# Presented to the Agriculture Committee
# House of Representatives

**May 19, 2010**

# Horse Racing Pre-Executive Order 2009-45 & 54

# State Services Fee Fund (SSFF)

- Since FY 2004-05, the ORC had been funded from the State Services Fee Fund (SSFF) revenue.
- Executive Order 2009-22 eliminated all SSFF support for the ORC, effectively eliminating all spending authority for the ORC.

# State Services Fee Fund (SSFF)

- In 2009, funding was partially restored with $2.4 million Agriculture Equine Industry Development Fund (AEIDF), transferred from two Horse Racing line items:
  - Purses & supplements-fairs/licensed tracks: $1 million
  - Thoroughbred programs: $1.4 million

# State Services Fee Fund (SSFF)

- In 2009 it was determined that $2.4 million was not sufficient for the ORC to provide regulatory oversight for all racing dates desired by the horse racing industry.
  - Result: The industry agreed to shift an additional $179,500.00 from horse racing program lines to the ORC to provide additional racing dates.

# State Services Fee Fund

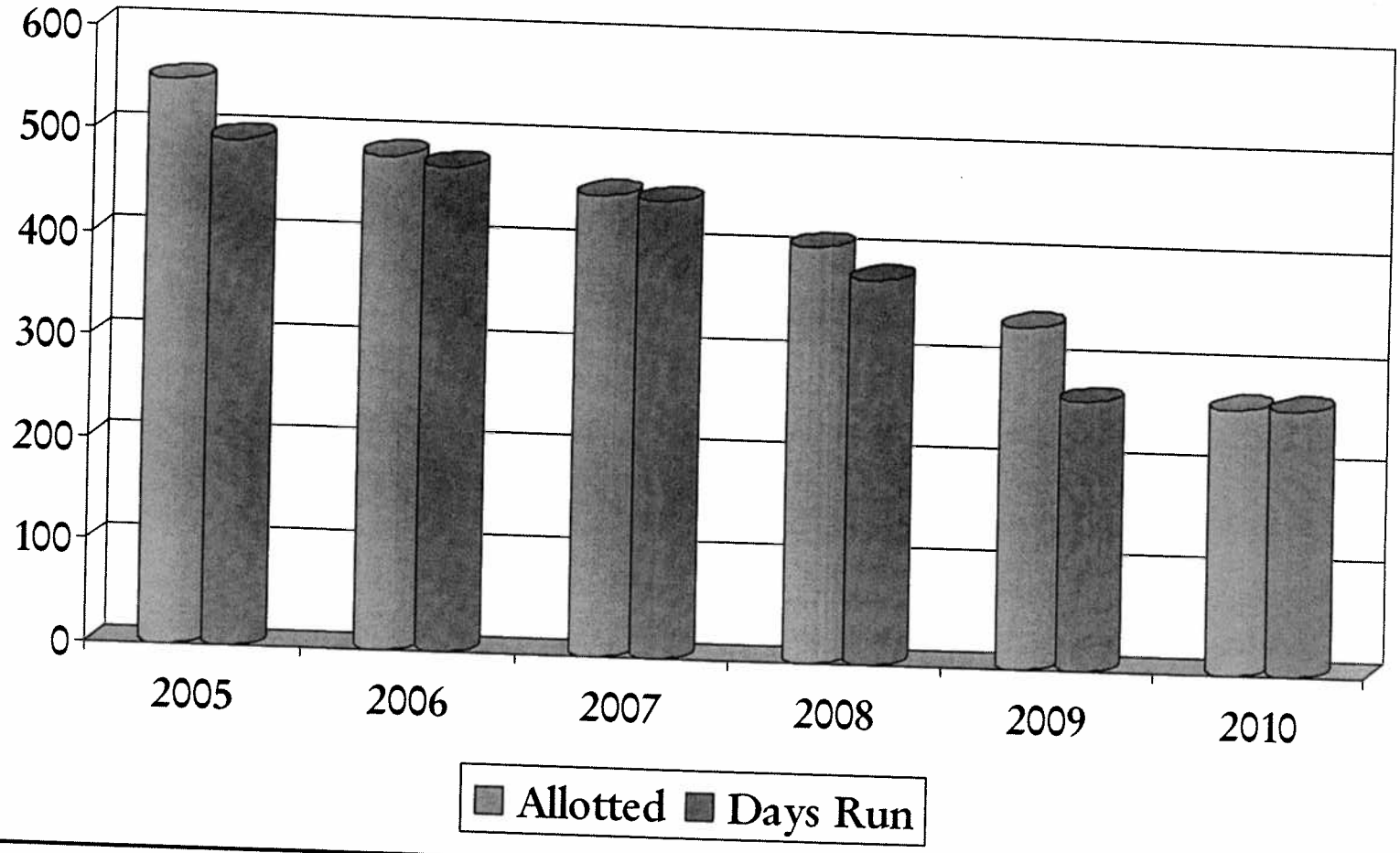
- Transfer dated July 28, 2009
  - Provide $89,252 in additional funding for ORC staff support for additional race dates
  - $14,100 (AEIDF) provided for 3 additional dates at Pinnacle race track
  - Harness racing industry to provide $75,152 in private funds for 22 additional dates at the Hazel Park race track.

# Agriculture Equine Industry Development Fund (AEIDF)

- Horse Racing Law of 1995, AEIDF was created to provide funding for equine industry development programs

- Revenue Sources:
  - 3.5% Simulcast Race Wagering Tax
  - Licensing Fees & Fines
  - Portion of Un-cashed winning tickets

# Race Days:
# Allotted vs. Days Run 2005-2010



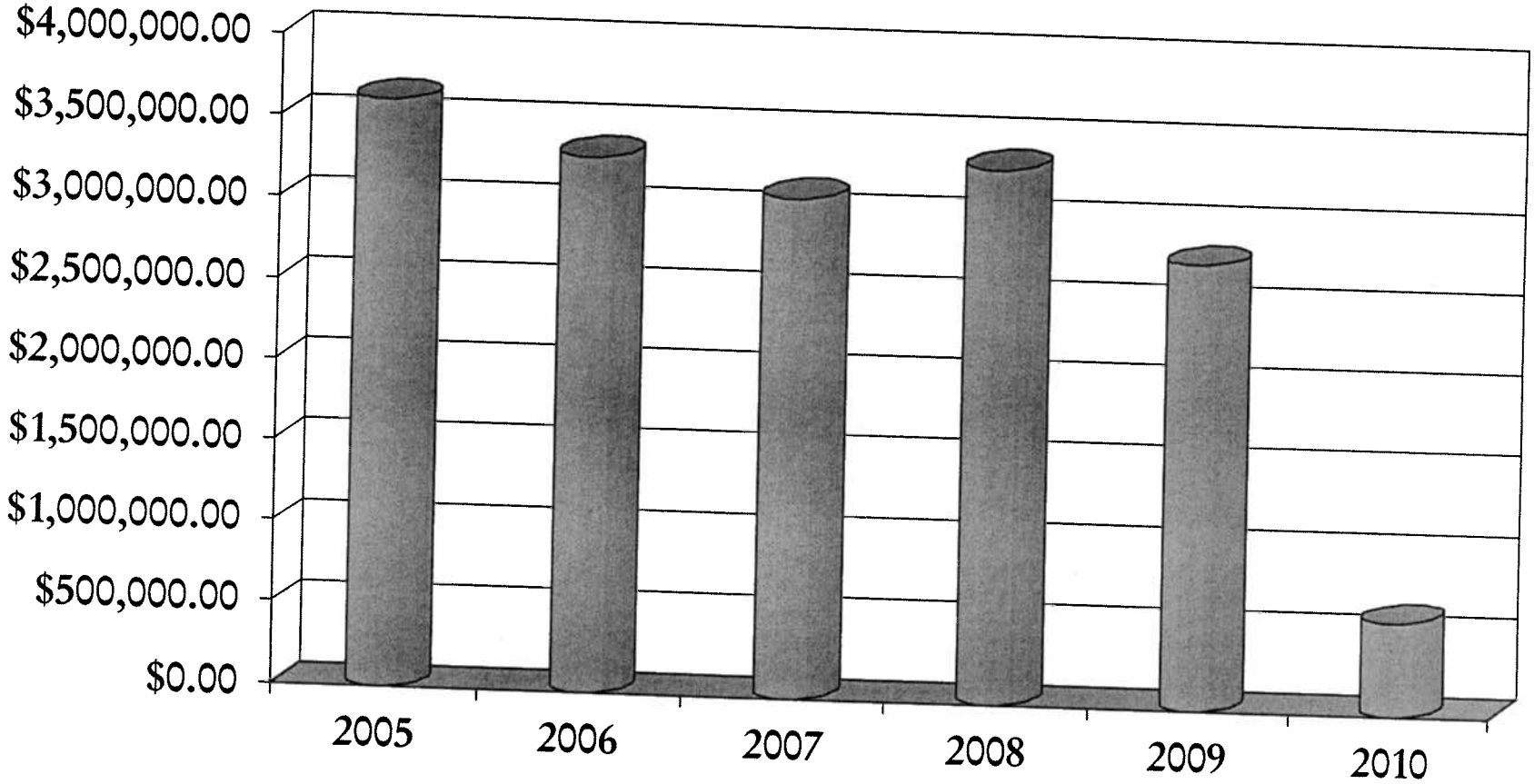

For Year 2010: 217 race dates due to HB5407.

# Live Racing Attendance, Wagering & Revenues 2005-2010

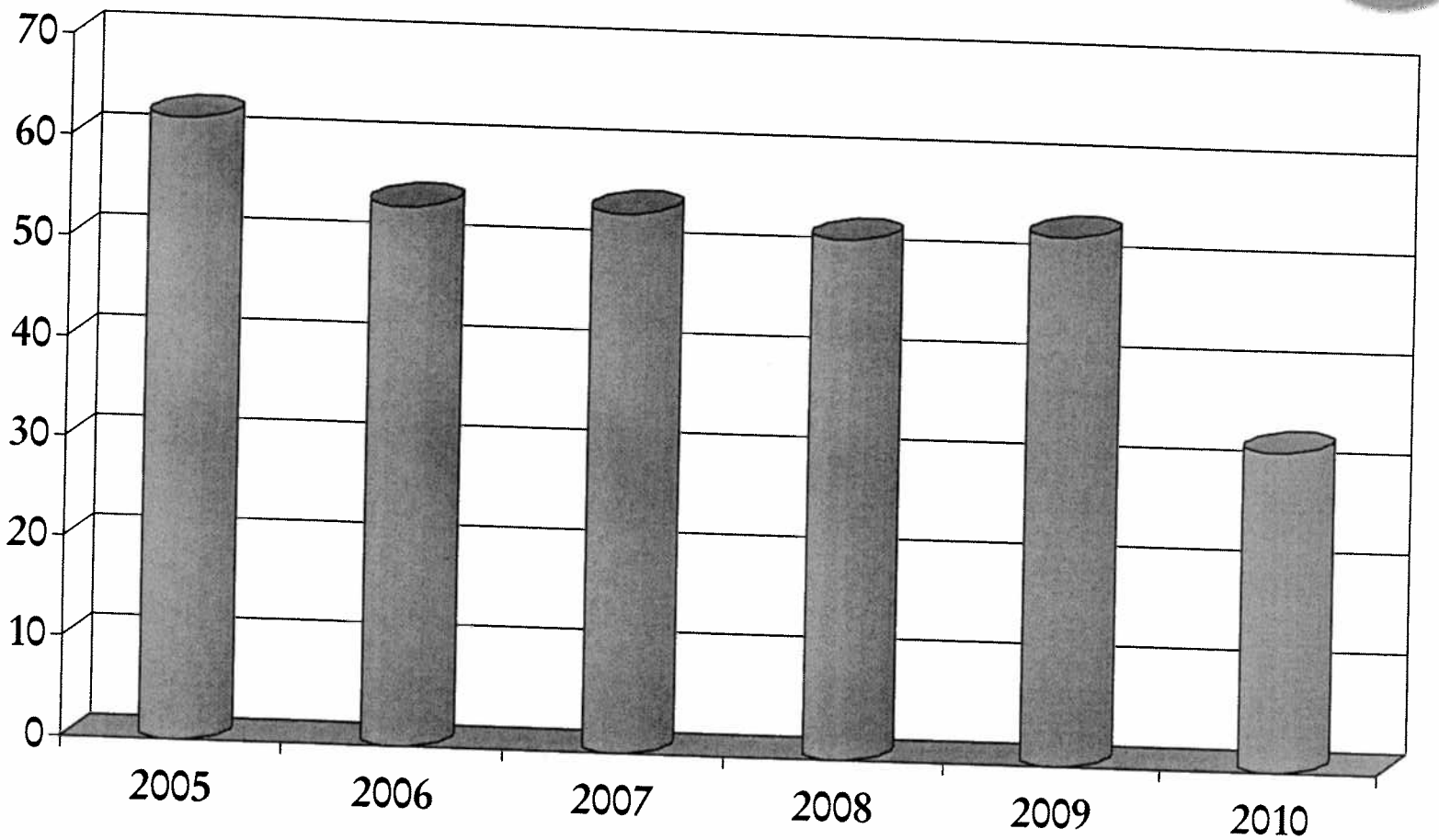
| Year | Live Racing Days | Attendance | Wagering | Revenues |
|---|---|---|---|---|
| 2005 | 548 | 1,190,923 | $309,772,470 | $10,047,139 |
| 2006 | 481 | 1,169,772 | $281,192,788 | $9,067,731 |
| 2007 | 450 | 1,068,080 | $260,962,791 | $8,418,707 |
| 2008 | 376 | 1,100,000 | $231,226,290 | $7,451,713 |
| 2009 | 309* (276) | 878,800*** | $203,338,687 | $6,851,476 |
| 2010 | 261** | Pending | Pending | Pending |

* 2009 Race Dates were reduced to $1.4 million ORC Executive Order budget cut dated 5/05/09.
** 2010 Race Dates were allotted prior the most recent budget reductions and will be further reduced. With the passing of HB5407, 217 race dates have been approved.
*** Attendance is an estimated amount.

# Casino Wagering Tax per Fiscal Year for Racing Industry



# ORC Staff Reductions




**In FY2009-10, ORC eliminated 17 positions

# Horse Racing
# After
# Executive Order
# 2009-45 & 54

# Recent History of ORC Budget Reductions

- Fiscal Year 2009-10
  - Governor's recommended ORC budget was $2,500,000 to fund 261 live race dates
  - Industry worked with the legislature to reduce the ORC budget to $1,785,000 ($715,000 reduction)
  - Projected Equine Fund Revenues dropped 20%, further reducing the ORC budget to $1,428,000 million ($357,000 reduction)
  - House Bill 5407 passed May 10, 2010, increased the ORC budget to $2,067,684 to provide a total of 217 live race dates ($639,684 increase).

# Agriculture Equine Industry Development Fund
# 2010 Spending Plan
# April 13, 2010

**Overview:** In 2010, there is $7.5 million appropriated from the agriculture equine industry development fund. Revenue projections are approximately $6.1 million requiring the need for a revised spending plan. The following amounts have been adjusted based on projected revenue. Appropriations have been reduced 20 percent unless otherwise agreed upon by the equine industry, Michigan Gaming Control Board, and Michigan Department of Agriculture. Based on the following spending plan, 217 total race dates will be provided.

| Agriculture Equine Industry Development Fund Appropriations | Appropriation (a) | Revised Spending Plan Amount | Appropriation Adjustment | |
|---|---|---|---|---|
| Laboratory Analysis Program | 519,700 | 519,700 | - | c |
| Purses and Supplements - Fairs/Licensed Tracks | 1,019,100 | 815,280 | (203,820) | |
| Licensed Tracks - Light Horse Racing | 56,800 | 4,544 | (52,256) | e |
| Standardbred Breeders' Awards | 416,700 | 131,058 | (285,642) | c |
| Standardbred Purses and Supplements - Licensed Tracks | 769,400 | 306,832 | (462,568) | c |
| Standardbred Sire Stakes | 348,300 | 278,640 | (69,660) | |
| Thoroughbred Sire Stakes | 356,900 | 285,520 | (71,380) | |
| Standardbred Training and Stabling | 15,500 | 12,400 | (3,100) | |
| Thoroughbred Program | 1,032,000 | 634,756 | (397,244) | d |
| Thoroughbred Owners' Awards | 53,300 | 42,640 | (10,660) | |
| Distribution of Outstanding Winning Tickets | 500,000 | 443,911 | (56,089) | |
| Information Technology | 226,800 | 181,440 | (45,360) | f |
| Fairs and Expositions | 496,500 | 461,745 | (34,755) | |
| Office of Racing Commissioner - b | 1,785,000 | 2,067,684 | 282,684 | c, d |
| **Total Agriculture Equine Industry Development Fund** | **7,596,000** | **6,186,150** | **(1,409,850)** | |

| Private Revenue Appropriations | Appropriation | Revised Spending Plan Amount | Appropriation Adjustment | |
|---|---|---|---|---|
| Office of Racing Commissioner | - | 24,000 | 24,000 | e |
| **Total Private Revenue Appropriations** | - | **24,000** | **24,000** | |
| | | **Total Supplemental** | **(1,385,850)** | |

# 2011 Racing Budget

Current Governor's budget for 2011 is $1,754,000.

- Amount would provide for 154 live race dates.
- In addition to the budget one (1) Regulation Officer and a CPA Audit Contract that is required by the Racing Act.
- Agriculture Equine Industry Development Fund (AEIDF) projects 25% reduction for 2011.
- After further analysis and meeting with the industry, horse racing would require 217 race days for 2011. This will cost approximately $2.1 million dollars. The current language in the HB 5880 contains this requested funding.

# MGCB REPORTING REQUIREMENTS HB-5407

Sec. 250. The Michigan Gaming Control Board shall:

- enter into an agreement to fund the Michigan bred programs and the Michigan Gaming Control Board's regulatory expenses.
- provide all regulatory functions necessary for the conduct of horse racing under the Horse Racing Law of 1995, 1995 PA 279, MCL 431.301 to 431.336.

# MGCB REPORTING REQUIREMENTS HB-5407 cont.

Sec. 251. The Michigan Gaming Control Board shall:

- report to the legislature on the status and ongoing efforts to transfer the function of the Office of Racing Commissioner to the Michigan Gaming Control Board pursuant to Executive Order Nos. 2009-45 and 2009-54.
- submit the report on or before September 1, 2010 to the house and senate appropriations subcommittees on agriculture and general government and the house and senate fiscal agencies.

The report shall include, at a minimum, the following:

(a) efforts to utilize the most efficient and effective methods of regulating and promoting the horse racing industry.

(b) efforts to promote and support the horse racing industry with the goal of increasing employment and expanded economic activity associated with the horse racing industry.

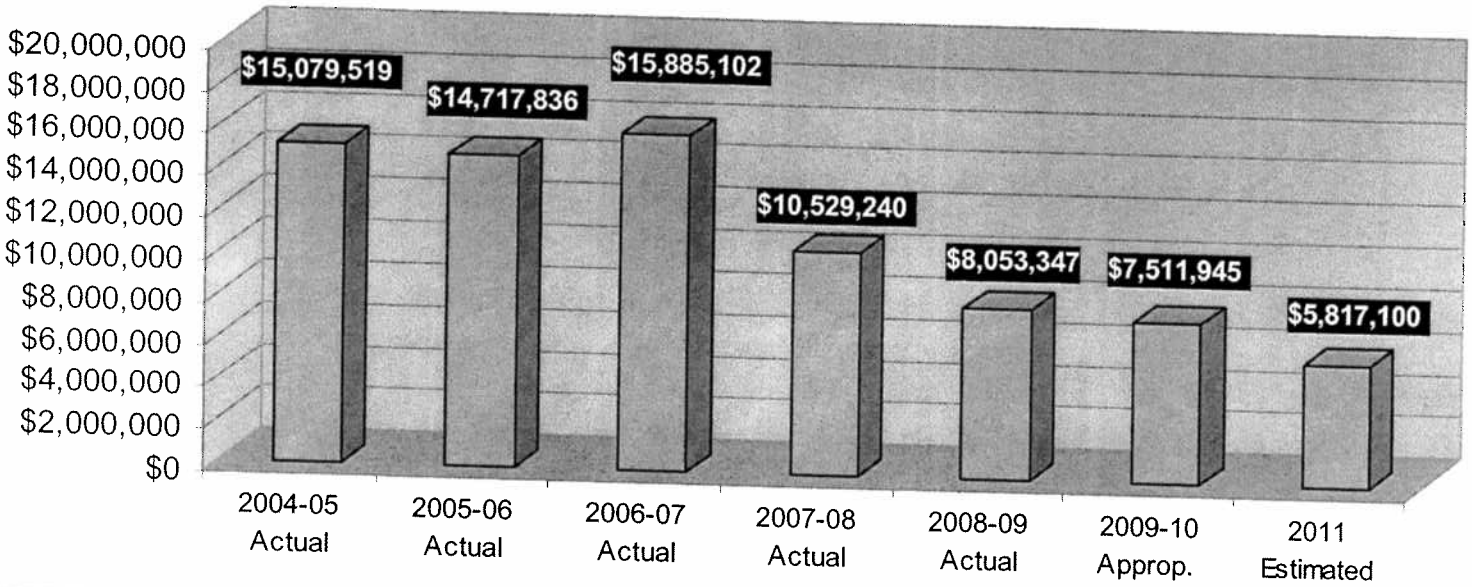
(c) a comparison of Michigan with other states regarding both regulation and promotion of the horse racing industry.

# MGCB REPORTING REQUIREMENTS HB-5407 cont.

Sec. 252. The Michigan Gaming Control Board shall:

- use actual expenditure data in determining the actual regulatory costs of conducting racing dates and provide that data to the house and senate appropriations subcommittees on agriculture and general government and the house and senate fiscal agencies.
- not be reimbursed for more than the actual regulatory cost of conducting race dates.
- reduce the number of future race dates conducted by race meeting licensees with which the certified horsemen's organization has contracts.
- prior to the reduction in the number of authorized race dates due to budget deficits, provide notice to the certified horsemen's organizations with an opportunity to respond with alternatives.
- take into account that each specific breed may require different regulatory mechanisms.

# Agriculture Equine Industry Development Fund



# 2011 Racing Budget Industry Meetings

- Met with full horse racing industry on May 4, 2010, to discuss industry's needs and 2011 budget.
- Met with smaller work group composed of individuals of organizations directly impacted by funding of the Equine Development Fund on May 5, 2010.

# Industry Goals & Input

- Industry to determine and agree on the number of race dates for 2011.
- Advise MGCB on the final agreed amount of race dates.
- Stabilize funding to allow for Race Date Regulation; assuring proper planning for tracks and industry; no repeats of this year.
- Met with Senate Appropriations on May 6, 2010, to discuss 2011 Racing Budget.

# Possible Reasons for the Decline in Interest in Horse Racing

- Proposal 1 of 2004 – Expansion of gaming requires both state and local votes.
- Detroit Casinos
- Indian Casinos
- Internet Gambling
- Keno
- Texas Hold'em

Michigan Horse Racing

MICHIGAN GAMING CONTROL BOARD MGCB

# THANK YOU

Michigan Horse Racing

MGCB

# Comments or Questions

# Future Issues & Challenges Regarding the 2011 Racing Budget