



Ohio State Racing Commission

77 South High Street • 18th Floor
Columbus, OH 43215-6108
(614) 466-2757 FAX (614) 466-1900
www.racingohio.net

Mike DeWine
Governor

Scott Borgemenke
Chairman

TO: Members of the Finance Subcommittee and Secondary Education Committee

FROM: William Crawford, Executive Director

SUBJECT: Biennium Budget, Fiscal Years 2020 & 2021

DATE: May 2, 2019

Chairman Terhar and members, my name is Bill Crawford. I am the Executive Director of the Ohio State Racing Commission. There is a staff of seven full-time and seven part-time employees that work in the Columbus office and in the field.

The Ohio State Racing Commission is not General-Revenue Funded. The commission's revenues are derived from a tax on the amount of money wagered, licensing fees, fees from commercial tracks, fines levied against participants for violations, permit fees and a small percentage of casino revenue. The majority of the Racing Commission's expenditures are for subsidies to the horse racing industry in the form of additions to purses at live horse races as well as supplements to purses for Ohio horses that win races at Ohio tracks and other promotional expenses. Regulation expenses include administration expenses which also include officials and veterinarians as well as drug testing expenses, expenses that relate to investigation, licensing and the enforcement of rules.

The commission prescribes the rules, regulations and conditions under which pari-mutuel wagering and horse racing is conducted as well as licenses participants and oversees races at seven commercial tracks and over 60 county fairs. The Ohio State Racing Commission is dedicated to the protection,

preservation, and promotion of horse racing and its related industry components. The commission regulates pari-mutuel wagering and the licensing of all industry participants in order to insure the protection of the wagering public and the integrity of the sport.

These objectives are accomplished through the implementation of many carefully structured programs which include human and equine drug testing, compliance inspections, and the monitoring of wagering patterns.

The commission's budget request for FY20 is 30,596,415 and FY21 is \$30,633,043. The Commission's budget request covers the two programs outlined above, promotion and regulation. The promotion program promotes horse racing by providing purse subsidies and supplements that encourage breeding and racing while the regulation program prescribes rules under which horse racing with pari-mutuel wagering may be conducted.

The budget amounts for the promotion of pari-mutuel horse race wagering are \$25,875,500 in both FY20 and FY21. Of this figure, \$7 million, or 27% of the total, will be allotted to the Ohio Combined Simulcast Horse Racing Purse Fund. Ohio Revised Code Section 3769.089 established this fund. The amounts paid to the fund by seven racetracks are returned to them based upon the total amounts wagered on live racing days, creating a pass through fund.

The Ohio Standardbred Development Fund, established by Ohio Revised Code Section 3769.085, will contribute \$1,448,000 in both FY20 and FY21 to the promotion program. These contributions along with contributions from the Horse Racing Development (Casino) Fund, as well as the Revenue Redistribution (VLT) Fund which are ear-marked for the promotion of Standardbred horse racing, make up 28% of the promotional budget.

The Ohio Thoroughbred Race Fund, established by Ohio Revised Code Section 3769.083, will contribute \$1,313,500 in each FY20 and FY21 to the

promotion program. These contributions along with contributions from the Horse Racing Development (Casino) Fund, as well as the Revenue Redistribution (VLT) Fund which are ear-marked for the promotion of Thoroughbred horse racing, make up 27% of the promotional budget. The amounts credited to the Thoroughbred Race Fund are based upon language contained in Section 3769.08 of the Revised Code.

The Ohio Constitution prescribes that 3% of the tax on gross casino revenue is distributed to the Racing Commission to support breeding programs, purses and operations at commercial horse racetracks. This amounts to \$8,512,095 in each FY20 and FY21 of which \$8,114,000 will go to the promotion program in each FY and \$398,095 will go to regulation. The \$8,114,000 that will be attributed to the promotion program will be used for the Standardbred fund, Thoroughbred fund, purses at the race tracks and for permit holders. The \$398,095 attributed to regulation will go to fund Judges, Stewards and Veterinarians at our race tracks that do not have a majority casino interest in Ohio. This fund contributes 19% of the promotional budget.

Fund 5NL0 which is the Revenue Redistribution (VLT) Fund was established by the Controlling Board on May 20, 2013, pursuant to provisions of House Bill 386 of the 129 General Assembly. This fund now serves to distribute funds that the Horsemen's associations may agree to transfer to the commission on behalf of the Thoroughbred and Standardbred funds to be used to promote horse racing within the state through supplementing purses. We estimate \$8,000,000 will pass through this fund for redistribution to benefit horse racing annually.

The preceding funds make up the entirety of the promotion program for the FY20 and FY21 budget request of this commission.

The regulation program is made up of the commission's operating fund and fund R021, which is a holding or redistribution fund as well as a portion of the

Standardbred and Thoroughbred Funds that provide for administrators for the respective funds. Also, as determined by the Racing Commission, 5% of casino tax revenue that is received by the Racing Commission can be used to compensate personnel that support commercial operations at racetracks that are not owned or operated by an entity that has a major interest in a casino facility or casino license in Ohio. Four of the state's race tracks fall into that category. The regulation program budget request in FY20 is 4,720,915 and FY21 is \$4,757,543 which is to ensure the commission has the appropriations available to meet the rising testing costs as well as increased payroll costs over the next bi-ennium. Testing is the major tool to ensure the protection of horse racing. Also included in this is \$100,000 for our Bond Reimbursement Fund (R021) which is a pass through fund that contains bond money put up for live race days.

The Racing Commission's entire operating fund, entire bond fund, 5% of the casino revenue fund as well as a portion of the Thoroughbred and Standardbred Funds compose the regulation program. The wages of racing commission staff members, along with the expenses of five commission members, are paid from this fund. In addition, the commission has personal services contracts with two state stewards, two state presiding judges, and five state veterinarians. The Racing Commission's testing costs to the Ohio Department of Agriculture have increased significantly over the last few years as the commission must remain vigilant and current in testing for illegal substances. These expenses are the major expenditures of the operating fund.

As the Racing Commission continues to distribute revenues that are paid in to our Horse Racing Development (Casino) Fund, as well as the Revenue Redistribution (VLT) Fund, this will result in expanded opportunities for the Ohio Thoroughbred Race Fund as well as the Ohio Standardbred Development Fund. Payments from both funds go to purses and support the breeding of Thoroughbred

and Standardbred racehorses in Ohio. Since the inception of the casinos and VLT's purses have more than tripled in 2018 to a total of \$93,512,065. Also, the Standardbred mares bred to Ohio stallions have grown to over 2,000 annually and leads all North American jurisdictions for Standardbred mares bred last year. This will grow horse racing overall in Ohio, which is a positive result for agriculture. As breeding and purses increase, the number and quality of horses will also increase. This will lead to many direct agricultural benefits including many employment opportunities associated with increased needs for agricultural commodities.

The budget for the next biennium uses funds on hand to continue offering the commission's services without interruption, maintaining the integrity in Ohio horse racing.

The commission has prepared a budget that allows it to regulate and promote pari-mutuel horse racing in Ohio. I will be happy to answer any questions you and other members of the committee may have for us. Thank you for your time.