

MEMORANDUM

DATE: March 10, 2014
TO: Interested Parties
FROM: Paul Holland, Fiscal Analyst
RE: Agriculture Equine Industry Development Fund

Background

The regulation of the horse racing industry in general and pari-mutuel wagering on horse racing in particular is established by the Horse Racing Law of 1995, as amended. That law created the Office of Racing Commissioner (ORC) within the Department of Agriculture and Rural Development (DARD) and the Agriculture Equine Industry Development Fund (AEIDF). While Executive Order 2009-45 transferred the statutory authority of the ORC to the Michigan Gaming Control Board (MGCB), which is within the budget of the Department of Treasury, programs intended to encourage, promote, and develop the horse racing industry in Michigan remain within DARD. This memo will provide an overview of the revenues deposited into and expenditures disbursed out of the AEIDF, specifically describing historical trends and legislative modifications related to the AEIDF since FY 2000.

Racing Facilities and Race Dates

The horse racing industry has experienced extensive decline over the past fourteen years in Michigan. In 2000, there were eight entities licensed to conduct live and simulcast horse race meets at seven licensed racetracks. Four of these race meeting licensees and three licensed racetracks subsequently ceased operations; moreover, Pinnacle Race Course opened in 2008 and closed in 2010. Thus, by 2013 there were four race meeting licensees operating at four licensed racetracks: Hazel Park Harness Raceway, Northville Downs, and Sports Creek Raceway, all of which host Standardbred racing, and Mount Pleasant Meadows which hosted mixed breed racing. On January 21, 2014, the MGCB approved Thoroughbred and mixed breed live race dates at Hazel Park Harness Raceways and Northville Downs during the 2014 season. On February 12, 2014, Mount Pleasant Meadows voluntarily surrendered its race meeting license resulting from a discontinuation of operational funding.

A continual decrease in race attendance (down 31.1% between 2000 and 2007, the last year for which such data was reported) and the number of live (down 74.8% since 2000) and simulcast (down 42.0% since 2000) race dates underlie the drop in the number of race meeting and racetrack licensees. The decrease in racing dates corresponds to a concomitant decline in live (down 87.1% since 2000) and, significantly for state revenue collection, simulcast (down 65.9% since 2000) pari-mutuel wagering. Annual data pertaining to horse racing licensees, race dates, attendance, and wagering data is exhibited by Appendix 1.

Agriculture Equine Industry Development Fund

Section 20 of the Horse Racing Law of 1995, as amended, establishes the AEIDF and stipulates that the Director of DARD administers the AEIDF with the assistance and advice of the MGCB. Statutorily, the AEIDF receives revenues collected under the Horse Racing Law (e.g. simulcast wagering taxes, licensure fees and fines, and uncashed winning tickets) and money within the AEIDF is restricted to expenditures, upon appropriation, for agriculture and equine development programs as provided within

Section 20. Specifically, money within the AEIDF is restricted to expenditures for purse supplements and awards for various horse breed programs, laboratory analysis, improvement of county fairgrounds, and research development grant programs. Money deposited into the AEIDF does not lapse to the General Fund at the close of the fiscal year and is carried-forward into the subsequent fiscal year. Detailed figures pertaining to annual revenues, expenditures, and net revenue over or under expenditures for the AEIDF is exhibited by Appendix 2 and will be discussed in subsequent sections.

Revenues and Revenue Adjustments

This section reviews the statutory revenues deposited into the AEIDF between FY 2000 and FY 2013 and describes the historical trends and legislative modifications of revenues deposited into the AEIDF occurring during this period, exhibited by Appendix 2.

Statutory Revenues

The AEIDF statutorily receives revenue from three sources:

- 1) Tax equivalent to 3.5% of all money wagered on inter-track and interstate simulcast races conducted at licensed race meetings established by Section 22 of the Horse Racing Law of 1995, as amended.
- 2) Occupational, race meet, and racetrack licensure fees and fines established by Sections 16, 22, and 29 through 33 of the Horse Racing Law of 195, as amended.
- 3) Uncashed winning tickets (a.k.a. "outs") pursuant to the Racing Meets act of 1951, as amended.

As described above, the number of and amount wagered on simulcast race dates has substantially declined (by 65.9%) since 2000 which has, in turn, engendered an analogous decrease in the revenue generated by the 3.5% tax on money wagered on simulcast racing. In FY 2000, the simulcast wagering tax generated \$12.7 million; by FY 2013, that amount declined to \$4.3 million, a decrease of 66.1%. Similarly, revenue generated from uncashed winning tickets declined from \$805,583 in FY 2000 to \$291,763 in FY 2013, a 63.8% decrease, while revenue from licensure fees and fines declined 69.8%, from \$231,490 in FY 2000 to \$67,940 in FY 2013.

Annual Revenue Reductions and Corrections

The AEIDF is subject to two annual revenue reductions:

- 1) Pursuant to Subsection 20(14) of the Horse Racing Law of 1995, as amended, 1/100th of 1% of the gross amount wagered at licensed racetracks (\$12,902 in FY 2013) is transferred into the Compulsive Gaming Prevention Fund administered by the Department of Community Health.
- 2) Pursuant to Section 5 of the Michigan Constitution of 1964, as amended, 1% of aggregate payroll for classified employees supported by the AEIDF (\$7,244 in FY 2013) is transferred to the Civil Service Commission.

Additionally, there are various miscellaneous revenue collections and accounting corrections, the amounts of which fluctuate in any given fiscal year, that have a nominal overall effect on total revenue within the AEIDF.

Transfer from Casino Wagering Tax

Total revenue for the AEIDF was supplemented by annual transfers from the casino wagering tax imposed on casinos located in Detroit pursuant to Section 12 of the Michigan Gaming Control and Revenue Act of 1996, as amended by 2004 PA 306 which, subject to statutory specifications,

temporarily increased the wagering tax from 18% to 24% of adjusted gross receipts and earmarked 0.5% of the increased tax revenue for the AEIDF. Between FY 2004 and FY 2009, the casino wagering tax earmark generated a total of \$23.4 million in revenue for the AEIDF, peaking at an annual \$6.6 million in FY 2007 and significantly decreasing thereafter.

Transfers to the General Fund

Due to structural deficits affecting the state budget, revenue from the AEIDF was annually transferred to the General Fund from FY 2004 through FY 2006. The FY 2004 and 2005 transfers (slightly more than \$2.0 million annually) were indirectly appropriated within the DARD budget via 2003 PA 157 and 2004 PA 535, respectively. The FY 2006 transfer of \$2.0 million to the General Fund was statutorily established by 2006 PA 42 which amended Section 20 of the Horse Racing Law of 1995.

Expenditures and Expenditure Adjustments

This section classifies the types of expenditures disbursed for the regulation of and financial support for the horse racing industry between FY 2000 and FY 2013 and describes the historical trends and legislative modifications of expenditures occurring during this period, exhibited by Appendix 2.

Regulatory Expenditures

The Horse Racing Law of 1995 created the Office of Racing Commissioner (ORC) and specifies the regulatory powers and duties of the ORC, including the licensure of racetracks, race meetings, and occupations related to the horse racing industry; enforcement of the provisions of the Horse Racing Law of 1995; and jurisdiction over the conduct of each licensed horse race meeting and pari-mutuel wagering on the results of horse racing. Executive Order 2009-45 transferred the statutory authority of and unexpended appropriation for the ORC within DARD to the Michigan Gaming Control Board (MGCB) and abolished the ORC in 2009. Subsequent appropriations for MGCB regulation of the horse racing industry have been located within the annual budget for the Department of Treasury.

Section 20 of the Horse Racing Law of 1995 explicitly sanctions the expenditure of money from the AEIDF for the collection and laboratory analysis of biological specimens (e.g. breath, saliva, blood, and urine) obtained from horses and individuals licensed under the Horse Racing Law of 1995 for the purposes of detecting unauthorized chemical substances. In addition, the Legislature opted to appropriate money from the AEIDF for expenditure to support the administration and enforcement of regulatory powers and duties (excluding laboratory analysis) by the ORC, later the MGCB.

The amount of regulatory expenditures supported with money from the AEIDF has varied over the period under consideration due to the expenditure of money appropriated from the State Services Fee Fund (SSFF) to support the regulatory operations of the ORC from FY 2002 through FY 2008 (explained in more detail below). Furthermore, compared to years prior to FY 2009 when the appropriations from the SSFF ceased and the statutory authority of the ORC was transferred to the MGCB, expenditures for the regulation of horse racing (excluding laboratory analysis which has steadily, if moderately, increased) have decreased reflecting the aforementioned decline in the number of live horse racing dates and reductions in regulatory and investigatory staff employed fulltime. Detail of expenditures disbursed for operations of the ORC, later the MGCB, for regulation of the horse racing industry are exhibited by Appendix 3.

Non-Regulatory Expenditures

Section 20(1) of the Horse Racing Law of 1995 states that it is the policy of the state to encourage the breeding and ownership of horses thereby providing sufficient numbers of high quality race horses, to

promote the growth and development of high quality horse racing and equine competitions, and to establish and preserve the substantial agricultural and commercial benefits of the horse racing industry.

To that end, money within the AEIDF has been expended for purse supplements, breeders' awards, sire stakes, owners' awards, special purses, futurities, and cash premiums variously for Standardbred, Thoroughbred, American Quarter, Appaloosa, Arabian, and American Paint horse programs. Amounts expended from the AEIDF for such purposes to encourage the horse racing industry have reflected the combined effects of declining statutory revenues, casino wagering tax and General Fund revenue transfers, and appropriations from the State Services Fee Fund (SSFF, explained in more detail below). During FY 2000, total expenditures from the AEIDF for purses, supplementals, stakes, and awards totaled \$8.6 million and remained relatively stable through FY 2004 when the SSFF appropriations freed-up AEIDF money for non-regulatory purposes. Peaking at \$12.7 million in FY 2006, expenditures for non-regulatory programs thereafter declined continuously as the revenue transfers and SSFF appropriations ceased, totaling \$2.7 million by FY 2013.

Money within the AEIDF has also supported the acquisition, construction, improvement, repair, and maintenance of equine grounds, facilities, and equipment at state and county fairs as sanctioned by Section 20(5) of the Horse Racing Law of 1995. From FY 2005 through FY 2007, years in which casino wagering tax revenue transfers and/or appropriations from the SSFF (explained in more detail below) occurred, money from the AEIDF was expended to support matching grants for building and track improvement at county fairs (additional support from the SSFF for such grants occurred from FY 2002 through FY 2005). During FY 2005, \$1.9 million from the AEIDF was expended to support matching grants for building and track improvement at privately-owned licensed racetracks as sanctioned by Section 20(11) of the Horse Racing Law of 1995. Detail of expenditures disbursed for building and track improvements are exhibited by Appendix 4.

In addition, the Legislature opted to appropriate money from the AEIDF for expenditure to support the administration of non-regulatory fairs and racing programs by DARD. Such non-regulatory expenditures were not supported with money from the AEIDF prior to FY 2010 (excepting a relatively nominal expenditure in FY 2005) due to the expenditure of money appropriated from the SSFF from FY 2002 through FY 2008 (explained in more detail below) and from the General Fund during previous years.

Other DARD Expenditures

Section 20(11) of the Horse Racing Law of 1995 sanctions expenditure from the AEIDF for equine industry research, planning, and development grant programs that are beneficial to and promote the proper growth and development of the horse racing and breeding industries. Such expenditures were disbursed from the AEIDF during FY 2005 and FY 2006 to the Future Farmers of America Foundation, Michigan 4-H Foundation, and the MSU College of Agriculture and Natural Resources. In addition, the Legislature opted to varyingly appropriate money from the AEIDF for expenditure to support other purposes (i.e. information technology services and projects, statistical reporting services, animal health and welfare programs, and Bovine Tuberculosis programs) from FY 2003 through FY 2013.

Appropriation from the State Services Fee Fund

The SSFF was created by 1997 PA 69 which amended the Michigan Gaming Control and Revenue Act of 1996 and receives revenue generated by an annual assessment levied on the three casinos located in Detroit as well as regulatory fees and fines established by the Act. Money within the SSFF may be distributed as appropriated by the Legislature. As indicated above, the Legislature appropriated varying amounts of money from the SSFF for various line items within the DARD budget from FY 2002 through FY 2011; including amounts expended for the regulatory operations of the ORC, laboratory analysis, administration of fairs and racing programs, and improvement grants to county fairs. Altogether, from

FY 2002 through FY 2009, appropriations from the SSFF supported \$28.8 million in regulatory and non-regulatory expenditures related to horse racing: \$17.2 million for ORC operations (including a \$1.3 million interdepartmental grant in FY 2002), \$2.5 million for laboratory analysis, \$6.0 million for fairs and racing programs, and \$3.2 million for improvement grants to county fairs. Detail of all expenditures disbursed from the SSFF within DARD is exhibited by Appendix 5; amounts exclusively expended for horse racing regulation and programs are highlighted in grey.

Carryforwards and Closing Balances

Between FY 1999 and FY 2000, \$648,723 was carried-forward into the AEIDF; since then, the year-end net revenue over or under expenditures added or subtracted from the cash reserves of the AEIDF has varied contingent on the combined effects of declining statutory revenues, casino wagering tax and General Fund revenue transfers, and appropriations from the SSFF. Following three uninterrupted years of net revenue accruing to the AEIDF, net losses have reduced the closing balance of the AEIDF during FY 2012 and FY 2013; from \$1.7 million in FY 2011 to \$1.0 million in FY 2013, as exhibited by Exhibit 2. DARD anticipates that future net losses, primarily resultant from the continued decline in revenue generated by the simulcast tax, will further reduce, if not completely eliminate, the cash reserves within the AEIDF.

APPENDIX 1.

**Horse Racing Licensees, Race Dates, Attendance, and Wagering Data
2000 to 2013**

		2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Great Lakes (Thoroughbred)	Live Race Dates	132	128	118	118	118	100	101	99						
	Live & Simulcast Race Dates	365	277	313	312	315	306	325	309						
	Annual Total Attendance	163,802	112,365	75,277	63,418	65,992	66,421	64,582	54,624	CLOSED	N/A	N/A	N/A	N/A	N/A
	Live Wagering Total	\$4,736,254	\$3,695,608	\$3,475,023	\$3,448,860	\$3,149,332	\$2,613,420	\$2,392,978	\$2,054,528						
	Simulcast Wagering Total	\$16,020,855	\$13,726,941	\$15,079,760	\$12,894,893	\$12,283,763	\$11,808,769	\$11,630,011	\$10,424,428						
Hazel Park Harness Raceway (Standardbred)	Live Race Dates	140	140	140	137	140	140	130	108	92	66	62	50	59	54
	Live & Simulcast Race Dates	361	360	361	360	362	361	361	361	363	362	361	361	362	361
	Annual Total Attendance	695,663	658,797	629,411	702,547	759,106	644,101	597,818	546,495	NO DATA	NO DATA	NO DATA	NO DATA	NO DATA	NO DATA
	Live Wagering Total	\$24,749,636	\$20,008,149	\$16,806,599	\$15,303,702	\$11,350,256	\$12,255,520	\$10,893,737	\$9,713,564	\$8,244,337	\$5,614,248	\$4,954,639	\$4,108,997	\$4,229,164	\$3,317,844
	Simulcast Wagering Total	\$159,038,457	\$149,149,676	\$143,923,009	\$137,288,742	\$136,460,414	\$124,137,066	\$113,344,926	\$102,976,797	\$93,286,256	\$82,810,749	\$72,474,194	\$64,178,041	\$62,856,857	\$57,380,484
Jackson Harness Raceway (Standardbred)	Live Race Dates	44	20	24	23	22	24	33	36	31					
	Live & Simulcast Race Dates	240	238	239	243	239	237	243	244	224					
	Annual Total Attendance	90,588	79,360	82,791	83,616	79,458	80,222	94,147	103,120	NO DATA	CLOSED	N/A	N/A	N/A	N/A
	Live Wagering Total	\$1,757,607	\$746,226	\$954,593	\$895,533	\$933,454	\$1,055,506	\$1,395,392	\$1,574,495	\$1,416,300					
	Simulcast Wagering Total	\$12,536,312	\$12,261,710	\$13,084,062	\$12,515,252	\$12,314,292	\$12,006,152	\$11,627,438	\$10,430,059	\$9,152,564					
Mount Pleasant Meadows (Mixed Breed)	Live Race Dates	21	28	34	38	37	36	34	35	36	19	10	30	46	43
	Live & Simulcast Race Dates	254	251	252	250	256	256	259	299	262	257	256	258	259	258
	Annual Total Attendance	18,828	16,709	14,572	19,100	17,114	14,323	14,367	14,263	NO DATA	NO DATA	NO DATA	NO DATA	NO DATA	NO DATA
	Live Wagering Total	\$162,952	\$203,746	\$225,989	\$203,483	\$183,625	\$181,409	\$197,819	\$164,847	\$152,867	\$89,558	\$42,787	\$146,504	\$199,855	\$194,487
	Simulcast Wagering Total	\$2,193,930	\$2,225,648	\$2,607,131	\$2,487,383	\$2,295,668	\$2,630,922	\$2,611,855	\$2,288,214	\$2,584,073	\$2,457,867	\$1,966,872	\$1,577,784	\$1,438,940	\$1,286,395
Northville Downs (Standardbred)	Live Race Dates	64	64	66	67	65	47	53	55	48	42	30	48	36	30
	Live & Simulcast Race Dates	211	210	210	210	211	211	211	211	211	211	211	361	362	361
	Annual Total Attendance	218,420	208,781	211,870	161,193	134,240	113,756	169,474	129,483	NO DATA	NO DATA	NO DATA	NO DATA	NO DATA	NO DATA
	Live Wagering Total	\$4,748,876	\$4,228,481	\$4,034,692	\$4,111,653	\$3,582,057	\$2,116,930	\$3,124,948	\$3,174,821	\$2,746,490	\$1,680,809	\$1,338,284	\$2,421,467	\$1,560,455	\$1,471,315
	Simulcast Wagering Total	\$75,094,243	\$70,986,127	\$68,567,796	\$65,052,009	\$67,684,067	\$60,457,077	\$56,582,570	\$52,635,646	\$46,748,837	\$36,071,422	\$30,621,687	\$53,488,152	\$50,789,724	\$47,229,049
Northville Racing Corporation (Standardbred)	Live Race Dates	48	54	53	50	51	40	44	43	41	31	27			
	Live & Simulcast Race Dates	148	148	150	148	148	150	150	149	150	146	148			
	Annual Total Attendance	137,616	139,758	133,991	96,936	80,572	103,262	88,702	89,686	NO DATA	NO DATA	NO DATA	CLOSED	N/A	N/A
	Live Wagering Total	\$2,899,709	\$3,476,333	\$3,218,032	\$2,782,652	\$2,023,926	\$2,113,799	\$2,190,859	\$2,048,476	\$1,422,066	\$869,148	\$903,763			
	Simulcast Wagering Total	\$45,472,657	\$44,789,637	\$44,691,470	\$41,618,129	\$39,820,037	\$37,896,646	\$33,105,543	\$32,463,718	\$24,849,332	\$19,374,542	\$19,119,913			
Pinnacle Race Course (Thoroughbred)	Live Race Dates									62	74	42			
	Live & Simulcast Race Dates									165	361	295			
	Annual Total Attendance	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	NO DATA	NO DATA	NO DATA	CLOSED	N/A	N/A
	Live Wagering Total									\$2,733,374	\$2,146,726	\$1,414,545			
	Simulcast Wagering Total									\$9,795,901	\$27,400,587	\$14,399,452			
Saginaw Harness Raceway (Standardbred)	Live Race Dates	47	33	33	33	33	23								
	Live & Simulcast Race Dates	366	360	361	360	362	302								
	Annual Total Attendance	66,485	62,274	60,699	55,327	51,095	38,353	CLOSED	N/A	N/A	N/A	N/A	N/A	N/A	N/A
	Live Wagering Total	\$1,502,948	\$1,063,621	\$1,083,749	\$923,984	\$884,758	\$533,169								
	Simulcast Wagering Total	\$14,070,626	\$13,264,463	\$13,135,553	\$12,543,290	\$11,967,393	\$9,384,616								
Sports Creek Raceway (Standardbred)	Live Race Dates	100	95	94	93	87	82	77	70	66	31	32	33	26	23
	Live & Simulcast Race Dates	363	361	361	361	362	361	360	362	361	361	361	360	360	359
	Annual Total Attendance	158,006	155,924	158,463	151,377	141,252	130,486	140,682	130,409	NO DATA	NO DATA	NO DATA	NO DATA	NO DATA	NO DATA
	Live Wagering Total	\$3,366,612	\$2,447,613	\$2,252,009	\$2,153,256	\$1,826,827	\$1,843,206	\$1,920,438	\$1,698,842	\$1,605,706	\$1,208,767	\$1,194,160	\$1,258,293	\$954,834	\$676,106
	Simulcast Wagering Total	\$30,964,005	\$32,852,586	\$31,982,045	\$32,355,143	\$30,713,593	\$28,738,263	\$30,174,274	\$29,314,355	\$26,488,188	\$23,614,264	\$21,173,393	\$17,752,378	\$16,151,455	\$15,357,563
TOTALS	Live Race Dates	596	562	562	559	553	492	472	446	376	263	203	161	167	150
	Live & Simulcast Race Dates	2,308	2,205	2,247	2,244	2,255	2,184	1,909	1,935	1,736	1,698	1,632	1,340	1,343	1,339
	Annual Total Attendance	1,549,408	1,433,968	1,367,074	1,333,514	1,328,829	1,190,924	1,169,772	1,068,080	NO DATA	NO DATA	NO DATA	NO DATA	NO DATA	NO DATA
	Live Wagering Total	\$43,924,594	\$35,869,777	\$32,050,686	\$29,823,123	\$23,934,235	\$22,712,959	\$22,116,171	\$20,429,573	\$18,321,140	\$11,609,256	\$9,848,178	\$7,935,261	\$6,944,308	\$5,659,752
	Simulcast Wagering Total	\$355,391,085	\$339,256,788	\$333,070,826	\$316,754,841	\$313,539,227	\$287,059,511	\$259,076,617	\$240,533,217	\$212,905,151	\$191,729,431	\$159,755,511	\$136,996,355	\$131,236,976	\$121,253,491

SOURCE: Horse Racing Annual Reports to the Governor, required by Section 6(3) of the Horse Racing Law of 1995, prepared by the Office of Racing Commissioner (2000-2009) or the Michigan Gaming Control Board (2010-2012) and emails with the Michigan Gaming Control Board for 2013 data.

APPENDIX 2.

Standardbred Racing	\$6,545,450	\$5,842,559	\$6,235,258	\$5,476,094	\$5,170,370	\$6,783,910	\$7,597,642	\$7,663,006	\$5,144,893	\$2,689,104	\$1,540,226	\$1,916,428	\$1,531,575	\$1,751,700
Purses and Supplements - Fairs/Licenses Tracks	\$2,721,950	\$2,796,917	\$3,009,868	\$2,571,670	\$2,503,945	\$2,579,665	\$3,028,609	\$3,030,798	\$2,353,373	\$942,627	\$815,182	\$757,766	\$610,975	\$702,800
Standardbred Purses and Supplements - Licensed Tracks	\$256,900	\$300,000	\$424,800	\$297,100	\$242,400	\$1,720,900	\$2,305,700	\$2,305,700	\$1,360,117	\$933,980	\$302,946	\$577,000	\$461,600	\$524,000
Standardbred Breeders' Awards	\$1,300,000	\$1,279,642	\$1,323,670	\$1,281,754	\$1,167,300	\$1,201,330	\$1,186,228	\$1,254,338	\$788,443	\$462,497	\$131,058	\$308,862	\$250,000	\$285,900
Standardbred Sire Stakes	\$2,033,200	\$1,230,300	\$1,240,000	\$1,111,300	\$1,050,000	\$1,075,900	\$1,040,000	\$1,040,000	\$615,600	\$350,000	\$278,640	\$261,200	\$209,000	\$239,000
Standardbred Michigan Futurity	\$96,000	\$96,000	\$96,000	\$86,800	\$86,000	\$85,400	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Standardbred Fedele Fauri Futurity	\$96,000	\$96,000	\$96,000	\$86,800	\$86,000	\$85,400	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Standardbred Training and Stabling	\$41,400	\$43,700	\$44,920	\$40,670	\$34,725	\$35,315	\$37,105	\$32,170	\$27,360	\$0	\$12,400	\$11,600	\$0	\$0
Thoroughbred Racing	\$1,937,800	\$2,985,700	\$3,502,797	\$3,013,932	\$2,679,600	\$3,904,315	\$4,221,342	\$4,237,023	\$2,650,718	\$1,380,050	\$961,882	\$862,198	\$863,740	\$917,321
Thoroughbred Program	\$1,790,200	\$1,870,800	\$2,126,597	\$1,780,457	\$1,636,300	\$2,750,515	\$2,998,342	\$3,014,023	\$1,859,734	\$820,620	\$634,756	\$0	\$0	\$0
Thoroughbred Supplements - Licensed Tracks	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$365,610	\$308,140	\$353,765
Thoroughbred Breeders' Awards	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$189,900	\$309,600	\$218,756
Thoroughbred Sire Stakes	\$0	\$996,700	\$1,196,100	\$1,066,175	\$906,800	\$1,002,900	\$1,063,100	\$1,063,100	\$690,208	\$558,213	\$285,520	\$266,788	\$214,100	\$344,800
Thoroughbred Owners' Awards	\$147,600	\$118,200	\$180,100	\$167,300	\$136,500	\$150,900	\$159,900	\$159,900	\$100,776	\$1,217	\$41,606	\$39,900	\$31,900	\$0
Light Horse Racing	\$55,278	\$69,950	\$73,900	\$65,110	\$73,140	\$115,800	\$121,850	\$152,370	\$93,236	\$22,000	\$4,544	\$35,050	\$34,100	\$60,300
Licensed Tracks - Light Horse Racing	\$55,278	\$69,950	\$73,900	\$65,110	\$73,140	\$115,800	\$121,850	\$152,370	\$93,236	\$22,000	\$4,544	\$35,050	\$34,100	\$40,300
Light Horse Racing - Breeders' Awards	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$20,000
Quarter Horse Racing	\$38,100	\$43,700	\$45,800	\$42,500	\$27,500	\$38,500	\$40,900	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Quarter Horse Programs	\$38,100	\$43,700	\$45,800	\$42,500	\$27,500	\$38,500	\$40,900	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Miscellaneous	\$0	\$0	\$0	\$0	\$0	\$626,197	\$648,155	\$539,919	\$532,847	\$455,782	\$443,911	\$325,000	\$295,575	\$0
Distribution of Outstanding Winning Tickets	\$0	\$0	\$0	\$0	\$0	\$626,197	\$648,155	\$539,919	\$532,847	\$455,782	\$443,911	\$325,000	\$295,575	\$0
Other Expenditures	\$0	\$0	\$0	\$142,200	\$174,000	\$565,554	\$2,451,288	\$2,445,996	\$2,115,832	\$907,672	\$90,535	\$92,080	\$77,387	\$34,731
Information Technology Services and Projects ^{3,5}	\$0	\$0	\$0	\$142,200	\$124,000	\$142,800	\$43	\$0	\$97,731	\$204,500	\$90,510	\$92,080	\$77,387	\$34,731
Statistical Reporting Service ⁵	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$49,256	\$0	\$0	\$0	\$0	\$0	\$0
Animal Health and Welfare ⁵	\$0	\$0	\$0	\$0	\$50,000	\$52,754	\$56,400	\$56,520	\$41,210	\$55,275	\$0	\$0	\$0	\$0
Bovine Tuberculosis Program ⁵	\$0	\$0	\$0	\$0	\$0	\$250,000	\$2,294,682	\$2,340,161	\$1,976,892	\$647,797	\$0	\$0	\$0	\$0
Future Farmers of America Foundation	\$0	\$0	\$0	\$0	\$0	\$20,000	\$80,000	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Michigan 4-H Foundation	\$0	\$0	\$0	\$0	\$0	\$20,000	\$20,000	\$0	\$0	\$0	\$0	\$0	\$0	\$0
MSU College of Agriculture and Natural Resources	\$0	\$0	\$0	\$0	\$0	\$80,000	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
A/R BS Write-Off Account	\$0	\$0	\$0	\$0	\$0	\$0	\$164	\$60	\$0	\$100	\$25	\$0	\$0	\$0
Total AEIDF Expenditures	\$12,643,172	\$13,289,003	\$13,028,388	\$11,426,072	\$10,575,338	\$14,640,222	\$16,044,377	\$15,874,309	\$10,537,527	\$8,016,474	\$5,872,228	\$5,297,900	\$5,073,708	\$5,306,292
Net AEIDF Revenue Over (Under) Expenditures	\$1,143,628	(\$674,801)	(\$369,226)	\$558,903	(\$143,094)	\$206,775	(\$1,326,526)	\$21,993	(\$19,193)	\$1,214,989	\$380,102	\$47,475	(\$31,309)	(\$653,032)
AEIDF Closing Balance (\$648,723 carryforward into FY 2000)	\$1,792,350	\$1,117,549	\$748,324	\$1,307,227	\$1,164,133	\$1,370,908	\$44,382	\$66,375	\$47,182	\$1,262,171	\$1,642,273	\$1,689,749	\$1,658,439	\$1,005,408

NOTES: ¹2004 PA 306 increased the wagering tax rate levied on Detroit casinos subject to statutory specifications and allocated 0.5% of increased wagering tax revenue to the AEIDF, which accrued between 2004 and 2009; ²AEIDF revenue was indirectly transferred to the General Fund in 2004 and 2005 via 2003 PA 157 and 2004 PA 353, respectively, without explicit statutory sanction under 1995 PA 279, while in 2006 AEIDF revenue was directly transferred to the General Fund via 2006 PA 42 which amended 1995 PA 279; ³Revenue generated by assessments, fees, and penalties paid by Detroit casinos and deposited into the State Services Fee Fund, established by 1996 IL 1 as amended by 1997 PA 69, was appropriated for the Office of Racing Commissioner, fairs and racing programs, laboratory services, grants to state and county fairs, and information technology services and projects (including related Civil Service Commission assessments) at various levels of support between 2002 and 2009; ⁴AEIDF revenue was appropriated for administration and enforcement of regulatory powers and duties (excluding laboratory analysis) by the Office of Racing Commissioner, later the Michigan Gaming Control Board, and administration of non-regulatory fairs and racing programs by DARD without explicit statutory sanction under 1995 PA 279; ⁵AEIDF revenue appropriated for other purposes without explicit statutory sanction under 1995 PA 279.

APPENDIX 3.

**Office of Racing Commissioner / Michigan Gamin Control Board, Racing Commission Detailed Expenditures
AY 2000 to AY 2013**

Department of Agriculture & Rural Development	FY 2000	FY 2001	FY 2002	FY 2003	FY 2004	FY 2005	FY 2006	FY 2007	FY 2008	FY 2009
Office of Racing Commissioner Total	\$3,375,004	\$3,854,123	\$3,965,427	\$3,517,209	\$3,300,782	\$3,609,200	\$3,295,353	\$3,082,102	\$3,298,205	\$2,637,018
Administration/Operations	\$682,236	\$1,110,105	\$1,217,245	\$1,300,000	\$1,292,432	\$3,609,200	\$3,295,353	\$3,038,301	\$3,237,294	\$2,555,620
Agriculture Equine Industry Development Fund	\$682,236	\$1,110,105	\$1,217,245	\$0	\$0	\$0	\$0	\$0	\$0	\$2,555,620
State Services Fee Fund	\$0	\$0	\$0	\$1,300,000	\$1,292,432	\$3,609,200	\$3,295,353	\$3,038,301	\$3,237,294	\$0
Laboratory/Track Operations	\$2,604,907	\$2,557,650	\$2,651,913	\$2,217,209	\$2,008,350	\$0	\$0	\$43,802	\$60,911	\$6,246
Agriculture Equine Industry Development Fund	\$2,604,907	\$2,557,650	\$1,351,913	\$2,217,209	\$2,008,350	\$0	\$0	\$0	\$0	\$6,246
State Services Fee Fund	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$43,802	\$60,911	\$0
IDG from Michigan Gaming Control Board	\$0	\$0	\$1,300,000	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Regulatory Enhancements	\$0	\$186,368	\$96,269	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Agriculture Equine Industry Development Fund	\$0	\$186,368	\$96,269	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Supplemental Work Project	\$87,862	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Agriculture Equine Industry Development Fund	\$87,862	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
OPERS Harness Horsemen's Industry Support	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$75,152
Industry Support Funds	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$75,152
Michigan Gaming Control Board	2010	2011	2012	2013						
Racing Commission	\$1,954,635	\$1,282,899	\$1,522,438	\$1,889,810						
Unclassified Positions	\$335	\$7	\$0	\$0						
Administration	\$1,078,970	\$467,076	\$593,631	\$804,257						
Track Harness - Hazel Park Raceway	\$256,552	\$222,678	\$297,532	\$297,359						
Track Harness - Northville Downs	\$251,330	\$261,485	\$271,830	\$204,766						
Track Harness - Sports Creek Raceway	\$0	\$149,663	\$87,401	\$171,382						
Track Mixed - Mount Pleasant Meadows	\$35,940	\$72,378	\$218,147	\$279,648						
Track Thoroughbred - Pinnacle Race Course	\$213,190	\$59,245	(\$5,739)	\$0						
Track Harness - Race Fixing Investigation	\$57,662	\$22,772	\$1,565	\$0						
Horse Racing Investigations	\$0	\$0	\$0	\$48,671						
Laboratory	\$53	\$0	\$6	\$0						
Terminal Leave Allocation	\$2,751	\$0	\$0	\$0						
Information Technology Services and Projects	\$52,417	\$27,597	\$58,064	\$83,727						
Industry Support Funds	\$5,434	\$0	\$0	\$0						

All MGCB expenditures related to the regulation of horse racing were supported with revenue from the Agriculture Equine Industry Development Fund.

APPENDIX 4.

**Building and Track Improvement Expenditures
AY 2000 to AY 2007**

	FY 2000	FY 2001	FY 2002	FY 2003	FY 2004	FY 2005	FY 2006	FY 2007	Cumulative
Building and Track Improvement - County and State Fairs	\$753,100	\$966,300	\$963,200	\$963,200	\$963,200	\$963,200	\$963,200	\$835,995	\$7,371,395
Agriculture Enquine Industry Development Fund	\$0	\$0	\$0	\$0	\$0	\$692,500	\$963,200	\$835,995	\$2,491,695
State Services Fee Fund	\$0	\$0	\$963,200	\$963,200	\$963,200	\$270,700	\$0	\$0	\$3,160,300
General Fund	\$753,100	\$966,300	\$0	\$0	\$0	\$0	\$0	\$0	\$1,719,400
Building and Track Improvement - Licensed Tracks*	\$0	\$0	\$0	\$0	\$0	\$1,893,446	\$0	\$0	\$1,893,446
Agriculture Enquine Industry Development Fund	\$0	\$0	\$0	\$0	\$0	\$1,893,446	\$0	\$0	\$1,893,446
<i>Hazel Park Racing Assoc., Hazel Park, Oakland</i>	\$0	\$0	\$0	\$0	\$0	\$1,305,216	\$0	\$0	\$1,305,216
<i>Jackson Trotting Assoc. LLC, Jackson, Jackson</i>	\$0	\$0	\$0	\$0	\$0	\$24,710	\$0	\$0	\$24,710
<i>Michigan Racing Inc., Muskegon, Muskegon</i>	\$0	\$0	\$0	\$0	\$0	\$65,285	\$0	\$0	\$65,285
<i>Northville Downs, Northville, Wayne</i>	\$0	\$0	\$0	\$0	\$0	\$189,000	\$0	\$0	\$189,000
<i>Oil Capital Race Ventures, Mount Pleasnt, Isabella</i>	\$0	\$0	\$0	\$0	\$0	\$21,893	\$0	\$0	\$21,893
<i>Sports Creek Acquisition Inc., Swartz Creek, Genesee</i>	\$0	\$0	\$0	\$0	\$0	\$287,342	\$0	\$0	\$287,342
Total Building and Track Improvement	\$753,100	\$966,300	\$963,200	\$963,200	\$963,200	\$2,856,646	\$963,200	\$835,995	\$9,264,840

*2004 PA 353, Boilerplate Section 815: "From the funds appropriated in section 110, \$2,980,000.00 shall be allocated to race meeting licensees under the horse racing law of 1995, 1995 PA 279, MCL 431.301 to 431.336, for capital improvement at horse racing tracks in Michigan. Each licensee shall receive, from the funds made available under this section, an amount equal to its proportion of the total amount of money wagered, live and simulcast, in this state on horse racing that is conducted in this state during the 2004 calendar year. The department shall distribute each race meeting licensee's allocation provided under this section in 4 equal amounts throughout the year. The funding shall only be made available to a race meeting licensee if matched, dollar for dollar, with funds provided by the licensee. It is the intent of the legislature that these funds shall be made available in the fiscal year ending September 30, 2005."

APPENDIX 5.

**State Services Fee Fund* Expenditures within the Department of Agriculture and Rural Development
AY 2002 to AY 2011**

	FY 2002	FY 2003	FY 2004	FY 2005	FY 2006	FY 2007	FY 2008	FY 2009	FY 2010	FY 2011	Cumulative
Unclassified Positions	\$110,542	\$121,625	\$143,283	\$117,914	\$160,490	\$160,486	\$160,349	\$137,863	\$0	\$0	\$1,112,553
Executive Direction	\$0	\$0	\$0	\$117,900	\$64,500	\$69,399	\$37,669	\$73,800	\$0	\$0	\$363,269
Emergency Management	\$0	\$0	\$0	\$73,600	\$226,200	\$177,051	\$240,228	\$242,598	\$0	\$0	\$959,677
Management Services	\$0	\$0	\$0	\$0	\$110,100	\$95,771	\$70,865	\$24,900	\$0	\$0	\$301,636
Agriculture Development	\$0	\$0	\$0	\$293,700	\$350,520	\$314,919	\$350,129	\$344,756	\$0	\$0	\$1,654,025
Agriculture Development, Marketing, and Emergency Management	\$0	\$0	\$573,300	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$573,300
Rent and Building Occupancy Charges	\$304,600	\$301,561	\$304,600	\$304,600	\$304,600	\$312,600	\$335,800	\$313,200	\$53,400	\$46,266	\$2,581,227
Bovine Tuberculosis Program	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$1,445,601	\$0	\$0	\$1,445,601
Laboratory Services / Laboratory Analysis Program	\$0	\$0	\$0	\$479,600	\$503,200	\$507,054	\$519,700	\$513,861	\$0	\$0	\$2,523,415
Office of Racing Commissioner	\$0	\$1,300,000	\$1,292,432	\$3,609,200	\$3,295,353	\$3,082,102	\$3,298,205	\$0	\$0	\$0	\$15,877,292
Fairs and Racing / Fairs, Racing and Producer Security	\$513,500	\$518,886	\$514,878	\$596,283	\$908,100	\$919,123	\$1,005,599	\$1,011,100	\$0	\$0	\$5,987,469
Premiums - County and State Fairs	\$1,612,494	\$1,612,333	\$1,614,000	\$1,614,000	\$1,614,000	\$1,605,328	\$1,604,459	\$146,736	\$0	\$0	\$11,423,351
Building and Track Improvement - County and State Fairs	\$963,200	\$963,200	\$963,200	\$270,700	\$0	\$0	\$0	\$0	\$0	\$0	\$3,160,300
Information Technology Services and Projects	\$0	\$2,100	\$2,100	\$694,600	\$997,300	\$997,300	\$924,840	\$1,063,500	\$0	\$0	\$4,681,740
Total State Services Fee Fund Expenditures within MDARD	\$3,504,337	\$4,819,706	\$5,407,793	\$8,172,096	\$8,534,363	\$8,241,135	\$8,547,844	\$5,317,914	\$53,400	\$46,266	\$52,644,853

* Section 12a of the Michigan Gaming Control and Revenue Act, 1996 IL 1, as amended by 1997 PA 69:

"Sec. 12a. (1) In addition to application and license fees described in this act, all regulatory and enforcement costs, compulsive gambling programs, casino-related programs and activities, casino-related legal services provided by the attorney general, and the casino-related expenses of the department of state police shall be paid by casino licensees as provided by this section.

(2) The total annual assessment for the first year in which any casino licensee under this act begins operating a casino in this state shall be \$25,000,000.00.

(3) The total annual assessment required under this subsection shall be adjusted each year by multiplying the annual assessment for the immediately preceding year by the Detroit consumer price index for the immediately preceding year. As used in this subsection, "Detroit consumer price index" means the annual consumer price index for Detroit consumers as defined and reported by the United States department of labor, bureau of labor statistics.

(4) On or before the date the casino licensee begins operating the casino and annually on that date thereafter, each casino licensee shall pay to the state treasurer an equal share of the total annual assessment required under this section. In no event shall a casino's assessment exceed 1/3 of the total annual assessment required under this section.

(5) From the amount collected under subsection (4), \$2,000,000.00 shall be deposited in the compulsive gaming prevention fund.

(6) The state services fee fund is created in the department of treasury and shall be administered by the department in accordance with this act.

(7) Except as provided in subsections (5) and (8), all funds collected under this section shall be deposited in the state services fee fund. Distributions from the fund shall be made by the legislature through the appropriations process.

(8) The balance of the state services fee fund shall not exceed \$65,000,000.00. If the funds collected under this section would cause the balance to exceed the limitation of this subsection, the surplus funds shall be credited in equal shares against each casino licensee's annual assessment made under section 12a.

(9) The funds collected under this section and deposited in the state services fee fund shall not revert to the general fund at the close of the fiscal year but shall remain in the fund."