



Economic Impact Analysis Virginia Department of Planning and Budget

11 VAC 10-70 – Regulations Pertaining to Horse Racing With Pari-mutuel Wagering - Stewards

Virginia Racing Commission

November 9, 2005

The Department of Planning and Budget (DPB) has analyzed the economic impact of this proposed regulation in accordance with Section 2.2-4007.H of the Administrative Process Act and Executive Order Number 21 (02). Section 2.2-4007.H requires that such economic impact analyses include, but need not be limited to, the projected number of businesses or other entities to whom the regulation would apply, the identity of any localities and types of businesses or other entities particularly affected, the projected number of persons and employment positions to be affected, the projected costs to affected businesses or entities to implement or comply with the regulation, and the impact on the use and value of private property. The analysis presented below represents DPB's best estimate of these economic impacts.

Summary of the Proposed Regulation

The Virginia Racing Commission (VRC) proposes to amend the *Regulations Pertaining to Horse Racing With Pari-mutuel Wagering – Stewards* to reflect legislative changes enacted during the 2005 General Assembly session. Specifically, these legislative changes mandate that the VRC regulate all participants in horse racing events, allow the VRC to take disciplinary action against participants either through stewards or at a meeting at which a quorum of VRC members is present and requires that disciplinary hearings be decided using a “preponderance of the evidence” standard.

Estimated Economic Impact

Under the current regulations, the VRC is only allowed to regulate the behavior of horse racing participants who are VRC licensed. This means that participating non-licensees at least had the potential to engage in behavior that skewed the results of a race without fear of

punishment. During the 2005 legislative session, the General Assembly added language to §59.1-369 which allows the VRC to regulate all individuals who participate in horse racing in Virginia. This will benefit racing participants who are licensed as they will no longer be operating with the disadvantage of having to follow rules that other race participants may or may not be following. Individuals who both attend horse races and bet on their outcomes or who bet on races through off-track betting establishments (OTB's) will benefit because this proposed regulation reduces the chance that race outcomes will be manipulated. Non-betting spectators will also benefit to the extent that they get more enjoyment out of watching a fair horse race than from watching a race that is possibly fixed.

Current regulation allows disciplinary action against licensees if there is a “reasonable suspicion” that the licensee has defied a VRC regulation. A licensee may be fined and, if the suspected offense is serious enough, may lose his license to participate in horse racing events in the Commonwealth. Disciplinary action can even have nationwide consequences since other states will usually refuse licensure to someone whose Virginia license has been suspended or revoked. The proposed regulation incorporates language from the amendments to Code of Virginia §59.1-369 which mandates that the VRC start using a “preponderance of the evidence” standard, rather than the current “reasonable suspicion” standard, for disciplinary hearings. This will benefit horse racing participants, including licensees, because this harder-to-meet standard will lessen the chance of suffering unearned punishment.

Businesses and Entities Affected

Approximately 4,500 individuals participate in horse racing events in the Commonwealth each year. All of these participants are part of the regulated community and are affected by the proposed regulation.

Localities Particularly Affected

Localities that encompass horse racing facilities or OTB's have the potential to be particularly affected by the proposed regulation. New Kent County has Virginia's only horse racing facilities. Chesapeake, Hampton, Alberta, Martinsville, Richmond, Henrico County and Vinton all have OTB's. A new OTB will also be completed soon in Scott County.

Projected Impact on Employment

The proposed regulation is not likely to affect employment in the Commonwealth.

Effects on the Use and Value of Private Property

Unlicensed participants who will now be under the authority of the VRC may have their net worth reduced through fines, or may even lose their right to participate in racing in the Commonwealth, if they violate VRC regulatory standards. All participants, however, will have a smaller chance of being disciplined because the VRC will now be holding disciplinary hearing using a “preponderance of the evidence” standard rather than the “reasonable suspicion” standard that is used now.

Small Businesses: Costs and Other Effects

The proposed changes do not mandate any new bookkeeping requirements for affected small businesses. Small businesses that have not been licensed by VRC but are participants will now be subject to the same range of punishments for misbehavior as licensees are now.

Small Businesses: Alternative Method that Minimizes Adverse Impact

These regulatory changes are mandated by the General Assembly. Because of this, VRC has little or no authority to choose alternate methods.