

# 2014-16 Strategic Plan

## Virginia Racing Commission [405]

### Mission

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.

### Vision

We envision the Virginia Racing Commission (VRC) to be a model to which other racing commissions aspire, with a history of excellence and integrity. Participants will find our processing systems to be one of the most efficient and innovative in the industry. Regulations will be easily understood and applied to enable horseracing and wagering at the highest standard of integrity and fairness.

### Values

### Finance

#### Financial Overview

VRC's funding comes from non general funds, which are generated by a tax on pari-mutuel wagering that takes place in Virginia at licensed racetracks and satellite wagering facilities as well as from advanced deposit account wagering (ADW) by Virginia residents, and license fees from participants in horse racing, racetrack owners/operators, their employees, and ADW providers.

#### Biennial Budget

	2015 General Fund	2015 Nongeneral Fund	2016 General Fund	2016 Nongeneral Fund
Initial Appropriation for the Biennium	0	3,126,889	0	3,116,161
Changes to Initial Appropriation	0	0	0	0

*(Changes to Initial Appropriation will be 0 when the plan is created. They will change when the plan is updated mid-biennium.)*

### Customers

#### Anticipated Changes to Customer Base

The number of horse breeders and owners in Virginia may decrease due to wagering competition from surrounding states. By example, Delaware, West Virginia, Maryland, and Pennsylvania all have slot machines at racetracks. The revenue realized by these additional wagering options enables these states to pay much larger purses and breeder awards for the horses competing and thereby attracting horses and breeders away from Virginia. Recently Delaware has passed legislation allowing sports betting on football and table games, which will additionally increase the purses offered by the racetracks in this neighboring state.

The total amount distributed to the horse owners and breeders in Virginia is dependent on the wagering activity at the racetracks, satellite wagering facilities, and from advanced deposit account wagering by Virginia residents. Changes in the amount wagered will directly impact the amount of funds the Virginia Breeders Fund may distribute in awards and incentives.

#### Current Customer List

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

### Partners

Name	Description
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## Agency Goals

- **Maintain horse racing in the Commonwealth of Virginia of the highest quality, free of corrupt, incompetent, dishonest or unprincipled practices thereby maintaining honesty and integrity in racing.**

### Summary and Alignment

Ensuring that pari-mutuel wagering and racing is free of illegal activities is essential to the horseracing industry. This goal directly aligns to VRC's mission to promulgate regulations and conditions that command and promote excellence, honesty and integrity in racing and wagering.

### Associated State Goal

Government and Citizens: Be recognized as the best-managed state in the nation.

### Associated Societal Indicator

Consumer Protection

### Objectives

- » **Ensure that all participants in horse racing, especially those directly involved in the sport including the horses competing, are free of prohibited substances and intoxicants.**

#### Description

Public protection and safety of horses is of critical importance. Those directly involved in racing that may affect the outcome of a race are tested for prohibited substances. VRC oversees this process which is performed by the racetrack licensee in conjunction with VRC staff. Tests are also performed on selected horses that compete in live races with pari-mutuel wagering.

#### Objective Strategies

- Alcohol tests are performed on individuals directly involved in racing, in addition to individuals that could possibly affect the outcome of a race. Random drug tests on these same individuals may also be performed if warranted. The testing of the horses competing is performed by VRC veterinarians and test barn technicians by collecting blood and urine samples from selected horses. Samples are submitted to the approved laboratory for testing by a chief racing chemist for any prohibited or foreign substances that may affect the performance of a horse and/or the outcome of a race.

#### Measures

- ◆ Number of samples taken from horses competing submitted to the laboratory for analysis

- » **Ensure that all participants in horse racing with pari-mutuel wagering have legal, up-to-date permits issued by the Virginia Racing Commission.**

#### Description

Pari-Mutuel wagering and racing that is conducted free of any illegal activities and/or the perception of illegal activities is critical to the survival of the horse racing industry. Therefore all individuals participating in horse racing and employees associated with racing or wagering must be permitted by VRC. To obtain a permit, a criminal history is obtained for each applicant by submission of fingerprints to the State Police and the Federal Bureau of Investigation. A record of an applicant's prior racing violations in Virginia and other jurisdictions is also obtained from the Association of Racing Commissioners International or the United States Trotting Association.

#### Objective Strategies

- VRC permitting staff reviews the official track program to confirm that all individuals included to participate as owners, trainers, and jockeys or drivers have a current permit. Staff also reviews a listing of all employees associated with racing or wagering provided by the racetrack licensee to ensure they are permitted as well.

#### Measures

- ◆ Cost of each horse racing permit issued or renewed
- ◆ Number of horse racing permits issued and renewed

- **Assist in the growth of the pari-mutuel horse racing industry in Virginia.**

### Summary and Alignment

VRC takes all legally permissible actions to assist the unlimited licensee, Colonial Downs, in obtaining approvals to advance the growth of satellite wagering facilities, in an effort to maintain and possibly increase the number of live race days. The amount paid in purses to the horse owners and the number of live race days is dependent on wagering revenue at the racetrack, satellite wagering facilities, and through advanced deposit account wagering. This goal aligns with VRC's mission to grow the native horse racing industry with pari-mutuel wagering.

### Associated State Goal

Economy: Be a national leader in the preservation and enhancement of our economy.

#### Associated Societal Indicator

Business Climate

#### Objectives

- » **Increase the tax revenue to the Commonwealth and local governments from pari-mutuel wagering.**

##### Description

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 total wagering and the number of wagering outlets, increased revenue will be received by the Commonwealth and local governments.

##### Objective Strategies

- VRC encourages legal entrepreneurial endeavors related to pari-mutuel wagering. Wagers made on live horse racing in Virginia, at satellite wagering facilities, and through advanced deposit wagering featuring Colonial Downs and simulcast signals from other racetracks result in increased tax revenue for the Commonwealth and the localities hosting the various wagering facilities.

##### Measures

- ◆ Amount of pari-mutuel tax revenue received by the Commonwealth and localities

- **Provide financial incentives to owners and breeders of Virginia-Bred horses.**

#### Summary and Alignment

This goal provides financial incentives to breeders and owners of Virginia-bred horses and is intended to increase the number of racehorses foaled and raised in Virginia, which in turn helps to maintain open space and the agricultural industry of the Commonwealth. This goal aligns with VRC's mission to grow the native horse racing industry.

#### Associated State Goal

Economy: Be a national leader in the preservation and enhancement of our economy.

#### Associated Societal Indicator

Business Climate

#### Objectives

- » **Increase and sustain the horse breeding industry in Virginia by awarding financial incentives to owners and breeders of Virginia-bred horses.**

##### Description

Growing the breeding industry in Virginia is of critical importance to the horse racing industry in Virginia. Financial incentives to owners and breeders of Virginia-bred horses should encourage more horse owners and breeders to locate and remain in the Commonwealth of Virginia.

##### Objective Strategies

- Ensure the Virginia Thoroughbred Association and the Virginia Harness Horsemen Association meet the obligations of their contracts to promote and market their respective breeds. Also determine that awards distributed from the Breeders Fund are determined fairly and paid promptly in accordance with the Code of Virginia.

##### Measures

- ◆ Dollar amount of awards given to Virginia horse breeders and owners
- ◆ Number of awards to Virginia horse breeders and owners

## 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 facilities 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 Colonial Downs 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 industry in Virginia.

## Performance Highlights

Growing the breeding industry in Virginia is of critical importance to Virginia's horse racing industry. 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 2013 primarily due to a decline in the amount of wagering which took place at the racetrack 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 2013 because of fewer live race days than in prior years. The Commonwealth and its localities hosting satellite wagering facilities and a racetrack 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 six years due to the economy and fewer live race days. The cost of each permit issued remained constant for fiscal year 2014 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.

## Staffing

Authorized Maximum Employment Level (MEL)	10
Salaried Employees	5
Wage Employees	10
Contracted Employees	9

## Key Risk Factors

### Thoroughbred Horsemen Dispute:

The Code of Virginia requires a contract between the racetrack licensee and the recognized majority horseman's group providing for purses in order to offer simulcast and wagering on racing from outside of the Commonwealth at the satellite wagering facilities (SWFs). The contract between the Virginia Horsemen's Benevolent and Protective Association (VAHBPA), which represents the Thoroughbred horsemen in Virginia, and Colonial Downs expired on December 31, 2013 has resulted in Colonial Downs not being permitted to offer wagering on Thoroughbred racing at its SWFs since early 2014 when negotiations between the two parties failed. Without the ability to wager on Thoroughbred racing at its SWFs, Colonial Downs has closed five of its eight SWFs because they are not profitable without the Thoroughbred signals, as the wagering on Thoroughbred racing is generally 80% of the total amount wagered at a SWF. The majority of the revenue that VRC receives to support its operations is generated by the wagering at the SWFs. Through the end of August, VRC has realized \$629,000 in lost revenue as a result of this dispute. If the dispute is not resolved in the near future VRC will be unable to support its operations or make the required transfer to the General Fund in FY2016.

### Limited Number of Employees:

VRC currently is staffed by 5 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:

Colonial Downs is currently the only racetrack operating in Virginia with an unlimited license and its 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 Colonial 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 nights and 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.

## 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. VRC is hopeful the current dispute between Colonial Downs and the Thoroughbred horsemen described in the Key

Risk Factors section of this report will be settled expeditiously. If a resolution is not reached in the near future, VRC will have to explore options for securing an alternative revenue source in an effort to support the costs of its regulation of horse racing with pari-mutuel racing in the future.

### **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 included in 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.

### **Estimate of Technology Funding Needs**

### **Workforce Development**

VRC currently has 5 full-time employees. There is minimal opportunity for cross-training and backup. Opportunities for career advancement are negligible. Also, because of Colonial Downs' location in rural New Kent 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 Colonial Downs racetrack in New Kent County. Areas in this building dedicated to licensing, veterinarians, judges, and security are provided by the licensee, in accordance with VRC regulations.

## **Supporting Documents**

<b>Title</b>	<b>File Type</b>
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**Financial Assistance to the Horse Breeding Industry [53411]**

**Description of this Program / Service Area**

This service area provides financial incentives to the breeders and owners of Virginia-bred horses.

**Mission Alignment**

This service area directly aligns to the Virginia Racing Commission's (VRC) mission to grow the native horse racing industry with pari-mutuel wagering in Virginia.

**Products and Services**

**Description of Major Products and Services**

Owner and Breeder Awards – Bonus checks issued to owners and breeders of Virginia-bred horses.

**Anticipated Changes**

The funds available for breeder and owner awards are determined by the amount wagered at the racetrack, satellite wagering facilities (SWFs), and through advanced deposit wagering (ADW) by Virginia residents. VRC anticipates the funds available for the payment of awards will remain fairly stable in the future unless there is a sudden decrease in the amount of pari-mutuel wagering.

**Factors Impacting**

The growth or decline of pari-mutuel wagering will directly impact the number and amount of awards issued to Virginia-bred horse owners and breeders which will in turn increase or decrease the incentive for individuals to breed horses in the Commonwealth of Virginia.

**Financial Overview**

Section 59.1-372, Code of Virginia, requires that one percent of all pari-mutuel wagering be deposited into a separate fund to provide awards to breeders and owners of Virginia-bred Thoroughbred and Standardbred horses. These are nongeneral funds generated from pari-mutuel wagering at racetracks, satellite wagering facilities and through advanced deposit account wagering. VRC has fiduciary responsibility of these funds and awards contracts to the Virginia Thoroughbred Association (VTA) in Charlottesville and the Virginia Harness Horse Association (VHHA) in New Kent to administer and promote the funds on its behalf.

Biennial Budget

	2015 General Fund	2015 Nongeneral Fund	2016 General Fund	2016 Nongeneral Fund
Initial Appropriation for the Biennium	0	1,500,000	0	1,500,000
Changes to Initial Appropriation	0	0	0	0

**Supporting Documents**

**Title** **File Type**

## License and Regulate Horse Racing and Pari-mutuel Wagering [55801]

### Description of this Program / Service Area

This service area regulates and oversees all aspects of pari-mutuel wagering and live horse racing. The Virginia Racing Commission (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 at racetracks, satellite wagering facilities, and officers and directors of licensed advanced deposit account wagering providers.

### Mission Alignment

This service area directly aligns to VRC's mission to promulgate regulations and conditions that command and promote excellence and honesty and integrity in racing and wagering.

### Products and Services

#### Description of Major Products and Services

License Racetracks, Satellite Wagering Facilities, and Advance Deposit Account Wagering Providers – VRC conducts public hearings, facility inspections and background investigations on all license applications to own and operate a pari-mutuel wagering facility or to provide advance deposit account wagering services for Virginia residents.

Officiating – Stewards/Judges appointed and employed by VRC oversee and officiate live racing, certify the results of all races, conduct hearings, and issue rulings should disputes or violations occur. The stewards/judges also ensure that those individuals participating in horse racing obey the rules and regulations of VRC.

Regulations – Regulations are enforced, developed, and amended to ensure the highest standards of racing and wagering are consistent with the racing industry throughout the United States.

Drug Testing – VRC veterinarians and test barn technicians collect blood and urine samples from selected horses. Samples are submitted to the approved laboratory for testing by a chief racing chemist for any prohibited or foreign substances that may affect the performance of a horse and/or the outcome of a race.

Permitting - Individuals who participate in live horse racing, including employees of the racetrack, satellite wagering facilities, and officers and directors of advance deposit account wagering providers must complete a VRC application requiring pertinent information and criminal history. Fingerprints are taken for each applicant every five years and submitted to the Virginia State Police and the Federal Bureau of Investigation for criminal histories. VRC issues a photo identification badge to these individuals allowing them to access the premises and to participate in live horse racing and wagering.

Safety and Security – VRC ensures that a sufficient number of its staff is available to provide a secure and safe environment for the horses and participants in racing and wagering, including the general public. VRC employees also oversee and/or perform alcohol and drug testing on specific participants in horse racing as necessary. During live race season, there is surveillance of the grounds and activities involving horse racing by VRC staff.

Monitor deposits of the license tax to the Commonwealth and localities –VRC ensures that deposits of state tax, breeders fund contributions, and license fees are made in a timely manner and in the correct amount as required by the Code of Virginia.

Economic Development - VRC aspires to increase the number of breeding farms in Virginia by providing financial incentives to the owners and breeders of Virginia-bred horses. This should benefit the local economy by providing additional employment opportunities and assist in the growth of the agriculture industry in Virginia.

### Anticipated Changes

If the number of live race days increases, so will the workload of the VRC staff, its expenses and the number of samples collected and submitted to the laboratory for testing. VRC does not currently anticipate any significant increase to the number of live race days in the Commonwealth of Virginia.

### Factors Impacting

If the amount of wagering increases so will the amount of money available for purses and as a result the number of live race days may increase as well. If this were to occur the costs of drug testing, officiating, security, and other expenses of the agency would all increase. The additional revenue from any increase in wagering received by VRC should enable it to cover the additional costs associated with an increase in the number of live race days.

## Financial Overview

Section 59-1-370.1, Code of Virginia, states that 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. All funds are nongeneral and supported by revenue generated from pari-mutuel wagering.

### Biennial Budget

	2015 General Fund	2015 Nongeneral Fund	2016 General Fund	2016 Nongeneral Fund
Initial Appropriation for the Biennium	0	1,626,889	0	1,616,161
Changes to Initial Appropriation	0	0	0	0

## Supporting Documents

**Title** **File Type**