

# Greenbook

## LBO Analysis of Enacted Budget

### Ohio State Racing Commission

Eric Makela, Economist  
July 2021

#### TABLE OF CONTENTS

Quick look.....	1
Agency overview .....	1
Appropriation overview.....	2
Analysis of FY 2022-FY 2023 budget .....	2
Thoroughbred Development (875601) .....	2
Standardbred Development (875602) .....	2
Racing Commission Operating (875604).....	3
Horse Racing Development – Casino (875610).....	4
Revenue Redistribution (875611) .....	4
Simulcast Horse Racing Purse (875607).....	4
Bond Reimbursements (875605) .....	5

Attachment:

Appropriation Spreadsheet

# LBO Greenbook

## Ohio State Racing Commission

---

### Quick look...

- The Ohio State Racing Commission (RAC) promotes and regulates horse racing in Ohio by licensing participants, subsidizing purses, policing racetracks, and auditing financial activities.
- RAC receives no funding from the GRF, and its revenue comes from three main sources:
  - Wagering on horse races;
  - Casino tax revenues; and
  - Video lottery terminal (VLT) taxes.
- Commercial tracks hosted a total of 2,487 racing days in CY 2020, down 24.8% from the 3,305 racing days in CY 2019. The number of racing days at county fairs decreased 75.0% in CY 2020.
- Over two-thirds of the RAC budget is used to subsidize horse racing and the equine industry.

Fund Group	FY 2020 Actual	FY 2021 Actual	FY 2022 Appropriation	FY 2023 Appropriation
Dedicated Purpose (DPF)	\$20,138,486	\$19,455,175	\$23,533,043	\$23,533,043
Fiduciary Fund (FID)	\$5,009,287	\$4,636,537	\$7,000,000	\$7,000,000
Holding Account (HLD)	\$88,600	\$86,700	\$100,000	\$100,000
Total	\$25,236,373	\$24,178,412	\$30,633,043	\$30,633,043
% change	--	-4.2%	26.7%	0.0%

### Agency overview

The Ohio State Racing Commission (RAC) promotes and regulates the horse racing industry 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 that encourage breeding and racing. The Racing Commission employs administrators at its Columbus headquarters, as well as officials and investigators at tracks. RAC also contracts with veterinarians to provide care for racing participants. RAC receives no funding from the GRF and its revenues come from three main sources. The Commission receives 3% of Ohio's casino tax revenues under R.C. 5753.03. RAC also receives a percentage of revenues from pari-mutuel wagering, as well as penalties, fees, and fines paid by industry participants. Lastly, the Commission is funded by a percentage of video lottery terminals (VLT) revenue. This percentage, which is to be between 9% and 11%, is pursuant to agreements between permit holders and horsemen's associations.

## Appropriation overview

H.B. 110 appropriates \$30.6 million for the Racing Commission in each year of the upcoming biennium, for a total of \$61.3 million. That total represents a 16.6% increase over actual expenditures in FY 2020-FY 2021, which were decreased due to a reduction in racing days and overall gambling and regulatory activities during the COVID-19 pandemic. Appropriations of moneys from the Ohio casino tax revenue and VLT revenue make up about 58% of the budget. Those sources of revenue and related subsidies to participants in the racing industry are expected to rise when compared to the FY 2020-FY 2021 biennium.

## Analysis of FY 2022-FY 2023 budget

This section provides an analysis of the H.B. 110 funding for each appropriation item in RAC's budget. The tables below contain details of the appropriated funds for each line item. A summary describes how each appropriation is used. Racing activity is generally expected to increase in the current biennium, and except for ALI 875611, Revenue Distribution, budgeted spending for the remaining line items is to rise compared to FY 2021 spending.

### Thoroughbred Development (875601)

The thoroughbred program promotes thoroughbred racing in Ohio through purse subsidies and supplementation of winnings for Ohio horses competing outside the state. It also provides funds for broodmare and stallion breeding and supports equine development and race purses. For the upcoming biennium, amounts of \$1.2 million per fiscal year are appropriated for ALI 875601, Thoroughbred Development, 39.1% above actual FY 2021 spending.

FY 2018 Actual	FY 2019 Actual	FY 2020 Actual	FY 2021 Actual	FY 2022 Appropriation	FY 2023 Appropriation
<b>Fund 5620 ALI 875601, Thoroughbred Development</b>					
\$1,288,312	\$1,208,305	\$951,601	\$862,844	\$1,200,000	\$1,200,000
% change	-6.2%	-21.2%	-9.3%	39.1%	0.0%

The Ohio Thoroughbred Race Fund (Fund 5620) is the funding source for this line item. It receives 1.125% of all wagers on pari-mutuel thoroughbred racing within the state. A percentage of pari-mutuel wagering on harness racing, not exceeding 6% of total pari-mutuel wagering collections, is deposited into Fund 5620. In addition, the fund receives 0.25% of exotic wagering on thoroughbred races. Lastly, Fund 5620 receives 0.625% of pari-mutuel wagering on quarter horse racing and 0.25% of exotic wagering in order to support quarter horse development and purses. Any interest earned on fund balances is also credited to this fund.

### Standardbred Development (875602)

The Ohio Racing Commission supports the racing and breeding of standardbred horses in the state by providing purse subsidies. The fund is also utilized to provide for research and health and drug screenings for horses participating in events. The Ohio Standardbred Development Fund (Fund 5630) receives 1.125% of pari-mutuel wagering on harness racing, in addition to 0.25% of exotic wagering on harness racing. Interest earned on moneys in Fund 5630 is to be

credited to the fund. Appropriations of \$1.55 million in each fiscal year are provided for this line item in the budget act, an increase of 20.5% over spending in pandemic-influenced FY 2021.

FY 2018 Actual	FY 2019 Actual	FY 2020 Actual	FY 2021 Actual	FY 2022 Appropriation	FY 2023 Appropriation
<b>Fund 5630 ALI 875602, Standardbred Development</b>					
\$1,269,498	\$1,517,306	\$1,431,099	\$1,286,205	\$1,550,000	\$1,550,000
% change	19.5%	-5.7%	-10.1%	20.5%	0.0%

## Racing Commission Operating (875604)

Most funding for appropriation item 875604, Racing Commission Operating, is used for ongoing administration and regulation of the horse racing industry. RAC employs investigators to police commercial tracks to examine stable areas, betting activity, and race outcomes to ensure no illegal activity is occurring. Investigators ensure Ohio tracks and racing teams comply with racing and wagering laws. RAC also conducts annual audits of bank account records and payments to permit holders. If any party fails to collect, pay, disburse, or account for any moneys or fees, the Commission must enforce payment to or by the collection and settlement agent.

In 2020, RAC certified 12,348 licenses in over 55 occupations, 32.6% fewer licenses than were issued in the previous year. Licenses are required for accountability and to maintain records of Ohio's horse racing industry participants, both to monitor criminal activity and to ensure the accuracy of any required inspections or audits.

FY 2018 Actual	FY 2019 Actual	FY 2020 Actual	FY 2021 Actual	FY 2022 Appropriation	FY 2023 Appropriation
<b>Fund 5650 ALI 875604, Operating Expenses</b>					
\$3,551,491	\$3,647,369	\$3,370,817	\$3,393,884	\$4,070,948	\$4,070,948
% change	2.7%	-7.6%	0.7%	19.9%	0.0%

Appropriations of \$4.1 million in each year of the biennium are provided in the operating budget, an increase of about \$677,000 compared to FY 2021 spending. The rise in the cost of purchased personal services and that of testing blood samples are driving the spending increase in the budget. The State Racing Commission Operating Fund (Fund 5650) is primarily supported by fees collected for licenses, registration, permits, and fingerprinting. It also receives a portion of collected wagering taxes. This fund pays the salaries of employees and for the contracting of service personnel on live racing days at track locations. 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.

## Horse Racing Development – Casino (875610)

The Horse Racing Development Fund was established to support horse racing throughout the state. ALI 875610, Casino Revenues, subsidizes purses, breeding programs, and operations at commercial horse racetracks. The fund receives 3% of the 33% tax on gross casino revenue; this source brought in \$6.6 million in FY 2021, and Fund 5JK0 maintained a balance just under \$3.0 million at the start of FY 2022. H.B. 110 provides an appropriation of \$8.5 million in each fiscal year of the biennium, an amount \$4.6 million above spending in FY 2021.

FY 2018 Actual	FY 2019 Actual	FY 2020 Actual	FY 2021 Actual	FY 2022 Appropriation	FY 2023 Appropriation
<b>Fund 5JK0 ALI 875610, Casino Revenues</b>					
\$8,013,570	\$8,240,307	\$6,408,521	\$3,859,632	\$8,512,095	\$8,512,095
% change	2.8%	-22.2%	-39.8%	120.5%	0.0%

## Revenue Redistribution (875611)

The Horsemen's Development Fund (Fund 5NLO) was established to redistribute a portion of video lottery terminal (VLT) revenue taxes to RAC, for the purpose of supporting purses and racing operations at Ohio's tracks. Any agent participating in VLT sales must pay a portion, between 9% and 11%, of VLT revenue; the exact percentage is to be bargained on an individual case basis between the applicable horsemen's association and the sales agent, or as directed through a RAC ruling. Appropriated funds are used to provide for industry subsidies in the form of race purses and other funding initiatives, as well as to pay contracts for veterinary and officiating services at racetracks. The budget act provides \$8.2 million in each year of the biennium for this line item, an amount 18.4% below expenditures during FY 2021. The record level of spending in FY 2021 primarily reflects an RAC decision to source an above-trend level of subsidy spending through this line item during the year.

FY 2018 Actual	FY 2019 Actual	FY 2020 Actual	FY 2021 Actual	FY 2022 Appropriation	FY 2023 Appropriation
<b>Fund 5NLO ALI 875611, Revenue Redistribution</b>					
\$7,400,040	\$7,986,194	\$7,976,449	\$10,052,610	\$8,200,000	\$8,200,000
% change	7.9%	-0.1%	26.0%	-18.4%	0.0%

## Simulcast Horse Racing Purse (875607)

Tracks and satellite facilities can earn wagering revenue by simulcasting, or broadcasting live races via video feeds. Smaller tracks can thus offer more races on which fans can wager, increasing market penetration, visibility, and industry revenues. Each dollar wagered at simulcast facilities is split among the simulcast facility or track, horsemen's associations, race purses, and the state via this line item; all expenditures through this line item are to provide moneys for the horsemen's associations or race purses.

FY 2018 Actual	FY 2019 Actual	FY 2020 Actual	FY 2021 Actual	FY 2022 Appropriation	FY 2023 Appropriation
<b>Fund 5C40 ALI 875607, Simulcast Horse Racing</b>					
\$6,278,121	\$6,107,423	\$5,009,287	\$4,636,537	\$7,000,000	\$7,000,000
% change	-2.7%	-18.0%	-7.4%	51.0%	0.0%

H.B. 110 appropriates \$7.0 million per year in FY 2022 and FY 2023; the increase in FY 2022 over FY 2021 spending is the result of a below-trend number of racing days during that fiscal year. Moneys received by Fund 5C40 are distributed to racing permit holders and used for horsemen's purse accounts.

## Bond Reimbursements (875605)

Racing permit holders are required to post cash performance bonds, which are held in Fund R021. In the case of a licensee violating a Commission rule, any individual wishing to appeal a disciplinary decision must also deposit a bond with the Commission. The Bond Reimbursements Fund (Holding Account Fund R021) receives these bond deposits, which are reimbursed after completion of races or appeal rulings, minus any fines. The appropriation is \$100,000 per fiscal year for this line item during the biennium.

FY 2018 Actual	FY 2019 Actual	FY 2020 Actual	FY 2021 Actual	FY 2022 Appropriation	FY 2023 Appropriation
<b>Fund R021 ALI 875605, Bond Reimbursements</b>					
\$90,900	\$89,800	\$88,600	\$86,700	\$100,000	\$100,000
% change	-1.2%	-1.3%	-2.1%	15.3%	0.0%

**FY 2022 - FY 2023 Final Appropriations**

**All Fund Groups**

Line Item Detail by Agency			Appropriations			FY 2021 to FY 2022	Appropriations	FY 2022 to FY 2023
			FY 2020	FY 2021	FY 2022	% Change	FY 2023	% Change
<b>Report For: Main Operating Appropriations Bill</b>			<b>Version: As Enacted</b>					
<b>RAC Ohio State Racing Commission</b>								
5620	875601	Thoroughbred Development	\$ 951,601	\$ 862,844	\$ 1,200,000	39.07%	\$ 1,200,000	0.00%
5630	875602	Standardbred Development	\$ 1,431,099	\$ 1,286,205	\$ 1,550,000	20.51%	\$ 1,550,000	0.00%
5650	875604	Racing Commission Operating	\$ 3,370,817	\$ 3,393,884	\$ 4,070,948	19.95%	\$ 4,070,948	0.00%
5JK0	875610	Horse Racing Development - Casino	\$ 6,408,521	\$ 3,859,632	\$ 8,512,095	120.54%	\$ 8,512,095	0.00%
5NLO	875611	Revenue Redistribution	\$ 7,976,449	\$ 10,052,610	\$ 8,200,000	-18.43%	\$ 8,200,000	0.00%
<b>Dedicated Purpose Fund Group Total</b>			<b>\$ 20,138,486</b>	<b>\$ 19,455,175</b>	<b>\$ 23,533,043</b>	<b>20.96%</b>	<b>\$ 23,533,043</b>	<b>0.00%</b>
5C40	875607	Simulcast Horse Racing Purse	\$ 5,009,287	\$ 4,636,537	\$ 7,000,000	50.97%	\$ 7,000,000	0.00%
<b>Fiduciary Fund Group Total</b>			<b>\$ 5,009,287</b>	<b>\$ 4,636,537</b>	<b>\$ 7,000,000</b>	<b>50.97%</b>	<b>\$ 7,000,000</b>	<b>0.00%</b>
R021	875605	Bond Reimbursements	\$ 88,600	\$ 86,700	\$ 100,000	15.34%	\$ 100,000	0.00%
<b>Holding Account Fund Group Total</b>			<b>\$ 88,600</b>	<b>\$ 86,700</b>	<b>\$ 100,000</b>	<b>15.34%</b>	<b>\$ 100,000</b>	<b>0.00%</b>
<b>Ohio State Racing Commission Total</b>			<b>\$ 25,236,373</b>	<b>\$ 24,178,412</b>	<b>\$ 30,633,043</b>	<b>26.70%</b>	<b>\$ 30,633,043</b>	<b>0.00%</b>