




# Indiana Horse Racing Commission State of Indiana

Mitchell E. Daniels, Jr., Governor

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TO: Adam Horst  
Director, State Budget Agency

FROM:  Joseph Gorajec  
Executive Director

DATE: November 17, 2010

RE: 2012-2013 Biennial Budget Submission

The 2012-2013 Biennial Budget Submission for the Indiana Horse Racing Commission is enclosed. The supplemental information required for transmittal follows.

## Mission Statement

It is the mission of the Indiana Horse Racing Commission to oversee pari-mutuel horse racing in Indiana, and to protect the integrity of the sport through active and diligent regulation.

## Key Customers

The Indiana Horse Racing Commission serves the general public by regulating the sport of horse racing and the surrounding pari-mutuel activities to ensure that all wagering is fair and lawful. The Commission also serves the horsemen and women of the racing community by protecting the integrity of race meets through human and equine drug testing programs and a security/investigative team. Finally, the Commission serves the track licensees, vendors, track employees, and people involved in related industries (such as veterinary services, hay and feed production, and racing equipment sales) by ensuring that the track and satellite facilities are managed according to the guidelines established in IC 4-31-3 and the laws of the State of Indiana.

## Objectives for 2012-2013

Our agency objectives are designed to protect the integrity and promote the growth of the sport. These objectives include:

**Breed Development Fund Program:** The objective of this program is to stimulate the agribusiness sector of Indiana's economy by encouraging the breeding of high quality racehorses in the State of Indiana. Through this fund, bonuses are distributed to breeders of winning Indiana-bred and/or Indiana-sired horses, and purses paid by the track. Purses for Indiana-owned and/or bred races are funded and/or supplemented. Since the inception of the massive data collection program that began during the 1998-1999 biennium, Breed Development has been successful in tracking statistics on horses racing within the state as well as breeding activities for both Standardbreds and Thoroughbreds. In 2000, Breed Development began collecting data relevant to Quarter Horses. This information is used

to create tools to promote the Breed Development program to prospective buyers of Indiana-sired or Indiana-bred horses. These statistics also allow the Commission to determine award distributions for Indiana-sired or Indiana-bred horses. With increased money available to these programs from Indiana's racinos, promotion of these programs has become a vital element to ensure that there is an adequate balance between quantity and quality and that the State of Indiana is getting the best return on its investment in the program. Success in these programs is measured by the demand for Indiana sired and/or bred horses, and their ability to compete at Indiana's racetracks in open competition (non restrictive).

**Commission Track Security Program:** This includes a broad effort for statutory and rule compliance, as well as safety and security in all areas of the Commission's responsibility, and is under the command of the Director of Security. The Director conducts investigations of any unlawful or suspicious activities at the tracks or satellite wagering facilities. The objective of the program is to protect the public from illegal wagering practices and to promote the integrity of racing by monitoring the conduct and practices of licensees while at the tracks or off-track betting facilities. Success in this objective is measured by prevention of illegal activities by maintaining a constant, visible on-site presence, thorough investigation of all leads of potential infractions, and a low number of cases that actually progress to a level which necessitates administrative action.

**Drug Testing Program:** This program detects the presence of unauthorized substances in horses or humans via blood and or urine testing. The testing is conducted by professionally licensed authorized personnel. The objective of this program is to prevent the use of illegal substances through strict screening policies and severe punishment for infractions. Success in this objective is measured by a low number of positive tests, even as the sensitivity of the screening process increases.

**Blood Gas Analysis:** This program detects the administration of an unlawful "milkshake" or "bicarbonate loading" to horses before they participate in a race. A "milkshake" is a concoction consisting of large quantities of baking soda, confectionary sugar and water that is drenched into a horse's stomach. This procedure helps a horse run faster times by delaying the onset of fatigue. The administration of such a concoction is prohibited in Commission rules and regulations. The objective and performance measurements for this program are the same as for the Drug Testing Program. Blood gas testing is done on site by professionally licensed authorized personnel.

**Occupational Licensing Program:** This program requires all individuals who own horses, work at the track or OTB, or participate in the race meet to first secure a license from the Commission. All licensees are subject to fingerprinting and a criminal history check. During the 2000-2001 biennium, the Commission was successful in getting much of the licensing process streamlined through the use of current technology. The objective of this program is to ensure the integrity of racing by screening all involved with the track or off-track betting facilities for previous criminal history and/or involvement with improper racing activities in other states. Success in this objective is measured by the Commission's ability to institute a process that is the least burdensome administratively.

**Horseman Funding Oversight:** With the implementation of racinos, funding was established for the horsemen's associations: (1) equine promotion or welfare; (2) backside benevolence, and; (3) horsemen's association operations. There are a total of

ten (10) funds (3 funds for each of the 3 breeds plus an additional fund for a thoroughbred owner's and breeder's association). The Commission is mandated by IC 4-35-7-12 to oversee the disbursement of these funds.

The Commission does not plan to reduce or discontinue any services or programs within the next biennium. As a result of the racinos, the Commission was directed to increase its regulatory oversight. The challenges faced by this agency resulting from the racinos will impact the operating budget in the following manner:

1. An increase in the number of live racing days. The number of race dates for 2009 and 2010 have increased by nineteen (19) from 267 live racing dates in 2008 to 286 in 2010. New statutory minimums under IC 4-31-5-9 require each track to race from 140 days to 165 days each year. Each additional race day impacts the Commission's operating expenses. Small increases have been absorbed in the past, but the addition of a large number of days will require additional funds. For each additional Thoroughbred race day the cost is \$4,578 and for Standardbred the additional cost is \$4,551.
2. As increased monies are available through purses and incentives for the horse racing industry in Indiana, the number of individuals wishing to participate in Indiana's horse racing industry is increasing. An increase in participation levels typically equates to an increase in regulatory activities.

**Change Packages:** All agencies have been asked to look at possible "cost savings" ideas. The IHRC has submitted 2 such suggestions:

1. One would be to move the administrative expenses related to running the Breed Development programs to the Breed Development funds. This has the potential of saving the IHRC Operating account \$189,797 per fiscal year. This action would require changes to IC 4-31-11-15 which does not currently allow such expenses to be paid for out of these funds.
2. The other suggestion was to have integrity related expenses moved to the Gaming Integrity Fund. Expenses such as post mortem examinations, analysis of equine specimens and the supplies related to such analysis are paid for out the IHRC Operating account. IC 4-35-8.7-3 does not permit these types of expenses to be paid for out of the Gaming Integrity fund and changes would need to be made in order to save the Operating account approximately \$40,269 per fiscal year.

If you have any questions regarding this submission, please feel free to contact me at 233-3119.

CC: IHRC Members  
Mike Roberts, Budget Analyst