

# 2016-18 Executive Progress Report

Commonwealth of Virginia  
Secretary of Agriculture and Forestry  
Virginia Racing Commission

## At A Glance

The Virginia Racing Commission promotes, sustains, grows and controls the native horse racing industry with pari-mutuel wagering by promulgating regulations and conditions that command and promote excellence, honesty and integrity in racing and wagering.

**Staffing** 3 Salaried Employees, 9 Contracted Employees, 10 Authorized, and 10 Wage Employees.

**Financials** Budget FY 2017, \$3.15 million, 0.00% from the General Fund.

**Trends**

➔ Cost per Permit Issued	Key Perf Areas	⬇ Dollar Amount of Awards
⬇ Dollar Amount of Awards		⬇ Number of Awards
⬇ Number of Awards	Productivity	➔ Cost per Permit Issued

**Legend** ⬆ Increase, ⬇ Decrease, ➔ Steady      Legend ⬆ Improving, ⬇ Worsening, ➔ Maintaining

For more information on administrative key, and productivity measures, go to [www.vaperforms.virginia.gov](http://www.vaperforms.virginia.gov)

## Background and History

### Agency Background Statement

The Virginia Racing Commission (VRC) regulates all aspects of pari-mutuel wagering and live horse racing occurring in the Commonwealth of Virginia. VRC conducts proceedings for the issuing of licenses to racetracks, satellite wagering facilities, and advanced deposit wagering providers. Additionally, VRC issues permits to all participants of live horse racing, employees of racetracks, satellite wagering facilities, and account wagering providers. VRC is also responsible for the oversight of the Virginia Breeders Fund, which provides financial incentives to the breeders and owners of Virginia-bred horses.

### Major Products and Services

VRC provides many important services related to horse racing with pari-mutuel wagering in Virginia. First, VRC is responsible for the issuance of licenses to own and operate a racetrack or satellite wagering facility and conducts public hearings, facility inspections, and background investigations of all applicants. Second, VRC monitors deposits to the Breeders Fund and the license tax to the Commonwealth and certain localities to assure compliance with the Code of Virginia. VRC also issues permits to the participants of horse racing as well as to the employees of the Virginia Equine Alliance and provides Stewards/Judges to officiate the races and enforce the regulations pertaining to horse racing with pari-mutuel wagering. In addition, VRC collects blood and urine samples from selected horses to test for any prohibited or foreign substances that may affect their performance or the outcome of a race. Lastly, VRC provides financial incentives to the owners and breeders of Virginia-bred horses in an effort to increase the horse breeding and agricultural industries in Virginia.

### Customers

#### Customer Summary

Thanks to a change in the Code of Virginia which took effect on July 1, 2015, the money from Advanced Account Wagering (ADW) that was previously paid to Colonial Downs is now being received by a nonprofit industry stakeholder organization known as the Virginia Equine Alliance (VEA) to be used to defray the costs of live horse racing in the Commonwealth. The VEA is also permitted to apply for licenses to operate Satellite Wagering Facilities (SWFs) and as of the end of 2016 had one SWF in operation in Henrico County with another located in Richmond scheduled to open in early January of 2017. The VEA also ran a ten day harness racing season at the Shenandoah County Fairgrounds at a racetrack previously known as Woodstock renamed Shenandoah Downs, which occurred over the course of five weekends in September and October. In addition the VEA also has plans to open three more SWFs in 2017, which will provide additional purse money for live racing as well

as funds to cover operating expenses incurred in conjunction with live horse racing. As in past years, the Virginia Gold Cup Association was awarded a limited license and conducted two days of steeplechase racing at Great Meadow Racecourse located in The Plains, Virginia. The VEA is in the process of selecting a facility at which it can conduct live Thoroughbred racing in the future.

The number of horsemen and other participants has decreased steadily since 2005 primarily due to a reduction in the number of live race days in Virginia. VRC anticipates the number of horsemen and other participants should remain constant going forward unless there is a significant change in the number of live race days. In recent years, ADW has accounted for a larger percentage of the amount wagered on horse racing in Virginia. Advanced deposit wagering enables the citizens of Virginia the option of betting from home, by phone or through a computer.

**Customer Table**

Predefined Group	User Defined Group	Number Served Annually	Potential Number of Annual Customers	Projected Customer Trend
Employer/ Business Owner	Racetrack Owners and Operators	2	2	Stable
Local or Regional Government Authorities	Governments (state and local)	7	7	Stable
Taxpayer	Horse Owners and Breeders	1,000	1,000	Stable
Taxpayer	Horsemen and other participants	3,000	3,000	Stable

**Finance and Performance Management**

**Finance**

**Financial Summary**

Section 59-1-370.1, Code of Virginia, states the total costs for the operation and administration of VRC shall be funded from the State Racing Operating Fund from the amounts provided for in the Appropriation Act. Funds are nongeneral and supported by revenue generated from pari-mutuel wagering.

Section 59.1-372, Code of Virginia, requires one percent of pari-mutuel wagering be set aside in a separate fund to provide awards to breeders and owners of Thoroughbred and Standardbred horses bred in Virginia. These nongeneral funds are generated from pari-mutuel wagering. VRC has fiduciary responsibility of these funds. VRC awards contracts to the Virginia Thoroughbred Association (VTA) in Charlottesville and the Virginia Harness Horse Association (VHHA) in New Kent to administer the funds on its behalf.

**Fund Sources**

Fund Code	Fund Name	FY 2017	FY 2018
0220	Virginia Breeders Fund	\$1,500,000	\$1,500,000
0228	State Racing Operations Fund	\$1,651,791	\$1,651,791

**Revenue Summary**

VRC has three sources of revenue. The first source comes from license and permit fees consisting of fees paid by the Virginia Equine Alliance (VEA) for new satellite wagering facility applications as well as annual owner and operator fees, license renewal application fees paid by Advanced Deposit Wagering (ADW) providers, and application fees by permit holders to participate in horse racing with pari-mutuel wagering in addition to any fines imposed on these permit holders. Fines collected by VRC are transferred to the Literary Fund in accordance with the Code of Virginia. The second and largest revenue source consists of a pari-mutuel wagering tax collected by VRC from the VEA and the licensed ADW providers, based on a percentage of the wagering at the racetracks, satellite wagering facilities, and through ADW. These funds are used to fully support the operating expenses of VRC with no assistance from the General Fund. The third source of revenue is derived from a percentage of all forms of pari-mutuel wagering in Virginia collected by VRC on behalf of the Virginia Breeders Fund. These funds are distributed in the form of financial incentives to the breeders and owners of Virginia-bred horses. These funds are restricted and may only be used for this specific purpose.

**Performance**

**Performance Highlights**

Growing the breeding industry in Virginia is of critical importance to Virginia's horse racing and agricultural industries. Financial incentives to owners and breeders of Virginia-bred horses are paid to encourage more horse owners and breeders to locate and remain in the Commonwealth. The amount distributed to the owners and breeders as well as the number of awards decreased in calendar year 2016 primarily due to a decline in the amount of wagering which took place at the racetracks and satellite wagering facilities.

Public protection and safety of horses is a high priority of the agency. Those directly involved in racing that may affect the outcome of a race are tested for prohibited substances. VRC also collects samples from selected horses for drug testing. The number of tests performed on horses decreased in calendar year 2016 because of fewer live race days than in prior years. The Commonwealth and its localities hosting satellite wagering facilities and racetracks currently share in the tax revenue derived from pari-mutuel wagering. By growing the industry, more revenue will be available to the Commonwealth and local governments. Unfortunately, the amount of tax revenue has declined over the past eight years due to the economy, fewer live race days, and a dispute between Colonial Downs and the horsemen, which resulted in Colonial Downs turning in its licenses to operate a racetrack, satellite wagering facilities, and its own advanced deposit wagering system known as EZ Horseplay. The cost of each permit issued remained constant for fiscal year 2016 and VRC made reductions to its full-time and part-time permitting staff thus reducing its costs with no adverse affect on productivity or customer service. The number of permits issued has declined which is the reason why the cost of each permit issued has remained constant despite the reduction of the agency's permitting costs.

#### Selected Measures

Measure ID	Measure	Alternative Name	Estimated Trend
40555801.005.001	Amount of pari-mutuel tax revenue received by the Commonwealth and localities	Tax Revenue	Worsening
40555801.001.002	Cost of each horse racing permit issued or renewed	Cost per Permit Issued	Maintaining
40553411.001.002	Dollar amount of awards given to Virginia horse breeders and owners	Dollar Amount of Awards	Worsening
40553411.001.001	Number of awards to Virginia horse breeders and owners	Number of Awards	Worsening
40555801.001.001	Number of horse racing permits issued and renewed	Permits Issued and Renewed	Worsening
40555801.002.001	Number of samples taken from horses competing submitted to the laboratory for analysis	Number of Horses Tested	Worsening

#### Key Risk Factors

Limited Number of Employees:

VRC currently is staffed by 3 full-time employees. Some cross-training opportunities do exist; however, career advancement possibilities are limited within the agency given its size.

Agency Results Dependent on Performance of Licensee:

The Virginia Equine Alliance and Virginia Gold Association are currently the only racetrack operators in Virginia with limited licenses and their performance and management decisions can directly affect how successfully VRC accomplishes some of its goals and objectives that are dependent on the number of live racing days each year.

Difficulty Securing Qualified Veterinarians:

It may be difficult for VRC to secure sufficient Associate Commission Veterinarians for future live race seasons. The Equine Medical Director is responsible for recruiting an adequate number of associate veterinarians to work the live race seasons at Shenandoah Downs and the two days of steeplechase racing at the Great Meadow Racecourse. It is difficult for the Equine Medical Director to retain veterinarians with horse experience who are available to work weekends for the brevity of the racing seasons. We have been very fortunate the last several years to employ veterinarians currently between other full-time assignments and hopefully we can continue this practice.

#### Agency Statistics

##### Statistics Summary

The following statistics provide additional information of VRC operations and the horse industry in Virginia for the calendar year 2016.

## Statistics Table

Description	Value
Number of races officiated	125
Number of permits issued	982
Number of licensed racetracks	2
Number of licensed satellite wagering facilities	1
Number of licensed advanced deposit wagering providers	3
Total amount wagered on horse racing in Virginia (\$)	79,451,656
Number of Thoroughbred racehorses foaled in Virginia	120

## Management Discussion

### General Information About Ongoing Status of Agency

VRC's future direction is to continue performing the agency's services in an efficient and cost-effective manner. All staff positions are sufficiently filled at this time, given the current amount of racing and wagering activity in the Commonwealth.

### Information Technology

VRC began using a new licensing system developed by the Association of Racing Commissioners International (ARCI) in March of 2013. The ARCI licensing system is provided free of charge for VRC to use as it is one of the benefits of being a member of ARCI. The ARCI licensing system does not use social security numbers and complies with the security standards of the Virginia Information Technologies Agency (VITA). The new licensing system has worked very well and proven to be a great improvement over the VRC's old system. In early February of 2014 VRC switched from a physical server to a virtual server. This transition to a virtual server was successful and will provide a significant cost benefit to the agency.

### Workforce Development

VRC currently has three full-time employees. There is minimal opportunity for cross-training and backup. Opportunities for career advancement are negligible. Also, because of Shenandoah Downs' location in rural Shenandoah County, the labor pool is sparse and there are a limited number of individuals in the Commonwealth who possess any knowledge and/or experience in horse racing with pari-mutuel wagering.

### Physical Plant

In September of 2013 VRC moved its main administrative offices to the Ivor Massey Building located near the Richmond International Airport at 5707 Huntsman Road in Richmond, Virginia. During the live racing seasons VRC utilizes office space located near the stable area on the backside of Shenandoah Downs racetrack in Shenandoah County. Areas in this building dedicated to licensing, veterinarians, judges, and security are provided by the licensee, in accordance with VRC regulations.