

Ohio State Racing Commission

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- The Commission promotes and regulates Ohio horse racing on which pari-mutuel betting is permitted
- This agency's budget, all non-GRF, depends on fees and a share of wagering on these horse races

OVERVIEW

The Ohio State Racing Commission (RAC) promotes and regulates horse racing in Ohio. Its five members are appointed to four-year terms by the Governor.

Duties and Responsibilities

The Racing Commission prescribes rules under which horse racing with pari-mutuel wagering may be conducted, licenses participants, and oversees races at seven commercial tracks and most of Ohio's county fairs. It contracts for laboratory testing of specimens collected from horses and sometimes also from humans. It promotes horse racing by providing purse subsidies and supplements that encourage breeding and racing. The Racing Commission employs administrators, inspectors, and investigators, and contracts with officials and veterinarians at tracks.

The 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 about two-thirds of RAC's receipts. Simulcast wagering, on live races elsewhere, takes place at Ohio's commercial tracks 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 and from 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.

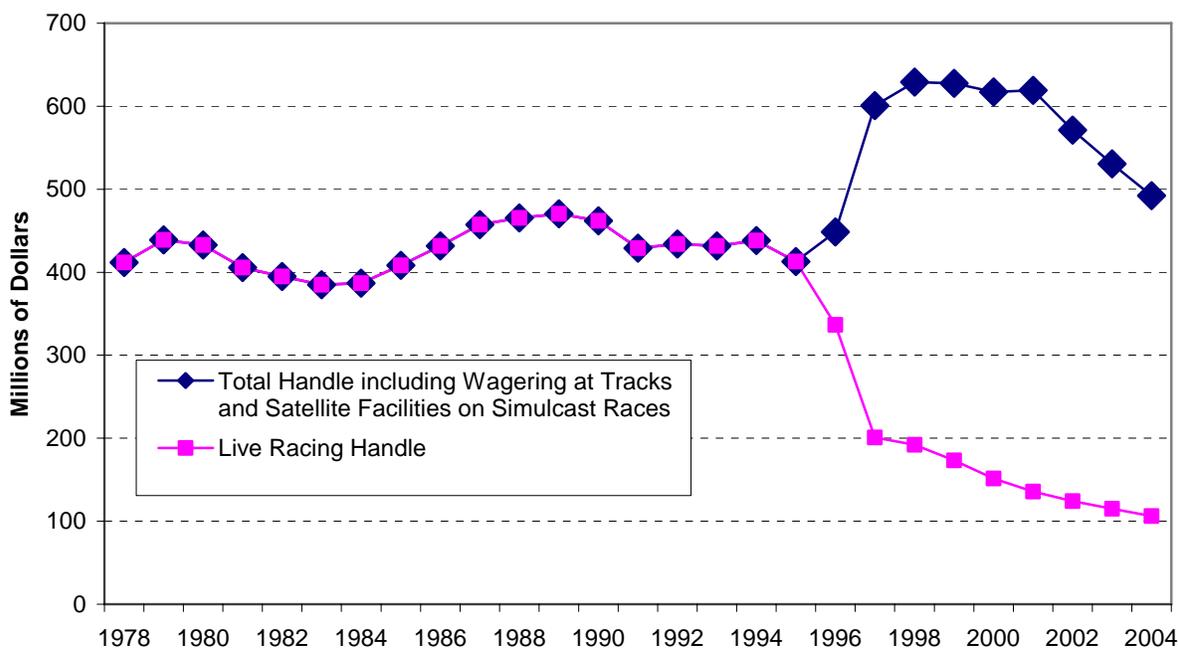
The majority of RAC's expenditures are for subsidies, mostly additions to purses at live horse races. Part supports the Ohio horse racing industry in other ways, including awards to Ohio breeders of winning race horses, supplements to purses for Ohio horses that win races at Ohio tracks against horses 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. As of August 2005, the Racing Commission had 16 full-time and 4 part-time employees, not including stewards, judges, veterinarians, or the 5 Commission members.

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. The total of pari-mutuel betting at live horse races in Ohio as well as simulcast and satellite wagering peaked in 1998, as shown in the accompanying chart. The amount bet is referred to as the handle. The decline since 1998 appears to be partly a reflection of the 2001 recession and slow recovery in the economy and partly due to competition from out-of-state gambling venues and Internet betting. (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. The Racing Commission does not currently receive revenues from bets placed through the Internet.

The ability of tracks in other states to offer larger purses is in part a result 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 racetracks as well as other locations, and uses part of the

Pari-Mutuel Wagering, Ohio Horse Racing



proceeds to increase horse race purses. Horses and breeders are enticed out of Ohio by the larger purses available elsewhere.

Two sources of funding to the Racing Commission expired at the end of FY 2005. The budget bill for the 125th General Assembly directed an additional one-quarter percent of wagers other than win, place, or show, referred to as exotic wagers, to the Racing Commission for two years. This added revenue, nearly \$900,000 per year, ended June 30. The budget bill for the 126th General Assembly took away interest earnings previously credited to two of the Racing Commission's funds, also effective June 30.

The Racing Commission has coped with these financial stringencies in various ways. Staffing was cut in 2005 through an early retirement program. Vacated positions were left unfilled. One inspector is being employed at each commercial track, instead of two as in the past, and some inspectors are part-time. Travel by inspectors that is eligible for reimbursement has been reduced. Two investigators are employed, down from three in the past, and the agency has reduced the number of state cars it uses, also to two. A charge of \$40 to \$54.50 per race at the seven commercial tracks is being deducted from purse money to pay part of the cost of drug testing. Use of digital licenses is expected to save \$22,000 per year.

The Racing Commission's long-time relationship with the laboratory at the Ohio State University College of Veterinary Medicine is ending in September 2005. Beginning in October and continuing through June 2007, drug testing is to be performed for the Commission by a laboratory in Ohio's Department of Agriculture. The Racing Commission plans to seek bids on a contract to do its testing beginning in July 2007.

Agency in Brief

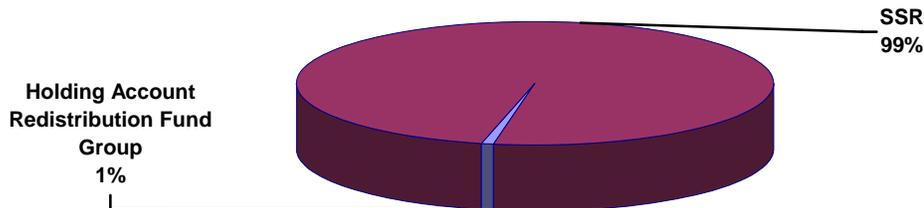
Agency In Brief					
Number of Employees*	Total Appropriations-All Funds		GRF Appropriations		Appropriation Bill(s)
	2006	2007	2006	2007	
24	\$29.08 million	\$29.08 million	\$0	\$0	Am. Sub. H.B. 66

*Employee count obtained from the Department of Administrative Services (DAS) payroll reports as of June 2005.

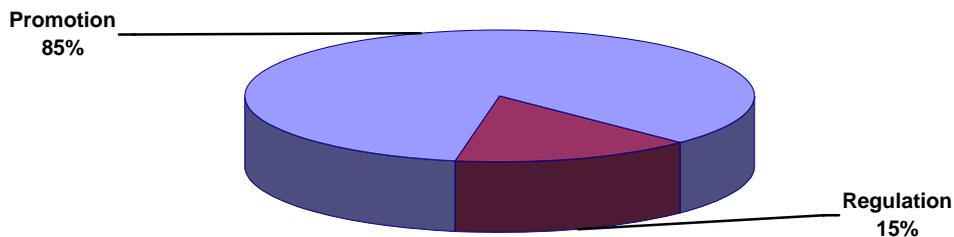
Vetoed Provisions

No provisions of Am. Sub. House Bill 66 affecting the Racing Commission were vetoed.

Total Budget by Fund Group



Total Budget by Program Series



ANALYSIS OF THE ENACTED BUDGET

Program Series 1

Promotion

Purpose: To promote horse racing in Ohio.

The following table shows the line items that are used to fund the promotion program and the enacted funding levels. Note that the amounts shown for the first three of these line items are less than the full amounts budgeted for those line items, with the rest included in the regulation program.

Fund	ALI	Title	FY 2006	FY 2007
State Special Revenue Fund				
SSR 5C4	875-607	Simulcast Horse Racing Purse	\$17,000,000	\$17,000,000
SSR 562	875-601	Thoroughbred Race Fund	\$4,519,128	\$4,519,128
SSR 563	875-602	Standardbred Development Fund	\$3,094,810	\$3,092,082
SSR 564	875-603	Quarterhorse Development Fund	\$2,000	\$2,000
State Special Revenue Fund Subtotal			\$24,615,938	\$24,613,210
Total Funding: Promotion			\$24,615,938	\$24,613,210

This analysis focuses on the following specific programs within the promotion program series:

- **Simulcast Horse Racing Purse**
- **Thoroughbred Race Fund**
- **Standardbred Development Fund**
- **Quarterhorse Development Fund**

Simulcast Horse Racing Purse

Program Description: Simulcasting is a process of presenting horse races from tracks other than the one where live racing is occurring. By simulcasting races, a track can present more races on which fans can wager, increasing revenues for track and horse owners. A portion of every wager on a simulcast race is returned to the track, to horsemen's associations, race purses, and the state. Monthly distributions to purse accounts are made according to a formula based on average amounts wagered at all tracks on live racing days.

Funding Source: The Simulcast Horse Racing Purse Fund receives revenues from a portion of the wagers placed at commercial tracks when no live races are scheduled. The Ohio State Racing Commission collects the funds and then redistributes them to permit holders to be used for horsemen's purse accounts. Interest on money in this account was previously credited to the account, but instead goes to the GRF effective in FY 2006.

Implication of the Enacted Budget: The amounts appropriated for the Simulcast Horse Racing Purse Fund for FY 2006 and FY 2007 are somewhat more than actual outlays during FY 2005, when expenditures fell. If the downtrend in simulcast wagering continues, the amount of spending from this account may be less than was budgeted.

Thoroughbred Race Fund

Program Description: The Thoroughbred Program provides purse subsidies for various overnight/stake races, supplements purses for registered thoroughbreds that win open races, and provides broodmare and stallion awards to breeders of winning registered horses. It also funds equine research that is currently conducted at the Ohio State University Analytical Toxicology Laboratory.

Funding Source: 1.125% of pari-mutuel special account wagering on thoroughbred racing and 0.52% of pari-mutuel wagering on commercial harness racing plus one-twelfth of 3% of exotic wagering on thoroughbred racing

Implication of the Enacted Budget: The amount appropriated for the Thoroughbred Race Fund for each of FY 2006 and FY 2007 is considerably more than the amount actually spent during FY 2005. If the downtrend in wagering continues, the amount of spending from this account may be less than budgeted.

Standardbred Development Fund

Program Description: By providing purse subsidies for the Ohio Sires Stakes series of races, the Fund encourages breeding and racing in the state. The Standardbred Program also provides funds for research and testing.

Funding Source: 1.125% of pari-mutuel wagering on harness racing plus one-twelfth of 3% of exotic wagering on harness racing. Interest on money in this account was previously credited to the account, but instead goes to the GRF effective in FY 2006.

Implication of the Enacted Budget: The amounts appropriated for the Standardbred Development Fund for FY 2006 and FY 2007 exceed the amount actually spent during FY 2005. If the downtrend in wagering continues, the amount of spending from this account may be less than this.

Quarterhorse Development Fund

Program Description: The Quarterhorse Program provides quarterhorse racing purse subsidies. Few quarterhorse races are run in Ohio.

Funding Source: This program is funded completely by the Quarterhorse Development Fund. The Fund receives 0.625% of pari-mutuel wagering on quarterhorse racing plus one-twelfth of 3% of exotic wagering on quarterhorse racing.

Implication of the Enacted Budget: The amount appropriated for this subsidy account for each of FY 2006 and FY 2007, \$2,000, matches the amount budgeted for FY 2005 and should be adequate.

Program Series 2**Regulation**

Purpose: To regulate horse racing in Ohio.

The following table shows the line items that are used to fund the regulation program. Amounts shown for the simulcast, thoroughbred, and standardbred funds pay the costs for Racing Commission staff members who regulate those activities.

Fund	ALI	Title	FY 2006	FY 2007
State Special Revenue Fund				
SSR 5C4	875-607	Simulcast Horse Racing Purse	\$61,489	\$63,948
SSR 562	875-601	Thoroughbred Race Fund	\$123,250	\$123,250
SSR 563	875-602	Standardbred Development Fund	66,865	69,593
SSR 565	875-604	Racing Commission Operating	\$4,000,000	\$4,000,000
State Special Revenue Fund Subtotal			\$4,251,604	\$4,256,791
Holding Account Redistribution Fund Group				
R21	875-605	Bond Reimbursements	\$212,900	\$212,900
Holding Account Redistribution Fund Subtotal			\$212,900	\$212,900
Total Funding: Regulation			\$4,464,504	\$4,469,691

This analysis focuses on the following specific programs within the program series:

- **Racing Commission Operating**
- **Bond Reimbursements**

Racing Commission Operating

Program Description: The majority of the Commission's funding for administration is used for regulation of the horse racing industry in Ohio. Licensing is a large part of this responsibility. There are currently 60 categories of licensees listed on the Commission's website. The licensing program requires potential licensees to submit to fingerprinting sanctioned by the Ohio Bureau of Criminal Identification and the FBI. Licenses are approved by state stewards and presiding judges and issued by inspectors.

Two investigators are employed by the Commission to police the commercial tracks. They work closely with stewards and judges. Investigators examine computer printouts that detail betting patterns, investigate public complaints related to the outcomes of races, and search stable areas when they suspect that illegal activity is occurring. They complete investigations ranging from routine inquiries to full-scale operations.

The Commission also tracks the flow of dollars wagered in the state to ensure that Ohio tracks comply with wagering laws. It conducts an annual audit of the bank account records, receipts, and payments of the permit holder selected as Ohio's collection and settlement agent and investigates when a track or the collection and settlement agent fails to collect, pay, disburse, or account for money and fees. If necessary, the Commission must enforce payment to or by the collection and settlement agent.

The Racing Commission Operating Fund provides funding for most of RAC's employees. Purchased services also make up a significant portion of the Racing Commission's budget. This money funds the stewards, judges, and veterinarians who help regulate the racing industry. Stewards and judges represent the Racing Commission at racetracks, acting essentially as "referees." Stewards oversee thoroughbred tracks and judges oversee standardbred tracks. Veterinarians are responsible for drug testing at all commercial tracks. Following each race the veterinarian collects a test sample of the winning horse's blood or urine for the purpose of analysis. In addition, for two races on each racing day, samples are collected from every horse entered. Human samples are sometimes also collected. The samples are processed by the laboratory with which the Racing Commission contracts.

Funding Sources: Fees collected (license, fingerprinting, registration, permit, etc.) and a share of the horse racing wager tax

Implication of the Enacted Budget: The amount budgeted for the Racing Commission Operating Fund for each of FY 2006 and 2007, \$4,000,000, is about 2% more than actual outlays during FY 2005. As detailed above, the Commission has instituted numerous efficiency measures to operate within this budget.

Bond Reimbursements

Program Description: Permit holders are required to post performance bonds. In addition, if a licensee is found to have violated one of the Commission's rules, the individual is entitled to appeal the decision. Individuals who appeal rulings must deposit a bond with the Commission. The Bond Reimbursement Fund receives these bond deposits. This fund was established on January 1, 1986, replacing an earlier fund used for the same purpose.

Funding Sources: Performance bonds collected from permit holders and bonds posted by appellants

Implication of the Enacted Budget: The amount enacted for this account for each of FY 2006 and FY 2007, \$212,900, exceeds actual FY 2005 reimbursements and should be ample.