

LSC Greenbook

Analysis of the Enacted Budget

Ohio State Racing Commission

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ATTACHMENT:

Budget Spreadsheet By Line Item

Ohio State Racing Commission

- The Commission promotes and regulates Ohio horse racing
- Funding, all non-GRF, is mainly with a tax on wagering on races and with fees

OVERVIEW

Agency 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. 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. To promote horse racing, RAC provides purse subsidies and supplements that encourage breeding and racing. It also pays the laboratory at the Ohio Department of Agriculture for testing. The Racing Commission employs administrators at its Columbus headquarters, and officials, veterinarians, and investigators at tracks.

Commissions on wagers on simulcast horse races account for most of RAC's receipts. Simulcast wagering, on live races elsewhere, takes place at Ohio's seven commercial tracks. Other receipts are mainly from taxes on betting at the tracks where live horse racing is taking place. In addition, wagers may be placed at a satellite wagering facility in Sandusky, Ohio, operated by one of the tracks. The Racing Commission also receives funds from fees imposed on various racing industry participants and from fines and penalties.

The Racing Commission has 16 employees, of which 11 are full-time and five part-time employees. The five Commission members are not included in this count. In addition, RAC contracts with six state stewards and presiding judges, and with five veterinarians, who represent the Racing Commission at the seven commercial race tracks.

Appropriation Overview

The Racing Commission's budget for the next biennium is summarized in the following table:

Budget by Fund Group, FY 2012-FY 2013 (Am. Sub. H.B. 153)					
Fund Group	FY 2011 expenditures	FY 2012 appropriation	% change, FY 2011-FY 2012	FY 2013 appropriation	% change, FY 2012-FY 2013
State Special Revenue	\$16.0 million	\$18.6 million	15.8%	\$18.3 million	-1.4%
Holding Account Redistribution	\$0.1 million	\$0.1 million	0.7%	\$0.1 million	0.0%
TOTAL	\$16.1 million	\$18.7 million	15.7%	\$18.4 million	-1.4%

The overall appropriation increase shown in the table is due to line items that directly support horse breeding and racing. The Commission's operating line item is reduced 6.0% in FY 2012 and 5.2% in FY 2013.

Summary of FY 2012-FY 2013 Budget Issues

Pari-mutuel wagering at Ohio horse racing tracks and the satellite wagering facility, the source of most of RAC's funding, has been in decline since the late 1990s. The decline appears to be partly due to increased competition from out-of-state gambling venues and Internet betting. The Racing Commission does not receive revenues from bets placed through the Internet. The state's racing industry lost market share to tracks in other states that offered larger horse racing purses, which gave them an edge in attracting faster horses, which in turn attracted gambling dollars. A prospering racing program helps to support horse breeders.

The ability of tracks in other states to offer larger purses has been in part a result of allowing video lottery terminals (VLTs) at tracks in those states, 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 proceeds to increase horse race purses.

Efforts to start VLTs at Ohio horse racetracks in 2009, under the previous administration, met with considerable controversy and delay, and were dropped.

The current administration in June 2011 announced its intent to allow VLTs at Ohio's seven commercial horse racetracks. VLT sales could not begin until either licensees agreed with the horse racing industry on funding to benefit horse racing, or the state imposed terms of such funding, according to the administration announcement. Licensing of VLTs would be under the Lottery Commission. Under provisions of H.B. 277 of the 129th General Assembly, the Racing Commission would

approve or deny applications to relocate racetracks, which was sought by gambling interests, but could not adopt rules governing the VLTs at those locations.

If VLTs are licensed at the horse racetracks, the timing and magnitude of benefits to Ohio's horse racing industry, and of any increased funds flows to the Racing Commission, are uncertain. Availability of VLTs at the racetrack locations might absorb gambling dollars that would otherwise be wagered on horse racing. On the other hand, if part of the VLT proceeds are used to increase horse racing purses, attracting faster horses, wagering on Ohio horse racing might increase, resulting in higher revenues from the tax on those wagers. Any effects that VLTs might have on Racing Commission revenues and expenditures are not included in the FY 2012-FY 2013 budget.

H.B. 153 extended to December 31, 2017, from December 31, 2014, the final date on which a horse racing permit holder is eligible to take tax reductions to recover costs incurred in a renovation, reconstruction, or remodeling project costing at least \$6 million at a race track. The taxes reduced are those paid on amounts wagered on racing. This change may reduce tax revenues to funds used by the Racing Commission and to the Ohio Fairs Fund (Fund 7083). Amounts paid to the Nursing Home Franchise Permit Fee Fund (Fund 5R20), that supports the Department of Aging's PASSPORT Program, are excluded from such reductions.

ANALYSIS OF ENACTED BUDGET

This section provides an analysis of the funding for each appropriation item in RAC's budget. A narrative describes how each appropriation is used.

Thoroughbred Race Fund (875601)

Program Description. The thoroughbred program provides purse subsidies for various overnight/stake races, supplements purses for registered thoroughbreds that win races, and provides broodmare and stallion awards to breeders of winning registered horses.

The Ohio Thoroughbred Race Fund (Fund 5620) is the funding source for this line item. Fund 5620 receives 1.125% of pari-mutuel wagering on thoroughbred racing and a percentage of pari-mutuel wagering on commercial harness racing that varies from year to year plus 0.25% of exotic wagering (wagers other than win, place, or show) on thoroughbred racing. Interest earned on money in this fund is to be credited to the fund under permanent law, but may be paid to the GRF during the current biennium under a provision of temporary law in H.B. 153.

Implication of the Budget. The amounts appropriated for this account are \$1,796,328 for FY 2012 and \$1,696,456 for FY 2013. The FY 2012 appropriation is 21.2% more than expenditures in FY 2011. The FY 2013 amount is 5.6% less than that for FY 2012.

Standardbred Development Fund (875602)

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.

This appropriation line item is supported by the Ohio Standardbred Development Fund (Fund 5630). Fund 5630 receives 1.125% of pari-mutuel wagering on harness racing plus 0.25% of exotic wagering on harness racing. Interest earned on money in this fund is to be credited to the fund under permanent law, but may be paid to the GRF during the current biennium under a provision of temporary law in H.B. 153.

Implication of the Budget. The amounts appropriated for this account are \$1,697,418 for FY 2012 and \$1,697,452 for FY 2013. The FY 2012 appropriation is 2.2% more than expenditures in FY 2011. The FY 2013 amount is virtually unchanged from that for FY 2012.

Quarter Horse Development Fund (875603)

Program Description. The quarter horse program provides quarter horse racing purse subsidies. Few quarter horse races are run in Ohio.

This program is funded completely by the Ohio Quarter Horse Development Fund (Fund 5640). The fund receives 0.625% of pari-mutuel wagering on quarter horse racing plus 0.25% of exotic wagering on quarter horse racing.

Implication of the Budget. The amount appropriated for this subsidy account is \$1,000 for each of FYs 2012 and 2013, equal to the amount spent in FY 2011.

Racing Commission Operating (875604)

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 66 categories of licensees listed on the Commission's web site, with licenses for use only at county fairs available at reduced cost. The licensing program requires applicants for licenses to submit to fingerprinting sanctioned by the Ohio Bureau of Criminal Identification and Investigation and the FBI. Licenses are approved by state stewards and presiding judges and issued by inspectors.

The Commission also employs investigators to police the commercial tracks. They work closely with state stewards and presiding 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 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 State Racing Commission Operating Fund (Fund 5650) receives fees collected, including those for licenses, fingerprinting, registration, and permits, and receives a share of the horse racing wager tax. This fund pays salaries and other expenses for most of RAC's employees. Purchased services also make up a significant portion of the Racing Commission's budget. The state stewards, presiding judges, and veterinarians who help regulate the racing industry are paid from the Operating Fund. State stewards and presiding judges represent the Racing Commission at thoroughbred and standardbred racetracks, respectively, acting essentially as "referees." Veterinarians are responsible for drug testing horses at all commercial tracks. Human samples are sometimes also collected. The samples are processed for the Racing Commission by the laboratory at the Ohio Department of Agriculture.

Implication of the Budget. The amount appropriated for FY 2012 is \$3,095,331, a decrease of 6.0% from expenditures in FY 2011. The appropriation for FY 2013 is \$2,934,178, a decrease of 5.2%.

Simulcast Horse Racing Purse (875607)

Program Description. Simulcasting is a process of presenting live horse races from tracks other than the one where the broadcast event is shown. By simulcasting races, a track can present more races on which fans can wager, increasing revenues for the 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.

The Ohio Combined Simulcast Horse Racing Purse Fund (Fund 5C40) receives revenues from a portion of the wagers placed at commercial tracks when there are no live races 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 earned on money in this fund is to be credited to the fund under permanent law, but may be paid to the GRF during the current biennium under a provision of temporary law in H.B. 153.

Implication of the Budget. The amount appropriated for this subsidy account is \$12,000,000 for each of FYs 2012 and 2013, an increase of 24.9% from expenditures in FY 2011.

Bond Reimbursements (875605)

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 Reimbursements Fund (Fund R021) receives these bond deposits. This fund was established on January 1, 1986, replacing an earlier fund used for the same purpose.

Implication of the Budget. The amount appropriated for this line item is \$100,000 for each of FYs 2012 and 2013, 0.7% more than expenditures in FY 2011.

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FY 2012 - FY 2013 Final Appropriation Amounts

All Fund Groups

Line Item Detail by Agency			FY 2010	FY 2011	Appropriations FY 2012	FY 2011 to FY 2012 % Change	Appropriations FY 2013	FY 2012 to FY 2013 % Change
Report For Main Operating Appropriations Bill			Version: Enacted					
RAC Ohio State Racing Commission								
5620	875601	Thoroughbred Race Fund	\$ 2,056,804	\$ 1,482,734	\$ 1,796,328	21.15%	\$ 1,696,456	-5.56%
5630	875602	Standardbred Development Fund	\$ 1,430,340	\$ 1,661,451	\$ 1,697,418	2.16%	\$ 1,697,452	0.00%
5640	875603	Quarter Horse Development Fund	\$0	\$ 1,000	\$ 1,000	0.00%	\$ 1,000	0.00%
5650	875604	Racing Commission Operating	\$ 3,269,145	\$ 3,293,184	\$ 3,095,331	-6.01%	\$ 2,934,178	-5.21%
5C40	875607	Simulcast Horse Racing Purse	\$ 11,267,416	\$ 9,610,257	\$ 12,000,000	24.87%	\$ 12,000,000	0.00%
State Special Revenue Fund Group Total			\$ 18,023,705	\$ 16,048,626	\$ 18,590,078	15.84%	\$ 18,329,087	-1.40%
R021	875605	Bond Reimbursements	\$ 87,174	\$ 99,300	\$ 100,000	0.70%	\$ 100,000	0.00%
Holding Account Redistribution Fund Group Total			\$ 87,174	\$ 99,300	\$ 100,000	0.70%	\$ 100,000	0.00%
Ohio State Racing Commission Total			\$ 18,110,879	\$ 16,147,926	\$ 18,690,078	15.74%	\$ 18,429,087	-1.40%