

LEGISLATIVE FISCAL OFFICE
900 Court Street NE, Room H-178
Salem, Oregon 97301
(503) 986-1828

Amanda Beitel, Legislative Fiscal Officer
Paul Siebert, Deputy Legislative Fiscal Officer
John Terpening, Deputy Legislative Fiscal Officer



JOINT COMMITTEE ON WAYS AND MEANS

Senator Lieber, Senate Co-Chair
Representative Sanchez, House Co-Chair

Senator Girod, Senate Co-Vice Chair
Representative Gomberg, House Co-Vice Chair
Representative Smith, House Co-Vice Chair

To: Transportation and Economic Development Subcommittee

From: Ben Ruef, Legislative Fiscal Office

Date: May 22, 2025

Subject: HB 5035 – Oregon Racing Commission
Work Session Recommendations

Oregon Racing Commission <i>Agency Totals</i>				
FUND TYPE	2021-23 ACTUAL	2023-25 LEGISLATIVELY APPROVED	2025-27 CURRENT SERVICE LEVEL	2025-27 LFO RECOMMENDED
Other Funds	7,169,552	7,482,263	7,988,147	7,662,147
TOTAL FUNDS	7,169,552	7,482,263	7,988,147	7,662,147
Positions	15	14	14	14
FTE	10.64	10.39	10.39	10.39

The Oregon Racing Commission (ORC) regulates Oregon's pari-mutuel industry, overseeing horse racing at county fairs, Grants Pass Downs, and off-site simulcast races. They audit financial transactions, conduct background checks, and license all race meet participants. The Commission investigates irregularities and safety issues to ensure the integrity of the sport, participant and animal well-being, and promote horse racing in Oregon. By statute, 25% of wagering fees go to the state General Fund, and 75% supports racing industry activities.

LFO is recommending a budget for the Oregon Racing Commission of \$7,662,147 Other Funds with 14 positions (10.39 FTE), which is a 2.4% increase from the 2023-25 legislatively approved budget and a 4.1% decrease from 2025-27 current service level. The recommended budget leaves ORC's ending fund balance at a three-month operating reserve.

The recommended budget includes a \$326,000 reduction in Other Funds expenditure limitation spread across various services and supplies categories. These adjustments address a revenue shortfall at the Current Service Level and are intended to increase the Commission's ending fund balance to an estimated three months of operating expenses.

The budget also assumes passage of three policy bills. SB 853 increases the statutory caps on licensing and hub fees and is expected to generate \$270,200 in additional revenue. SB 855 increases the statutory cap on civil penalties, with \$40,000 in new revenue anticipated. SB 854 authorizes the Commission to issue fines for certain animal racing law violations, including unauthorized wagering, with a projected \$10,000 in new revenue. Collectively, these measures increase the Commission's revenue to an estimated \$320,200 for the 2025-27 biennium.

Adjustments to Current Service Level

See attached "Work Session Presentation Report."

Note: Statewide adjustments and six-year capital construction expenditures are not included in these recommendations. Any needed adjustments will be made in end of session bills.

Accept LFO Recommendation

MOTION: I move the LFO recommendation to HB 5035. *(vote)*

OR

Modify LFO Recommendation

MOTION: I move the LFO recommendation to HB 5035, with modifications. *(vote)*

Performance Measures

See attached "Legislatively Proposed 2025-27 Key Performance Measures."

Accept LFO Recommendation

MOTION: I move the LFO recommendation on Key Performance Measures. *(vote)*

OR

Modify LFO Recommendation

MOTION: I move the LFO recommendation on Key Performance Measures, with modifications. *(vote)*

Amendment

LFO recommends a budget of \$7,662,147 Other Funds and 14 positions (10.39 FTE), which is reflected in the –3 amendment.

MOTION: I move adoption of the –3 amendment to HB 5035. *(vote)*

Final Subcommittee Action

LFO recommends that HB 5035, as amended by the –3 amendment, be moved to the Ways and Means Full Committee.

MOTION: I move HB 5035, as amended, to the Full Committee with a do pass recommendation. *(vote)*

Carriers

Full Committee:

House Floor:

Senate Floor:

**LFO102 - Work Session Presentation Report
2025-27 Biennium**

**Version: L - 01 - LFO Analyst Recommended
Cross Reference: 86200-000-00-00-00000
Racing Commission, Oregon**

	General Fund	Lottery Funds	Other Funds	Federal Funds	Nonlimited Other Funds	Nonlimited Federal Funds	Total Funds	Positions	Full-Time Equivalent (FTE)
2023-25 Agy. Leg. Adopted	-	-	7,313,421	-	-	-	7,313,421	15	10.64
2023-25 Ebds, SS & Admin Act	-	-	168,842	-	-	-	168,842	-	(0.25)
Ways & Means Actions	-	-	-	-	-	-	-	-	-
2023-25 Leg Approved Budget	-	-	7,482,263	-	-	-	7,482,263	15	10.39
2023-25 Leg Approved Budget (Base)	-	-	7,482,263	-	-	-	7,482,263	15	10.39
Summary of Base Adjustments	-	-	252,219	-	-	-	252,219	(1)	-
2025-27 Base Budget	-	-	7,734,482	-	-	-	7,734,482	14	10.39
010: Non-PICS Pers Svc/Vacancy Factor	-	-	(6,733)	-	-	-	(6,733)	-	-
030: Inflation & Price List Adjustments	-	-	260,398	-	-	-	260,398	-	-
2025-27 Current Service Level	-	-	7,988,147	-	-	-	7,988,147	14	10.39
070: Revenue Reductions/Shortfall	-	-	(998,420)	-	-	-	(998,420)	-	(1.80)
Adjusted 2025-27 Current Service Level	-	-	6,989,727	-	-	-	6,989,727	14	8.59
Total LFO Recommended Packages	-	-	672,420	-	-	-	672,420	-	1.80
2025-27 Legislative Actions	-	-	7,662,147	-	-	-	7,662,147	14	10.39
Net change from 2023-25 Leg Approved Budget	-	-	179,884	-	-	-	179,884	(1)	-
Percent change from 2023-25 Leg Approved Budget	0.0%	0.0%	2.4%	0.0%	0.0%	0.0%	2.4%	(6.7%)	0.0%
Net change from 2025-27 Adj Current Service Level	-	-	672,420	-	-	-	672,420	-	1.80
Percent change from 2025-27 Adj Current Service Level	0.0%	0.0%	9.6%	0.0%	0.0%	0.0%	9.6%	0.0%	21.0%

LFO102 - Work Session Presentation Report
2025-27 Biennium

Version: L - 01 - LFO Analyst Recommended
Cross Reference: 86200-010-00-00-00000

General Program

	General Fund	Lottery Funds	Other Funds	Federal Funds	Nonlimited Other Funds	Nonlimited Federal Funds	Total Funds	Positions	Full-Time Equivalent (FTE)
2023-25 Agy. Leg. Adopted	-	-	7,313,421	-	-	-	7,313,421	15	10.64
2023-25 Ebds, SS & Admin Act	-	-	168,842	-	-	-	168,842	-	(0.25)
Ways & Means Actions	-	-	-	-	-	-	-	-	-
2023-25 Leg Approved Budget	-	-	7,482,263	-	-	-	7,482,263	15	10.39
2023-25 Leg Approved Budget (Base)	-	-	7,482,263	-	-	-	7,482,263	15	10.39
Summary of Base Adjustments	-	-	252,219	-	-	-	252,219	(1)	-
2025-27 Base Budget	-	-	7,734,482	-	-	-	7,734,482	14	10.39
010: Non-PICS Pers Svc/Vacancy Factor	-	-	(6,733)	-	-	-	(6,733)	-	-
030: Inflation & Price List Adjustments	-	-	260,398	-	-	-	260,398	-	-
2025-27 Current Service Level	-	-	7,988,147	-	-	-	7,988,147	14	10.39
070: Revenue Reductions/Shortfall	-	-	(998,420)	-	-	-	(998,420)	-	(1.80)
Adjusted 2025-27 Current Service Level	-	-	6,989,727	-	-	-	6,989,727	14	8.59
Total LFO Recommended Packages	-	-	672,420	-	-	-	672,420	-	1.80
2025-27 Legislative Actions	-	-	7,662,147	-	-	-	7,662,147	14	10.39
Net change from 2023-25 Leg Approved Budget	-	-	179,884	-	-	-	179,884	(1)	-
Percent change from 2023-25 Leg Approved Budget	0.0%	0.0%	2.4%	0.0%	0.0%	0.0%	2.4%	(6.7%)	0.0%
Net change from 2025-27 Adj Current Service Level	-	-	672,420	-	-	-	672,420	-	1.80
Percent change from 2025-27 Adj Current Service Level	0.0%	0.0%	9.6%	0.0%	0.0%	0.0%	9.6%	0.0%	21.0%

	General Fund	Lottery Funds	Other Funds	Federal Funds	Nonlimited Other Funds	Nonlimited Federal Funds	Total Funds	Positions	Full-Time Equivalent (FTE)
--	--------------	---------------	-------------	---------------	------------------------	--------------------------	-------------	-----------	----------------------------

Package 070 Revenue Shortfalls

Package Description This package reduces Other Funds expenditure limitation by \$998,420 and eliminates fractions of six positions (1.80 FTE) to address a revenue shortfall at current service level as a means to increase the Commission's ending balance.

Expenditures have continued to inflate, but revenue has not kept pace with the inflationary expense increases. The Commission's budget expenditures grew by 4% from the 2021-23 biennium to the 2023-25 LAB and increased by 7% from the 2023-25 Legislatively Approved Budget to the 2025-27 Current Service Level (CSL). However, revenues only grew by 1% from 2021-23 to 2023-25 LAB and declined by 2% from 2023-25 LAB to 2025-27 CSL. At CSL, the Commission's ending balance provided for only 1.5 months of operating expenses.

LFO Recommendation The Legislative Fiscal Office recommends approval.

LFO Recommended	-	-	(998,420)	-	-	-	(998,420)	-	(1.80)
------------------------	---	---	-----------	---	---	---	-----------	---	--------

	General Fund	Lottery Funds	Other Funds	Federal Funds	Nonlimited Other Funds	Nonlimited Federal Funds	Total Funds	Positions	Full-Time Equivalent (FTE)
--	--------------	---------------	-------------	---------------	------------------------	--------------------------	-------------	-----------	----------------------------

Package 101 Increase Licensing Fees

Package Description This package aligns with SB 853, which raises licensing fees to increase Commission revenue and better align with neighboring states. The Commission's individual license fee cap will increase from \$30 to \$150 annually, with a tiered fee structure based on license type. Multi-Jurisdictional Simulcasting and Interactive Wagering Totalizator Hub fees will rise from \$200 to \$225 per operating day. Future increases may be considered to further align with regional standards and ensure revenue stability. The package includes \$142,450 in projected revenue from individual fee increases, and \$127,750 in additional Hub fee revenue.

LFO Recommendation The Legislative Fiscal Office recommends approval.

LFO Recommended	-	-	-	-	-	-	-	-	-
-----------------	---	---	---	---	---	---	---	---	---

	General Fund	Lottery Funds	Other Funds	Federal Funds	Nonlimited Other Funds	Nonlimited Federal Funds	Total Funds	Positions	Full-Time Equivalent (FTE)
--	--------------	---------------	-------------	---------------	------------------------	--------------------------	-------------	-----------	----------------------------

Package 103 Increase Maximum Fines

Package Description This package aligns with SB 855 proposing to increase the maximum statutory amount for existing civil penalties under ORS 462.405 from \$500 to \$5,000. Currently, statute limits the maximum fine to \$500. Increasing the maximum fee provides an incentive for licensees to follow the Commission's laws and rules. The package includes \$40,000 in new revenue associated with the proposed increase in fines.

LFO Recommendation The Legislative Fiscal Office recommends approval.

LFO Recommended	-	-	-	-	-	-	-	-	-
-----------------	---	---	---	---	---	---	---	---	---

	General Fund	Lottery Funds	Other Funds	Federal Funds	Nonlimited Other Funds	Nonlimited Federal Funds	Total Funds	Positions	Full-Time Equivalent (FTE)
--	--------------	---------------	-------------	---------------	------------------------	--------------------------	-------------	-----------	----------------------------

Package 104 Fine Illegal Wagering

Package Description This package aligns with SB 854, granting the Commission authority to issue fines for certain animal racing law violations, including unauthorized wagering. The Commission will establish rules for these fines, with a maximum penalty of \$25,000. Estimated revenue for 2025-27 is \$10,000.

LFO Recommendation The Legislative Fiscal Office recommends approval.

LFO Recommended	-	-	-	-	-	-	-	-	-
-----------------	---	---	---	---	---	---	---	---	---

	General Fund	Lottery Funds	Other Funds	Federal Funds	Nonlimited Other Funds	Nonlimited Federal Funds	Total Funds	Positions	Full-Time Equivalent (FTE)

Package 801 LFO Analyst Adjustments

Package Description This package increases the Other Funds expenditure limitation by \$672,420 to correct an overstatement of the revenue shortfall in Package 070 and accounts for the additional estimated revenue in packages 101, 103, and 104 totaling \$320,200. The package also restores the fractional FTEs eliminated in Package 070 and includes a \$40,000 reduction to the agency's special payments to ensure sufficient funding to maintain a three-month operating balance for the Commission.

LFO Recommendation The Legislative Fiscal Office recommends approval.

LFO Recommended	-	-	672,420	-	-	-	672,420	-	1.80
------------------------	---	---	----------------	---	---	---	----------------	---	-------------

Legislatively Proposed 2025 - 2027 Key Performance Measures

Published: 5/16/2025 2:18:29 PM

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 Proposed KPMs	Metrics	Agency Request	Last Reported Result	Target 2026	Target 2027
1. Animal Safety - This measure tracks the number of horse fatalities in regulated races. The Legislature's target is no more than 1 fatality per 1,000 starters. A lower percentage indicates that actual fatalities exceeded the target.		Approved	41.60%	100%	100%
4. License Turnaround Time - This measure tracks the average number of workdays from receipt of a complete individual application and questionnaire to the completion of the criminal background check. Oregon's target is a 5-day turnaround. Performance is reported as a percentage of the target met, with 100% indicating the process was completed within the 5-day goal. A lower percentage means the turnaround time exceeded the 5-day target.		Approved	95	100	100
5. Best Practices - Percent of total best practices met by the Board.		Approved	93%	100%	100%
6. 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	94%	80%	80%
	b) Accuracy		92%	80%	80%
	c) Overall		85%	80%	80%
	d) Expertise		80%	80%	80%
	e) Helpfulness		89%	80%	80%
	f) Availability of Information		87%	80%	80%
2. Horse welfare - This measure tracks the percentage of equine drug tests that exceed approved thresholds for controlled substances, with a goal of no more than 1 positive result per 250 tests. Performance is reported as a percentage of the target met, where 100% means the threshold was not exceeded. A lower percentage indicates that the rate of positive tests was higher than the targeted 1 positive in 250 tests.		Proposed New		100%	100%
3. Equine safety - Injuries - This measure tracks the number of horses that sustain injuries during regulated races, expressed per 1,000 starts. The Legislature's target is no more than 3 injuries per 1,000 starts. Performance is reported as a percentage of the target met, with 100% indicating the injury rate was at or below the target. A lower percentage means the number of injuries exceeded the target.		Proposed New		100%	100%

LFO Recommendation:

The Legislative Fiscal Office recommends changing the target in KPM #1 from no more than 1.5 horse fatalities per 1,000 starts to no more than 1 horse fatality per 1,000 starts.

The Legislative Fiscal Office recommends adjusting the target in the proposed KPM #4 from no more than 5 injuries per 1,000 starts to no more than 3 injuries per 1,000 starts.

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

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

Last year there were 5 equine fatalities out of 1,387 starters. So, divide 5 by 1,387 = 0.0036. Multiply that by 1000 (because calculation is based on 1000 starters) = 3.6. So, 1.5 (target) divided by 3.6 (actual) = .416 x 100 (to make percentage) = 41.6%

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

SubCommittee Action: