



Michigan Gaming Control Board

**Horse Racing
Annual Report
to the Governor
Calendar Year 2011**

Horse Racing Annual Report to the Governor

Calendar Year 2011

Michigan Gaming Control Board
3062 W. Grand Blvd. L-700
Detroit, MI 48226



Submitted **April 15, 2012**
Pursuant to the
Horse Racing Law of 1995
(Section 6(3) of Act No. 279 of
Public Acts of 1995)

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www.michigan.gov/mgcb



STATE OF MICHIGAN
MICHIGAN GAMING CONTROL BOARD

RICK SNYDER
GOVERNOR

RICHARD S. KALM
EXECUTIVE DIRECTOR

April 15, 2012

The Honorable Rick Snyder
Governor of the State of Michigan

TO GOVERNOR RICK SNYDER AND THE MICHIGAN
LEGISLATURE:

In accordance with Section 6(3) of Act No. 279 of the Public Acts of 1995, the Horse Racing Law of 1995, as amended, the Horse Racing Annual Report to the Governor for calendar year 2011 is hereby submitted.

Sincerely,

/s/

Richard S. Kalm
Executive Director

FROM THE EXECUTIVE DIRECTOR

The Michigan horse racing industry was marked with considerable change in 2011. The Michigan Gaming Control Board's review and evaluation in the areas of staffing and funding allowed the organization to meet the needs of the changing industry with increased efficiency and flexibility.

Race Meet licenses decreased from six to four as Pinnacle Race Course withdrew their application and Northville Racing Corporation opted not to conduct their meet. The industry responded with Mount Pleasant Meadows conducting a meet with both running horse organizations and Northville Downs assuming the live and simulcast meeting of Northville Racing Corporation.

During the past year, our four race tracks held 161 days of live racing, and 1,340 days of simulcast racing. Visitors to the tracks wagered \$144,931,616, and generated \$4.8 million in state tax revenue.

Wagering and tax revenue continued to decline in 2011, reflective of the sluggish economy and industry trends. A notable challenge for the industry is retention of Michigan horsemen as the number of licensees decreased 20% in 2010, and 35% in 2011. In this competitive racing economy, businesses have relocated to states that allow alternative revenue sources to boost racing income. The MGCB continues to adapt a strong regulatory presence with cost-effective use of the Agriculture Equine Industry Development Fund revenue to maximize industry dollars for industry use.

Promotion of the Michigan racing product continues while industry leaders investigate new pari-mutuel wagering opportunities. These new initiatives are being discussed in a cooperative manner to improve and expand horse racing in the State. As the race meet licensees, horsemen's organizations and MGCB look to the future, the challenge will be to preserve revenue while maintaining live racing opportunities for Michigan's Racetrack patrons and licensees.

Sincerely,

/s/
Richard S. Kalm
Executive Director



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The Michigan Gaming Control Board at Work

THE MICHIGAN GAMING CONTROL BOARD (MGCB) HAS MANY ROLES AND PERFORMS NUMEROUS DUTIES ON A DAILY BASIS. BELOW ARE SOME OF OUR PRIMARY RESPONSIBILITIES.

STEWARDS

- Oversight over all aspects of pari-mutuel racing at each track during a race meeting
- Monitor and judge all live racing to ensure safety, enforce racing statutes and rules, and ensure a fair opportunity to compete
- Make decisions, hold hearings, and issue rulings to enforce compliance with laws and rules in all matters related to racing
- Review occupational license applications and evaluate their suitability for licensing
- Approve or deny applications

LICENSING STAFF

- Accept, process, and generate occupational license applications of anyone requesting approval to participate in Michigan pari-mutuel horseracing
- Collect and record occupational license fees and fines
- Review daily racing programs
- Maintain licensee data in the MGCB licensing system
- Provide general office assistance to MGCB track staff

INVESTIGATORS

- Carry out investigations into alleged violations of laws and rules
- Conduct investigations to determine suitability of applicants for licensing
- Perform drug and alcohol test on licensees as provided for by the Horse Racing Law and MGCB rules
- Oversee racetrack security in collaboration with track security staff
- Work with other jurisdictions to monitor licensee activity

VETERINARIANS

- Monitor and safeguard the physical well-being of participating racehorses
- Oversee the MGCB equine drug testing programs, including the collection and testing of equine blood, urine, and other samples
- Implement vaccination protocols to protect racehorses and prevent the spread of infectious equine diseases
- Examine horses' pre and post races for soundness to race and to continue racing
- Oversee the laborers who procure the drug samples



Michigan Gaming Control Board





REVENUES AND EXPENDITURES

January 1, 2011 through December 31, 2011

SUMMARY OF REVENUES

Simulcast Wagering Taxes	\$ 4,794,880
Occupational License Fees	68,570
Outs*	316,795
Racing Fines	27,975
Track Licenses	2,600
Other Revenue	5,785
Revenue Transfers	<u>(26,314)</u>
TOTAL REVENUES	\$ 5,190,291

SUMMARY OF EXPENDITURES

Salaries, Wages, Retirement, and Benefits	\$1,051,547
Contractual Services, Supplies, and Materials	130,809
Travel	<u>26,833</u>
TOTAL EXPENDITURES	\$ 1,209,189

OUTS

Pinnacle Race Course	\$ 46,124
Mt. Pleasant Meadows	5,616
Hazel Park Harness Raceway	168,667
Northville Downs	0
Northville Racing Corporation	39,565
Sports Creek Raceway	<u>56,823</u>
TOTAL OUTS REVENUE	\$316,795

** "Outs" are un-cashed winning tickets. Governed by Public Act 505, 1998, the race meeting licensee (the track) keeps 50% of the winning payout on the tickets and the other 50% is deposited into the Agriculture Equine Fund. The funds were received as revenue in 2011.*



ALL WAGERING MEETS

RACE MEETING SUMMARY

	<u>2010</u>	<u>2011</u>
Live Race Dates	203	161
Total Live and Simulcast Dates	1,632	1,340
Live Wagering Total	\$9,848,178	\$7,935,261
Simulcast Wagering Total	<u>159,755,511</u>	<u>136,996,355</u>
Combined Wagering Total	\$169,603,689	\$144,931,616
Winning Tickets Payout	\$129,800,749	\$110,477,347
Simulcast Wagering Taxes	\$5,591,452	\$4,794,880
Track Share Commission	\$24,954,835	\$21,184,461
Local Government Breakage	\$718,954	\$597,473

Winning Tickets Payout – The amount of winnings paid to bettors.

State Racing Tax – There is a 3.5% tax on all money wagered on simulcast races at each licensed track. Live wagering is not taxed in Michigan. The Simulcast Wagering Tax is calculated on a daily basis by track. Therefore, the difference in the annual calculation and the daily calculation of Simulcast Wagering Tax is due to rounding.

Track Share Commission – The amount the race meet licensee (track) deducts from the total wagers for services rendered.

Local Government Breakage - Breakage is the difference in cents between the winning pay outs and the nearest dime (or nickel in a minus pool situation). For example, if a winning bet is computed to pay \$3.12 then the bettor receives \$3.10 The breakage of \$0.02 is deposited into a fund distributed and used by the cities or townships where the tracks are located. Breakage figures are all breakage incurred at the track during the calendar year.



STATE TAX SUMMARY

RACE MEETING SUMMARY

	<u>2010</u>	<u>2011</u>
Thoroughbred		
Pinnacle Race Course	\$503,981	\$0
Mixed Breed		
Mount Pleasant Meadows	\$69,262	\$55,223
Standardbred		
Hazel Park Harness Raceway	\$2,536,597	\$2,246,232
Northville Downs	1,131,759	1,872,085
Northville Racing Corporation	669,197	0
Sports Creek Raceway	<u>741,076</u>	<u>621,340</u>
Standardbred Totals	\$5,078,629	\$4,739,657
TOTAL STATE TAX	\$5,651,872	\$4,794,880

There is a 3.5% tax on all money wagered on simulcast races at each licensed track. Live wagering is not taxed in Michigan.



LICENSEES AND LICENSES ISSUED

- The MGCB licensed 2,426 individuals who held a total of 3,274 licenses. Some licensees hold more than one license.
- The MGCB issues licenses for owners, trainers, assistant trainers, drivers, jockeys, apprentice jockeys, veterinarians, farriers, racing officials, track and association employees, grooms, stable help, vendors, corporations, partnerships, and temporary licenses for authorized people to access various restricted areas of the track. There are 58 licensing categories.
- Licensing forms are available online at: www.Michigan.gov/mgcb and can be downloaded and submitted in person at one of our licensing offices or via fax. Each track has a MGCB field office that is open during live racing. Office hours vary by track and schedules are posted on our website at www.michigan.gov/mgcb.



TOTAL WAGERING SUMMARY LIVE WAGERING

	<u>2010</u>	<u>2011</u>
Thoroughbred		
Pinnacle Race Course	\$1,414,545	\$0
Mixed Breed		
Mount Pleasant Meadows	\$42,787	\$146,504
Standardbred		
Hazel Park Harness Raceway	\$4,954,639	\$4,108,997
Northville Downs	1,338,284	2,421,467
Northville Racing Corporation	903,763	0
Sports Creek Raceway	<u>1,194,160</u>	<u>1,258,293</u>
Total Standardbred	\$8,390,846	\$7,788,757
TOTAL LIVE WAGERING	\$9,848,178	\$7,935,261

SIMULCAST WAGERING

	<u>2010</u>	<u>2011</u>
Thoroughbred		
Pinnacle Race Course	\$14,399,452	\$0
Mixed Breed		
Mount Pleasant Meadows	\$1,966,872	\$1,577,784
Standardbred		
Hazel Park Harness Raceway	\$72,474,194	\$64,178,041
Northville Downs	30,621,687	53,488,152
Northville Racing Corporation	19,119,913	0
Sports Creek Raceway	<u>21,173,393</u>	<u>17,752,378</u>
Total Standardbred	\$143,389,187	\$135,418,571
TOTAL SIMULCAST WAGERING	\$159,755,511	\$136,996,355

TOTAL WAGERING	\$169,603,689	\$144,931,616
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PINNACLE RACE COURSE RACE MEETING SUMMARY

	<u>2010</u>	<u>2011</u>
Live Race Dates	42	0*
Total Live and Simulcast Dates	295	0
Live Wagering Total	\$1,414,545	\$0
Simulcast Wagering Total	<u>14,399,452</u>	<u>0</u>
Combined Wagering Total	\$15,813,997	\$0
Winning Tickets Payout	\$11,975,819	\$0
State Racing Tax	\$503,981	\$0
Track Share Commission	\$2,291,973	\$0
Huron Township Breakage	\$76,519	\$0

**Pinnacle Race Course finished their 2010 race meeting in October 2010. Their 2011 race meeting license was surrendered in May 2011.*





MOUNT PLEASANT MEADOWS RACE MEETING SUMMARY

	<u>2010</u>	<u>2011</u>
Live Race Dates	10	30*
Total Live and Simulcast Dates	256	258
Live Wagering Total	\$42,787	\$146,504
Simulcast Wagering Total	<u>1,966,872</u>	<u>1,577,784</u>
Combined Wagering Total	\$2,009,659	\$1,724,288
Winning Tickets Payout	\$1,614,703	\$1,322,451
State Racing Tax	\$68,842	\$55,223
Track Share Commission	\$276,795	\$229,921
Isabella Township Breakage	\$7,356	\$7,439

**After Pinnacle Race Course surrendered their 2011 race meeting license, the Michigan Horsemen's Benevolent and Protective Association thoroughbred organization joined with the Great Lakes Quarter Horse Association to extend live race dates at Mount Pleasant Meadows.*





HAZEL PARK HARNESS RACEWAY RACE MEETING SUMMARY

	<u>2010</u>	<u>2011</u>
Live Race Dates	62	50
Total Live and Simulcast Dates	361	361
Live Wagering Total	\$4,954,639	\$4,108,997
Simulcast Wagering Total	<u>72,474,194</u>	<u>64,178,041</u>
Combined Wagering Total	\$77,428,833	\$68,287,038
Winning Tickets Payout	\$58,966,540	\$51,305,585
State Racing Tax	\$2,536,597	\$2,246,231
Track Share Commission	\$11,429,311	\$9,989,784
City of Hazel Park Breakage	\$333,930	\$287,345





NORTHVILLE DOWNS RACE MEETING SUMMARY

	<u>2010</u>	<u>2011</u>
Live Race Dates	30	48*
Total Live and Simulcast Dates	211	361
Live Wagering Total	\$1,338,284	\$2,421,467
Simulcast Wagering Total	<u>30,621,687</u>	<u>53,488,152</u>
Combined Wagering Total	\$31,959,971	\$55,909,619
Winning Tickets Payout	\$24,717,262	\$43,180,620
State Racing Tax	\$1,071,759	\$1,872,085
Track Share Commission	\$4,609,087	\$8,031,841
City of Northville Breakage	\$133,202	\$230,232

**Northville Downs assumed the 2011 live and simulcast race meeting of Northville Racing Corporation (NRC) when NRC opted not to conduct the meet.*





NORTHVILLE RACING CORPORATION RACE MEETING SUMMARY

	<u>2010</u>	<u>2011</u>
Live Race Dates	27	0*
Total Live and Simulcast Dates	148	0
Live Wagering Total	\$903,763	\$0
Simulcast Wagering Total	<u>19,119,913</u>	<u>0</u>
Combined Wagering Total	\$20,023,676	\$0
Winning Tickets Payout	\$15,436,478	\$0
State Racing Tax	\$669,197	\$0
Track Share Commission	\$2,920,236	\$0
City of Northville Breakage	\$80,025	\$0

**Northville Downs assumed the 2011 live and simulcast race meeting of Northville Racing Corporation (NRC) when NRC opted not to conduct the meet.*





SPORTS CREEK RACEWAY RACE MEETING SUMMARY

	<u>2010</u>	<u>2011</u>
Live Race Dates	32	33
Total Live and Simulcast Dates	361	360
Live Wagering Total	\$1,194,160	\$1,258,293
Simulcast Wagering Total	<u>21,173,393</u>	<u>17,752,378</u>
Combined Wagering Total	\$22,367,553	\$19,010,671
Winning Tickets Payout	\$17,089,947	\$14,668,691
State Racing Tax	\$741,076	\$621,340
Track Share Commission	\$3,427,433	\$2,932,915
City of Swartz Creek Breakage	\$87,922	\$72,457





2011 MICHIGAN HORSE RACE TRACKS

HARNESS TRACKS

- Hazel Park Harness Raceway
1650 East Ten Mile Road
Hazel Park, MI 48030
248-398-1000

- Sports Creek Raceway
4290 Morrish Road
Swartz Creek, MI 48473
810-635-3333

- Northville Downs
301 South Center Street
Northville, MI 48167
248-349-1000

MIXED BREED TRACK

- Mount Pleasant Meadows
500 North Mission Road
Mount Pleasant, MI 48858
989-773-0012