

## Oregon Racing Commission

|                    | 2019-21<br>Actual | 2021-23<br>Legislatively<br>Adopted | 2021-23<br>Legislatively<br>Approved * | 2023-25<br>Current Service<br>Level | 2023-25<br>Governor's Budget |
|--------------------|-------------------|-------------------------------------|--|-------------------------------------|------------------------------|
| Other Funds        | 5,864,493         | 7,351,396                           | 7,523,592                              | 8,014,285                           | 7,260,391                    |
| <b>Total Funds</b> | <b>5,864,493</b>  | <b>7,351,396</b>                    | <b>7,523,592</b>                       | <b>8,014,285</b>                    | <b>7,260,391</b>             |
| Positions          | 14                | 14                                  | 15                                     | 15                                  | 15                           |
| FTE                | 9.90              | 10.39                               | 10.64                                  | 10.64                               | 10.64                        |

\* Includes Emergency Board and administrative actions through December 2022.

### 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; the remaining 75% 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.

### CSL Summary and Issues

The 2023-25 current service level (CSL) budget for ORC is \$8 million Other Funds, 15 positions, and 15 positions (10.64 FTE). The CSL budget is \$490,693, or 6.5%, more than the 2021-23 legislatively approved budget. The CSL budget includes adjustments for payroll expenses and standard inflation. At CSL, the agency has an ending balance of \$589,815 Other Funds, which is an equivalent of less than 2 months of operating expenses.

### Policy Issues

The current service level revenue assumptions for the 2023-25 biennium project a total of \$8.4 million, \$1.6 million of which would be transferred to the General Fund. Overall revenues are presumed to be less than the 2021-23 legislatively approved budget and operating costs continue to rise. The 2023-25 CSL ending fund balance is projected to be at a ten-year low, leaving the agency with less than a two month operating reserve. The 2023-25 governor's budget addresses the low ending fund balance by reducing budgeted expenditures by \$700,864, bringing the monthly operating reserve to four months.

### Other Significant Issues and Background

*Racing Industry Interdependency and Trends:* The Oregon Racing Commission is funded exclusively with Other Funds derived from the agency's take of live horseracing, simulcast wagering, and off-track betting sites; participant licensee fees; business licenses from companies that process pari-mutuel wagers, fines, and unclaimed winnings; and historic racing wagers. The Commission receives 1% of bets made at live Oregon race meets and on simulcast events.

Demographic trends, competition from other gambling opportunities, and the potential for wagering companies to relocate their operations to other states could hasten the steady decline of horse racing in Oregon. Revenue from multi-jurisdictional simulcasting and interactive wagering hubs largely support live racing at county fairs. Oregon faces competition from other states who wish to attract hub businesses, and must provide a consistent regulatory structure, as well as a favorable business and tax environment if these businesses are to remain in Oregon rather than relocating to other states. Nine hubs are currently licensed in Oregon, making Oregon the leading state in the nation in the licensing of totalizator hubs.

*Legal Challenges:* In 2022, the Department of Justice (DOJ) issued an opinion stating that Historical Horse Racing (HHR), an electronic gambling system that allows players to bet on replays of horse races, was not considered constitutional gaming activity in Oregon. However, HHR was authorized by statute and had been in continuous operation for four years. The decision resulted in the agency not being able to approve HHR licensure for TMB Racing, LLC. TMB Racing, LLC subsequently ceased all operations in Oregon. A new commercial operator, HRA, LLC has been approved to take over the commercial race meet license and off-track betting sites simulcast network. To deal with the changing environment in the racing industry, the Commission must address not only the survival of the various live race meets, but also the industry.

#### Governor's Budget Summary

The 2023-25 Governor's Budget is \$7.3 million total funds (all Other Funds) and 15 positions (10.64 FTE). The budget is \$753,894, or 9.4%, less than the current service level of \$8 million. The Governor's Budget includes reductions in rent, special payments, attorney general, and state government service charges. Rent savings is due to ORC moving to a work from home business model. The special payments reduction is due to lack of revenue to support current service level payments for race meets.

#### Key Performance Measures

A copy of the ORC Annual Performance Progress Report can be found on the LFO website:

[https://www.oregonlegislature.gov/lfo/APPR/APPR\\_RACING\\_2022.pdf](https://www.oregonlegislature.gov/lfo/APPR/APPR_RACING_2022.pdf)