

Greenbook

LSC Analysis of Enacted Budget

Ohio State Racing Commission

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July 2017

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ATTACHMENT:

Budget Spreadsheet By Line Item

Ohio State Racing Commission

- Total budget of \$64.6million over the biennium, all non-GRF
- Funding comes from wagering on races, casino tax revenue, and video lottery terminal revenue

OVERVIEW

Agency Overview

The Ohio State Racing Commission (RAC) promotes and regulates horse racing in Ohio. It 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.

Funding of RAC's budget comes from three main sources. Since FY 2013, RAC receives 3% of Ohio casino tax revenue. Also since FY 2013, RAC receives between 9% and 11% of video lottery terminal (VLT) revenue from racino operators (exact percentage dependent on individual agreements with each operator). Finally, RAC is funded by taxes on wagers on horse races, as well as fees, fines, and penalties paid by racing industry participants.

Appropriation Overview

The budget appropriates \$32.3 million for the Racing Commission in each fiscal year. This represents a 17.4% increase from FY 2017 actual expenditures as seen in the table below. Appropriations of money from the Ohio casino tax revenue and video lottery terminal revenue from racino operators make up 26% and 25% of the budget, respectively.

Agency Appropriations by Fund Group, FY 2018-FY 2019 (Am. Sub. H.B. 49)					
Fund Group	FY 2017*	FY 2018	% change, FY 2017-FY 2018	FY 2019	% change, FY 2018-FY 2019
Dedicated Purpose	\$20,975,684	\$23,206,090	10.6%	\$23,233,043	0.1%
Fiduciary	\$6,447,604	\$9,000,000	39.6%	\$9,000,000	0.0%
Holding Account	\$90,300	\$100,000	10.7%	\$100,000	0.0%
TOTAL	\$27,513,588	\$32,306,090	17.4%	\$32,333,043	0.1%

*FY 2017 figures are actual expenditures.

Transfers to General Revenue Fund

Am. Sub. H.B. 49 contains a temporary law provision allowing the Director of Budget and Management to transfer cash in each fiscal year from any RAC funds that are not otherwise constitutionally restricted, to the GRF in an amount up to 2% of each fund's total FY 2017 appropriation. This provision allows the Director to transfer up to about \$463,000 each fiscal year to the GRF; the FY 2017 appropriation from Fund 5JK0 is excluded from this calculation due to constitutional restrictions on the use of casino tax revenue.

Racetrack Relocation Fund Abolished

A provision in Am. Sub. H.B. 49 abolished the Racetrack Relocation Fund (Fund 5MG0) upon the transfer by the Director of Budget and Management of any remaining balance to the GRF. However, the balance of Fund 5MG0 was previously transferred to the GRF in 2017.

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. Appropriations for each item are included in the budget spreadsheet attached at the end of the analysis.

Thoroughbred Development (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 amounts appropriated for this line item are \$1.4 million in each fiscal year, a 1.2% increase from FY 2017 expenditures.

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. In addition, 0.25% of exotic wagering (wagers other than win, place, or show) paid by thoroughbred racing permit holders is to be paid into Fund 5620. Fund 5620 also receives 0.625% of pari-mutuel wagering on quarter horse racing and 0.25% of exotic wagering paid by quarter horse racing permit holders to support quarter horse development and purses. Interest earned on money in this fund is to be credited to the fund under permanent law.

A provision in Am. Sub. H.B. 49 corrected a technical error, made when the Ohio Quarter Horse Development Fund (Fund 5640) was eliminated in Am. Sub. H.B. 64 of the 131st General Assembly, which had resulted in the misspecification of Fund 5620 revenue sources.

Standardbred Development (875602)

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. The amounts appropriated for this line item are \$1.6 million in each fiscal year, an increase of 21.8% from FY 2017 expenditures.

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.

Racing Commission Operating (875604)

The Commission is made up of five members appointed by the Governor, and has eight full-time and seven part-time staff positions. The agency contracts with two stewards, two judges, and five veterinarians.

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 57 categories of licensees listed on the Commission's website. RAC also employs investigators to police the commercial tracks. They complete investigations ranging from routine inquiries to full-scale operations.

RAC 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 stewards, judges, and veterinarians who help regulate the racing industry are paid from the Operating Fund. Stewards and 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.

The amounts appropriated for this line item are \$3.7 million in FY 2018 and \$3.8 million in FY 2019. The FY 2018 amount is up about 10.7% from FY 2017 expenditures and the FY 2019 amount is 0.7% greater than the FY 2018 appropriation.

Horse Racing Development-Casino (875610)

The funding for this appropriation item comes from Fund 5JK0, which was created to implement the constitutional amendment approved by voters allowing four casinos in Ohio. Fund 5JK0 receives 3% of the 33% tax on gross casino revenue. These funds are to be used to support Ohio horse racing, including support of racing purses, breeding programs, and operations at the state's seven commercial racetracks.

The amounts appropriated for this line item are \$8.5 million in each fiscal year, nearly identical to FY 2017 expenditures.

Revenue Redistribution (875611)

The funding for this appropriation item comes from Fund 5NL0, which was created to distribute VLT revenue for the benefit of breeding and racing in this state. Lottery sales agents are to pay a portion of the commission for conducting VLT gaming

on behalf of the state to the Racing Commission. This portion is to be between 9% and 11% of VLT income, with the amount to be determined at each race track by agreement between the video lottery sales agent and the applicable horsemen's association, or directed through rule by the Racing Commission.

The amounts appropriated for this line item are \$8.0 million in each fiscal year, an increase of 24.6% from FY 2017 expenditures.

Simulcast Horse Racing Purse (875607)

Simulcasting is the providing of video feed showing horse races from off-site tracks. By simulcasting races, a track can offer 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 host 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 Simulcast Horse Racing Purse Fund (Fund 5C40) receives revenue 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. The amount appropriated from this line item is \$9.0 million in each fiscal year, a 39.6% increase from FY 2017 expenditures.

Bond Reimbursements (875605)

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. The amount appropriated for this line item is \$0.1 million in each fiscal year, up 10.7% from FY 2017 expenditures.

FY 2018 - FY 2019 Final Appropriation Amounts

All Fund Groups

Line Item Detail by Agency

			Appropriation		FY 2017 to FY 2018	Appropriation	FY 2018 to FY 2019		
			FY 2016	FY 2017	FY 2018	% Change	FY 2019		
Report For Main Operating Appropriations Bill						Version: As Enacted			
RAC Ohio State Racing Commission									
5620	875601	Thoroughbred Development	\$ 1,371,272	\$ 1,383,062	\$ 1,400,000	1.22%	\$ 1,400,000	0.00%	
5630	875602	Standardbred Development	\$ 1,189,122	\$ 1,272,825	\$ 1,550,000	21.78%	\$ 1,550,000	0.00%	
5650	875604	Racing Commission Operating	\$ 3,206,384	\$ 3,380,760	\$ 3,743,995	10.74%	\$ 3,770,948	0.72%	
5JK0	875610	Horse Racing Development - Casino	\$ 8,458,040	\$ 8,516,607	\$ 8,512,095	-0.05%	\$ 8,512,095	0.00%	
5NL0	875611	Revenue Redistribution	\$ 7,098,379	\$ 6,422,429	\$ 8,000,000	24.56%	\$ 8,000,000	0.00%	
Dedicated Purpose Fund Group Total			\$ 21,323,198	\$ 20,975,684	\$ 23,206,090	10.63%	\$ 23,233,043	0.12%	
5C40	875607	Simulcast Horse Racing Purse	\$ 7,356,183	\$ 6,447,604	\$ 9,000,000	39.59%	\$ 9,000,000	0.00%	
Fiduciary Fund Group Total			\$ 7,356,183	\$ 6,447,604	\$ 9,000,000	39.59%	\$ 9,000,000	0.00%	
R021	875605	Bond Reimbursements	\$ 83,400	\$ 90,300	\$ 100,000	10.74%	\$ 100,000	0.00%	
Holding Account Fund Group Total			\$ 83,400	\$ 90,300	\$ 100,000	10.74%	\$ 100,000	0.00%	
Ohio State Racing Commission Total			\$ 28,762,781	\$ 27,513,588	\$ 32,306,090	17.42%	\$ 32,333,043	0.08%	

Prepared by the Legislative Service Commission