

BUDGET REPORT AND MEASURE SUMMARY

CARRIER: Rep. Nearman

Joint Committee On Ways and Means

Action: Do Pass.

Action Date: 05/01/15

Vote:

House

Yeas: 10 - Buckley, Gomberg, Huffman, Komp, McLane, Rayfield, Smith, Whisnant, Whitsett, Williamson

Exc: 2 - Nathanson, Read

Senate

Yeas: 12 - Burdick, Devlin, Girod, Hansell, Johnson, Monroe, Roblan, Shields, Steiner Hayward, Thomsen, Whitsett, Winters

Prepared By: Tamara Brickman, Department of Administrative Services

Reviewed By: Michelle Deister, Legislative Fiscal Office

Agency: Racing Commission

Biennium: 2015-17

Budget Summary*

	2013-15 Legislatively Approved Budget ⁽¹⁾	2015-17 Current Service Level	2015-17 Committee Recommendation	Committee Change from 2013-15 Leg. Approved	
				\$ Change	% Change
Other Funds Limited	\$ 5,905,502	\$ 6,028,486	\$ 6,028,486	\$ 122,984	2.1%
Total	\$ 5,905,502	\$ 6,028,486	\$ 6,028,486	\$ 122,984	2.1%

Position Summary

Authorized Positions	15	15	14	-1
Full-time Equivalent (FTE) positions	13.27	13.27	12.27	-1.00

⁽¹⁾ Includes adjustments through December 2014

* Excludes Capital Construction expenditures

Revenue Summary

The Commission is funded entirely with Other Funds, with revenues deriving from its share of wagering receipts, license fees and licensee fines. The revenue projection for the 2015-17 biennium is \$5.6 million—the same amount projected for the current biennium. Of these revenues, pari-mutuel receipts and business licensing and fees constitute the vast majority—upwards of 90 percent. In FY 2014, pari-mutuel receipts alone accounted for 62.4 percent of available revenue. All fee revenues received are used for Commission expenses. The Commission’s share of total bets made at horse racing tracks and on simulcast horse races comes to one percent.

With respect to the nine hubs currently licensed in Oregon, the Commission collects a license fee of \$200 per operating day and a tax of 0.25 percent of gross pari-mutuel wagering receipts. However, the total taxes levied on pari-mutuel receipts cannot exceed caps set in OAR 462-220-0040. At this time, the caps only apply to three of the nine hubs licensed in Oregon—Twin Spires, TVG and XpressBet. The caps automatically increase by 7.5 percent annually, unless the Commission acts to change the limits prior to the beginning of the fiscal year.

Of the revenue generated from pari-mutuel receipts, one-third is deposited in the state General Fund; the amount of the transfer projected in the 2015-17 budget is \$1,257,334. The remaining two-thirds are deposited in the Racing Development Fund in order to be used by the Commission for “the benefit of the Oregon pari-mutuel racing industry.”

The recommended budget leaves an ending balance equivalent to just over one month of operating expenses. However, the agency receives the majority of its revenue in the first quarter of each year, so a multiple month carryforward is not strictly necessary for purposes of maintaining operating cash. Further, the agency has some discretion in what it allocates for racing development, to the extent that race meets cannot operate without adequate regulatory oversight from the agency.

Summary of Transportation and Economic Development Subcommittee Action

Established in 1933 as part of the Pari-Mutuel Wagering Act, the mission of the Oregon Racing Commission is to regulate all aspects of the pari-mutuel industry in Oregon—for the benefit of citizens, licensees, participants and the State of Oregon. The Commission oversees horse racing at Portland Meadows Racetrack and at five county fair race sites, including: Union, Grants Pass, Prineville, Tillamook and Burns. In order to provide a safe and fair racing environment, the Commission oversees licensing of race participants (jockeys, trainers and owners), pari-mutuel wagering operations and specific rules on horse racing. Pari-mutuel wagering is a system of betting through which winners divide the total amount bet for that specific type of wager after management expenses have been deducted. The Commission regulates all aspects of on track and off-site wagering operations, including the simulcast of races and Multi-jurisdictional Simulcasting and Interactive Wagering Totalizer Hubs (hubs). These hubs provide simulcasting of race meets conducted across the country. Currently, there are approximately 3,700 licensed race meet participants, nine multi-jurisdictional hubs and at least 15 off-track betting locations in Oregon.

The Subcommittee approved a budget of \$6,028,486 million Other Funds. The approved budget is a 2.1 percent increase from the 2013-15 Legislatively Approved Budget. It includes 14 positions and 12.27 full-time equivalents (FTE).

The Subcommittee approved the following adjustments to the Commission's current service level budget:

Package 801: LFO Analyst Adjustments. This package reflects an adjustment to eliminate an investigator position and transfer the associated expenditure limitation from Personal Services to Services and Supplies, to better reflect recent actual and future expected Racing Commission expenditures. The Racing Commission has maintained a long-term vacancy in investigations. Due to a reduction in the number of racing days per year, the agency has managed investigatory workload with its remaining two investigator positions. Conversely, the agency is facing increases in services and supplies expenditures due to an increase in insurance premiums for jockeys and Department of Justice expenses. This package has a net \$0 expenditure impact to the Racing Commission.

Summary of Performance Measure Action

See attached Legislatively Adopted 2015-17 Key Performance Measures form.

DETAIL OF JOINT COMMITTEE ON WAYS AND MEANS ACTION

SB 5536-A

Oregon Racing Commission
Travis Miller -- (503) 373-1109

DESCRIPTION	GENERAL FUND	LOTTERY FUNDS	OTHER FUNDS		FEDERAL FUNDS		TOTAL ALL FUNDS	POS	FTE
			LIMITED	NONLIMITED	LIMITED	NONLIMITED			
2013-15 Legislatively Approved Budget at Dec 2014 *	\$ -	\$ -	\$ 5,905,502	\$ -	\$ -	\$ -	\$ 5,905,502	15	13.37
2015-17 Current Service Level (CSL)*	\$ -	\$ -	\$ 6,028,486	\$ -	\$ -	\$ -	\$ 6,028,486	15	13.37
SUBCOMMITTEE ADJUSTMENTS (from CSL)									
SCR010-01 - General Program									
Package 801: LFO Analyst Adjustment									
Personal Services	\$ -	\$ -	\$ (99,984)	\$ -	\$ -	\$ -	\$ -	-1	-1.00
Services and Supplies	\$ -	\$ -	\$ 99,984	\$ -	\$ -	\$ -	\$ -	-	-
TOTAL ADJUSTMENTS	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	-1	-1.00
SUBCOMMITTEE RECOMMENDATION *	\$ -	\$ -	\$ 6,028,486	\$ -	\$ -	\$ -	\$ 6,028,486	14	12.37
% Change from 2013-15 Leg Approved Budget	0.0%	0.0%	2.1%	0.0%	0.0%	0.0%	2.1%	-6.7%	-7.5%
% Change from 2015-17 Current Service Level	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	-6.7%	-7.5%

*Excludes Capital Construction Expenditures

Legislatively Approved 2015-2017 Key Performance Measures

Agency: Oregon Racing Commission

Mission: The Mission of the Oregon Racing Commission is to regulate and to facilitate all aspects of the pari-mutuel industry in the State of Oregon for the benefit of the citizenry, the licensees, the participants and the economy of the State of Oregon.

Legislatively Proposed KPMs	Customer Service Category	Agency Request	Most Current Result	Target 2016	Target 2017
1 - Animal Safety: Number of horses euthanized by the Oregon Racing Commission veterinarian due to catastrophic injury occurring during racing per every 1,000 starters.		Approved KPM	1.70	1.50	1.50
2 - License Turnaround Time: Average number of work days from receipt of a complete individual application and questionnaire to conclusion of a criminal background check.		Approved KPM	5.00	5.00	5.00
3 - Excellent Customer Service: Percent of customers rating their satisfaction with the agency's customer service as "good" or "excellent": overall, timeliness, accuracy, helpfulness, expertise, availability of information.	Accuracy	Approved KPM	89.00	75.00	75.00
3 - Excellent Customer Service: Percent of customers rating their satisfaction with the agency's customer service as "good" or "excellent": overall, timeliness, accuracy, helpfulness, expertise, availability of information.	Availability of Information	Approved KPM	85.00	75.00	75.00
3 - Excellent Customer Service: Percent of customers rating their satisfaction with the agency's customer service as "good" or "excellent": overall, timeliness, accuracy, helpfulness, expertise, availability of information.	Expertise	Approved KPM	90.00	75.00	75.00
3 - Excellent Customer Service: Percent of customers rating their satisfaction with the agency's customer service as "good" or "excellent": overall, timeliness, accuracy, helpfulness, expertise, availability of information.	Helpfulness	Approved KPM	90.00	75.00	75.00
3 - Excellent Customer Service: Percent of customers rating their satisfaction with the agency's customer service as "good" or "excellent": overall, timeliness, accuracy, helpfulness, expertise, availability of information.	Overall	Approved KPM	90.00	75.00	75.00

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Legislatively Proposed KPMs	Customer Service Category	Agency Request	Most Current Result	Target 2016	Target 2017
3 - Excellent Customer Service: Percent of customers rating their satisfaction with the agency’s customer service as “good” or “excellent”: overall, timeliness, accuracy, helpfulness, expertise, availability of information.	Timeliness	Approved KPM	80.00	75.00	75.00
4 - Best Practices: Percent of total best practices met by the Board.		Approved KPM	100.00	100.00	100.00

LFO Recommendation:

The Legislative Fiscal Office recommends Key Performance Measure targets as presented. It is recommended that targets for KPM 2 and 3 be reevaluated in 2017 based on actual results, in the event that the recommended change in the number of investigative staff has an adverse impact on performance or customer satisfaction.

Sub-Committee Action:

Approve the Key Performance Measures as presented. Targets for KPM 2 and KPM 3 will be examined in 2017 based on actual results, in the event that the change in the number of investigative staff adversely affects performance in license issuance or customer satisfaction.