

# Oregon Racing Commission Annual Performance Progress Report

## Executive Summary

Time Period: Fiscal Year 2003 – 2004

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### Introduction

*The Mission of the Oregon Racing Commission is to regulate and to facilitate all aspects of the pari-mutuel industry in the State of Oregon for the benefit of the citizenry, the licensees, the participants and the State of Oregon.*

The Oregon Racing Commission [ORC] currently has four performance measures. Three of them were new for the 2003- 2005 biennium and were developed with input from staff, the industry and the Progress Board during 2002, in preparation for the 2003-05 budget review process. The ORC has not identified any Oregon Benchmarks that are affected by its mission statement and regulatory activities. The performance measures are linked to the agency mission and its core values of public and licensee protection, level racing fields, consistently fair regulatory practices, plus monitoring and protecting the welfare of racing animal athletes.

The four performance measures approved by the 2003 legislature and implemented by the ORC provide the agency with information which is used to manage and evaluate agency performance. The information also assists in tracking trends in the pari-mutuel industry such as declines in the live handle (amount wagered) and increases in technological forms of wagering.

### Achievements

Total Number of Key Performance Measures (KPMs)	4
# of KPMs at target for most current reporting period	4
# of KPMs not at target for most current reporting period	0

The Key Performance Measure outcomes are directly linked to the agency mission statement [goals]. According to the 2003-2004 results of the Key Performance Measures, the agency is doing well in regulating and achieving the agency mission and goals.

The ORC achieved or exceeded three of the Key Performance Measures. The results can be viewed in Part II, Key Measure Analysis. The fourth Key Performance Measure [Total purse supplements at Summer Fair Meets to total industry disbursements from the Racing Development Fund] although it did not meet the targeted expectation, is indicative of the industry trend of a need for purse supplements at commercial tracks as well as the summer fair race meets. This performance measure will be re-evaluated after the agency completes strategic planning next year, for the 2007-2009 biennium.

### **Future Challenges**

Live racing nationwide and the industry that supports it, is struggling to be viable. The situation is similar in Oregon. Currently, live racing in Oregon consists of both horse and greyhound racing. MEC Oregon Racing, Inc. operates both Portland Meadows horse racing track and Multnomah Greyhound Park in the Portland metropolitan area. Five short summer horse race meets are held throughout Oregon in Grants Pass, Union, Prineville, Tillamook and Burns. There is currently speculation about whether or not greyhound racing will continue at Multnomah Greyhound Park after 2005. Although the ORC has not submitted an legislative proposals for the 2005 assembly, it anticipates a very active role during the session.

The ORC is challenged to regulate all aspects of the pari-mutuel industry in the state of Oregon. At the same time, it encourages and supports members of the industry in promoting live handle growth and enhancing live racing by attracting businesses to Oregon that are involved in technological advancements.

Oregon has been a leader in supporting technological advancements by being the first state to license multi-jurisdictional simulcasting and interactive wagering totalizator hubs through closed loop subscriber systems. The hubs were designed to combat illegal offshore internet wagering, which is currently not subject to any regulation or taxation. Prior to approving account wagering in Oregon, the commission requested and received an opinion from the Department of Justice as to its legality. Based on the opinion that account wagering was legal, five hubs have been licensed and are operating in Oregon at this time. Other states have used Oregon statutes and rules as models to develop their own comparable legislation. Each hub is taxed at .25 of 1% of the handle wagered through their subscriber system. One third of the tax revenue goes directly into the General Fund and assists in funding valuable state programs. The other two thirds of the tax revenue is deposited in a racing development fund which is used to foster live racing growth through purse supplements, a jockey incentive program and for projects relating to safety issues at the various race meets.

The ORC will be updating short and long term goals that hopefully will provide for new areas of growth within the pari-mutuel industry and allow increases in handle. While the ORC is an Other Fund agency, it is dedicated to continuing its contributions to the General Fund. The agency will also continue working with staff, the industry and legislators to generate ideas for the future of live racing in Oregon. The ORC is committed to working to maintain a regulatory course that is fair, to stay up to date with current medication trends, to insure an educational component to promote voluntary compliance and to implement calculated visionary risks in order to continue to be national regulatory leaders in the pari-mutuel industry.

# ANNUAL PERFORMANCE PROGRESS REPORT - PART I, MANAGING FOR RESULTS

TIME PERIOD: FISCAL YEAR 2003 – 2004

Agency: Oregon Racing Commission	Date Submitted: September 27, 2004	Version No.: 1
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Agency Name: Oregon Racing Commission	Agency No.: 86200
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**The following questions shed light on how well performance measures and performance data are leveraged within your agency for process improvement and results-based management.**

1 How were staff and stakeholders involved in the development of the agency’s performance measures?	The ORC informally discussed with staff and stakeholders 1) Ways to measure regulated activities that could be used to assess whether the mission of the ORC was being achieved, 2) These measures would be effective in monitoring agency efficiency, increasing voluntary compliance of licensees, and fostering trust in the ORC through clear communication and fair, neutral regulatory practices.
2 How are performance measures used for management of the agency?	The ORC’s performance measures are used to ensure that the ORC is communicating regulations effectively in a manner that increases licensee voluntary compliance; for proper allocation of hub funds to summer fair race meets to increase safety, promote the industry, plus enhance business and tourism in rural areas of Oregon; to assist the ORC in evaluating current practices and evaluate whether these practices create a regulatory environment that attracts industry businesses, such as the Hubs [which generate revenue for the state general fund]; and to evaluate whether staff has the appropriate tools they need to succeed at their jobs. The performance measures assist the agency in tracking industry trends.
3 What training has staff had in the use performance measurement?	Staff has received the agency performance measures and have been advised in staff meetings how they will be used to monitor the effectiveness of the agency in accomplishing our mission.
4 How does the agency communicate performance results and for what purpose?	Performance results will be distributed to staff and discussed, addressed annually at a Commission meeting and will be available on the ORC web page. The URL for the ORC is: <a href="http://racing.oregon.gov">racing.oregon.gov</a> . A “performance measures” link is posted in the “About Us” section of the ORC Web site which directs the user to the information.
5 What important performance management changes have occurred in the past year?	After almost 18 years of service, the ORC executive director resigned in October 2002. A new executive director was appointed in March 2003. This administrative change resulted in evaluation of agency procedures, procedural changes to increase agency efficiency, disciplinary action and termination of employees, hiring new team members and preliminary discussions regarding the future of the racing industry and an ORC five and ten year plan.

# ANNUAL PERFORMANCE REPORT- PART II, KEY MEASURE ANALYSIS

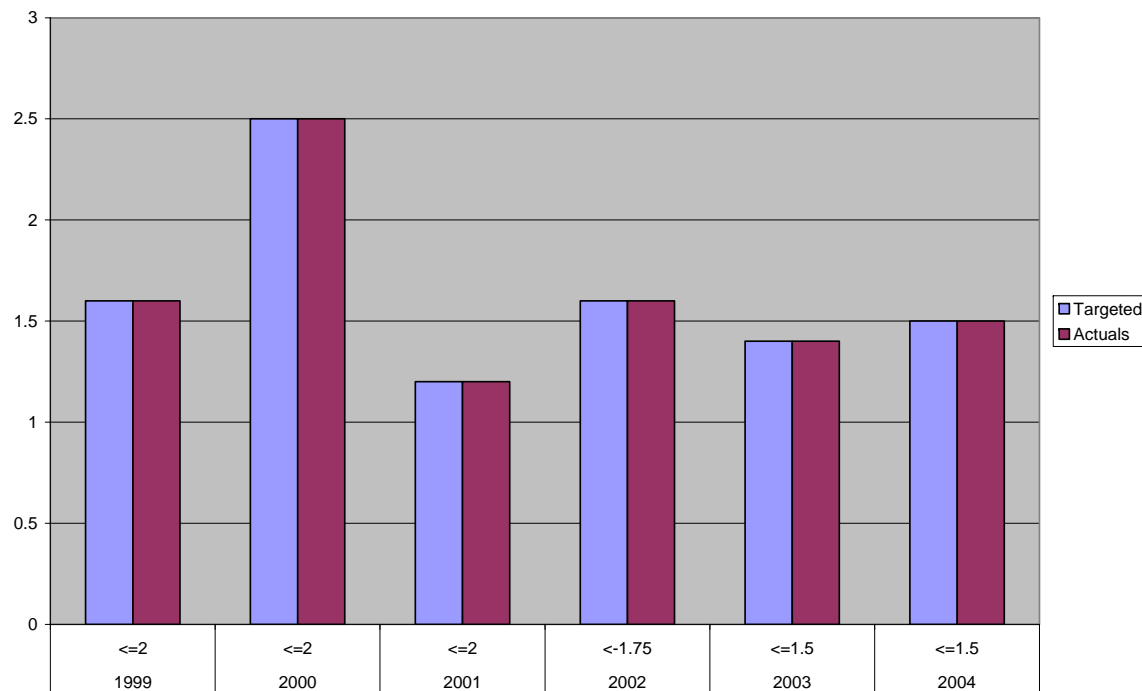
TIME PERIOD: FISCAL YEAR 2003 – 2004

Agency Name:		Agency No.:								
Key Performance Measure (KPM)		1999	2000	2001	2002	2003	2004	2005	2006	2007
# 1 - Number of horses destroyed per 1,000 starters	Target	<=2	<=2	<=2	<-1.75	<=1.5	<=1.5	<=1.5	<=1.5	<=1.5
	Data	1.6	2.5	1.2	1.6	1.4	1.5			

Data Source: Steward and Veterinary Files

## Key Performance Measure Analysis

ORC KPM #1



To what goal(s) is this performance measure linked? **Agency Mission & goal to ensure that races are run safely.**

What do benchmark (or other high-level outcome) data say about Oregon relative to the goal(s)? What is the impact of your agency? **No applicable benchmarks or high-level outcomes**

How does the performance measure demonstrate agency progress toward the goal? **Meeting or exceeding the Target indicates that staff is doing their job by policing for illegal substances prior to racing, the track environment is safe as possible, the state veterinarian is scratching horses that are not sound in the post parade. All of this protects the welfare of the racing animals, licensees, agency and wagering public.**

Compare actual performance to target and explain any variance. **Performance to Target was achieved. Targets are based on national goals.**

Summarize how actual performance compares to any relevant public or private industry standards. **Actual performance is on par with national industry goals and standards.**

What is an example of a department activity related to the measure? **Investigators policing the back stretch prior to racing. Agency drug testing program for racing horse athletes and licensees. Veterinarian observation in post parade. Stewards monitoring the race.**

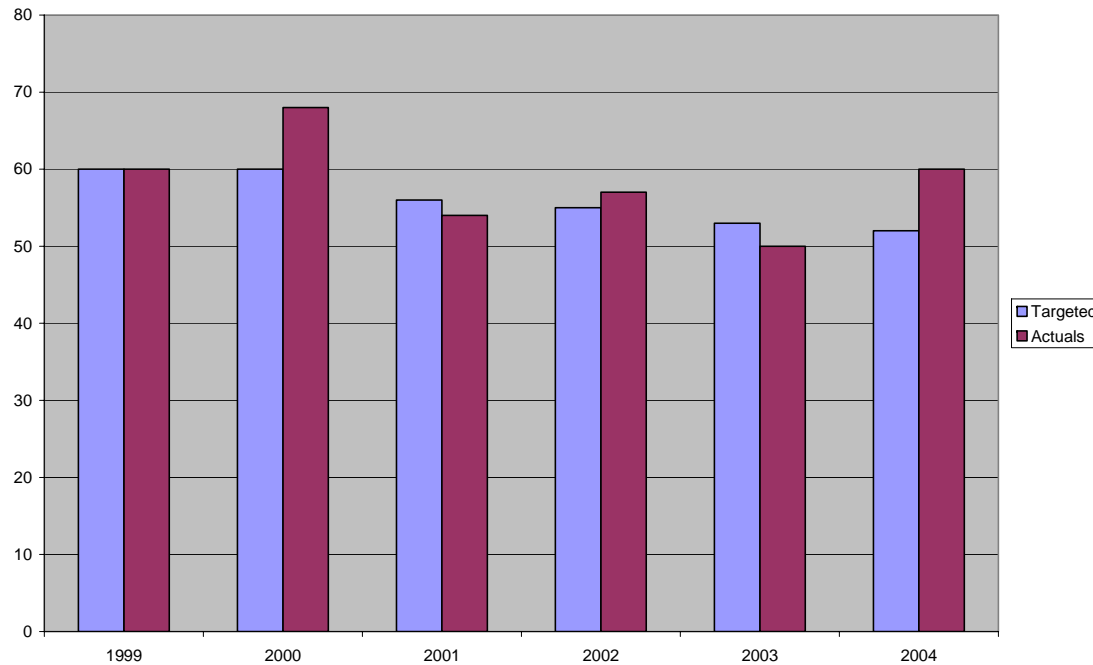
What needs to be done as a result of this analysis? **Continue to perform all department activities related to the measure. If licensees are fined as a result of illegal substances in racing horse athletes after testing, it may increase voluntary compliance. The agency is also going to implement a necropsy project in conjunction with Oregon State University on all animal athletes that have to be euthanized. This information will provide a variety of valuable information to the agency regarding actual cause of injury leading to death and overall, increase voluntary compliance.**

Agency Name: Oregon Racing Commission		Agency No.: 86200								
Key Performance Measure (KPM)		1999	2000	2001	2002	2003	2004	2005	2006	2007
# 2 Number of disciplinary rulings issued per 1,000 races	Target	60	60	56	55	53	52	50	50	50
	Data	60	68	54	57	50	60			

Data Source: Steward and Judges Files

**Key Performance Measure Analysis**

ORC KPM #2



To what goal(s) is this performance measure linked? **Agency Mission & goal to ensure that races are run fairly**

What do benchmark (or other high-level outcome) data say about Oregon relative to the goal(s)? What is the impact of your agency? **No applicable benchmarks or high-level outcomes**

How does the performance measure demonstrate agency progress toward the goal? **Although this KPM is somewhat subjective, low numbers of rulings can be an indicator that the investigators, stewards and judges are being lenient. The Targets were based on old averages. With a newer, more effective staff in place, the Targets were met and exceeded. Conceivably, although voluntary compliance has been enhanced, the investigators, stewards and judges have been doing a more effective job of regulating in the last year, which is resulting in licensee fines and disciplinary action. In the last year, the investigators uncovered areas of non-compliance that had been overlooked for years.**

Compare actual performance to target and explain any variance. **Performance typically has exceeded the Targets, especially in the last year. Any major variances would indicate that agency staff is, or is not, performing as required and expected. In the case of 2004, Performance exceeded the Target, and voluntary compliance also increased through the regulatory and education efforts of staff.**

Summarize how actual performance compares to any relevant public or private industry standards. **There is not any data available for comparison. However, the Actual Performance would exceed the agency's requirement to regulate minimum standards.**

What is an example of a department activity related to the measure? **An investigator locates an illegal mechanical device on a jockey before or after a race; The stewards issue a jockey a riding infraction for unsafe riding during a race; A horse wins a race with unusual odds, blood is drawn , urine is collected [rules of evidence apply] and the tests come up positive for an illegal substance.**

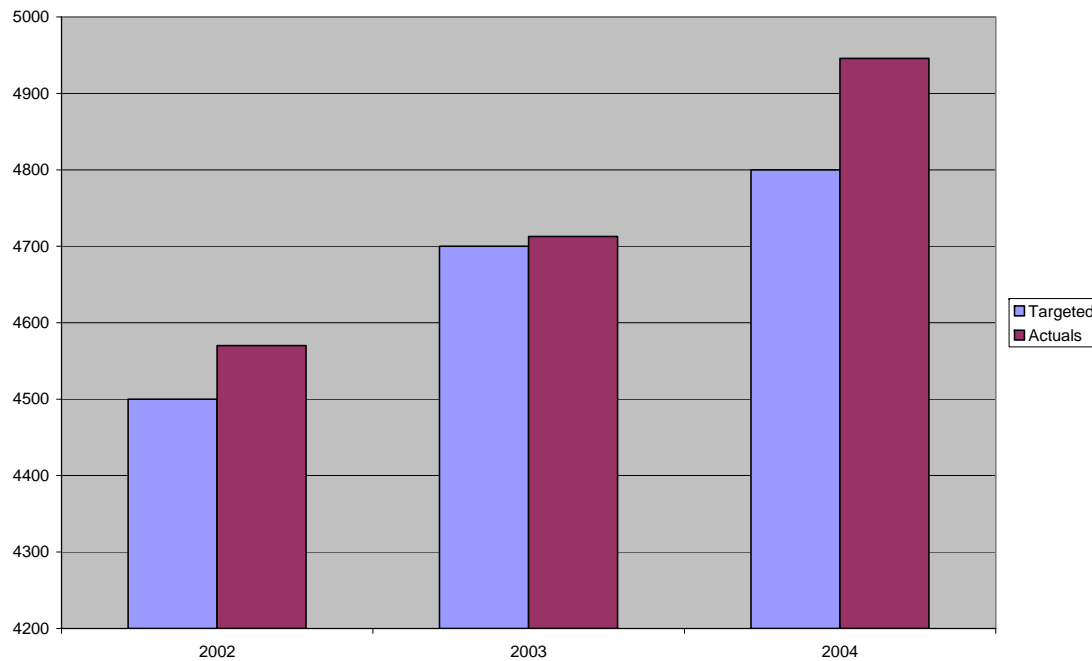
What needs to be done as a result of this analysis? **Continuing communication efforts between agency staff and licensees. Ensure that all cases for hearing are conducted fairly and penalties are consistent and fair for everyone. Monitor the types of rulings issued. This would assist staff in monitoring various areas within the purview of the agency's regulatory authority. Educating licensees regarding activities of non-compliance can potentially increase voluntary compliance.**

Agency Name: Oregon Racing Commission		Agency No.: 86200								
Key Performance Measure (KPM)		1999	2000	2001	2002	2003	2004	2005	2006	2007
# 3 - The total dollar amount of simulcast handle to \$1,000 of Live Track Handle	Target	N/A	N/A	N/A	4500	4700	4800	5000	5300	5500
	Data	3814	4813	4478	4570	4713	4946			

Data Source: Pari-Mutuel Auditor Reports/Files

### Key Performance Measure Analysis

ORC KPM #3



To what goal(s) is this performance measure linked? **Agency Mission and goal to provide a regulatory framework to allow simulcasting to enhance live racing at commercial tracks.**

What do benchmark (or other high-level outcome) data say about Oregon relative to the goal(s)? What is the impact of your agency? **No applicable benchmarks or high-level outcomes**

How does the performance measure demonstrate agency progress toward the goal? **Attendance and live handle at commercial racetracks has been declining for a number of years. Increases in simulcast handle is consistent with the industry trend to broadcast commercial racemeets nationally and internationally. This broadcast and wagering on commercial tracks via simulcast enhances live racing.**

Compare actual performance to target and explain any variance. **Performance has exceeded the Target in the three years this information has been tracked. This would indicate that simulcasting is growing at a greated rate than anticipated in 2002.**

Summarize how actual performance compares to any relevant public or private industry standards. **The trends indicated by Performance are consistent with national simulcasting trends.**

What is an example of a department activity related to the measure? **Staff auditors audit daily handle reports, ensure that all applicable racing industry participants receive the appropriate revenue from simulcasting. Investigators ensure that Off Track Betting businesses are in compliance and licensed under statutes and rules.**

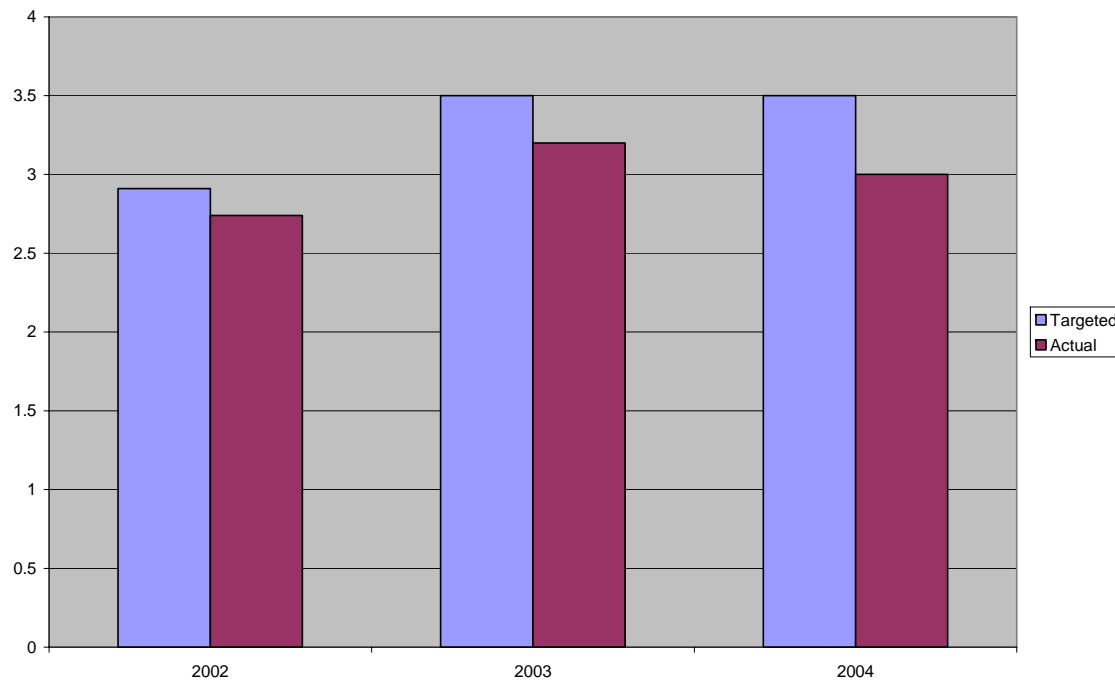
What needs to be done as a result of this analysis? **As simulcasting continues its national and international growth, it is imperative that staff auditors continue to audit daily handle reports and also to approve simulcast contracts [for compliance with state and federal statutes and rules].**

Agency Name: Oregon Racing Commission		Agency No.: 86200								
Key Performance Measure (KPM)		1999	2000	2001	2002	2003	2004	2005	2006	2007
#4 - Total purse supplements at Summer Fair Meets to total industry disbursements from Development Fund	Target	N/A	N/A	N/A	2.91	3.5	3.5	3.0	3.0	3.0
	Data	N/A	N/A	4.55	2.74	3.2	3.0			

Data Source: Pari-Mutuel Auditor Reports/Files; Development Fund Reports; Commission Meeting Minutes

**Key Performance Measure Analysis**

ORC KPM #4



To what goal(s) is this performance measure linked? **Agency Mission and goal to provide a regulatory frame work to allow licensing of “Hubs” that meet the necessary qualifications to enhance the live racing activities in Oregon without causing adverse impacts to other jurisdictions.**

What do benchmark (or other high-level outcome) data say about Oregon relative to the goal(s)? What is the impact of your agency? **No applicable benchmarks or high-level outcomes**

How does the performance measure demonstrate agency progress toward the goal? **The original intent of the revenue from .25 of 1% tax on Hub handle was for 1/3 to go directly to the State general fund. 2/3 is retained by the agency for distribution through the racing development program to subsidize summer fair race meets. As the Performance number decreases from the Target, it does not mean that the agency isn't meeting its goal, it means that more funds are being distributed sources other than summer fair meets, such as purse supplements for commercial race tracks, the greyhound adoption program and bonuses for breeder programs. The Performance numbers and Targets also do not indicate the large increase in hub handle since 2000. Last year the agency distributed approximately 1/2 million dollars to the State general fund and over a million dollars was distributed to the industry through the development program.**

Compare actual performance to target and explain any variance. **See previous response.**

Summarize how actual performance compares to any relevant public or private industry standards. **Oregon was the first state to establish and implement legislation for legal, licensed computerized hub businesses. Although six other states have adopted similar legislation, Oregon remains the leader in all hub related industry standards.**

What is an example of a department activity related to the measure? **Commission deliberates and approves requests for hub funds; agency administratively tracks money to general fund, staff audits hub revenue reports and submits weekly reports to the Executive Director. Agency fields numerous inquiries regarding hub operation. Investigators assist in maintaining a high level of voluntary compliance.**

What needs to be done as a result of this analysis? **Maintaining hub businesses in Oregon is imperative. The Commission is currently undergoing a series of meetings to review current hub rules, policies and practices for the purpose of rule and policy amendments. The agency must continue to strive for a regulatory environment of consistency and fairness, a reasonable tax structure and promotion of voluntary compliance to attract and retain hub business operations. The agency must also remain a leader nationally and internationally in this area to stay a viable location for hub operations. Licensing fees of \$200 per operating day annually also contributes a significant amount of "other funds" for the agency's operating budget. Revenues over the agency appropriation and unused operating funds are transferred to the general fund at the end of each biennium.**