

## 2025-27 Budget Review

### Oregon Racing Commission

	2021-23 Actual	2023-25 Legislatively Approved *	2025-27 Current Service Level	2025-27 Governor's Budget
Other Funds	7,169,552	7,482,263	7,988,147	7,889,653
<b>Total Funds</b>	<b>7,169,552</b>	<b>7,482,263</b>	<b>7,988,147</b>	<b>7,889,653</b>
Positions	15	14	14	14
FTE	10.64	10.39	10.39	10.14

\* Includes legislative and administrative actions through December 2024.

#### PROGRAM DESCRIPTION

The Oregon Racing Commission (ORC) regulates the pari-mutuel industry in Oregon. The Commission oversees horse racing at county fair race meets and at Grants Pass Downs, Oregon’s only commercial race meet. The Commission also regulates off-site simulcast races, multi-jurisdictional simulcasting and interactive wagering totalizer hubs, and pari-mutuel matters, by auditing financial transactions and ensuring proper remittance, as well as licensing and technology review. The Commission conducts background checks and licenses all race meet participants, including trainers, jockeys, owners, wranglers, and bet-takers. Staff inspectors investigate irregularities and safety issues with the goal of ensuring the integrity of the sport, safeguarding the well-being of participants, animals, and the public, and promoting horse racing in Oregon. By statute, 25% of the fees on wagering through these hubs goes to the state General Fund, with the remaining 75% 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.

#### BUDGET ENVIRONMENT

The Commission faces several policy and budget challenges, particularly as the industry continues to grapple with declining live horse racing and increasing regulatory complexity. One major issue is the diminishing number of live race days, driven by rising costs and competition from other forms of gambling, including the state lottery and sports betting.

The Commission is also dealing with financial strain from decreased revenues in certain areas, such as participant licensing fees and unclaimed winnings (referred to as "outs"). Online wagering revenue derived from Advance Deposit Wagering Multi-Jurisdictional Hub (ADW) is expected to increase, but this is contingent upon whether they remain in business in Oregon or relocate to another state. The two primary sources of revenue from these companies are the per-diem licensing fees of \$200 per operating

day and the fee percentage rate paid on the pari-mutuel handle. The 2025-27 budget assumes that seven hubs will be licensed throughout the biennium, down from 10 in the 2021-23 biennium.

The Commission has introduced two Legislative Concepts to resolve its current revenue uncertainties. Legislative Concept (LC) 476 would increase the Commission licensing fee from \$30 to \$60 a year with an expected revenue increase of \$142,405 in the 2025-27 budget. This increase more effectively aligns with costs and ensures coverage for background checks and other licensing-related expenses. LC 487 proposes the elimination of a mandate requiring the allocation of 25% of ADW revenue to the General Fund, which is estimated to be \$1.7 million in the 2025-27 budget. This funding would go to improve safety measures and technologies within the racing industry.

The agency is monitoring three additional ADWs for a potential exit from Oregon, which would result in the loss of revenue of up to \$2.3 million per biennium. The Commissions ADW revenue loss would result in reductions in special payments made to fair meets, commercial tracks, race industry associations, and other race related entities. These reductions total up to about \$3 million, and any necessary reductions beyond that will impact operational expenditures. In addition, any future reductions in ADW revenue will also impact payments to the General Fund, due to the ADW revenue distribution split of 25% to General Fund and 75% to ORC.

## CURRENT SERVICE LEVEL

The 2025-27 current service level (CSL) budget of \$8 million is \$505,884, or 6.8%, more than the 2023-25 legislatively approved budget (LAB) of \$7.5 million. However, ORC has an anticipated revenue shortfall of \$973,784 at CSL, which includes a corresponding reduction of 1.80 FTE across six existing positions.

The projections for the 2025-27 biennium assume revenue from live racing will remain flat or slightly decline. Participant licensing fees are expected to remain stable; however, revenues from unclaimed winnings, or “outs”, are projected to decrease, while income from fines and forfeitures is anticipated to remain steady.

The current commercial operator in Grants Pass is set to host significantly fewer live racing days and is unable to simulcast out of state due to the costs associated with complying with the Horse Racing Integrity and Safety Act (HISA) and related simulcasting fees. Although online wagering revenues are expected to see a slight increase, the reduction in online licensees will lead to a decline in daily licensing fees.

## GOVERNOR’S BUDGET SUMMARY

The 2025-27 Governor’s budget is \$7.9 million Other Funds and 14 positions (10.14 FTE). The budget is \$98,484, or 1.2%, lower than the current service level of \$8 million. The Governor’s budget includes fee increases for individual licensees (LC 475) and a statutory change (LC 487) granting the Commission authority to retain 100% of revenues collected from ADWs, eliminating the current 25% transfer to the General Fund. These adjustments ensure revenue and expenditures remain aligned with historical budget levels, enabling continued financial support for summer race meet organizers and associations to cover expenses such as purses, purse incentives, photo finishes, marketing, and advertising.

## OTHER SIGNIFICANT ISSUES

A 2023 state audit of the Commission revealed issues with governance, transparency, and financial oversight. The Commission struggled to maintain a full board for nearly three years, lacked standardized processes for allocating funds to industry groups, and provided inadequate documentation on decisions and regulatory activities, particularly regarding historical horse racing machines. The audit also highlighted ambiguities in Oregon’s gambling laws, creating potential conflicts with the state constitution. The Commission agreed to implement reforms, including clearer policies, better documentation, and improved transparency.

## KEY PERFORMANCE MEASURES

A copy of the Oregon Racing Commission Annual Performance Progress Report can be found on the LFO website: [KPM - View Report](#)

### **Contact Information**

Ben Ruef, Senior Legislative Analyst

### **Legislative Fiscal Office**

900 Court Street NE, Room H-178, Salem, Oregon 97301

Oregon State Capitol | (503) 986-1828 | [www.oregonlegislature.gov/lfo](http://www.oregonlegislature.gov/lfo)