

**CALIFORNIA HORSE RACING BOARD**

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**PARI-MUTUEL, ADW,**  
**AND**  
**SIMULCASTING COMMITTEE MEETING**

of the **California Horse Racing Board** will be held on **Tuesday, September 23, 2014**, commencing at **9:30 a.m.**, in the Finish Line Room at the **Los Alamitos Race Course, 4961 Katella Avenue, Los Alamitos, California**. Non-committee Board members attending the committee meeting may not participate in the public discussion, official committee vote, or committee closed session.

**AGENDA**

**Agenda Items**

1. Discussion regarding the **suggestion that the industry consider hiring an independent statistical expert to study the effects of reduced takeout.**
2. Discussion regarding a proposal to **require that all brick-and-mortar simulcast facilities be subject to periodic license renewal and the conditions of such renewal.**
3. Discussion of the report from **Southern California Off-Track Wagering (SCOTWINC) and Northern California Off-Track Wagering (NOTWINC) regarding the status of:**
  - a) the restructuring of the SCOTWINC bylaws;
  - b) approved and prospective mini-satellite facilities;
  - c) the proposed reduction of the 20-mile radius around existing satellites facilities in the north in exchange for an increase in satellite commissions; and
  - d) the status of the proposed increase in commissions for the Fairplex satellite facility.
4. Discussion regarding the **status of negotiations for the new totalizator contract and its possible impact on California horse racing.**
5. Discussion of the **use of tablets at Santa Anita's most recent race meeting and whether the use of tablets will be continued or expanded to other race meetings.**
6. Discussion regarding the **dramatic drop in night simulcast wagering and whether this is or can be addressed by the industry.**

7. Discussion regarding **ways to expand the wagering menus at simulcast locations by increasing the number of races imported, including those from Hong Kong, and by allowing for simulcast patrons to wager on races that are not being imported.**

**General Business:** Communications, reports, requests for future actions of the Committee.

Additional information regarding this meeting may be obtained from Mike Marten at the CHRB Office at Los Alamitos Race Course, 4961 Katella Avenue, Los Alamitos, CA, 90720; telephone (714) 820-2748; cell (714) 240-1870; fax (714) 821-6232. A copy of this notice can be located on the CHRB website at [www.chrb.ca.gov](http://www.chrb.ca.gov). \*Information for requesting disability related accommodation for persons with a disability who requires aids or services in order to participate in this public meeting, should contact Mike Marten.

**PARI-MUTUEL/ADW, SATELLITE AND SIMULCAST COMMITTEE**

Commissioner George Krikorian, Chairman  
2<sup>nd</sup> Vice Chairman Richard Rosenberg, Member  
Rick Baedeker, Executive Director

STAFF ANALYSIS  
DISCUSSION REGARDING THE SUGGESTION  
THAT THE INDUSTRY CONSIDER HIRING AN INDEPENDENT STATISTICAL EXPERT  
TO STUDY THE EFFECTS OF REDUCED TAKEOUT

Pari-Mutuel, ADW, and Simulcasting Committee Meeting  
September 23, 2014

BACKGROUND

During the discussion of the Golden Gate Fields license application at the August 21, 2014 Board meeting, Commissioner Jesse Choper and Chairman Chuck Winner both suggested that it might be beneficial for the California horse racing industry to hire an independent expert to evaluate takeout rates and help determine what is in the best interests of California horse racing. Chairman Winner asked the PMO Committee to place this matter on the agenda for discussion.

RECOMMENDATION

This item is presented for discussion.

STAFF ANALYSIS  
DISCUSSION REGARDING A PROPOSAL  
TO REQUIRE THAT ALL BRICK-AND-MORTAR SIMULCAST FACILITIES BE  
SUBJECT TO PERIODIC LICENSE RENEWAL  
AND THE CONDITIONS OF SUCH RENEWAL

Pari-Mutuel, ADW, and Simulcasting Committee Meeting  
September 23, 2014

#### BACKGROUND

Authorized by state law in 1988, intrastate simulcast wagering in California allowed the opening of simulcast wagering facilities, or satellites, at county fairs throughout California. Subsequently, racing associations were authorized to operate simulcast wagering facilities. (Business and Professions Code sections 19605, 19605.1 and 19605.2).

Article 24, Intrastate Simulcast Wagering, of the California Horse Racing Board's (CHRB) Rules and Regulations provides for the regulation of simulcast wagering. Rule 2057, Initial Application and Approval of a Simulcast Facility, covers the initial application and approval process for a simulcast facility. Subsection (e) provides that the approval of the application by the Board shall constitute a license to operate as a simulcast wager facility subject to the compliance of specified provisions of the Business and Professions Code. Rule 2057 subsection (11), requires any approved facility planning to relocate or remodel to submit such plans for review and approval by the CHRB. Board investigators and pari-mutuel personnel periodically visit these facilities primarily to verify that requirements for security, health and safety continue to be met. Currently, there is no requirement for license renewal for brick-and-mort simulcast wagering facilities.

Mini-satellite wagering facilities are subject to license renewal. CHRB Rule 2066, Application for License to Operate a Minisatellite Wagering Facility, provides for a license term of five years. Business and Professions Code section 19605.25 (h) specifies that the Board shall license a mini-satellite facility for up to five years, and then review the operation and the size of the handle, and determine if it is in the best interest of horseracing to relicense the facility, or in the alternative, license another minisatellite facility that might generate a greater handle.

As the Board and California horse racing industry push for the opening of new mini-satellites, and as some of the existing brick-and mortar simulcast facilities at fair locations post significant declines in handle, the question has been raised as to whether the CHRB should require periodic relicensing of all brick-and-mortar simulcast facilities, which would afford the CHRB and the industry the opportunity to evaluate those facilities and their operations.

#### RECOMMENDATION

This item is presented for discussion.

## STAFF ANALYSIS

DISCUSSION OF THE REPORT FROM SOUTHERN CALIFORNIA OFF-TRACK WAGERING (SCOTWINC) AND NORTHERN CALIFORNIA OFF-TRACK WAGERING (NOTWINC) REGARDING THE STATUS OF A) RESTRUCTURING OF THE SCOTWINC BYLAWS; B) APPROVED AND PROSPECTIVE MINI-SATELLITE FACILITIES; C) PROPOSED REDUCTION OF THE 20-MILE RADIUS AROUND EXISTING SATELLITE FACILITIES IN THE NORTH IN EXCHANGE FOR AN INCREASE IN SATELLITE COMMISSIONS; AND D) THE STATUS OF THE PROPOSED INCREASE IN COMMISSIONS FOR THE FAIRPLEX SATELLITE FACILITY

Pari-Mutuel, ADW, and Simulcasting Committee Meeting  
September 23, 2014

## BACKGROUND

Business and Professions Code section 19608 requires an association other than a fair that conducts a horseracing meeting with an average daily handle of \$1,500,000 or more to produce a live audiovisual signal of its racing program, and to make this signal available, in accordance to the law, to any satellite wagering facility authorized to conduct wagering. Business and Professions Code section 19608.1 allows any fair or any association with an average daily handle of less than \$1,500,000 to produce a live audiovisual signal of its racing program. If the fair or association chooses to produce a signal of its program, the signal shall be made available, in accordance with the law, to any satellite wagering facility authorized to conduct wagering.

Business and Professions Code section 19608.2 authorizes associations and fairs providing audiovisual signals pursuant to Section 19608 or 19608.1 to form an organization to operate, under Board supervision, the audiovisual signal system. The organization may consist of any combination of associations and fairs and it must provide horsemen's organizations contracting with associations and fairs for racing meetings, and non-racing fairs operating satellite wagering facilities, meaningful representation on its governing board. Any organization formed is responsible for administering the audiovisual signal and pari-mutuel operations at satellite wagering facilities and must bear the costs of operating the audiovisual signal system. These costs include:

1. Leasing or purchasing, and operation of equipment for transmission and decoding of audiovisual signals and wagering data.
2. Totalizator equipment, mutual department labor and equipment charges.
3. The organization administering the satellite wagering program, including labor, and overhead.

Southern California Off-Track Wagering Inc. (SCOTWINC) and Northern California Off-Track Wagering Inc. (NOTWINC) are the two industry organizations that provide pari-mutuel

personnel and operate the audiovisual signal system for simulcast facilities in California, including mini-satellites. These organizations are in the process of being reorganized, which includes the creation of a new general manager position filled by George Haines.

The Committee has asked SCOTWINC/NOTWINC to report on a number of issues, including but not limited to:

1. The restructuring of SCOTWINC bylaws;
2. Updates on prospective mini-satellite locations as well as status reports on locations already approved by the CHRB but not yet opened;
3. The status of industry negotiations for reducing the statutorily provided 20-mile protection radius around existing facilities in Northern California, possibly in exchange for increases in satellite commissions for those facilities that agree to voluntarily reduce their radius protection; and
4. The status of the amount to be paid to the Fairplex simulcast facility.

#### RECOMMENDATION

Representatives from SCOTWINC and NOTWINC are prepared to update the Committee on the issues noted in the analysis.

STAFF ANALYSIS  
DISCUSSION REGARDING THE  
STATUS OF NEGOTIATIONS FOR THE NEW TOTALIZATOR CONTRACT  
AND ITS POSSIBLE IMPACT ON CALIFORNIA HORSE RACING

Pari-Mutuel, ADW, and Simulcasting Committee Meeting  
September 23, 2014

## BACKGROUND

For many years the California horse racing industry has negotiated collectively for the signing of one contract with a selected totalizator company to provide services for all California racetracks and brick-and-mortar simulcast wagering outlets within the state. Prior to the collective approach, there were multiple totalizator companies providing services in California, which among other things made it difficult for customers to cash tickets purchased through one totalizator company (e.g. in Northern California) at another location serviced by a different totalizator company (e.g. in Southern California). The current, single totalizator contract with Sportech PLC expires in September 2015.

The California racing industry began the process some months ago of actively assessing interest in the new contract and soliciting information from various totalizator companies. Interested, qualified applicants will be making formal presentations to the Southern California Off-Track Wagering (SCOTWINC) and Northern California Off-Track Wagering (NOTWINC) boards and to other parties connected to the contract. A decision could be made as early as November 2014, so as to provide the selected company ample time to build out the new or updated system prior to September 2015.

## RECOMMENDATION

This item is presented for discussion.

Industry representatives are prepared to update the Committee as to the status of negotiations, while recognizing that all of those involved have signed confidentiality agreements and may not be able to provide all requested details.

STAFF ANALYSIS  
DISCUSSION OF THE USE OF TABLETS  
AT SANTA ANITA'S MOST RECENT MEETING  
AND WHETHER THE USE OF TABLETS WILL BE  
CONTINUED OR EXPANDED TO OTHER RACE MEETINGS

Pari-Mutuel, ADW, and Simulcasting Committee Meeting  
September 23, 2014

BACKGROUND

The Board at its April 25, 2014 regular meeting approved a request from Xpressbet to amend its 2014 Advance Deposit Wagering (ADW) application to include the operation of its Wagering Tablet at Santa Anita Park and Golden Gate Fields. Xpressbet described the Wagering Tablet as a cashless, paperless, self-service pari-mutuel wagering device designed to raise the level of convenience at racetracks by allowing patrons to place all available wagers on live races offered to Xpressbet customers located in California utilizing a pre-funded Players Card. The wagering tablets were made available to patrons at Santa Anita last spring.

This item is before the Committee, to give Santa Anita an opportunity to update the Committee as to the popularity, performance and continued availability of the Wagering Tablet to interested patrons.

RECOMMENDATION

Representatives from Santa Anita are prepared to report on the use of the Wagering Tablets at its facilities.

STAFF ANALYSIS  
DISCUSSION REGARDING THE DRAMATIC DROP  
IN NIGHT SIMULCAST WAGERING AND  
WHETHER THIS IS OR CAN BE ADDRESSED BY THE INDUSTRY

Pari-Mutuel, ADW, and Simulcasting Committee Meeting  
September 23, 2014

BACKGROUND

As the attached charts indicate, handle for the night race meets has declined \$26.63 million, or minus 12 percent, over the last three years for the periods December 26 through September 11. A reduction in racing dates is partly responsible for this drop. The number of racing dates for those reporting periods decreased by 15, or 9.4 percent.

RECOMMENDATION

This item is presented for discussion.

## HANDLE COMPARISON REPORT - NIGHT MEETS ONLY

JANUARY THROUGH AUGUST	2014	2013	% Change
Live Race Nights	100	106	-6%
Handle:	Night Meets	Night Meets	
<u>Off-Track Sites</u>			
Anderson	4,605	7,502	-39%
Bakersfield	-	513,130	-100%
Bankers Casino (open 3/6/2013)	10,718	5,345	101%
Ferndale	191	282	-32%
Fresno	603,092	609,824	-1%
Fresno Club One	222,299	257,125	-14%
Golden Gate	4,677,462	5,713,799	-18%
Monterey	645,707	634,216	2%
Pleasanton	2,450,488	2,869,024	-15%
Sacramento	1,912,907	2,233,020	-14%
San Jose	2,769,797	3,219,929	-14%
San Mateo County	5,251,880	6,055,507	-13%
Santa Rosa	971,618	1,006,408	-3%
Stockton	1,666,448	1,699,045	-2%
Tulare	-	13,847	-100%
Turlock	32,634	50,352	-35%
Vallejo	1,700,668	1,760,705	-3%
<b>Total N-Cal Off-Track Sites</b>	<b>22,920,513</b>	<b>26,649,059</b>	<b>-14%</b>
Barona	1,176,096	1,483,612	-21%
Cabazon	480,792	528,040	-9%
Commerce Casino	1,763,913	1,954,291	-10%
Del Mar	426,131	391,388	9%
Firehouse/Bakersfield -open 8/6/14	64,663		
Hollywood Park	6,391,466	9,880,058	-35%
Lake Perris	946,658	1,046,321	-10%
Lancaster	1,250,322	1,537,615	-19%
Los Alamitos	2,026,264	2,698,239	-25%
OC Tavern	244,677	514,048	-52%
Ocean's 11 Casino	533,333	-	
Pomona	3,777,144	4,209,488	-10%
Sammy's (open 2/19/14)	964,554	-	
San Bernardino	1,928,751	2,237,591	-14%
Santa Anita	6,659,278	7,592,443	-12%
Santa Clarita Lanes	1,095,374	1,055,651	4%
Santa Maria Roadhouse Grill	28,881	33,078	-13%
Shalimar (Indio)	4,924	6,147	-20%
Surfside Race Place	1,382,954	1,903,938	-27%
Sycuan	566,341	587,409	-4%
The Mermaid Tavern	162,159	-	
Ventura	1,147,082	1,542,874	-26%
Victorville	713,319	847,744	-16%
Viejas	364,509	501,254	-27%
<b>Total S-Cal Off-Track Sites</b>	<b>34,099,583</b>	<b>40,551,228</b>	<b>-16%</b>
<b>Total Off-Track Network Sites</b>	<b>57,020,097</b>	<b>67,200,287</b>	<b>-15%</b>

<u>On-Track Sites</u>			
Pleasanton (Alameda County Fair)	n/a	n/a	
Sacramento (State Fair)	n/a	n/a	
Santa Rosa (Sonoma County Fair)	n/a	n/a	
Golden Gate Fields	n/a	n/a	
Los Alamitos Quarter Horse Meet	14,601,936	16,831,290	-13%
Sacramento (Watch & Wager)	1,769,249	2,221,380	-20%
Del Mar	n/a	n/a	
Los Alamitos Thoroughbred Meet	n/a	n/a	
Hollywood (no racing in 2014)	n/a	n/a	
Santa Anita	n/a	n/a	
<b>Total On-Track Sites</b>	<b>16,371,185</b>	<b>19,052,670</b>	<b>-14%</b>
<b>Total CA Brick &amp; Mortar</b>	<b>73,391,282</b>	<b>86,252,957</b>	<b>-15%</b>
<b>ADW in CA</b>	<b>54,634,939</b>	<b>54,675,159</b>	<b>0%</b>
<b>Total in CA</b>	<b>128,026,221</b>	<b>140,928,116</b>	<b>-9%</b>
<b>Out of State (Exports)</b>	<b>66,195,316</b>	<b>76,289,784</b>	<b>-13%</b>
<b>Total</b>	<b>194,221,537</b>	<b>217,217,900</b>	<b>-11%</b>

Table 1 "Night Meet Handle" shows an overall handle comparison of the last three periods of the night industry breeds. During this year the overall handle of or the night meets has dropped \$26.63 Million (\$230.87 - \$203.241 Million), when compared to the previous period, a change of almost minus 12 percent. Similarly Chart 1 below depicts the same data in a graph format:

**Table 1. Night Meet Handle**

Period	12/26/2011-9/11/2012	12/26/2012 - 9/11/2013	12/26/2013-09/11/2014
Harness	49,452,660.78	48,894,357.35	41,247,017.73
Quarters	181,231,623.47	181,979,552.32	161,994,924.12
Total	230,684,284.25	230,873,909.67	203,241,941.85

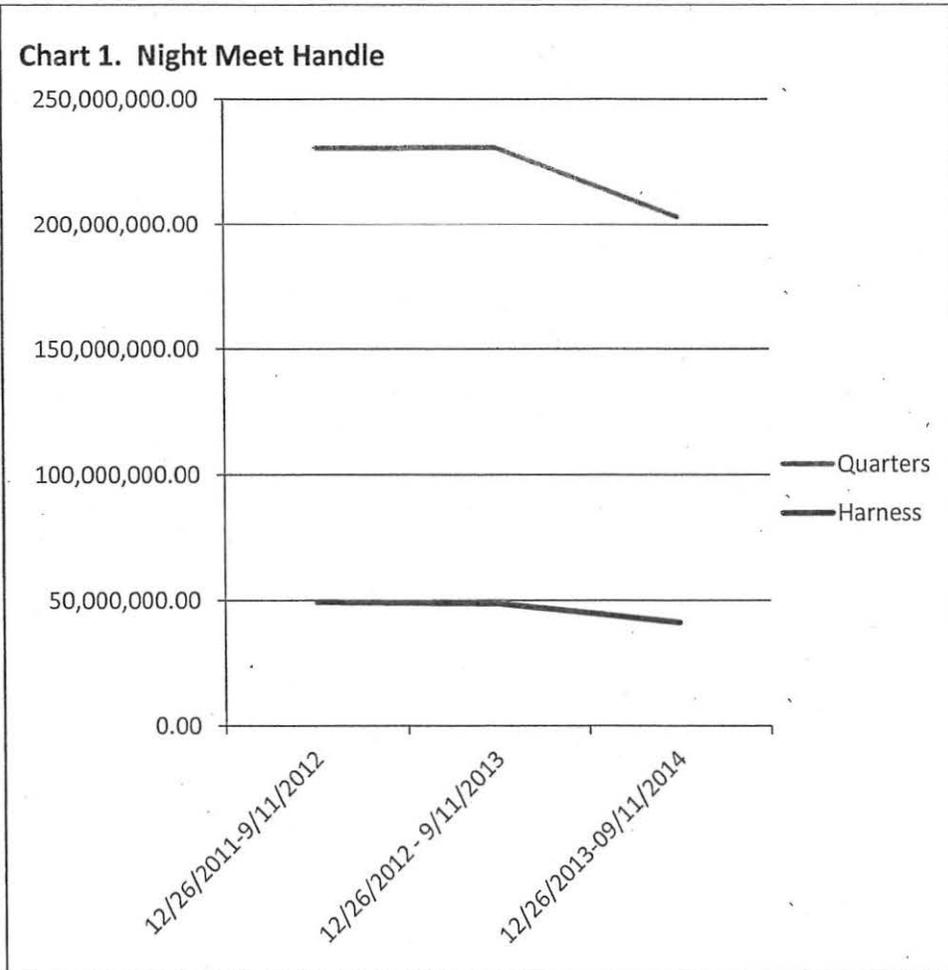
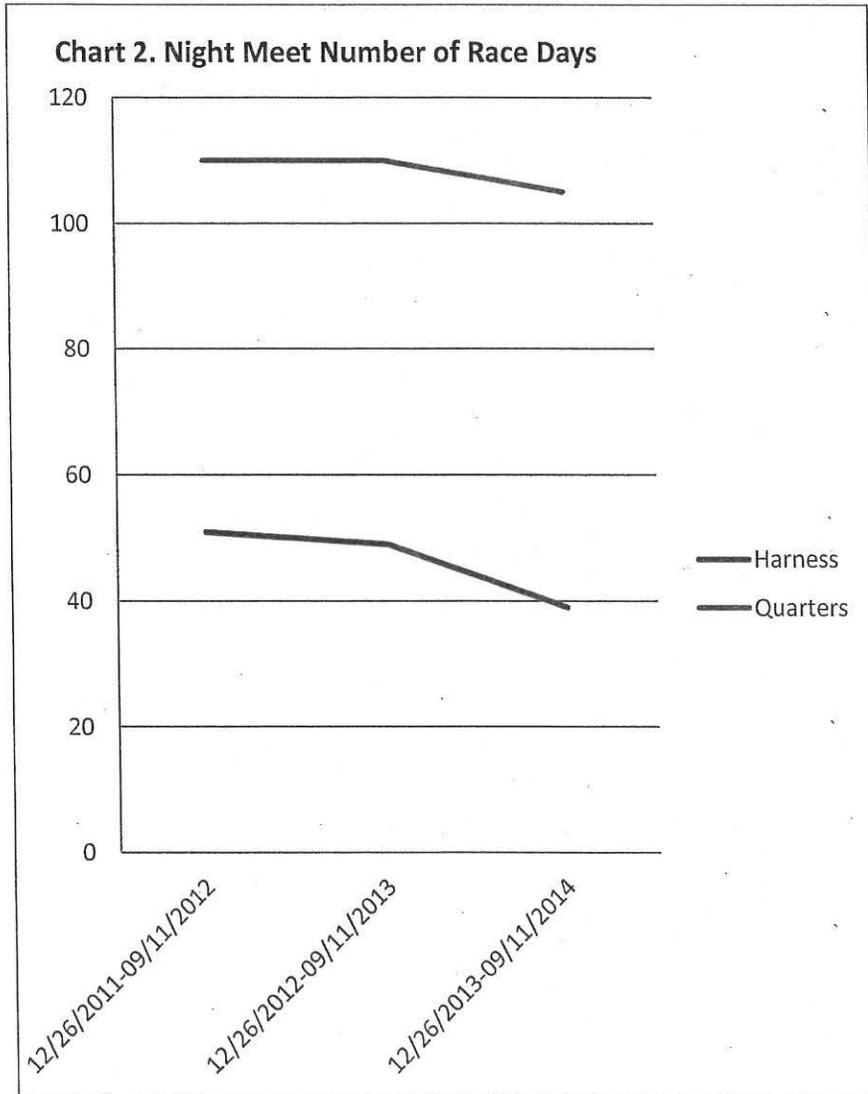


Table 2 "Night Meet Number of Race Days" shows a comparison of the number of racing days of the last three periods of the night industry breeds. During this year the number of race days has dropped by 15 (159-144) from the previous period, a change of minus 9.4 percent. Similarly Chart 1 below depicts the same data in a graph format.

**Table 2. Night Meet Number of Race Days**

Period	12/26/2011-09/11/2012	12/26/2012-09/11/2013	12/26/2013-09/11/2014
Harness	51	49	39
Quarters	110	110	105
Total	161	159	144



## STAFF ANALYSIS

DISCUSSION REGARDING WAYS TO EXPAND THE WAGERING MENUS AT  
SIMULCAST LOCATIONS BY INCREASING THE NUMBER OF RACES IMPORTED,  
INCLUDING THOSE FROM HONG KONG, AND BY ALLOWING FOR SIMULCAST  
PATRONS TO WAGER ON RACES THAT ARE NOT BEING IMPORTED

Pari-Mutuel, ADW, and Simulcasting Committee Meeting  
September 23, 2014

## BACKGROUND

John Bucalo, manager of the simulcast wagering facility at Barona Casino, has repeatedly expressed his views that his customers would like additional wagering opportunities. He maintains that any increased wagering opportunities should be provided through the normal host process rather than by encouraging Barona patrons to wager through Advance Deposit Wagering (ADW) accounts. He asked to have several of his suggestions placed on the PMO agenda.

There are any number of statutes covering the importation of races and wagering on races that are not imported contained in Article 9 of the California Horse Racing Law. Two of the principal code sections are:

**19596.1.**

(a) Notwithstanding any other provision of law, the board may authorize a harness or quarter horse association conducting a race meeting to accept wagers on the results of out-of-state or out-of-country harness or quarter horse races and, with the board's approval and with the concurrence of the horsemen's organization contracting with the association, other designated harness or quarter horse races during the period it is conducting the racing meeting, if all of the following conditions are met:

- (1) The authorization complies with federal laws, including, but not limited to, Chapter 57 (commencing with Section 3001) of Title 15 of the United States Code.
- (2) Wagering is offered only within the racing inclosure and only within 36 hours of the running of the out-of-state feature race.
- (3) The association conducts at least seven live races, and imports not more than 10 races on those days during a racing meeting when live races are being run, except as provided in subdivision (b).
- (4) If only one breed of horse specified in this section is being raced on a given day, then the association conducting the live racing may import those races which would otherwise be simulcast by the association which is not racing. After the usual deductions, including the portion for the racing association, the portion remaining for purses from these races shall be distributed equally for purses for harness horsemen and quarter horse horsemen.

(5) No quarter horse or harness racing association shall accept wagers on out-of-state or out-of-country quarter horse or harness races commencing before 5:30 p.m., Pacific standard time, without the consent of any thoroughbred association or fair that is then conducting a live racing meeting in this state.

(b) An association that is authorized to import races pursuant to subdivision (a) may, at its sole discretion, import fewer than the maximum number of harness or quarter horse races authorized in paragraph (3) of subdivision (a). For up to two races per night, for each race that is not imported under the maximum authorized by paragraph (3) of subdivision (a) on a particular night of racing, the association may add a race to the number of races allowable under the maximum authorization on another night of racing. However, no more than two races may be added under this subdivision to the number allowable on a single night, and the total number of imported races over a calendar year may not exceed the total number of imported races authorized pursuant to paragraphs (3) and (4) of subdivision (a).

### **19596.2.**

(a) Notwithstanding any other provision of law and except as provided in Section 19596.4, a thoroughbred racing association or fair may distribute the audiovisual signal and accept wagers on the results of out-of-state thoroughbred races conducted in the United States during the calendar period the association or fair is conducting a race meeting, including days on which there is no live racing being conducted by the association or fair, without the consent of the organization that represents horsemen and horsewomen participating in the race meeting and without regard to the amount of purses. Further, the total number of thoroughbred races imported by associations or fairs on a statewide basis under this section shall not exceed 50 per day on days when live thoroughbred or fair racing is being conducted in the state. The limitation of 50 imported races per day does not apply to any of the following:

(1) Races imported for wagering purposes pursuant to subdivision (c).

(2) Races imported that are part of the race card of the Kentucky Derby, the Kentucky Oaks, the Preakness Stakes, the Belmont Stakes, the Jockey Club Gold Cup, the Travers Stakes, the Arlington Million, the Breeders' Cup, the Dubai Cup, the Arkansas Derby, or the Haskell Invitational.

(3) Races imported into the northern zone when there is no live thoroughbred or fair racing being conducted in the northern zone.

(4) Races imported into the combined central and southern zones when there is no live thoroughbred or fair racing being conducted in the combined central and southern zones.

(b) Any thoroughbred association or fair accepting wagers pursuant to subdivision (a) shall conduct the wagering in accordance with the applicable provisions of Sections 19601, 19616, 19616.1, and 19616.2.

(c) No thoroughbred association or fair may accept wagers pursuant to this section on out-of-state races commencing after 7 p.m., Pacific standard time, without the consent of the harness or quarter horse racing association that is then conducting a live racing meeting in Orange or Sacramento Counties.

RECOMMENDATION

This item is presented for discussion.