



WHRC Commission Meeting

- Location:** Emerald Downs, 2300 Ron Crockett Drive, Auburn WA 98001, 5th Floor Tribal Council Room and Zoom Video Conference
- Date:** October 13, 2023
- Call to Order:** 9:30 am (PT)
- Adjourned:** 10:10 am (PT)
- Attendees:** Chair Robert Lopez, Commissioner Douglas Moore, Commissioner Dr. Claude Ragle (via Zoom), Ex Officio Representative Joe Schmick (via Zoom), Representative Chris Stearns, Senator Derek Stanford (via Zoom), WHRC Executive Secretary Amanda Benton, Deputy Secretary Ann-Kathrin Zemann (via Zoom), Confidential Secretary Melanie Bowdish

Agenda items

1. Approval of the Meeting Minutes of September 8, 2023

Commissioner Doug Moore moved to approve the Meeting Minutes of September 8, 2023. Commissioner Dr. Ragle seconded. It was moved and seconded that the commission approved the Meeting Minutes of September 8, 2023.

2. Commissioners' Reports

Chair Robert Lopez had nothing to report.

Commissioner Moore attended the 2023 Closing Day of Emerald Downs on September 17, 2023. There were three stakes races that day: the 79th Muckleshoot Tribal Classic, the WA Cup for fillies and mares and the 83rd running of the Gottstein Futurity. Commissioner Moore reported that the attendance was well and that it was a good ending to the 2023 live race meet at Emerald Downs.

Commissioner Dr. Ragle had nothing to report.

3. Industry Reports

a) Emerald Downs

Phil Ziegler gave the industry report for Emerald Downs. The 2023 season went well. They are currently looking through figures and numbers regarding the concluded season. The attendance throughout the Emerald Downs live race meet was consistent and special promotions were popular and well attended as well. The handle was down, but the revenue handle was up.

b) WHBPA

WHBPA Executive Director MaryAnn O'Connell gave the report for the WHBPA. There are six HIWU cases that are still active from the concluded season. O'Connell just got a new case yesterday, which is another low-level positive, where no medication was administered to the horse. This case involves the loss of a \$14,000 purse that has already been spent. There is no explanation as to why there are so many positive test results where there was no medication administered.

Chair Robert Lopez inquired about the date of the race in question, where the low-level positive was detected by HIWU, and the purse was already paid. The date of the race was September 3, 2023. Chair Lopez was surprised that it takes that long to get results. O'Connell is also not sure if Emerald Downs' Vice President Jack Hodge was notified about the positive test result, since the purse was paid out to the connections of the horse. Hodge reported that the test results are taking between 45 to 60 days. By the time the test results are available, the purses have been distributed.

Commissioner Doug Moore inquired about the level of test results. MaryAnn said that she gets an estimate level. The methodology on some of these levels is suspect, according to MaryAnn's report. There are no safeguards in testing the levels. MaryAnn also reported on veterinarians saying that they cannot do this much longer. They are doing everything so carefully, but their clients are still getting positive test results from HIWU, and they do not know where they are coming from.

Commissioner Dr. Ragle was inquiring about the use of split samples, that could confirm the findings. MaryAnn O'Connell explained that for the party to see the results of sample A, one must accept the results prior to getting the results. Hence, once you have found a mistake you already accepted the result that you now try to question. The split sample is \$1200, and the loss of purse is non-negotiable, so unless the split sample comes back 100% negative, you will not get the purse back.

WHBPA President Pat LePley reported that the WHBPA started work on the Legislation for 2024, as well as being in the process of reactivating the Washington Thoroughbred Owners Political Action Committee. The WHPA is raising funds for said committee.

c) WTBOA

WTBOA President Dana Halvorson gave the industry report for the Washington Thoroughbred Breeders and Owners Association. The WTBOA board had a meeting on October 12, 2023. The WTBOA will have their annual Stallion Season Auction in the middle of December. The Stallion Season Auction will be very important for the financial situation of the WTBOA.

4. Annual Review of Source Market Fees

The time frame for the annual review of the Source Market fees was September 1, 2022, to August 31, 2023. The total amount distributed to the WHRC operating account was \$466,691.49. It was down 8.5% from the prior year. Source Market fees were changed, and they were collected at a rate from 5.5% September 1, 2022, to January 6, 2023, and were changed to 10%, as of January 7, 2023. The Source Market fee was further changed to 0% as of July 1, 2023, due to the \$1.15 million appropriation from the state budget to the WHRC's operating account, which was attended to assist the Horse Racing Industry. The WHRC also tracks the 10% Source Market fee that is currently not collected by the WHRC. For the months of July and August the total amount not collected by the WHRC is \$124,307.15.

5. Annual License Fee Review

The WHRC reviews its licensing fees annually prior to the racing season and makes periodic adjustments necessary to recover the actual costs of licensing and background investigations. License fees are authorized under RCW 67.16.020, which establishes the duties of the commission. The purpose of this review is If any adjustment of fees is necessary for the 2024 racing season. The WHRC utilizes a cost pool methodology in analyzing the costs of licensing. This incorporates the direct and indirect costs of licensure including staff time, postage, supplies, equipment and support costs. Actual workload and costs from the prior year are reviewed and assumptions are updated for the ensuing fiscal year. The analyses are displayed on two spreadsheets:

- Attachment 1 summarizes the elements of the licensing cost center. It shows payroll costs related to licensure plus other elements such as equipment, supplies and indirect cost.
- Attachment 2 displays the license fee history for the past several years as compared to the licensing cost center totals.

The fund balance as of September 1, 2023, is \$1,510,997. The projections for the upcoming fiscal years show the projected ending balance for the fiscal year 2024 is \$1,158,252 and the projected ending balance for the fiscal year 2025 shows \$557,996. Previous concerns about the fund balance led the agency to request an appropriation from the General Fund to stabilize the operating account. This was approved for one year and \$340,000 were deposited into the WHRC operating account in September 2021.

The Washington State Legislature approved a one-time appropriation of \$1,150,000 into the WHRC operating account with the passage of the enacted 2023-2025 budget. The economic recession had caused a decline in the number of licensees followed by the Covid-19 pandemic which further affected license revenues and other external factors continue to decrease participation in the horse racing industry. This is reflected in a 2.7% decrease in licenses issued in 2023 when compared to 2022. Another issue that affects the WHRC is the approval of multiple compensation adjustments by the state. However, due to the \$1,150,000 appropriation in July of this year, the WHRC operating account is currently stabilized and no adjustments in licensing fees are recommended at this time but may need to be considered as costs continue to rise.

Chair Robert Lopez emphasized the fact that the cost of the operation is covered by the license fees. In his opinion, the WHRC can go one more year without raising the license costs, but if the before mentioned factors continue to be of more financial impact, the WHRC must consider an increase in license fees, although the commission received the \$1,150,000 appropriation.

Commissioner Doug Moore, as well as the staff of the WHRC, did not recommended raising the license fees for the upcoming 2024 live racing season. Especially because the Horse Racing industry currently facing struggles and financial hardships.

Chair Robert Lopez moved that the commissioners follow staff recommendation to not increase license fees for the 2024 meet. Commissioner Dr. Ragle seconded. It has been moved and seconded that the WHRC will not raise license fees for the 2024 live racing season. Motion carried.

6. Update on Washington-Bred Owners/Breeders Awards

The advanced deposit wagering report for the race year 2023, which goes from September 1, 2022, to August 31, 2023, as well as the parimutuel wagers distribution report for the 2023 live race meet, which was held from May 6, 2023, to September 17, 2023. The owners bonus fund and the breeders awards fund each get 2.5% of the Source Market fee from advanced deposit wagering. For 2023 this amount is \$174,157.87. This amount is down 5.8% (\$10,372.60) from the previous year. For the Washington-bred owners bonus the association withholds 1% of the gross wagers in Washington. This was \$231,22.21 for the live race meet in 2023. For the Washington-bred breeders awards, they get 1/6 of the exotics for the live race meet. That was \$24,437.51. This was a decrease of 3.9% from the previous year. The totals for each pool would be \$405,180.14 for the Washington-bred owners' bonus and \$190,595.38 for the Breeders bonus. The checks for the bonuses are expected to go out mid-November.

7. WHRC Meeting Dates for 2024

The proposed meeting dates for the Washington Horse Racing Commission for 2024 were discussed. The proposed meeting date for March, which would have been March 8, 2024, was rescheduled to March 15, 2024, due to an overlapping ARCI event in Ohio.

Chair Robert Lopez entertained a motion to approve the WHRC Meeting dates for 2024. Commissioner Moore made the motion to approve the meeting dates. Commissioner Dr. Ragle seconded the motion. Motion carried.

8. Executive Secretary's Report

a. Wagering Recap (September 2023) and

Wagering was down 12.9% in the month of September with two less live race days in 2023 in comparison to 2022. The amount distributed to the WHRC was \$84,294.24, which included the parimutuel tax and the live racing daily fees. This amount was down 33.9% from 2022.

Advanced Deposit wagering was also down in August. The total amount wagered was \$9,477,238.42, which is a decrease of 12.1% from the prior year.

b. 2023 Live Meet Wagering; and

This is a report for the time frame of May 6, 2023, to September 17, 2023. The total wagering for the live race meet was \$23,102,118.14, a decrease of 5.5%.

c. Monthly Financial Statement (July/August 2023)

The actual revenue for July came in \$5,335 less than expected. The revenue for August came in \$18,138. The expenses for both July and August were also higher than budgeted. The expenses for July came in at \$61,559 more than expected. August expenses came in \$11,136 more than expected.

The fund balance at the end of August was \$1,510,997, with a projected ending balance for fiscal year 2024 of \$1,150,252 and the projected ending balance for fiscal year 2025, which is the end of the biennium, \$557, 996.

9. Discussion Items – Commissioners

Commissioner Dr. Ragle inquired about the false positives across the country. MaryAnn O’Connell reported that it is more common on smaller tracks, and that there were no incidents in Kentucky thus far.

10. Any other business that may be properly brought before the Commission

Nothing to report.

The next meeting of the Washington Horse Racing Commission will be held on November 9, 2023, at 9:30 am at Emerald Downs and via Zoom.



Amanda Benton, Executive Secretary