

Horse Racing and Pari-Mutuel Betting

Pari-mutuel betting on horse racing is one of the forms of gambling permitted in Minnesota.

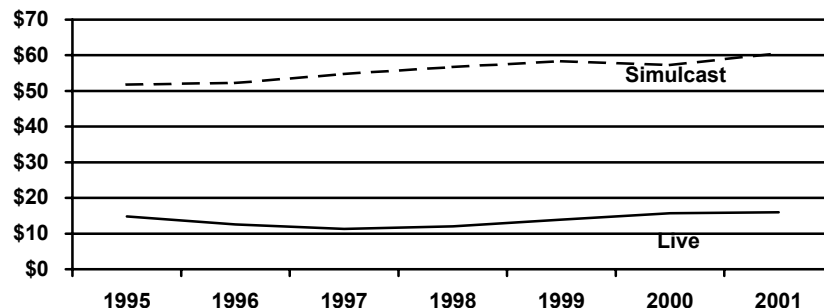
A brief history

Pari-mutuel betting on horse racing was authorized by a constitutional amendment approved by the voters in 1982. Implementing legislation was enacted in 1983 and Canterbury Downs opened near Shakopee as the state's first pari-mutuel racetrack in 1985.

The track was an early success, but subsequent expansions of legal gambling to include the state lottery and especially Indian casinos led to declines in attendance and betting. The track was sold by its original investors to Ladbroke Racing for much less than its original \$80 million cost. Off-track betting was seen as the track's only long-term hope, but a 1991 law to allow it was declared unconstitutional by the Minnesota Supreme Court and a subsequent constitutional amendment to overturn the decision was defeated by the voters.

Canterbury Downs "went dark" in 1992 when the Minnesota Racing Commission refused to approve the 1993 simulcasting (betting on televised races from other states) calendar because of Ladbroke's refusal to guarantee live racing. The track stayed dark until 1995 when it was bought by local owners with a background in the Minnesota breeding industry. Since then the track (renamed Canterbury Park) has had slow but reasonably steady growth in attendance and betting, and both its profitability and its attractiveness to horse owners has been enhanced by the opening of the Canterbury card club in 2000.

**Canterbury Park Pari-mutuel Handle
C. Y. 1995-2001 (in millions of dollars)**



Kinds of betting allowed

The Minnesota Constitution allows the legislature to authorize "on-track pari-mutuel betting on horse racing." Pari-mutuel betting on dog racing or other kinds of racing is not allowed. As noted above, the courts have interpreted the constitutional language to prohibit off-track betting parlors and telephone account betting.

The pari-mutuel form of betting has bettors playing against each other, putting money into wagering pools. Minnesota allows traditional win-place-show betting, plus various “exotic” bets such as bets on multiple races in a day or multiple entries in a race.

Each type of bet in each race goes into a separate betting pool. The racetrack deducts a percentage called the “takeout” from each pool and distributes the remaining money to winning ticket-holders. In Minnesota the takeout is 17 percent on win-place-show pools and 23 percent on all other pools.

The racetracks

Canterbury Park is still Minnesota’s only track with thoroughbred racing. It also conducts harness and quarterhorse racing. In recent years pari-mutuel betting on harness racing has also been conducted at the Traverse County Fair in Wheaton.

Card club

Since 2000 Canterbury Park has operated a card club where “nonbanking” card games, chiefly poker, have been played. Nonbanking games are games where the players play only against each other instead of against the house. Bets are limited to \$30 on opening bets and \$15 for raises.

From the racetrack’s revenue from the card club, mainly derived from seat charges and a “rake” on wagers, ten percent of the first \$6 million and 14 percent on amounts above \$6 million are set aside for purses for live races at the track.. Ten percent of this set-aside goes to the Minnesota Breeders Fund (see below). In 2001 the card club raised \$1.8 million for Canterbury purses and \$200,000 for the Breeders Fund.

Taxes and contributions

State law imposes a tax of 6 percent on the takeout from all betting pools in excess of \$12 million each year. Since the takeout at Canterbury Park has exceeded this figure by only a small amount in recent years, revenue from this tax has averaged less than \$1 million annually since the track re-opened in 1995.

One percent of total pari-mutuel wagers (the pari-mutuel “handle”) on live racing and 5.5 percent of handle on full-card simulcast racing are set aside for the Minnesota Breeders Fund, a fund established by law to promote the horse industry in Minnesota. The money is used for purse supplements for Minnesota-bred and Minnesota-foaled horses and for horse industry research and education. Money in the Breeders Fund is allocated among breeds in proportion to each breed’s contributions to the fund. In 2001 total Breeders Fund revenue including card club contributions was just over \$1 million.