



Report Highlights

Louisiana State Racing Commission and Louisiana Gaming Control Board

House Resolution No. 130, 2014 Regular Session

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Why We Conducted This Audit

This audit was conducted as requested by House Resolution No. 130 of the 2014 Regular Session. This resolution asked us to determine whether the Louisiana State Racing Commission and the Louisiana Gaming Control Board are ensuring regulatory compliance with respect to horse racing and off-track betting (OTB) facilities. The map below shows Louisiana’s four racetracks and their respective OTBs.

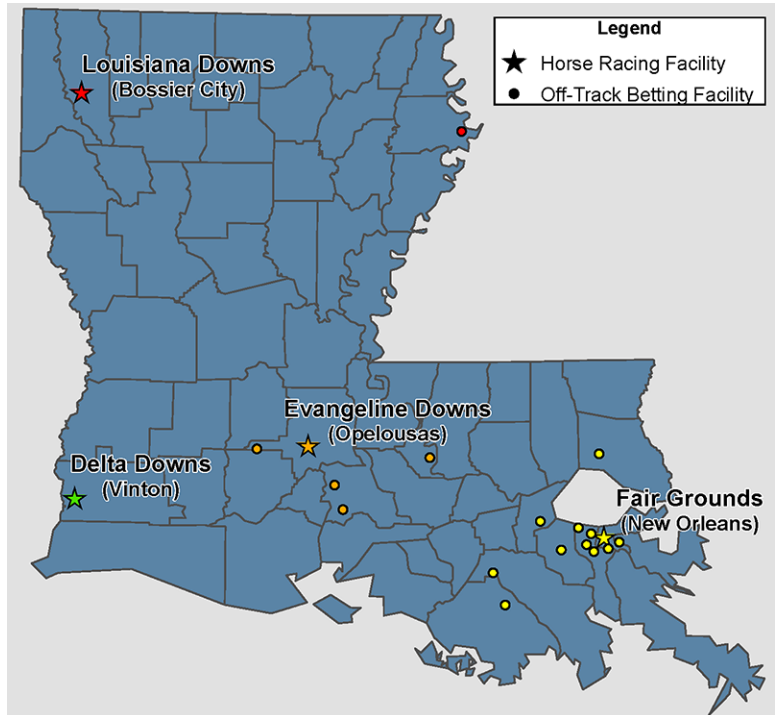
What We Found

Objective 1: Determine whether the Racing Commission is ensuring horse racing facilities and OTBs comply with health, safety, and welfare standards required by law and administrative rule.

Overall, we found that while the Racing Commission has developed licensing, monitoring, and enforcement processes to regulate the sport of racing, it has not developed sufficient regulations and processes to ensure that the racetracks themselves comply with health, safety, and welfare standards. Specifically, we found the following:

- **The Racing Commission needs to develop sufficient regulations to ensure racetracks comply with health, safety, and welfare standards.** Current regulations do not contain sufficient provisions and are not specific enough to consistently hold racetracks accountable. For example, the Racing Commission’s regulations do not include safety requirements for the surface of the racetrack or adequate drainage systems for the track, both of which affect the health, safety, and welfare of horses and the public at racetracks.
- **The Racing Commission needs to develop a formal inspection process to document racetrack compliance with health, safety, and welfare standards.** A documented inspection would provide stronger evidence that the Racing Commission ensured racetracks comply with regulations. Instead of conducting inspections, the Racing Commission uses an informal, reactionary approach where they work with the racetracks to address problems as they arise during the course of the races. A formal inspection process would allow the Racing Commission to more proactively ensure facilities are in compliance with regulations by identifying and addressing issues in a timely manner.

Louisiana Racetracks and Associated OTBs



Source: Prepared by legislative auditor’s staff.

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House Resolution No. 130, 2014 Regular Session

What We Found (Cont.)

- **The Racing Commission needs to develop a formal enforcement process that consistently addresses instances of noncompliance with regulations.** Although the Racing Commission has issued fines to jockeys and other racing personnel, it has never issued fines to racetracks or OTBs. Having a formal enforcement process that addresses issues of noncompliance would better allow the Racing Commission to ensure compliance in a timely manner.
- **The Racing Commission did not conduct inspections of the pari-mutuel wagering side of OTBs prior to 2014; however, in February 2014 it developed an agreement with the Louisiana State Police (LSP) to conduct these inspections on the Racing Commission's behalf.** As of December 2014, all but one of the OTBs had been inspected. Based on their inspection results, LSP identified some violations, including unlicensed employees, televisions not working, closed kitchens, no live tellers present, and permits not properly displayed.

Objective 2: Determine if the Louisiana Gaming Control Board (Gaming Control Board) ensures video draw poker devices and slot machines at horse racing facilities and OTBs are operated in compliance with requirements.

Overall, we found that the Gaming Control Board, through LSP, ensures that video poker devices and slot machines at horse racing facilities and OTBs are operated in compliance with requirements. However, we found that certain processes, such as the inspection of video poker devices at OTBs and slot machines at horse racing facilities, could be strengthened to provide further assurance of their compliance with requirements.

Objective 3: Determine if the Racing Commission and the Gaming Control Board are enforcing compliance with the amount of resources horse racing facilities and OTBs are allocating to horse racing versus the operation of slot machines and video draw poker devices.

Overall, we found that state law does not contain any provisions that direct racetracks to spend a certain portion of their resources on horse racing versus gaming. However, state law does require that certain percentages of proceeds from pari-mutuel wagering, slot machines at racetracks, and video poker at OTBs be distributed to horsemen groups and purses. Overall, we found that the Gaming Control Board has sufficient processes to ensure that net gaming revenue is accurate. The Racing Commission has also developed some processes that appear sufficient at ensuring that pari-mutuel and gaming revenue to the horsemen are accurately distributed.

In addition, we found that in fiscal year 2013 approximately \$99.3 million in proceeds from slots, video poker, and pari-mutuel wagers was allocated to the horse racing industry, while the state received approximately \$71.6 million. The horse racing industry receives more than the state because state law allows the industry to receive its portion of gaming revenues prior to the state taxing it. If the state taxed net gaming proceeds prior to the horsemen receiving their portion, the state would have received approximately \$15.3 million in additional revenue in fiscal year 2013.