

Greenbook

LBO Analysis of Enacted Budget

Ohio State Racing Commission

Philip A. Cummins, Senior Economist
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TABLE OF CONTENTS

Quick look	1
Agency overview	1
Appropriation overview	2
Analysis of FY 2024-FY 2025 budget	2
Thoroughbred Development (875601).....	2
Standardbred Development (875602).....	3
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
Facts and figures	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. Its revenue comes from three main sources:
 - Wagering on horse races;
 - Casino tax revenues;
 - Video lottery terminal (VLT) taxes.
- RAC employed ten staff members as of July 2023, not including the five commission members appointed by the Governor. Persons who officiate at the tracks and veterinarians provide these services under contracts with RAC, rather than as employees.
- The budget appropriates \$33.1 million per year for RAC, of which the majority is for subsidies of horse racing and the equine industry.

Fund Group	FY 2022 Actual	FY 2023 Actual	FY 2024 Appropriation	FY 2025 Appropriation
Dedicated Purpose (DPF)	\$29,857,830	\$26,565,769	\$27,710,497	\$27,710,497
Fiduciary Fund (FID)	\$4,962,324	\$4,395,947	\$5,500,000	\$5,500,000
Holding Account (HLD)	\$94,110	\$70,692	\$100,000	\$100,000
Total	\$34,914,264	\$31,032,407	\$33,310,497	\$33,310,497
% change	--	-11.1%	7.3%	0.0%

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, subject to Senate confirmation. RAC prescribes rules under which horse racing and wagering on racing events may be conducted, licenses participants, and oversees races at seven commercial tracks and most of Ohio’s county fairs. To promote the equine industry, RAC provides purse subsidies that encourage breeding and racing. The Racing Commission employs administrators and investigators, and contracts for the services of officials and veterinarians at the tracks.

RAC receives no funding from the GRF. Its revenues come from three main sources. The Commission receives a percentage of revenues from wagering on racing events, both in person and at simulcast facilities, as well as various fines and permit fees paid by industry participants, and other receipts. The Commission receives 3% of Ohio’s casino tax revenues under R.C. 5753.03. RAC is funded by a percentage of video lottery terminal (VLT) revenue, between 9% and 11% as agreed between permit holders and horsemen’s associations.

Subsidies have historically accounted for the majority of RAC’s expenditures. These subsidies take the form of supplements to purses at live horse races, additions to purses won by Ohio horses against horses from other states, and awards to Ohio breeders of winning race horses. Expenditures other than subsidies are for RAC operations, promotional activities, oversight and enforcement of rules, licensing, investigation, and drug testing.

Appropriation overview

The Racing Commission’s funding for the next biennium is \$33.3 million in each of FY 2024 and FY 2025, \$2.3 million (7.3%) above spending in FY 2023. Ohio State Racing Commission employees promote and regulate pari-mutuel horse racing in Ohio. The promotion program manages subsidies and encourages industry participation and excellence. The regulatory program aims to ensure the proper functioning of wagering, as well as the safety of horses at tracks and of all those in the industry. The Ohio State Racing Commission employs ten, not including the five commission members, and contracts with State Stewards, Presiding Judges, and State Veterinarians for personal services at the seven racetracks.

Analysis of FY 2024-FY 2025 budget

This section provides an analysis of funding for each appropriation item in the Ohio State Racing Commission’s (RAC’s) budget. A summary describes how each appropriation is used.

Thoroughbred Development (875601)

The thoroughbred program promotes thoroughbred racing in Ohio by purse subsidies and by supplementing winnings for Ohio horses competing outside the state. It also provides funds for broodmare and stallion breeding and supports quarter horse development and race purses. For the current biennium, the budget appropriates \$1.1 million per fiscal year for appropriation line item (ALI) 875601, Thoroughbred Development.

FY 2020 Actual	FY 2021 Actual	FY 2022 Actual	FY 2023 Actual	FY 2024 Appropriation	FY 2025 Appropriation
Fund 5620 ALI 875601, Thoroughbred Development					
\$951,601	\$862,844	\$973,257	\$904,599	\$1,100,000	\$1,100,000
% change	-9.3%	12.8%	-7.1%	21.6%	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, and 0.25% of exotic wagering on thoroughbred races. Fund 5620 also receives 0.625% of pari-mutuel wagering on quarter horse racing and 0.25% of exotic wagering on quarter horse racing in order to support quarter horse development and purses. In addition, a percentage of pari-mutuel wagering on harness racing, determined by the Tax Commissioner, is deposited into Fund 5620. 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 and funding for research and testing of horses. 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. The budget appropriates \$1.4 million each for FY 2024 and FY 2025 for this appropriation line item.

FY 2020 Actual	FY 2021 Actual	FY 2022 Actual	FY 2023 Actual	FY 2024 Appropriation	FY 2025 Appropriation
Fund 5630 ALI 875602, Standardbred Development					
\$1,431,099	\$1,286,205	\$1,481,367	\$874,394	\$1,400,000	\$1,400,000
% change	-10.1%	15.2%	-41.0%	60.1%	0.0%

Racing Commission Operating (875604)

Most funding for RAC's operations is used for ongoing administration and regulation of the horse racing industry. RAC employs investigators who police commercial tracks, examining stable areas, betting activity, and race outcomes to protect against illegal activity. Investigators seek to ensure that 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 money or fees, the Commission is responsible for enforcing payment to or by the collection and settlement agent.

In 2022, RAC licensed 12,950 industry participants in 57 occupations. 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 2020 Actual	FY 2021 Actual	FY 2022 Actual	FY 2023 Actual	FY 2024 Appropriation	FY 2025 Appropriation
Fund 5650 ALI 875604, Racing Commission Operating					
\$3,370,817	\$3,393,884	\$3,755,827	\$3,533,887	\$4,210,497	\$4,210,497
% change	0.7%	10.7%	-5.9%	19.1%	0.0%

The budget appropriates about \$4.2 million in each year of the biennium, 19.1% more than actual spending in FY 2023. 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 most of the salaries of employees and a portion of the cost of purchased personal services for State Stewards and Presiding Judges who help regulate the racing industry, and for veterinary services. State Stewards and Presiding Judges represent the Racing Commission at thoroughbred and standardbred racetracks, respectively. Veterinarians are responsible for drug testing horses at all commercial tracks. Human samples are sometimes also collected.

Horse Racing Development – Casino (875610)

The Horse Racing Development Fund was established to support horse racing throughout the state. ALI 875610, Horse Racing Development – Casino, subsidizes purses, breeding programs, and operations at commercial horse racetracks. The fund receives 3% of the 33% tax on gross casino revenue. The budget appropriates \$10.5 million in each of FY 2024 and FY 2025, 5.6% higher than actual spending in FY 2023.

FY 2020 Actual	FY 2021 Actual	FY 2022 Actual	FY 2023 Actual	FY 2024 Appropriation	FY 2025 Appropriation
Fund 5JK0 ALI 875610, Horse Racing Development – Casino					
\$6,408,521	\$3,859,632	\$14,378,914	\$9,939,914	\$10,500,000	\$10,500,000
% change	-39.8%	272.5%	-30.9%	5.6%	0.0%

Revenue Redistribution (875611)

The Horsemen’s Development Fund (Fund 5NLO) was established to redistribute a portion of video lottery terminal (VLT) tax revenues to RAC, to support purses and racing operations in Ohio. Any agent participating in VLT sales must pay a portion, between 9% and 11%, of VLT revenue; the 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. The budget appropriates \$10.5 million in each year of the biennium for this line item, 7.2% below actual FY 2023 spending.

FY 2020 Actual	FY 2021 Actual	FY 2022 Actual	FY 2023 Actual	FY 2024 Appropriation	FY 2025 Appropriation
Fund 5NLO ALI 875611, Revenue Redistribution					
\$7,976,449	\$10,052,610	\$9,268,465	\$11,312,975	\$10,500,000	\$10,500,000
% change	26.0%	-7.8%	22.1%	-7.2%	0.0%

Simulcast Horse Racing Purse (875607)

Tracks and the satellite facility 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 revenues for the track and horse owners. This line item is used to collect and distribute revenues associated with betting on simulcast horse racing. The Commission distributes any balance not used in administration of its simulcast program to supplement purse accounts at commercial tracks.

FY 2020 Actual	FY 2021 Actual	FY 2022 Actual	FY 2023 Actual	FY 2024 Appropriation	FY 2025 Appropriation
Fund 5C40 ALI 875607, Simulcast Horse Racing Purse					
\$5,009,287	\$4,636,537	\$4,962,324	\$4,395,947	\$5,500,000	\$5,500,000
% change	-7.4%	7.0%	-11.4%	25.1%	0.0%

The budget appropriates \$5.5 million each in FY 2024 and FY 2025, 25.1% more than actual spending in FY 2023. Fund 5C40 receives a portion of the wagers placed at commercial tracks or satellite facilities at times when no live races are scheduled. The Ohio State Racing Commission collects these funds and distributes them each month to racing permit holders to be used for horsemen's purse accounts.

Bond Reimbursements (875605)

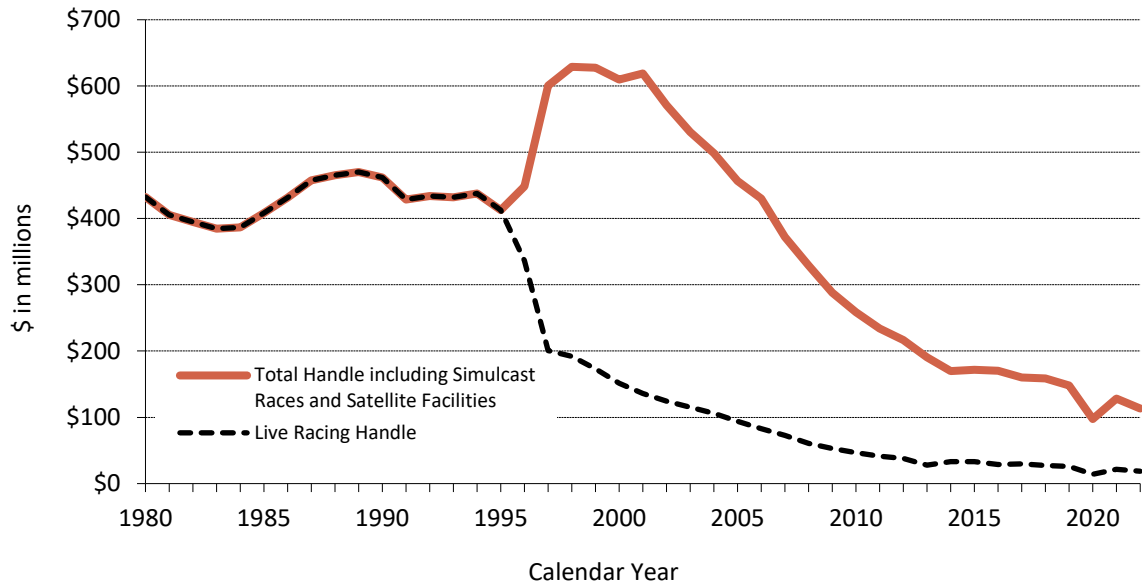
Racing permit holders are required to post cash performance bonds, which are held in Fund R021. In the case of a licensee violating a Commission rule, any individual wishing to appeal a disciplinary decision must also deposit a bond with the Commission. The Bond Reimbursements Fund (Holding Account Fund R021) receives these bond deposits, which are reimbursed after completion of races or appeal rulings, minus any fines. The amount appropriated is \$100,000 per fiscal year for the FY 2024-FY 2025 biennium, 7.3% more than actual spending in FY 2023.

FY 2020 Actual	FY 2021 Actual	FY 2022 Actual	FY 2023 Actual	FY 2024 Appropriation	FY 2025 Appropriation
Fund R021 ALI 875605, Bond Reimbursements					
\$88,600	\$86,700	\$94,110	\$70,692	\$100,000	\$100,000
% change	-2.1%	8.5%	-24.9%	41.5%	0.0%

Facts and figures

Horse racing has a long history in Ohio, but the handle (the amount of wagers placed) on horse races at seven commercial race tracks (racinos) including simulcasting of races run elsewhere, at county fairs, and through off-track betting parlors (of which one remains) has trended downward for nearly a quarter century. As of calendar year (CY) 2022 the handle was down 82% from a peak in 1998, as shown in Chart 3. The total revenue stream from wagering on horse races dropped in 2020 with the onset of the COVID-19 pandemic, and recovered only partially through CY 2022. The total handle was about \$113.4 million in that year, of which \$18.9 million was wagers on live racing at the locations where the wagers were placed.

Chart 1: Pari-Mutuel Wagering, Ohio Horse Racing



FY 2024 - FY 2025 Final Appropriations

All Fund Groups

Line Item Detail by Agency			Appropriations			FY 2023 to FY 2024	Appropriations	FY 2024 to FY 2025
			FY 2022	FY 2023	FY 2024	% Change	FY 2025	% Change
Report For: Main Operating Appropriations Bill			Version: As Enacted					
RAC Ohio State Racing Commission								
5620	875601	Thoroughbred Development	\$ 973,257	\$ 904,599	\$ 1,100,000	21.60%	\$ 1,100,000	0.00%
5630	875602	Standardbred Development	\$ 1,481,367	\$ 874,394	\$ 1,400,000	60.11%	\$ 1,400,000	0.00%
5650	875604	Racing Commission Operating	\$ 3,755,827	\$ 3,533,887	\$ 4,210,497	19.15%	\$ 4,210,497	0.00%
5JK0	875610	Horse Racing Development - Casino	\$ 14,378,914	\$ 9,939,914	\$ 10,500,000	5.63%	\$ 10,500,000	0.00%
5NLO	875611	Revenue Redistribution	\$ 9,268,465	\$ 11,312,975	\$ 10,500,000	-7.19%	\$ 10,500,000	0.00%
Dedicated Purpose Fund Group Total			\$ 29,857,830	\$ 26,565,769	\$ 27,710,497	4.31%	\$ 27,710,497	0.00%
5C40	875607	Simulcast Horse Racing Purse	\$ 4,962,324	\$ 4,395,947	\$ 5,500,000	25.12%	\$ 5,500,000	0.00%
Fiduciary Fund Group Total			\$ 4,962,324	\$ 4,395,947	\$ 5,500,000	25.12%	\$ 5,500,000	0.00%
R021	875605	Bond Reimbursements	\$ 94,110	\$ 70,692	\$ 100,000	41.46%	\$ 100,000	0.00%
Holding Account Fund Group Total			\$ 94,110	\$ 70,692	\$ 100,000	41.46%	\$ 100,000	0.00%
Ohio State Racing Commission Total			\$ 34,914,264	\$ 31,032,407	\$ 33,310,497	7.34%	\$ 33,310,497	0.00%