

SB 5535 A BUDGET REPORT and MEASURE SUMMARY

Carrier: Sen. Meek

Joint Committee On Ways and Means

Action Date: 05/26/23

Action: Do pass with amendments. (Printed A-Eng.)

Senate Vote

Yeas: 9 - Anderson, Campos, Dembrow, Frederick, Hansell, Knopp, President Wagner, Sollman, Steiner

Exc: 3 - Findley, Gelser Blouin, Girod

House Vote

Yeas: 11 - Breese-Iverson, Evans, Gomberg, Holvey, Lewis, McLain, Pham K, Reschke, Sanchez, Smith G, Valderrama

Exc: 1 - Cate

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Reviewed By: Ben Ruef, Legislative Fiscal Office

Racing Commission

2023-25

Budget Summary*

	2021-23 Legislatively Approved Budget ⁽¹⁾	2023-25 Current Service Level	2023-25 Committee Recommendation	Committee Change from 2021-23 Leg. Approved	
				\$ Change	% Change
Other Funds Limited	\$ 7,523,592	\$ 8,014,285	\$ 7,313,421	\$ (210,171)	(2.8%)
Total	\$ 7,523,592	\$ 8,014,285	\$ 7,313,421	\$ (210,171)	(2.8%)

Position Summary

Authorized Positions	15	15	15	0
Full-time Equivalent (FTE) positions	10.64	10.64	10.64	0.00

⁽¹⁾ Includes adjustments through January 2023

* Excludes Capital Construction expenditures

Summary of Revenue Changes

The Oregon Racing Commission (ORC) is supported with Other Funds derived from live horse racing, simulcast wagering and offtrack betting sites (OTBs), participation licenses, business licenses, fines and “outs” – uncollected winning tickets purged from the system after 90 days and paid to the Commission. Revenue derived from fees paid on “handle” – amount of daily, weekly, monthly, or annual wagering totals—from Oregon licensed Advance Deposit Wagering companies (ADWs) are split between the agency’s Racing Development Account (75 percent) and the General Fund (25 percent). These are referred to as Hub funds and are used to promote a healthy and stable racing industry in Oregon.

On April 11, 2023, the Commission received notice from US Off-Track (an ADW) announcing they will not renew their license or do business in the State of Oregon beginning July 1, 2023. Prior to the receipt of this information, the Commission’s 2023-25 revenue forecast assumed it would remain static or decrease slightly, as was also the assumption for participant licensing fees. The departure of US Off-Track will result in a decrease of approximately \$187,000 in fees and handle for the Commission and \$10,000 to the General Fund. There is concern additional ADWs may also no longer do business in Oregon but have not provided official notice. For this reason, the Commission will need to carefully track its revenue and expenditures and potentially return to the 2024 Legislative Session with any necessary adjustments to the 2023-25 budget, based on actual revenue and expenditures through December 2023.

Summary of Transportation and Economic Development Subcommittee Action

Established in 1933 as part of the Pari-Mutuel Wagering Act, the ORC regulates all aspects of the pari-mutuel industry in Oregon, including racing and on- and off-track wagering, for the benefit of citizens, licensees, participants, and the State of Oregon. 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 also regulates multi-jurisdictional account wagering hubs licensed in Oregon. By statute, 25 percent of the fees on wagering through these hubs goes to the state General Fund; the remaining 75 percent is used to support racing industry activities, such as the commercial race meet in Grants Pass and the summer race meets in communities throughout the state.

The commission oversees horseracing at five county fair race sites, including Union, Grants Pass, Prineville, Tillamook, and Burns. 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 horseracing. The commission also regulates all aspects of on-track and off-site wagering operations, including the simulcast of races and hubs. There are approximately 3,700 licensed race meet participants, nine multi-jurisdictional hubs, and 11 off-track betting locations in Oregon.

The subcommittee recommended a budget of \$7,313,421 Other Funds and 15 positions (10.64 FTE). This represents a decrease of 2.8 percent from the 2021-23 Legislatively Approved Budget (LAB). The agency position count and full-time equivalent positions are unchanged from the 2021-23 LAB.

The commission promotes horseracing in Oregon while ensuring the integrity of the sport and the safety of the contestants, public, and animals. The program is entirely funded from fees charged to licensees, as well as taxes on wagering hubs. The following provides information on the agency's programs:

- **Commission** – The commission approves licenses, acts in a quasi-judicial capacity, and sets policy.
- **Administration** – Administration handles the day-to-day agency operations and ensures commission policies are implemented.
- **Stewards** – Stewards provide onsite monitoring of race meets and ensure fair competition; stewards have the authority to overrule race officials and can impose fines and license suspensions for violation of the rules.
- **Veterinarians and test barn** – Staff work to ensure racehorses are “racing sound” and are not exposed to an unnecessary risk of injury. Additionally, blood and urine samples are collected to test for banned substances.
- **Investigations and Licensing** – Commission investigators are responsible for conducting investigations of alleged violations of racing statutes and rules, as well as surveillance of activities of participants and patrons. Investigators also conduct background investigations on all individuals applying for licensees and oversee chemical testing of human race meet participants. Licensing oversees the process of mandatory licensing for all aspects of race participants.

- **Supervisor of Account Wagering Hubs** – The Supervisor of Multi-Jurisdictional Hub Operations is responsible for the oversight of the multijurisdictional hubs.
- **Pari-Mutuels** - This unit is responsible for the auditing of Pari-Mutuel transactions. The Pari-Mutuel auditing component is responsible for ensuring wagered money is properly accounted for in the Totalizator System, the payouts to the winning wagers are correct, the distribution of the take-out is done accurately and timely, as well as evaluating proposed wagers by the race meet licensee and evaluating simulcast contracts.

The subcommittee recommended a budget of \$7,313,421 Other Funds expenditure limitation and 15 positions (10.64 FTE). The subcommittee recommended the following packages:

Package 090: Analyst Adjustments. Due to a low projected ending balance at Current Service Level (CSL) which would leave the commission with less than two months of operating funds, a reduction of \$600,000 is made to Special Payments. This will reduce the amount horse racing organizations receive and result in reducing purses and breeders’ and owners’ awards. Additionally, the facilities rental budget was reduced by \$100,864, due to the agency moving to a 100 percent remote work setting. These reductions leave the agency with approximately four months of operating expenses as opposed to two months of operating balance left at CSL.

The Sub-committee approved the following Budget Note:

Budget Note:

By January 1, 2024, the Oregon Racing Commission shall submit a report to the Emergency Board or Interim Joint Committee on Ways and Means with an update on the financial impact to the agency from the departure of Advanced Deposit Wagering Multi-Jurisdictional Hub Companies from Oregon.

Summary of Performance Measure Action

See attached Legislatively Adopted 2023-25 Key Performance Measures form.

DETAIL OF JOINT COMMITTEE ON WAYS AND MEANS ACTION

Oregon Racing Commission
Tamara Brickman -- (971) 719-3492

DESCRIPTION	GENERAL FUND	LOTTERY FUNDS	OTHER FUNDS		FEDERAL FUNDS		TOTAL ALL FUNDS	POS	FTE
			LIMITED	NONLIMITED	LIMITED	NONLIMITED			
2021-23 Legislatively Approved Budget at Jan 2023 *	\$ -	\$ -	\$ 7,523,592	\$ -	\$ -	\$ -	\$ 7,523,592	15	10.64
2023-25 Current Service Level (CSL)*	\$ -	\$ -	\$ 8,014,285	\$ -	\$ -	\$ -	\$ 8,014,285	15	10.64
SUBCOMMITTEE ADJUSTMENTS (from CSL)									
SCR 86200-010 - General Program									
Package 090: Analyst Adjustments									
Services and Supplies	\$ -	\$ -	\$ (100,864)	\$ -	\$ -	\$ -	\$ (100,864)		
Special Payments	\$ -	\$ -	\$ (600,000)	\$ -	\$ -	\$ -	\$ (600,000)		
TOTAL ADJUSTMENTS	\$ -	\$ -	\$ (700,864)	\$ -	\$ -	\$ -	\$ (700,864)	0	0.00
SUBCOMMITTEE RECOMMENDATION *	\$ -	\$ -	\$ 7,313,421	\$ -	\$ -	\$ -	\$ 7,313,421	15	10.64
% Change from 2021-23 Leg Approved Budget	0.0%	0.0%	(2.8%)	0.0%	0.0%	0.0%	(2.8%)	0.0%	0.0%
% Change from 2023-25 Current Service Level	0.0%	0.0%	(8.7%)	0.0%	0.0%	0.0%	(8.7%)	0.0%	0.0%

*Excludes Capital Construction Expenditures

Legislatively Approved 2023 - 2025 Key Performance Measures

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Agency: Oregon Racing Commission

Mission Statement:

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 Approved KPMs	Metrics	Agency Request	Last Reported Result	Target 2024	Target 2025
1. Animal Safety - Number of race-related equine fatalities per every 1,000 starters. Oregon's target is no more than 1.5 fatalities per 1,000 starters.		Approved	73%	100%	100%
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. Target equals 5-day turnaround.		Approved	99	100	100
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.	a) Timeliness	Approved	0%	80%	80%
	b) Accuracy		0%	80%	80%
	c) Overall		0%	80%	80%
	d) Expertise		0%	80%	80%
	e) Helpfulness		0%	80%	80%
	f) Availability of Information		0%	80%	80%
4. Best Practices - Percent of total best practices met by the Board.		Approved	89%	100%	100%

LFO Recommendation:

The Agency shall develop and present its recommendation to subcommittee during the 2024 session on new or modified key performance measures to track animal injuries, animal abuse and doping, race fixing, and illegal wagers at races within Oregon.

It should be noted that the last reported result for KPM #1 represents an above target number in catastrophic injuries. Because reporting for the measure can be - depending on your perspective - counterintuitive, below is a description of how this figure is calculated.

The Legislature's target is 1.5 fatalities per 1000. So, 1.5 = 100% of goal. Anything above 100% is better than reaching goal.

Last year there were 3 equine fatalities out of 1464 starters. So divide 3 by 1464 = 0.00205. Multiply that by 1000 (because calculation is based on 1000 starters) = 2.049. Round up to 2.05 fatalities per 1000 starters. So 1.5 (target) divided by 1.02 (actual) = 0.73 x 100 (to make it a percentage) = 73%.

KPM #3 - Excellent Customer Service, results for 2022 are zero because the annual customer service survey was not completed for years 2021 and 2022.

The Legislative Fiscal Office recommends approval of key performance measures and targets as presented.

SubCommittee Action:

The Transportation and Economic Development Subcommittee approved the key performance measures and targets.