



Ohio State Racing Commission
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TO: SENATE EDUCATION COMMITTEE

FROM: Christopher Dragone, Executive Director

SUBJECT: Biennium Budget, Fiscal Years 2024 & 2025

DATE: April 25, 2023

Chairman Brenner and members of the Senate Education Committee, my name is Chris Dragone. I am the Executive Director of the Ohio State Racing Commission. There is a staff of six full-time, three part-time, and two intermittent employees that work in the Columbus office and in the field as well as five Commissioners. The Racing Commission operates four Harness tracks and three Thoroughbred tracks throughout the state. Only one track operates year-round and that is Northfield Park in Cleveland. The Commission also oversees 65 county fairs where pari-mutuel harness racing takes place. Short Quarterhorse meets take place at Belterra Park in Cincinnati as well.

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 that are used for the drug testing program, fines levied against participants for violations, permit fees and a small percentage of casino revenue. Most of the Racing Commission's expenses are returned to the horse racing industry in the form of additions to purses at live horse races as well as supplements to purses for Ohio bred

horses that win races at Ohio tracks. 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 licensing participants and oversees races at our seven commercial tracks and 65 county fairs. The Ohio State Racing Commission is dedicated to the protection, preservation, and promotion of horseracing and its related industry components.

The commission oversees 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 request for both FY24 and FY25 is \$33,310,497. 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 horseracing with pari-mutuel wagering may be conducted.

The budget amounts for the promotion of pari-mutuel horse race wagering are \$28,400,000 in both FY24 and FY25. Of this figure, \$5.5 million, 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 each tracks racing days, creating a pass-through fund.

The Ohio Standardbred Development Fund, established by Ohio Revised Code Section 3769.085, will contribute \$1,370,000 in both FY24 and FY25 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 earmarked for the promotion of Standardbred horse racing, make up 21% of the promotional budget.

The Ohio Thoroughbred Race Fund, established by Ohio Revised Code Section 3769.083, will contribute \$1,030,000 in each FY24 and FY25 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 earmarked for the promotion of Thoroughbred horseracing, make up 39% 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.

Fund 5JK0, established by ORC 5753.03 in 2013 is to hold the Racing Commission's share of revenue generated from casinos. 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 amount has increased to just over \$10 million dollars since its inception in 2012. The request for FY24 and FY25 is for \$10,500,000 which should allow all purse and commercial operations payments to be paid out as well as a small portion for use on behalf of the commission's operating expenses. Approximately \$8,000,000 of this is used to enhance the promotion programs of the Standardbred and Thoroughbred Funds with about \$1,500,000 going for

commercial operations at tracks that do not hold a majority Casino interest with the other \$500,000 contributing to operating expenses of the commission such as funding state Judges, Stewards and Veterinarians.

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 129th 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 \$10,000,000.00 will pass through this fund for redistribution to benefit horseracing annually.

The preceding funds make up the entirety of the promotion program for the FY24 and FY25 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 on behalf of the operating fund. The regulation program budget request for FY24 and FY25 is \$4,910,497 which is about \$139,000 more than FY23 appropriations. This is the amount that the Commission operates on as most other funds are passing money into purses in one form or another. The Racing Commission had slightly over 9 Full Time Equivalent employees in 2022. Testing is the major tool to ensure the protection of horse racing and is the major expense of the Commission's operating fund. Ever rising costs for payroll, contract employees and other day to day expenses paid from

our operating fund have resulted in the need for a slightly larger allocation. 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, bond fund, 5% of casino revenue fund as well as a portion of the Thoroughbred and Standardbred Funds used for administrative costs makes up 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 four state veterinarians. The Racing Commission's testing costs paid to the Ohio Department of Agriculture have increased significantly over the last few years as the commission must remain vigilant and up to date 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 into 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 to support the breeding of Thoroughbred and Standardbred racehorses in Ohio. Since the creation of the Casinos and VLT funds, purses have more than tripled since 2013 resulting in much improved racing programs for both Standardbred and Thoroughbred horses in the State of Ohio. As breeding and purses increase, the number and quality of horses also increases. This leads 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, allowing the OSRC to maintain the integrity of Ohio horse racing. The commission has prepared a budget that allows it to regulate and promote pari-mutuel horse racing in Ohio. Fiscal Officer Sherry White and I will be happy to answer any questions the members of the committee may have for us. Thank you for your time.