

**UNITED STATES OF AMERICA  
BEFORE THE FEDERAL TRADE COMMISSION**

**COMMISSIONERS:**    **Lina M. Khan, Chair**  
                              **Rebecca Kelly Slaughter**  
                              **Alvaro M. Bedoya**

**ORDER APPROVING THE BUDGET FOR 2023 PROPOSED BY  
THE HORSERACING INTEGRITY AND SAFETY AUTHORITY**

**December 5, 2023**

**I.        Background on the Commission’s Oversight of HISA’s 2023 Budget**

The Horseracing Integrity and Safety Act of 2020, 15 U.S.C. §§ 3051–3060, recognizes a self-regulatory nonprofit organization, the Horseracing Integrity and Safety Authority (“HISA” or “the Authority”), which is charged with developing proposed rules on a variety of subjects relating to horseracing. *See id.* § 3053(a). Under 15 U.S.C. § 3052(f), the Federal Trade Commission (“the Commission”) has roles in overseeing the funding of the Authority’s operations and in approving the means whereby the Authority collects fees to support its operations.

On March 22, 2023, the Commission announced the adoption of new procedures whereby the Commission reviews and approves HISA’s annual budget.<sup>1</sup> Those procedures, codified at 16 C.F.R. §§ 1.150-1.152 (“Budget Oversight Rule”), specified (1) the Authority must annually submit its next year’s proposed budget to the Commission, (2) the criteria whereby the Commission decides whether to approve a proposed HISA budget, and (3) the process by which the Commission decides whether to approve certain deviations from an approved budget (*e.g.*,

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<sup>1</sup> 88 Fed. Reg. 18034 (Mar. 27, 2023).

total expenditures in excess of the approved amount, or a line-item expenditure of 10 percent or more above the approved amount). *Id.*

In late 2022, prior to the adoption of the Commission’s Budget Oversight Rule, the Authority submitted to the Commission the 2023 budget approved by the Authority’s board of directors. In June 2023, after the Commission promulgated the Budget Oversight Rule, the Authority submitted a “Supplemental Notice of Filing of HISA Budget” to the Commission, to conform its prior budget submission to the requirements of the newly promulgated Budget Oversight Rule. After receiving this Supplemental Notice, the Commission determined that the Authority had provided “sufficient information for the members of the Board of Directors of the Authority to exercise their fiduciary duty of care,” 16 C.F.R. § 1.150(d), and the Commission published the Authority’s proposed 2023 budget in the Federal Register and invited public comment.<sup>2</sup> The public comment period expired on October 18, 2023.

The Budget Oversight Rule provides that after the close of the comment period, the Commission must either approve or disapprove the proposed budget. “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.” 16 C.F.R. § 1.151(c). Commission staff reviewed the proposed budgetary line items and accompanying narratives and found that these conditions were met. The Commission must take into consideration any public comments received. *Id.* § 1.151(a).

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<sup>2</sup> 88 Fed. Reg. 68610 (Oct. 4, 2023).

## II. Discussion of Public Comments

The Authority's proposed 2023 budget garnered 55 public comments, most of which did not touch upon the decisional criteria that the Commission must apply in determining whether to approve a proposed budget.<sup>3</sup>

The commenters who did raise points relevant to the Authority's proposed 2023 budget addressed issues such as the HISA CEO's salary,<sup>4</sup> the legal fees paid by the Authority,<sup>5</sup> the salaries paid to HISA staff,<sup>6</sup> and the fees paid to the Horseracing Integrity and Welfare Unit (the entity that enforces the Authority's Anti-Doping and Medication Control rules).<sup>7</sup>

After the close of the comment period, the Authority submitted a letter to the Commission responding to pertinent comments, which the FTC posted on regulations.gov as a related document on Docket FTC-2023-0062.<sup>8</sup> As for comments relating to the decisional criteria set forth in 16 C.F.R. 1.151(c), the Authority responded by noting that (1) the comment regarding the CEO's salary vastly overstated the CEO's salary, and that the correct

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<sup>3</sup> See, e.g., Cmt. of James Poulos, III, FTC-2023-0062-0008 (stating in part: "I vehemently oppose an[y] funding amount for HISA and certainly not an increase. With just about every rule this organization has posted it has exposed a lack of equine knowledge and even less about the care of a Thoroughbred."); Cmt. of Denise Schmidt, FTC-2023-0062-0010 (stating in part: "I disapprove of hisa [sic] and their budget. They do not have a clue about the thoroughbred race horses and their needs."); Cmt. of Nancy Jackson, FTC-2023-0062-0004 (stating in part: "Do not approve their budget. This agency [i]s a civil rights violation and FTC supports people not trained in the industry."); Cmt. of Susan Kallenbach, FTC-2023-0062-0019 ("This whole was added to the end of a 6000 page bill submitted to the President for signature, something only a lowlife would do. This has resulted in a vast misuse of government authority run by idiots that have no clue about horse racing, nor do they care. The entire venue [sic] needs to be abolished and return the safety of the horses and their care needs to be under the jurisdiction of horsemen and elected solely by horsemen."). The Commission need not, and does not, take a position on any claims or criticisms leveled by the commenters that do not pertain to the Commission's decisional criteria. See also 16 C.F.R. § 1.151(e) (instructing commenters to provide their "views as to the decisional criteria and whether any line items should be modified").

<sup>4</sup> Cmt. of James Poulos, III, FTC-2023-0062-0008, *supra* n. 3.

<sup>5</sup> Cmt. of Sharon Boland, FTC-2023-0062-0005 (discussing the "\$3.59 million legal fees" in the Authority's budget); Cmt. of Catherine Pool, FTC-2023-0062-0013.

<sup>6</sup> Cmt. of Anonymous, FTC-2023-0062-0012; Cmt. of Linda Robbins, FTC-2023-0062-0024.

<sup>7</sup> Cmt. of Jim Roberts, FTC-2023-0062-0020.

<sup>8</sup> See <https://www.regulations.gov/docket/FTC-2023-0062>.

salary information is published on HISA’s website and on the Authority’s IRS Form 990; (2) the bulk of the legal fees included in the Authority’s budget results from the Authority’s extensive litigation workload (including constitutional challenges brought against the Authority), the Authority’s need to review a number of its existing rules, and other tasks requiring the significant involvement of attorneys; (3) the salaries that HISA pays its employees are reasonable and appropriate for the work performed; and (4) the management fees paid to the Horseracing Integrity and Welfare Unit are reasonable and appropriate given the expertise required and are “similar to many cost-plus arrangements in vendor contracting.”

Therefore, having considered the public comments and the Authority’s response thereto, the Commission has found no basis to doubt “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.” 16 C.F.R. § 1.151(c).

### **III. Conclusion**

For the foregoing reasons, the Authority’s proposed 2023 budget is APPROVED.

By the Commission.

April J. Tabor  
Secretary

## SUPPLEMENTAL NOTICE OF FILING OF HISA BUDGET

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Pursuant to the Horseracing Integrity and Safety Act of 2020<sup>1</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>2</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>3</sup> This Supplemental Notice of Filing of HISA Budget (the “Supplemental 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 (attached hereto as 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 (attached as Appendix 2).
- 2023 Assessments by Track (attached as 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).

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<sup>1</sup> Pub. L. 116–260, div. FF, title XII, §1201, Dec. 27, 2020, 134 Stat. 3252, codified at 15 USC Ch. 57A §§3051-3060.

<sup>2</sup> The original 2023 budget was filed with the Commission on October 3, 2023.

<sup>3</sup> 16 CFR Part 1 Subpart U.

- 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 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 (attached as 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 all of the employees previously listed in Salaries (section a) of this department (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. HIWU's travel policy is attached as Appendix 12.<sup>4</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.
- 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:

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<sup>4</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.

- 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 Drug Free Sport International 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 of 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). Attached as 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.