

**FEDERAL TRADE COMMISSION**

**HISA Proposed Budget**

**[File No. P222100]**

**AGENCY:** Federal Trade Commission

**ACTION:** Notice of publication of Horseracing Integrity and Safety Authority 2023 proposed budget; request for public comment.

**SUMMARY:** The Federal Trade Commission (“FTC” or “Commission”) publishes the 2023 proposed budget of the Horseracing Integrity and Safety Authority and seeks public comment on whether the Commission should approve, disapprove, or modify the proposed budget.

**DATES:** Comments must be filed on or before [INSERT 14 DAYS AFTER DATE OF PUBLICATION IN THE *FEDERAL REGISTER*].

**ADDRESSES:** Interested parties may file a comment online or on paper by following the instructions in the Request for Comment part of the **SUPPLEMENTARY**

**INFORMATION** section. Write “HISA 2023 Budget, Matter No. P222100” on your comment and file it online at <https://www.regulations.gov> by following the instructions on the web-based form. If you prefer to file your comment on paper, mail your comment to the following address: Federal Trade Commission, Office of the Secretary, 600 Pennsylvania Avenue NW, Suite CC-5610 (Annex H), Washington, DC 20580.

**FOR FURTHER INFORMATION CONTACT:** John H. Seesel (202-326-2702), Associate General Counsel, Office of the General Counsel, Federal Trade Commission, 600 Pennsylvania Avenue NW, Washington, DC 20580.

## **SUPPLEMENTARY INFORMATION:**

The Horseracing Integrity and Safety Act,<sup>1</sup> enacted on December 27, 2020,<sup>2</sup> and amended on December 29, 2022,<sup>3</sup> directs the Federal Trade Commission to oversee the activities of a private, self-regulatory organization called the Horseracing Integrity and Safety Authority (“HISA” or the “Authority”). In March 2023, the Commission issued rules setting forth the procedure whereby the Commission approves, disapproves, or modifies the Authority’s proposed annual budget.<sup>4</sup> Under these rules, the Authority must first publish a proposed budget on its own website and invite public comments. *See* FTC Rule 1.150(b). Thereafter, the Authority must forward the budget to the Commission, along with any public comments received and an assessment of those comments. *Id.* The Authority’s submission must include (a) a statement of the vote by the Authority’s Board of Directors approving the proposed budget; (b) information about revenues, including how fees are calculated and apportioned; (c) information about expenditures, broken down by program area, e.g., the racetrack safety program, the anti-doping and medication control program, etc.; (d) sufficient information about individual line items for the Authority’s Board of Directors to exercise their fiduciary duty of care; and (e) information comparing actual revenues and expenses against the approved budget and explaining variances of greater than 10 percent. Rule 1.150(c).

After the Authority submits its proposed budget and supporting materials to the Commission, the Commission must determine whether “the proposed budget contains

---

<sup>1</sup> Codified at 15 U.S.C. 3051 through 3060.

<sup>2</sup> Pub. L. 116–260, 134 Stat. 1182, 3252 (Dec. 27, 2020).

<sup>3</sup> Pub. L. 117–328, 136 Stat. 4459, 5231 (Dec. 29, 2022).

<sup>4</sup> 88 FR 18034 (Mar. 23, 2023); *see* 16 CFR 1.150 – 1.152.

sufficient information for the members of the Board of Directors of the Authority to exercise their fiduciary duty of care,” Rule 1.150(d), and whether the submission otherwise comports with the submission requirements of the Commission’s rules. *Id.*; see Rule 1.143. Once the Commission makes that determination, it publishes the Authority’s proposed budget in the *Federal Register* and invites public comment for a period of 14 days. *Id.* After taking into consideration the comments submitted, the Commission either approves or disapproves the budget. Rule 1.151(a). The Commission will approve the proposed budget if “the Commission determines that, on balance, the proposed budget serves the goals of the Horseracing Integrity and Safety Act in a prudent and cost-effective manner, utilizing commercially reasonable terms with all outside vendors, and that its anticipated revenues are sufficient to meet its anticipated expenditures.” Rule 1.151(c). The Commission may also modify the amount of any line item. Rule 1.151(d).

In October 2022—prior to the effective date of the budget rule—the Authority forwarded to the Commission a summary of the Authority’s 2023 budget. In December 2022, the Authority forwarded to the Commission a revised summary 2023 budget. In June 2023, after the budget rule became effective, the Authority submitted to the FTC a “Supplemental Notice of Filing of HISA Budget,” which included all the information the Authority must provide to the Commission under Rule 1.150(c). The Supplemental Notice of Filing of HISA Budget is reproduced below. The appendices to which it refers have been collected and reproduced as a supporting document on the docket for this publication at <https://www.regulations.gov>.

Based upon these submissions and additional information the Authority has provided to the Commission, the Commission concludes the Authority’s proposed 2023

budget “contains sufficient information for the members of the Board of Directors of the Authority to exercise their fiduciary duty of care.” Rule 1.150(d). The Authority’s submission also complies with the filing procedures set forth in Rule 1.143. The Commission therefore issues this document and invites comments from the public on the Authority’s 2023 budget. Comments should address the decisional criteria set forth in Rule 1.151(c) and whether any line items should be modified. *See* Rule 1.151(e).

You can file a comment online or on paper. For the Commission to consider your comment, we must receive it on or before [INSERT DATE 14 DAYS AFTER DATE OF PUBLICATION IN THE *FEDERAL REGISTER*]. Write “HISA 2023 Budget, Matter No. P222100” on your comment. Your comment—including your name and your state—will be placed on the public record of this proceeding, including the <https://www.regulations.gov> website.

Postal mail addressed to the Commission is subject to delay due to heightened security screening. As a result, we strongly encourage you to submit your comments online. To make sure the Commission considers your online comment, you must file it at <https://www.regulations.gov>, by following the instructions on the web-based form.

If you file your comment on paper, write “HISA 2023 Budget, Matter No. P222100” on your comment and on the envelope, and mail your comment to the following address: Federal Trade Commission, Office of the Secretary, 600 Pennsylvania Avenue NW, Suite CC-5610 (Annex H), Washington, DC 20580. If possible, please submit your paper comment to the Commission by overnight service.

Because your comment will be placed on the publicly accessible website at <https://www.regulations.gov>, you are solely responsible for making sure your comment

does not include any sensitive or confidential information. In particular, your comment should not include any sensitive personal information, such as your or anyone else's Social Security number; date of birth; driver's license number or other state identification number, or foreign country equivalent; passport number; financial account number; or credit or debit card number. You are also solely responsible for making sure your comment does not include any sensitive health information, such as medical records or other individually identifiable health information. In addition, your comment should not include any "any trade secret or any commercial or financial information . . . which is privileged or confidential." 15 U.S.C. 46(f); *see* FTC Rule 4.10(a)(2), 16 CFR 4.10(a)(2). In particular, your comment should not include competitively sensitive information such as costs, sales statistics, inventories, formulas, patterns, devices, manufacturing processes, or customer names.

Comments containing material for which confidential treatment is requested must be filed in paper form, must be clearly labeled "Confidential," and must comply with FTC Rule 4.9(c), 16 CFR 4.9(c). In particular, the written request for confidential treatment that accompanies the comment must include the factual and legal basis for the request and must identify the specific portions of the comment to be withheld from the public record. *See* FTC Rule 4.9(c), 16 CFR 4.9(c). Your comment will be kept confidential only if the General Counsel grants your request in accordance with the law and the public interest. Once your comment has been posted publicly at <https://www.regulations.gov>, as legally required by FTC Rule 4.9(b), 16 CFR 4.9(b), we cannot redact or remove your comment, unless you submit a confidentiality request that

meets the requirements for such treatment under FTC Rule 4.9(c), 16 CFR 4.9(c), and the General Counsel grants that request.

Visit the FTC Website to read this publication. The FTC Act and other laws that the Commission administers permit the collection of public comments to consider and use in this proceeding as appropriate. The Commission will consider all timely and responsive public comments it receives on or before [INSERT DATE 14 DAYS AFTER DATE OF PUBLICATION IN THE *FEDERAL REGISTER*]. For information on the Commission’s privacy policy, including routine uses permitted by the Privacy Act, see <https://www.ftc.gov/site-information/privacy-policy>.

The text that follows is the Supplemental Notice of Filing of HISA Budget which the Authority submitted to the Commission. The appendices to which it refers have been collected and reproduced as a supporting document on the docket for this publication at <https://www.regulations.gov>.

### **Supplemental Notice of Filing of HISA Budget**

Pursuant to the Horseracing Integrity and Safety Act of 2020<sup>5</sup> (the “Act”), notice was given that on December 27, 2022, the Horseracing Integrity and Safety Authority (“HISA” or the “Authority”) filed with the Federal Trade Commission (the “Commission”) the revised 2023 budget.<sup>6</sup> The budget was developed, approved by the Authority and submitted to the Commission prior to the Commission’s issuance of the Procedures for Oversight of the Horseracing Integrity and Safety Authority’s Annual Budget.<sup>7</sup> This Supplemental Notice of Filing of HISA Budget (the “Supplemental

---

<sup>5</sup> 15 U.S.C. 3051 through 3060.

<sup>6</sup> The original 2023 budget was filed with the Commission on October 3, 2022.

<sup>7</sup> 16 CFR Part 1 Subpart U.

Notice”) provides the contents of the submission as set forth in 16 CFR Part 1 Subpart U and notice is hereby given that on June 12, 2023 the Authority has filed with the Commission the 2023 budget (Appendix 1) and this Supplemental Notice.

I. Information Concerning Rule 1.150(b). The Authority’s original 2023 budget was posted on the HISA website (hisaus.org) on October 19, 2022. The Authority’s revised HISA budget was posted on the HISA website on January 14, 2023. The Authority did not receive any formal comments regarding the original or revised budget. However, the Authority did receive phone calls from persons who asked technical questions about the 2023 assessments. These questions were answered by Authority staff.

II. Information Concerning Rule 1.150(b)(1). The revised 2023 budget was approved by the Authority’s Board of Directors by a vote of 9 to 0 and therefore satisfies the requirements of 15 U.S.C. 3052(f)(1)(C)(iii).

III. Information Concerning Rule 1.150(b)(2). Using the Assessment Methodology Rule approved by the Commission, the Authority calculated and distributed the following:

- 2023 Assessments by State (Appendix 2).
- 2023 Assessments by Track (Appendix 3).

Appendix 2 and Appendix 3 display the estimated amount required from each state racing commission as calculated under the Assessment Methodology Rule. The 2023 revised budget (Appendix 1), 2023 Assessments by State (Appendix 2), and 2023 Assessments by Track (Appendix 3) were sent to the following stakeholders in December 2022:

- Arizona – Arizona Department of Gaming – Racing Division, Arizona Downs, Rillito Park, and Turf Paradise (noting that the materials should be forwarded to the local horsemen’s group).

- Arkansas – Arkansas State Racing Commission and Oaklawn Park (noting that the materials should be forwarded to the local horsemen’s group).

- California – California Horse Racing Board (noting that the materials should be forwarded to the local horsemen’s group).

- Colorado – Colorado Division of Gaming Events (noting that the materials should be forwarded to the local horsemen’s group).

- Delaware – Delaware Thoroughbred Racing Commission and Delaware Park (noting that the materials should be forwarded to the local horsemen’s group).

- Florida – Florida Department of Pari-Mutuel Wagering, Gulfstream Park, and Tampa Bay Downs (noting that the materials should be forwarded to the local horsemen’s group).

- Illinois – Illinois Racing Board, Fairmount Park, and Hawthorne Park (noting that the materials should be forwarded to the local horsemen’s group).

- Indiana – Indiana Horse Racing Commission and Horseshoe Indianapolis (noting that the materials should be forwarded to the local horsemen’s group).

- Iowa – Iowa Racing & Gaming Commission and Prairie Meadows (noting that the materials should be forwarded to the local horsemen’s group).

- Kentucky – Kentucky Horse Racing Commission, Churchill Downs, Ellis Park, Keeneland, Kentucky Downs, and Turfway Park (noting that the materials should be forwarded to the local horsemen’s group).



- Louisiana – Louisiana State Racing Commission.
- Maryland – Maryland Racing Commission, Laurel Park, and Pimlico (noting that the materials should be forwarded to the local horsemen’s group).
- Minnesota – Minnesota Racing Commission (noting that the materials should be forwarded to the local horsemen’s group).
- Nebraska – Nebraska Racing and Gaming Commission (noting that the materials should be forwarded to the local horsemen’s group).
- New Jersey – New Jersey Racing Commission, Meadowlands, and Monmouth Park (noting that the materials should be forwarded to the local horsemen’s group).
- New Mexico – New Mexico Racing Commission (noting that the materials should be forwarded to the local horsemen’s group).
- New York – New York State Gaming Commission, Finger Lakes, and New York Racing Association (noting that the materials should be forwarded to the local horsemen’s group).
- Ohio – Ohio State Racing Commission, Belterra Park, Jack Thistledown, and Mahoning Valley (noting that the materials should be forwarded to the local horsemen’s group).
- Oklahoma – Oklahoma Horse Racing Commission, Fair Meadows, and Remington Park (noting that the materials should be forwarded to the local horsemen’s group).
- Pennsylvania – Pennsylvania State Horse Racing Commission, Parx Racing, Penn National, and Presque Isle Downs (noting that the materials should be forwarded to the local horsemen’s group).

- Virginia – Virginia Racing Commission (noting that the materials should be forwarded to the local horsemen’s group).
- Washington – Washington Horse Racing Commission and Emerald Downs (noting that the materials should be forwarded to the local horsemen’s group).
- West Virginia – West Virginia Racing Commission, Charles Town, and Mountaineer Park (noting that the materials should be forwarded to the local horsemen’s group).

The Authority also calculated the 2022 True-Up by State (Appendix 4) and the 2022 True-Up by Track (Appendix 5). These documents reflect the following:

- Actual 2022 starts and purses paid for each track (the 2022 assessments had been calculated using 2021 starts and purses paid as a proxy for 2022).
- HISA spent \$1,381,452 less than budgeted in 2022, so this sum was returned to the industry as part of the true-up process.
- HISA collected \$545,402 less in assessment payments from states/tracks (due to Nebraska, Oregon, Wyoming, & Texas not running Covered Horseraces), and therefore this sum was required to be recovered from the industry.

The net amount of the above two sums comes to \$836,050, which is the amount that HISA returned to the industry through credits to the 2023 assessments. The True-Up totals for the relevant state were provided to the state racing commissions and applicable racetracks.

IV. Information Concerning Rule 1.150(b)(3) & (b)(4). The Act recognizes that the establishment of a national set of uniform standards for racetrack safety and anti-

doping and medication control will enhance the safety and integrity of horseracing. The 2023 budget allows the Authority to implement the horseracing anti-doping and medication control program and the racetrack safety program for Covered Horses, Covered Persons, and Covered Horseraces. Pursuant to the Authority's Conflict of Interest Policy (Appendix 11), "HISA Representatives involved in procurement have a special responsibility to adhere to principles of fair competition in the purchase of products and services by selecting vendors based exclusively on standard commercial considerations, such as quality, cost, availability, service and reputation, and not on the receipt of special favors." In addition, the Conflict of Interest Policy requires:

- Transactions to be supported by appropriate documentation;
- No entry be made in our books and records that intentionally hides or disguises the nature of any transaction or of any of our liabilities, or misclassifies any transactions as to accounts or accounting periods;
- HISA Representatives comply with our system of internal controls; and
- No cash or other assets be maintained for any purpose in any unrecorded or "off-the-books" fund.

In addition, the Conflict of Interest Policy requires that:

- No HISA Representative may take or authorize any action that would cause our financial records or financial disclosures to fail to comply with generally accepted accounting principles or other applicable laws, rules, and regulations; and
- All HISA Representatives must cooperate fully with our finance staff, as well as our independent public accountants and legal counsel, and respond to their

questions with candor and provide them with complete and accurate information to help ensure that our records are accurate and complete.

Any HISA Representative who becomes aware of any departure from these standards has a responsibility to report his or her knowledge promptly to the CEO or Chair of the Board.

The 2023 HISA Summary budget (Appendix 1) is a compilation of the following departmental budgets: Racetrack Safety (Appendix 6); Anti-Doping and Medication Control (“ADMC”) (Appendix 7); Technology (Appendix 8); and Administration (Appendix 9). A summary of these departmental budgets is set forth below:

1. The 2023 Racetrack Safety budget funds the implementation of the Racetrack Safety Program as set forth in Rule Series 2000 and as approved by order of the Commission dated March 3, 2022. The budget consists of the following items:
  - a. Salaries/Payroll Taxes/Employee Benefits. The salaries provide for staffing to support and monitor the Racetrack Safety program, including those persons necessary to oversee the following components of the program:
    - i. Administration
    - ii. Data Analysis
    - iii. Track Accreditation Services
    - iv. Research
    - v. Stewards’ Liaison
    - vi. Jockey Health & Welfare
    - vii. Investigations

Salary levels for each position are based on market rates, while Employee Benefits consist primarily of a HISA contribution to cover a portion of employee health insurance and a 401(k) match that is consistent with market practice. The salaries budget provides for eight racetrack safety employees. As of June 1, 2023, the Racetrack Safety Program has four employees.

- b. Meetings. This includes the travel, meals, and materials to support the following annual meetings:
  - i. Equine Safety Directors
  - ii. Medical Directors
  - iii. Racetrack Safety Committee

These meetings are necessary to promote safety for both horses and riders.

- c. Travel. This category covers the business travel and meal expenses for the employees listed in Salaries (section a) (excluding the travel and meal expenses for the Meetings described in section b and the Track Accreditation Services travel set forth in section f). Travel to Covered Racetracks by Authority employees is often necessary to ensure that Covered Horseraces are run as safely as possible. The Authority plans to develop and implement a formal travel policy this year.
- d. Supplies. This primarily consists of materials to be used in various Continuing Education programs provided and overseen by HISA. These programs ensure that trainers, jockeys, veterinarians, and stewards are educated in methods and procedures that promote the health and safety of horses and riders.

- e. Professional Services. Several independent contractors will partner with HISA on a part-time basis to provide and/or augment services in the following areas:
  - i. Data Analysis
  - ii. Research
  - iii. Statistical Analysis
  - iv. Continuing Education
  - v. Establishment of a National Medical Director position

Pay rates are based on market rates for similar positions. All of these independent contractor relationships will increase the knowledge base and/or education level of participants in Covered Horseraces.

- f. Track Accreditation Services. The Racetrack Safety rules require that tracks be accredited, and the rules mandate site visits to determine the extent of compliance with the rules. This category includes the costs of compensating teams of independent contractors to perform these site visits, and the costs of covering the travel and meal expenses for this team. It is expected that the accreditation site visits will be conducted by teams of three to four individuals. The costs included in this category were estimated based on the historical costs of site inspections performed by the National Thoroughbred Racing Association's Safety & Integrity Alliance. On-site track visits will ensure that track facilities meet the safety requirements set forth in the Racetrack Safety rules.
- g. Track Surface Testing. This category includes the cost of pre-meet track surface testing of tracks that run Covered Horseraces. Testing is performed to

ensure that track surfaces are safe for horses/jockeys to run on. This testing is performed by the Racing Surfaces Testing Laboratory.

2. The 2023 Anti-Doping and Medication Control budget supports the implementation of the ADMC Protocol. The budget consists of the following items:
  - a. Travel. This line item covers the business travel and meal expenses that are expected to be incurred by HISA personnel to support and achieve the goals of the ADMC Program. The Horseracing Integrity and Welfare Unit's travel policy is Appendix 12.<sup>8</sup>
  - b. Supplies. This line item sets forth the cost of materials utilized by the Authority to support and achieve the goals of the ADMC Program, including services such as continuing education.
  - c. Professional Services. Several independent contractors will partner with HISA on a part-time basis to provide and/or augment services in the following areas:
    - i. Arbitration – this covers the fees to be paid to arbitrators who preside over appeals of positive anti-doping tests.
    - ii. Independent Adjudication Panel (IAP) – this covers the fees paid to members of the IAP, who hear appeals of positive tests for controlled medication.
    - iii. Furosemide Study – this covers the fees to be paid in 2023 for the furosemide study that is required by the Act.

---

<sup>8</sup> This policy has been updated with new reimbursable mileage rates, airport parking policies, tip percentage (now 20%). It is anticipated that an updated policy will be developed this summer.

d. Horseracing Integrity and Welfare Unit (HIWU). The Act requires that HISA contract with an independent enforcement agency to oversee the components of the ADMC Program. HIWU, a division of Drug Free Sport International ("DFS"), has been retained by the Authority as the independent enforcement agency. The HIWU line items in the ADMC budget consist of the following:

i. Salaries/Payroll Taxes/Employee Benefits. The salaries for a staff (expected to total 42 full-time individuals) that will carry out all of the responsibilities of the enforcement agency, including those persons necessary to oversee and complete the following components of the program:

1. Testing Operations
2. Testing Strategy
3. Compliance & Policy
4. Training & Certification
5. Lab Accreditation
6. Equine Medical Resources
7. Intelligence and Strategy
8. Investigative Operations
9. Education
10. Communications & Outreach
11. Legal
12. Information Technology
13. Human Resources



#### 14. Finance

HIWU shares staff with DFS in the areas of Information Technology, Finance and Human Resources. This arrangement produces cost savings, obviating the need for HIWU to retain full-time employees to provide these services.

- ii. Rent. HIWU has procured 3,000 sq. ft. of office space for its employees. HIWU is paying \$30/sq.ft., which is consistent with market rates in the Kansas City area. The cost of office equipment is also included in this category.
- iii. Office Expense. This consists of common office expenses such as utilities and maintenance costs and is based on historical costs for similar businesses.
- iv. Telecommunications. This consists of the cost of office phones, as well as mobile phone service at \$65/month/employee (a commercially reasonable rate).
- v. Travel. This is the travel expense necessary for full-time employees to perform functions such as meetings with State Racing Commissions, training sessions with sample collection personnel, laboratory visits, meetings with HISA personnel, and participation in conventions. Travel expenses include airfare, hotel rooms, rental cars, fuel costs, mileage for personal vehicles used for business purposes, parking, and meals. The amounts for each expense component were based on estimated market average costs.

- vi. Supplies. This consists of drug testing supplies needed for training and backup testing.
- vii. Professional Services. This consists largely of consulting fees paid to experts in the areas of:
  - 1. Results Management
  - 2. Investigations and State Racing Commission Relations
  - 3. Laboratory Accreditation
  - 4. Equine Science

The guidance provided by these subject matter experts will result in a safer sport run on a more level playing field.

- viii. Technology. This consists of the cost of all software, hardware, and licenses needed to perform HIWU's work.
- ix. Insurance. The expense consists of the cost of all of HIWU's insurance policies, including liability insurance with an Umbrella policy, cyber-risk insurance, property insurance, and workers' compensation insurance.
- x. Resources and Education. This includes Training and Continuing Education, registration fees for industry conferences, accounting fees for state tax filings, and dues and subscriptions to industry publications. All of these are necessary for HIWU to properly conduct its business.

- xi. Taxes – Other. Estimated taxes based on the historical experience of HIWU’s sister companies. These taxes are minimal in amount and are commercially reasonable.
  - xii. ADMC Collection Costs. This includes wages paid to sample collection personnel in all states that conduct Covered Horseraces. The wage amounts were based on rates paid to sample collection personnel in each state prior to HIWU assuming these sample collection functions. Additionally, to cover travel expenses specifically related to sample collection, this cost amount includes airfare, hotel rooms, rental cars, fuel costs, mileage for personal vehicles used for business purposes, parking, and meals. The amounts for each expense component were based on estimated market average costs.
  - xiii. Management Fees. This is the profit amount to HIWU for administering the program. It is a negotiated amount of 7% of the total expenses incurred for services they provide directly and 4% for everything else.
- e. Lab Testing. Once the samples to be tested have been collected by HIWU personnel, they are shipped to one of six accredited laboratories located in the United States. All of the laboratories have many years of experience in the testing of blood, urine, and hair samples taken from thoroughbred racehorses. HIWU has conducted extensive negotiations with each of these laboratories in order to ensure that competent testing is performed at the lowest price possible. One way HIWU has successfully reduced costs is by utilizing only

six laboratories to perform testing, instead of the nine laboratories previously used by various state racing commissions across the country. This allows the six laboratories to spread their fixed costs (salaried employees, testing equipment, etc.) over a larger number of samples, resulting in a lower charge per test.

It is important to note that the ADMC Collection Costs and Lab Testing line items represent 56.1% of the total budget of the Authority.

3. The 2023 Technology budget supports the building of all IT systems needed to properly and efficiently manage the Racetrack Safety and ADMC programs. The budget consists of the following items:
  - a. Salaries/Payroll Taxes/Employee Benefits. This contemplates nine HISA full-time employees in areas including programming, field support, internal support, external support, project administration, and third-party developer coordination. Salary levels for each position are based on market rates, while Employee Benefits consist primarily of a HISA contribution to cover a portion of employee health insurance and a 401(k) match that is consistent with market practice. As of June 1, 2023, the Technology department has five employees.
  - b. Travel. This includes the costs of travel by IT employees to racetracks to meet with customers/users, to Lexington, Kentucky for HISA meetings, and to training seminars and technology summit meetings such as AWS Reinvent 2023. Participation by IT employees in these meetings and seminars will

result in a more efficient program that better meets the needs of the constituents.

- c. Supplies. This includes the purchase of laptops for all HISA employees, the provision of workstations for those employees located in the Lexington office, and the hardware/software/3<sup>rd</sup>-party services needed for image processing. These items are necessary for HISA to efficiently perform its duties under the Act.
- d. Technology. This item includes the costs of cloud computing and other specialized applications that together form the foundation of HISA's technology system. For example (and most significantly), this category includes the cost of Amazon Web Services, as well as relationships with other vendors relating to the HISA website and technology systems. In order to be as cost-effective as possible, HISA has chosen not to invest in centralized computing assets. This keeps costs low and increases flexibility as HISA is engaged in expanding its staff and infrastructure.
- e. Professional Services. This item budgets for outsourced technology delivery provided by third-party system integrators and software factories. Given the need for cost-effective, round-the-clock services, the necessary software and technology systems were procured internationally from development resources in the US, Europe, and Asia; this allowed for the implementation of a 24-hour code and test development cycle. This is the most cost-effective method of building and maintaining technology systems/portals to facilitate program reporting to and monitoring by HISA.

4. The 2023 Administration budget consists of the general and administrative staff and expenditures that are needed to conduct HISA's business. This budget consists of:
  - a. Salaries/Payroll Taxes/Employee Benefits. This includes executive-level personnel (the CEO and CFO), plus employees in Legal, Communications, Stewarding, Veterinary Services, and Administrative Services. Salary levels for each position are based on market rates, while Employee Benefits consist primarily of a HISA contribution to cover a portion of employee health insurance and a 401(k) match that is consistent with market practice. As of June 1, 2023, seven employees make up the Administration Department. The Administration Department has not filled all of its budgeted positions.
  - b. Board/Committee Compensation. This consists of travel, hotel, and meal expenses for the one annual board meeting that is held with in-person attendance by the board members.
  - c. Rent. This includes 3,000 sq.ft. of office space at HISA's Lexington, KY headquarters at a rate of \$20 sq.ft. (which is consistent with office space rates in the downtown Lexington area). This also includes the cost of building out the office space and the costs of office furniture and garage parking. These rates are consistent with commercial office space in downtown Lexington.
  - d. Phones. This is the cost of an office phone system in HISA's corporate office, necessary for HISA to conduct its business.
  - e. Meetings. This is the cost of miscellaneous meetings of HISA's corporate staff as are necessary for HISA to conduct its business.

- f. Travel. This includes airfare, car rental, mileage, and meals for HISA's corporate staff in the course of traveling to Covered Racetracks, industry meetings, HISA meetings (strategic planning summits, board meetings, etc.), and meetings with industry stakeholders. Travel to these events allows HISA's corporate staff to conduct its business more efficiently and to perform its duties under the Act.
- g. Bank Fees. This includes the cost of bank fees and credit card fees. These fees are minimal and are necessary to efficiently and effectively conduct business.
- h. Supplies. This includes the cost of all office supplies, including printer/copier paper, printer/copier ink and toner, postage, shipping, and other miscellaneous office supplies.
- i. Accounting Services. This consists of the cost of a contract bookkeeping service that will book accounting entries, produce financial statements, manage and process Accounts Receivable, manage and process Accounts Payable, and draft/file HISA's annual IRS Form 990. Contracting this work out to a company with expertise in these areas is much more cost-effective than if HISA were to hire staff to perform these functions in-house.
- j. Public Relations Services. This is the cost of a contract public relations service to manage HISA's website, issue press releases, assist with the production and distribution of information to industry stakeholders, and provide continuing education information for industry stakeholders. The public relations firm that HISA is working with has many years of expertise in P/R for thoroughbred racing enterprises. The firm can perform the

aforementioned tasks more efficiently and effectively than if HISA were to hire staff to perform these tasks in-house.

- k. Legal. This includes the cost of outside legal counsel for the creation, management, and updating of Racetrack Safety and ADMC rules as well as the cost of outside counsel that is working on the various lawsuits in which HISA is a party. Doing all of these tasks requires a decentralized group of lawyers with varied skill sets. At present, it is much more efficient and effective to utilize outside counsel than for HISA to hire a large in-house legal team to handle these issues.
- l. Insurance. This includes the following insurance policies for HISA:
  - i. Directors & Officers insurance.
  - ii. Workers' Compensation insurance.
  - iii. Liability insurance.

All these policies were competitively shopped by a broker to get the lowest rate possible.

- m. Payroll Services. This includes all costs of HISA's relationship with Resource Management, Inc. (RMI), a Professional Employer Organization (PEO). RMI provides Human Resources administration (handbook and policy management resources, new employee onboarding, labor law assistance, etc.), benefits management, compliance services (workers' compensation claims management and annual reporting, unemployment claims management, etc.) and payroll administration (payroll processing, W2 management, vacation tracking, etc.). The relationship with RMI allows these functions to be



performed in a more cost-effective manner than if HISA hired employees to perform those functions.

- n. Professional Services. This account consists of:
  - i. Search fees to help HISA fill open positions with the most qualified candidates.
  - ii. Consulting fees to assist HISA with board and executive functions.
  - iii. \$300,000 contingency fund set aside for unexpected expenses.

These items will ensure that HISA has high quality employees who are well-trained to properly serve its constituents. Please note that the 2023 HISA budget contemplated no repayment of loans, nor did it assume that any funding shortfall would be incurred.

V. Information Concerning Rule 1.150(b)(5). Appendix 10 is a comparison of the approved HISA 2022 Budget to actual revenues and expenditures. A variance has been calculated for each line item, and a narrative explanation has been provided for all variances > 10% and at least \$100,000.

#### *Conclusion*

The budget furthers the purpose of the Act in that it allocates the funding necessary for the successful implementation by HISA of the requirements of the Act. The budget has been carefully analyzed and is narrowly tailored to the various regulatory activities of HISA as contemplated by the Act.

By direction of the Commission.

**April J. Tabor,**

*Secretary.*