

FIRST ANNUAL REPORT
IOWA RACING COMMISSION
JULY 1, to DECEMBER 31, 1984

IOWA STATE RACING COMMISSION

TERRY E. BRANSTAD, Governor

Commissioners

LAWRENCE F. SCALISE, Chair
L.C. "BUD" PIKE, Vice-Chair
LAVONNE MYDLAND
SALLY BROWN PRICKETT, DVM
STEVE SOVERN

JACK P. KETTERER
Executive Secretary

Wallace State Office Building
Des Moines, Iowa 50319
(515) 281-3986

December 31, 1984

The Honorable Terry E. Branstad
Governor
State Capitol
L O C A L

Dear Governor Branstad:

In accordance with Chapter 99D, Iowa Code, as passed and revised by the 70th General Assembly, I am pleased to submit the first annual report of the Iowa Racing Commission.

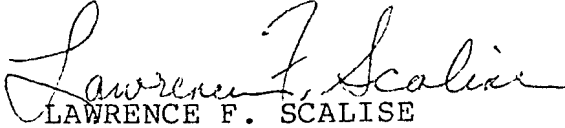
This report covers the eighteen month period from July 1, 1983 to December 31, 1984. It covers commission activities, results from operations and legislative concerns.

The past eighteen months have been used to lay a firm foundation for a successful racing program in the state of Iowa. The positive results of this foundation will be seen in the next annual report by this commission. During that period the commission will shift from a planning mode to an operational mode.

Our goal is to foster the development of a racing industry in Iowa that will build and maintain the highest level of public confidence.

I wish to express my appreciation to you and the general public for the confidence and support given to the Iowa Racing Commission.

Sincerely,


LAWRENCE F. SCALISE
Chairman

/do

IOWA RACING COMMISSION
ANNUAL REPORT
DECEMBER 31, 1984

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STATEMENT

BY

CHAIR

COMMISSION MEMBERSHIP

Membership on the Iowa Racing Commission remained unchanged during the period. The original five members of the commission were confirmed by the Senate in 1984. Commissioners Mydland and Sovern were appointed to full three year terms by Governor Branstad and confirmed by the Iowa Senate.

IOWA RACING COMMISSION

<u>NAME</u>	<u>RESIDENCE</u>	<u>TERM EXPIRES</u>
Lawrence F. Scalise Chair	Des Moines	April 30, 1986
L.C. "Bud" Pike Vice-Chair	Grundy Center	April 30, 1985
Lavonne Mydland	Rock Rapids	April 30, 1987
Sally Prickett, DVM	Cumming	April 30, 1985
Steve Sovern	Marion	April 30, 1987

COMMISSION MEETINGS

During the period the Iowa Racing Commission met 23 times. In addition, they held two rulemaking hearings and spent two days touring proposed racetrack locations. Minutes of each meeting are kept on file in the Commission office and are available to the public upon request. Highlights of the meetings follow.

July 8, 1983 - The first meeting of the new commission. Lawrence Scalise was elected chair and Bud Pike vice-chair. Policies and procedures were adopted, John Schaffner (DPS) was named acting executive secretary and a selection process for a permanent executive secretary was discussed.

July 28, 1983 - Informational presentation by Dennis Oelschlager and Jack Ketterer, Executive Secretary and Director of Security for the Nebraska Racing Commission. A selection process was adopted for selecting an executive secretary.

August 24, 1983 - Informational presentation by Larry Eliason, Executive Secretary of the South Dakota Racing Commission. The meeting was held in Council Bluffs.

September 9, 1983 - Approved conducting a racing seminar in Des Moines. Narrowed candidates for executive secretary down to eight to be asked for interviews.

September 14 and 15, 1983 - Interviewed eight candidates for executive secretary. Selected three finalists and ordered background investigations.

November 8, 1983 - Closed session in accordance with 28A.5, Iowa Code, to discuss background information related to applications for executive secretary position. Selected Jack Ketterer to be executive secretary of the commission in open session.

December 2, 1983 - Mr. Ketterer introduced to the commission. Adopted legislative recommendations.

February 2, 1984 - Presentation by Touche, Ross and Company. Requested staff guidelines for track locations.

February 24, 1984 - Adopted Chapter 5 rules (application information) on an emergency basis. Approved Chapter 5 as a notice of intended action.

March 23, 1984 - Approved Chapters 1 (organization), 2 (rulemaking), 3 (declaratory rulings) and 6 (licensing criteria) as a notice of intended action. Meeting held in Dubuque.

April 18, 1984 - planning session.

April 19, 1984 - Set June 1 through August 1 as the period to accept applications for licenses. Adopted Chapter 5 rules as amended.

May 16, 1984 - planning session.

May 17, 1984 - Adopted chapters 1, 2, 3 and 6 as amended. Discussed the hiring of a consultant and heard neighborhood impact study procedure.

June 11, 1984 - Telephonic meeting. Approved hiring of Touche, Ross and Company as consultant.

June 28, 1984 - Re-elected chair and vice chair. Received presentations from seven dog racing applicants (Council Bluffs: Iowa West Racing Association and Council Bluffs Greyhound Association, Shenandoah, Waterloo, Dubuque, Davenport and West Liberty). Presentations were made by two horse racing applicants: Bondurant and Cedar Rapids.

July 11, 1984 - Closed the session pursuant to 28A.5, Iowa Code, to discuss background investigations related to applications. Returned to open session and received report from Touche Ross and Co. Each applicant was allowed to respond.

July 18, 1984 - Commission made licensing decisions by voting on each application individually. Dubuque, Bondurant and Waterloo (with changed dates) were approved. Council Bluffs (Council Bluffs Greyhound), West Liberty, Cedar Rapids and Shenandoah were denied. Davenport had been withdrawn and Council Bluffs (Iowa West) was deferred.

July 25, 1984 - Telephonic meeting. Commission set racing dates for Dubuque and Waterloo.

August 28, 1984 - Commission approved Council Bluffs (Iowa West) license and set dates.

September 26, 1984 - Received presentations from two new applicants: Cedar Rapids (Horse) and Davenport (Greyhounds). Racing dates for Council Bluffs in 1986 were changed at their request.

October 31, 1984 - Considered a request for changed dates by Waterloo and denied the request.

December 20, 1984 - Discussed and approved a request to change racing dates by the Bondurant licensee. Commission approved Altoona as the new site. The Commission also approved the management contract between Council Bluffs and AIM.

OTHER COMMISSION ACTIVITIES

August 24, 1983 - In conjunction with a regularly scheduled commission meeting at Council Bluffs, Iowa, the commissioners went to Ak-Sar-Ben and toured the facilities. They were able to see all behind the scenes activities that go on at a racing meet.

November 2-3, 1983 - The commission and the Division of Criminal Investigation sponsored a two-day seminar in Des Moines for local and state officials to learn more about the racing industry. The seminar was organized by the DCI and the University of Arizona Racetrack Management Department and funded by the Iowa Racing Commission.

December 9-10, 1983 - Commissioners Scalise and Prickett and Jack Ketterer attended the annual Racing Symposium sponsored by the University of Arizona. The symposium is designed to update attendees on all current trends in the racing industry. Management, economics and regulation are discussed.

April 1-5, 1984 - Commissioners Pike, Mydland and Jack Ketterer attended the National Association of State Racing Commissioners Convention in Denver, Colorado. This convention is an annual meeting for mutual discussion and cooperation between the regulatory bodies in all the states. Current problems in regulation and communications between states were discussed.

April 19, 1984 - The Commission held a public hearing on Chapter 5 (Applicant information) of the rules. There was minimal input but one technical amendment and one substantive (fair racing) amendment resulted.

May 19, 1984 - The commission held a public hearing on Chapters 1 (organization), 2 (rulemaking), 3 (declaratory rulings) and 6 (license criteria). There was minimal input.

June 26-27, 1984 - The Commission and Jack Ketterer flew around the state to inspect each proposed racetrack location. These inspections enabled the commissioners to envision plans presented at their June 28 meeting from first hand knowledge.

FINANCIAL POSITION

Source of Revenues

During the reporting period, the State Racing Commission has been operating with General Fund appropriations as the sole source of revenue. During the twelve months of fiscal year 1984 the appropriation after adjustment for a government-wide across-the-board cut was \$291,600. In the final six months the Commission has operated from a fiscal year 1985 appropriation of \$303,065. Of the fiscal year 1985 appropriation, \$151,532 was available for use by December 31, 1984. The remainder will be used for operations in the next annual reporting period.

During 1985, the Commission will have revenue from track license fees, admission taxes and occupational license fees. It should be noted that these revenues are separate and distinct from the pari-mutuel tax of 6% that goes to state and local general funds for non-racing uses. After using the remainder of the FY 85 general fund appropriation, the commission expects to be fully funded by racing revenue.

BUDGET AND EXPENDITURES

FISCAL YEAR 1984

	<u>BUDGET</u>	<u>EXPENDITURES</u>	<u>OVER/<UNDER></u>
Personnel Services (See Note 1)	\$243,862.00	120,532.71	<123,329.29>
Travel and Subsistence	15,000.00	14,603.81	<396.19>
Office Supplies	5,500.00	6,756.65	<1,256.65>
Printing and Binding	3,000.00	1,313.27	<1,686.73>
Communications	3,097.00	4,128.92	1,031.92
Rentals	-0-	458.08	458.08
Professional Services	-0-	79,038.39	79,038.39 (See Note 2)
Office Equipment	<u>21,141.00</u>	<u>30,847.85</u>	<u>9,706.85</u>
FY84 Totals	<u>\$291,600.00</u>	<u>257,679.68</u>	<u><33,920.32>=Reverted to Treasury</u>

Note 1: Reduced by across-the-board cut.

Note 2: Professional Services included DCI backgrounds; Touche, Ross Company; and the Des Moines Racing Symposium

BUDGET AND EXPENDITURES

JULY 1984 THROUGH DECEMBER 1984
FISCAL YEAR 1985

	<u>BUDGET</u>	<u>EXPENDITURES</u>	<u>OVER/UNDER</u>
Personnel Services	\$135,545.00	70,618.99	<64,926.01>
Travel and Subsistence	5,000.00	6,661.86	1,661.86
Office Supplies	3,850.00	1,713.86	<2,136.14>
Printing and Binding	1,500.00	310.80	<1,189.20>
Communications	1,707.00	1,710.54	3.54
Rentals	-0-	2,101.06	2,101.06
Professional Services	-0-	-0-	-0-
Office Equipment	<u>3,930.00</u>	<u>6,532.97</u>	<u>2,602.97</u>
July-Dec FY85 Totals	<u>\$151,532.00</u>	<u>89,650.08</u>	<u><61,881.92></u>

STATEMENT

BY

EXECUTIVE SECRETARY

ORGANIZATION

The staff of the Iowa Racing Commission is headed by Jack P. Ketterer, the Executive Secretary. The Executive Secretary is selected by the Iowa Racing Commission and serves at their pleasure in accordance with Chapter 99D, Iowa Code.

Prior to the selection of Mr. Ketterer in December 1983, the position was filled on an interim basis by Mr. John Schaffner, who was temporarily assigned to the Racing Commission from his permanent position with the Department of Public Safety.

During the period covered by this report, the commission staff was kept at a very low level because many of the necessary duties of the staff were not projected to begin until calendar year 1985. The staff for the reporting period was kept at 3.0 FTE's. This included the Executive Secretary, Director of Administration and Confidential Secretary.

In 1985 the staff will be performing many more functions. These include occupational licensing, testing, audit and enforcement. The organizational chart included shows the organization of the Iowa Racing Commission staff when fully functional.

PROPOSED ORGANIZATION

GOVERNOR
TERRY E. BRANSTAD

RACING COMMISSION

EXECUTIVE SECRETARY
JACK P. KETTERER

Ass't. Attorney General
Gary Hayward

Security Liaison
proposed

Director of Administration
Mick Lura

1. Budget and Accounting
2. Occupational Licensing
3. Pari-Mutuel Audit
4. Personnel and Payroll

Horse Racing

1. Stewards
2. Testing
3. Enforcement
4. Hearings

Director of Greyhound Racing
proposed

1. Stewards
2. Testing
3. Enforcement
4. Hearings

STAFF ACTIVITIES

The activities of the Racing Commission staff during the reporting period was concentrated in two areas. The first was administrative and the second was advisory functions.

The administrative activities were extensive primarily because the Racing Commission was a new agency and everything done in the agency started from scratch. Administrative policies and procedures were developed at the outset. Internal financial controls were put in place and functioned well over the period. More work in the area of financial controls and written accounting procedures will be accomplished in the coming period to provide for increased revenues and expenditures from several new sources.

The plans for staffing have been ongoing. During the reporting period, the commission staff was kept to the minimum needed to provide basic administrative and advisory support for the commission. The next period will see a substantial staff growth as the regulatory and occupational licensing duties increase.

The staff has written and proposed eight chapters of rules during the period. The following rules are in various stages of development:

Chapters 1, 2, 3: These are required rules that must be developed by all agencies. These rules cover agency organization, agency rulemaking, and declaratory rulings. The staff prepared these chapters and the commission has adopted them.

Chapter 4: This is another required chapter of rules. However, in this case the rules are far more complicated than those prepared for other agencies. This set of rules deals with practice and procedure for contested cases before the Commission. Due to the regulatory and enforcement duties of the Commission, these rules increase in importance. Chapter 4 has been written and will be circulated to the commissioners. They will be considered in early 1985.

Chapter 5: Applicant information rules. These rules were written in the winter and adopted on an emergency basis by the Commission to facilitate the application process for racing licenses. At the same time the Commission filed Chapter 5 using the normal rulemaking process to enable the public to comment and allow for a longer period of consideration. This later filing was adopted and superceded the emergency-filed Chapter 5.

Chapter 6: Licensing criteria. This chapter was developed to set guidelines for the Commission in the granting and renewing of racing licenses. The rules describe the items of consideration for licenses. These guidelines help insure consideration for licensing will be conducted on an equal basis for all applicants. These rules have been adopted by the Commission.

Chapter 7: Greyhound racing rules. The rules of greyhound racing have been developed by the staff and circulated to the commissioners. This is a large body of rules and the staff met extensively with licensees and other interested groups and individuals in the development process. These rules will be considered by the Commission in early 1985.

Chapter 8: Mutuel rules. The rules for the mutuels departments for horse and dog licensees delineate the proper procedures for the handling of wagers, the proper pay-offs and the disposition of monies at racetracks. The rules are comprehensive and cover every known possibility affecting wagers. Everything from late scratches and dead heats to races where no animal finishes are covered. These rules are circulated to the commissioners and consideration will be given in early 1985.

During the reporting period the Commission staff served in an advisory role to the Commission. This function went beyond writing rules. The staff conducted an analysis and study of each proposed racing site and specifically reported on the impact the proposed facility would have on the neighborhood. The staff did extensive analysis of the racing markets in Iowa to include demographics and economics. These studies included comparative analyses with other markets around the nation. The developing of this data base allowed the staff and commission to be better prepared to analyze and evaluate the numerous applications for racing licenses.

The result was a statewide racing program that provides access to pari-mutuel racing for all Iowans but minimizes market overlaps that could cause a racing licensee to fail financially.

FINANCIAL RESULTS

During the period of this report there were no pari-mutuel facilities operating and therefore there are no financial results to report and no revenues provided to the State General Fund.

LEGISLATIVE ACTIONS

Senate File 92 was passed in 1983, creating Chapter 99D of the Iowa Code. Chapter 99D legalizes the wagering on horse and dog races in the state of Iowa and creates the State Racing Commission to regulate a racing program for the state.

During the first six months of the reporting period, the Commission studied Chapter 99D and researched its provisions. It became obvious that changes to Chapter 99D were necessary to insure the success of this new industry and enhance the enforcement of the law. The law contained impediments to track construction that needed to be eliminated. In addition, some modification of either the take-out or the tax rate was necessary for profitability. In addition, several technical changes were necessary to provide better definitions, clarify cash flows and insure enforcement powers.

The second session of the 70th General Assembly responded to the Commission's requests and passed an extensive modification of Chapter 99D. Governor Branstad subsequently signed the measure into law.

A summary of the recommended changes adopted by the legislature follows:

1. Technically changed to include all breeds of horses.
2. Clarified the conflict of interest provisions.
3. Technically changed to provide for disposition of fees.
4. Commission was given authority to increase take-out on exotic wagering.
5. Changed the tax rate on horse tracks to provide for a tax credit to be used for the retirement related to construction costs.
6. Provided for commission surpluses to be distributed by the Commission for the benefit of the racing industry.

7. Eliminated the start-up assistance fund which was felt to be administratively unworkable.
8. Eliminated the prohibition upon the use of Industrial Revenue Bonds.

LEGISLATIVE RECOMMENDATIONS

The second session of the 70th General Assembly passed virtually all of the recommendations of the Iowa Racing Commission.

The commission has now issued licenses based upon chapter 99D as revised. The commission believes it is important that new licensees be allowed to start operations in a stable environment and therefore, will not make any legislative recommendations for the first session of the 71st General Assembly.

In the future, the Iowa Racing Commission will be able to make recommendations based upon actual operations experience.