

Ohio State Racing Commission

- Removes \$2.5 million cap on Racing Commission Operating Fund; restructures tax distribution formula; reduces tax abatement to permit holders
- Plans to move OSU testing laboratory

OVERVIEW

The Ohio State Racing Commission (RAC) regulates and promotes the horse racing industry in Ohio. The Commission prescribes the rules, regulations, and conditions under which horse racing with pari-mutuel wagering may be conducted. It is responsible for governing Ohio's seven commercial racetracks and over sixty county fairs. Among the commercial racetracks are three thoroughbred tracks (Beulah Park, River Downs, and Thistledown) and four standardbred or harness racing tracks (Lebanon, Northfield Park, Scioto Downs, and Raceway Park).

The Racing Commission consists of five members, including a chairman, who are appointed by the Governor for four-year terms. These members are generally from the horse racing industry, but cannot be associated with or have a legal or beneficial interest in pari-mutuel meetings. The Commission has a regular staff of 32 employees, and regularly contracts with 11 other employees to serve as judges, stewards, and veterinarians.

Veterinarians play an important role in the drug testing process at all commercial tracks. They keep precise, accurate records related to human and equine sample collection because this information may be used in hearings and legal challenges to commission rulings. Integral to the commission's drug testing program is its relationship with the Ohio State University Analytical Toxicology Laboratory. The lab tests approximately 250 human samples and 31,500 equine samples each year. Samples are analyzed for prohibitive substances outlined in the commission's medication rules and testing helps assure that illegal medications are not used. Violators face fines and licenses may be suspended or revoked depending upon the nature of the violation.

State stewards and presiding judges are employed at commercial racetracks and enforce horse racing rules and regulations. They approve all license applications before being issued by the Commission and are empowered to fine or suspend licensees for violations of racing rules and the orders of the commission. Investigators work closely with stewards and judges. They examine betting patterns, investigate public complaints related to the outcomes of races, and search stable areas when it is felt illegal activity is

occurring. If an investigation results in a licensee being formally charged for violating a specific rule, the individual is entitled to a Chapter 119 appeal.

The Ohio State Racing Commission also promotes the horse racing industry. The Thoroughbred Race Fund, the Standardbred Development Fund, and the Quarterhorse Development Fund provide purse subsidies and supplements that encourage breeding and racing. Both the Thoroughbred Race and the Standardbred Development Funds provide equine research funds to the OSU testing lab, a recognized pioneer in the areas of research and testing.

The Commission's annual budget of approximately \$28 million is funded through license fees and a percentage of moneys wagered on all races in the state, with the exception of those sponsored by fairs and agricultural societies. The executive recommendation for FY 2002 funding is \$27,177,108, which represents an 10.9 percent increase over estimated FY 2001 spending. In FY 2003, recommended funding is \$29,396,274, which is an 8.2 percent increase over FY 2002 funding.

ADDITIONAL FACTS AND FIGURES

Ohio State Racing Commission Staffing Levels						
Program Series/Division	1999	1999	2000	2001	<i>Estimated</i>	
					2002	2003
Promotion and Regulation	48	48	48	48	48*	48
Totals	48	48	48	48	50	50

* See below for a discussion of desired staff increases over the FY 2002-2003 biennium

This section briefly describes some of the Ohio State Racing Commission's proposed and on-going funding needs:

The Ohio State University Analytical Toxicology Laboratory

An area critical to preserving the Commission's integrity as a regulatory agency is its drug-testing program at The Ohio State University Analytical Toxicology Laboratory. The OSU lab is recognized as a pioneer in its field, due primarily to its ability to research and develop new tests that identify and quantify previously undetected drug substances in human and equine samples. There is a close relationship between the OSU lab and the Ohio State Racing Commission, and it has been in place since the 1960s. Currently, OSU's veterinary college is building a new facility, and the Commission has been offered an opportunity to move the toxicology lab to the basement of the new building. A portion of the tax revenue generated from the Executive's recommended changes to permanent law, described in *Permanent and Temporary Law*, would help fund this move. Approximately \$500,000 from the additional \$1.1 million generated annually would be spent every year for four years to refurbish the new lab according to the specific needs of the Commission. This amount is in addition to the current \$1.3 million annual contract the Commission holds with the lab to conduct its testing program.

Commission Staff

Agency officials have expressed the need to hire two additional staff persons for the Commission, although the Executive's funding recommendations do not provide funding to do so. One position is for an in-house attorney who would be responsible for interpreting Ohio statute, as it applies to the Commission generally, and to the distribution of horse racing wager taxes and simulcast purse funds specifically. This attorney would represent the Commission in all legal matters, including lawsuits filed on behalf of racing permit holders with regard to the distribution of moneys. The attorney would also handle appeals from persons who have had their racing licenses suspended or who have been assessed fines under the authority of stewards and judges. The attorney could also research and report on changes within the racing industry that have potential legal ramifications, such as the development of Internet gambling within Ohio and other states, and the question of its legality. Currently, an attorney assigned by the Attorney General's office works for the Commission on an as-needed basis. Commission officials believe its regular workload is significant enough to warrant a full-time staff attorney, funded through the state Racing Commission Operating Fund.

The second position is for a full-time network programmer. Currently, the electronic system for reporting and tracking the total amounts of money wagered at each commercial racetrack, for every day of racing, is managed by totalizator companies within the state. However, the Racing Commission's direct access to

the database maintained by the totalizator companies is limited. Often it takes several days before the Commission knows the exact amounts of money wagered on a given day of racing. Commission officials would like to hire a network programmer to design, operate, and maintain a computer system that could coordinate with totalizator companies' systems, but that could provide the Commission with immediate access to daily racing figures.

Department of Taxation Computer System

Implementing the changes in tax structure and distribution that the Ohio State Racing Commission has requested will require the Department of Taxation, Excise and Motor Fuel Tax Division, to completely redesign their existing computer system that audits returns and computes the distribution of funds. The programming changes that the Department of Taxation anticipates will be required are estimated to cost a maximum of \$150,000.

Satellite Wagering Facilities

Amended Sub. H.B. 361 of the 120th General Assembly initially established satellite facilities and simulcasting in Ohio. The bill authorized Ohio's horse racing tracks to establish fourteen satellite wagering facilities. The new satellite facilities were envisioned as a means to geographically expand the horse race viewing population in Ohio. Through satellite facilities, racing from Ohio thoroughbred and standardbred tracks as well as those tracks located outside Ohio would be made available for viewing and pari-mutuel wagering in areas where no track was located.

Sub. H.B. 561 of the 121st General Assembly greatly enhanced the provisions of Am. Sub. H.B. 361. Although it was estimated at that time that satellite wagering (also known as off-track betting) would be the wave of the future, Ohio currently has only two of these facilities in operation. The first opened in Sandusky in 1999, followed by a facility in Mansfield in March of 2000. Opposition to new facilities has remained quite strong. Stark County voters rejected an off-track betting parlor proposed for Canton in 1998. Recently, a parlor proposed for Niles, Ohio was defeated when Thistledown Racetrack refused permission to open the betting facility within 50 miles of its own facility. Another parlor in Lima, Ohio was defeated through a county referendum.

Nonetheless, the Commission has been responsible for overseeing these satellite facilities, and continues to promote new facilities where and when they are possible. Satellite facilities generate an average of \$25,000 in wagers per day, and are open 365 days of the year.

ANALYSIS OF EXECUTIVE PROPOSAL

Horse Racing Promotion and Regulation

Purpose The mission of the Ohio State Racing Commission is to promote and regulate horse racing

The following table shows the line items that are used to fund this program series, as well as the Governor's recommended funding levels.

Fund	ALI	Title	FY 2002	FY 2003
5C4	875-607	Simulcast Horse Racing Purse	\$16,301,749	\$18,025,043
562	875-601	Thoroughbred Race Fund	\$4,529,149	\$4,642,378
563	875-602	Standardbred Development Fund	\$2,022,797	\$2,200,810
564	875-603	Quarterhorse Development Fund	\$1,000	\$1,000
565	875-604	Racing Commission Operating	\$4,109,513	\$4,314,143
R21	875-605	Bond Reimbursements	\$212,900	\$212,900
Total funding: Horse Racing Promotion and Regulation			\$27,177,108	\$29,396,274

Specific programs within the Horse Racing Promotion and Regulation program series on which this analysis will focus include:

- **Thoroughbred Program**
- **Standardbred Program**
- **Quarterhorse Program**
- **Simulcast Horse Racing Program**
- **Administrative/Operating Program**

Thoroughbred Program

Program Description: 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. It also funds equine research that is conducted at the Ohio State University Analytical Toxicology Laboratory. The Thoroughbred Program receives authority from section 3769.08 of the Ohio Revised Code and serves the horse racing industry as well as the general public.

Funding Source: 1.125 percent of pari-mutuel special account wagering on thoroughbred racing and 0.71 percent of pari-mutuel wagering on commercial harness racing plus one-twelfth of exotic wagering revenue from thoroughbred racing.

Line Items: Fund 562 875-601 Thoroughbred Race Fund.

Implication of the Executive Recommendation: The level of funding recommended by the Executive allows for inflationary growth in subsidy amounts and provides for ongoing operation of the Thoroughbred Program.

Standardbred Program

Program Description: The program was created by the passage of Am. Sub. H.B. 287, effective October 30, 1975, to enhance the state's standardbred industry through the formation of the Ohio Sires Stakes series of races. By providing purse subsidies, the fund encourages breeding and racing in the state. The Standardbred Program also provides funds for research and testing to the Ohio State University Analytical Toxicology Laboratory and derives its authority from section 3769.085 of the Ohio Revised Code.

Funding Source: Funded through section 3769.08 of the ORC, the Ohio Standardbred Fund receives 1.125 percent of pari-mutuel wagering on harness racing plus one-twelfth of exotic wagering revenue from harness racing.

Line Items: Fund 563 875-602, Standardbred Development Fund.

Implication of the Executive Recommendation: The level of funding recommended by the Executive allows for modest growth in subsidy amounts and provides for ongoing operation of the Standardbred Program. It also includes supplemental funding above core budget levels of \$119,647 in FY 2002 and \$247,809 in FY 2003.

Quarterhorse Program

Program Description: The fund was created by the passage of Am. Sub. H.B. 287, effective October 30, 1975, to provide quarter horse racing purse subsidies. Authority for the program is found in section 3769.086 of the Ohio Revised Code.

Funding Source: The Ohio Quarterhorse Development Fund receives 0.625 percent of pari-mutuel wagering on quarter horse racing plus one-twelfth of exotic wagering revenue from quarter horse racing.

Line Items: Fund 564 875-603, Quarterhorse Development Fund.

Implication of the Executive Recommendation: The Commission will be able to provide \$1,000 in quarter horse purse subsidies in each fiscal year. Because there are very few quarter horse races run in Ohio each year, this low funding level seems sufficient.

Simulcast Horse Racing Program

Program Description: The program was created by the passage of Sub. H.B. 561, effective September 19, 1996. Simulcasting is a process of presenting for viewing and pari-mutuel wagering purposes, horse races from tracks other than the one where live racing is occurring. By simulcasting races, a track can present more races to fans to wager upon, thereby increasing revenues for track and horse owners. A portion of every wager on a simulcast race is returned to the track, to horsemen's associations, race purses, and the state. The Ohio State Racing Commission collects money generated from wagering on simulcast racing programs, distributes the balance monthly to purse accounts based upon average amounts wagered at all tracks on live racing days, places fund share percentages in its official records, and prepares an annual report.

Funding Source: The Simulcast Horse Racing Purse Fund receives revenues from purse money from wagering on intrastate and interstate simulcast racing by a permit holder operating as a simulcast host or simulcast guest with no live racing program, and from purse money from amounts wagered at satellite facilities on days when a permit holder serves as a simulcast host for a satellite facility (See sec. 3769.089(E) of the ORC). The Ohio State Racing Commission collects the funds, and then redistributes them to permit holders to be used for horsemen's purse accounts.

Line Items: Fund 5C4 875-607, Simulcast Horse Racing Purse Fund.

Implication of the Executive Recommendation: The Executive's recommendation will provide for ongoing operation of the Simulcast Horse Racing Program, and includes supplemental funding above core budget levels of \$2,000,000 in FY 2002 and \$3,363,058 in FY 2003. These funding recommendations are in line with agency projections for annual payouts to racing permit holders.

Administrative/Operating Program

Program Description: In addition to promoting horse racing in the state, the Ohio State Racing Commission is responsible for its regulation. The Commission prescribes the rules, regulations, and conditions under which horse racing with pari-mutuel wagering may be conducted.

The largest administrative effort involves licensing. There are currently fifty-six categories of regular (annual) licensees and eight categories of restricted licensees. State stewards and presiding judges approve all license applications before being issued by the commission and are empowered to fine or suspend licensees for violations of racing rules and orders of the commission. Commission inspectors issue these licenses, chart pari-mutuel results and file reports to the Department of Taxation.

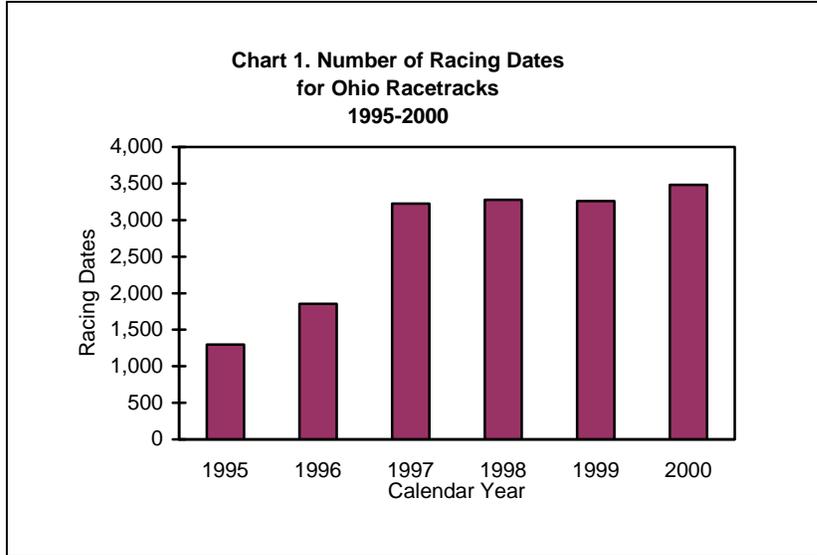
The licensing program requires potential licensees to submit to fingerprinting sanctioned by the Ohio Bureau of Criminal Identification and the FBI. The process allows the Commission to effectively enforce its rules and regulations, providing the agency with the proper forum to mete out fines and/or suspensions to licensees found in violation of rules.

The Commission's investigative program employs three investigators to police the commercial tracks located in four major metropolitan areas. Each investigator has an extensive background in law enforcement and works closely with stewards and judges. Investigators examine computer printouts that detail betting patterns, investigate public complaints related to the outcomes of races and search stable areas when it is felt illegal activity is occurring. They complete investigations ranging from routine inquiries to full-scale operations. If an investigation results in a licensee being formally charged for violating a specific rule, the individual is entitled to the right of appeal as outlined in Chapter 119 of the Ohio Revised Code.

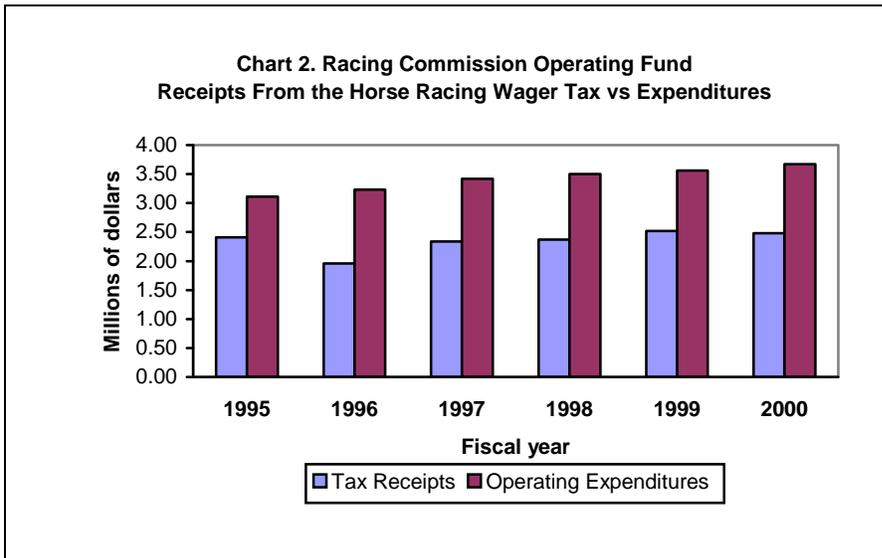
Individuals who appeal commission rulings must deposit a bond with the commission. The Bond Reimbursement Fund was established on January 1, 1986 to receive these bond deposits as well as cash bond deposits from permit holders as outlined in sections 3769.04 and 3769.05 of the Ohio Revised Code.

The Commission also 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.

Since the implementation of simulcast racing in September of 1996, the Racing Commission's responsibilities have increased dramatically. Not only are racetracks open longer in the day; they are open more days during the year. Chart 1 illustrates the increase in racing dates from calendar year 1995 through 2000. In calendar year 2001, the total number of racing days is expected to increase more, due to changes in the operating agreement between Beulah Park and Scioto Downs. Starting in January 2001, both tracks will offer simulcast racing 365 days a year.



As the Commission's responsibilities have increased, so has its level of expenditures. Chart 2 depicts both the increase in Operating Fund expenditures from FY 1995 through FY 2000 and the relationship between expenditures and receipts from the Horse Racing Wager Tax.



The primary source of funding for the administrative and regulatory responsibilities of the Ohio State Racing Commission Operating fund, Fund 565. Statutorily defined percentages taken from Ohio's horse racing wager tax account for approximately 70 percent of this fund's total revenue. Since the enactment of Sub. H.B. 561 of the 121st General

Assembly, the amount of horse racing wager tax that may be deposited into this fund has been capped at \$2.5 million.

Funding Source: Fees collected (license, fingerprinting, registration, permit, etc.), a share of the horse racing wager tax, and bond deposits. Sub. H.B. 561 of the 121st General Assembly capped the amount of horse racing wager tax that could be deposited into Fund 565, Racing Commission Operating, at \$2.5 million.

Line Items: Fund 565 875-604, Racing Commission Operating; Fund R21 875-605, Bond Reimbursements.

Implication of the Executive Recommendation: The Executive's recommendation allows for the removal of the \$2.5 million cap to the Commission's operating fund, the restructuring of the current tax distribution formula to ensure that tax revenues accrue in the fund at a rate that more closely approximates statutory guidelines, and the reduction of tax abatements available to racing permit owners (See this Redbook's section, *Permanent and Temporary Law*). These recommendations provide for the ongoing operation of the Commission, allowing it to keep pace with increasing costs of operation.

PERMANENT AND TEMPORARY LAW

This section describes permanent and temporary law provisions contained in the executive budget that will affect the department's activities and spending decisions during the next biennium.

Permanent Law Provisions (ORC 3769.08, 3769.20)

- Removes the \$2.5 million tax revenue cap on Fund 565, Racing Commission Operating
- Restructures the order in which the PASSPORT fund and the Racing Commission Operating Fund receive their respective percentages of the horse racing wager tax
- Reduces the level of tax abatement available to racetrack permit holders who carry out major capital improvement projects
- Removes a provision within the minor capital improvement program that specifies that tax reductions apply only if approved by the Racing Commission prior to September 19, 1996.

\$2.5 Million Tax Revenue Cap and Horse Racing Wager Tax Distribution

Each permit holder authorized to host live racing programs and simulcast racing programs in Ohio pays a percent of the totals of all moneys wagered on that day of racing as a tax, paid to the Department of Taxation at the close of each racing day. On average, these taxes amount to 3.3 percent of all moneys wagered. Sub. H.B. 561 in the 121st General Assembly instituted significant changes to both the method of distributing revenues from the horse racing wager tax and the total amount of tax revenues the Racing Commission Operating Fund may receive. Under current law, 25 percent of the total taxes levied on thoroughbred, standardbred, and quarterhorse racing permit holders must be paid to the PASSPORT Fund.¹ After payment is made to the PASSPORT Fund, any remaining moneys are distributed to the Ohio Fairs Fund, Ohio Thoroughbred Fund, Ohio Standardbred Development Fund, Ohio Quarterhorse Fund, and state Racing Commission Operating Fund. Each of these five funds gets a proportionate share of the total horse racing wager tax, with the exception of the Racing Commission Operating Fund, to which total revenues cannot exceed \$2.5 million in any calendar year. Should the level of tax receipts in the Operating Fund reach the \$2.5 million cap, any residual amounts will revert to the PASSPORT Fund.

This change in permanent law removes the horse racing wager tax revenue cap that currently limits the amount of tax revenue distributed to the state Racing Commission Operating Fund to \$2.5 million. The provision also restructures the distribution of the tax by specifying that after the PASSPORT fund receives its 25 percent of the total tax (or 0.825 percent of 3.3 percent), the state Racing Commission Operating Fund should receive its statutorily prescribed amount from any money remaining, which equates to approximately 0.6 percent of the remaining 2.475 percent. Following these distributions, the Ohio Fairs Fund, Ohio Thoroughbred Fund, Ohio Standardbred Development Fund, and Ohio Quarterhorse Funds should receive their proportionate shares of the remaining tax.

¹ PASSPORT is a home and community-based Medicaid Waiver program that enables older persons who are in need of a nursing home level of care to stay at home by providing them with in-home services.

Permit Holders' Tax Abatements

Under current law, racing permit holders may reduce the total amount they pay in horse racing wager taxes when they implement major capital improvement projects at their tracks. The tax reduction is intended to encourage renovation of existing racing facilities for the benefit of the public, breeders, and horse owners, and to increase state revenues from the increase in wagering that results from those improvements. Currently, the amount of the reduction is set at one percent, and can only be applied to taxes paid in excess of the amount paid into the PASSPORT fund.

This permanent law provision reduces the tax abatement available to racing permit holders to one-half of one percent, and stipulates that it can only be applied to taxes paid in excess of the amounts paid into the PASSPORT fund and the state Racing Commission Operating Fund.

Under the minor capital improvement program (an improvement that costs at least \$100,000), current law specifies that taxes paid by racing permit holders must be reduced by three-quarters of one percent of the total amount wagered for those permit holders who undergo minor capital improvements or who construct new racetracks. The bill removes a provision of current law that specifies that these tax reductions apply only if they were approved by the Commission prior to September 19, 1996.

Effect on Fund 565, Racing Commission Operating

Since the enactment of Sub. H.B. 561, the Commission has had to pay down an excess balance of approximately \$1 million (by an average of \$230,000 per year), from its operating fund in order to cover its normal annual expenses. Agency officials have said that by the end of FY 2001, the excess balance will be gone, and the fund completely spent. The Commission estimates that by removing the tax revenue cap to the operating fund, restructuring the tax distribution formula, and reducing the level of tax abatement permitted to racing permit holders, revenues deposited into the state Racing Commission Operating Fund will increase by \$1.1 million annually. This will enable the Commission to maintain current staff levels, and continue its administrative and regulatory responsibilities. Other possible uses of the increased revenue are discussed in this Redbook's section, *Additional Facts and Figures*.

Implementing the changes in tax structure and distribution that the Ohio State Racing Commission has requested will require the Department of Taxation, Excise and Motor Fuel Tax Division, to completely redesign their existing computer system that audits returns and computes the distribution of funds. The Department of Taxation has estimated the cost of this redesign at \$150,000.

Removing the provision related to minor capital improvements may have the effect of reducing the total amount of horse racing wager tax distributed to the Commission's development funds – the Thoroughbred Race Fund, Standardbred Development Fund, and Quarterhorse Development Fund – if it is interpreted to mean that permit holders are entitled to tax reductions when they undergo *any* minor capital improvement project, regardless of when it was approved by the Commission.

Temporary Law Provisions

There are no temporary law provisions with fiscal effects on this agency.

REQUESTS NOT FUNDED

Ohio Standardbred Development - 563						
Fund Line Item	FY 2002 Requested	FY 2002 Recommended	Difference	FY 2003 Requested	FY 2003 Recommended	Difference
563 875-602	\$2,022,797	\$2,022,797	(\$0)	\$2,368,701	\$2,200,810	(\$167,891)

The Executive recommendation for line item 875-602, Standardbred Development, is equal to the level of funding requested for FY 2002, and 7.1 percent lower than the level requested for FY 2003. Funding at these levels will provide for ongoing operations without the increase requested by the Commission.

LSC Budget Spreadsheet by Line Item, FY 2002 - FY 2003

<i>Fund</i>	<i>ALI</i>	<i>ALI Title</i>	Revised Estimated 2001	As Introduced 2002	House Sub Bill 2002	% Change Est. 2001 to House 2002	As Introduced 2003	House Sub Bill 2003	% Change House 2002 to House 2003
RAC Racing Commission, Ohio State									
562	875-601	Thoroughbred Race Fund	\$4,431,653	\$ 4,529,149	\$ 4,529,149	2.2%	\$ 4,642,378	\$ 4,642,378	2.5%
563	875-602	Standardbred Development Fund	\$1,858,533	\$ 2,022,797	\$ 2,022,797	8.8%	\$ 2,200,810	\$ 2,200,810	8.8%
564	875-603	Quarterhorse Development Fund	\$0	\$ 1,000	\$ 1,000	N/A	\$ 1,000	\$ 1,000	0.0%
565	875-604	Racing Commission Operating	\$4,012,502	\$ 4,109,513	\$ 4,109,513	2.4%	\$ 4,314,143	\$ 4,314,143	5.0%
5C4	875-607	Simulcast Horse Racing Purse	\$13,989,559	\$ 16,301,749	\$ 16,301,749	16.5%	\$ 18,025,043	\$ 18,025,043	10.6%
State Special Revenue Fund Group Total			\$ 24,292,247	\$ 26,964,208	\$ 26,964,208	11.0%	\$ 29,183,374	\$ 29,183,374	8.2%
R21	875-605	Bond Reimbursements	\$212,900	\$ 212,900	\$ 212,900	0.0%	\$ 212,900	\$ 212,900	0.0%
Holding Account Redistribution Fund Group Total			\$ 212,900	\$ 212,900	\$ 212,900	0.0%	\$ 212,900	\$ 212,900	0.0%
Total All Budget Fund Groups			\$ 24,505,147	\$ 27,177,108	\$ 27,177,108	10.9%	\$ 29,396,274	\$ 29,396,274	8.2%

State Special Revenue Fund Group

562 875-601 Thoroughbred Race Fund

1998	1999	2000	2001 Estimate	2002 Executive Proposal	2003 Executive Proposal
\$4,176,278	\$4,455,820	\$4,304,915	\$4,431,653	\$4,529,149	\$4,642,378
	6.7%	-3.4%	2.9%	2.2%	2.5%

Source: SSR: 1.125% of pari-mutuel special account wagering on thoroughbred racing and 0.71% of pari-mutuel wagering on commercial harness racing plus one-twelfth of exotic wagering revenue from thoroughbred racing

Legal Basis: ORC 3769.083

Purpose: The purpose of this line item is to enhance the thoroughbred racing industry in Ohio by providing purse subsidies and supplements, broodmare and stallion awards for breeders, and equine research funds to The Ohio State University Analytical Toxicology Laboratory.

563 875-602 Standardbred Development Fund

1998	1999	2000	2001 Estimate	2002 Executive Proposal	2003 Executive Proposal
\$1,560,593	\$1,711,885	\$2,055,663	\$1,858,533	\$2,022,797	\$2,200,810
	9.7%	20.1%	-9.6%	8.8%	8.8%

Source: SSR: 1.125% of pari-mutuel wagering on harness racing plus one-twelfth of the money collected by the tax commissioner from wagering on harness racing

Legal Basis: ORC 3769.085; funded through ORC 3769.08

Purpose: The purpose of this line item is to supplement standardbred purses, thereby encouraging breeding and racing and to provide research funds to The Ohio State University Analytical Toxicology Laboratory.

564 875-603 Quarterhorse Development Fund

1998	1999	2000	2001 Estimate	2002 Executive Proposal	2003 Executive Proposal
\$0	\$0	\$3,000	\$0	\$1,000	\$1,000
	N/A	N/A	-100.0%	N/A	0.0%

Source: SSR: 0.625% of pari-mutuel wagering on quarter horse racing plus one-twelfth of exotic wagering revenue from quarter horse racing

Legal Basis: ORC 3769.086; funded through ORC 3769.08

Purpose: The purpose of this line item is to provide quarter horse racing purse subsidies.

565 875-604 Racing Commission Operating

1998	1999	2000	2001 Estimate	2002 Executive Proposal	2003 Executive Proposal
\$3,502,754	\$3,563,217	\$3,666,266	\$4,012,502	\$4,109,513	\$4,314,143
	1.7%	2.9%	9.4%	2.4%	5.0%

Source: SSR: One-sixth of the revenues from the 3.0% exotic wagering tax, 0.25% of thoroughbred and harness racing wagering and all license/permit fees paid by persons and employees engaged in racing.

Legal Basis: ORC 3769.03; funded through ORC 3769.08 and ORC 3769.087

Purpose: This fund serves as the agency's primary revenue source and is used to maintain effective levels of regulation and enforcement. The fund also allows for the completion of other duties related to office administration.

5C4 875-607 Simulcast Horse Racing Purse

1998	1999	2000	2001 Estimate	2002 Executive Proposal	2003 Executive Proposal
\$13,793,734	\$15,495,089	\$16,482,778	\$13,989,559	\$16,301,749	\$18,025,043
	12.3%	6.4%	-15.1%	16.5%	10.6%

Source: SSR: a) purse money from wagering on intrastate and interstate simulcast racing by a permit holder operating as a simulcast host or simulcast guest with no live racing program; b) purse money from amounts wagered at satellite facilities on days when a permit holder serves as a simulcast host for a satellite facility; c) one-half of the balance of the commission paid to a satellite facility.

Legal Basis: ORC 3769.089 (established by Am. Sub. H.B. 561 of the 121st General Assembly)

Purpose: The purpose of this line item is to accurately collect and distribute revenues associated with simulcast horse racing. The Commission distributes the balance monthly to purse accounts at commercial tracks. Track share percentages are maintained in official records and an annual report is prepared.

Holding Account Redistribution Fund Group

R21 875-605 Bond Reimbursements

1998	1999	2000	2001 Estimate	2002 Executive Proposal	2003 Executive Proposal
\$131,000	\$112,200	\$149,775	\$212,900	\$212,900	\$212,900
	-14.4%	33.5%	42.1%	0.0%	0.0%

Source: 090: Cash bond deposits from permit holders and individuals appealing various commission rulings

Legal Basis: Originally established by the Controlling Board on December 29, 1985

Purpose: This line item replaces the Commission Depository Trust Account. Fund receipts represent cash bond deposits from permit holders for performance bonds and bond deposits from individuals who appeal commission rulings.

As Introduced*

In House Finance and Appropriations

Permanent Law Changes**Subject: Receipts of the State Racing Commission Operating Fund****section: 3769.08**

Restructures the current method of distributing the horse racing wager tax and eliminates the \$2.5 million cap on the Racing Commission Operating Fund (Fund 565). The horse racing wager tax represents a percent of the total of all moneys wagered on thoroughbred, harness, and quarter horse racing, and is paid by each permit holder authorized to host live and simulcast racing programs in Ohio. This provision retains the requirement that 25 percent of the tax be paid to the PASSPORT Fund, then stipulates that the \$2.5 million revenue cap that currently limits the amount of tax revenue that may be distributed to the Racing Commission Operating Fund is removed. Following payment to the PASSPORT Fund, the Commission's Operating fund should receive its statutorily prescribed share from any tax balance remaining. After these two payments, and after the tax reductions granted to permit holders for undertaking capital improvements at their racing facilities, any tax remaining should be distributed to the Ohio Fairs Fund, Ohio Thoroughbred Fund, Ohio Standardbred Development Fund, and Ohio Quarterhorse Fund according to statutorily prescribed distributions. If sufficient funds are not available to pay the latter four funds in full, the Tax Commissioner must prorate on a proportional basis the amount paid to each of these funds.

Generally restores current law, but maintains the elimination of the \$2.5 million cap on the Racing Commission Operating Fund. This will allow the Operating Fund to collect more revenue from the horse racing wager tax.

As Introduced*

In House Finance and Appropriations

Permanent Law Changes

The Commission estimates that this provision, combined with one that lowers the permissible level of major capital improvement tax reductions to permit holders to one-half of one percent, will generate an additional \$1.1 million in revenue for the Racing Commission Operating Fund.

As Introduced*

In House Finance and Appropriations

Permanent Law Changes**Subject: Tax Credits for Racetrack Capital Improvements****sections: 3769.08, 3769.20**

Lowers the percentage by which permit holders may reduce the amount they pay in horse racing wager taxes when they implement major capital improvement projects at their tracks. Under current law, the amount of the reduction is one percent (and can only be applied to taxes paid in excess of the amount paid to PASSPORT). The amount is reduced to one-half of one percent, and can only be applied to taxes paid in excess of the amounts paid to PASSPORT and to the Racing Commission Operating Fund (Fund 565). The provision removes language stipulating that tax reductions for minor capital improvements may be taken only if they were approved by the Ohio State Racing Commission prior to September 19, 1996.

Of Ohio's seven racing permit holders, those currently taking advantage of major capital improvement tax abatements will be required to pay more in horse racing wager taxes. Also, the removal of the September 19, 1996 provision may result in recent minor capital improvements being approved for tax reductions, thereby lowering the amount of horse racing wager tax distributed to the Ohio Fairs Fund and the three racing development funds (thoroughbred, standardbred, and quarterhorse).

Restores existing law, in that the one percent tax reduction for major capital improvement projects is reinstated, and removes the provision requiring the tax reduction be taken only after payments made into PASSPORT and the Racing Commission Operating Fund.

Also removes current law's stipulation that tax reductions granted for major capital improvements are in addition to tax reductions granted for minor capital improvements approved by the Racing Commission prior to March 29, 1988. The March 29, 1988 stipulation is removed.

For minor capital improvements, the definition of "capital improvement" is expanded, and "approved cost" is defined.

Also, for minor capital improvements that commenced after March 29, 1988, the bill stipulates that the three-quarters of one percent tax reduction -- that under current law may continue for 10 years, and the total tax reduction may not exceed 70 percent of the approved cost of the minor capital improvement -- applies only until the effective date of this bill. After the bill's effective date, the tax reduction may continue until the total tax reduction reaches 100 percent of the approved cost of the minor capital improvement.

As Introduced*

In House Finance and Appropriations

Permanent Law Changes

These provisions will provide Ohio's racetracks with higher savings in the form of tax reductions when they undergo capital improvement projects.
