

TO: Brian Bailey
Director, Sate Budget Agency

FROM: Joseph Gorajec
Executive Director

DATE: August 15, 2014

RE: 2016-2017 Biennial Budget Submission

The 2016-2017 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.

Accomplishments and Challenges for 2014-2015

Due to a Commission required initiative, Indiana Grand Racetrack and Casino pursued and was granted accreditation from the NTRA (National Thoroughbred Racing Association) Safety and Integrity Alliance. Accreditation is based on areas under Indiana Grand's control as well as the Indiana Horse Racing Commission's. There are six main categories which are scored on multiple levels. They are: (1) injury reporting and prevention; (2) safety equipment and a safer racing environment; (3) medication and testing; (4) health and safety of jockeys; (5) aftercare of equine athletes; and (6) wagering security.

The highest rating is a "Best Practice". The areas in which Indiana Grand scored a "Best Practice" that have a regulatory component are:

- Reporting of Injuries and Fatalities
- Pre-Race Veterinary Examinations
- Post-Race Veterinary Inspections
- Safety Helmet and Safety Vest
- Starting Gate
- Substance Abuse and Addiction
- Uniform National Trainers Test
- Infectious Disease Management
- Regulatory Veterinary Practices and Procedures
- Uniform Medication Rules and Penalties
- Alkalinizing Substances
- Exogenous Anabolic Steroids
- Shock Wave Therapy
- Out of Competition Testing
- Laboratory Accreditation
- Jockey Qualifications
- Wagering Security

The areas that scored other than “Best Practice” which the IHRC has a regulatory influence in are:

- Veterinarians’ List
- Shoes and Hoof Care
- Frozen Sample Testing
- Jockey Weights
- Jockey Scale of Weights
- Wagering Pool Due Diligence

The other than “Best Practice” areas will be evaluated to see what, if anything, the IHRC can do to help improve those scores for the next application process.

Objectives for 2016-2017

Agency objectives are designed to protect the integrity and promote the growth of the sport. They are statute driven and consistent with the agency mission. 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 also funded and/or supplemented by this fund. Since the inception of the data collection 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 races).

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 regulatory purview. The Commission's Director of Security 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 objective of this program is to prevent the use of illegal substances through strict screening policies and appropriate 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 off track betting parlor 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. 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 to help support the following: (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.

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

CC: IHRC Members
Matthew Hutchinson, Budget Analyst