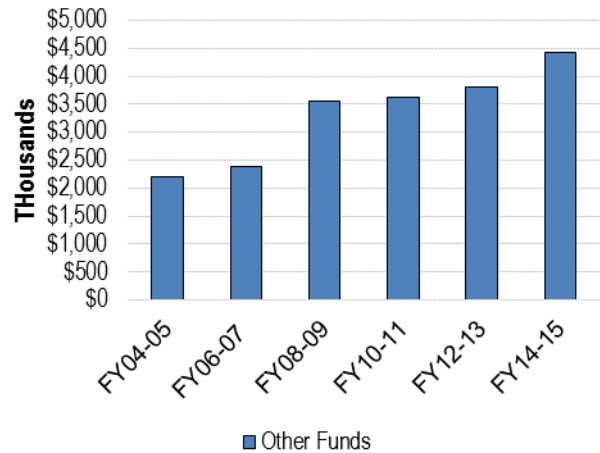
The Minnesota Racing Commission (MRC) operates in the public interest to ensure the integrity of horseracing and card playing, oversee the proper distribution of funds back into the industry, and provide for the safety and welfare of the human and animal participants. Additionally, the commission works to promote the horse racing and breeding industry in Minnesota in order to provide economic stimulus, offers residents and visitors an exciting entertainment option, and supports agriculture and rural agribusiness.

BUDGET

**Spending by Category
FY 15 Actual**



Historical Spending



The Racing Commission's basic operations have been primarily financed by racetrack and occupational license fees that are limited to a direct appropriation from the special revenue fund, currently capped by statute at \$1.943 million for the next biennium. The Commission also has statutory appropriations from the special revenue fund that finance portions of the Commission's operations regarding stewards, veterinarians, the drug testing laboratory and oversight of card rooms through reimbursements. The Racing Commission received a one-time general fund appropriation of \$341,000 in the FY16/17 biennium as a bridge to a new funding source authorized in the 2016 legislative session. The new law authorizes advance deposit wagering (ADW) which will provide for a 1% regulatory fee to be paid to the Racing Commission on all wagers placed via licensed ADW providers.

STRATEGIES

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

1. Licensing – Facilitate a licensing process that is detailed, accurate, and administered in a way that licenses are issued only to individuals and vendors who are competent, have a record of law abidance, financial responsibility, and reputation that is consistent with the best interests of the industry.

2. Fiscal Oversight – Ensure that all monies flowing through the pari-mutuel and card revenue streams are reviewed, tested, and verified in order to keep associations in compliance with their obligations to the participants, the public, and the state.
3. Policing – Engage contractors and hire staff who are experts in the fields of veterinary science, criminal justice, and the rules of racing to conduct drug testing, investigate potential criminal activity, and administer the rules governing horseracing and card playing in order to maintain the highest level of integrity for the wagering public.
4. Civic Engagement – Lead the industry forward through active communication with all areas of state government in order to provide laws, rules, and funding that will afford the greatest opportunity for the industry to expand and thrive.
5. Education – Educate all participants including licensees, vendors, and all those who work with our equines or the public, on what is expected under our laws and rules.

RESULTS

<i>Type of Measure</i>	<i>Name of Measure</i>	<i>Previous</i>	<i>Current</i>	<i>Dates</i>
Quantity	<u>Licenses Issued</u> . MRC issues Class C licenses to all individuals working for, or participating within, the racing industry including, but not limited to, horse owners, trainers, jockeys, vendors, dealers, security staff, etc.	5,554	5,812	FY 15 & FY 16
Quantity/Results	<u>Monies Wagered</u> . Monies Wagered is the amount of money wagered on horse racing plus the revenues retained by the card clubs the MRC regulates.	\$126 million	\$138 million	CY 14 & CY 15
Quality	<u>Overtime & Premium Compensation</u>	\$40,106	\$22,743	FY 15 & FY 16
Results	<u>Total Registrations</u> of Horses into the Minnesota Breeders Fund Program	854	781	CY 14 & CY 15
Results	<u>Monies Distributed</u> from Minnesota Breeders Fund to Breeders and Owners	\$1.25 million	\$1.20 million	FY 15 & FY 16

Source: Minnesota Racing Commission records

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

Expenditures By Fund

	Actual FY14	Actual FY15	Actual FY16	Estimate FY17	Forecasted Base		Governor's Recommendation	
					FY18	FY19	FY18	FY19
1000 - General	0	0	170	171	0	0	0	0
2000 - Restrict Misc Special Revenue	2,263	2,151	2,012	2,452	2,655	2,855	2,665	2,873
6000 - Miscellaneous Agency	1,254	1,287	1,228	1,282	1,270	1,270	1,270	1,270
Total	3,517	3,438	3,411	3,905	3,925	4,125	3,935	4,143
<i>Biennial Change</i>				360		734		762
<i>Biennial % Change</i>				5		10		10
<i>Governor's Change from Base</i>								28
<i>Governor's % Change from Base</i>								0

Expenditures by Program

Program: Racing Commission	3,517	3,438	3,411	3,905	3,925	4,125	3,935	4,143
Total	3,517	3,438	3,411	3,905	3,925	4,125	3,935	4,143

Expenditures by Category

Compensation	1,004	1,015	1,050	1,291	1,375	1,414	1,385	1,432
Operating Expenses	2,097	2,343	2,351	1,864	1,825	1,972	1,825	1,972
Other Financial Transactions	12	15	10	10	10	19	10	19
Grants, Aids and Subsidies	404	66		705	705	705	705	705
Capital Outlay-Real Property				35	10	15	10	15
Total	3,517	3,438	3,411	3,905	3,925	4,125	3,935	4,143
<u>Full-Time Equivalents</u>	12.8	13.5	14.3	18.8	20.1	20.1	20.1	20.1

1000 - General

	Actual	Actual	Actual	Estimate	Forecast Base		Governor's Recommendation	
	FY14	FY15	FY16	FY17	FY18	FY19	FY18	FY19
Balance Forward In	0	0	0	99	0	0	0	0
Direct Appropriation	0	0	269	72	0	0	0	0
Expenditures	0	0	170	171	0	0	0	0
Balance Forward Out	0	0	99	0	0	0	0	0
<i>Biennial Change in Expenditures</i>				341		(341)		(341)
<i>Biennial % Change in Expenditures</i>						(100)		(100)
<i>Gov's Exp Change from Base</i>								0
<i>Gov's Exp % Change from Base</i>								0
Full-Time Equivalents			0.8	1.1	0	0	0	0

2000 - Restrict Misc Special Revenue

	Actual	Actual	Actual	Estimate	Forecast Base		Governor's Recommendation	
	FY14	FY15	FY16	FY17	FY18	FY19	FY18	FY19
Balance Forward In	111	185	79	337	83	83	83	83
Direct Appropriation	999	984	899	1,081	972	971	982	989
Receipts	1,337	1,354	1,372	1,708	1,820	2,010	1,820	2,010
Cancellations	0	296	0	592	137	81	137	81
Expenditures	2,263	2,151	2,012	2,452	2,655	2,855	2,665	2,873
Balance Forward Out	183	75	337	83	83	128	83	128
<i>Biennial Change in Expenditures</i>				50		1,046		1,074
<i>Biennial % Change in Expenditures</i>				1		23		24
<i>Gov's Exp Change from Base</i>								28
<i>Gov's Exp % Change from Base</i>								1
Full-Time Equivalents	12.8	13.5	13.5	17.7	20.1	20.1	20.1	20.1

6000 - Miscellaneous Agency

	Actual	Actual	Actual	Estimate	Forecast Base		Governor's Recommendation	
	FY14	FY15	FY16	FY17	FY18	FY19	FY18	FY19
Balance Forward In	869	1,020	808	848	835	835	835	835
Receipts	1,169	1,076	1,269	1,270	1,270	1,270	1,270	1,270
Net Transfers	0	0	0	0	0	0	0	0
Expenditures	1,254	1,287	1,228	1,282	1,270	1,270	1,270	1,270
Balance Forward Out	784	810	848	835	835	835	835	835
<i>Biennial Change in Expenditures</i>				(31)		30		30

6000 - Miscellaneous Agency

<i>Biennial % Change in Expenditures</i>	(1)	1	1
<i>Gov's Exp Change from Base</i>			0
<i>Gov's Exp % Change from Base</i>			0

Minnesota Racing Commission

FY18-19 Biennial Budget Change Item

Change Item Title: Operating Adjustment

Fiscal Impact (\$000s)	FY 2018	FY 2019	FY 2020	FY 2021
General Fund				
Expenditures	0	0	0	0
Revenues	0	0	0	0
Special Revenue Fund				
Expenditures	10	18	18	18
Revenues	0	0	0	0
Net Fiscal Impact = (Expenditures – Revenues)	10	18	18	18
FTEs	0	0	0	0

Recommendation:

The Governor recommends additional funding of \$28,000 to maintain the current level of service delivery at the Minnesota Racing Commission.

Rationale/Background:

Each year, employer-paid health care contributions, pension contributions, FICA and Medicare, along with other salary and compensation-related costs increase. Other operating costs, like rent and lease, fuel and utilities, and IT and legal services also grow. This cost growth puts pressure on agency operating budgets that remain flat from year to year.

Agencies face challenging decisions to manage these costs within existing budgets, while maintaining the services Minnesotans expect. From year to year, agencies find ways to become more efficient with existing resources. However, cost growth typically outstrips efficiencies, and without additional resources added to agency budgets, service delivery erodes.

For the Minnesota Racing Commission, an erosion of services may include a reduction in the level of monitoring racing activities and their participants and interested parties.

Proposal:

The Governor recommends increasing agency operating budgets to maintain the delivery of current services. For the Minnesota Racing Commission, this funding will cover expected and anticipated employee compensation growth, including anticipated compensation increases and employer-paid pension costs.

Results:

This proposal is intended to allow agencies to continue to provide current levels of service and information to the public.

Statutory Change(s):

N.A.