

CALIFORNIA HORSE RACING BOARD  
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## **NOTICE OF PARI-MUTUEL OPERATIONS COMMITTEE MEETING**

Notice is hereby given that a meeting of the **California Horse Racing Board's Pari-mutuel Operations Committee** will be held on **Thursday, February 20, 2003**, commencing at **10:00 a.m.**, at the **Embassy Suites Hotel, 211 E. Huntington Drive, Arcadia, California**. Non-committee members attending the Board's committee meeting may participate in the public discussion, but shall not participate in any official committee vote or committee executive session.

### **AGENDA**

1. Discussion and action by the Committee on the **matter of the timing of the stop-betting signal sent by the California tote to out of state simulcast locations.**
2. Discussion and action by the Committee on the **proposed regulatory action to add Section 1979.5 – Beat the Odds** to the CHRB Rules and Regulations.

Further information regarding the committee meeting may be obtained from John Reagan, Senior Management Auditor, at the CHRB Administrative Office, 1010 Hurley Way, Suite 300, Sacramento, California, 95825; telephone (916) 263-6000 or fax (916) 263-6042. A copy of this notice can be located on the CHRB website at [www.chrb.ca.gov](http://www.chrb.ca.gov)

### **PARI-MUTUEL OPERATIONS COMMITTEE**

Commissioner Alan W. Landsburg, Committee Chairman  
Chairman Roger H. Licht, Committee Member

**Date of Notice:** February 7, 2003

**STAFF ANALYSIS**  
**DISCUSSION ON THE TIMING OF STOP BETTING**  
**SIGNALS TO OUT OF STATE SIMULCAST LOCATIONS**

**PARI-MUTUEL OPERATIONS COMMITTEE MEETING**  
**FEBRUARY 20, 2003**

**Background:**

At the January meeting of this Committee, the drastic changes in the odds for races in California that occur in the last odds cycles were noted and discussed. It was widely agreed that numerous reviews of some of the more severe examples of the phenomena have shown that the wagers were properly and timely entered into the tote system. However, it was noted that a "perception" problem exists with some fans that believe wagers are being made after the race has commenced. A suggestion was made to close wagering at some out of state locations a minute or two earlier than the rest of the wagering network because they are consistently late with their pools transmissions. The Committee asked staff to identify those locations that have delays due to "double hubbing" requirements. The review indicated that Illinois, Florida, and Arizona are jurisdictions that require all wagers within their borders to be accumulated in one site before being sent out of state thus occasionally delaying the receipt of the pools in California. However, it was also noted that these delays are not generally associated with the severe change in the odds.

Some of the most notable changes in odds have been caused by large wagers placed at the last minute by serious players using various methods that seek to find "value". These large wagers are sent directly to the California totes just minutes prior to a race when the players find that value and affect the odds dramatically. Suggestions regarding shorter odds cycles and faster data transfer methods have been mentioned but it is not clear when the faster methods of moving wagering data will be readily available to all wagering sites. In addition, recent tote software updates now allow some selectivity in programming the stop-betting signal that is sent out by the tote at the California hubs. There was discussion about different stop-betting times for some out of state wagering sites. That discussion is expected to continue at this meeting.

One last note: Kirk Brooks, CEO of RGS, wishes to voice his opinion on this matter and does so in the attached letter. RGS has been identified as the source of many of the large last-minute wagers.

**Recommendation:**

Staff recommends that the Committee hear from industry representatives on this issue.

January 27, 2003

Mr. Roger Licht  
Chairman CHRB  
1010 Hurley Way, Suite 300  
Sacramento, CA 95825

Dear Roger:

I am writing you in response to reports and articles referencing the pari-mutuel committee meeting of the CHRB this week. I am deeply concerned that individuals on the CHRB and TOC Boards continue to misunderstand the technical aspects by which RGS places its wagers amongst other things. I have included the pertinent part of the article and it reads as follows:

Elsewhere, the committee is considering a "stop-bet" proposal of about 30 to 45 seconds before the start of each California race for off-shore wagering companies whose large last-minute additions to betting pools continues to cause havoc with actual odds. It was noted that on Dec. 19, the winner of the sixth race at Hollywood Park went from 24-1 to 12-1 on the final click of the totalizator while the race was in progress. On Dec. 21, the winner of the ninth race dropped from 8-5 to 4-5 on the final click as well. Because wagers from off-shore account holders often travel through more than one hub -- called "double-hubbing" -- they land in the California pools after the race has started, officials explained.

While these and other incidents have been investigated and no evidence of "past posting" (betting after a race has started) has been found, officials concede there is a perception problem.

"I'd like to see a 30-second stop be put in there," said committee member Roger Licht. "I think it would help the betting public believe they are getting a fair shake."

Such a move could be a short-term solution while Autotote, the company that handles the state's wagering pools, develops faster turn-around time, suggested Ron Charles of the Thoroughbred Owners of California.

The CHRB already turned thumbs down on a Churchill Downs, Inc.-sponsored measure to cut off all wagering at post time, a move Landsburg applauded.

It seems that since the Pick 6 scandal, which was perpetrated on-shore by an insider at Autotote and not a renegade Off-Shore location, there has been a surge of suggestions that there is something going on with past-posting despite the fact that there is no correlation. In addition, all efforts to investigate the possibility of past posting have only revealed that it is not happening.

RGS not only understands but applauds the CHRB in protecting the integrity of racing and RGS is in full support of your efforts. However, RGS is opposed to any such discriminatory practices discussed in the above article. Racing seems to be the only industry where unfairly discriminating against a portion of your best customers sounds like a good idea.

Yes, RGS realizes there is a perception problem that racing needs to resolve. In many cases perception is reality to many patrons and RGS understands the need for the odds to be posted before a race begins. Once the technology is updated then racing can once again think about closing the races closer to post. Thus, I would like to go on record with the CHRB as I have done on many occasions, including at the Tucson Symposium with TOC President John Van de Kamp and Magna Executive F. Jack Liebau in stating that RGS supports the stop betting policy that has been implemented so successfully by CDSN outside of California.

Our bets are pari-mutuel and are processed exactly the same way as any other simulcast facility. RGS does not double hub in any way shape or form although all locations in Illinois and Florida do. Each of our bets are placed immediately with the hub in Lewiston, Maine the same way the bets from Dover Downs, Harrington Raceway and Hinsdale Greyhound Track are as they are on the same hub. The misconception that because we are out of country the wagers come in later is completely erroneous. The wagers placed by RGS actually reach most host tracks before or at the same time as many other locations. In fact if the CHRB checks with Autotote at the Santa Anita hub I'm sure you will find out that our final cycle wagers are held up by other locations such as Illinois and Florida before being posted. Current tote technology prevents the wagers from being displayed in a timely fashion. In short, our bets do not take any longer because of our location and as such this is not a reason to impose a discriminatory "stop-bet" on our customers.

The odds as a rule are dropping on favorites that the gambling public feels are going off at a value. This is the result of simulcasting and will continue to occur regardless of whether RGS customers are betting or not. One of the bets that is continually brought up when it comes to RGS is the Hollywood bet on Global Finance. What has been ignored is that in this series of wagers the last one was placed almost a minute before the closing of the race. The proposed policy would have had no effect on this and the odds still would have dropped after the start of the race. The reason for this is the aforementioned technological limitations within the tote system itself. I would also like to remind the Board of the Florida Derby two years ago where a customer at an onshore location made a massive wager at post into one of the largest pari-mutuel pools of the year and affected

the odds drastically. Are we to believe every time some location changes the odds close to post they will be punished for contributing to the pool? Should RGS be punished for doing what we thought the Racetracks, CHRB and the TOC wanted, more handle?

A recent Andrew Beyer article that was published in both the Washington Post and the DRF online demonstrates further the inherent liabilities of pari-mutuel wagering and the current tote system. The article entitled "Beleaguered bettors need assurance" was about a recent Pick 4 play at Gulfstream where the price was so low that everyone was convinced that there was foul play. As it turns out it was one legitimate on track gambler and not some "rogue offshore off-track" location where the bet was placed. But if it had been an off shore location you can rest assured there would have been accusations of wrong doing!

## Conclusion

The bottom line is that in pari-mutuel wagering one gambler in any location can make a perfectly legitimate wager that skews prices and gives the appearance that something is wrong. Industry officials give credence to such thoughts when they consider "stop betting" proposals to specific locations and not solutions that will deal with the problem as a whole. If California does implement this policy how then will they explain late odds changes that will inevitably occur from on shore locations? Are we going to systematically pick and choose which locations to cut off each time a large late wager is made and hit? Why are there never any discussions about the wagers that would pay much higher than expected? Clearly in pari-mutuel when one horse's odds drop the others go up. Closing windows to all patrons at post-time and before the race is run as CDSN properties do is a fair and much more reasonable short term solution because odds will not change after post.

I thank you for your time and if I can answer any further questions please don't hesitate to call me at (702) 243-6271.

Respectfully,

Kirk W. Brooks  
CEO  
Racing & Gaming Services, Inc.

STAFF ANALYSIS  
PROPOSED ADDITION  
OF  
RULE 1979.5  
BEAT THE ODDS

Pari-Mutuel Operations Committee Meeting  
February 20, 2003

#### BACKGROUND

Business and Professions (B&P) Code Section 19440 provides that the responsibilities of the Board shall include adopting rules and regulations for the protection of the public and the control of horse racing and pari-mutuel wagering. B&P Code Section 19590 states the Board shall adopt rules governing, permitting, and regulating wagering on horse races under the system known as the pari-mutuel method of wagering. The proposal for a Beat The Odds wager, which was developed by Mr. James Quinn, a Southern California horse player, was presented at the January 23, 2003, Pari-Mutuel Operations Committee meeting – with the endorsement of the Los Angeles Turf Club. After extensive review of the proposed wager, the Committee directed staff to put Mr. Quinn's text in draft regulatory format for additional review at a subsequent meeting.

#### ANALYSIS

The Beat The Odds (BTO) wager requires selection of first-place finishers that are non-favorites in three or more races on the card for a single performance. If a favorite wins a race on a card, all tickets that selected the race are losing wagers. The BTO pool is calculated by identifying tickets that selected non-favorite winners in at least three races on the card and totaling the two-dollar win price of the winning runner for each race. Tickets having the highest total win price are winning tickets. If no ticket selects non-favorite winners in at least three races on a card, the entire net BTO pool is carried over to the next day's race card and added to the net BTO pool.

#### RECOMMENDATION

This item is presented for discussion and action by the Committee.

CALIFORNIA HORSE RACING BOARD  
TITLE 4. CALIFORNIA CODE OF REGULATIONS  
ARTICLE 18. PARI-MUTUEL WAGERING  
Addition of Rule 1979.5  
Beat The Odds

Pari-Mutuel Operations Committee  
February 20, 2003

1979.5 Beat The Odds

1. The Beat The Odds pool is a separate wagering pool. It requires the selection of first-place finishers that are non-favorites in three or more races on the card for a single performance. The calculation of Beat The Odds winning tickets is based on the two-dollar win price as outlined in subparagraph (6) of this rule.
  - a. For the purposes of this section "favorite" means the runner or wagering interest with the highest dollar amount wagered on it to win at the close of wagering on a race.
  - b. "Non-favorite" means any runner or wagering interest that is not a favorite at the close of wagering on a race.
2. There shall be only one Beat The Odds pool on each card for a single performance.
3. A Beat The Odds pari-mutuel ticket is evidence of a binding contract between the holder of the ticket and the association. The ticket constitutes an acceptance of the Beat The Odds provisions and rules contained in this article.
4. If the favorite wins a race, all Beat the Odds tickets that selected that race are losing tickets.
5. Runners that are part of the entry or the field shall be considered a single wagering interest for the purposes of the Beat The Odds wager.
6. The Beat The Odds pool is calculated by first identifying tickets that correctly select non-favorite winners in three or more races on the card for a single performance. Of those tickets, the

two-dollar win price of the winning runner for each selected race is totaled. Tickets having the highest total are the winning tickets. The net Beat The Odds pool shall be distributed equally to holders of winning tickets.

7. If there are no winning tickets for a Beat The Odds pool, the entire net pool shall be carried over to the next performance and added to that day's net Beat The Odds pool. In the case of the last day of the meet, the net pool shall be placed in an interest bearing account and carried over until the first day of the next race meet at that same location.

8. If a selected runner is scratched, combinations with the scratched runner shall be refunded. A scratch of a runner that is part of an entry or field will not result in a refund if any part of the entry or field is a valid starter for parimutuel purposes. If a scratch results in a ticket no longer having at least three races represented, the ticket shall be refunded.

9. In the case of a dead heat for win between two or more non-favorite runners, tickets selecting one of the runners shall receive a score equal to the win price of the winning runner on those tickets.

10. In the case of a dead heat for win in which one of the runners is a favorite, tickets selecting the favorite are losing tickets; however, tickets selecting the non-favorite shall receive a score equal to the win price of the winning non-favorite runner.

11. If fewer than three races constituting the Beat The Odds wager have been run and the remainder of the card is cancelled, the entire Beat The Odds pool shall be refunded.

12. If at least three races have been run before the remainder of the card is cancelled, tickets selecting any of the completed races shall be paid according to subsection (6) of this rule, but shall only be paid for that performance's net pool. Tickets not selecting any completed races shall be refunded.

Authority: Sections 19440 and 19590,  
Business and Professions Code.

Reference: Sections 19590,  
Business and Professions Code.