

- The Commission regulates and promotes horse racing in Ohio.
- Decline in wagering puts stress on operating fund

Racing Commission, Ohio State

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ROLE

The Ohio State Racing Commission (RAC) regulates and promotes horse racing in Ohio. Its five members are appointed to four-year terms by the Governor. The Racing Commission prescribes rules under which horse racing with pari-mutuel wagering may be conducted, licenses participants, and oversees such races at seven commercial tracks and most of Ohio's county fairs. To promote horse racing, RAC provides purse subsidies and supplements that encourage breeding and racing. It also provides funds to the OSU testing lab, a recognized pioneer in equine research and testing. The Racing Commission employs administrators at its Columbus headquarters, and officials, veterinarians, and investigators at tracks.

Agency In Brief					
Number of Employees*	Total Appropriations-All Funds		GRF Appropriations		Appropriation Bill(s)
	2004	2005	2004	2005	
35	\$32.0 million	\$32.3 million	\$0	\$0	Am. Sub. H.B. 95

*Employee head count obtained from the Department of Administrative Services (DAS) payroll reports as of June 28, 2003, and does not include commission members.

OVERVIEW

The Ohio State Racing Commission's budget consists of five state special revenue funds and one holding account redistribution fund. Commissions on wagers on simulcast horse races account for nearly two-thirds of RAC's receipts. Simulcast wagering, on live races elsewhere, takes place at Ohio's commercial tracks when they are not concurrently running live races, and at two satellite wagering facilities in Ohio. Other receipts are mainly from taxes on betting at the tracks where live horse racing is taking place. The Racing Commission also receives funds from fees imposed on various racing industry participants, investment earnings on balances in two of its funds, and fines and penalties. The holding account redistribution fund receives performance bonds from commercial permit holders and county fairs as well as bonds from license holders appealing commission rulings.

The majority of RAC's expenditures are for subsidies, mostly additions to purses at live horse races. Part supports the Ohio horse racing industry in other ways, including awards to Ohio breeders of winning race horses, supplements to purses for Ohio horses that win races at Ohio tracks against horses from other states, and other promotional activities. Most outlays other than subsidies are for regulation, including oversight of horse races and enforcement of rules; drug testing, mainly of horses but also of licensees; laboratory research, primarily on equine disease; expenses related to licensing; and investigation. The

Racing Commission has 31 full-time and 4 part-time employees, and 12 contractors including 11 stewards, judges, and veterinarians.

Appropriations for RAC increase \$2.6 million in FY 2004 and \$274,000 in FY 2005. The Simulcast Horse Racing Purse Fund increases \$1.7 million in FY 2004, to \$19.7 million. Commissions paid into this fund from simulcast racing grew rapidly after simulcasting was introduced in 1996, but growth slowed and then receipts fell in the FY 2002-2003 biennium. Most of these commissions are paid at the state's seven commercial tracks. The Racing Commission distributes the balance monthly to supplement race purses at these tracks, earns interest on amounts in the fund, and pays the salary of one staff member from the fund. The FY 2004 appropriation is consistent with fund receipts and distributions recovering to FY 2002 levels. In FY 2005, the fund's appropriation is reduced \$250,000, to help RAC meet its overall budget ceiling.

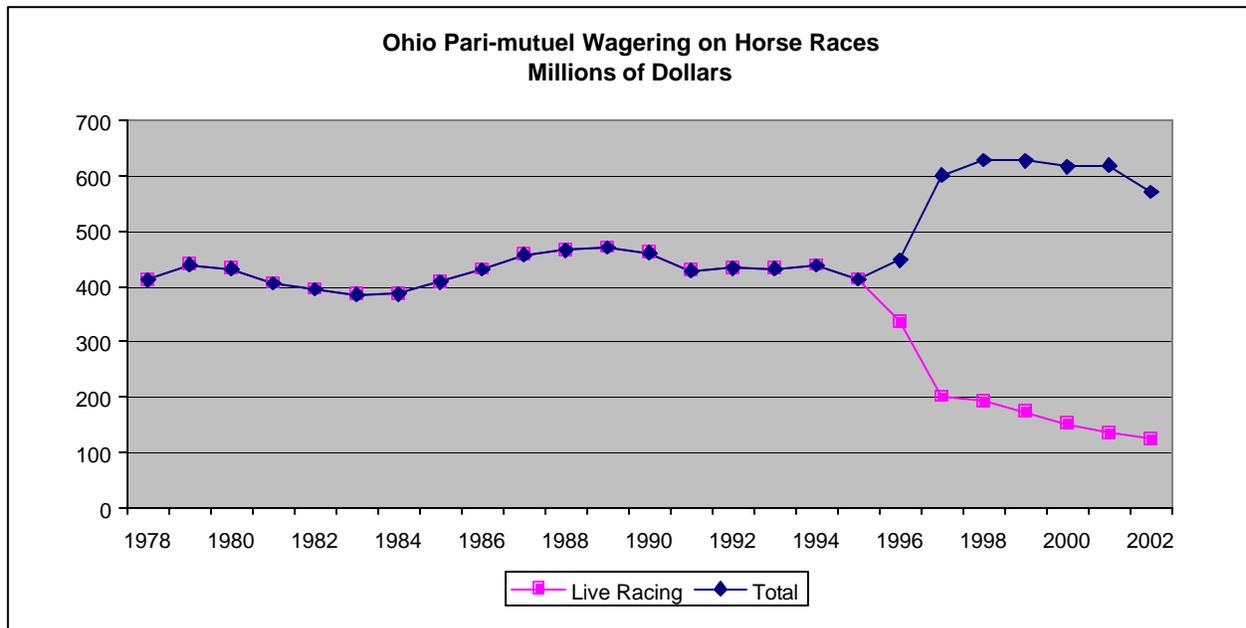
A \$0.7 million increase, to \$2.9 million, in the Standardbred Development Fund's appropriation also accounts for part of the FY 2004 increase in RAC's budget. This fund supports harness racing, by supplementing purses and supporting research. The fund receives earnings on balances, and pays one staff member. The appropriation increase in FY 2004 includes disbursement of entry fees collected for the Ohio Sires Stakes races, not previously included in RAC's appropriation. In FY 2005, appropriations to this fund increase \$250,000 or 9%. Actual expenditures from this fund grew 11% a year on average from FY 1998 to FY 2001, declined in FY 2002, then jumped in FY 2003 with the addition of the Ohio Sires Stakes fees.

The Racing Commission Operating Fund appropriation grows \$172,000 in FY 2004 and \$274,000 in FY 2005, 4% and 6% per year respectively, to \$4.8 million. Most of the officials who oversee the racing industry in the state are paid out of this fund, as is the laboratory which tests equine and human samples for proscribed substances. Actual expenditures from this fund grew 5% per year on average from FY 1998 to FY 2002, before declining in FY 2003. The Quarter Horse Development Fund – \$1,000 in FY 2004 and \$2,000 in FY 2005 – supports the very few quarter horse races run in Ohio each year. Other Racing Commission funds are unchanged during the biennium.

BUDGET ISSUES

DECLINES IN WAGERING

Pari-mutuel wagering on horse racing at Ohio tracks and satellite wagering facilities, the source of most of RAC's funding, has been declining. Such betting at live horse races in the state peaked in 1989 and declined gradually in the first half of the 1990s, before betting at simulcast race meets was introduced in the state in 1996 to compete with gambling programs in surrounding states. Total pari-mutuel betting in Ohio, including simulcast and satellite wagering as well as gambling at live racing meets, peaked in 1998, as shown in the accompanying chart. The decline appears to be partly a reflection of the recession and weak recovery in the economy and partly due to competition from out-of-state gambling venues. (Wagering also declined in the early 1980s and early 1990s corresponding to recessions.) The state's racing industry is having difficulty competing with tracks in other states that offer larger horse racing purses, which gives them an edge in attracting faster horses. Better horses in turn attract gambling dollars. A prospering racing program helps to support horse breeders.



HORSE RACING PURSES AND VLTs

The ability of tracks in other states to offer larger purses is a result in part of allowing video lottery terminals (VLTs) at tracks, with a portion of the gambling proceeds added to horse racing purses. West Virginia, for example, has VLTs at race tracks as well as other locations, and uses part of the proceeds to increase horse race purses. Horses and breeders are enticed out of Ohio by the larger purses available elsewhere.

OPERATING FUND SHORTFALLS

The Ohio State Racing Commission’s operating fund ran a deficit in FY 2003, as it did in the previous four fiscal years. Expenditures exceeded receipts last year by \$61,000 or 2%. This shortfall was covered by cash balances in the fund. A provision in Am. Sub. H.B. 95 allocates an additional one-quarter of one percent of wagers other than win, place, and show – referred to as exotic wagers – to RAC’s operating fund in FY 2004 only. Eventually, if the fund continues to operate at a deficit, other adjustments will need to be made. 🏇

FY 2004 - 2005 Final Appropriation Amounts

All Fund Group

Line Item Detail by Agency

FY 2001: FY 2002: FY 2003: FY 2004 % Change FY 2005 % Change
Appropriations: Appropriations: Appropriations: 2003 to 2004: Appropriations: 2004 to 2005:

Report For: Main Operating Appropriations Bill

Version: Enacted

RAC Racing Commission, Ohio State

562	875-601	Thoroughbred Race Fund	\$ 4,042,341	\$ 4,274,286	\$4,036,874	\$ 4,642,378	15.00%	\$ 4,642,378	0.00%
563	875-602	Standardbred Development Fund	\$ 2,106,207	\$ 1,937,723	\$2,528,653	\$ 2,908,841	15.04%	\$ 3,161,675	8.69%
564	875-603	Quarter Horse Development Fund	----	----	\$2,000	\$ 1,000	-50.00%	\$ 2,000	100.00%
565	875-604	Racing Commission Operating	\$ 3,907,925	\$ 4,196,156	\$4,019,632	\$ 4,485,777	11.60%	\$ 4,759,834	6.11%
5C4	875-607	Simulcast Horse Racing Purse	\$ 18,756,307	\$ 19,372,574	\$18,019,650	\$ 19,730,799	9.50%	\$ 19,476,952	-1.29%
State Special Revenue Fund Group Total			\$ 28,812,780	\$ 29,780,739	\$ 28,606,809	\$ 31,768,795	11.05%	\$ 32,042,839	0.86%
R21	875-605	Bond Reimbursements	\$ 189,850	\$ 183,000	\$187,400	\$ 212,900	13.61%	\$ 212,900	0.00%
Holding Account Redistribution Fund Group Total			\$ 189,850	\$ 183,000	\$ 187,400	\$ 212,900	13.61%	\$ 212,900	0.00%
Racing Commission, Ohio State Total			\$ 29,002,630	\$ 29,963,739	\$ 28,794,209	\$ 31,981,695	11.07%	\$ 32,255,739	0.86%