

Budget Constraints Threaten U.S. Racing Commissions

State racing commissions are galloping into the sunset as cash-hungry lawmakers and governors across the U.S. look for regulatory agencies to axe.

Governor Andrew Cuomo is the latest to roll out plans to eliminate a state racing board under a proposal that would merge the decades-old regulator with the state lottery.

It follows similar proposals that are moving forward in Massachusetts and Florida.

With racing revenues declining and casinos becoming the main attraction, states are moving to create strong, centralized gaming commissions with power to oversee all forms of gambling.

Still, casinos and racetracks could prove an odd regulatory couple, with the two sectors requiring very different forms of oversight, some experts warn.

“They pass a law and they think they can put all things together,” warns Frank Catania, a former director of the New Jersey Division of Gaming Enforcement and now president of Catania Gaming Consultants. “Racing and gaming should be separate.”

Cuomo’s proposal to combine New York’s Racing and Wagering Board with the state lottery commission is the biggest merger of its kind currently under consideration.

The New York governor made the proposal in his proposed 2012 state budget.

It combines a formidable agency that has long overseen New York’s substantial horseracing industry with the lottery commission that controls what is now New York’s main gambling revenue line: thousands of video lottery terminals.

The two entities would be combined into a central gaming commission overseen by a five-member board.

Given the big gaming expansion looming ahead for gambling in New York State, a more powerful regulatory watchdog may be needed.

The move comes as Cuomo and the state’s powerful racino industry prepares to [push for a green light to legalize full-fledged casino gambling in the Empire State](#).

Cuomo has unveiled a proposed constitutional amendment that would allow racetracks that now oversee thousands of video lottery terminals to add table games and make the jump from racino to casino.

It also comes as New York’s popular Democratic governor wields the budget scalpel in a bid to close a multibillion-dollar gap.

Other state leaders and lawmakers are taking a similar approach.

The [recently passed Massachusetts casino bill](#) will roll the state’s existing racing commission into a new five-member gaming commission that will oversee a trio of planned casinos and a slot hall.

The commission will take on oversight of horseracing in 2014 when the racing commission is shuttered, with responsibility for two horse tracks.

Florida nixed its racing commission in the early 1990s, turning regulation of the sport over to a division within the state’s Department of Business and Professional Regulation.

But that unit would be eliminated under a [casino bill now being considered by the legislature](#).

Should the bill, which would also allow licenses for resort casinos in South Florida, be passed, the job of watching over the state’s bevy of horse and dog tracks would then be turned over to a new centralized state gaming commission.

A number of construction industry groups are backing the bill and the proposed regulatory shift, arguing it will lead to tighter oversight of gambling in Florida.

For its part, Nevada axed its racing board in 1993, transferring its functions to the Nevada Gaming Control Board, regarded as one of the toughest watchdogs in the industry.

The racing industry and the regulatory commissions that have overseen it have become increasingly tempting targets for cash strapped state governments.

An ongoing and steady decline in both horse and dog racing has hurt track owners and by extension the racing commissions, which depend on fees paid by the industry to make their budgets.

Live greyhound racing was banned in Massachusetts after a referendum, while the two remaining horse tracks have been bleeding money for years.

That has left the state's racing commission with far less than a full plate — and with a big drop in fees to supports its operations.

New York's racetracks have video lottery terminals but the racing industry has also struggled, with the New York Racing Association having gone through a prolonged stay in federal bankruptcy court.

In the Empire State at least, there is some logic to putting the Racing and Wagering Board and the state lottery commission under the umbrella of a new gaming commission, said one leading industry observer.

"It would make an awful lot of sense to do it," said Joe Kelly, a professor of business law at SUNY College Buffalo and gaming industry expert, who called the New York system a "bifurcated structure."

As it stands now, regulation of the gaming industry in New York is split between the racing board, which oversees horseracing, and the lottery, which oversees the VLTs at the tracks.

But what may make sense on paper may not work as smoothly in practice, with horseracing a sport steeped in tradition and arcane rules and procedures.

"The right way to do it is to keep them separate," Catania said.