

Twenty-Seventh Annual Report of the California Horse Racing Board

A Summary of
Fiscal Year 1996 – 1997
Racing in California

California Horse Racing Board

Ralph M. Scurfield, Chairman
Donald Valpredo, Vice-Chairman
Stefan L. Manolakas, Member
George Nicholaw, Member
Robert H. Tourtelot, Member
Hyla Berteau, Member
Joseph B. Fenley, Member
Roy C. Wood, Jr., Executive Director
Roy Minami, Assistant Executive Director

Note: This document was modified in March of 2020 to meet ADA compliance standards as required in AB 434.

The general office of the CHRB is located at 1010 Hurley Way, Sacramento, CA 95825. Regional and field offices are located in the Los Alamitos-Stanton area and at all operating racetracks. Visit us at our world-wide web site www.chrb.ca.gov on the Internet.

Names and Locations of All Wagering Facilities Regulated by the California Horse Racing Board

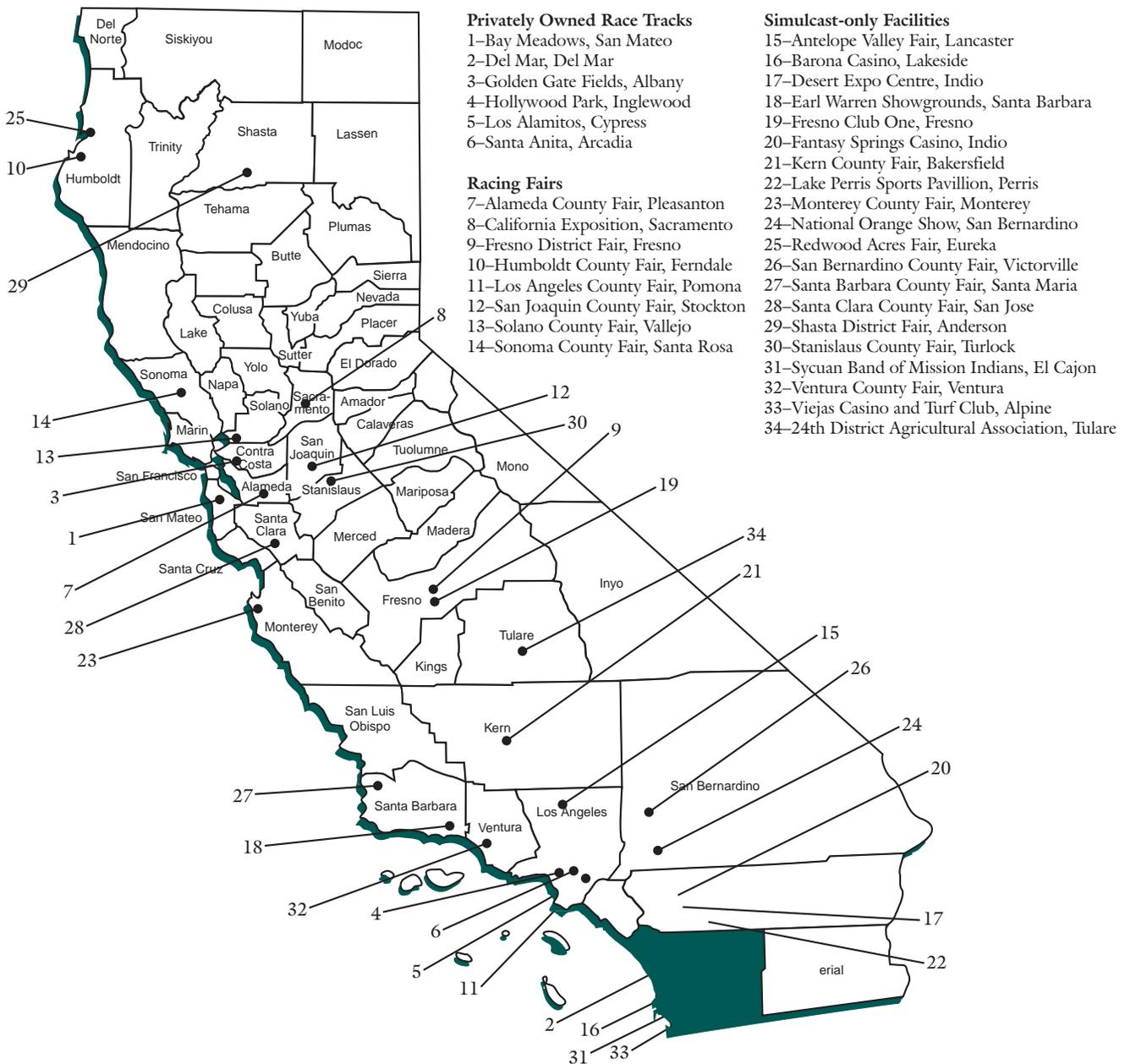
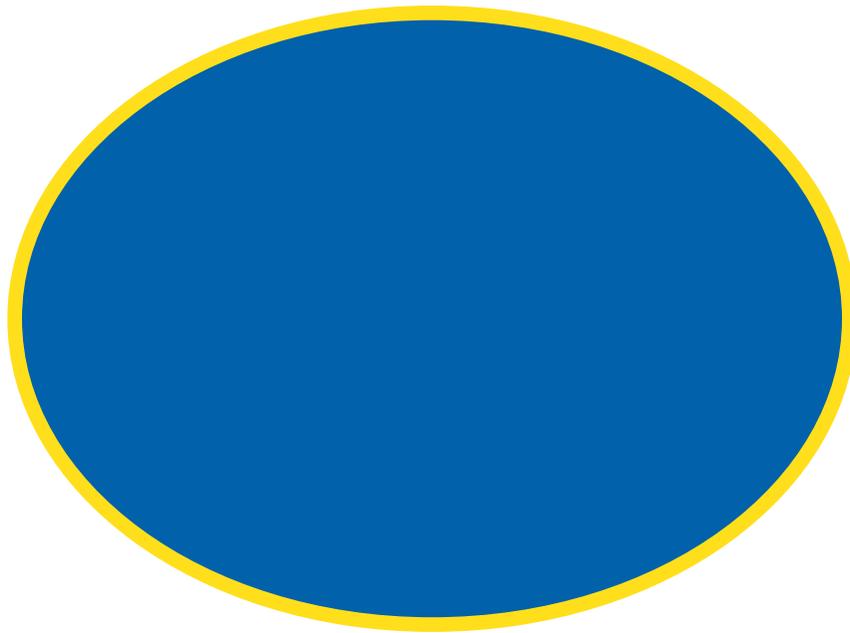


Table Of Contents

Report of the Chairman	1
Californians and the Triple Crown	2
The California Horse Racing Board	4
CHRB Meetings	4
Members of the California Horse Racing Board	5
Commissioners	6
Committees	7
Operating Budget.	9
Organization Chart.	10
Executive Division	11
Administration	11
Newsletter Highlights.	17
Licensing and Enforcement.	18
Summary Licensing and Enforcement	20
Racing Supervision	22
Appointed Racing Officials	24
Laboratory Services.	25
Equine Postmortem Program	26
Track Safety Program	26
CHRIMS	27
Racing Fatalities	28
Racing Injuries	29
Horse Racing in California.	30
Schedule of Horse Racing Meets in 1997	31
Racetracks and Meets	32
Simulcast Facilities	45
Charity Days	49
Horse Racing Revenues	50
Uncashed Tickets	51
Occupational Licenses and Fees.	52
Fines Imposed.	53
Distribution by Fund	54
Other Public Revenues	55
Racetrack Commissions	55
Horsemen's Purses	55
Statistics for Horses Claimed	56
Authorized Horse Sales.	56
Horse Breeding Programs.	57
Revenue Stream (charts).	58
California Horsemen's Organizations and Welfare Funds	62
Audited Expenses of California Horsemen's Organizations	62
Pacific Coast Quarter Horse Racing Association, Inc.	63
California Harness Horsemen's Association	64
Thoroughbred Owners of California	65
Arabian Racing Association of California	66
Cal Western Appaloosa Racing, Inc.	67
California Horsemen's Benevolent and Protective Association, Inc.	68



The California Horse Racing Board logo conveys the basic nature of the Board and the industry it regulates. At the very heart of the logo are horses, which are the core of the industry. The horses are flowing in action, suggesting beauty and pageantry.

The oval shapes reflect the racing environment. The bold letters “CHRB,” representing the people of the State of California, distinguish the Board as a separate entity from the industry itself. The logo’s blue and gold colors are the official colors of the State of California.

By encircling the horses with the name “California Horse Racing Board,” the logo shows both the benevolent and regulatory natures of the Board. One purpose of the CHRB is to encourage agriculture by supporting the industry. Another purpose is to regulate the industry and protect the public interest. Through its fair and consistent enforcement of all regulations, the Board ensures the integrity of racing and encourages participation in the sport.

REPORT OF THE CHAIRMAN

The contribution of horse racing to California's economy is extremely important, since tax revenues, jobs, investments, economic growth for local communities, and stability for the expansion of agriculture, including the breeding of horses, are directly and indirectly impacted by horse racing. Therefore, as the Chairman of the California Horse Racing Board, it is both an honor and a privilege to submit to the Governor and to the Members of the California Legislature this 27th Annual Report, which provides an overview of the Board's operations, statistical data, programs, and industry activities for the 1996-97 fiscal year.

California racing and wagering facilities reported a total pari-mutuel handle of \$3.48 billion, a decrease of 1.13% from the total reported for 1995-96. The on-track handle was \$901 million, a reduction of 8.15%. Pari-mutuel wagers placed at the intra-state simulcast wagering facilities were \$1.47 billion, down 3.5%. In order to mitigate the adverse effects of these decreases on racing associations and horsemen, SB 2000 (Maddy) was enacted to provide a .5% license fee reduction for thoroughbred associations and fairs. This reduction will permit the associations and fairs to retain an estimated \$10 million annually. Another positive sign was the continued expansion of interstate wagering on California racing in other states and countries, as out-of-state handle increased by 9.25% — from \$1.016 billion in 1995-96 to \$1.11 billion in 1996-97.

Although the Breeders' Cup and the California Cup were conducted in the fall of 1997, they are referenced in this fiscal-year report due to their extreme significance to California horse racing. The Breeders' Cup brought worldwide attention to California horse racing with the 14th running of the championship day of racing at Hollywood Park on November 8, 1997. An international television audience witnessed racing at its best, professionally staged, properly regulated, with great care given to the health and safety of all participants. The popular California Cup, sponsored by the California Thoroughbred Breeders Association and the Oak Tree Racing Association, was held at Santa Anita Race Track on October 25, 1997. California Cup VIII featured nine races with fields restricted to California-breds. Total purses for those races exceeded \$1 million, providing another big boost for the California breeding industry.

The California Horse Racing Information Management System (CHRIMS) came into full production after several years of development. CHRIMS, a data base under the supervision of the CHRB and the California Authority of Racing Fairs, provides pari-mutuel data to the horse racing industry in California. Autotote, the provider of pari-mutuel systems for California racetracks, supported a direct feed of pari-mutuel data into CHRIMS, greatly increasing the system's efficiency.

The Board continued its commitment to the Postmortem Program, which has gained national attention, and its oversight of Track Safety standards. The Board supported legislation that reduced license fees for racing associations. The Board continued to enforce the Integrity of Racing Program with the adoption of rules providing for use of therapeutic medications necessary for the health and welfare of the horse, while upgrading drug-testing efforts on a limited basis by using full instrumental testing to provide a more thorough testing of samples.

I wish to thank all members of the Board, and specifically Vice-Chairman Donald Valpredo, for their hard work and dedication to horse racing in this state.

Respectfully submitted,



Ralph M. Scurfield
Chairman

Californians



CALIFORNIA HIGH-FIVE — Jockey Chris McCarron and trainer Dave Hofmans celebrate their victory in the 1997 Belmont Stakes as the Deputy Minister colt Touch Gold is led into the winner's circle at Belmont Park. Touch Gold outfinished Silver Charm by less than a horse-length to win the prestigious Belmont Stakes and deny the Silver Buck colt a place in history in his bid to sweep the Triple Crown races.

Emissaries of California horse racing haven't seen many better days than the ones they enjoyed last spring with victories in the Kentucky Derby in Kentucky, the Preakness Stakes in Maryland, and the Belmont Stakes in New York.

Those three races make up the internationally famous Triple Crown series, and each year they attract top 3-year-old horses from throughout the world. To win all three races is a feat accomplished only 11 times, beginning with Sir Barton's sweep in 1919. The last horse to win the Triple Crown was Affirmed in 1978.

Silver Charm and his California connections nearly made it into the record book as number 12, but another team of Californians represented by Touch Gold edged them out in the Belmont. Still, by winning the Kentucky Derby and Preakness, Silver Charm joined an elite group of 42 horses who won two legs of the Triple Crown.

SILVER CHARM TEAM

There were no complaints from **Robert and Beverly Lewis**, the classy owners of Silver Charm, after they settled for second in the Belmont.

Robert Lewis, who serves as chairman of the Thoroughbred Owners of California and owns two thriving Anheuser-Busch distributorships in Southern California, and his wife have enjoyed great success in thoroughbred racing with such greats as Timber Country, Serena's Song, and of course Silver Charm. They are gracious in defeat as well as in victory.

Bob Baffert, the trainer of Silver Charm, and **Gary Stevens**, the colt's rider, are fixtures on the Southern Cali-

Dominate Triple Crown Races

ifornia thoroughbred racing circuit, though Baffert actually started out training quarterhorses and was among the leading trainers at Los Alamitos until he made the switch to thoroughbreds.

Stevens, who has won more than 4,000 races during his 18-year career, routinely ranks near the top of what many consider to be the toughest riding circuit in the country. He won two legs of the Triple Crown in 1995 with Thunder Gulch.

TOUCH GOLD TEAM

Trainer **Dave Hofmans** and jockey **Chris McCarron** are two more familiar figures in Southern California, and their upset victory with Touch Gold was not surprising to the fans back home aware of their talent and the rapid development of their colt.

Hofmans, who was born in Los Angeles and attended Pasadena City College before turning to a career in horse racing in the 1970s, also trained Cat's Cradle, the 1995 California Horse of the Year.

McCarron, a member of racing's Hall of Fame and two-time Eclipse Award winner for his riding accomplishments, has won more than 6,000 races during his 23-year career. McCarron helped establish the Don MacBeth Memorial Fund for disabled jockeys.

CALIFORNIA TEAM

As a group, these horsemen and their fine colts Silver Charm and Touch Gold demonstrated once again that California horse racing remains world class and will continue to be competitive in Triple Crowns to come.



CALIFORNIA DREAMERS — Trainer Bob Baffert (left) and owners Robert and Beverly Lewis hoist the winner's trophy while jockey Gary Stevens applauds their good fortune after Silver Charm won the 1997 Kentucky Derby. The Silver Charm team celebrated again two weeks later when their colt also won the Preakness Stakes — second leg of the Triple Crown — but their dream for a sweep ended the following month when Silver Charm finished second in the Belmont.

The California Horse Racing Board

A Brief History

Horse racing has been taking place in California since the turn of the century, but horse racing as we now know it — under the pari-mutuel wagering system — was not made possible until the electorate passed a Constitutional Amendment in 1933. The Horse Racing Law prompted construction of new race tracks on solid economic foundations.

The expressed intent of the Horse Racing Law is to allow pari-mutuel wagering on horse races and:

Assure protection of the public;

Encourage agriculture and the breeding of horses in this state;

Generate public revenues;

Provide for maximum expansion of horse racing opportunities in the public interest; and

Provide uniformity of regulation for each type of horse racing.

To accomplish this, the Constitutional Amendment authorized pari-mutuel wagering on the results of horse races

at licensed race meetings and created the California Horse Racing Board to oversee the industry.

The CHRHB's principal responsibilities are to:

Adopt rules and regulations for the protection of the public and the control of horse racing and pari-mutuel wagering;

Adjudicate controversies arising from the enforcement of laws and regulations of horse racing and pari-mutuel wagering;

License each racing association, each simulcast wagering facility, and all persons, other than the public at large, who participate in a horse

race meeting with pari-mutuel wagering; and

Allocate racing dates to qualified associations in the best interests of the people of California.

The Attorney General of the State of California is the Board's legal counsel, and the Board is assigned a deputy attorney general to provide general legal service. As a member of the Association of Racing Commissioners International, the Board exchanges information on licensees and disciplinary proceedings with other commissions of the RCI through the National Association State Racing Information System.

Board Meetings

The California Horse Racing Board met 10 times during the 1996-97 fiscal year. Meeting locations rotated throughout the state and were held in conjunction with a licensed racing meet. Board meetings are open to the public and include a published agenda. The following meeting dates and locations were held:

July 25, 1996
Del Mar Simulcast Facility, Del Mar

August 23, 1996
Del Mar Simulcast Facility, Del Mar

September 20, 1996
Sheraton Suites Fairplex, Pomona

October 18, 1996
Arcadia City Hall, Arcadia

December 6, 1996
Los Alamitos Race Course,
Los Alamitos

January 24, 1997
Arcadia City Hall, Arcadia

February 28, 1997
Bay Meadows Race Track, San Mateo

March 21, 1997
Embassy Suites, Arcadia

April 25, 1997
Hollywood Park Race Track, Ingle-
wood

June 13, 1997
University of California-Davis, Davis

Members of the California Horse Racing Board

The California Horse Racing Board consists of seven members appointed by the Governor, generally to four-year terms, who are subject to Senate confirmation. Members are eligible for reappointment at the discretion of the Governor. The terms are specific; no more than two of the terms expire in any calendar year.

At least four members of the Board must concur in the taking of any official action or in the exercise of any of the Board's duties, powers or functions. The member commissioners elect their chairman, who presides over meetings of the Board. The members also elect a vice-chairman to preside in the absence of the chairman.

Commissioners receive a per diem of \$100 for each day spent in attendance at meetings and are reimbursed for traveling and other expenses necessarily incurred in the performance of their official duties.

Committees Of The Board

The executive director is directed to provide public notice of a meeting of a standing committee, other than a

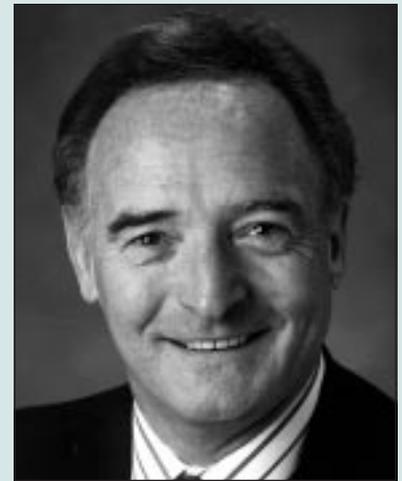
meeting of the Stewards' Committee. Whenever a Board quorum is expected at any meeting of a committee, the executive director shall give notice that the meeting is a Special Meeting of the California Horse Racing Board limited to the agenda, the items to be discussed at the meeting, and the expected commissioners in attendance so that legal notice may be published.

*The members
of the
California
Horse Racing
Board during
the fiscal year
and their
terms of office:*



**Ralph M. Scurfield,
Chairman**

President of the Scurfield Company in Sacramento. Appointed to the CHRB by Governor George Deukmejian on January 4, 1991. Reappointed by Governor Pete Wilson through July 26, 1999. Chairman since September 23, 1992.



**Donald J. Valpredo,
Vice-Chairman**

Owns and operates Donald Valpredo Farms in Bakersfield. Appointed to the CHRB by Governor Pete Wilson on May 13, 1991. Reappointed through January 1, 1998. Vice-Chairman since September 23, 1992.

Members of the California Horse Racing Board



**Stefan L. Manolakas,
Member**

President of Palisades Properties, Inc., in Folsom. Appointed to the CHRB by Governor Pete Wilson on July 25, 1991. Reappointed by Governor Pete Wilson through January 1, 1999.



**George Nicholaw,
Member**

Vice-president and general manager of KNX Newsradio in Los Angeles. Appointed to the CHRB by Governor Pete Wilson on March 26, 1992. Reappointed by Governor Pete Wilson through January 1, 2000.

**Robert H. Tourtelot,
Member**

Partner in the professional law corporation of Tourtelot and Butler in Los Angeles. Appointed to the CHRB by Governor Pete Wilson on October 6, 1993. Reappointed by Governor Pete Wilson through July 26, 2001.



**Hyla Holmes Berteau,
Member**

Senior marketing consultant with Grubb and Ellis in Newport Beach. Appointed to the CHRB by Governor Pete Wilson on April 7, 1994, through January 1, 1998.



**Joseph B. Fenley,
Member**

Founder of Gateway Freight Services and Gateway Passenger Services. Appointed to the CHRB by Governor Pete Wilson on November 22, 1996, through July 26, 2000.

Assignments for the standing committees of the Board during 1996-97, as assigned by Chairman Ralph Scurfield, were as follows:

BENEVOLENT PROGRAMS COMMITTEE

Commissioner Hyla Berteau,
Chairwoman
Commissioner George Nicholaw

The Benevolent Programs Committee provides oversight of the Horsemen's Organizations Welfare Special Account funds, makes recommendations to the Board on submitted requests for distributions of charity racing funds, oversees the propriety of charity racing distributing agents, and makes recommendations to the Board as to revisions of laws or regulations deemed necessary to ascertain appropriate benevolent and charitable uses of funds designated for such purposes.

EXECUTIVE COMMITTEE

Chairman Ralph Scurfield,
Chairman
Vice-Chairman Donald Valpredo

The Executive Committee considers matters dealing with the policies and programs determined by the Board, exercises oversight and supervision of the execution of the Board's decisions and determinations, and provides the appropriate directions to the Board's senior staff during intervals between regular meetings of the Board.

FINANCE COMMITTEE

Chairman Ralph M. Scurfield,
Chairman
Vice-Chairman Donald Valpredo

The Finance Committee considers matters dealing with the Board's fiscal support, provides oversight of the utilization of budgeted resources, and recommends revisions of laws or regulations deemed necessary to ascertain adequate financial resources for Board operations and to promote efficiency

and economical operation of its functions.

HORSEMEN'S REPRESENTATION AND ORGANIZATION BYLAWS COMMITTEE

Commissioner Robert H. Tourtelot,
Chairman
Commissioner George Nicholaw

The Bylaws Committee considers matters dealing with horsemen's organizations and makes recommendations to the Board regarding their approval. In addition, the Bylaws Committee is responsible for the review and consideration of revisions to Article 22 of the Board's rules, which contains the regulations governing horsemen's organizations.

LEGISLATIVE COMMITTEE

Chairman Ralph M. Scurfield,
Chairman
Vice-Chairman Donald Valpredo

The Legislative Committee considers proposed legislative bills and, if warranted, recommends positions to be taken by the Board before the Legislature and Governor; transmits such Board views to the authors and appropriate legislative committees; responds to questions from the public concerning such legislation; and considers appropriate regulatory or administrative actions required by enacted legislation.

MEDICATION COMMITTEE

Commissioner Stefan L. Manolakas,
Chairman
Commissioner George Nicholaw
Commissioner Hyla Berteau

The Medication Committee selects advisory members to the committee from regulatory veterinarians, chemists, horsemen's organizations, racing associations, and practicing veterinarians; establishes the Board's veterinary practices and procedures; selects offi-

cial veterinarians for assignment to racing meetings; meets not less than twice annually to offer recommendations for laws or regulations deemed necessary to improve veterinary practices; provides oversight of official racing laboratories; oversees Board enforcement of veterinary practices and medication procedures; oversees the track safety standards; and provides leadership and direction in the development of new or amended track safety standards.

PARI-MUTUEL OPERATIONS COMMITTEE

Commissioner George Nicholaw,
Chairman
Commissioner Robert H. Tourtelot
Commissioner Joseph B. Fenley

The Pari-mutuel Operations Committee provides oversight of all pari-mutuel operations; recommends to the Board any necessary changes to law or regulations governing pari-mutuel operations; determines appropriate procedures for pari-mutuel operations; considers matters dealing with expansion of pari-mutuel wagering; approves agreements, facilities equipment and accommodations necessary for wagering; and reviews reports for wagering operations.

RACE DATES COMMITTEE

Chairman Ralph M. Scurfield,
Co-Chairman
Vice-Chairman Donald Valpredo
Co-Chairman

The Race Dates Committee considers requests from racing associations that typically conduct night racing meets and interested organizations concerning the racing weeks and dates to be allocated by the Board pursuant to Section 19440 (5) of the Business and Professions Code, reviews staff proposals for the racing calendars, conducts public hearings where varying proposals are considered, and thereafter recommends to the Board the Cali-

fornia horse racing schedule for the calendar year or for multiple years.

SECURITY AND LICENSING COMMITTEE

Commissioner George Nicholaw,
Chairman
Commissioner Hyla Berteau
Commissioner Joseph B. Fenley

The Security and Licensing Committee selects advisory members from among racing managements, horsemen's organizations and labor organizations representing racing employees; oversees the Board's occupational licensing operations; reviews security controls maintained by racing associations; makes recommendations to the Board as to necessary changes to laws or regulations governing security at racing meetings; and meets with the security services subcommittee, which consists of the Board's chief investigator, supervising investigators, and designated chiefs and/or supervisors of security for racing associations, to consider reports and recommendations of the subcommittee.

SIMULCAST OPERATIONS COMMITTEE

Commissioner Robert H. Tourtelot,
Chairman
Commissioner Hyla Berteau
Commissioner Joseph B. Fenley

Recognizing that simulcasting accounts for approximately 70 percent of California's horse racing handle, the Simulcast Operations Committee was created by the Board in November of 1994 to protect the state's share of the simulcasting market and to keep California in front of competition from other states.

The committee is an industry-wide group that will address simulcasting issues and make recommendations to increase revenue to the horsemen, to the associations, and to the state.

STEWARDS' COMMITTEE

Vice-Chairman Donald Valpredo,
Chairman
Commissioner Stefan L. Manolakas

The Stewards' Committee exercises authority over stewards, meets quarterly with representatives of stewards, selects qualified stewards for assignments to race meetings, selects by examination qualified applicants for listing of stewards, adopts policies relative to the duties of stewards, and recommends to the Board revisions to laws and regulations deemed necessary to improve race officiating.

SPECIAL AD HOC COMMITTEES

The chairman may appoint special ad hoc committees to consider and make recommendations on designated issues. It is the policy of the chairman to appoint at least two commissioners to such ad hoc committees. The appointment of two commissioners allows attendance of an additional commissioner at meetings without amended notice.

TRIBAL-STATE COMPACT NEGOTIATION COMMITTEE

Commissioner Stefan L. Manolakas,
Chairman
Commissioner Robert H. Tourtelot

Upon direction of the Governor to the Board subsequent to a request of a California Indian tribe for license to

conduct pari-mutuel wagering on horse races as a Class III gaming activity, Public Law 100-497 (gaming on Indian lands), the Tribal-State Compact Negotiation Committee conducts negotiations for a proposed Tribal-State Compact and will propose and recommend a compact for adoption by the Board and later transmittal to the Governor for state approval and adoption.

RCI COMMITTEES

Members of the Board participate in Committee functions of the Association of Racing Commissioners International.

Drug-Testing Standards and Practices

Ralph M. Scurfield, *Chairman*
Roy C. Wood, Jr., *Executive Director*

Executive Directors

Roy C. Wood, Jr., *Executive Director*

Constitution and Bylaws

Ralph M. Scurfield, *Chairman*

Accreditation Standards Technical

Roy C. Wood, Jr., *Executive Director*

Racing Officials Accreditation

Ralph M. Scurfield, *Chairman*
Roy C. Wood, Jr., *Executive Director*

Security and Safety

Roy C. Wood, Jr., *Executive Director*

Data Base and "Smart Card"

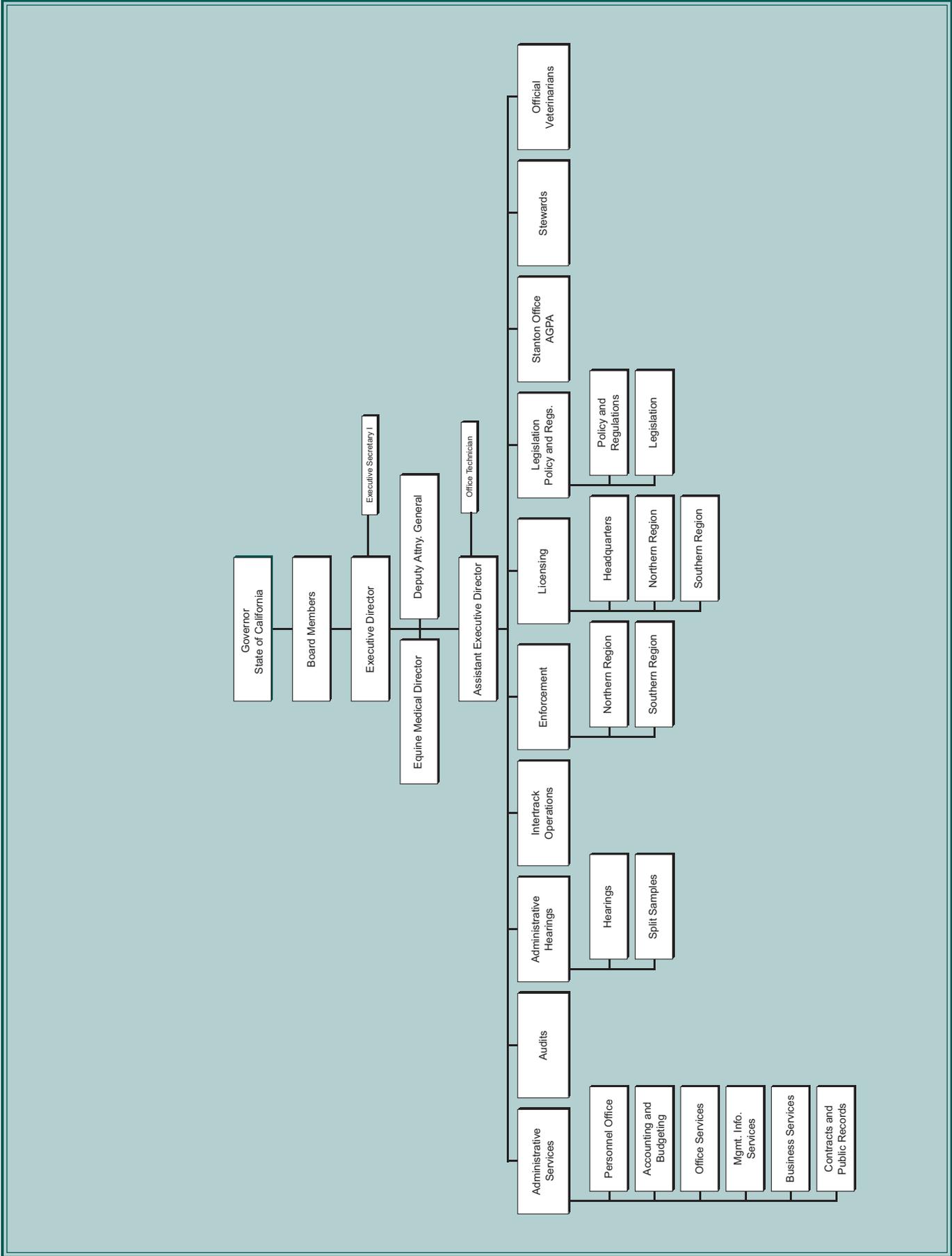
Ralph M. Scurfield, *Chairman*

California Horse Racing Board – Operating Budget

July 1, 1996 June 30, 1997

Appropriations	Item	Total
Personal Services	\$3,470,000	
Operating Expenses	4,402,000	
Total Appropriation		\$7,872,000
Expenditures — Personal Services		
Salaries and Wages	\$2,464,000	
Staff Benefits	742,000	
Total Personal Services		\$3,206,000
Operating Expenses and Equipment		
General Expense	149,000	
Printing	55,000	
Communications	61,000	
Postage	12,000	
Travel-in-State	187,000	
Travel-out-of-State	18,000	
Training	4,000	
Facility's Operation	157,000	
Contractual & Professional Services-Interdepartmental	407,000	
Contractual & Professional Services-External	2,866,000	
Consolidated data center: Stephen P. Teale Data Center	132,000	
Central Administration Services: Pro Rata	191,000	
Equipment	73,000	
Office Move	14,000	
Total Operating Expenses and Equipment		<u>\$4,326,000</u>
Total Expenditures		* <u>\$7,532,000</u>
Unexpended Balance FY 1996/97 to be reverted to General Fund 6/30/99		<u>\$ 340,000</u>
Total Expenditures & Unexpended Balance		\$7,872,000

* Includes year-end accruals



Executive Division

The specialized and complex requirements for the regulation of horse racing require a unique organizational structure and joint responsibilities for the operational divisions of the Board.

The Board appoints an executive director and assistant executive director to execute the duties as specified. They are responsible for the department's

operations, which includes overseeing on a daily basis all office and field operations conducted by the staff and contract employees.

The dynamics, complexity, and broad geographical base of the horse racing industry place a tremendous responsibility on the executive staff of the Board as it deals with a myriad of situations that arise on almost a daily basis.

The stewards at the various racetracks are in continual contact with Board executives, who in turn have direct access to the chairman and vice-chairman if their guidance is required. The horse racing industry operates seven days a week — 365 days a year — and Board executives remain available by pager and cellular telephone at any hour of the day.

MISSION

To Coordinate and Manage All Administrative Departments

ACHIEVEMENTS

Run by the chief of administration, the **ADMINISTRATION DIVISION** managed all aspects of administrative and support functions through its various units: Budget and Accounting Unit, Management Information Systems Unit, Business Services Unit, Contractual Services and Information Practices Act Unit, Office Services Unit, and Personnel Unit. The Division managed the general office, which is the repository for the Board's records, including all proceedings of the Board, records of individuals prohibited from participating in pari-mutuel wagering, records of horses and races, and various files, documents and papers of the Board.



Roy C. Wood, Jr.
Executive Director

Appointed January 1, 1994. Previously director of racing for the Texas Racing Commission and assistant director for the Louisiana State Racing Commission.



Roy Minami, Assistant
Executive Director

Appointed November 1, 1990. Previously served as CHRB's chief of administration. Served as interim executive director from May 28, 1993, through December 31, 1993.

MISSION

To Meet Increasing Demands for Fiscal Information for the Effective Execution of Program Operations and Decision Making

MISSION

To Provide Support Activities, Such as Procurement, Travel, and Space

MISSION

To Improve and Enhance Business Practices and Service to the Public Through the Prudent Use of Information Technology

ACHIEVEMENTS

The **BUDGET AND ACCOUNTING UNIT** accurately and efficiently accounted for all revenue, expenditures, receipts, disbursements, and property of the state. This mission was realized despite increasing revenue complexity, largely through use of the fully automated California State Accounting and Reporting System and related computer technologies.

ACHIEVEMENTS

The **BUSINESS SERVICES UNIT** coordinated the successful relocation of the Board's headquarters offices by consolidating two separate offices into one large office suite. The Unit continued to perform its responsibilities relating to the acquisition, storage, distribution, and reutilization of supplies and equipment. This Unit processed travel and business needs of Board members and staff, processed travel expense claim documents, and acted as a resource for Board members and staff on the business operations of the department. The Unit also worked with other state agencies for space planning and office space needs.

ACHIEVEMENTS

The **MANAGEMENT INFORMATION SYSTEMS UNIT** continued its aggressive approach to improve the Board's computer capabilities by implementing a comprehensive network and workstation upgrade at the Board's headquarters. The new office automation systems include Microsoft Windows NT workstations, Office 97, Outlook 97 (e-mail) and Internet Explorer.

MIS further enhanced the Board's WEB site on the Internet to deliver on-line services and information, such as access to CHRB rules and regulations, public information pertaining to CHRB licensees, and on-line access to the CHRB's quarterly newsletter. The CHRB WEB site continues to include the Board's mission statement, a list of Board members, meeting schedules, agendas, California and national racing events, special announcements, news releases, statistical information, links to other horse racing-related WEB sites, and lists of racetracks, fairs, and simulcast facilities.

Other significant achievements include establishing a communications/computer server room in the MIS Unit's new offices and, related to the CHRB's recent office consolidation, overseeing the successful installation of computer and printer cabling at the headquarters office. The Unit worked diligently to make the CHRB one of the first California state agencies to be "Year 2000" compliant by enabling the computer system to perform the Year 2000 calculation.

Looking to the future, the MIS Unit is involved in projects to improve the Board's statewide communications network through the use of Frame-Relay technology; designing Extranet Wide Area Network and consolidated Internet access; and designing a merchant transaction system at each CHRB field office that will provide licensees with the ability to pay their occupational license fees with a credit card.

MISSION

To Provide Clerical Support to the Board and Staff Relating to All Office Operations

ACHIEVEMENTS

The **OFFICE SERVICES UNIT** provided support with office-telephone reception, word processing, filing, mail distribution, photocopying, and coordinating the Board's records retention program. This Unit performed the critical function of photocopying, collating, and distributing the monthly Board and Committee meeting notices and packages to the Board members, staff, and interested members of the public. Other significant responsibilities included direct support to the administrative hearings unit and the business services unit.

MISSION

To Comply with All Programs Mandated by the State While Effectively Handling All Personnel Transactions and Related Activities for Employees of the Board

ACHIEVEMENTS

The **PERSONNEL UNIT** promoted a healthy and safe working environment for employees. In order to reduce work-related injuries and illnesses, the Unit provided managers and supervisors with written guidelines to follow in the reporting of occupational injuries and illness. These guidelines also provided information to help employees return to work as quickly as possible. The Unit developed a policy and program encouraging Board employees to embrace healthier and safer lifestyles. Health and safety information was conveyed in part through the distribution of literature and through articles published in the CHRB's quarterly newsletter.

The Unit arranged defensive driving, CPR and first aid training, mentoring, reasonable accommodation, and the new wellness program. This Unit participated in an on-line examination process using the Internet. With this progressive approach to examining, the Board will utilize computerized processes to handle a larger candidate group when recruiting for entry-level classifications.

After manually creating and processing personnel transactions and ad hoc reports for many years, the unit automated many of the reports, including employee leave account balances, permitting better control and a more expedient way of accessing the requested information.

MISSION

To Comply with State Agency Requirements in the Collection, Use, Maintenance and Dissemination of Information Relating to Individuals.

ACHIEVEMENTS

The **PUBLIC RECORDS Act** was established in the California Government Code, effective in 1968. The Information Practices Act was established in the California Civil Code, and became effective in 1978. The dissemination of records maintained by the Board was regulated by both Acts.

The Board's policy to release records was based on the premise of open government and every person's right to public information, and that personal privacy must be protected by placing constraints on the collection, maintenance, and dissemination of information. Both the Public Records Act and the Information Practices Act placed specific requirements on the Board for the dissemination of information relating to individuals.

Because the Board collects and maintains licensee information, including personal details, the dissemination of personal information, which could be found on license application documents, was prohibited, except for very specific circumstances. The Board carefully weighed the information requested in order to balance statutory or constitutional mandates with the individual's right to privacy.

MISSION

To Promote Sound Business Decisions and Practices in Securing Necessary Services Through Contractual Agreements.

MISSION

To Complete Regulatory Rulemaking Files and Develop Policies and Procedures to Implement Regulatory Changes and Board Policies

ACHIEVEMENTS

The Board's operations require **CONTRACTING** to meet operating needs. The Board executed a wide range of service and commodity contracts, including those relating to the use of a weapons range (for enforcement staff firearm qualifications) and equine drug testing. Contractual arrangements included interagency agreements with other state entities, such as the University of California-Davis, which provided an Equine Medical Director to help ensure the health, safety, and welfare of horses, and the Veterinary Diagnostic Laboratory, which performed post-mortem examinations on racehorses.

Another contracted arrangement procured 17 stewards responsible to the Board for the conduct of race meetings. They provided general authority and supervision over all licensees and the racing enclosure. The Board contracted with five official veterinarians, who maintained authority and jurisdiction to supervise the practicing licensed veterinarians and enforced the Board's regulations relating to veterinary practices at the racetracks.

ACHIEVEMENTS

The **POLICY AND REGULATION UNIT**, in response to enacted legislation and industry requests, added or amended 14 of the Board's rules governing horse racing in California. In addition, the Unit provided support, conducted special projects, streamlined administrative procedures, and developed recommendations for Board consideration.

The Unit was responsible for revisions to the California Jockey Apprenticeship program, which now follows a graduated weight allowance program instead of the 5 lb. weight allowance. The amendment to the Board's rules governing the apprenticeship program required a revised administrative procedure for the issuance of the apprentice jockey certificates.

Licensing reciprocity for owners came to California in 1997. The Unit amended regulations to allow owners to have the fingerprint requirement waived for those holding a license in good standing from a racing jurisdiction that requires fingerprinting as part of its license application.

In the area of pari-mutuel wagering, the Unit added a new pari-mutuel rule to the California wagering format, the Pick 6 One Pool. This new wager did not replace the pre-existing Pick 6 but instead provided an alternative wager for racetracks to offer to their patrons.

The Unit completed rulemakings and amendments pertaining to stewards and their responsibility concerning the discipline of jockeys; forbidding a person from soliciting a trainer or jockey to perform in a way that would impede or interfere with their giving their best effort; trainers warranting the condition of their horse when it is brought to the paddock; failure to appear notices and suspension of licenses; clarification of who is prohibited from racing; and responsibility and circumstances for removal or denial of access to racing facilities. In addition, several housekeeping administrative rulemakings were completed because of revisions made to the Board's application for licensing forms, and several superfluous rules were repealed.

The Unit continued the administration of the Board's on-going track safety program, and the important farrier and trainer licensing programs.

MISSION

To Monitor Legislation and Update the Horse Racing Law

Enacted Legislation:

SB 20 - (Senator Ken Maddy); Chapter 2, Statutes of 1997

SB 1144 - (Senator Herschel Rosenthal); Chapter 457 (1997)

SB 26 - (Senator Maddy); Chapter 65 (1997)

SB 127 - (Senator Ruben S. Ayala); Chapter 108 (1997)

SB 220 - (Senator Rosenthal); Chapter 451 (1997)

SB 481 - (Senator Ralph C. Dills); Chapter 314 (1997)

AB 951 - (Assemblyman Bob Margett); Chapter 180 (1997)

AB 1465 - (Assemblyman Tom J. Bordonaro); Chapter 393 (1997)

ACHIEVEMENTS

The **LEGISLATIVE UNIT**, in addition to updating the Horse Racing Law, tracked and analyzed 29 legislative bills with a potential impact on the horse racing industry, eight of which were enacted by the Legislature and signed into law by the Governor. The Unit also represented the Board in legislative hearings.

The following horse racing bills were chaptered in 1997.

An urgency clean-up measure for SB 1373 of last year, which created several ambiguities in the law. Among other things, this bill clarifies that owner premiums will be based on the winner's share of the purse rather than the total advertised purse. *Effective date: March 3, 1997*

Permits the Board to authorize a harness racing association to accept wagers on races conducted by the racing association conducting the Breeder's Crown Stakes, if the race is conducted on the same day as the Breeder's Crown Stakes and if the association in California that accepts those wagers is conducting a live racing meeting. Also permits the CHRB to authorize a similar arrangement for a quarterhorse racing association concerning the American Quarter Horse Racing Challenge. *Effective date: September 24, 1997.*

Mandates that at least 10% of all stakes purses be dedicated to Cal-bred restricted stakes races. *Effective date: January 1, 1998*

Permits an association or fair licensed to conduct quarterhorse racing to conduct races that include paint racing and Appaloosa racing in the same race, with the consent of the organization representing quarterhorse interests. It further requires that paints run with quarters in any paint race that replaces a canceled quarterhorse race. *Effective date: January 1, 1998*

Requires that at least 20% of the charitable contributions from charity racing days be made to charities associated with the horse racing industry. *Effective date: January 1, 1998*

Removes the provision allowing the CHRB to adopt the rules and regulations of the Pacific Quarter Horse Association, an obsolete reference, as regulations for quarterhorse racing. Also defines "eligible earnings" for purposes of the Quarter Horse Breeding incentive program. *Effective date: January 1, 1998*

Changes the makeup of the California Standardbred Sires Stakes Committee from six members and two alternates to five members and one alternate. It also specifies that the committee be made up of members of the horsemen's organization representing standardbred horsemen and from members of the standardbred breeders program. *Effective date: January 1, 1998*

Appropriates to the Department of Food and Agriculture, for purse supplementation, 10% of all revenues distributed to racing associations for payment to the state as license fees from simulcast wagering facilities located at fairs in the northern zone. Also provides that any funds remaining be used at fair meetings in the northern zone as additional purses. *Effective date: January 1, 1998*

MISSION

To Supervise All Audits and Authorized Pari-mutuel Wagering Operations

MISSION

To Continually Audit Pari-mutuel Operations

MISSION

To Respond to Requests for Information from the Public and the Industry and to Improve the Public Image of the CHRB and Horse Racing

ACHIEVEMENTS

The **SENIOR MANAGEMENT AUDITOR** formulated the audit procedures for the computerized totalizators, reviewed totalizator programs and audit reports, reviewed pari-mutuel pool distributions, resolved pari-mutuel complaints submitted to the Board, reviewed reports of charity racing proceeds, and monitored audits of breeders' award programs and horsemen's organization welfare funds.

ACHIEVEMENTS

PARI-MUTUEL AUDITORS remained on duty throughout each and every racing program, as required by the Board, to provide the Board with an ongoing audit of the pari-mutuel operations. The senior management auditor coordinated the efforts of the pari-mutuel auditors by establishing consistent reporting formats and providing technical assistance as required.

A daily audit report of the actual amount of pari-mutuel wagers (the handle) was provided to the Board to ensure that the correct license fee was collected from the association and to ensure that the correct pari-mutuel payoffs were made to the public.

Under the supervision of the senior management auditor, the **ASSOCIATE MANAGEMENT AUDITOR** performed audits on the pari-mutuel results of racing associations and other racing-related organizations in California. These audits covered such areas as purses, charity day results, horsemen's welfare organizations, and simulcast organizations.

ACHIEVEMENTS

The **PUBLIC INFORMATION OFFICER** responded daily to numerous inquiries from the news media and the general public on a wide range of matters pertaining to the California horse racing industry and the Board's activities. The PIO attended all Board and Committee meetings and issued 18 news releases pertaining to those meetings and other actions of the Board. Those releases were routinely distributed to those members of the news media and news organizations interested in California horse racing, as well as to all major racing organizations, interested state lawmakers and agencies, and certain national and international groups involved in the industry.

The PIO compiled this Annual Report and developed and edited the Board's quarterly newsletter, CHRB News & Review, which emphasized the many positive things accomplished by the CHRB, the California Legislature, and the racing industry as a whole.

In a major effort to enhance the image of horse racing, the PIO distributed and arranged for the public viewing of a motion-picture-quality video, which was developed by the Board to inform the general public of the nature of horse racing and the effectiveness of the State of California in regulating that industry. This video was produced through the generosity of the horse racing industry. The PIO arranged for various racetrack stewards to attend seminars and other public events in order to meet and respond to questions from the public, thereby reassuring the public concerning the professionalism and qualifications of those responsible for the orderly conduct of race meetings.

Highlights of CHRB News & Review

The California Horse Racing Board publishes a quarterly newsletter, the CHRB News & Review, to publicize the many positive accomplishments of the Board, state government, and the horse racing industry. What follows are summaries of important articles from 1996-97:

The CHRB developed a video, “Protecting Racing’s Integrity,” which views racing activities from the regulatory perspective of the CHRB. The video takes viewers through an entire day at a racetrack, beginning with supervised early morning workouts and culminating with the official laboratory analyzing blood and urine samples taken from racehorses.

The Oak Tree Racing Association established a mental health assistance fund in memory of the late Dr. Robert Jack, who served as equine medical director of the CHRB. Administered by the Winners Foundation, the fund serves racetrackers throughout North America.

The California Equine Retirement Foundation has helped more than 135 retired racehorses, primarily by placing the animals in caring homes or in new ways of life, such as steeplechase jumping or as riding horses. Organizations and individuals in the California horse racing industry contribute generously to CERF.

The CHRB has greatly improved its information technology and telecommunications systems in order to address the rapidly changing needs of state government and the public it serves.

Representatives of the CHRB are much in demand at horse racing business meetings, seminars, and other industry gatherings to speak on important issues affecting racing in all jurisdictions.

CHRB investigators helped arrange for uniformed Arcadia police officers to begin mounted patrols through the stable area at Santa Anita Park, where they interacted with jockeys, horse owners, trainers, veterinarians, and other workers as part of a pilot project to improve police/community relationships.



The Oak Tree Racing Association donated and presented new horse ambulances to two major California racing circuits and refurbished some older ambulances at a total cost of \$170,000, as part of its ongoing efforts to aid California horsemen.

Robert Lewis was named chairman of the Thoroughbred Owners of California after Ed Friendly voluntarily stepped down from the demanding post.

The CHRB made every effort to bring the Breeder's Cup back to California for a fifth time and to make that championship day of racing go as smoothly as possible.

Eight bills significantly relating to horse racing were passed by the Legislature and signed into law by Governor Pete Wilson.

Dr. Ronald Jensen was named new equine medical director for the CHRB. He served as the senior state veterinarian for the Illinois Racing Board for 23 years.

Licensing and Enforcement

The Licensing and Enforcement Division was split into two separate divisions as part of the CHRB reorganization plan in 1997, but operated as one division through the 1996-97 fiscal year. Even after the reorganization, the two divisions continue to work harmoniously together, such as with investigative follow-ups of questionable licenses, and other related issues. Administered by the Executive Director, these divisions oversee all locations within the state where either a licensed race meeting is conducted or an authorized stabling or training facility is operated, and at the Board's Sacramento headquarters.

During the operation of a licensed race meeting at any of the 14 racetracks in the state, a field office of the Board is established at the operating facility and staffed with personnel

of the **LICENSING DIVISION**, who license all participants. The Division is comprised of a Licensing Manager, Licensing Supervisor, and nine professional licensing specialists

known as License Technicians. The primary duty of the Division is to issue occupational licenses to qualified applicants and ensure that everyone participating in a race meeting is properly licensed.

MISSION

To License All Participants In Horse Racing

ACHIEVEMENTS

In compliance with laws and regulations requiring all persons who participate in the racing of horses, all employees of a pari-mutuel department, and all persons acting as officials to be licensed by the Board, the **LICENSING DIVISION** issued 13,329 licenses of all classes, the vast majority of which were renewal licenses for individuals who had been previously licensed, including 1,031 pari-mutuel licenses and 4,234 owners' licenses.

MISSION

To Ensure Proper Licensing

ACHIEVEMENTS

The Division constantly checked the racing program and the work lists of individual stables and all racing departments to ensure that each racing participant met the licensing requirements. Inasmuch as the Board demands appropriate workers compensation sureties for every racing employer and requires that certificates of insurance coverage be filed with the Board by employer-licensees, the Division routinely checked against expiration or termination notice. As a safeguard, copies of all certificates received were kept on file at the Board's headquarters.

MISSION

To Participate in the Reciprocity Program

ACHIEVEMENTS

The Division continued implementing the license reciprocity program for horse owners applying for license in California who are in good standing in another jurisdiction.

The **ENFORCEMENT DIVISION** is largely comprised of state peace officers whose primary duty is the enforcement of the Horse Racing Law and the provisions of the Penal Code relating to crimes in connection

with sporting events and gaming. During the operation of a licensed race meeting at any of the 14 racetracks in the state, a field office of the Board is established at the operating facility and staffed with investigative personnel who enforce all rules and regulations

and investigate all observed or reported offenses.

MISSION

To Check on Fitness for Licensure

ACHIEVEMENTS

As part of required background investigations, the **ENFORCEMENT DIVISION** conducted investigational interviews of each applicant who admitted to having a criminal conviction for any public offense or a suspension or revocation of license for any racing-related violation. The Division submitted 2,448 fingerprints to the Department of Justice for processing, following which 402 arrest notifications were received from DOJ.

MISSION

To Obtain and Submit Information to the National Data Bank

ACHIEVEMENTS

The Division obtained background information on applicants through the computerized national index of the Association of Racing Commissioners International. As part of its participation in this national program, the Board submitted 965 rulings of the California stewards for input into the national system. There is on-line access to the NASRIS index at each field office, as well as microfiche records, to assist in reviewing an out-of-state applicant's license history. Documents supporting eligibility for employment of resident aliens were checked in an effort to prevent subsequent problems between the applicant and the Immigration and Nationalization Service.

The Division declined to issue 63 licenses to applicants who failed to meet established criteria or because grounds existed to refuse or deny the license. Such refusals were without prejudice to the applicants, who were permitted to reapply if the license criteria were met.

MISSION

To Enforce Rules and Regulations

ACHIEVEMENTS

Observed or reported offenses were investigated, and the majority of those investigations resulted in administrative action against the licensees and the issuance by the stewards of 965 rulings. Of those, 188 concerned riding or driving infractions during races, 90 involved the eligibility of horses entered in races, and 416 resulted from financial responsibility complaints. Potential or actual criminal offenses were investigated, including horse druggings, bookmaking, possession and/or sales or controlled substances, theft, burglary, arson, and forgery, as well as disorderly conduct and the writing of non-sufficient-fund checks.

Board investigators maintained a close liaison with municipal, state, and federal law enforcement agencies, as well as local enforcement officers assigned to anti-gambling operations. Local policing authorities often worked in conjunction with Board investigators concerning matters of mutual interest.

Board investigators conducted compliance inspections of each racing facility to make certain that required standards for access, maintenance, cleanliness, fire safety, and officiating equipment were being met.

Licensing and Enforcement Summary

Applicant and License Processing — Fiscal Year 1996 — 1997	
Verification of license qualifications:	
Approval for license	13,329
Formal refusal of license	63
Verification of criminal offender records:	
Fingerprints taken and processed	2,448
Subsequent arrest notifications	402
Enforcement Actions	
Investigations:	
Fitness for continued licensing	49
Unlicensed participation	58
Conduct of financial affairs	416
Use of a prohibited drug on entered horse	13
Improper medication practice	192
Possession of contraband	8
General misconduct	253
Intoxication/alcohol or controlled substance	101
Simulcast facility inspections	46
Other	126
Total Complaints filed:	1,262
Patron Exclusions	
Ejections/Exclusions from racing enclosures:	22
Steward's Rulings	
Official Rulings of the Board of Stewards:	
Racing infractions during a race	188
Misconduct concerning entry or procedure	90
Fitness for continued license	71
Conduct of financial affairs	160
Use of a prohibited drug on entered horse	36
Improper medication practice	15
Possession of contraband	7
Unlicensed participation/security control	144
Intoxication/alcohol or controlled substance	97
Failure to appear	28
Other	129
Total Rulings	965
Administrative Proceedings	
Administrative Action:	
Appeals and Petitions	44
License action termination	23
Failure to appear	4
Total Administrative Proceedings	71

MISSION

To Process Appeals in a Fair and Timely Manner

ACHIEVEMENTS

The **ADMINISTRATIVE HEARINGS UNIT** received 43 appeals, coordinated 36 administrative hearings, and processed 16 requests for temporary stays and peremptory orders related to those appeals and other actions of the Board.

All decisions and rulings of the stewards are subject to review by the Board and may be appealed by anyone directly affected by the action. Any applicant for license who is refused the license may appeal for review by the Board. Every person who is excluded and/or ejected from a racing enclosure is entitled to a hearing before the Board for a determination as to the propriety of that action. Complaints not resolved by investigators at the field office are referred to the Administrative Hearing Unit for appropriate action, such as filing an accusation or preparing a statement of issues.

MISSION

To Ensure Compliance with All Laws and Rules at Simulcast Facilities

ACHIEVEMENTS

The **SIMULCAST WAGERING OPERATIONS UNIT** conducted 21 random compliance inspections of operating simulcast facilities in California as well as the pre-opening readiness inspection of the Fresno Club One facility. These inspections focused on the overall facility operation in addition to compliance with California Horse Racing Board Rules and Regulations. Satellite uplink and downlink equipment was also examined during the course of these inspections.

Including the six major racetracks and eight racing fairs, there are currently 34 simulcast wagering facilities located throughout the state. Four of the 34 are located on Indian reservations.

The day-to-day operation of a facility is overseen by a simulcast supervisor, who works in concert with a pari-mutuel manager to ensure that all aspects of the facility operation run smoothly. In addition, each simulcast supervisor has a specific investigator in the Simulcast Wagering Unit that he may contact at any time for questions, rule interpretations or application, or other concerns. This “assigned investigator” system, implemented last fiscal year as part of the Board’s Integrity of Racing program, has been very well received by simulcast facility operators.

During FY 1996 - 1997, investigators assigned to the unit conducted a variety of investigations into alleged rule violations occurring at simulcast facilities. Investigators of the unit were once again assigned to field enforcement duties at the Stockton, Cal-Expo and Fresno race meetings and continued to provide administrative support to other headquarters units on a year-round basis.

Another important function performed by the unit was the review of California Department of Justice and Federal Bureau of Investigation criminal history records on all first-time license applicants and subsequent arrest/conviction information on current licensees. In FY 1996 - 1997, a total of 2,448 applicant fingerprints were taken and processed. In the case of a first-time applicant this information may result in the termination of the license if the applicant failed to accurately report their conviction at the time of the application. A total of 22 such license terminations occurred during FY 1996 - 1997. In the case of a subsequent arrest or conviction, the information may result in a Complaint and Order to Appear before the stewards being sent to the licensee for adjudication at a steward’s hearing. In FY 1996-1997, 49 of this type of complaint were filed. This process helps to keep undesirable elements from actively participating in horse racing.

Racing Supervision

The responsibility for on-site supervision of race meetings is placed with designated racing officials appointed or approved by the Board. The racing officials are the stewards, associate judges, paddock judges, patrol judges, starters, clerks of scales, official veterinarians, racing veterinarians, horse identifiers, horseshoe inspectors, and timers. Of these, the stewards have overall responsibility for the conduct of the race meetings.

The Board selects and contracts with stewards and delegates to each panel of three stewards at a race meeting those powers and duties necessary to ensure the integrity of racing and compliance with the Horse Racing Law and all CHRB rules and regulations.

The Board directly appoints the stewards, official veterinarian, and horse identifier for each race meeting, while the other racing officials are nominated by the racing association and subject to the Board's approval.

The Board has the responsibility for payment of Stewards' costs, including the official veterinarians. The Legisla-

ture provides an annual appropriation to meet the costs of direct racing supervision. The allocation for 1996 - 1997 was \$1.8 million for stewards and official veterinarians. Other racing officials were paid by the associations in the manner prescribed by the Board.

MISSION

To Officiate Racing and Enforce Those Laws and Rules Pertaining to Racing and Licensing.

ACHIEVEMENTS

Essentially acting as surrogates for the Commissioners of the Board in all matters relating to the race meeting assigned, the **STEWARDS** at all race meetings used their delegated authority to oversee entries, declarations, and the placing of horses for the official order of finish; conducted administrative hearings on matters involving racing infractions and other racing offenses; issued 825 rulings based on those hearings, in accordance with their delegated authority to impose suspensions of license, impose fines, and/or bar individuals from the enclosure for racing offenses; presided over examinations required for certain classes of licenses; made recommendations to the Board regarding the qualifications and fitness for licensure of applicants referred to them by the Board's licensing staff; and maintained minutes of all such proceedings for review by the Board.

As requested by the Board and horse racing industry, the stewards permitted the public to "participate" in the inquiry process by having their race reviews shown over the closed-circuit monitors on track and at simulcast facilities while they conducted those inquiries. To help enhance the public perception of horse racing, the stewards attended seminars and other public gatherings at which they described their roles, answered questions, and in general educated the public as to the effectiveness of CHRB regulation of the horse racing industry.

To remain current on all laws, regulations, and Board policies, and in order to ensure that all stewards' decisions are made in a fair and consistent manner throughout the state, the stewards helped organize and attended in-house seminars at which they heard lectures, received information, and shared their own views and experiences relating to race reviews, veterinary practices, proper administrative hearing procedures, public relations, and other important matters relating to their work.

MISSION

To Protect the Public Interest and Ensure the Safety of Racing Participants While Supervising All Veterinary Practices

MISSION

To Properly Identify All Horses Competing at Race Meetings

ACHIEVEMENTS

The **OFFICIAL VETERINARIANS** enforced those CHRB regulations relating to veterinary practices, medication, and the health and welfare of the horse.

They supervised operations of the receiving barn, the collection of urine and blood samples for testing, and the preparation and documentation of the samples to be transported to the laboratory.

The official veterinarians consulted with the CHRB's equine medical director (see Laboratory Services) and with the track veterinarians, examined horses for fitness, maintained a health and racing soundness record for each racehorse eligible to compete at a meeting, reviewed confidential reports of all veterinary treatments of horses under their general supervision, maintained a listing of infirm horses, maintained records of accidents and injuries, approved all prescribed therapeutic treatment regimens, and otherwise acted as the Board's veterinary advisors for each race meeting.

ACHIEVEMENTS

The **HORSE IDENTIFIERS** accurately identified approximately 10,000 of all breeds of racehorses who, in order to compete at licensed race meetings in California, had to be identified before starting in any race. The horse identifiers supervised the tattooing of horses and maintained that information in the identification records of each horse, along with photographs and other information relating to unique markings, color, pedigree, and a narrative description.

Appointed Racing Officials – FY 1996–1997

STEWARDS

Pamela Berg
Albert Christiansen
Michael Corley
Ingrid Fermin
John Herbuveaux

Robert Latzo
Darrel McHargue
William Meyers
Dennis Nevin
Peder Pedersen

David Samuel
Peter Tommila
Merlin Volzke
Thomas Ward
John Williams

ASSOCIATE STEWARDS

Pamela Berg
Albert Christiansen
Michael Corley

John Herbuveaux
Robert Latzo
William Meyers

Peter Tommila
John Williams

OFFICIAL VETERINARIANS

Dr. Jack Abrahams, DVM
Dr. B. William Bell, DVM

Dr. Christine Cornish, DV
Dr. Robert Guillen, DVM

Dr. Joan Hurley, DVM

Laboratory Services

The accuracy and reliability of California's equine drug-testing program goes to the heart of state regulation, for without full public confidence in the honesty and integrity of horse racing, the industry could not survive. California's testing program is recognized as a leader in its application of available technology and its ability to detect even trace amounts of prohibited drug substances.

The equine drug-testing program is comprehensive. Post-race urine and blood samples are obtained from the winner of every race, every claimed horse, the horses finishing second and third in certain stakes races, and from nine horses selected at random from each racing program, as well as other horses designated by the stewards. The two equine testing laboratories analyzed more than 30,000 urine and blood specimens in 1996-1997 at a cost in excess of \$1 million.

Truesdail Laboratories, Inc., of Tustin continued performing equine test sample analyses as the CHRB's primary laboratory, while the Veterinary Diagnostic Laboratory at Iowa State University provided complementary laboratory testing services. Associated Pathologists Laboratories of Las Vegas performed human drug-test analyses. These official equine laboratories participated in the Laboratory Quality Assurance Program of the Association of Racing Commissioners International.

The Board utilized the services of an equine medical director (EMD), who advised the Board on all aspects of the drug-testing program. Provided by the UC Davis School of Veterinary Medicine, the EMD reviewed, evaluated and monitored the testing programs of the laboratories and evaluated security policies and procedures for the reporting of prohibited substances; recommended the types of tests and drugs that needed to be tested by the laboratories; conducted long-range program planning; recommended policies and programs for Board-administered vet-

erinary regulations; advised the Board on rules and regulations relating to veterinary practices within racing enclosures; and monitored policies and procedures relating to the health and welfare of horses in regulated areas.

Because urine and blood specimens from racehorses may be evidence in administrative or criminal proceedings, a strict chain of custody was maintained for the 30,000 samples tested. Immunoassay results indicating the presence of a drug were confirmed by in-depth instrumental methods.

The following procedures were employed in the collecting, testing, and retention of specimens:

1. The owner, trainer, or representative of the horse being tested witnessed the blood and urine sample collection.
2. The specimen containers were identified and sealed against tampering, and the frozen specimen containers were then cooled and later delivered to the laboratory for analysis.
3. After collection of a urine specimen, a portion of the sample was placed in a separate container for retention by the Board as a horseman's split sample.
4. The blood sample and the amount of urine necessary for analysis were sent directly to the appropriate laboratory. A portion also was sent to the split sample storage site in Sacramento, where an investigator of the Board, designated to be the custodial officer, received and secured the specimens.
5. All specimen containers were identified only by a unique number, and the identity of the horse involved was

known only to the Board's official veterinarian until the laboratory informed the Board of the test results.

6. The remainder of the urine specimen, and all horsemen's split samples, were retained under the control of the custodial officer and placed in a secure freezer vault.

7. A complete inventory of the evidence held by the Board was maintained at all times. When a specimen was required by the laboratory for confirmation or additional testing, the portion was removed under supervision of the custodial officer.

8. Following the analysis of specimens, the custodial officer received the analytical results from laboratory personnel and relayed those reports to field offices.

Under Board procedures, the affected trainer and owner(s) were confidentially notified, along with the Board's executive director and EMD, after the official laboratory reported that any test sample contained a prohibited substance. The trainer/owner(s) had 72 hours to request that the horsemen's split sample be sent to an approved laboratory for retesting at their expense.

If the retest detected the presence of the prohibited substance reported by the official racing laboratory, the test was deemed positive, and the laboratory's test was deemed to be accurate and evidentiary proof of the presence of such prohibited drugs in the test sample. This did not preclude trainers and owners from seeking all other administrative remedies available.

Equine Postmortem Program

The State of California is recognized for greatly contributing to the health and safety of horses and other racing participants through its continued funding and support of the CHRB Postmortem Program, which distributes information about the nature of catastrophic injuries to veterinarians, trainers, and others involved in the care and training of racehorses.

Conducted by the California Veterinary Diagnostic Laboratory System at UC Davis, the CHRB Postmortem Program seeks to determine the cause of death and nature of catastrophic injuries to racehorses, to discover the reasons for the injuries, and to develop prevention strategies.

The program provides a unique opportunity to the School of Veterinary Medicine, with support from the Center for Equine Health, to conduct in-depth studies of equine injuries and medical problems.

With the cooperation of racing associations, owners, trainers, and equine veterinarians, necropsies are performed on all horses that die at California racing and training facilities. During the 1996 calendar year, 221 horses were examined. Approximately 38% of the submissions were during racing, and it was determined that 172 suffered musculoskeletal injuries, mostly injuries to the front legs.

The necropsy results showed the majority of catastrophic fractures to the humerus, scapula, and pelvis occurred on the sites of previous incomplete stress fractures. Such fractures usually are not detected by standard radiographic equipment, but they can be detected by nuclear scintigraphy (bone scanning). Accordingly, as a direct result of this program, a nuclear scintigraphy unit was installed at Santa Anita Park, allowing for the detection of stress fractures and appropriate treatment to successfully avoid catastrophic injuries.

Utilizing specimens and data from the CHRB Postmortem Program, researchers at Davis conducted various research projects. They examined risk factors relating to catastrophic injuries and found an association between the aggregate total of racing and works over time with the risk of breakdown. They determined that exercise at racing speed for 25 or more accumulated furlongs during a 60-day period in-

creased the risk for catastrophic injury, higher still for 35 furlongs.

Researchers also determined that the use of low toe grabs or using no toe grabs at all on the shoes of racehorses significantly reduced the risk of catastrophic injury.

A survey of postmortem changes in horses' stomachs, combined with an extensive program of endoscopic examinations, revealed a high incidence of gastric ulcers in racehorses.

Heart conditions similar to cardiac diseases found in humans were identified as major factors in previously unexplained "sudden deaths."

All information learned from the program is distributed through scientific articles, seminars, and pamphlets, and is publicized in many other ways to make certain that all horses, including those not involved in the racing industry, may benefit from the CHRB Postmortem Program.

Track Safety Program

California racetracks invested more than \$437,000 in 1997 for new rails and other safety-related improvements required by the CHRB's Track Safety Program. These improvements and the Board's rigorous enforcement of track safety regulations and the related state law ensured that racing participants in California competed under the safest possible conditions.

The Board in 1994, with the cooperation of the industry, developed and adopted the most comprehensive track safety standards program in the world. The adoption of the safety standards

added five rules designed to protect horses and riders to the Board's regulations.

One rule established the general parameters for implementing the safety

standard program at all of the state's racing and sanctioned training facilities. A second rule established standards for rails on the racetrack. A third outlined the renovation requirements for dirt tracks. Another dealt with

maintaining dirt racetracks. And the fifth outlined the criteria that must be met by facilities operating golf courses in the infield.

Under the Track Safety Program, all racing facilities were required to comply or meet other conditions set by the Board as part of the applicant's licensing process.

The Board, without compromising the safety of racing participants, may permit alternate methods of compliance to applicants who demonstrate that such alternative methods provided equal or superior safety for racing participants.

The Track Safety Program requires that the requesting associations sign a Hold Harmless Agreement to protect the State of California.

In 1997, CHRB staff and track representatives completed 19 track inspections for compliance with the established safety standards program.

The racing industry, in its commitment to safety and protecting the horse and rider, took prompt action in correcting any deficiencies noted in the inspection. As a result, California racing facilities are in compliance with the safety standards and conditions for their respective racing facilities.

California racetracks invested more than \$437,000 in 1997 for new rails that comply with the Board's track safety standards. The San Joaquin County Fair at Stockton, the Humboldt County Fair at Ferndale, and the Fresno County Fairs completed installation of new safety rails.

As a result of the rail improvements completed in 1997, all of California's major racetracks and fairs, with the exception of the Pomona Fairplex facility in Pomona, now have safety rails with elevated covers. Fairplex has introduced legislation to help secure funds to improve its facility and install new safety rails.

The goal of the Board has always been to make California racetracks the safest environment possible for its racing participants, and the track safety standards are a testimony to this goal. Because of dedicated efforts, continued education, and the development of the comprehensive safety standards program, California's racing industry, with the continued support, leadership, and direction from the Board, continues to offer a safer environment for all horse racing participants.

California Horse Racing Information Management System (CHRIMS)

A new data base system is now available to the CHRB, Division of Fairs and Expositions, all racing associations and tracks, specified legislators, and other subscribers within the horse racing industry.

The initial goal of the CHRIMS project was to gather daily handle and attendance numbers from 1985 (when simulcasting began) to the present. When this work was completed in the fall of 1990, the project was then expanded to include all pari-mutuel distributions. This required inputting the daily conventional and exotic pools by location, association, and type of race. The project was expanded to include specific pools by location, handle by race, and exact breakage.

The data base numbers are reconciled to the daily reports given to the CHRB

by pari-mutuel auditors. Data is downloaded directly from totalizator systems.

Unlike a spreadsheet, which was the prior industry standard, the data base is relational in nature, which allows the end user to access information by selecting the desired sort criteria.

The structure of the data base includes 80 categories of information, such as license fees, purses, track commissions, and out-of-state commissions.

Certain standard reports have been written, which pull the information most often requested by the industry,

and free form requests can be made through the query feature. The data base numbers reflect what has actually taken place in California racing since 1985, and can be used to project the changes that might affect racing statistics.

The system has been structured to provide the data needed by mutuel, racing, and accounting departments, and horsemen's associations. It is uniquely valuable to help determine the probable effects of proposed changes to current law.

Racing Fatalities

A total of 239 fatalities were reported during the 1996-97 fiscal year.

Associations	Breed of Horse					Occurred During		
	TB	QH	ST	APP	AR	RACE	TRAIN	OTH
Thoroughbred								
Los Angeles Turf Club/SA	40					17	16	7
Hollywood Park Operating Co./HP	26					4	14	8
Del Mar Thoroughbred Club/DM	20					6	7	7
Oak Tree Racing Assn./SA	10					6	4	
Hollywood Park Fall Operating Co./HP	21					6	11	4
Bay Meadows Operating Co./BM	34					17	13	4
Pacific Racing Assn./GGF	34					11	13	10
Harness								
Los Alamitos Harness Racing Assn.II/LA			2				1	1
Capitol Harness Racing Assn./CE			3			1	1	1
Quarterhorse								
Los Alamitos Quarter Horse Racing Assn./LA	10	14		1	4	14	5	10
Fairs								
Stockton	2					1		1
Pleasanton	2			1		3		
Vallejo	2					1		2
Santa Rosa	2					1		1
San Mateo								
Ferndale				1		1		
Cal Expo	4					2		2
Pomona	4					1	3	1
Fresno	1					1		
Total by Breed	212	14	5	4	4	93	88*	58*
Total Fatalities	239							

* 9 training and 4 other than racing or training fatalities occurred at an auxiliary stabling facility.

TB = thoroughbreds QH = quarterhorses ST = standardbreds APP = appaloosas AR = Arabians

Racing Injuries

A total of 506 racing injuries were reported during the 1996-97 fiscal year.

Associations	Breed of Horse			
	TB	QH	APP	AR
Thoroughbred				
Los Angeles Turf Club/SA	96			
Hollywood Park Operating Co./HP	93			
Del Mar Thoroughbred Club/DM	44			
Oak Tree Racing Assn./SA	29			
Hollywood Park Fall Operating Co./HP	51			
Bay Meadows Operating Co./BM	51			
Pacific Racing Assn./GGF	44			
Thoroughbred Total	408			
Harness				
Premier Harness Racing Assn.II/LA*				
Capitol Harness Racing Assn./CE*				
Quarterhorse				
Los Alamitos Quarter Horse Racing Assn./LA	10	9		2
Fairs	TB	QH	APP	AR
Stockton	12			
Pleasanton	6	1	2	
Vallejo	8		1	
Santa Rosa	2	2	2	
San Mateo	3			
Ferndale	2		1	
Cal Expo	5	1		
Pomona	19		1	
Fresno	7	1	1	
Fair Total	64	5	8	
Total By Breed	482	14	8	2
Total Injuries	506			

*Statistics not available

TB = thoroughbreds QH = quarterhorses ST = standardbreds APP = appaloosas
AR = Arabians

Horse Racing in California

The Breeders' Cup returned to California in 1997 for the fifth time in its 14-year history, bringing together 76 of the best thoroughbreds in training from throughout the world for a series of seven dramatic races at Hollywood Park offering total prize money of \$11 million. The racing extravaganza lived up to its reputation by crowning at least two champions — the 2-year-old winners Favorite Trick and Countess Diana — and thrusting Classic winner Skip Away into the Horse of the Year picture.



Skip Away, ridden by Mike Smith, winning the Breeders' Cup Classic.

California Horse Racing Meetings During 1997

Thoroughbred Race Meetings — Central & Southern Zones	
Santa Anita Park	12/26/96 — 4/21/97
Hollywood Park	4/25/97 — 7/21/97
Del Mar	7/23/97 — 9/10/97
Santa Anita Park	10/1/97 — 11/3/97
Hollywood Park	11/5/97 — 12/22/97
Thoroughbred Race Meetings — Northern Zone	
Bay Meadows	12/26/96 — 1/20/97
Bay Meadows	1/23/97 — 3/23/97
Golden Gate Fields	3/26/97 — 6/15/97
Bay Meadows	8/29/97 — 11/16/97
Golden Gate Fields	11/19/97 — 12/22/97
Quarterhorse Race Meetings — Statewide	
Los Alamitos	4/18/97 — 12/21/97
Harness Race Meetings — Statewide	
Los Alamitos	12/26/96 — 4/6/97
Cal Expo	4/11/97 — 7/26/97
Cal Expo	10/17/97 — 12/21/97

Fair Meetings — Statewide		
Stockton	(San Joaquin County Fair)	6/11/97 – 6/22/97
Pleasanton	(Alameda County Fair)	6/25/97 – 7/6/97
Vallejo	(Solano County Fair)	7/9/97 – 7/21/97
Santa Rosa	(Sonoma County Fair)	7/23/97 – 8/4/97
San Mateo	(San Mateo County Fair)	8/6/97 – 8/18/97
Ferndale	(Humboldt County Fair)	8/7/97 – 8/17/97
Sacramento	(California State Fair)	8/20/97 – 9/1/97
Pomona	(Los Angeles County Fair)	9/11/97 – 9/29/97
Fresno	(Fresno District Fair)	10/1/97 – 10/12/97

California Racetracks

The vast horse racing industry in California stretches from the racing fairs in the far north to the Indian wagering facilities near the southern border, from the racetracks along the coastline to the simulcast wagering facilities near the eastern border. California racing fans support 14 racetracks and 20 other wagering outlets, ensuring that everyone in the state has the opportunity to wager on horse racing throughout the year.

HIGHLIGHT

The Breeders' Cup Returned to California for the Fifth Time, Demonstrating the State's Prominence in Horse Racing

One of the Largest Crowds in Hollywood Park History Showed up for the 14th Running of the Breeders' Cup Championship

HOLLYWOOD PARK

Seabiscuit, Citation, Gamely, Swaps, Round Table, Affirmed, Spectacular Bid, John Henry, Cigar. These are just some of racing's immortals who recorded some of their greatest triumphs at beautiful Hollywood Park, which has been a show-place for champions since its opening in 1938.

Only history will judge whether Countess Diana, Elmhurst, Ajina, Spinning World, Favorite Trick, Chief Bearheart, or Skip Away will even come close to adding any of their names to this list, but each of them enjoyed at least one grand moment in the spotlight on November 8, 1997, by winning their respective races in the 14th running of the Breeders' Cup at Hollywood Park.

Hollywood Park hosted the inaugural Breeders' Cup in 1984. In fact, the modern Pavilion to the south of the grandstand was hurriedly constructed as a showcase for that first Breeders' Cup. The additional seating was needed to accommodate that inaugural crowd of 64,254. A somewhat smaller but still impressive crowd of 57,734 returned to Hollywood Park in 1987 for the fourth running of the Breeders' Cup. And though the popularity of intertrack wagering prompted 28,531 patrons to spend the afternoon of November 8, 1997, at one of California's other 32



Favorite Trick and jockey Pat Day scored a very impressive win of the day in the \$1 million Breeders' Cup Juvenile.

wagering outlets, some 51,161 fans still treated themselves to the thrill and spectacle of live championship racing at the Inglewood facility for the latest renewal.

Countess Diana Made Winning the Race for Juvenile Fillies Look Easy

The \$1 million race for Juvenile Fillies kicked off the 1997 Breeders' Cup action shortly before 11 a.m. — the early post set to accommodate international television audiences as far away as France, where horseplayers wagered more than \$1 million into the Autotote pari-mutuel system directly via trans-Atlantic datalines.

A loud roar erupted from the grandstand as heavily favored Countess Diana broke near the lead and comfortably tracked the pacesetter for half-a-mile. The cheering started in earnest as the favorite took the lead turning for home and, with astonishing ease, steadily pulled away to win by more than eight horse lengths. The popular victory delighted the crowd, which provided a warm reception when Countess Diana was led into the winner's circle, joined by her owners, trainer, and jockey for the trophy presentation.

The Home Team Pulled Off the Upset of the Day in the Always Contentious Breeders' Cup Sprint

Next came the \$1 million Sprint, and though the result was not nearly as predictable, the come-from-behind victory by Elmhurst was far more dramatic and especially popular with local fans who backed the locally raced sprinter and his California connections — trainer Jenine Sahadi and jockey Corey Nakatani. Supporters of the home team were rewarded with a \$35.20 return on each \$2 investment, the largest win mutuel of the afternoon on a day mostly dominated by wagering favorites.

Ajina, a top-class filly from New York, pulled off a mild surprise over Sharp Cat in the \$1 million Distaff, while the European invader Spinning World proved best in the \$1 million Mile. Then Favorite Trick, a brilliant son of Phone Trick, who had won all seven of his career starts in Kentucky and New York, showed the locals what all of the fuss was about when he ran away with the \$1 million Juvenile as the heavy favorite. This was the second win of the afternoon for trainer Patrick Byrne, who also saddled Countess Diana, giving him two of the most impressive winners of the day and two probable Eclipse Award champions. The stakes started getting higher with the running of the \$2 million Turf, which matched an international cast of 11 grass runners at the demanding distance of 1 ½ miles. The Canadian champion Chief Bearheart, another favorite, demonstrated the best late kick to wear down the leaders and hold off all challengers to the wire.

Skip Away's Victory in the \$4 Million Breeders' Cup Classic Could Lead to Horse of the Year Title

Finally, with excitement at a fever pitch, a competitive field of nine top horses stepped onto the track for the running of the \$4 million Classic, the main event of the afternoon. Past Classics have provided the most memorable Breeders' Cup moments, beginning with Wild Again's bumpy upset of Gate Dancer in the inaugural running, followed by thrilling wins by Ferdinand, Alysheba, Sunday Silence, Cigar, and other racing greats.

Skip Away, coming off a decisive victory in the Jockey Club Gold Cup at Belmont Park, went off favored in the mile-and-a-quarter Classic, while Belmont Stakes winner Touch Gold, with his California connections of trainer Dave Hofmans and jockey Chris McCarron, was the close second choice in the wagering. Skip Away was in contention from the start. The son of Skip Trial settled into third, never far from the leaders, and when the right time came, he rushed up between two rivals and took command of the race through the stretch, never threatened as he pulled away to win by six horse lengths. Skip Away earned \$2,288,000 for his owner, Carolyn Hine, and her husband, trainer Hubert "Sonny" Hine. It was the second victory of the afternoon for jockey Mike Smith, who also rode Ajina.

Breeders' Cup Wagering Sparked 26% Increase in Handle for Fall Meeting at Hollywood Park

Total wagering on the seven Breeders' Cup races was \$72,659,391, the fourth highest of all time, including \$63,447,847 wagered at 923 simulcast and off-track betting locations and \$9,211,544 handled at Hollywood Park. All of this contributed greatly to overall handle at the 37-day fall meeting at Hollywood Park, which concluded with handle figures that were significantly higher than 1996, despite many days of rain.

The overall average of \$10,339,269 was a gain of more than 26%, while the on-track average of \$1,970,795 marked an increase of 5.5%. However, on-track attendance, at 8,610, was down 2.6% from 1996. The average attendance at state-wide simulcast locations was down 8% at 11,038. The overall average of 20,843 was down 5.7%

Gentlemen, Champion Older Horse of the Meet, Highlighted Hollywood Park Spring-Summer Session

It isn't often that Hollywood Park's signature spring-summer meeting gets upstaged by the fall meet, but who can compete with the Breeders' Cup? The earlier session did its best to attract the best horses in training at the time, led by Gentlemen, who happens to be owned by Hollywood Park Chairman and Chief Executive Officer R.D. Hubbard. Gentlemen defeated stablemates Siphon and Sandpit (all three trained by Richard Mandella) in the \$1 million Hollywood Gold Cup, the most prestigious race of the meet.

But even Gentlemen could not beat the national racing trend of declining attendance and handle in horse racing. The spring-summer session experienced relatively modest drops of about 4% in attendance and about 3% in handle. As usual, simulcast wagering continued to grow while on-track figures declined, yet another indication of the growing importance of the exportation of California's simulcast signals.



Gentlemen and jockey Gary Stevens won the Hollywood Gold Cup.

HIGHLIGHT

Del Mar's Popularity Increased on All Fronts During 1997 Season

Pacific Classic Again Proved a Big Attraction with Gentlemen in the Stellar Cast

DEL MAR

Good racing. Good business. Good weather. Good times. Del Mar had it all in 1997.

Del Mar, where the turf meets the surf, once again proved to be an irresistible lure for racing fans around the country in 1997. Not only did the track continue its role as national leader in daily average attendance of 30,578, counting in-state simulcast locations, but it expanded its presence into wagering venues across the land, drawing more than \$167 million in simulcasting wagers during its 43 days of high-class racing.

Highlighting the seaside stand was the \$1 million Pacific Classic, a race that has become a summertime classic. Cigar gave the race an added measure of prestige in 1996, even though he wound up second to Dare and Go in one of the sport's great upsets. There weren't any surprises in the 1997 renewal because odds-on favorite Gentlemen put on a powerhouse display of class and ability as he raced to a convincing victory. Jockey Gary Stevens and trainer Richard Mandella, two of Del Mar's perennial kingpins, were the driving forces behind Gentlemen, whose remarkable season placed him in the running for Horse of the Year honors.

This was the final Del Mar meet for Tucker Slender, who served as the official starter for nine seasons. The veteran gateman was honored in a winner's circle ceremony on closing day.

The track established a record for daily average pari-mutuel handle at \$12,115,024. That ranked it second in the nation behind Saratoga in New York. Del Mar paid out purses totaling \$17,518,843 for a daily average of \$407,415, placing it among the nation's leaders in that department.



Fans swarmed to Del Mar again in 1997.

HIGHLIGHT

Capital Improvements and Restructuring Contributed to Business Increase and Bright Future for Bay Meadows

BAY MEADOWS

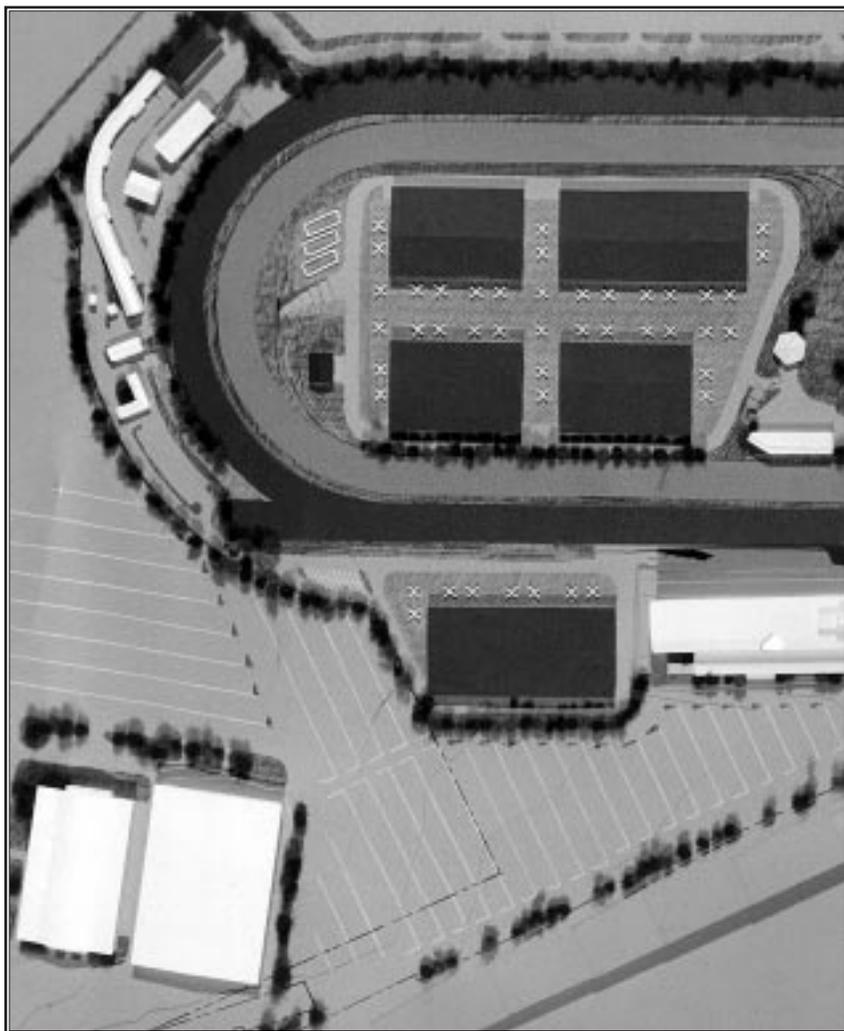
Bay Meadows was restructured in 1997 through a series of transactions with Patriot American Hospitality. When the ink dried, about 100 acres of the property, including the racecourses, grandstand, and parking lots, remained under the control of the Bay Meadows Operating Company. However, the training track and barn area were situated on another 75 acres not leased back to Bay Meadows, so it became necessary to construct new barns at a projected cost of as much as \$14 million.

“After extensive review of all options, it was agreed that building four new barns in the infield and a fifth at the north end of the grandstand was the only practical alternative,” said Bay Meadows President E. Jack Liebau. “We continually have met with the horsemen to include their input, so the new barns will not only be state-of-the-art, but also will address the concerns of horsemen.”

Bay Meadows is hopeful the barn adjacent to the grandstand will be ready for use during its 1998 winter-spring meet, though it will be mid-July before the other four infield barns and the 480-foot connecting tunnel will be completed. Additionally,

an ultra-modern recreation hall and remodeled living quarters for about 150 employees in the stable area is scheduled for completion before the start of the 1998 racing season in San Mateo.

The popularity of Bay Meadows’ racing was strongly evidenced in 1997, as daily average handle increased by 7.6% to \$3,357,550 per day. The key contributor to that number was out-of-state handle, which was up a staggering 26.6%, as nearly \$1.2 million per day was wagered on Bay Meadows races at locations throughout North America. (That daily average handle does not include more than \$1 million per day wagered on Bay Meadows races in Southern California.)



Pictured in this scale model of Bay Meadows Racecourse are the four new barns being constructed in the infield and the fifth barn to the left of the grandstand.

HIGHLIGHT

Record Purses Established During 1997 Quarterhorse Meeting

LOS ALAMITOS

Business was booming during the 1997 racing season at Los Alamitos, which finished with the highest quarterhorse purses in track history. Los Alamitos raised purses four times during the eight-month meet, including a single increase of 12% in September. By the end of the meeting, the top allowance purse for older horses was \$12,400, up nearly 50% from the \$8,500 purse for a similar race at the start of the meet. The purse structure also featured overnight handicaps worth as much as \$18,000, another 50% hike.

With purses like these, it's no wonder that Los Alamitos has grown to become the largest quarterhorse track in the country, with an average handle of more than \$1 million nightly.

Adding to its stature, Los Alamitos hosted the 1997 MBNA America Challenge Championship Series, one of the premier events in the sport. A total of \$1,899,662 was wagered on Challenge Championship Night, which consisted of 12 top-quality quarterhorse races. That handle was one of the 10 highest in the history of Los Alamitos

Los Alamitos also hosted the third running of the \$1.2 million Los Alamitos Futurity, which was the richest race ever held at the facility. Introduced in 1995, the 1997 renewal offered a record first-place prize of \$466,524. Los Alamitos is also the home of the Champion of Champions, an event that usually determines the world champion quarterhorse.

Harness Racing Enjoyed Record Handle at Los Alamitos

In addition to offering quarterhorse racing from April through December, the Orange County facility also conducts harness racing during the winter, which in 1997 set a Los Alamitos all-time nightly handle record for a harness meet of \$1,176,431 during its 59-night season. Four record handles were set during the harness meet, headlined by the first-ever \$2 million single-night handle on a harness program. Based on the 1997 season, Los Alamitos is looking forward to another successful harness season in 1998.



Heza Ramblin Man (#4) narrowly prevailed in the Los Alamitos Invitational Championship.

HIGHLIGHT

Purchase of Track Property Highlighted Big 1997 for Ladbroke

Golden Gate First California Track to Radically Cut Admission Prices

Jockey Russell Baze cruised to career victory No. 6,000 aboard Clover Hunter in the fourth race at Golden Gate Fields on December 3, 1997. Baze became only the 12th jockey in thoroughbred racing history to reach that career milestone.

GOLDEN GATE FIELDS

Ladbroke Racing California, which conducts live thoroughbred horse racing at Golden Gate Fields, completed its purchase of the track's 225-acre real property in 1997 from Catellus Development Corporation.

"We believe that this investment speaks clearly of our commitment to live racing in California," said John Long, president and CEO of Ladbroke Racing Corporation, parent company of Ladbroke Racing California. "This acquisition, along with the dramatic improvements planned for the facility, will increase Ladbroke's investment in Golden Gate Fields to more than \$100 million."

Ladbroke spent \$43 million in 1989 to acquire the lease of Golden Gate Fields from Pacific Racing Association, and since then has made more than \$12 million in capital improvements to the facility. Now that it owns the property outright, Ladbroke will invest \$15 to \$20 million more on improvements to the track grounds and grandstand.

To allow fans to join in the celebration of its acquisition of Golden Gate Fields, Ladbroke significantly reduced its admission prices by over 50% prior to its 1997-98 fall-winter meeting. General admission was reduced from \$3 to \$2, while Turf Club admission was slashed from \$17.50 on weekends and \$9 on weekdays to just \$5 every day.

No doubt these cuts contributed to an on-track attendance increase of 4% and a handle increase of 5%. And with the addition of New York to Golden Gate's simulcast network, out-of-state wagering jumped by 20%. Golden Gate recorded the third-largest handle in Northern California history when fans wagered \$7,047,524 on the track's special Kentucky Derby Day program.



HIGHLIGHT

Successful Meets at Cal-Expo and Los Alamitos Meant Continued Growth for Harness Industry

Purses for Horsemen also on Upswing as Handle Increased

Starr Warrior won at Cal-Expo. Owned by Phyllis Crescenti of San Mateo, Starr Warrior is one of the many California-owned and -bred horses forming the backbone of harness racing in the state.

HARNESS RACING

Building from impressive increases in racing days, total handle, and purses paid to horsemen in 1995 and 1996, harness racing again posted figures showing significant growth in 1997. Each of the three race meets conducted during each of the last three years has evidenced significant growth, riding a string of nine consecutive race meets in which the average handle has increased at each successive meet when compared to the previous year's meet at the same location.

In 1997, the total amount wagered on California harness racing reached \$121,727,949, which continued a dramatic turnaround from 1994, when wagering bottomed out at \$32,146,948.

During the 1997 racing season, the Los Alamitos Harness Racing Association conducted 59 programs of racing at Los Alamitos Race Course and posted the highest average handle in the track's harness racing history (\$1,176,471) — an increase of 21% over the previous year. Track records were also posted at the two race meets conducted by Capitol Racing at Cal-Expo. The 54 programs of racing in the spring-summer recorded an average handle of \$702,614, while the 23 programs during the fall recorded an average handle of \$633,739. These record handles marked increases of 8% and 23%, respectively.

Purses paid to horsemen participating in these race meets also increased significantly — up 20.7% from 1996. With a moderate increase in racing programs (136 in 1997 compared to 130 in 1996) and a dramatic increase in races being conducted (1,695 in 1997 compared to 1,425 in 1996), it was not surprising that purses paid to horsemen increased to \$6,190,528 (a 19% increase over the \$5,128,141 paid to horsemen during the previous year of racing).

These increases in total wagering, in purses, and in racing opportunities have not gone unnoticed by harness horsemen from other racing jurisdictions in the United States and Canada. With each year's success, more horsemen from out of state have brought their horses to California to compete, contributing to a healthy mix of new horses, trainers, drivers, and owners. It is anticipated that this influx of new horses will kick off another productive year for California harness racing.



HIGHLIGHT

Santa Anita Shareholders Approved Merger with Meditrust Companies.

SANTA ANITA PARK

Shareholders of Meditrust and The Santa Anita Companies voted overwhelmingly in favor of Meditrust's merger with and into The Santa Anita Companies. The merger was consummated immediately after shareholder meetings.

The new name of the paired companies is "The Meditrust Companies," comprised of Meditrust Corporation and Meditrust Operating Company. The Santa Anita Companies, Inc., which operates thoroughbred racing at Santa Anita through its subsidiary, Los Angeles Turf Club, Inc., became a subsidiary of Meditrust Operating Company. Meditrust is a paired-share real estate investment trust with investments in 491 health care facilities in 41 states and total assets in excess of \$3 billion, including Santa Anita Park.

"We're excited about merging with a strong capital partner," said William C. Baker, who assumed the titles of chairman, president, and chief executive officer of The Santa Anita Companies, Inc.



Free House (left) outfinished Silver Charm to win the Santa Anita Derby.

Race fans visiting Santa Anita during the fall saw immediate results of the merger as Santa Anita completed the most extensive improvement program in the track's history. More than \$15 million in refurbishments and renovations were completed, including extensive work in the stables and barns and major improvements to Santa Anita's public areas.

Santa Anita's 1996-97 winter/spring meeting saw solid on-track attendance, stemming a national trend of steeply declining on-track attendance figures. Attendance for the 86-day meeting was less than 1% below the previous year and was highlighted by crowds in excess of 35,000 for the Santa Anita Derby and a special 50th birthday celebration for Hall of Fame jockey Laffit Pincay, Jr.

The meeting also saw the emergence of Silver Charm onto the national thoroughbred racing scene, as the popular gray colt went from a second-place finish in the Santa Anita Derby to victories in the Kentucky Derby and Preakness, just missing becoming the first Triple Crown winner in 19 years.

HIGHLIGHT

The Weather Was Hot and so Was Trainer Bob Baffert, Whose 19 wins Tied the All-Time Oak Tree Record

OAK TREE

The weather for the fall Oak Tree meeting at Santa Anita Park was unusually hot, with eight sweltering days soaring over 100 degrees, but that didn't seem to bother most racing fans. Attendance for the 27-day meet decreased fewer than a hundred people per day from the previous year. And handle increased to \$268.1 million.

Bob Baffert was as hot as the weather. The 44-year-old trainer scored 19 victories, more than twice his nearest competitor, and tied the all-time Oak Tree record for most wins by a trainer. Baffert saddled 19 of 54 horses to victory, including six stakes winners. His total equaled Mike Mitchell's victory mark, which was set in a 32-day meeting 14 years ago. Baffert was the unanimous vote for top trainer of the meeting.

The Oak Tree meet also featured a milestone for trainer Ron McAnally, as well as the most closely contested riding title since 1990. McAnally posted his 200th Oak Tree win, leaving him only one behind Charlie Whittingham's all-time Oak Tree record. Hall of Fame jockey Gary Stevens won the riding title on the last day of the meeting, edging out Kent Desormeaux and David Flores.

Juddmonte Farms' Ryafan was an exciting 1 1/4-length winner of the \$500,000 Yellow Ribbon Stakes and earned Horse of the Meet honors.

"We are very pleased with the results of the meeting," said Sherwood C. Chillingworth, director and executive vice president of the Oak Tree Racing Association. "Finishing virtually even with last year's attendance is gratifying, considering the unusually hot weather and the fact that for the first time since 1987, Breeders' Cup Day did not take place during our meeting."

Ryafan won the Yellow Ribbon Stakes with Alex Solis aboard.



HIGHLIGHT

The Fair Circuit, Rich in Tradition, Continued Successful Programs

THE CALIFORNIA FAIRS

One purpose of the California fair circuit is to showcase the racehorse in different communities throughout California, contributing to the state's agribusiness economy and ensuring the continued health of the recreational, racing, and breeding horse industries.

Horse racing at California's county and district fairs are rich in tradition and history. With roots established long before the turn of the century, horse racing and fairs have been synonymous over the years. Legendary horses, trainers, and jockeys have competed on the fair circuit. A few of the stellar performers have included horses like Brown Bess, Big Jess, Damage Control, Hoedown's Day, and Norfolk. Jockeys' such as Mel Lewis, Merlin Volzke, Johnny Longden, Bill Shoemaker, and Russell Baze have enjoyed success at California fair tracks.

In 1997, the fairs continued to build on the success of the prior year's implementation of a popular purse distribution formula designed to reward all horses that enter and start in a race at each fair. Every horse owner was paid a "Performance Purse" of \$100 (besides the customary purse). The fairs further rewarded horse owners by paying a purse down through the eighth-place finisher in each race. These successful programs led to larger fields and assisted hard-pressed owners in meeting the additional costs associated with running at the fairs.

The live racing fairs also continued efforts relating to track safety and facility improvements for equine and human participants. New inner rails were installed at both Stockton and Ferndale.

The live racing fairs feel their greatest accomplishment during the 1997 racing season was being able to card full fields. The average field size for thoroughbred races at the fairs was more than 8.42 per race. This number is important because officials in Northern California had expressed fear about losing horses to other states and had regretted the lack of turf racing during the summer months.

CHRB Chairman Ralph Scurfield succinctly summed things up during the Board's December monthly meeting when he said, "It's been a good year for fairs. Even Sacramento finished about the same as last year, despite losing the first day of its meeting (due to a storm)."

The (estimated) average daily attendance at Fresno increased during the 1997 meet -- reflective of the upswing being experienced at California fairs.



HIGHLIGHT

Elimination of Overlap Continued to Help Boost Figures in Stockton

HIGHLIGHT

1997 Meet Matched Handle Record of Previous Year

HIGHLIGHT

Again in 1997: Did More with Less

HIGHLIGHT

Aggressive Marketing Sparked Attendance Increase

HIGHLIGHT

Fewer Races Meant Less Handle, but Fields Were Larger

STOCKTON

The San Joaquin County Fair at Stockton kicked off the circuit, and it was nothing short of a success, as total handle increased **11%** from 1996, due in a large part to not being overlapped by Golden Gate Fields during the meet's final week of racing. This meet featured full fields and competitive racing, validating the fair's decision to open for stabling a month earlier than usual. The meet's highest daily handle occurred on Saturday, June 21, when more than **\$2.7 million** was wagered within the northern network and greater than **\$1.2 million** was wagered in the southern part of the state. The statewide handle of **\$3,993,940** was an all-time high.

PLEASANTON

The Alameda County Fair at Pleasanton experienced moderate gains and decreases in specific categories. The final figures showed the on-track handle down by 4% from the corresponding meet in 1996. This decline was offset by an increase in wagering at out-of-state locations. Holding to a familiar pattern, this fair, like other racetracks in California, increased business by offering wagering on more out-of-state and out-of-country races. Overall, handle from all sources was essentially the same as last year's record-breaking race meet.

VALLEJO

The Solano County Fair enjoyed one of the more successful race meetings of the circuit, although the 1997 meet ran eight fewer live races than the previous year. The fair's total handle was up more than 1%, to \$23,943,193 from \$23,746,407, and the on-track handle numbers were identical to 1996 figures. Total on-track attendance for the 11 days fell 8%, to 24,083 from 26,088 in 1996. This fair was able to offset decreases in live handle by importing more interstate and international races for wagering purposes. Fairgoers were treated to full fields and quality racing. Horsemen's purses for the meet increased by 5.5 percent over 1996 figures.

SANTA ROSA

An aggressive marketing campaign and an increase in interstate simulcast wagering on Sonoma County Fair races resulted in this fair reporting increases in every significant category during the 12-day meet. The fair continued its tradition of introducing new fans to the sport when more than **68,000** spectators attended the races, which was up **5 percent** over 1996. The total handle of **\$31,071,122** broke the 1996 record of **\$30,882,881**. Northern California horsemen always look forward to Santa Rosa because it features good wine, fine weather, and superb purses.

SAN MATEO

The San Mateo County Fair race meet at Bay Meadows saw average daily handle hold steady at **\$2,292,250** during its 12-day meet, despite a **5%** decline in on-track handle. Live pari-mutuel handle from all sources dropped from \$30,556,867 in 1996 to \$28,044,805, largely because the fair ran 11 fewer live races than the previous year. On-track attendance declined by an average of 3% to 3,647. This fair gave racing fans fuller fields and somewhat more competitive racing due to an increase in average runners per race — 7.2 compared with 7.1 in 1996.

HIGHLIGHT

Fields Increased and Wagering Soared

HIGHLIGHT

Reduced Overlap Meant High Times at Cal Expo

HIGHLIGHT

Circuit Was Successful to the End

HIGHLIGHT

Huge Handle, Big Plans for Fairplex Meet that Ranks High Nationally

FERNDALE

The Humboldt County Fair, in the timber and dairy country of California's far north coast, epitomizes what fair racing was meant to be. Rich in history and largely unchanged, the race meet in Ferndale proves each year that charm and tradition have a place in California horse racing. Overall wagering on Ferndale races was up 80% in Southern California and 33% in Northern California. The on-track handle was up 3%, but mirroring national trends, on-track attendance dropped by 9%. This race meet increased its average field size from 6.1 in 1996 to 6.4.

SACRAMENTO

The first day of racing at the California State Fair in Sacramento was canceled due to rain, but after the skies cleared the fair was almost able to match the previous year's numbers, despite one less day of live racing. Average daily attendance actually increased 2% over 1996, and total wagering finished even with the previous year. However, on-track handle declined by 8% to \$4,015,838. This was offset by a 15% increase in interstate simulcast wagering. This fair offered horsemen quality purses, partly because of fewer days of overlapped racing. The fair's director of racing, Dave Elliott, said the success of the meet was due in part to a commitment by the fair to emphasize a strong purse structure and full fields.

FRESNO

The final stop on the 1997 Northern California fair circuit was The Big Fresno Fair. The meet started slow but finished strong when five out of the last six racing days had increases over comparative days in 1996. Average daily on-track attendance increased by 3% to 3,485 during the 10-day meet. The fair reported an average daily handle of \$645,737, which represented a 4% decline from 1996. Total handle from all sources was \$11,283,326, compared with \$11,276,601 in 1996. A bright spot of the meet was the 6% increase in handle from Southern California wagering on the fair's live races.

FAIRPLEX PARK

The "biggest little racetrack in America," Fairplex Park in Pomona once again lived up to its reputation and solidified its standing as an important and necessary component of the Southern California racing circuit by experiencing a successful 1997 meet. The on-track attendance average was 4,401, a decrease of 2%, while on-track handle averaged \$872,315, an increase of 9%.

These strong on-track figures encouraged Vice President of Racing Neil O'Dwyer, who said "We had quality racing, full fields, and competitive purses. One of the goals of the California Horse Racing Board is full fields of eight or more runners (on average) per race, and we did more than that. We were very pleased about running 10 thoroughbred races a day and still maintaining that average."

The meet's total handle and attendance figures were thrown off considerably by renovations at Santa Anita, which made that track unavailable for simulcast wagering. This contributed to a 26% decline in intertrack wagering. Still, total handle reached \$93,527,847 and average handle for the 18-day meet was \$5,195,991.

Simulcast Facilities by Location

Stockton, 2nd District Agricultural Association

The San Joaquin County Fair facility is located at the east side of Stockton at 1658 South Airport Way. The simulcast wagering facility opened October 24, 1985. The highest pari-mutuel handle and highest attendance in FY 1996-1997 occurred on May 3, 1997 (Kentucky Derby), when 1,220 patrons wagered a total of \$225,376.

Monterey, 7th District Agricultural Association

The Monterey County Fair facility is located at 2004 Fairground Road in Monterey. The simulcast wagering facility opened on January 6, 1988. The highest pari-mutuel handle and highest attendance in FY 1996-1997 occurred on May 3, 1997 (Kentucky Derby), when 626 patrons wagered a total of \$152,386.

Eureka, 9th District Agricultural Association

The Redwood Acres Fair facility is located approximately one mile east of downtown Eureka at 3750 Harris Street. The simulcast wagering facility opened November 11, 1987. The highest pari-mutuel handle and highest attendance in FY 1996-1997 occurred on May 3, 1997 (Kentucky Derby), when 189 patrons wagered a total of \$34,153.

Bakersfield, 15th District Agricultural Association

The Kern County Fair facility is located in Bakersfield at 1142 South P Street. The simulcast wagering facility opened April 1, 1987. The highest pari-mutuel handle and highest attendance in FY 1996-1997 occurred on May 3, 1997 (Kentucky Derby), when 832 patrons wagered a total of \$152,331.

Santa Barbara, 19th District Agricultural Association

The Earl Warren Showgrounds facility is located in Santa Barbara at 3400 Callareal Street. The simulcast wagering facility opened March 3, 1987. The highest pari-mutuel handle and highest attendance in FY 1996-1997 was on October 26, 1996 (Breeders' Cup), when 400 patrons wagered a total of \$95,071.

Fresno, 21st District Agricultural Association

The Fresno District Fair facility is located in Fresno at 1121 Chance Avenue. The simulcast wagering facility opened December 18, 1985. The highest pari-mutuel handle and highest attendance in FY 1996-1997 occurred on May 3, 1997 (Kentucky Derby), when 1,325 patrons wagered a total of \$222,366.

Fresno, Polo Lounge/Club One

The Polo Lounge in Club One is located in Fresno at 1035 Van Ness Avenue. The facility is housed within the Club One Poker Casino and opened on May 1, 1997. The highest pari-mutuel handle in FY 1996-1997 occurred on May 3, 1997 (Kentucky Derby), when 55 patrons wagered a total of \$14,828.

Del Mar, 22nd District Agricultural Association

The Del Mar Fair facility is located in Del Mar at 2260 Jimmy Durante Boulevard. The simulcast wagering facility opened September 12, 1991. The highest pari-mutuel handle and highest attendance in FY 1996-1997 occurred on May 3, 1997 (Kentucky Derby), when 5,719 patrons wagered a total of \$1,212,295.

Tulare, 24th District Agricultural Association

The Tulare County Fair is located 40 miles south of Fresno, a quarter-mile west of Highway 99 at 215 E. Alpine Avenue. The simulcast facility opened June 25, 1989. The highest pari-mutuel handle and highest attendance in FY 1996-1997 occurred on May 3, 1997 (Kentucky Derby), when 534 patrons wagered a total of \$83,665.

Anderson, 27th District Agricultural Association

The Shasta District Fair facility is located 12 miles south of Redding on Highway 273. The simulcast wagering facility opened May 18, 1988. The highest pari-mutuel handle and highest attendance in FY 1996-1997 occurred on May 3, 1997 (Kentucky Derby), when 373 patrons wagered a total of \$54,617.

Victorville, 28th District Agricultural Association

The San Bernardino County Fair facility is located approximately 40 miles north of San Bernardino, adjacent and east of Interstate 15, at 14800 Seventh Street. The simulcast wagering facility opened April 26, 1989. The highest pari-mutuel handle and highest attendance in FY 1996-1997 occurred on May 3, 1997 (Kentucky Derby), when 677 patrons wagered a total of \$116,253.

Ventura, 31st District Agricultural Association

The Ventura County Fair facility is located in Ventura at 10 West Harbor Boulevard. The simulcast wagering facility opened November 11, 1987. The highest pari-mutuel handle and highest attendance in FY 1996-1997 occurred on May 3, 1997 (Kentucky Derby), when 1,701 patrons wagered a total of \$437,680.

Santa Maria, 37th District Agricultural Association

The Santa Barbara County Fair is located in Santa Maria at 937 South Thornburg. The simulcast facility opened April 7, 1987. The highest pari-mutuel handle and highest attendance in FY 1996-1997 occurred on May 3, 1997 (Kentucky Derby), when 533 patrons wagered a total of \$119,438.

Lancaster, 50th District Agricultural Association

The Antelope Valley Fair facility is located in Lancaster on the northeast side of town at 155 West Avenue I, approximately two miles east of Interstate 14. The simulcast wagering facility opened April 27, 1988. The highest pari-mutuel handle and highest attendance in FY 1996-1997 occurred on May 3, 1997 (Kentucky Derby), when 848 patrons wagered a total of \$156,552.

San Bernardino, National Orange Show

The National Orange Show facility is located in San Bernardino at 689 South E Street. The simulcast facility opened November 18, 1987. The highest pari-mutuel handle and attendance in FY 1996-1997 occurred on May 3, 1997 (Kentucky Derby) when 2,509 patrons wagered a total of \$501,122.

Sacramento, California Exposition and State Fair

The Cal Expo facility is located approximately three miles east of downtown Sacramento at 1600 Exposition Boulevard. The simulcast wagering facility opened October 17, 1985. The highest pari-mutuel handle and highest attendance in FY 1996-1997 occurred on May 3, 1997 (Kentucky Derby), when 1,882 patrons wagered a total of \$414,338.

Santa Rosa, Sonoma County Fair and Exposition, Inc.

The Sonoma County Fair is located in Santa Rosa at 1350 Bennett Valley Road. The simulcast facility opened October 17, 1985. The highest pari-mutuel handle and highest attendance in FY 1996-1997 occurred on May 3, 1997 (Kentucky Derby), when 1,305 patrons wagered a total of \$206,078.

Vallejo, Solano County Fair

The Solano County Fair is located on the north side of Vallejo at 900 Fairgrounds Drive. The simulcast wagering facility opened December 1, 1987. The highest pari-mutuel handle and attendance in FY 1996-1997 occurred on May 3, 1997 (Kentucky Derby), when 596 patrons wagered a total of \$147,236.

Pleasanton, Alameda County Fair

The Alameda County Fair is located in Pleasanton at 4501 Pleasanton Avenue. Following the start of simulcast wagering on April 27, 1987, the location of the simulcast wagering was changed to a newly constructed facility on October 9, 1992. The highest pari-mutuel handle and highest attendance in FY 1996-1997 occurred on May 3, 1997 (Kentucky Derby), when 1,767 patrons wagered a total of \$470,727.

San Mateo, Bay Meadows Racetrack

The Bay Meadows Racetrack is located in San Mateo at 2600 South Delaware Street. The Bay Meadows simulcast wagering facility opened February 4, 1986. The highest pari-mutuel handle and highest attendance in FY 1996-1997 occurred on May 3, 1997 (Kentucky Derby), when 4,664 patrons wagered a total of \$1,187,943.

Indio, Shalimar Sports Center	The Desert Expocentre is located approximately 10 miles southeast of Palm Springs just off Highway 111 at 46-350 Arabia Street on the National Date Festival grounds. The simulcast wagering facility opened May 18, 1988. The highest pari-mutuel handle and highest attendance in FY 1996-1997 occurred on May 3, 1997 (Kentucky Derby), when 508 patrons wagered a total of \$120,909.
Pomona, Fairplex Park	The Los Angeles County Fair facility is located in Pomona on the grounds of the Fairplex public events facility, two blocks north of Interstate 10. The simulcast wagering facility opened July 27, 1988. The highest pari-mutuel handle and highest attendance in FY 1996-1997 occurred on May 3, 1997 (Kentucky Derby), when 1,793 patrons wagered a total of \$517,545.
Inglewood, Hollywood Park Racetrack	The Hollywood Park facility is located in Inglewood at 1050 Prairie Avenue. The simulcast wagering facility opened July 27, 1988. The highest pari-mutuel handle and attendance in FY 1996-1997 occurred on October 26, 1996 (Breeders' Cup), when 8,889 patrons wagered a total of \$2,344,885.
San Jose, Santa Clara County Fair	The Santa Clara County Fair is located in San Jose approximately 40 miles south of San Mateo, just off Hwy. 101 at 344 Tully Road. The simulcast facility opened July 30, 1988. The highest pari-mutuel handle and highest attendance in FY 1996-1997 occurred on May 3, 1997 (Kentucky Derby), when 1,393 patrons wagered a total of \$383,402.
Albany, Golden Gate Fields	Golden Gate Fields is located in Albany at 1100 Eastshore Highway, just north of Berkeley, off Interstate 80, eight miles from downtown Oakland and 11 miles from San Francisco. The simulcast wagering facility opened September 24, 1985. The highest pari-mutuel handle and attendance in FY 1996-1997 occurred on October 26, 1996 (Breeders' Cup), when 2,655 patrons wagered a total of \$774,445.
Arcadia, Santa Anita Park	The Santa Anita facility is located in Arcadia at 285 W. Huntington Drive. The simulcast wagering facility opened July 27, 1988. The highest pari-mutuel handle and highest attendance in FY 1996-1997 occurred on May 3, 1997 (Kentucky Derby), when 13,671 patrons wagered a total of \$2,641,201.
Los Alamitos, Los Alamitos Race Course	Los Alamitos Race Course is located in Los Alamitos at 4961 Katella Avenue. The simulcast facility opened July 25, 1990. The highest pari-mutuel handle and highest attendance in FY 1996-1997 occurred on May 3, 1997 (Kentucky Derby), when 7,598 patrons wagered a total of \$2,050,514.
Indio, Fantasy Springs Casino	The Cabazon Band of Mission Indians facility is located approximately 18 miles east of Palm Springs in Indio at the intersection of Interstate 10 and Auto Center Drive. The simulcast wagering facility opened March 3, 1990. The highest pari-mutuel handle and attendance in FY 1996-1997 was on May 3, 1997 (Kentucky Derby), when 778 patrons wagered a total of \$152,161.
El Cajon, Sycuan Gaming Center	The Sycuan Band of Mission Indians facility is located approximately six miles east of El Cajon at 5469 Dehesa Road. The simulcast wagering facility opened October 7, 1990. The highest pari-mutuel handle and attendance in FY 1996-1997 occurred on May 3, 1997 (Kentucky Derby), when 791 patrons wagered a total of \$194,927.

El Cajon, Viejas Casino and Turf Club

The Viejas Band of Mission Indians facility is located approximately 13 miles east of the Alpine at 5000 Willows Road. The simulcast facility opened September 13, 1991. The highest pari-mutuel handle and highest attendance in FY 1996-1997 occurred on May 3, 1997 (Kentucky Derby), when 815 patrons wagered a total of \$139,087.

Lakeside, Barona Casino

The Barona Band of Mission Indians facility is located approximately five miles northeast of Lakeside at 1000 Wildcat Canyon Road. The simulcast wagering facility opened July 4, 1992. The highest pari-mutuel handle and highest attendance in FY 1996-1997 occurred on May 3, 1997 (Kentucky Derby), when 400 patrons wagered a total of \$92,376.

Turlock, Stanislaus County Fair

The Stanislaus County Fair facility is located in Turlock approximately two miles east of Highway 99 at 900 No. Broadway at Canal. The simulcast facility opened on April 7, 1993. The highest pari-mutuel handle and highest attendance in FY 1996-1997 occurred on May 3, 1997 (Kentucky Derby), when 618 patrons wagered a total of \$104,858.

Perris, 46th District Agricultural Association

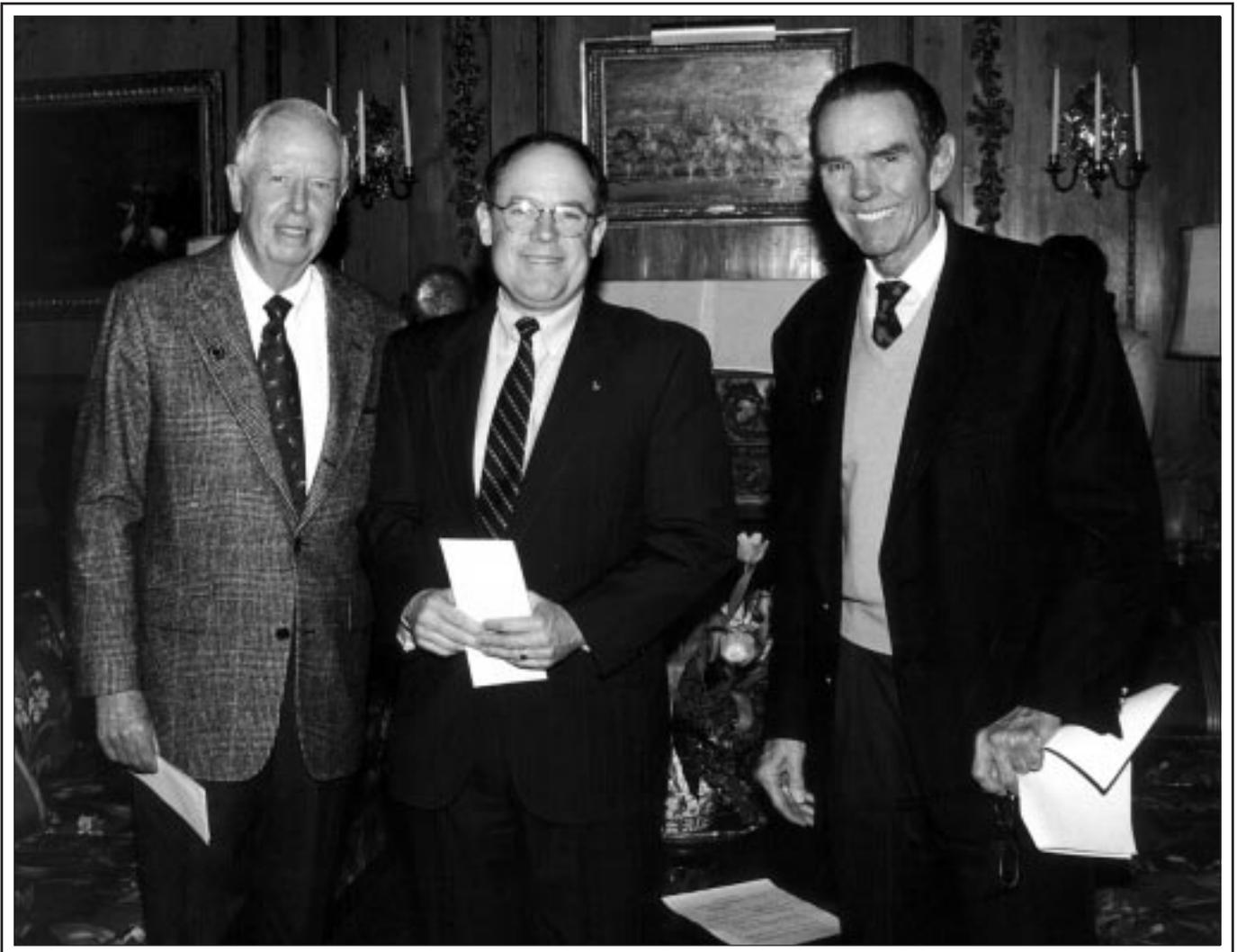
The Farmer's Fair and Expo facility is located in Perris approximately three miles east of the 215 Freeway at 18700 Lake Perris Drive and Ramona Expressway. The simulcast facility opened on December 1, 1993. The highest pari-mutuel handle and attendance in FY 1996-1997 was on May 3, 1997 (Kentucky Derby), when 1,099 patrons wagered a total of \$200,230.

Charity Days

California horse racing associations have distributed many millions of dollars to worthwhile charities over the last 60 years. Their donations in the last fiscal year alone totaled \$1,485,115.

By law, each racing association is obligated to conduct a specified portion of its race meeting for the benefit of charities meeting the statutory criteria and approved by the Board. While recognizing the worthwhile nature of all the charitable organizations favored by the various distributing foundations, the CHRB has long advocated giving increased amounts to charitable groups within the horse racing industry. The associations and foundations responded to the Board's requests by increasing their donations to racing-related charities last year.

On charity racing days, the racing association furnishes the facilities and personnel necessary for the conduct of racing. The income from all operations of the race meeting on charity racing days, less deductions for actual expenses, is dedicated to charitable purposes. The following charitable foundations distributed funds last year: the Santa Anita Foundation, the Hollywood Park Racing Charities, Inc., the Del Mar Charities, the Oak Tree Charitable Foundation, the Golden Gate Fields Foundation, and the Bay Meadows Foundation.



Among the biggest contributors to the state's charities was the Santa Anita Foundation, which distributed \$520,200 to various charitable programs last year. Santa Anita Foundation President Richard Call (right) and Vice President Richard N. Mackay (left) are pictured with Bob Warnock of the South Pasadena-San Marino YMCA.

Horse Racing Revenues

The State of California's revenue from horse racing is derived primarily from license fees, which are based on percentages of pari-mutuel wagers. The pari-mutuel handle totaled more than \$3.48 billion for the 1996-1997 fiscal year. This amount included wagers made within the State of California and wagers made in other racing jurisdictions, which were commingled (merged) into the wagering pools at live race meets in California. The CHRB was responsible for collecting \$90.2 million from all pari-mutuel sources for the 1996-1997 fiscal year.

License fees for the state, purses, track commissions, and other distributions are generated from a portion of the wagering handle referred to as the "takeout".

The takeout is set by law and is a percent taken from each dollar wagered. The takeout on conventional wagering (win, place, and show pools) is 15.34% for thoroughbred race meets, 15.63% for quarterhorse meets, 16.43% for harness meets, and 16.77% for fair meets.

The takeout on exotic wagering pools (all pools that are not win, place, or show) is 20.18% for thoroughbred meets, 20.38% for quarterhorse meets, 21.52% for fair meets, and 24.18% for harness meets.

In general, once the state license fee, breeders and owners awards, equine research, and other mandated amounts have been deducted from the takeout,

the remaining funds are divided in a prescribed manner between purses and track commissions.

The amount of the state license fee and the split between purses and commissions depend on the breed of racing and whether the wagering was on track or off track.

A pari-mutuel auditor located at each live meet in California prepares a daily audited report of the precise distribution of the wagering handle. The report is submitted to the Horse Racing Board, the racing association, and other interested parties.

Breakage is a term used to describe the monies generated by mathematical rounding during the calculation of winning wagers. After a race is run and the results are made official, the totalizator system calculates the payout for winning wagers.

The payout for each pool is first calculated on a \$1 amount, which is then used as the basis for paying all winning wagers for that pool.

During the calculation of the \$1 payout, amounts for each pool are rounded down ("broken," thus the term breakage) to the nearest dime. For example, in calculating a win pool, a \$1 payout of \$2.67 would be "broken" to \$2.60. A \$2 wager on that pool would then return \$5.20.

The 7 cents that is broken for each dollar in the calculation then becomes part of the total breakage for that pool, that race, and that day of racing, etc.

By law, breakage is divided between the state, the track, and purses, with the majority of breakage going to purses. In FY 96-97, the state received \$1.65 million in breakage, with the tracks receiving \$4.2 million, and purses \$7.3 million.

Uncashed Pari-mutuel Tickets

Winning pari-mutuel tickets can be cashed by the racing association until May 15 of the year following the year in which the race meet ends. After May 15, the uncashed tickets (unclaimed monies) are distributed as indicated below. The unclaimed money in the pool is the amount remaining when individuals fail to present winning pari-mutuel tickets for cashing. Racing patrons may mistakenly tear up, lose, or forget about winning tickets. In some cases, racing patrons have, many months after the meeting, presented valid pari-mutuel tickets entitling them to a pari-mutuel payoff.

The amounts derived from unclaimed pari-mutuel tickets during the Fiscal 1996-97 racing year totaled \$2,584,822.

All such unclaimed money resulting from the thoroughbred, harness, or quarterhorse meetings, but excluding the meetings of the California Exposition and State Fair, county, district agricultural association, or citrus fruit fair meetings shall be distributed as follows:

1. Fifty percent shall be used by the Board to support research on matters pertaining to horse racing and racetrack security. The Redistributable money provided to the Board

pursuant to this paragraph shall be subject to annual budgetary review by the Legislature.

2. Fifty percent shall be paid to a welfare fund established by the horsemen's organization contracting with the association with respect to the conduct of racing meetings for the benefit of the horsemen, and said organization shall make an accounting to the Board within one calendar year of the receipt of such payment.

All unclaimed money from other meetings shall be paid immediately into the State Treasury to the credit of the General Fund.

Redistributable Money in Pari-mutuel Pools (Unclaimed Tickets)

1996/97	TB	QH	HH	Fairs
Los Angeles Turf Club	\$473,992.98			
Hollywood Park Operating Co.	456,123.03			
Del Mar Thoroughbred Club	252,117.35			
Oak Tree Racing Assn.	113,355.25			
Bay Meadows Racing Assn.	473,132.84			
Pacific Racing Assn.	162,983.10			
	\$1,931,704.55			
Los Alamitos Quarter Horse Racing Assn.		\$189,526.69		
Capitol Harness Racing Association			17,387.55	
Premier II Harness Racing Association			32,237.07	
			\$49,624.62	
Los Angeles County Fair				133,717.60
CARF				280,248.20
				\$413,965.80

Occupational Licenses and Fees

July 1, 1996 through June 30, 1997

Type of License	Fee	Issued	Total
Multiple Ownership	300	172	51,600
Horse Owner-Open Claim	250	39	9,750
Officer/Director/Partner	200	30	6,000
Horse Owner	150	4,234	635,100
Trainer, Assistant Trainer	150	523	78,450
Harness Horse Driver	150	50	7,500
Jockey/Apprentice Jockey	150	127	19,050
Jockey Agent	150	37	5,550
Racing Official/Manager of Association	150	140	21,000
Bloodstock Agent	150	13	1,950
Veterinarian	150	53	7,950
Association Employee	75	230	17,250
Valet/Custodian/Attendant	75	13	975
Stable Foreman	75	58	4,350
Pari-mutuel Employee/Tote	75	1,031	77,325
Horseshoer	75	48	3,600
Exercise Rider/Pony Rider	75	381	28,575
Misc. Employee/Stable Agent Vendor	75	357	26,775
Security Guard	75	202	15,150
Authorized Agent	25	769	19,225
Replacement License	15	512	7,680
Annual Groom/Stable Employee (Original)	35	653	22,855
Annual Groom/Stable Employee (Renewal)	20	<u>3,402</u>	<u>68,033</u>
		13,329	\$1,212,193

All licenses are issued for three years except those for groom and stable employee licenses, which are annual licenses.

Fines Imposed in 1996 — 1997

Thoroughbred Meetings — Central & Southern Zones

Location	Rulings	Imposed	Inclusive Dates	Paid
Del Mar	96	\$ 8,140	7/24/96 — 9/11/96	\$ 8,140
Santa Anita	53	1,600	10/2/96 — 11/4/96	1,550
Hollywood Park	43	3,350	11/6/96 — 12/22/96	3,350
Santa Anita	100	5,785	12/26/96 — 4/21/97	5,510
Hollywood Park	114	9,600	4/25/97 — 7/21/97	9,600

Thoroughbred Meetings — Northern Zone

Bay Meadows	44	\$3,450	8/30/96 — 11/4/96	\$3,450
Golden Gate	26	1,750	11/6/96 — 12/22/96	1,750
Golden Gate	28	1,125	12/26/96 — 1/20/97	1,125
Bay Meadows	57	4,925	1/23/97 — 3/23/97	4,925
Golden Gate	55	4,450	3/26/97 — 6/15/97	4,450

Quarterhorse Meetings — Statewide

Los Alamitos	215	\$18,185	4/19/96 — 12/22/96	\$18,185
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Harness Meetings — Statewide

Cal Expo	30	\$1,300	10/18/96 — 12/22/96	\$1,250
Los Alamitos	134	8,000	12/26/96 — 4/6/97	8,000
Cal Expo	40	4,100	4/11/97 — 7/26/97	4,100

Fair Meetings — Statewide

Pleasanton	12	\$500	6/26/96 — 7/7/96	\$500
Vallejo	10	550	7/10/96 — 7/22/96	550
Santa Rosa	18	2,550	7/24/96 — 8/5/96	2,550
San Mateo	8	1,300	8/7/96 — 8/19/96	1,300
Ferndale	3	150	8/8/96 — 8/18/96	150
Sacramento	7	900	8/21/96 — 9/2/96	900
Pomona	46	3,735	9/12/96 — 9/30/96	3,735
Fresno	10	1,300	10/2/96 — 10/13/96	1,300
Stockton	11	1,050	6/11/97 — 06/22/97	1,050

Statement of Distribution by Fund of Horse Racing Revenues

Horse racing revenue comes primarily from license fees imposed on the amounts wagered by the public. The license fee revenue schedule is based on such factors as the amount wagered, track location, type of horse racing, type of wager, and whether the wager is made on track or at a simulcast facility.

Other revenue sources include breakage (the odd cents not paid to winning ticket holders), unclaimed pari-mutuel tickets, occupational license fees, fines, and penalties.

The state's share of horse racing revenue is either deposited to the state "general" fund or to a "special" fund, e.g., the

Fair & Exposition fund. The general fund is used to account for all revenues and activities that are not required by law to be accounted by any other fund. Most state expenditures are financed from the general fund. Special funds consist of governmental cost funds used to account for taxes and revenues, which are restricted by law for particular functions/activities.

Typically, the only difference between the general fund and other governmental cost funds is the restriction placed on the use of the other governmental cost funds.

July 1, 1996 through June 30, 1997

	Detail	Total
Revenue To Fair & Expo		
Pari-mutuel License Fees, Fund 191:		
0.63% — total handle	\$14,095,504	
1.00% — fair handle	2,283,865	
Escheat of unclaimed warrant	642	
Section 19620-A	265,000	
Section 19620-B	8,455,000	
Total 191 Fund		<u>\$25,100,011</u>
Simulcast Wagering Fees, Fund 192:		
Simulcast Wagering	\$11,853,420	
Other regulatory, licenses, and permits — purses	733,681	
Total 192 Fund		<u>12,587,101</u>
Revenue To General Fund		
Horse racing licenses	\$50,583,585	
Breakage	1,606,582	
Fines & Penalties	85,975	
Unclaimed Pari-mutuel Tickets	413,966	
Unclaimed Pari-mutuel Tickets (Racetrack Security Fund)	1,907,856	
Occupational Licenses	1,212,193	
Miscellaneous Income	17,882	
Total General Fund		<u>55,828,039</u>
Wildlife Restoration		
Horse racing licenses		<u>750,000</u>
Racetrack Security		<u>263,000</u>
CA Veterinary Diagnostic Laboratory		<u>1,291,174</u>
Tribal Compact Escrow		<u>2,231,173</u>
Total Revenue		<u>\$98,050,498</u>

Other Public Revenues

In addition to revenues collected from horse racing meetings by the Board, other public revenues are derived from horse race meetings in California.

During the FY 1996-1997 racing year, there were 2,440 horses “**claimed**” at authorized race meetings.

The “claiming” of a racehorse is in effect a sale of the horse at a designated price (as established by the conditions of the race) to a qualified person who submits a “claim” for the horse at least 15 minutes prior to the race in which the owner of the racehorse established the competitive value of the horse.

For example, in a claiming race where the claiming price is established by the Racing Secretary as \$10,000, an owner of a horse may enter the horse in the race if willing to lose the horse to another owner (or qualified person) for the price of \$10,000.

An owner who over-values the horse will find competition in the race too severe and will not win a purse — but probably retain the horse; the owner who under-values the horse may well win a purse but in all probability lose title to the horse to

a successful claimant. Thus, it is the owner who establishes the true competitive value of a horse in a claiming race.

Inasmuch as the claim of a horse is in fact a purchase, state sales tax is collected on the amount of the claim. During the 1996-1997 racing year, the total amount paid for claiming of horses was \$31,711,395, resulting in sales tax revenues (based on 0.25%) of \$2,722,267.

Chapter 1202, Statutes of 1982, changed the existing provisions for local license fees and admission taxes. This statute authorizes every racing association or fair to elect permanently to deduct up to 0.33 of 1% from all pari-mutuel pools and to distribute the amounts to the city or county where the racing meeting is held if the city or county passes an ordinance to accept such fees in lieu of admission taxes and license fees.

During the FY 1996–1997 racing year, \$7,319,662 was distributed to local governments under this provision.

Track Commissions

Under the system known as pari-mutuel wagering, the racing association acts as the stakeholder for all wagers, deducting from each pari-mutuel wagering pool the statutory “takeout,” which includes the state license fee, the percentage deduction for purses, and the track’s commission.

Commissions retained by California racing associations during FY 1996-97 totaled \$140,694,776.

A detailed summary of track commissions by race meet can be found in the CHRB’s Annual Report of Operations, also known as the Annual Statistical.

Horsemen’s Purses

As with track operators’ commissions, the purses for race meetings are determined by the rate schedules, or in some cases by agreement with the racing association.

Purses for California race meetings during FY 1996 -1997 totaled \$135,812,790. In addition, \$12,645,144 was paid out in Breeder’s and Owner’s premiums.

In order for the individual racing associations to establish their daily purse structure for their race meetings, the associations must first make a projection of the amount of pari-mutuel wagers they expect to handle.

The actual purses to be paid for any one race, or for the day’s races, initially are determined by the racing secretary’s projections of handle, then must be revised during the course of the race meeting based on actual handle.

The racing association must also conclude an agreement with the respective horsemen’s organization representing the horsemen at each meeting in order to establish the percentage of the total purses that may be used for stakes races.

Statistics For Horses Claimed

Track Location	Horses Claimed	Amount Paid	Sales Tax
Thoroughbred Meetings — Northern			
Bay Meadows	115	\$1,381,250	\$113,953
Golden Gate Fields	279	1,317,320	258,679
Bay Meadows	153	1,712,000	141,240
Golden Gate Fields	224	2,544,500	209,921
Sub-total	771	\$6,955,070	\$ 723,793
Thoroughbred Meetings-Central-Southern			
Del Mar	214	5,330,000	413,075
Oak Tree	66	1,404,000	115,830
Hollywood (Fall)	96	1,920,500	158,441
Santa Anita	280	6,591,500	543,799
Hollywood (Spring)	217	5,047,000	416,378
Sub-total	873	\$20,293,000	\$1,647,523
Harness Meetings-Statewide			
Cal Expo	18	\$95,300	7,386
Los Alamitos	79	457,375	35,447
Cal Expo	39	181,500	14,066
Sub-total	136	\$734,175	\$56,899
Quarterhorse Meetings-Statewide			
Los Alamitos	458	\$1,911,350	148,130
Sub-total	458	\$1,911,350	\$148,130
Fair and Mixed Meetings-Statewide			
Pleasanton	34	\$288,350	\$23,789
Vallejo	26	172,450	12,503
Santa Rosa	18	148,950	11,171
San Mateo	24	234,950	19,383
Ferndale	1	6,250	453
Sacramento	8	63,700	4,937
Pomona	64	738,500	60,926
Fresno	10	52,650	4,080
Stockton	17	112,000	8,680
Sub-total	202	1,817,800	145,922
Grand Total	2,440	\$31,711,395	\$2,722,267

Authorized Horse Sales

The CHRB each year authorizes sales for racehorses or breeding stock used in the production of racehorses when such sales are conducted on the premises of a racing association. During FY 1996 – 1997, 1,347 horses were sold for a total of \$45,857,400. These sales generated a total of \$1,784,595 in sales tax. Prospective purchasers may review the reported medication record of any horse offered for sale, and purchasers of a horse may request a verifying blood test for horses bought.

During FY 1996 – 1997, the following sales were authorized:

Barretts Equine Ltd. Thoroughbred Sales at Fairplex Park

1. July Sale — Racing Age July 1
2. Fall Sale — All ages October 21, 22
3. Winter Mixed Sale January 13
4. March Selected Two-Year-Olds March 4, 5
5. Spring Two-Year Olds May 12, 13
6. June Sale — Racing Age June 30

A total of 1,149 horses were sold for \$43,299,600, which generated \$1,637,180 in sales tax.

California Thoroughbred Breeders Association Sales At Del Mar

1. Del Mar Select and Preferred Yearling Sale August 11, 12

A total of 109 horses were sold for \$2,047,100, which generated \$120,000 in sales tax.

Quarterhorse Sales At Fairplex Park

1. PCQHRA Yearling and Mixed Stock Sale October 7

A total of 89 horses were sold for \$510,700, which generated \$27,415 in sales tax.

California Horse Breeding Programs

The Horse Racing Law provides incentives for the breeding and owning of California-bred horses. A principal and explicitly stated intent of the law is to encourage agriculture and the breeding of horses.

Every association licensed to conduct a horse racing meeting in California must provide, each racing day, for the running of at least one race limited to California-bred horses, provided those races can attract a sufficient number of qualified entrants.

An award equal to 10% of the first-place money of any purse won in any race is paid to the breeder of the winning California-bred horse. A further incentive to own a California-bred horse is provided by owners premiums, which are funds generated from 13.33% (25% in the case of quarterhorses) of the amount specified for purse payments from the optional additional takeout, not to exceed 3%, which is deducted from exotic wagering pari-mutuel pools. Owners premiums are distributed on a pro-rata percentage basis to persons owning California-bred horses that are in races having a total purse value of certain qualifying amounts.

Additionally, stallion awards are issued to owners of qualified California thoroughbred stallions standing in California, whose progeny win races in California having a certain qualifying gross purse. A breeders award is also paid for a California-bred thoroughbred when the horse wins a graded stakes race outside the state or when the horse finishes second or third in a race run in California.

These California breeders programs and distribution of awards and premiums are administered by the recognized California breeders organizations of the various breeds.

Thoroughbred Breeding Programs

The California Thoroughbred Breeders Association administers the California-bred awards, owners premiums, and stallion awards for thoroughbreds. In addition, the CTBA supervises the California-bred race fund, which has supplemented the very successful California Cup program each year since 1990.

At California thoroughbred race meetings, the amount of .34% on track and .4% off track of all pari-mutuel pools is deducted as takeout and transferred to CTBA for distribution. A further amount equal to 13.33% of that portion of

the optional takeout from exotic wagering specified for purses is likewise transferred to the CTBA for distribution.

During fiscal year 1996–97, \$11,579,731 was generated from the wagering handle. The CTBA is authorized to deduct up to 5% for administrative overhead and expenses.

Standardbred Breeding Programs

The California Standardbred Sires Stakes Committee, Inc., a California non-profit public benefit corporation, administers the Standardbred Breeders Program. The Sires Stakes Committee is authorized to deduct expenses (not to exceed 4% of funds generated) for administering the Standardbred Breeders Program. The program is funded from the breakage at harness meetings and an additional 1% takeout on all exotic wagering at harness meetings. In fiscal year 1996–97, the program generated \$519,450.

Quarterhorse Breeders Program

Pacific Coast Quarter Horse Racing Association, as the recognized breeders organization, received \$403,673 to fund its program in fiscal year 1996–97. The source of these funds was .34% of the on-track and .40% of the off-track handle on quarterhorse racing at the fair race meetings, .20% of the handle at quarterhorse race meetings, and a proportional payment of the monies required by the state, the association, and the horsemen.

Appaloosa Breeders Program

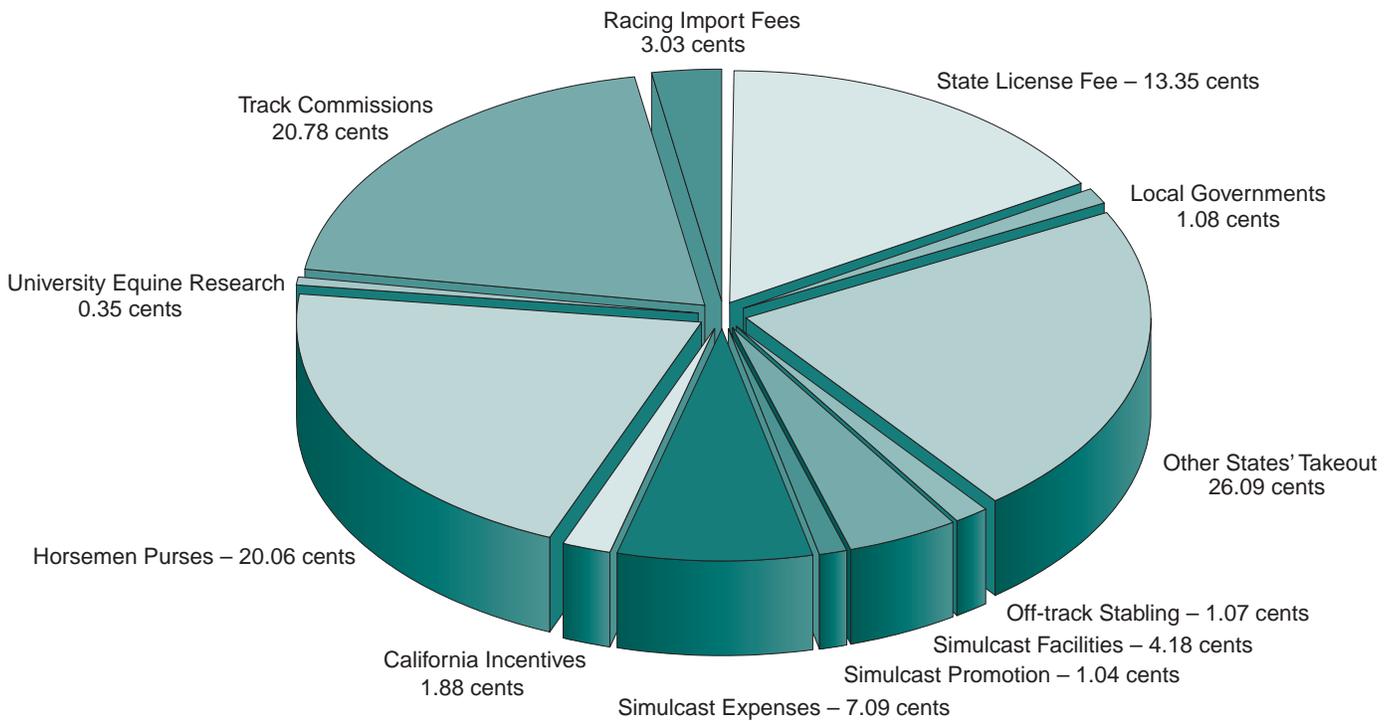
Cal-Western Appaloosa Racing, Inc., as the recognized breeders organization, received \$63,020 for the breeders program in fiscal year 1996–97. This money was received as breeders awards (.34% of the on-track and .40% of the off-track handle on Appaloosa racing).

Arabian Breeders Program

The California Arabian horse breeders awards received \$67,493 for the program during fiscal year 1996-97.

The Revenue Stream

The Wagering Dollar in California: Where It Goes and How It's Used



California horse racing is the envy of the nation. Only New York is on a par with California in the national picture of horse racing. A total of \$3,484,464,265 was wagered by fans of California racing during the 1996-97 fiscal year, and of that money 81% (\$2,807,528,186) was returned to winning ticket holders.

Prior to simulcast wagering in 1985, virtually 100% of the wagering on California's races was at the track, but today "on-track" bets make up less than 26% of wagers placed (\$901 million). Off-track betting within the state provides over 43% of the handle (\$1.47 billion). The balance comes from out-of-state wagers (\$1.1 billion).

Patrons failed to cash \$5.5 million worth of winning tickets. By law, money from uncashed tickets, except for fairs, is split evenly between a welfare fund for the benefit of backstretch employees and the CHRB for racetrack security and research. Money from uncashed tickets at fairs is turned over to the state's General Fund.

Similarly, money from unredeemed vouchers issued by tracks for use by racing patrons at track self-serve betting machines is used to finance the newly created horse racing revenue data base called the California Horse Racing Information Management System (CHRIMS).

Breakage, a byproduct of the pari-mutuel calculation, is distributed to the state, to purses, and to the racing associations.

Of the \$3.5 billion wagered, \$677 million, or 19%, was withheld as the "takeout" for such purposes as horsemen's purses, racetrack operations, and government taxation, as follows on the adjoining page:

HORSEMEN'S PURSES

A total of \$135.8 million was distributed last year in the form of purses. This money went to the owners of the horses, the jockeys, the trainers, and through them to the backstretch employees.

Portions of the purse money also went to the organizations that represent owners and other horsemen. (For details, see the horsemen's summaries of revenues and expenses at the end of this report.)

TRACK COMMISSIONS

The racetracks and fairs that host the racing programs collected a total of \$140.7 million in commissions. Much of that money went towards the cost of operations, such as rent or mortgages and labor costs, of which pari-mutuel clerks represent a large part. The racetracks also are responsible for marketing the sport — for advertising, promotions, and other forms of publicity.

STATE LICENSE FEES

Pari-mutuel wagering was authorized by the voters in 1933, principally as a way of generating income to the State of California. During the last fiscal year, the state received \$98 million from pari-mutuel wagering. Most of this money, \$55.8 million, went to the General Fund for budgeted operating revenues for state programs.

The allocation of the California Horse Racing Board budget (\$7.9 million) comes from the Fairs and Exposition fund through the yearly budget process conducted by the state legislature. This allocation is used to fund the Horse Racing Board's mission of overseeing the horse racing industry on behalf of the state and the California public.

INCENTIVE AWARDS

One of the most important uses of horse racing revenue is for incentive awards, which promote the agricultural program in California by encouraging horse breeding. Last year those awards were divided between programs for thoroughbreds (\$11,579,731), standardbreds (\$654,010), quarterhorses (\$403,673), Appaloosas (\$63,020), and Arabians (\$67,493)

LOCAL GOVERNMENT

For those local municipalities who elect to participate, an additional 0.33 of 1% is withheld from the handle to reimburse communities for costs incurred due to traffic control, security, and other expenditures resulting from horse racing events. Last year \$7.5 million was withheld for this purpose.

HOST FEES

Host fees are negotiated or mandated payments to producers of live horse racing imported by tracks via satellite and offered to the betting public in conjunction with a California track's live racing program. Last year, California tracks paid \$5.9 million to out-of-state hosts and \$14.5 million to California host tracks.

INTERSTATE WAGERING FEES

Interstate wagering fees are "takeout" deductions from wagers made on California racing by racing fans at off-track betting systems outside of the California borders. These deductions in other states amounted to \$176.6 million.

EQUINE RESEARCH

A mandated deduction goes to the University of California for equine research. Last year the total for equine research was \$2.4 million.

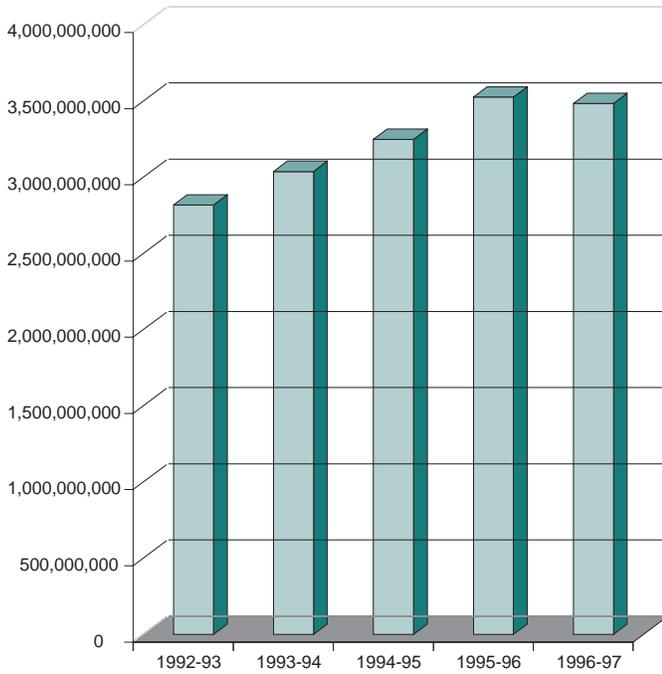
SIMULCAST FEES

Simulcast fees are deducted from the off-track handle at California simulcast facilities and are distributed in proportion to each facility's handle. This revenue goes to the Stabling and Vanning Fund to offset the cost of off-site stabling and transporting horses to the track, to the Promotion Fund to be used exclusively for the promotion of horse racing at simulcast facilities, to the Expense Fund for the purpose of offsetting the costs of simulcast broadcasting, and to guest commissions. A guest site is the term used for an authorized off-track betting system, or simulcast facility, who is an authorized recipient of a live horse race.

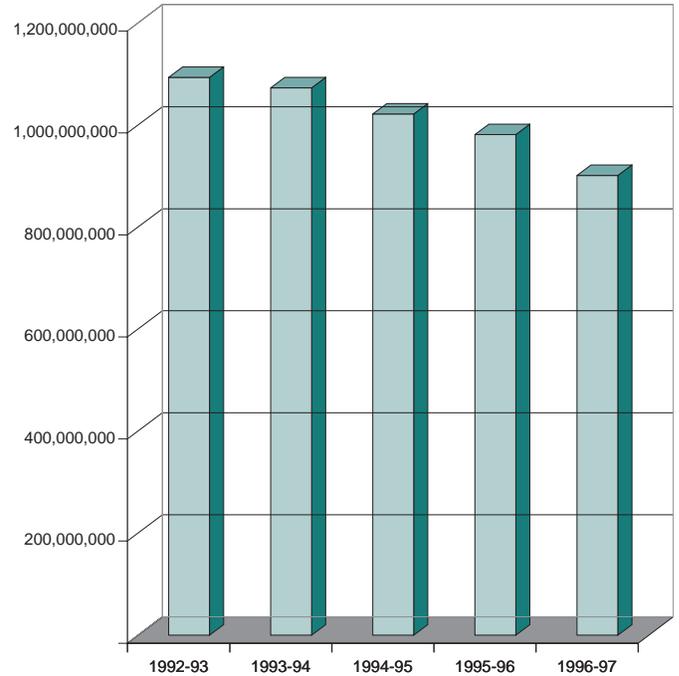
These funds received a total of \$90.5 million last year:

Stable and Vanning Fund:	\$7.3 million
Promotion Fund:	\$7 million
Expense Fund:	\$48 million
Guest Fund:	\$28.2 million

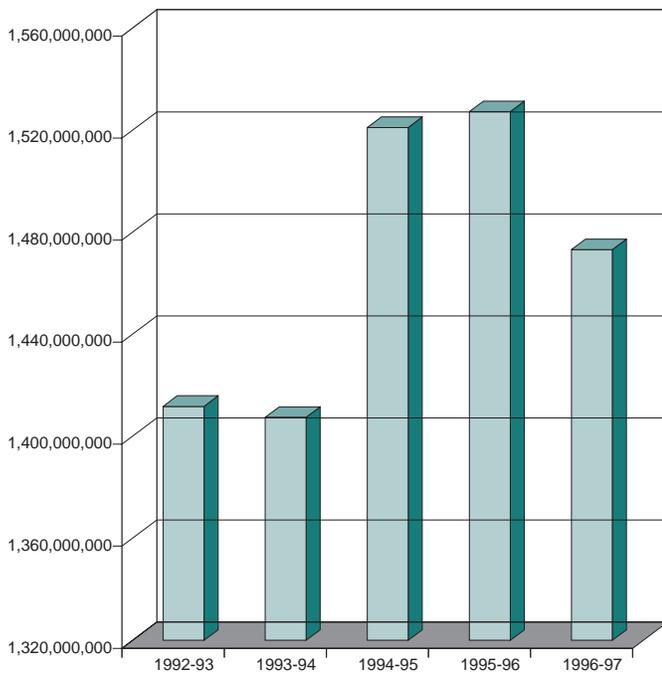
Total Handle



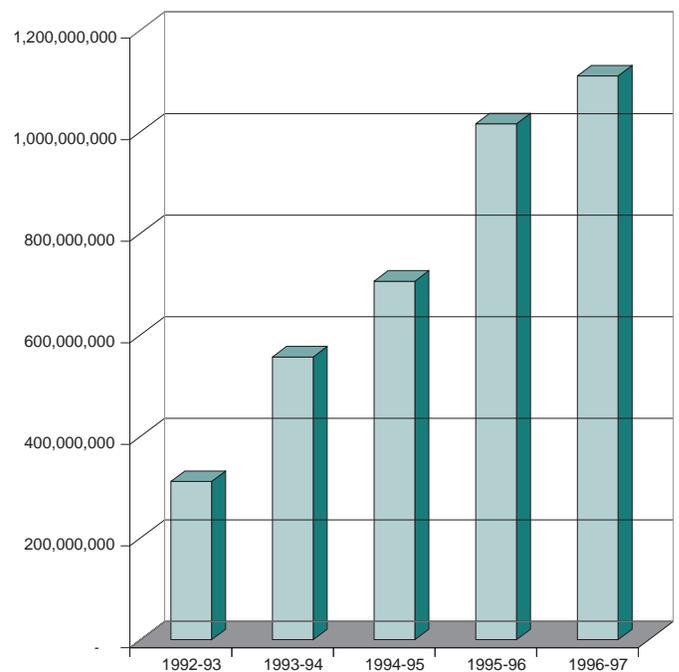
Total Handle On Track



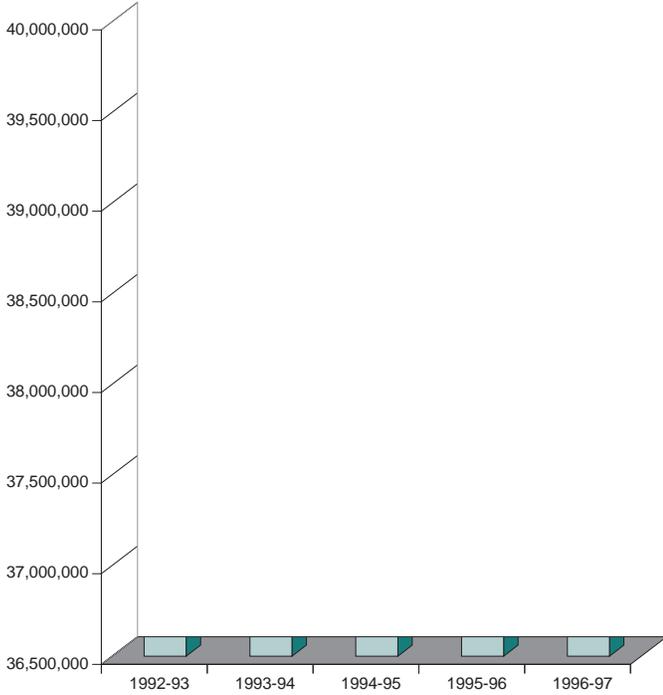
Total Handle Off Track



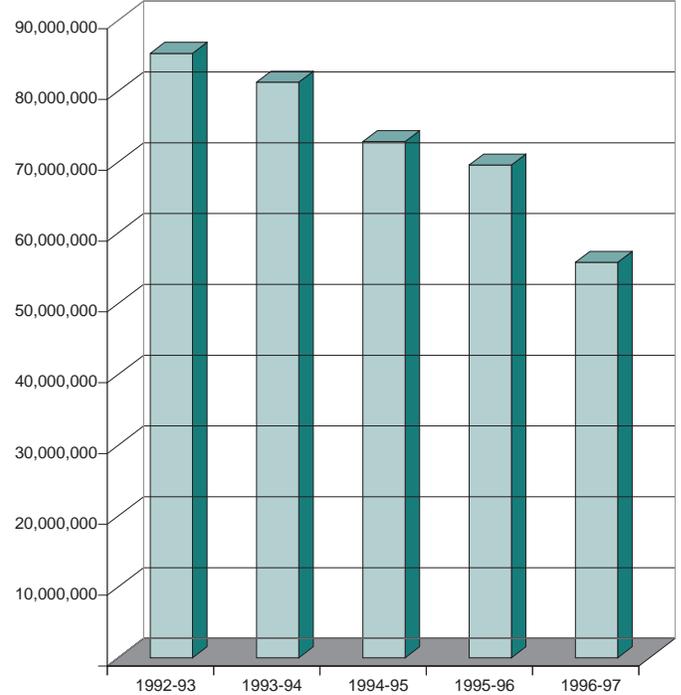
Total Handle Out of State



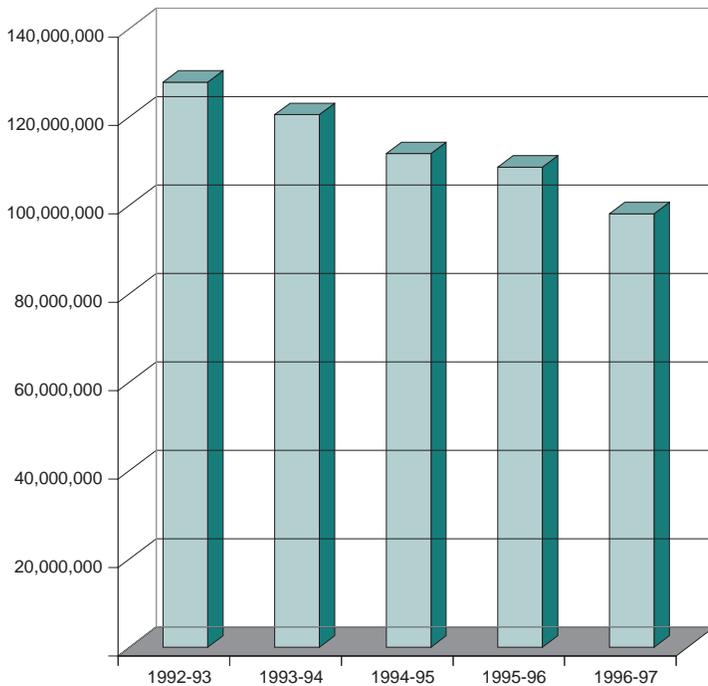
Fairs & Expositions



General Fund



Cash Receipts



Includes all revenue received in the fiscal year and distributed to the Fairs and Expositions Fund, General Fund, Wildlife Restoration Fund, and revenue from occupational licensing collected by the Board, moneys held in the Tribal Compact Escrow fund, and other miscellaneous income.

The Horsemen's Organizations Welfare Funds

The Horse Racing Law provides that 50% of the unclaimed redistributable money in pari-mutuel pools (uncashed pari-mutuel ticket amounts) resulting from thoroughbred, harness, or quarterhorse race meetings be paid to the welfare fund established by the horsemen's organization contracting with the association for the conduct of the race meeting for the benefit of horsemen, which are registered with the Registry of Charitable Trusts of the Office of the Attorney General. The three horsemen's organizations have established and maintain the following welfare funds:

The California Thoroughbred Horsemen's Foundation, Inc.

285 W. Huntington Drive
P. O. Box 3747
Arcadia CA 91006
(Registry of Charitable Trusts
No. 4833)

California Harness Horsemen's Association Welfare Fund

P.O. Box 254767
Sacramento, CA 95865
(Registry of Charitable Trusts No. CT 21800)

Quarter Horse Benevolent Charity Foundation

5024 Katella Avenue, Suite 247
Los Alamitos, CA 90720
(Registry of Charitable Trusts No. CT 18221)

Each of the foregoing welfare funds have a state tax-exempt status under the provisions of Section 23701 of the Revenue and Taxation Code.

The California Horsemen's Organizations

The CHRB determines the organizations to represent California horsemen with respect to each breed. The Board requires annual audits of their financial reports and a summary of the revenues and expenses for each organization are contained in this report each year.

The following horsemen's organizations were recognized by the Board during the last fiscal year: Thoroughbred Owners of California for thoroughbred owners; California Horsemen's Benevolent and Protective Association (name changed to California Thoroughbred Trainers in October of 1997) for thoroughbred trainers; California Harness Horse-

men's Association for harness horsemen; Pacific Coast Quarter Horse Racing Association for quarterhorsemen; Cal-Western Appaloosa Racing, Inc., for appaloosa horsemen; and the Arabian Racing Association of California for Arabian horsemen.

Audited Expenses of California Horsemen's Organizations

Pursuant to AB 3106 (Chapter 594/96), the audited expenditures of all organizations representing horsemen and horsewomen are hereby included in this Annual Report. The information regarding the expenditures of these organizations is only one portion of the total audited financial state-

ments submitted to the California Horse Racing Board. Persons wishing to obtain a copy of the complete audited financial statements of a horsemen's organization can do so by contacting the CHRB's headquarters offices in Sacramento.

Pacific Coast Quarter Horse Racing Association, Inc.

*Statement of Revenues collected, expenses paid, and changes in fund balance - modified cash basis;
for the year ended December 31, 1996*

REVENUES COLLECTED	
Membership dues	\$ 14,445
Mutuel fees- HQHRA	190,115
Mutuel fees- Fairs	26,339
Mutuel fees- Thoroughbreds	45,028
Race administration fees	97,769
Banquet/award income	4,250
Berth transfers	2,400
Cal-Bred Registry fees	20,090
Advertising income	8,269
Interest income	22,530
	431,235
EXPENSES PAID	
Salaries	106,262
Advertising	21,661
Annual awards	33,730
Contract services	79,545
Depreciation	18,484
Dues & subscriptions	3,691
Fair representative expense	12,174
Insurance	13,803
Legal & accounting	9,744
Newsletter & directory	7,957
Office expense & postage	35,911
Purse supplements	1,124
Stationery & printing	6,365
Taxes-payroll and property	9,251
Telephone & utilities	10,566
Travel & meetings	24,074
	394,342
Increase To Fund Balance Before Horse Sale	36,893
Horse Sale, excess of expenses over income	(24,982)
Increase To Fund Balance	11,911
Beginning Fund Balance - January 1, 1996	589,634
Ending Fund Balance - December 31, 1996	\$601,545

California Harness Horsemen's Association

Statement of Activities for the year ended June 30, 1997

	Unrestricted	Temporarily Restricted	Total
REVENUE			
Administrative Fees	\$ 135,600.00	\$ 0.00	\$ 135,600.00
California Sires Stakes	6,800.00	0.00	6,800.00
Membership Dues	7,785.00	0.00	7,785.00
Insurance Assessments, Net	(456.67)	11,392.53	10,935.86
Miscellaneous Income	6,647.97	0.00	6,647.97
Interest Income	1,432.00	5,055.34	6,487.34
TOTAL REVENUE	157,808.30	16,447.87	174,256.17
EXPENSES			
Dues & Membership	13,250.45	0.00	13,250.45
Sulky Insurance	921.62	0.00	921.62
Worker's Comp Insurance	1,207.00	0.00	1,207.00
Officers' & Directors' Insurance	6,060.64	0.00	6,060.64
Legal Services	118,453.93	0.00	118,453.93
Accounting Services	10,211.00	0.00	10,211.00
Bad Debts	10,363.32	0.00	10,363.32
Salary Reimbursement	(3,159.55)	0.00	(3,159.55)
CHHA - Office Staff	109,057.61	0.00	109,057.61
Track Representative	8,650.00	0.00	8,650.00
Payroll Taxes	9,132.12	0.00	9,132.12
Health Benefits	2,280.00	0.00	2,280.00
Promotion & Advertising	1,107.74	0.00	1,107.74
Newsletter & Printing	985.50	0.00	985.50
Hot Line Services	2,246.55	0.00	2,246.55
Office Supplies	1,645.24	0.00	1,645.24
Equipment Lease	5,735.82	0.00	5,735.82
Depreciation	400.00	0.00	400.00
Bank Charges	661.35	16.62	677.97
Directors Meetings	3,346.54	0.00	3,346.54
HHI Meetings	1,736.63	0.00	1,736.63
CHRB & Related Meetings	11,129.98	0.00	11,129.98
Annual Membership Meetings	1,389.31	0.00	1,389.31
Meetings & Travel	8,187.38	0.00	8,187.38
Telephone	397.27	0.00	397.27
TOTAL EXPENSES	325,397.45	16.62	325,414.07
CHANGE IN NET ASSETS	(167,589.15)	16,431.25	(151,157.90)
NET ASSETS AT BEGINNING OF YEAR	\$ 164,157.30	\$133,061.23	\$ 297,218.53
NET ASSETS AT END OF YEAR	(3,431.85)	149,492.48	146,060.63

California Horsemen's Benevolent and Protective Association, Inc.

Statements of Activities for the year ended December 31, 1996 and 1995

	1996	1995
Revenues		
Track revenues	\$460,569	\$429,708
Recreation hall income	393,792	322,193
Interest income	12,124	10,003
Miscellaneous	2,623	35,511
Total revenues	869,108	797,415
Expenses		
Program services:		
Recreation hall and programs	476,077	409,281
Membership services	6,192	5,283
Contributions	5,390	3,320
Total program services	487,659	417,884
Supporting services:		
Administrative salaries and related expenses	147,442	136,440
Professional and outside services	51,292	69,017
General office expenses	29,488	29,446
Insurance	61,540	70,026
Travel	1,051	776
Payments to national organization	1,305	4,000
Meetings and conventions	6,071	6,949
Rent and utilities	5,982	6,392
Repairs and maintenance	3,494	5,408
Depreciation	22,344	32,230
Other expenses	-	23
Total supporting services	330,009	360,707
Total expenses	817,668	778,591
Change in net assets before distributions and transfers to Thoroughbred Owners of California	51,440	18,824
Distributions to Thoroughbred Owners of California	(70,000)	(373,333)
Transfers of assets to Thoroughbred Owners of California	-	(15,444)
Net assets at beginning of year	612,471	982,424
Net assets at end of year	\$593,911	\$612,471

Thoroughbred Owners of California

Statements of Activity for the years ended June 30, 1997 and 1996

	1997	1996
UNRESTRICTED REVENUES AND GAINS:		
Proceeds from racetracks	\$1,121,993	\$ 947,782
Contributed office space	45,000	45,000
Interest	41,008	28,935
Other	<u>14,993</u>	<u>617</u>
Total unrestricted revenues and gains	1,222,994	1,022,334
UNRESTRICTED EXPENSES:		
Salaries and employee benefits	393,449	309,349
Consulting	239,210	252,169
Professional fees	32,909	62,515
General and administrative	103,447	72,694
Rent	50,401	45,000
Office supplies	7,638	5,652
Travel and entertainment	34,251	17,981
Newsletter	85,916	49,923
Telephone	17,886	18,865
Insurance	14,412	13,900
Depreciation		<u>11,847</u>
Total unrestricted expenses	999,665	859,895
Increase in unrestricted net assets	223,329	162,439
Unrestricted net assets, beginning of year		
	965,150	736,044
Transfer from C.H.B.P.A. (Note 1)	-	66,667
Unrestricted net assets, end of year	\$1,188,479	\$ 965,150

Arabian Racing Association of California

*Statement of Activities and Changes in net assets
for the year ended December 31, 1996*

	Administration (unrestricted)	Cal-Bred (restricted)	Eliminations	Total
Revenue and Support:				
Owners' and breeders' awards		\$ 69,966		\$ 69,966
Track administration fees	\$98,038		\$(22,856)	75,182
Membership	5,215			5,215
Other	7,787	2,986		10,773
	111,040	72,952	(22,856)	161,136
Expenses:				
Owners', breeders', and stallions' awards		58,849		58,849
Breed representative	37,115			37,115
Race sponsorship	35,449			35,449
Legal and accounting	9,836			9,836
Convention, awards, and trophies	10,258			10,258
Other	20,283	29,376	(22,856)	26,803
	112,941	88,225	(22,856)	178,310
Decrease in net assets	(1,901)	(15,273)	0	(17,174)
Net Assets:				
Beginning of year	81,413	24,546		105,959
End of year	\$79,512	\$ 9,273	\$ 0	\$ 88,785

Cal Western Appaloosa Racing, Inc.

Statement of Revenue and Expenses for the year ended May 31, 1997

REVENUE		
Racing Income	\$100,930	
Magazine Subscriptions and Advertisements	3,687	
Racing Dues	2,832	
Convention	1,454	
Interest Income	4,857	
Miscellaneous Income	<u>5,147</u>	
Total Revenue		118,907
EXPENSES		
Salaries	20,116	
Racing Consultant	26,000	
Track Representative	4,200	
Insurance	1,689	
Advertising and Promotion	5,745	
Race Add-ons	17,808	
Trophies and Awards	10,600	
Printing	10,946	
Articles	1,350	
Supplies	5,400	
Postage	4,107	
Accounting	6,145	
Travel	2,261	
Rent	2,940	
Utilities, Telephone	3,419	
Taxes and Licenses	2,323	
Depreciation	1,519	
Maintenance and Repair	2,024	
Convention	2,442	
Board Meetings	932	
CPO Clinic	1,392	
Barbecue	1,457	
Miscellaneous	2,850	
Total Expenses		137,665
NET LOSS		\$(18,758)