



Michigan Gaming Control Board

Horse Racing




Annual Report to the Governor

Calendar Year 2012

Horse Racing Annual Report to the Governor

Calendar Year 2012

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



Submitted April 15, 2013
Pursuant to the
Horse Racing Law of 1995
(Section 6(3) of Act No. 279 of
Public Acts of 1995)

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This document is also available online at
www.michigan.gov/mgcb



STATE OF MICHIGAN
MICHIGAN GAMING CONTROL BOARD

RICK SNYDER
GOVERNOR

RICHARD S. KALM
EXECUTIVE DIRECTOR

April 15, 2013

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 2012 is hereby submitted.

Sincerely,

/s/

Richard S. Kalm
Executive Director

FROM THE EXECUTIVE DIRECTOR

2012 was a year in which the Michigan horse racing industry was looking for stability. Due to industry trends and a sluggish economy, recent years have shown a decrease in wagering leading to lower state revenues, purses, and race track profits. This has led to a decrease in numbers of occupational licensees and live racing opportunities. The challenge for race meet licensees and horsemen is to stop this trend, adjust the size of the industry for available revenues, and develop methods to sell the live racing product. A continuing economic recovery in the state will add to the opportunity for racing to accomplish this goal.

This year in racing has shown signs of slowing these trends. Of the parameters mentioned above that are still in decline, the rate of their decline is the lowest since 2003. Total wagering was down 4.7% compared to the 15% and 17% of the previous years, and total state tax revenue from horse racing was down 4.2% compared with the 15% and 16% decline seen in recent years. Some of the parameters mentioned above have shown improvement in 2012 including the number of horsemen licensed in the state and the number of live race days. In contrast to the 20% decline in 2010 and the 35% percent decline seen in 2011, the number of individuals licensed in 2012 increased. Live race dates increased by six days; the number of race meet licenses remained at four. Hazel Park Raceway and Mount Pleasant Meadows increased live race days, and Northville Downs and Sports Creek decreased live race days.

During the past year, our four race tracks held 167 days of live racing and 1,343 days of simulcast racing. Visitors to the tracks wagered \$138,181,284, and generated \$4.59 million in state tax revenue.

Many challenges remain for the horse racing industry in Michigan but the stakeholders have shown they can work together to address these issues. The Michigan Gaming Control Board will continue to seek ways to maximize regulatory efficiency with flexible use of personnel and adaptation to fit the changing needs of racing into 2013.

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

- Oversee 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

REGULATION OFFICERS

- Carry out investigations into alleged violations of laws and rules
- Conduct investigations to determine suitability of applicants for licensing
- Perform drug and alcohol testing 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 laborers who procure the drug samples



Michigan Gaming Control Board



Michigan's Race Tracks



REVENUES AND EXPENDITURES

January 1, 2012, through December 31, 2012

SUMMARY OF REVENUES

Simulcast Wagering Taxes	\$ 4,593,300
Occupational License Fees	57,971
Outs*	304,320
Racing Fines	15,075
Track Licenses	2,200
Other Revenue	5,256
Revenue Transfers	<u>(23,162)</u>
TOTAL REVENUES	\$ 4,954 ,960

SUMMARY OF EXPENDITURES

Salaries, Wages, Retirement, and Benefits	\$1,261,299.47
Contractual Services, Supplies, and Materials	243,391.46
Travel	<u>25,112.58</u>
TOTAL EXPENDITURES	\$ 1,529,803.51

OUTS*

Mt. Pleasant Meadows	\$5,831
Hazel Park Harness Raceway	150,785
Northville Downs	100,202
Sports Creek Raceway	<u>47,502</u>
TOTAL OUTS REVENUE	\$304,320

** "Outs" are uncashed 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 2012.*



ALL WAGERING MEETS

RACE MEETING SUMMARY

	<u>2011</u>	<u>2012</u>
Live Race Dates	161	167
Total Live and Simulcast Dates	1,340	1,343
Live Wagering Total	\$ 7,935,261	\$ 6,944,308
Simulcast Wagering Total	<u>136,996,355</u>	<u>131,236,976</u>
Combined Wagering Total	\$144,931,616	\$138,181,284
Winning Tickets Payout ¹	\$110,477,347	\$105,319,180
Simulcast Wagering Taxes ²	\$ 4,794,880	\$ 4,593,300
Track Share Commission ³	\$ 21,184,461	\$ 19,803,560
Local Government Breakage ⁴	\$ 597,473	\$ 582,916

¹*Winning Tickets Payout* – The amount of winnings paid to bettors

²*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.

³*Track Share Commission* – The amount the race meet licensee (track) deducts from the total wagers for services rendered

⁴*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>2011</u>	<u>2012</u>
Mixed Breed		
Mount Pleasant Meadows	\$55,223	\$50,363
 Standardbred		
Hazel Park Harness Raceway	\$2,246,232	\$2,199,990
Northville Downs	1,872,085	1,777,640
Sports Creek Raceway	<u>621,340</u>	<u>565,307</u>
Standardbred Totals	\$4,739,657	\$4,542,937
 TOTAL STATE TAX	 \$4,794,880	 \$4,593,300

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



LICENSES ISSUED

- The MGCBC licensed 2,463 individuals who held a total of 3,123 licenses. Some licensees hold more than one license.
- The MGCBC 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 MGCBC field office which 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>2011</u>	<u>2012</u>
Mixed Breed		
Mount Pleasant Meadows	\$146,504	\$199,855
Standardbred		
Hazel Park Harness Raceway	\$4,108,997	\$4,229,164
Northville Downs	2,421,467	1,560,455
Sports Creek Raceway	<u>1,258,293</u>	<u>954,834</u>
Total Standardbred	\$7,788,757	\$6,744,453
TOTAL LIVE WAGERING	\$7,935,261	\$6,944,308

SIMULCAST WAGERING

	<u>2011</u>	<u>2012</u>
Mixed Breed		
Mount Pleasant Meadows	\$1,577,784	\$1,438,940
Standardbred		
Hazel Park Harness Raceway	\$64,178,041	\$62,856,857
Northville Downs	53,488,152	50,789,724
Sports Creek Raceway	<u>17,752,378</u>	<u>16,151,455</u>
Total Standardbred	\$135,418,571	\$129,798,036
TOTAL SIMULCAST WAGERING	\$136,996,355	\$131,236,976

TOTAL WAGERING	\$144,931,616	\$138,181,284
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MOUNT PLEASANT MEADOWS RACE MEETING SUMMARY

	<u>2011</u>	<u>2012</u>
Live Race Dates	30*	46
Total Live and Simulcast Dates	258	259
Live Wagering Total	\$146,504	\$199,855
Simulcast Wagering Total	<u>1,577,784</u>	<u>1,438,940</u>
Combined Wagering Total	\$1,724,288	\$1,638,795
Winning Tickets Payout	\$1,322,451	\$1,277,991
State Racing Tax	\$55,223	\$50,363
Track Share Commission	\$229,921	\$212,134
Isabella Township Breakage	\$7,439	\$7,894

**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>2011</u>	<u>2012</u>
Live Race Dates	50	59
Total Live and Simulcast Dates	361	362
Live Wagering Total	\$4,108,997	\$4,229,164
Simulcast Wagering Total	<u>64,178,041</u>	<u>62,856,857</u>
Combined Wagering Total	\$68,287,038	\$67,086,021
Winning Tickets Payout	\$51,305,585	\$50,770,895
State Racing Tax	\$2,246,231	\$2,199,990
Track Share Commission	\$9,989,784	\$9,709,259
City of Hazel Park Breakage	\$287,345	\$286,018





NORTHVILLE DOWNS RACE MEETING SUMMARY

	<u>2011</u>	<u>2012</u>
Live Race Dates	48*	36
Total Live and Simulcast Dates	361	362
Live Wagering Total	\$2,421,467	\$1,560,455
Simulcast Wagering Total	<u>53,488,152</u>	<u>50,789,724</u>
Combined Wagering Total	\$55,909,619	\$52,350,179
Winning Tickets Payout	\$43,180,620	\$40,496,483
State Racing Tax	\$1,872,085	\$1,777,640
Track Share Commission	\$8,031,841	\$7,274,079
City of Northville Breakage	\$230,232	\$224,350

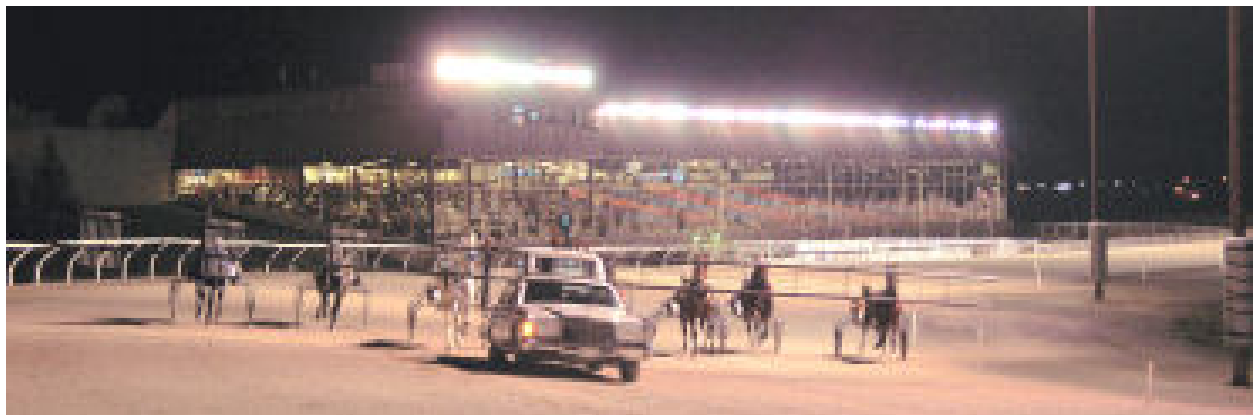
**Northville Downs assumed the 2011 live and simulcast race meeting of Northville Racing Corporation (NRC) when NRC opted not to conduct the meet.*





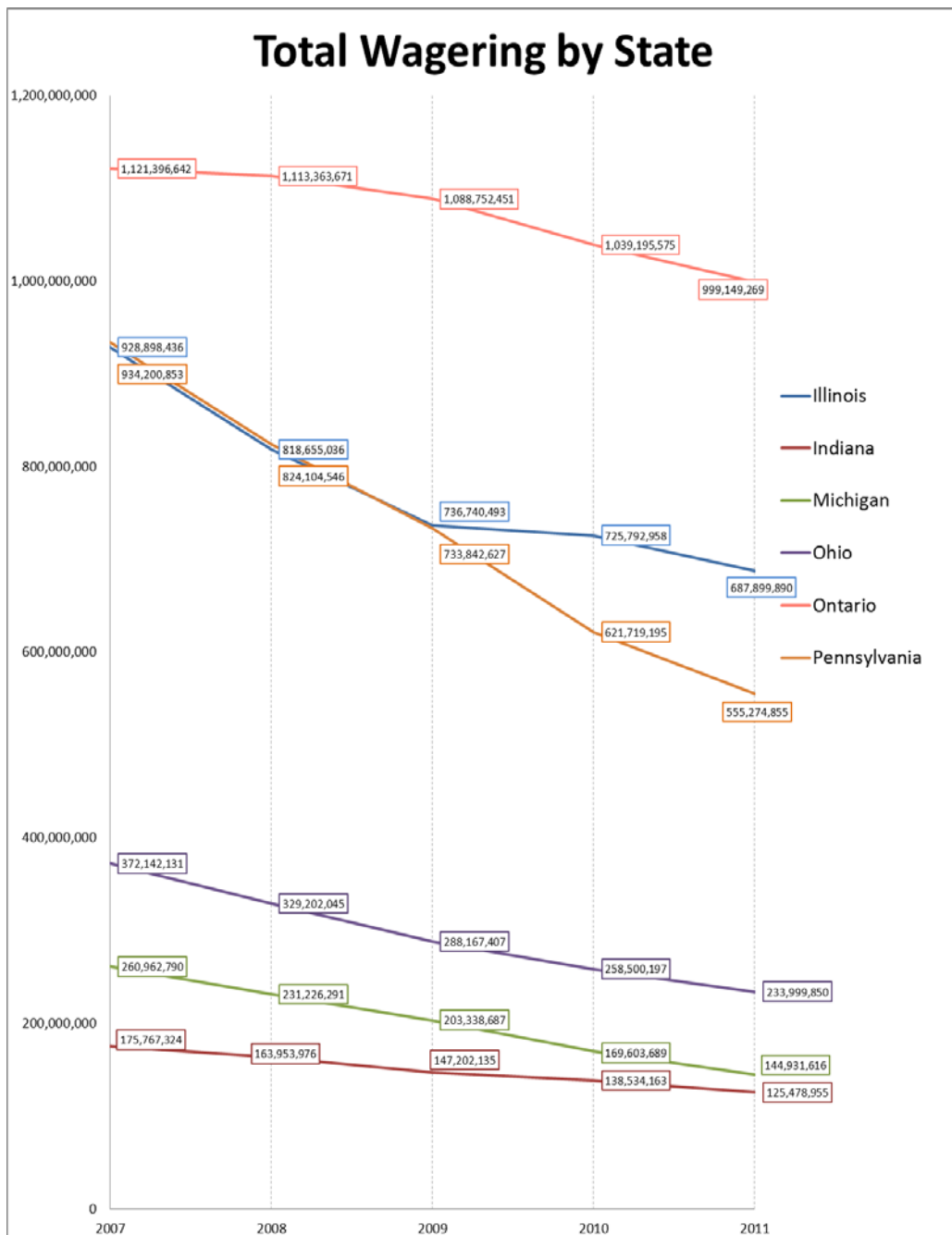
SPORTS CREEK RACEWAY RACE MEETING SUMMARY

	<u>2011</u>	<u>2012</u>
Live Race Dates	33	26
Total Live and Simulcast Dates	360	360
Live Wagering Total	\$1,258,293	\$954,834
Simulcast Wagering Total	<u>17,752,378</u>	<u>16,151,455</u>
Combined Wagering Total	\$19,010,671	\$17,106,289
Winning Tickets Payout	\$14,668,691	\$12,773,811
State Racing Tax	\$621,340	\$565,307
Track Share Commission	\$2,932,915	\$2,608,088
City of Swartz Creek Breakage	\$72,457	\$64,654





Across the nation, the horse racing industry continues to see challenges. Michigan has seen a decline in pari-mutuel handle since 2007; roughly the same as Ohio and Pennsylvania, states with similar demographics. Our live race day numbers have declined more than the national average due to track closures and elective structuring of purse levels. As noted in the following chart, the Midwest has seen a continual decline in total wagering over the past several years.





2012 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