

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 provided from taxes on wagering on races and from 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 Commission currently has eight full-time and eight part-time employees and also contracts with stewards, judges, and veterinarians.

Appropriation Overview

The Commission's budget includes appropriations from six State Special Revenue funds and one Holding Account Redistribution Fund, totaling about \$28.4 million for both FY 2014 and FY 2015, as shown in the table below.

RAC Budget by Fund Group, FY 2014-FY 2015 (Am. Sub. H.B. 59)					
Fund Group	FY 2013*	FY 2014	% Change	FY 2015	% Change
State Special Revenue	\$18,909,197	\$28,329,086	49.8%	\$28,329,086	0.0%
Holding Account Redistribution	\$90,600	\$100,000	10.4%	\$100,000	0.0%
TOTAL	\$18,999,797	\$28,429,086	49.6%	\$28,429,086	0.0%

*FY 2013 figures are actuals.

State Special Revenue funds account for almost all of the Commission's budgeted appropriations. Most of these funds are commissions on wagers made at Ohio's seven commercial tracks on simulcast horse races, which are live races elsewhere. Other receipts are 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 Commission also receives funds from fees imposed on various racing industry participants and from fines and penalties. Beginning in FY 2013, RAC receives a share of the tax on casino revenue; this new, constitutionally established funding source accounts for over two-thirds of the overall funding increase

from FY 2013 to FY 2014. Additional money may be directed to the Commission from a share of tracks' video lottery terminal (VLT) commissions, under a provision of Am. Sub. H.B. 386 of the 129th General Assembly, for benefit of breeding and racing in the state.

The majority of RAC's expenditures are for subsidies, mostly additions to purses at live horse races, and also 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. Besides subsidies, other expenditures are for regulation, including oversight of horse races and enforcement of rules, drug testing (mainly horses but also licensees), expenses related to licensing, and investigation.

Budget Provisions

Racetrack Locations

Previous legislation, specifically Am. Sub. H.B. 386 of the 129th General Assembly, established a framework for the relocation of horse racetracks if a racetrack owner wished to relocate the owner's track. Among other provisions, that legislation provided for two payments of \$1 million each from the Casino Operator Settlement Fund to the municipality or township in which a track was located or to which the track was being moved (excluding a municipality or township in Franklin County).

The budget act amended H.B. 386, as amended by Am. Sub. H.B. 51 of the 130th General Assembly, to specify that (1) if the property on which a racetrack was located straddled the boundary of two political subdivisions, the full payment would be made to the subdivision in which the larger portion of the property was located, (2) not more than six municipal corporations or townships would be entitled to the two \$1 million payments, and (3) the Director of Budget and Management was granted the sole authority to make the eligibility determination. The budget act also amended another section of H.B. 386 to specify that the municipalities or townships eligible to receive an annual \$500,000 payment were the same six political subdivisions.

Video Lottery Sales Agent Commission Percentage

The budget requires, instead of permits, the Commission to direct through rule that a percentage of a VLT sales agent's commission be paid to the Commission for the benefit of breeding and racing in Ohio, unless otherwise agreed by the sales agent and the applicable horsemen's association. The percentage of not less than 9% and no more than 11% of the VLT income must be a sliding scale based upon the capital expenditures necessary to build the VLT sales agent's facility.

ANALYSIS OF ENACTED BUDGET

This section provides an analysis of the funding for each appropriation item in RAC's budget. The table below shows the line items for RAC and the appropriated amounts. A narrative describes how each appropriation is used.

Appropriations for the Ohio State Racing Commission				
Fund	ALI and Name		FY 2014	FY 2015
State Special Revenue Fund				
5620	875601	Thoroughbred Race Fund	\$1,696,456	\$1,696,456
5630	875602	Standardbred Development Fund	\$1,697,452	\$1,697,452
5640	875603	Quarter Horse Development Fund	\$1,000	\$1,000
5650	875604	Racing Commission Operating	\$2,934,178	\$2,934,178
5C40	875607	Simulcast Horse Racing Purse	\$12,000,000	\$12,000,000
5JK0	875610	Racing Commission Fund	\$10,000,000	\$10,000,000
State Special Revenue Fund Subtotal			\$28,329,086	\$28,329,086
Holding Account Redistribution Fund Group				
R021	875605	Bond Reimbursements	\$100,000	\$100,000
Total Funding: Ohio State Racing Commission			\$28,429,086	\$28,429,086

Thoroughbred Race Fund (875601)

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. The budget appropriates \$1.7 million for both FY 2014 and FY 2015, which is about level with FY 2013 actual expenditures. This line item is supported by the Ohio Thoroughbred Race Fund (Fund 5620). 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.

Standardbred Development Fund (875602)

This line item is used to provide purse subsidies for the Ohio Sires Stakes series of races, as well as funds for research and testing. The budget appropriates \$1.7 million in each of FY 2014 and FY 2015, a 34.2% increase over FY 2013 actual expenditures. This 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.

Quarter Horse Development Fund (875603)

This line item is used to provide purse subsidies to quarter horse races; few quarter horse races are run in Ohio. The budget provides \$1,000 for FY 2014 and FY 2015. This line item is supported by the Ohio Quarter Horse Development Fund (Fund 5640). Fund 5640 receives 0.625% of pari-mutuel wagering on quarter horse racing plus 0.25% of exotic wagering on quarter horse racing.

Racing Commission Operating (875604)

This line item is used for the majority of the Commission's expenses for administration and regulation of the horse racing industry in Ohio. The budget provides \$2.9 million in FY 2014 and FY 2015, a 6.4% increase over FY 2013 actual expenditures. The Commission currently has eight full-time and eight part-time employees and also contracts for other services.

The Commission licenses many of the job roles involved in the horse racing industry; there are currently 57 categories of licensees listed on the Commission's web site. The Commission employs investigators to examine data on betting patterns, investigate public complaints related to the outcomes of races, and search stable areas when they suspect that illegal activity is occurring. The Commission contracts with stewards, judges, and veterinarians to help regulate the industry. Stewards and judges represent the Commission at thoroughbred and standardbred racetracks, respectively, and act essentially as "referees." Veterinarians are responsible for drug testing horses at all commercial tracks. 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.

This line item is supported by the State Racing Commission Operating Fund (Fund 5650), which receives fees collected, including those for licenses, fingerprinting, registration, and permits, and receives a share of the horse racing wager tax.

Simulcast Horse Racing Purse (875607)

This line item is used to provide subsidies to permit holders for simulcast races for horsemen's purse accounts. Monthly distributions to purse accounts are made according to a formula based on average amounts wagered at all tracks on live racing days. The budget provides \$12.0 million in each fiscal year, a 38.0% increase over FY 2013 actual expenditures.

Simulcasting is a process of presenting horse races from tracks other than one where live racing is occurring. 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 horsemens' associations, race purses, and the state.

This line item is supported by the Simulcast Horse Racing Purse Fund (Fund 5C40). Fund 5C40 receives revenues from a portion of the wagers placed at commercial tracks when there are no live races scheduled. The Commission collects the funds and then redistributes them to permit holders to be used for horsemens' purse accounts.

Racing Commission Fund (875610)

This line item is used to support Ohio horse racing, including support of racing purses, breeding programs, and operations at the state's seven commercial racetracks. The budget provides \$10.0 million in each fiscal year.

This relatively new line item was shifted from the Revenue Distribution Funds to the Racing Commission by H.B. 487 of the 129th General Assembly, the mid-year budget review. The fund that supports this line item (Fund 5JK0) was created by H.B. 519 of the 128th General Assembly to implement the constitutional amendment approved by voters allowing four casinos in Ohio. The Ohio Constitution prescribes that 3% of the 33% tax on gross casino revenue is to be distributed to the Racing Commission to support purses, breeding programs, and operations at commercial horse racetracks. The executive projects that these funds will total \$10 million in each of the next two fiscal years.

The budget requires the Commission to distribute its share of the tax on casino revenue by the end of the month following the end of each calendar quarter, and allows the Commission to retain up to 5% for operating expenses.

Bond Reimbursements (875605)

This line item is used to disburse bond deposits. Permit holders are required to post performance bonds, which are retained until racing events have taken place, then are returned to the permit holders. In addition, individuals who have violated rules and appeal rulings must deposit a bond with the Commission. Bond deposits of individuals appealing rulings are returned if the Commission rules in favor of the appellant; otherwise they are applied to any fines that may be imposed. The Bond Reimbursements Fund (Fund R021) receives these bond deposits. The budget provides \$100,000 for both FY 2014 and FY 2015.

FY 2014 - FY 2015 Final Appropriation Amounts

All Fund Groups

Line Item Detail by Agency

			FY 2012	FY 2013	Appropriation FY 2014	FY 2013 to FY 2014 % Change	Appropriation FY 2015	FY 2014 to FY 2015 % Change
Report For Main Operating Appropriations Bill			Version: Enacted					
RAC Ohio State Racing Commission								
5620	875601	Thoroughbred Race Fund	\$ 1,791,517	\$ 1,695,108	\$ 1,696,456	0.08%	\$ 1,696,456	0.00%
5630	875602	Standardbred Development Fund	\$ 1,352,775	\$ 1,264,931	\$ 1,697,452	34.19%	\$ 1,697,452	0.00%
5640	875603	Quarter Horse Development Fund	\$ 0	\$ 0	\$ 1,000	N/A	\$ 1,000	0.00%
5650	875604	Racing Commission Operating	\$ 2,785,459	\$ 2,757,367	\$ 2,934,178	6.41%	\$ 2,934,178	0.00%
5C40	875607	Simulcast Horse Racing Purse	\$ 8,542,561	\$ 8,693,388	\$ 12,000,000	38.04%	\$ 12,000,000	0.00%
5JK0	875610	Racing Commission Fund	\$ 0	\$ 3,497,303	\$ 10,000,000	185.93%	\$ 10,000,000	0.00%
5NL0	875611	Revenue Redistribution	\$ 0	\$ 1,001,100	\$ 0	N/A	\$ 0	N/A
State Special Revenue Fund Group Total			\$ 14,472,313	\$ 18,909,197	\$ 28,329,086	49.82%	\$ 28,329,086	0.00%
R021	875605	Bond Reimbursements	\$ 71,600	\$ 90,600	\$ 100,000	10.38%	\$ 100,000	0.00%
Holding Account Redistribution Fund Group Total			\$ 71,600	\$ 90,600	\$ 100,000	10.38%	\$ 100,000	0.00%
Ohio State Racing Commission Total			\$ 14,543,913	\$ 18,999,797	\$ 28,429,086	49.63%	\$ 28,429,086	0.00%