

48th Annual Report

of the

California Horse Racing Board

**A Department of the Business,
Consumer Services and Housing Agency**

**A Summary of
Fiscal Year 2017–18 Revenue and
Calendar Year 2018 Racing in California**

California Horse Racing Board

Chuck Winner, Chair
Madeline Auerbach, Vice Chair
Dennis Alfieri, Member
Fred Maas, Member
Debra Reed-Klages, Member
Araceli Ruano, Member
Alex Solis, Member
Jesse Choper, Former Member
Rick Baedeker, Executive Director
Jacqueline Wagner, Asst. Exec. Director

This report covers the fiscal year (July 1, 2017, through June 30, 2018) for revenue purposes, including pari-mutuel handle, fines, taxes, license fees, and the distribution of funds, as well as the report of the Postmortem Program. This report covers the 2018 calendar year for reports on race meets and CHRB meetings.

The CHRB general office is located at 1010 Hurley Way, Suite 300, Sacramento, CA 95825.
Field offices are located at all operating racetracks. Annual reports are available at:
www.chrb.ca.gov (Media Room)

Report from the Chair



The year 2018 was a good one for California racing in many ways, but the clear highlight was the progress we have made in reducing equine fatalities at racetracks and training facilities. Admittedly, even one death of a racehorse is too many, but it is a sign of progress that the industry is finding solutions to a problem that for far too long has perplexed all of us who care

deeply about the safety and welfare of horses. Equine fatalities in California horse racing have been reduced by nearly 60 percent over the last 13 years, with much of that decrease in the last year alone.

I'm very pleased that the industry has come together on a program to achieve this common objective. Working with our equine medical director (Dr. Rick Arthur, DVM, of U.C. Davis), racetrack management, the Thoroughbred Owners of California, the California Thoroughbred Trainers, the California Association of Racing Fairs, and others in the thoroughbred, standardbred, and quarter-horse industries have all made contributions to this progress.

The program uses several factors, including long layoffs and histories on the Veterinarian's and Stewards' Lists, to identify at-risk horses. These horses must pass stringent examinations by official veterinarians before being allowed to enter races. And this scrutiny has increased the awareness of trainers, veterinarians, and others who care for them. The program has clearly improved the health and welfare of our horses and, therefore, the safety of those who ride them. Our commitments include:

- ◆ As noted, widespread CHRB and industry participation in a comprehensive program to safeguard horses and riders;
- ◆ Extending race-day restrictions on the use of riding crops and certain medications to morning workouts;
- ◆ Adopting regulations and practices consistent with recommendations from the Association of Racing Commissioners International (RCI) and the Racing Medication and Testing Consortium (RMTC);
- ◆ Requiring trainers to keep records of corticosteroid injections and to transfer those records when a horse changes trainers and/or ownership;
- ◆ Limiting the use of the racetrack for non-racing purposes prior to the start of a race meet;

- ◆ Increasing the number of racing regulatory veterinarians onsite during morning works;
- ◆ Limiting access to the track during the first several minutes of morning work sessions at some meets to those horses that are actually performing timed works;
- ◆ Implementing a continuing education program for trainers to ensure they have the most up-to-date understanding of horse care and safety measures for horses and riders;
- ◆ Initiating a fatality-review program, whereby CHRB Official Veterinarians review necropsy findings with trainers to better understand racing and training fatalities in order to improve safety.

A special word of thanks to Vice Chair Madeline Auerbach and Commissioner Alex Solis, who render special service as members of our Medication and Track Safety Committee.

Protecting the Integrity of Racing

The Kenneth L. Maddy Equine Analytical Chemistry Laboratory (Maddy Lab, or Lab) at U.C. Davis is the backbone of CHRB efforts to safeguard the integrity of racing. The Lab, in conjunction with other veterinary programs at U.C. Davis' School of Veterinary Medicine, provides equine testing services and research for the California horse-racing industry. Its importance cannot be overstated. And the strong leadership of Dr. Scott Stanley in directing the Lab for the last two decades cannot be overemphasized.

It is therefore with some regret, coupled with pride and best wishes to Dr. Stanley, that we will see him leave us early in 2019 to accept a highly coveted position setting up the new equine testing laboratory at the University of Kentucky in Lexington. Fortunately for all of us, Dr. Ben Moeller joined the Maddy Lab as a second chemist in 2016 and is well positioned to assume directorship of the Lab once Dr. Stanley departs, as he did while Dr. Stanley was on sabbatical last year. Furthermore, the drug testing program's veterinary pharmacologist, Dr. Heather Knych, is certified in veterinary pharmacology and has been the lead investigator on numerous research studies in collaboration with Dr. Stanley and others at the Lab. We are confident the Maddy Lab will experience a seamless transition and will continue to provide horse racing with the highest quality of service.

The CHRB's \$1.2 million budget increase for the drug-testing program in FY 2016–17 has been put to good use by the Maddy Lab, which has increased the level and comprehensiveness of drug testing. After testing more than 56,000 samples from California racehorses, the Maddy Lab reported just six Class 1, 2, and 3 violations in FY 2017-18, down

from eight in FY 2016–17, and far fewer than the 19 reported in FY 2015-16.

Also, the Lab performed a vital service to all of horse racing by publishing research papers related to medication, drug testing and anti-doping. One example is a paper describing the detection of Meldonium in horses, one of the drugs implicated in the Russian doping scandal. In recognition of the Maddy Lab's expertise and reliability, The Jockey Club renewed funding for the Lab for ongoing development of an equine biological passport. The Maddy Lab continues to lead the way in applying hair testing to drug regulation. It is one of only five racing laboratories in the world certified by the International Federation of Racing Authorities.

In its commitment to protecting the integrity of horse racing and safeguarding the health and welfare of horses and their riders, the CHRB suspended authorization for clenbuterol in all post-race samples beginning November 15, 2018, and is moving to make that prohibition permanent, as is currently the regulation in quarter horses. Most clenbuterol violations in recent years were in horses trained outside of CHRB facilities that were shipped to the racetrack a day or two before racing. In recognition of that practice, the CHRB is holding owners equally responsible to ensure the condition of their horses when shipping them in to race from an unlicensed facility.

Significant among the other changes in policies and procedures to further protect racing participants, we now require that all race-day administrations of the authorized anti-bleeding medication furosemide (Lasix) must be performed by independent third-party veterinary professionals with no affiliations to the horses involved. The Board approved for public notice a comprehensive out-of-competition (OOC) testing regulation consistent with RCI model rules and RMTC recommendations. The Board gave increased authority to racetracks to set conditions of races, with horsemen organization agreement, as long as they are stricter than CHRB regulations. This facilitated the Los Alamitos hair-testing requirement for its graded stakes races, as well as significantly more OOC testing for the Breeders' Cup. We also approved an amendment prohibiting any horse from racing within five days of receiving an intra-articular injection. And the CHRB continues to work with the California Veterinary Medical Board on matters relating to veterinary practice within CHRB enclosures to ensure the highest standards of veterinary practice.

We have made a commitment to an increased presence of investigators and safety stewards in stable areas to further protect the integrity of racing, ensure the safety of horses, and reassure racing stakeholders and fans. And we spent all of 2018 implanting microchips in our racehorses in advance of implementing the new rule, beginning with the 2019 season, requiring all horses racing in California to have microchips for identification.

Finally, we began the regulatory process to require final odds to be posted on all displays within five seconds of the close of wagering for any race, so that the public will maintain its confidence in the integrity of California horse racing.

Business Highlights

California customers and other fans of California horse racing wagered more than \$3 billion in the last fiscal year, consistent with wagering levels in recent years. The numbers show that despite stiff competition from other racing jurisdictions, California horse racing remains popular here and outside our borders.

Just as we reported last year, The Stronach Group, which owns Santa Anita Park and Golden Gate Fields, along with other horse-racing interests, has been making efforts to grow its business in California and continues to propose bold new strategies. There are differences of opinion at times with respect to new strategies. We remain committed to working with all racetracks and horsemen's groups in a collaborative effort to improve horse racing in California.

The Board authorized wagering at the Derby Room Sports Grill in Norco, increasing to 12 the number of mini-satellites offering wagering on horse racing in sports bars, restaurants, card clubs, and other businesses. We view the expansion of the mini-satellite program as vital to an industry in which, unfortunately, wagering activity continues to shift away from the racetracks that conduct the meets and also away from some of the traditional simulcast wagering facilities at California fairs and festivals. Handle statistics for each California wagering facility are located on page 38 of this annual report.

Looking far ahead, the horse-racing industry is evaluating the various options that will be explored with respect to its role if and when legal sports wagering comes to California. We will continue to work with industry stakeholders as we attempt to achieve what is in the best interest of racing.

Race Dates and Stabling

Stabling is a complex issue, exacerbated by the loss of stalls at Bay Meadows, Hollywood Park, and Fairplex Park. The industry is resilient and to date has been able to hammer out agreements to effectively house all of the horses needed to sustain the various racing circuits in the state. But it is not always clear sailing. The agreement that Southern California stakeholders reached a few years ago expires at the end of 2019. This agreement has relied in part on stabling thoroughbreds at Los Alamitos, which races both thoroughbreds and quarter-horses. Los Alamitos has been awarded as many as seven weeks of daytime thoroughbred and fair racing, run concurrently with its night quarter-horse meets. The CHRB will be part of discussions to ensure that every

meet run in Southern California has suitable stabling for all of the horses needed to run that meet.

Stabling in the north has its own complexities, chief among them being the status of stabling at Golden Gate Fields in the summer when live racing is being conducted at the fairs. Northern stakeholders have been able to work out acceptable business arrangements so far, and we at the CHRB are equally committed to working with those interests toward equitable solutions.

Assigning race dates in the north is always a painful process for the CHRB because the race dates pie simply is not large enough to accommodate all requests. So we on the Board must make judgments in the best interests of horse racing. We rely greatly on input from those concerned as well as business reports for past meets as we strive for a fair balance of interests.

The Breeders' Cup

There was no Breeders' Cup in California last year, which is something we rarely say because California has been awarded the championship racing program more times than any other state — in seven of the last 11 years. We are pleased that Breeders' Cup officials have named Santa Anita Park to host the event this year and also awarded the event to Del Mar in 2021.

California-based horses did exceptionally well in the 2018 Breeders' Cup, including what has been cleverly called a double-double by trainer Peter Miller, who won both the Breeders' Cup Turf Sprint and Breeders' Cup Sprint in back-to-back years with Stormy Liberal (Turf Sprint) and Roy H (Sprint). California-based City of Light took the Breeders' Cup Dirt Mile, while Game Winner easily took the Breeders' Cup Juvenile. Accelerate won the big prize for trainer John Sadler and Hronis Racing LLC by winning the \$6 million Breeders' Cup Classic.

Any discussion of racing accomplishments in 2018 would not be complete without praising California-based Justify for his incredible sweep of the Triple Crown (Kentucky Derby, Preakness, and Belmont Stakes) to remain undefeated in six career starts. Unfortunately, an injury forced his early retirement, so Justify did not compete in the Breeders' Cup Classic as originally planned.

Acknowledgments

We could not accomplish nearly as much without the cooperation of stakeholders and the hard work of my fellow

commissioners — Madeline, Alex, Araceli Ruano, and one of our newest colleagues, Fred Maas. Fred is bringing special talents to the Board that we need and appreciate. I also look forward to working with two newly appointed commissioners, Debra Reed-Klages and Dennis Alfieri. And of course we are fortunate to have the very best staff possible under the guidance of Executive Director Rick Baedeker.

A special thanks goes to a special person. Commissioner Jesse Choper served on the CHRB Board for twelve years and brought wisdom and knowledge and a sense of decent fair play along with his wonderful wit to every single meeting. We and racing could not have had a better friend and colleague than Jesse.

Former Commissioner John Andreini passed during the year. Management at Los Alamitos provided some kind and appropriate words about him on its racing page 33 in this report.

Finally, we want to acknowledge the accomplishments of Gary Stevens, a Hall of Fame jockey who announced his retirement at the end of 2018 due to injuries he sustained during his long racing career. He was based in California for the better part of four decades, so we were witness to most of his 5,000-plus victories. Thank you, Gary.



Chuck Winner, Chair
California Horse Racing Board

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

All of these locations except San Luis Rey Downs, which is an approved training center, and the Humboldt County Fair are open to the public during their off seasons for simulcast wagering.



Privately Operated Race Tracks

- 1-Del Mar, Del Mar
- 2-Golden Gate Fields, Albany
- 3-Los Alamitos, Cypress
- 4-Santa Anita, Arcadia

Racing Fairs

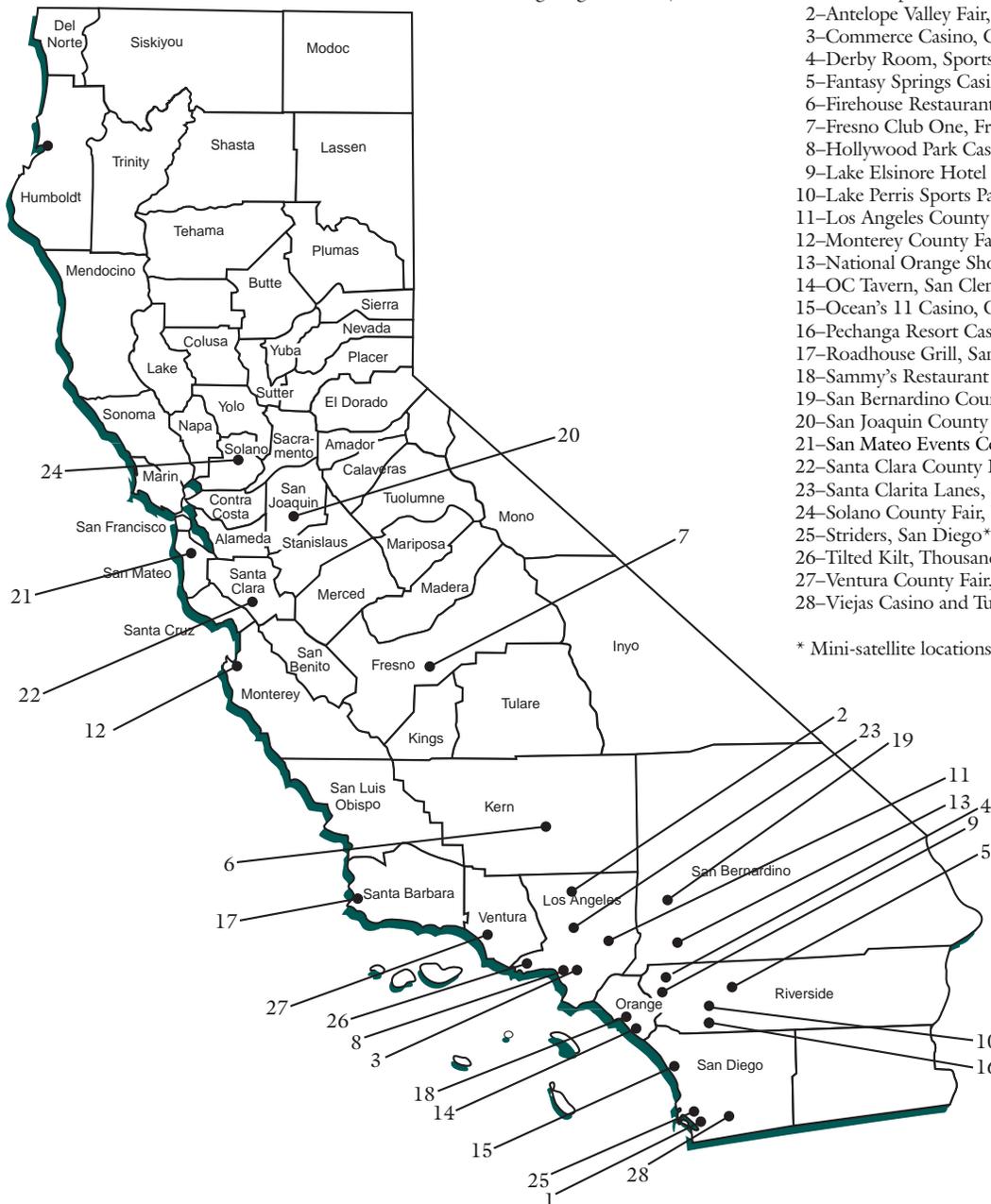
- 5-Alameda County Fair, Pleasanton
- 6-California Exposition, Sacramento
- 7-Big Fresno Fair, Fresno
- 8-Humboldt County Fair, Ferndale
- 9-Sonoma County Fair, Santa Rosa

Training Facilities

- 10-San Luis Rey Downs, Bonsall

Names and Locations of Simulcast-Only Facilities Regulated by the California Horse Racing Board

(See adjacent "Race Tracks" map for other wagering locations.)



Simulcast-only Facilities

- 1–58 Flat Sports Bar & Casino, Bonita*
- 2–Antelope Valley Fair, Lancaster
- 3–Commerce Casino, Commerce*
- 4–Derby Room, Sports Grill & Turf Club, Norco *
- 5–Fantasy Springs Casino, Indio
- 6–Firehouse Restaurant, Bakersfield*
- 7–Fresno Club One, Fresno
- 8–Hollywood Park Casino, Inglewood
- 9–Lake Elsinore Hotel & Casino, Lake Elsinore*
- 10–Lake Perris Sports Pavilion, Perris
- 11–Los Angeles County Fair, Pomona
- 12–Monterey County Fair, Monterey
- 13–National Orange Show, San Bernardino
- 14–OC Tavern, San Clemente*
- 15–Ocean’s 11 Casino, Oceanside*
- 16–Pechanga Resort Casino, Temecula
- 17–Roadhouse Grill, Santa Maria*
- 18–Sammy’s Restaurant and Bar, Mission Viejo*
- 19–San Bernardino County Fair, Victorville
- 20–San Joaquin County Fair, Stockton
- 21–San Mateo Events Center, San Mateo
- 22–Santa Clara County Fair, San Jose
- 23–Santa Clarita Lanes, Santa Clarita*
- 24–Solano County Fair, Vallejo
- 25–Striders, San Diego*
- 26–Tilted Kilt, Thousand Oaks*
- 27–Ventura County Fair, Ventura
- 28–Viejas Casino and Turf Club, Alpine

* Mini-satellite locations

The California Horse Racing Board

History and Mission Statement

Horse racing has been taking place in California since the 1800s, 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 has since been regularly modified, amended, and enhanced to provide for regulation of live racing, off-track wagering, interstate and international wagering, and online account wagering, known as Advance Deposit Wagering, or ADW.

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.
- ◆ Provide uniformity of regulation for each type of horse racing.
- ◆ Provide for maximum expansion of horse-racing opportunities in the public interest.

To accomplish these objectives, the constitutional amendment authorized pari-mutuel wagering on the results of horse races at licensed race meets and created the California Horse Racing Board (CHRB/Board) to oversee the industry's activities in this state. In addition, as a member of the Association of Racing Commissioners International (RCI), the CHRB exchanges information on licensees and disciplinary proceedings with other commissions of the RCI through the National State Racing Information System.

The CHRB is a seven-member com-

mission appointed by the Governor. It directs a statewide staff in the licensure and oversight of all race meets in the state where pari-mutuel wagering is conducted, as well as off-site simulcast wagering locations and ADW companies.

Mission Statement

The mission of the CHRB is to ensure the integrity, viability, and safety of the California horse-racing industry by regulating pari-mutuel wagering for the protection of the public, promoting horse racing, breeding, and wagering opportunities, and fostering safe racing through the development and enforcement of track safety standards and regulations for the health and welfare of all participants.

Principal activities of the CHRB include:

- ◆ Adopting rules and regulations to protect the public and ensure the safety of the human and equine participants.
- ◆ Licensing racing associations and racing-industry participants and officials.

- ◆ Allocating racing days and charity days conducted by racing associations and fairs.
- ◆ Encouraging innovative expansion of wagering opportunities, such as mini-satellites.
- ◆ Monitoring and auditing pari-mutuel handle and takeout, and the appropriate use of takeout distributions.
- ◆ Assessing racing surfaces to determine safety standards for the benefit of the participants.
- ◆ Enforcing laws, rules, and regulations pertaining to horse racing in California.
- ◆ Acting as a quasi-judicial body in matters pertaining to horse-racing meets.
- ◆ Collecting the state's lawful share of revenue derived from horse-racing meets.

The following pages explore some of these programs and functions in more depth.

Members of the California Horse Racing Board

The 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 CHRB 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 chairperson, who presides over meetings of the Board. The members also elect a vice chairperson or when necessary a first vice chair and a second vice chair to preside in the absence of the chairperson.

Commissioners receive \$100 for each day spent in attendance at meetings and are reimbursed for travel 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 committee meetings in accordance with the Bag-

ley-Keene Open Meeting Act. 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.



Chuck Winner,
Chair

Founded Winner & Associates, LLC, in 1975. Appointed to the CHRB by Governor Edmund G. Brown Jr. on April 9, 2012, through July 26, 2015. Reappointed by Governor Brown through July 26, 2019.



Madeline Auerbach,
Vice Chair

Former CFO of JSA Corporation from 1977-2004. Appointed to the CHRB by Governor Edmund G. Brown Jr. on January 2, 2014, through January 1, 2018. Reappointed by Governor Brown through January 1, 2022.

Members of the California Horse Racing Board



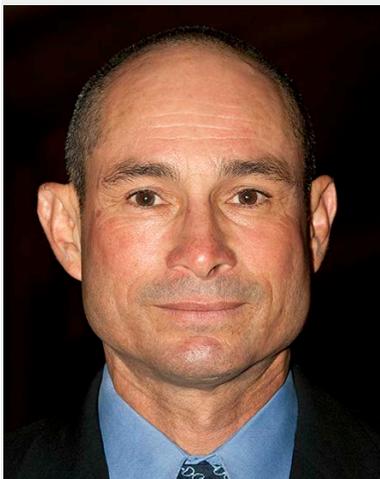
**Fred Maas,
Member**

Executive Chairman of MRV Systems LLC. Appointed to the CHRB by Governor Edmund G. Brown Jr. on August 29, 2017, through January 1, 2020.



**Araceli Ruano,
Member**

COO at SFE Group, LLC. Appointed to the CHRB by Governor Edmund G. Brown Jr. on December 23, 2016, through July 26, 2020.



**Alex Solis,
Member**

Retired jockey, who rode in the United States from 1982 through 2017, and member of National Museum of Racing's Hall of Fame. Appointed to the CHRB by Governor Edmund G. Brown Jr. on April 30, 2015, through January 1, 2018. Reappointed by Governor Brown through January 1, 2022.



**Jesse H. Choper,
Former Member**

Dean and Earl Warren Professor of Law Emeritus at the University of California, Berkeley. Appointed to the CHRB by Governor Arnold Schwarzenegger on March 30, 2007. Reappointed twice through July 26, 2019. Resigned from the Board October 2018.

Appointed to CHRB December 17, 2018



**Dennis Alfieri,
Member**

Managing Member of Mission Real Estate Group, LLC. Founder of Bantry Property Services, LLC. Appointed to the CHRB by Governor Edmund G. Brown Jr. on December 17, 2018, through July 26, 2021.



**Debra Reed-Klages,
Member**

Retired as chairman, president, and chief executive officer of Sempra Energy. Appointed to the CHRB by Governor Edmund G. Brown Jr. on December 17, 2018, through January 1, 2023.

Board and Committee Meetings

Racing commissioners met 17 times in 2018 for public Board and Committee meetings. Noticed meetings are open to the public and include a published agenda. The following 11 Board meetings were held:

January 25 Santa Anita Park	May 24 Santa Anita Park	September 27 Santa Anita Park
February 22 Santa Anita Park	June 21 Alameda County Fairgrounds	October 25 Santa Anita Park
April 19 Santa Anita Park	July 12 Los Alamitos Race Course	November 15 Del Mar Simulcast Facility
	August 23 Los Alamitos Race Course	December 13 Los Alamitos Race Course

Committee Public Meeting Dates

Special Committee on N. CA Racing March 22 Golden Gate Fields	Medication, Safety and Welfare July 20 Del Mar Simulcast Facility	Stabling and Vanning September 26 Santa Anita Park
Medication, Safety and Welfare April 18 Santa Anita Park	Race Dates August 22 Del Mar Simulcast Facility	Medication, Safety and Welfare October 24 Santa Anita Park

CHRB Operating Budget

July 1, 2017 – June 30, 2018

Appropriations	Item	Total
Personal Services	\$5,270,000	
Operating Expenses	8,272,000	
Total Appropriation		\$13,542,000
Expenditures — Personal Services		
Salaries and Wages	3,483,474	
Staff Benefits	1,623,820	
Total Personal Services		\$5,107,294
Operating Expenses and Equipment		
General Expense	430,769	
Printing	45,000	
Communications	97,450	
Postage	25,000	
Travel-in-State	448,218	
Travel-out-of-State	5,000	
Training	10,000	
Facilities Operations	160,154	
Contractual & Professional Services-Interdepartmental	3,735,241	
Contractual & Professional Services-External	3,105,000	
Consolidated Data Center	210,168	
Equipment	0	
Total Operating Expenses and Equipment		\$8,272,000
Special Items of Expense		
Tort Payment	0	
Total Special Items of Expense		\$0
Total Expenditures		* \$13,379,294
**Unexpended Balance FY 2017-18		\$162,706
Total Expenditures & Unexpended Balance		\$13,542,000

* Includes year-end accruals

State Operations

The CHRB is a department of the Business, Consumer Services, and Housing Agency.

Horse racing's specialized and complex regulatory requirements drive the CHRB's organizational structure and determine the responsibilities for its operational divisions.

The Board appoints an executive director to carry out its objectives. Executive Director Rick Baedeker is responsible for the department's operations and regulation of the horse racing industry. The executive director is supported in this regard

by the assistant executive director, Jacqueline Wagner; the Board counsel, John McDonough; the staff counsel, Robert Brodnik, and by supervisory personnel and staff at CHRB offices and at all of the state's racetracks.

The executive and management team plans and oversees the CHRB's budget and directs the department's operational divisions: Administrative Services, Legislation and Regulations, Audits, Licensing, Information Technology, and Enforcement.

Horse racing's dynamics, complexity, and broad geographical base place

a tremendous responsibility on the Board's staff. To assist in this day-to-day oversight, the CHRB contracts with stewards and veterinarians for on-track activities, and with the University of California, Davis, for drug testing and safety-related services.

The horse racing industry operates seven days a week, 365 days a year. Even when there is no live racing, the stable areas and training facilities remain active. To meet the demands associated with this schedule, the executives and key managers remain available at any hour of the day.



Rick Baedeker,
Executive Director

Appointed effective February 3, 2014. Previously held numerous executive positions in horse racing from 1989.



Jacqueline Wagner,
Assistant Executive Director

Appointed December 5, 2011. Previously Manager of Policy & Regulations from 1997 to 2004 and from 2005 to 2011.

Regulatory Changes

The following rules were amended, repealed, or added during 2018:

- Rule 1554**
(amended) *Duties of Horse Identifier:* Amended to require that each horse’s microchip be scanned and verified by the Horse Identifier prior to the horse’s departure for the post before a race. The amendment also stipulates that the horse will be scratched if it does not carry a microchip or its microchip number cannot be verified, unless there is a waiver.
- Rule 1581.1**
(amended) *Entries:* Amended to prohibit a horse’s entry into a race if it does not carry a microchip or waiver in accordance with Rule 1597.5.
- Rule 1588**
(amended) *Horse Ineligible to Start in a Race:* Amended to establish that a horse not carrying a microchip or that has not received a waiver is ineligible to start in any race.
- Rule 1597**
(amended) *Association to Maintain Records of Horses on its Grounds:* Amended to require microchip numbers be recorded with the name of each horse that enters and exits a racing enclosure. Racing secretaries must maintain such records in a manner and format subject to Board approval.
- Rule 1597.5**
(added) *Microchips Required for All Horses on Grounds:* Added to require all horses present within the enclosure of a licensed racing association, racing fair, or training facility carry an implanted microchip. Horses entering the enclosure that do not carry a microchip at the time of entry will be required to have a microchip implanted following specific procedures. Horses shipping from another racing jurisdiction to participate in a single stakes race may request a waiver.
- Rule 1597.6**
(added) *Tampering with Microchips:* Added to prohibit any person from tampering with, removing, or replacing any microchip implanted in a horse.
- Rule 1632**
(amended) *Jockey’s Riding Fee:* Amended to adjust the scale of jockey riding fees for losing mounts by 4.76 percent to comply with the California minimum wage increase, as directed by Business and Professions Code Section 19501.
- Rule 1685**
(amended) *Equipment Requirement:* Amended to provide that riding crops used during training meet the same regulatory standards as riding crops used during the running of a race. The amendment replaces the word “whip” with “riding crop.”
- Rule 1688**
(amended) *Use of Riding Crop:* Amended to provide that the existing provisions regarding use of the riding crop during a race are applicable to both jockeys and exercise riders during training. Subsections (b)(2) and (4) shall not apply to jockeys and exercise riders during training.
- Rule 1689**
(amended) *Safety Helmets Required:* Amended to provide that a racing association, fair, or authorized training facility may not permit any person to be mounted in or riding on a jog cart unless that person is wearing a properly fastened safety helmet. Additionally, the amendment provides a definition of “jog cart” for clarity.
- Rule 1689.1**
(amended) *Safety Vest Required:* Amended to provide that no drivers or any person licensed by the Board shall be mounted in or riding on a sulky or jog cart on the grounds of a racing association, racing fair, or authorized training facility unless wearing a safety vest.

**Rule 1699
(amended)**

Riding Rules: Amended to establish a minimum suspension of two riding days for jockeys riding contrary to the rule. The amendment also requires enhanced suspensions for jockeys who commit multiple infractions within a 60-day period or who jeopardize the safety of another horse or jockey.

**Rule 1844
(amended)**

Authorized Medication: Amended to provide that no clenbuterol, nor its metabolites or analogs, may be present in the official urine test sample for any horse competing in a quarter horse race. The amendment replaces the drug omeprazole with the drug detomidine on the list of drug substances allowed in official urine test samples. It also bans mares in foal from the allowed level of testosterone. The amendment increases the allowed level of xylazine, and its metabolites and analogs, in official blood test samples. It also adds new medications, and their metabolites and analogs, to the list of drug substances that may be present in official blood test samples, along with their allowable levels. Finally, the amendment removes butorphanol, and its metabolites and analogs, from the list of drug substances that are not allowed in official blood test samples.

**Rule 1853
(amended)**

Examination Required: Amended to include a horse's microchip number as a point of identification in examining a horse to determine its fitness to start.

**Rule 1865
(amended)**

Altering of Sex of Horse: Amended to provide that if the true sex of a horse is not reported to the racing office prior to the opening of wagering for the race in which the horse is entered, the stewards shall declare the horse from the race.

**Rule 2050
(amended)**

Beneficiaries, Welfare Programs and Activities: Amended to provide that persons eligible for health care services include CHRB licensees, employees of racing associations, and members of horsemen's organizations and other racing-related charitable organizations representing or assisting backstretch personnel. The amendment stipulates that such services shall occur solely at clinics operated by the entity and be administered without displacing current beneficiaries. It further states that for the purposes of Rule 2050, employees of horsemen's organizations and racing-related charities are considered members of such entities.

Enacted Legislation

The following two horse-racing bills were chaptered in 2018:

**AB 2270 – Assembly
Member Kevin McCarty;
Chapter 100**

This bill authorizes harness and quarter horse associations to offer wagering on a nightly program of out-of-country harness racing. The amendment authorizes harness racing associations to import an entire card of simulcast out-of-country harness racing on days when live racing is occurring. Additionally, the bill allows quarter-horse racing associations conducting a live race meeting to also import an entire card of harness racing, so long as a harness racing association is not running live. Finally, the amendment dictates how the funds acquired as a result of these additional races will be distributed. Per the amendment, after deductions, the remaining funds must be distributed to a harness racing association at 50 percent commissions and 50 percent purses, and to a quarter-horse racing association as solely commission.

**SB 977 – Senate Member
Cathleen Galgiani;
Chapter 783**

This bill removes the \$2 million cap on the distributions received by the Disabled Jockeys Endowment Fund. The removal of the cap allows the Fund to continue collecting distributions necessary to support disabled jockeys in California.

Licensing

The CHRB licensing unit is comprised of one racing license supervisor and six racing license technicians assigned to the thoroughbred, quarter horse, and harness venues.

During a licensed racing meet at any of the racetracks in the state, a licensing field office of the CHRB is established at the operating facility.

The licensing unit issued 8,609 original, renewal, or duplicate licenses in FY 2017–18. Licenses issued included 3,036 new or renewal owner licenses, 336 new or renewal trainer or assistant trainer licenses, 137 new or renewal jockey or apprentice jockey licenses, 1,741 new or renewal groom or stable employee licenses, and 638 new or renewal pari-mutuel clerk licenses as well as many other classes of occupational licenses. The issuance of these licenses generated \$853,055 in licensing fee revenue for the General Fund.

The live-scan fingerprint technology and digital photograph identification card system continued to streamline the licensing process. The applicant's fingerprints were digitally captured and the fingerprint image transmitted to the California Department of Justice and the Federal Bureau of Investigation National Crime Information Center (NCIC) databases. The NCIC database contains criminal history information from federal, state, local, U.S. territory, and for-

eign criminal justice agencies as well as authorized courts. License applicants were screened for disqualifying criminal histories by querying these automated criminal history records. Additionally, all CHRB licensees were subjected to the same criminal history checks upon scheduled license renewal intervals.

The licensing staff verified that all licensed trainers had the required workers' compensation insurance. The racing program was checked daily to ensure that participants were properly licensed. Racing license technicians are trained on the complex circumstances of multiple partnerships, racing syndications, stable names, and various types of corporations, so they were able to explain the requirements to applicants and assist them in selecting the type of license that best met their needs. As part of the verification process, the racing license technicians utilized computer databases, consulted with other racing jurisdictions, and also worked closely with CHRB enforcement personnel.

Appointed CHRB Officials — FY 2017-18

STEWARDS

James Arlt

Paul Atkinson

Grant Baker

Scott Chaney

Ronald Church

James Dreyer

John Herbuveaux

Luis Jauregui

Richard Lewis

Thomas McCarthy

Darrel McHargue (Chief Steward)

William Meyers

Dennis Nevin

Rodney Newhart

David Nuesch

Calvin J. Rainey

Jeffery Salmon

Kim Sawyer

Renee Sheward

Thomas Ward

Ronald Warren Jr.

Jon White

OFFICIAL VETERINARIANS

Dr. Gary Beck

Dr. Eduardo De La Cruz

Dr. Donald Dooley

Dr. William Farmer

Dr. Rebecca M. Fitzgerald

Dr. Forrest Franklin

Dr. Timothy Grande

Dr. Barrie Grant

Dr. Diane Isbell

Dr. Deborah Lamparter

Dr. Nolton Patio

Dr. Dana Stead

Racing Supervision

Racing officials appointed or approved by the CHRB are responsible for on-site supervision of race meets. The racing officials are the stewards, safety stewards, paddock judges, patrol judges, starters, clerks of scales, official veterinarians, racing veterinarians, horse identifiers, horseshoe inspectors, and timers.

The stewards have overall responsibility for the conduct of race meets and are strictly responsible to the Board for the conduct of the meet in every particular. The CHRB selects and contracts with stewards based on their experience and expertise. Each panel of three stewards has been delegated the powers and duties necessary to ensure the integrity of racing and to oversee compliance with laws and rules.

Recognizing the crucial role played by stewards, the CHRB established the position of Chief Steward in 2015. The Board named veteran steward Darrel McHargue to this position. The Chief Steward meets regularly with stewards to discuss and evaluate decisions, rulings, and other actions.

The CHRB directly appoints all stewards and official veterinarians. Other racing officials are nominated by the racing associations subject to CHRB approval. The Legislature provides an annual appropriation to meet the costs of direct racing supervision. The CHRB paid \$2,391,091 in FY 2017–18 for stewards and official veterinarians; other racing officials are paid by associations in the manner prescribed and agreed to by the CHRB.

Acting for the CHRB in matters relating to the race meets assigned to them, the stewards use their delegated authority for the following:

- ◆ Oversee entries, declarations, and the placing of horses for the official order of finish.
- ◆ Preside over examinations required for certain classes of licenses.

- ◆ Conduct administrative hearings on matters involving CHRB rule violations and racing infractions.
- ◆ Issue rulings based on those hearings, such as suspensions and fines.
- ◆ Make recommendations to the CHRB regarding the qualifications and fitness for licensure of applicants referred to them by the Board's licensing staff.
- ◆ Maintain minutes of all such proceedings for review by the Board and the public.

The stewards attend Stewards' Committee meetings, allowing them to discuss issues, rule changes, and interpretations of policy and to receive information. They share views and experiences relating to race reviews, veterinary practices, administrative hearing procedures, and other important work-related matters. The meetings help them remain current on laws, regulations, and policies, helping ensure that all stewards' decisions are made in a fair and consistent manner throughout the state.

The official veterinarians, overseen by the Equine Medical Director (EMD, Dr. Rick Arthur), enforce regulations relating to veterinary practices, medication, and the health and welfare of the horse. They supervise licensed veterinarians, operations of the receiving barn, the collection of equine samples for testing, and the preparation and documentation of the samples to be transported to the laboratory.

The official veterinarians consult with the EMD and track veterinarians; examine horses for fitness; maintain a health and racing soundness record for each racehorse eligible to compete at a race meet; review confidential reports of veterinary treatments of horses under their general supervision; maintain records of infirm horses, accidents, and injuries; approve prescribed therapeutic treatment regi-

mens; and otherwise act as the Board's veterinary advisors.

The horse identifiers accurately identify all racehorses scheduled to start in any race. The horse identifiers supervise the tattooing of horses and maintain 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.

Safety stewards enforce compliance with safety standards. They also:

- ◆ Monitor training to ensure that exercise riders, outriders, and pony riders observe all rules, including wearing safety vests and helmets.
- ◆ Establish horse ambulance protocol for quick response during training and racing.
- ◆ Confirm the use of certified paramedics on ambulance crews.
- ◆ Oversee continuing education classes for provisional exercise riders and apprentice jockeys.
- ◆ File official reports for all serious racing and training accidents.
- ◆ Attend necropsy reviews and assist with the investigation of selected horse fatalities.
- ◆ Assist with the microchipping of all horses that are within CHRB enclosures.
- ◆ Assist the stewards in the licensing of jockeys and exercise riders.
- ◆ Conduct field sampling and testing for the Track Surface Standards program.
- ◆ Monitor and observe daily backside activities.
- ◆ Perform pre-meet track safety inspections.
- ◆ Assist Official Veterinarians in out-of-competition drug testing.

CHRIMS

California is the only state with a statewide pari-mutuel database providing services to racetracks, horsemen, and government entities. Services provided by CHRIMS include data collection, calculation of takeout distributions, database management, software development, pari-mutuel accounting and settlements, money room balancing, customer resource management, and statistical analysis.

CHRIMS is a not-for-profit, mutual-benefits corporation whose members include Northern California Off-Track Wagering Inc. and Southern California Off-Track Wagering Inc. An eight-member board of directors, which includes representatives from racing associations and horsemen, oversees the CHRIMS operation. The CHRIMS databases contain California wagering and attendance data dating back to 1985.

CHRIMS has been instrumental in helping the California racing industry cope with the demands associated with the changing landscape of pari-mutuel wagering during the past 32 years. Specialized applications enable data technicians to electronically collect wagering data and calculate the distribution of takeout based upon California pari-mutuel horse-racing law and contractual business rules.

Each day, CHRIMS downloads pari-mutuel data from various totalisator systems. The data include wagering pools, takeout commissions, breakage, minus pools, runner pay, refunds, uncashed tickets, and voucher information. The raw data collected from totalisator systems are compiled and translated into the CHRIMS database parameters, which conform to California racing law. CHRIMS data can be sorted by a myriad of criteria, including by date, race, pool, host track, location of bet, location type, breed, geographic zone, zip code, state, and race type. CHRIMS con-

nects to and downloads data from AmTote, United Tote, and Sportech, and receives data from the seven licensed California ADW companies, which include Game Play, Lien Games, NYRAbets, TwinSpires, TVG, XpressBet, and Watch & Wager.

CHRIMS partners with the California Marketing Committee on its technology projects, manages the intrastate tote wagering telecommunications network, and provides data relating to the specifics of races (runners, distance, surface, age, class, etc.) via downloads from Equibase.

CHRIMS also provides services to racetracks, ADW companies, and racing commissions outside California. Contracts include Amtote, Aqueduct, Belmont, eBet, Ellis Park, Elite Turf Club, Emerald Downs, Global Wagering Group, Gulfstream Park, Horse Races Now, Keeneland, Kentucky Downs, Laurel Park, Lone Star Park, Louisiana Downs, Meadowlands, Monmouth Park, Pimlico, Portland Meadows, Racing UK, Remington Park, Sam Houston, Saratoga, Tampa Bay Downs, The Red Mile and Watchandwager.com. Racing commissions and horsemen's organizations include the Kentucky Horse Racing Commission and the North Dakota Racing Commission. CHRIMS Inc. received \$725,780 from unredeemed vouchers during calendar year 2017.

Laboratory Services

To protect horse and jockey welfare and the integrity of racing, the CHRB requires analysis of blood and urine samples from horses in competition. The Kenneth L. Maddy Equine Analytical Chemistry Laboratory (Maddy Lab) at the University of California, Davis (U.C. Davis), is the authorized drug-testing laboratory for California horse racing. Funded by wagering revenues, the Maddy Lab analyzed 56,151 samples in FY 2017-18.

The Maddy Lab analyzed 20,580 post-race urine and blood samples, including in-depth testing of 12,061 for anabolic steroids, 20,033 bicarbonate (TCO₂) loading blood samples, 1,793 cobalt blood samples, 1,521 out-of-competition (OOCT) blood samples, 592 OOCT and post-race hair samples, 122 evidence submissions, and 41 other samples for various purposes in FY 2017-18. The cost to the State of California was \$3,187,250.

Urine and blood samples are obtained post-race from the winner of every race, horses finishing second and third in certain stakes races, and from any other horses selected at random from each program, as well as other horses designated by the stewards. Post-race testing includes in-depth testing for anabolic steroids and over 1,800 other prohibited drugs, from regularly used therapeutic medications to potent stimulants such as ethylphenidate. Special testing for cobalt was added early in 2014, including pre- and post-race blood and urine samples and necropsy tissue samples.

Total carbon dioxide (TCO₂) is conducted on thoroughbreds and harness horses to prevent the prohibited practice known as “milkshaking.” Thoroughbred TCO₂ testing is done pre-race; harness horse TCO₂ testing is primarily done pre-race, but some sampling is done 90 minutes post-race on winners. The CHRB thoroughbred and pre-race harness TCO₂ programs are in compliance with the Racing Medication and Testing Consortium (RMTC) best practices recommendations and the Association of Racing Commissioners International model rule for TCO₂ testing.

OOCT testing is critical for compliance in human sports testing and is absolutely necessary to detect certain prohibited drugs. OOCT testing targets blood-doping agents, anabolic steroids, beta-2 (β₂) agonists, and other biopharmaceutical agents. The OOCT program monitors compliance with anabolic steroid reporting procedures and for surveillance of other drugs of interest. The program expanded in FY 2017-18 to include equine hair analysis, an alternative testing matrix to expand the drug-detection window.

The Maddy Lab maintains a portion of every urine sample for retrospective testing should a new test become available. Samples underwent retrospective testing for drugs of abuse. The CHRB is prepared for the next generation of performance-enhancing drugs.

Dr. Scott Stanley is chief chemist at the Maddy Lab’s analytical chemistry division. Dr. Stanley will be leaving his position early in 2019 to establish a laboratory in Kentucky. During his tenure at U.C. Davis, Dr. Stanley built the Maddy lab into one of the top racing laboratories in the world. Dr. Ben Moeller will assume the role of chief chemist with Dr. Stanley’s departure. Dr. Moeller joined the Maddy Lab in 2016 and oversaw laboratory operations for much of 2018. Dr. Moeller received his PhD at U.C. Davis under Dr. Stanley on the analytical chemistry of equine anabolic steroids.

The Maddy Lab is accredited by the American Association for Laboratory Accreditation to ISO17025 international standards and was the first laboratory in the country accredited to the RMTC accreditation program. The Maddy Lab is one of only five racing laboratories certified by the International Federation of Horseracing Authorities and the only racing laboratory so certified in the western hemisphere. The Maddy Lab utilizes state-of-the-art scientific instrumentation, including liquid chromatography-mass spectrometry (LC-MS) screening processes. The combined testing panel covers over 1,800 drugs utilizing a spectral library for forensic identification. The Maddy Lab routinely adds new drugs and updates its metabolite profiles as new information becomes available.

The equine pharmacology division is under the direction of Dr. Heather Knych, the Maddy Lab’s Veterinary Pharmacologist. In addition to CHRB support, the research program receives funds from numerous outside sources, including the Center for Equine Health, RMTC, Grayson/Jockey Club Research Foundation, The Jockey Club, and California Department of Food and Agriculture.

The Maddy Lab conducts ongoing research to improve testing capabilities for potential drugs of abuse and to provide horsemen and veterinarians with information to better treat their horses and remain in compliance with horse racing rules. Dr. Sophie Bromilow was brought on as a post-doctoral fellow at the Maddy Lab this last year to work on equine biological passport research largely funded by a grant from The Jockey Club.

The Maddy Lab conducts research and has published over 230 research papers on equine anti-doping methods, veterinary pharmacokinetics, toxicology, and veterinary drug compounding.

Racing Safety Program

California Business and Professions Code (B&P Code) section 19481 requires the CHRB to establish safety standards to improve the safety of horses, riders, and workers at the racetrack. B&P Code section 19481.3 requires the stewards to prepare a report that identifies the circumstances and likely causes for all on-track accidents. In addition, the B&P Code establishes the qualifications for licensing and the duties of trainers and veterinarians.

The CHRB's Racing Safety Program (RSP), begun in 2010, addresses the requirements of the B&P Code and is credited with proactively creating programs that continue to significantly reduce injuries to both horses and riders.

The RSP focuses on:

1. Continuing education;
2. The University of California, Davis (U.C. Davis) California Animal Health and Food Safety Laboratory System (CAHFS) Postmortem Program;
3. Fatality investigations and necropsy reviews;
4. The Microchip Program; and
5. Other Notable Safety Concerns, including:
 - Enhanced safety at Del Mar
 - Vests and riding crop use during training
 - Fatalities each fiscal year
 - Industry efforts

The continuing education program has completed three education modules, thanks to the collaborative effort between the CHRB, U.C. Davis, and contributions from Dr. Larry Bramlage. The Welfare and Safety of the Racehorse Summit website will be hosting these education modules. They focus on the CHRB program overview, humerus, scapula, and bone physiology. All of these education modules are free of charge and located at <https://courses.grayson-jockeyclub.org/course-index>.

The CHRB/CAHFS Postmortem Program identifies the pathology related to the death of the racehorse and provides an in-depth scientific understanding of the injuries that were sustained. The CHRB conducts investigations into every racehorse fatality that occurs at a California racetrack or official training facility.

Necropsy Reviews are now being conducted by the official veterinarian of each racing or training fatality. The trainer

and the horse's connections meet privately with a panel of veterinarians, officials, and others to discuss and better understand the cause of each fatality. This forum welcomes an open discussion for all with an exchange of information to benefit and educate all those in attendance.

The Microchip Program has involved a CHRB and industry effort to microchip horses at California racetracks and training facilities beginning early in 2018.

A rule requiring all horses to be microchipped took effect December 26, 2018. At the same time The Jockey Club, the breed registry for thoroughbreds, previously required all foals from 2017 onward be microchipped at time of registration. Accordingly, as of 2019, all newly turned thoroughbred 2-year-olds will have already been microchipped.

Other safety measures that contributed to a 34-percent decrease in fatalities in the last fiscal year include:

- ◆ New safety procedures have been implemented concerning training in the morning and having additional veterinarians on staff during training and racing.
- ◆ Harness drivers are now required to wear safety vests when training.
- ◆ The use of riding crops is being monitored during training.
- ◆ Rules and regulations have been implemented that record corticosteroid injections, require enhanced veterinary checks for horses with a 90-day layoff or more before entry, and require medical records to be transferred to the new trainer when a horse is claimed.
- ◆ Diagnostic imaging techniques such as MRI and Position Emission Tomography (PET scan) have been made available to detect problems and prevent injuries to horses.
- ◆ The CHRB, associations, horsemen's organizations, owners, trainers, jockeys, and other licensees have worked together to achieve a significant reduction in equine fatalities from all previous years.

Equine Postmortem Program

California horse racing saw a marked drop in racing and training fatalities in FY 17-18 from the previous year. The reduction in fatalities was the culmination of years of effort that is discussed in the Racing Safety section and Report from the Chairman in this document.

The State of California monitors all equine fatalities within CHRB racing and authorized training facilities. This is accomplished through official veterinarians, safety stewards, the equine medical director, and the CHRB/University of California, Davis (U.C. Davis) post-mortem program. The program primarily operates through the California Animal Health and Food Safety (CAHFS) laboratory system's laboratories at U.C. Davis and San Bernardino, except cases from the Fresno fairgrounds, which go to the laboratory in Tulare. U.C. Davis/CAHFS pathologists provide the annual report to the Board, which offers a descriptive report of findings. The post-mortem examination report is posted on the CHRB website under the Veterinary section.

The CHRB/U.C. Davis Postmortem Program began in 1990 as a partnership between the CHRB and the CAHFS laboratory system operated under the School of Veterinary Medicine at U.C. Davis. The goal of the program is to study the nature of injuries occurring in racehorses, to determine the reasons for these injuries, and to develop strategies to improve the health, safety, and welfare of racehorses.

CHRB Rule 1846.5, Postmortem Examination, requires a necropsy for all horses dying within a CHRB facility. CAHFS veterinary pathologists perform the necropsy and prepare a report for the CHRB. Depending on the specifics of the case, additional testing, such as toxicology including drug testing, microbiology, histology, virology, or other specialized tests, may be necessary before a final report is issued. The CHRB/ U.C. Davis-CAHFS necropsy program is world recognized and considered an international model.

The CHRB funds the postmortem examinations; racing associations provide transportation to the CAHFS laboratories; specific studies are funded by research grants from private and public sources, including the Center for Equine Health at U.C. Davis.

Musculoskeletal injuries are the most common cause of fatalities at CHRB facilities, consistently around 80 percent of all fatalities. Musculoskeletal specimens of special interest are forwarded to the J.D. Wheat Veterinary Orthopedic Research Laboratory (VORL) at the School of Veterinary Medicine at U.C. Davis for in-depth analysis. The uniquely equipped VORL is under the direction of Dr. Sue Stover. The immediate goal of the enhanced necropsy is to determine the causes and reasons for horse injuries and fatalities. The ultimate goal of this and other related programs is to improve detection of injuries earlier to reduce serious

non-fatal injuries and prevent catastrophic fatalities on the track. There is a distinct link between equine safety and jockey safety. Nearly a third of all jockey falls and over half of all jockey injuries are associated with a sudden death or catastrophic injury to the horse.

In-depth analysis of necropsy specimens at VORL has shown the role of undiagnosed stress fractures contributing to catastrophic fractures of the pelvis, femur, humerus, scapula, tibia, third metacarpal (shin), and other bones. Pre-existing pathology at the site of the fatal injury is a re-occurring finding at enhanced necropsy, with nearly 90 percent of musculoskeletal racing and training fatalities showing pre-existing pathology associated with the fatal injury. While much of the pre-existing pathology is not clinically apparent and is only detectable at enhanced necropsy using specialized laboratory instrumentation, these pre-existing changes suggest there may be an opportunity to develop early clinical detection techniques to prevent serious injury. Using information from the necropsy program, the CHRB is collaborating with Dr. Stover and The Jockey Club to develop on-line continuing education modules to help better understand how bone responds to training and racing and allow trainers identify horses at risk.

Dr. Stover and her team have been focusing on proximal sesamoid bone fractures for several years. Proximal sesamoid bone fractures and associated fetlock (ankle) injuries are the single major cause of fatal racehorse injuries, both racing and training, accounting for nearly 50 percent of all musculoskeletal fatalities. Proximal sesamoid bone fractures frequently have pre-existing changes in the bone undetectable by currently available diagnostic imaging techniques. Efforts are underway to develop diagnostic imaging techniques that would help identify such lesions ante-mortem.

Research findings are published in veterinary medical journals and presented at racing industry, veterinary medical, and other professional meetings available to the public. A list of the published scientific articles can be found in the appendix of the postmortem reports on the CHRB website.

While the focus has been on musculoskeletal injuries, the CHRB program allowed CAHFS pathologists and toxicologists to identify a link between traces of anti-coagulant rodenticides (rat poison) and unusual abdominal hemorrhage. Sudden deaths are an internationally recognized sport horse phenomenon. The program has improved necropsy and procedures for sudden death investigations over the last several years and has encouraged international consistency on cardiac sudden death examinations in order to better understand the problem in equine athletes. The pathologists currently are investigating the relationship between subtle pathological findings in cardiac tissue and equine sudden deaths through grants from the Center for Equine Health.

Fatalities at CHRB Facilities by Track and Surface July 1, 2017 — June 30, 2018

Track	Racing*			Training**			Other***	Total
	Dirt	Synthetic	Turf	Dirt	Synthetic	Turf		
Cal Expo (Harness)	0			1			2	3
Cal Expo (State Fair)	0			0			0	0
Del Mar	4		2	6		0	0	12
Ferndale							0	0
Fresno	0			0			0	0
Galway Downs				0			0	0
Golden Gate Fields		12	2		12	0	4	30
Los Alamitos	23			6			12	41
Pleasanton	1			1			1	3
San Luis Rey Downs				4			0	4
Santa Anita	10		10	17		0	7	44
Santa Rosa	1		0	0		0	0	1
TOTAL	39	12	14	35	12	0	26	138

*Racing includes any fatality associated with racing.

**Training includes any fatality associated with training.

***Other includes any non-exercise related fatality, including stable area accidents. The most common cause of death in the Other group is gastro-intestinal diseases, such as colic, colitis, and enteritis, followed by respiratory disease, primarily pneumonia and pleuropneumonia, and neurological diseases, including West Nile Virus and equine protozoal myeloencephalitis (EPM).

Due to the circumstances and the nature of the injuries, the 46 horses that died in the Lilac fire at San Luis Rey Downs did not undergo necropsies.

Starts for All Breeds: July 1, 2017 — June 30, 2018

Track	Racing Surface		
	Dirt	Synthetic	Turf
Cal Expo (Harness)	4,525		
Cal Expo (State Fair)	516		
Del Mar	2,268		1,734
Ferndale	280		
Fresno	426		
Golden Gate Fields		6,653	1,679
Los Alamitos	10,354		
Pleasanton	1,331		
Santa Anita	5,163		3,759
Santa Rosa	411		218
TOTAL	25,274	6,653	7,390

Horse Racing in California

Every sport has its stars. Horse racing is no exception. And here in California we were treated to spectacular performances in 2018 by Accelerate, who won four Grade 1 races in California before winning the Breeders' Cup Classic in Kentucky, and Justify, who mesmerized the world by sweeping the Triple Crown and remaining undefeated in his brief career. This section of the CHRB Annual Report reviews these and other highlights of the year's racing activities in California.



BENOIT PHOTO

Justify making believers early in his career

California Horse-Racing Meets During 2018

Thoroughbred Race Meets — Central & Southern Zones		
Santa Anita Park	12/26/17 – 06/24/18	
Los Alamitos Racing Assn.	06/28/18 – 07/15/18	
Del Mar	07/18/18 – 09/03/18	
Santa Anita Park	09/28/18 – 11/04/18	
Del Mar	11/09/18 – 12/02/18	
Los Alamitos Racing Assn.	12/06/18 – 12/16/18	
Thoroughbred Race Meets — Northern Zone		
Golden Gate Fields	12/26/17 – 06/10/18	
Golden Gate Fields	08/23/18 – 09/30/18	
Golden Gate Fields	10/18/18 – 12/09/18	
Quarter Horse Race Meets — Statewide		
Los Alamitos	12/29/17 – 12/16/18	
Harness Race Meets — Statewide		
Cal Expo	12/26/17 – 05/12/18	
Cal Expo	11/10/18 – 12/15/18	
Fair Meets — Statewide		
Pleasanton (OTRA*)	Alameda County Fair	06/15/18 – 07/08/18
Cal Expo	State Fair	07/13/18 – 07/29/18
Santa Rosa	Sonoma County Fair	08/02/18 – 08/12/18
Ferndale	Humboldt County Fair	08/16/18 – 08/26/18
Los Alamitos**	Los Angeles County Fair	09/06/18 – 09/23/18
Fresno	Big Fresno Fair	10/04/18 – 10/14/18

* Oak Tree Racing Association

** LA County Fair race meet relocated from Fairplex in Pomona to Los Alamitos Race Course in 2014.

Handle 2018

Statistics in this report may differ slightly from those released by the racing associations and fairs shortly after their race meets concluded due to updated information on Advance Deposit Wagering (ADW) and non-commingled handle.

Annual Report - Racing Year 2017 (Wednesday, 12/20/17 through Tuesday, 12/18/2018)

Host	Thoroughbred Racing Associations												Racing Fairs				Night Meets		Total
	Del Mar Summer	Del Mar Fall	Golden Gate	Los Alamitos Summer	Los Alamitos Winter	LATC Spring	LATC Summer	LATC Autumn	Alameda County	California State Fair	Big Fresno Fair	Humboldt County	Los Angeles County Fair	Sonoma County	Watch & Wager	Los Alamitos Quarter Horse			
Cards	36	16	149	12	8	101	22		15	11	9	7	12	8	48	149	603		
Starters	2,821	1,047	8,839	665	521	7,127	1,636		828	513	485	294	705	475	3,929	8,194	38,079		
Number of Live Races	318	136	1,274	96	70	908	205		128	85	76	54	103	72	524	1,264	5,313		
Average field size per race	8.87	7.70	6.94	6.93	7.44	7.85	7.98		6.47	6.04	6.38	5.44	6.84	6.60	7.50	6.48	7.17		
Brick and Mortar Bets in California																			
<u>On Track:</u>																			
Live Races	53,007,664	8,571,468	20,292,956	2,312,296	1,546,008	76,613,557	14,222,734		3,112,164	1,044,492	2,142,039	557,597	2,026,442	1,654,639	1,085,934	11,906,070	200,096,059		
Other California Tracks (Intrastate)	784,888	353,912	11,457,182	374,486	295,266	12,228,422	2,232,463		869,049	429,772	264,089	69,107	499,375	344,527	3,929	8,194	30,202,238		
Races run outside California	5,647,405	989,507	21,097,536	2,560,977	1,190,822	31,118,906	7,317,654		1,314,205	591,172	260,148	24,460	1,959,827	270,760	395,785	5,788,490	80,527,655		
Total	59,439,657	9,914,887	52,847,673	5,247,759	3,032,096	119,960,885	23,772,851		5,295,418	2,065,436	2,666,275	651,164	4,485,644	2,269,926	1,481,719	17,694,560	310,825,952		
<u>Off Track in Host's Zone:</u>																			
Live Races	34,047,954	13,205,025	18,355,962	4,850,490	3,832,537	71,539,951	14,077,808		1,469,240	916,602	819,964	325,185	4,871,615	1,011,181	5,729,980	30,004,395	205,057,889		
Other California Tracks (Intrastate)	5,699,336	4,677,820	27,490,714	1,641,970	1,290,150	23,514,931	4,606,766		2,417,711	2,750,799	1,510,237	1,803,475	2,337,178	2,128,509	6,634,751	36,532,479	81,869,595		
Races run outside California	31,160,249	13,671,213	64,305,703	11,858,487	6,225,699	104,589,649	23,259,075		6,932,561	5,940,410	3,637,904	2,052,530	9,845,906	4,206,268	12,364,731	66,536,873	330,852,283		
Total	70,907,539	31,554,057	110,151,780	18,350,947	11,348,386	199,644,531	41,943,649		10,819,511	9,607,811	5,968,105	4,181,190	17,054,699	7,345,957	12,364,731	66,536,873	617,779,167		
<u>Off Track Outside Host's Zone:</u>																			
ADW in California:	9,947,632	3,888,684	52,268,228	1,731,996	1,293,567	27,411,140	5,598,443		2,810,399	1,571,089	1,533,148	524,877	1,663,707	1,828,922	5,729,980	30,004,395	205,057,889		
Live Races	38,917,574	11,646,664	12,162,499	4,341,489	3,088,113	77,804,069	15,051,920		752,927	416,258	342,110	74,435	4,072,301	441,822	2,474,145	30,948,455	202,534,782		
Other California Tracks	1,843,469	2,043,614	24,220,415	495,827	721,449	13,232,175	2,453,390		2,024,894	2,831,167	1,113,050	1,752,861	1,142,921	2,051,308	6,634,751	36,532,479	55,926,540		
Races run outside California	40,311,403	16,296,287	76,556,238	17,500,603	8,379,766	149,294,029	31,442,001		8,072,709	5,882,441	3,288,409	2,508,951	13,588,789	3,960,961	19,248,620	44,911,762	441,242,969		
Total	81,072,446	29,986,565	112,939,152	22,337,919	12,189,328	240,330,273	48,947,311		10,850,530	9,129,866	4,743,569	4,336,247	18,804,011	6,454,092	21,722,765	75,860,217	699,704,292		
Outside Host's zone	8,237,987	2,803,678	19,975,518	953,150	741,569	16,723,973	3,463,165		677,091	370,698	406,450	149,230	943,498	480,533	-	-	1,493,908,980		
TOTAL GENERATED IN CALIFORNIA	229,605,262	78,147,871	348,182,351	48,621,772	28,604,945	604,070,803	123,725,420		30,452,950	22,744,901	15,317,547	9,842,708	42,951,559	18,379,430	35,569,215	160,091,650	1,628,310,011		
Exports to Out of State	245,430,515	83,345,054	225,574,756	22,557,411	20,332,529	576,914,612	118,279,178		7,014,272	3,790,205	5,003,850	1,101,070	23,429,227	5,042,593	17,928,299	98,510,550	1,454,254,122		
Commingled	10,131,529	3,882,740	5,650,389	912,111	1,145,000	8,082,555	1,973,856		765,250	664,208	606,228	393,263	1,406,523	541,205	-	3,590,000	39,654,888		
Non Merged	255,562,045	87,177,793	231,225,145	23,469,322	21,477,529	584,997,167	120,253,034		7,779,522	4,454,414	5,610,078	1,494,333	24,835,750	5,583,798	17,928,299	102,060,550	1,493,908,980		
TOTAL RACES RUN AT HOST TRACK	485,167,307	165,325,664	579,407,495	72,091,294	50,082,474	1,189,067,970	243,978,454		38,232,472	27,199,315	20,927,625	11,337,042	67,787,309	23,963,228	53,497,515	262,152,200	3,122,218,991		
PLUS RACES RUN AT OTHER TRACKS	466,981,687	158,633,302	507,163,750	69,406,148	48,047,339	1,144,932,856	234,916,846		34,744,982	25,257,527	18,988,027	10,662,935	65,180,105	21,653,773	53,497,515	262,152,200	3,122,218,991		
TOTAL DISTRIBUTED BY HOST*																			

*Excludes California bets placed outside hosts zone

California Racetracks

The vast horse-racing industry in California included racetracks that stretch from the Humboldt County Fair near the Oregon border down to Del Mar just above San Diego and the Mexican border. The racetracks, together with simulcast outlets and Advance Deposit Wagering (telephone and Internet), make horse racing accessible to all of California and the world.

HIGHLIGHT

Santa Anita Showcased Elite Horses at the Winter Meet Leading to Increased Business

SANTA ANITA PARK WINTER-SPRING

Once again, total handle at Santa Anita's winter-spring meet exceeded \$1 billion. Despite running two fewer programs than in 2017, the 2018 meet enjoyed a 5 percent increase in all-source handle with fans wagering \$1,144,932,856 on 103 programs, testifying to the immense popularity of racing at that venue.

"We've said this consistently, our customers are the economic engine that drives our business," said Tim Ritvo, Chief Operating Officer for The Stronach Group. "We want to thank all of our fans, those here on track and around the country, for supporting our racing in such a substantial way. We also want to thank the owners and trainers and all of our staff for their support and cooperation."

A Santa Anita press release noted they "ran 70 more races on the grass than we did a year ago, and we give Turf Superintendent Jesse Martinez and his crew a ton of credit. Our customers want larger, competitive fields. Grass racing really helps us to provide that. Without a doubt, the MVP's of this meet were the main track and turf crews who gave us safe and consistent surfaces for the entire six-month season. To run as often as we did on the main track and turf, you need great people. Right from the top, with Track Superintendent Dennis Moore overseeing everything, to Jesse and his guys really made this happen."



The meet showcased several equine stars, most notably Accelerate and Justify, who would conclude the year battling for Horse of the Year honors. Accelerate easily won both the San Pasqual Handicap and the Santa Anita Handicap, springboards to an impressive victory in the Breeders' Cup Classic at the end of the year. Justify launched his racing career at the age of three with three smashing victories at Santa Anita, culminating with a front-running score in the Santa Anita Derby. From there he went on to sweep the Triple Crown.

Catalina Cruiser winning an allowance race at Santa Anita to begin his impressive career with Drayden Van Dyke.

BENOIT PHOTO

HIGHLIGHT

Autumn Meet Again Prepared Winners for Breeders' Cup Victories

SANTA ANITA PARK AUTUMN

Bettors hoping to grab a share of more than \$1 million carried over from previous programs wagered a staggering \$6.7 million on the Pick Six to close out Santa Anita's autumn meet, which boosted all-source handle for the 22-day meet to \$234,916,846, marking a 10-percent increase in average daily handle over the 19-day meet in 2017.

The autumn meet, which typically opens in late September, always provides opportunities for horses preparing for the Breeders' Cup a month later by offering rich races with conditions similar to corresponding Breeders' Cup races. This has been proven over and over again to be a winning formula — certainly for four horses that raced at the 2018 autumn meet.

Accelerate was freshened for three months in the middle of the year, so required two races to get fully cranked up for the Breeders' Cup Classic. Trainer John Sadler brought him back to win the Pacific Classic at Del Mar in August, and then used a victory in the Awesome Again at Santa Anita to set him up for a thrilling score in the Classic.

Game Winner also used Del Mar and Santa Anita races to establish his credentials for the Breeders' Cup. An easy win in the American Pharoah at Santa Anita's autumn meet convinced bettors to make Game Winner the even-money favorite in the Breeders' Cup Juvenile, which he won by more than two lengths.

But perhaps the most eye-catching accomplishments were those of Stormy Liberal, winner of the Eddie D. Stakes at Santa Anita, and Roy H, winner of the Santa Anita Sprint Championship at the same autumn meet. Those two horses completed what has been cleverly called a double-double for their trainer, Peter Miller, after they repeated as winners of the Breeders' Cup Turf Sprint (Stormy Liberal) and Breeders' Cup Sprint (Roy H) in 2017 and 2018.



BENOIT PHOTO

Game Winner (Joel Rosario) winning the American Pharoah at Santa Anita

HIGHLIGHT

Teamwork Made for Another Highly Successful Summer Meet

DEL MAR SUMMER

Building success upon success, Del Mar posted more than a 7-percent increase in all-source during its summer meet, helped by good weather, quality horses, and an increase in field sizes, so popular with bettors. Fans wagered \$466,981,687 during the 38-day meet, up \$31 million from 2017.

“Across the board, we’ve hit all our marks with a wonderful display of teamwork in a group effort,” said Joe Harper, the track’s chief executive officer. “Our owners, our trainers, our jockeys — everyone pulling their oars in the same direction. It is amazing what positive things can happen when we all get on the same page to put on a first-rate show. The bar was set very high in 2017, but here we’ve gone and jumped far over it in a very gratifying summer.”

Field size, which averaged 8.6 runners per race in 2017, rose to nearly 8.8 in 2018, thanks in part to the highly successful “Ship & Win,” which offered financial incentives to attract 105 new runners to the track from out of state.

“The response from our horsemen and horsewomen to our program at Del Mar has been just terrific,” said Executive Vice President for Racing Tom Robbins. “We have a wonderful partnership going right now, and we’ll continue to work to make it even better. And our track crews — headed by Leif Dickinson on our turf course and Dennis Moore on our main track — have been nothing short of exceptional. Their superior work has allowed us to conduct highly competitive and safe racing throughout the summer, and we all owe them a huge thank you. We dedicate significant off-season time and resources to preparing the surfaces for their best, and it is heartening to see such positive results.”

Foremost among the exceptional racing that unfolded over the course of the summer was a dominant win by Hronis Racing’s Accelerate in the \$1-million TVG Pacific Classic, which led to Accelerate’s popular victory in the Breeders’ Cup Classic later in the year. Then there were a series of 2-year-old stars led

by the Bob Baffert-trained and Gary and Mary West-owned Game Winner, victorious in the Grade I Futurity. Game Winner went on to win the Breeders’ Cup Juvenile.



BENOIT PHOTO

Accelerate wins the 28th Pacific Classic by 12½ lengths, a record for the race, with Joel Rosario aboard.

HIGHLIGHT

One Year After Breeders' Cup, Fall Meet Still Drew Important Horses And Significant Handle

DEL MAR FALL

Following on the heels of a stellar summer season, Del Mar Thoroughbred Club completed its fifth fall meet with significant total handle, though comparisons with 2017 were difficult given that Del Mar hosted the Breeders' Cup in 2017, which accounted for \$166 million for the two championship programs. Without the Breeders' Cup in 2018, Del Mar's all-sources handle totaled \$158,633,302 for 16 days. The 2017 figure, also 16 days, exceeded \$314 million.

"The fall meet has found its niche and that's important for the overall health of the California racing calendar," Chief Executive Officer Joe Harper. "All in all, we are pleased with the results, and when you combine them with the summer and our continued efforts to provide the safest possible environment for our horses and riders, it was a terrific year."

Del Mar's 2018 fall racing festival had several standout performances, including a smart victory in the Grade I Hollywood Derby by Peter Brandt's Raging Bull on closing Saturday, then an equally impressive triumph by Sol Kumin, Michael Caruso and Robert LaPenta's Uni the next day in the Grade I Matriarch. Both of those eastern-based horses are trained by the country's top conditioner, Chad Brown, and both were ridden by former three-time Del Mar riding champion Joel Rosario.

Trainer Peter Miller continued his hot run at Del Mar by winning his fourth fall conditioning crown with 15 victories, while jockey Drayden Van Dyke captured his first fall title with 17 firsts. The pair had swept the 2018 summer honors previously with 31 scores for Miller and 42 for Van Dyke during the 36-day stand.



BENOIT PHOTO

They're off to a perfect start during Del Mar's fall meet.

HIGHLIGHT

Horse Racing Always Popular at Bayside Oval

GOLDEN GATE

Competitive racing and stakes action were prominent all year long at Golden Gate Fields, which contributed to total handle of 507,163,750 from 149 racing programs during three race meets, compared with \$434,168,483 from 147 racing programs in 2017.

During the 2018 winter-spring meet, Santa Anita shipper Flamboyant defeated a full, star-studded field in the San Francisco Mile, which is the premier race of the year at Golden Gate Fields. Also noteworthy, Michael McCarthy-trained Paved became the first filly ever to score a victory in the El Camino Real Derby. Abel Cedillo won the jockey title with 95 wins, four more than William Antongeorgi III. Jonathan Wong won his first ever-training title at the meet, defeating Hall of Famer Jerry Hollendorfer by two wins.

Alert Bay won the only stake of the summer meet, the Rolling Green Stakes, and the long-term goal for the now 8-year-old is the 2019 San Francisco Mile. If he were to win the 2019 edition of the Mile, he would go down as the only horse in history to win three San Francisco Mile events. Irving Orozco and Juan Hernandez tied atop the jockey standings, with both journeyman riders picking up 29 wins apiece. Wong also won the summer meet training title with 21 trips to the winner's circle, nine more than trainer Victor Trujillo.

Editore successfully defended his title in the premier race of the meet, the Grade 3 Berkeley Handicap, by defeating San Francisco Mile winner Flamboyant.

The popular Miss America Stakes drew a field of 18 fillies and mares, so split into two divisions. Southern California shipper Lynne's Legacy won the first division, and then Pyscho Sister won the second division.

A close race in the jockey standings between William Antongeorgi III and Abel Cedillo ended with Antongeorgi III picking up the most wins at the fall meet with 36, just one better than Cedillo. Trainer Jonathan Wong swept all three training titles in 2018. He finished atop the standings at the fall meet with 28 wins. Jerry Hollendorfer was second with 15 wins.



VASSAR PHOTO

Paved becomes the first filly to win the El Camino Real Derby, ridden by Drayden Van Dyke.

HIGHLIGHT

Quarter Horse Racing Attracts Nation's Top Competitors

LOS ALAMITOS QUARTER HORSE

Total handle of \$262,152,200 from 149 nightly quarter-horse racing programs at Los Alamitos Race Course exceeded the 2017 total handle of \$242,195,314 from 146 programs.

The 68th racing season of quarter horse racing at Los Alamitos concluded with the track hosting 12 open Grade 1 quarter horse stakes races, more than any other track in the nation, and part of an outstanding stakes schedule worth \$10 million in purse money in 2018. The meet was highlighted by the running of the \$1,878,475 Los Alamitos Two Million Futurity, the richest race of any breed held in California in 2018.

The track featured two other rich futurities, the Golden State Million Futurity, won by Scott Bryant's Flash And Roll, and the Ed Burke Million Futurity, won by Jeff and Kim Pitcher's Wave Her Down. All in all, Los Alamitos hosted a nation's best 29 graded stakes races for quarter horses in 2018. Another top racing star, BH Lisas Boy, began his outstanding campaign by winning the inaugural Brad McKinzie Los Alamitos Winter Championship, named in honor of the longtime Los Alamitos racing executive who passed away in 2017.

The racing industry lost an important figure in 2018 with the passing of John Andreini, a leading quarter horse owner and breeder and a former member of the California Horse Racing Board. He was also the founder and CEO of Andreini & Company, one of the largest privately held insurance brokerages in the United States. He was 90-years-old.

"John was a giant in quarter horse racing," said Ed Allred, the owner of Los Alamitos Race Course. "All the wonderful things you'll hear about John Andreini are all true. He helped us in so many ways. When we were facing difficulties with Workers' Compensation coverage, he helped us create the framework for Finish Line Insurance Group."



BH Lisas Boy and Cesar DeAlba winning the Brad McKinzie Los Alamitos Winter Championship

HIGHLIGHT

Day Thoroughbred Programs Complement Night Quarter-Horse Racing

LOS ALAMITOS THOROUGHBRED

The three daytime thoroughbred and fair meets conducted in the summer and fall of 2018 at Los Alamitos Race Course collectively handled \$182,633,592 from 32 racing programs, up from \$175,730,318 handled during 31 programs in 2017.

Long the home of night quarter-horse racing in California, Los Alamitos also has been providing stabling for thoroughbreds and conducting daytime thoroughbred and fair racing since 2014 following the closure of Hollywood Park in December 2013.

Among the highlights of the three meets:

- ◆ Marley's Freedom swept past defending champion Skye Diamonds late to win the Great Lady M., the second graded victory in as many starts after she was transferred to the stable of Hall of Fame trainer Bob Baffert.
- ◆ Once On Whiskey rallied late to defeat Draft Pick by a head in the Los Alamitos Derby, giving Baffert his third win in the race in four years.
- ◆ Instagrاند, purchased for \$1.2 million at the Fasig-Tipton Gulfstream sale in March, won his debut three months later by 10 lengths, while geared down late by jockey Drayden Van Dyke for trainer Jerry Hollendorfer.
- ◆ Shades of Victory, after being claimed for \$12,500 by owner-trainer Reed Saldana April 7 at Golden Gate Fields, led throughout to pull an 80-1 upset in the E.B. Johnston Stakes.
- ◆ Galilean, a \$600,000 purchase at the Barretts sale in April by a partnership that includes West Point Thoroughbreds, pressed a quick pace and held off Seven Scents to win by a neck in the Barretts Juvenile
- ◆ Bob Baffert swept the two prestigious races for 2-year-olds, the CashCall Futurity with Improbable and the Starlet with Chasing Yesterday..



BENOIT PHOTO

Instagrاند is super impressive winning his maiden race at Los Alamitos

HIGHLIGHT

Fair Circuit Dealt With Stabling Issues to Run Successful Season

THE NORTHERN CALIFORNIA FAIRS

The Northern California Fair circuit featuring races run in Pleasanton, Sacramento, Ferndale and Fresno, not counting Santa Rosa, ran for 42 days under the leadership of Executive Director Larry Swartzlander. Despite the loss of three races days compared with 2017, total all-source handle for the circuit held even at just under \$90 million.

Stabling issues needed to be worked out prior to the fair circuit starting off in Pleasanton in mid-June. Arrangements were made to continue auxiliary stabling at Golden Gate Fields through the summer fair season, while also accommodating emerging breeds and thoroughbred trainers.

The biggest changes to the fair calendar involved Pleasanton, which lost the Oak Tree at Pleasanton meet in the fall but gained additional dates for the Alameda County Fair meet in the summer. In another change, the Humboldt County Fair meet received a full week of racing not overlapped with Golden Gate Fields

HIGHLIGHT

Alameda County Fair Expanded Racing to Four Weeks

PLEASANTON

The 2018 Pleasanton Fair was awarded four weeks of racing. The increase in summer meet dates from 11 to 15 led to an increase in handle to \$34,744,982 compared with \$29,293,110 in 2017. Father's Day boasted a robust race card, attracting an attendance of 5,564 fairgoers that day. Pleasanton featured the ever-popular Sip, Savor, and Wager Wine Festival and Cocktail Festivals, which allowed racing fans to taste the best of the local spirits from the infield of the racetrack.

Pleasanton hosted its first Derby Hat Contest, while the "Fan Cave" offered an area for additional sports viewing in a lounge-like setting in the grandstand. Overall, the Alameda County Fair saw a gain in handle, boasting a 3 percent increase in wagering on its races by out-of-state bettors. The meet hosted three stakes races, the Juan Gonzalez, Oak Tree Sprint, and Everett Nevin. Bill McLean captured the leading trainer title, and Irving Orozco led all jockeys at the meet.

HIGHLIGHT

As Temperatures Rose, So Did Handle at the State Fair Meet

SACRAMENTO

The California State Fair held three weeks of racing during their 17-day fair. Despite an unfortunate heatwave, the fair did not disappoint in hosting live action daily. Horses received excellent care; heat-stress protocols were implemented to maximize both the comfort and safety of horses and riders, including numerous hosing and water stations. Additional post-race precautions were taken to move unsaddling horses into the shaded paddock. The 11 days of racing experienced an 7-percent rise in all-source handle to \$25,257,527, with a 33-percent increase in wagering on State Fair races by out-of-state bettors.

The fair saw the return of the popular Brewfest, featuring the products of 32 breweries on the grandstand apron as fans decided who operated the best brewery in California. Bringing in a younger, more eclectic crowd, the Steampunk competition entertained the racing crowd between races with pageantry and costumes. Victor Trujillo was the leading trainer. Juan Hernandez was the leading jockey with 15 wins.

HIGHLIGHT

Despite a Shorter Meet, Fans Supported Wine Country Racing

SANTA ROSA

The Sonoma County Fair's eight-day "Wine Country Racing" meet continues to offer turf specialists the opportunity to compete in the middle of the fair season, thanks to the Fair's investment in a grass course that is consistently praised by horsemen and fans alike. The 2018 meet experienced a significant decline in total handle from the previous year — \$21,653,773 compared with \$28,822,331 in 2017 — due to running three fewer days than the year before.

The Sonoma race meet ran for three weeks in 2017 with 11 racing days. The meet was reduced to two weeks in 2018, so it ran only eight programs. Still, the all-important field size held constant with an average of 6.6 per race.

HIGHLIGHT

Despite Insurance Issues, Ferndale Had Gains in Handle

FERNDALE

After running fully overlapped with Golden Gate Fields in 2017, the Humboldt County Fair was awarded one week racing not overlapped with Golden Gate Fields in 2018. This meant wagers made on races imported from Southern California and outside of California were counted as Humboldt's in total all-source handle, rather than counted as Golden Gate's when the meets run overlapped. Accordingly, all-source handle at Humboldt jumped from \$4,577,555 in 2017 to \$10,662,935 in 2018. Wagering on track was down slightly, probably due to short fields, a problem exacerbated by some trainers being denied Workers' Compensation insurance, which precluded them from racing their horses.

With the longer racing program at Del Mar in Southern California usually still running an hour or two after the last race at Ferndale, the Humboldt County Fair implemented an "after the races" promotion to keep bettors on track after live racing. Food and beverage were offered at special discounted prices and the Del Mar signal was aired on the Jumbotron. Many patrons stayed to watch quality racing from Del Mar.

HIGHLIGHT

Big Fresno Fair Enjoyed Record Attendance and Handle

FRESNO

The Big Fresno Fair closed the Northern California Fair Circuit with a bang. Attendance records were broken for the 12-day fair — boosted by a rolling carryover in the Super Hi-5 and a tempting Pick 6 carryover that was hit just before closing day. Even though the fair ran an additional four races and stretched its equine inventory, the average size of fields actually increased slightly, as did total handle to \$18,988,027. Furthermore, on-track handle increased by more than 5 percent, testifying to the popularity of the meet with local fans.

Both Big Fresno Fair stakes races were won by trainer Jonathan Wong, who won the Harris Farm Stakes with Bold Fantasy and the Bulldog Handicap with Gabo's Macondo. The end of an era came with the unseating of seven-time leading trainer John Martin, as 87-year-old Clifford Delima led the Big Fresno Fair's leading trainer standings, while Abel Cedillo took top thoroughbred jockey honors.

HIGHLIGHT

Watch and Wager Has Proven to be a Significant Benefactor for Harness Racing

CAL EXPO HARNESS

All harness racing in California has been conducted at Cal Expo since 2001, when the track was awarded winter racing dates previously run at Los Alamitos. Watch and Wager LLC has been the licensed operator since 2012, utilizing the strong management team of General Manager Chris Schick and Assistant General Manager/Chief Financial Officer Ben Kenney. Their meets generated total handle of \$53,497,515 in 2018, down from \$58,180,355 in 2017, which offered six more programs.

“We had a strong infusion of horses, trainers, and drivers from Canada, which helped the product and added to a strong group of free-for-all races,” said Schick. “Unfortunately, we lost two racing programs due to poor air quality from the fires and a third due to track conditions. Our first priority is safe racing.”

The Lloyd Arnold Pace was one of the highlights of the year — captured by the longshot To The Limit in a sizzling performance. Owned by Alan Cooper, trained by Kathie Plested, and driven perfectly by Tim Brown, the 6-year-old son of Panspacificflight sat well back early in the race, and then stormed home to win going away by nearly three lengths.

The Kirk Breed Pace for fillies and mares was decided with heavily favored Delightfully Wild getting the job done for the combination of owners Richard Morita and David Yamada, conditioner Lino Pacheco, and pilot James Kennedy. Unhurried early, Delightfully Wild attacked pace-setting Bettor Lady going to the final bend, wrested command at the head of the stretch, and went on to win easily.



To The Limit winning the Lloyd Arnold Pace

Simulcast Facilities by Location

California Simulcast Facility	Total Handle FY 2017-18	Number of Attendees
Bonita 58 Flat	\$ 10,869,412	26,324
Cabazon	11,137,909	40,285
Commerce Casino	21,775,720	87,070
Del Mar	115,027,326	687,025
Ferndale	701,970	17,581
Firehouse Restaurant (Bakersfield)	5,248,315	17,862
Fresno	7,818,319	80,884
Fresno Club One	2,899,436	3,793
Golden Gate	67,580,042	295,646
Hollywood Park	75,690,830	203,710
Lake Elsinore Hotel	5,818,949	20,937
Lake Perris	8,220,784	26,291
Lancaster	11,174,866	38,458
Los Alamitos	100,332,808	367,265
Monterey	5,123,677	16,161
OC Tavern	6,642,941	25,939
Ocean's 11 Casino	6,756,358	25,795
Pechanga Casino	6,458,090	28,844
Pleasanton	32,826,164	134,818
Pomona	52,263,194	183,970
Sacramento	22,361,518	101,661
Sammy's Restaurant and Bar	18,897,134	85,427
San Bernardino	19,383,938	70,222
San Jose	23,323,120	98,027
San Mateo County	51,739,765	118,786
Santa Anita	192,002,303	1,123,447
Santa Clarita Lanes	14,356,538	37,390
Santa Maria Original Roadhouse Grill	2,474,191	7,911
Santa Rosa	10,065,419	61,609
Stockton	14,290,306	46,819
Striders San Diego	5,095,000	23,219
Tilted Kilt (Thousand Oaks)	9,184,104	12,408
Vallejo	12,774,488	41,027,
Ventura	11,813,955	32,494
Victorville	5,177,094	25,397
Viejas	8,796,599	27,531

Note: Racetracks that offer simulcast wagering include combined pari-mutuel handle for live racing and simulcast wagering.

Horse Racing Revenue

Senate Bill 16, which took effect in 2009, eliminated the license fees paid to the state by racing associations. In lieu of license fees, the horse-racing industry is responsible for providing financial support to the CHRB. Each year, the CHRB develops a formula in consultation with the industry. The formula is used to determine the share each racing association should pay toward the funding of CHRB operations. During FY 2017–18, the pari-mutuel handle totaled \$3,181,903,942, and \$13,248,000 was remitted to fund CHRB operations.

CHRB support, 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 takeouts on conventional wagering (win, place, and show pools) are 15.43 percent for thoroughbred race meets, 17.63 percent for quarter-horse race meets, 17.43 percent for harness race meets, and 16.77 percent for fair race meets.

The takeouts on exotic wagering pools (all pools that are not win, place, or show) are, for thoroughbred race meets, 22.68 percent for wagers involving two runners or legs and 23.68 percent for wagers involving three or more horses or legs; for quarter-horse race meets, 22.88 percent; for fair race

meets, 24.02 percent; and for harness race meets, 24.18 percent.

In general, once the state license fees, 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.

A pari-mutuel auditor located at each live race meet in California prepares a daily audited report of the precise distribution of the wagering handle. The report is submitted to the CHRB, 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. Breakage in FY 2017–18 totaled \$8,660,092. State statutes require breakage to be split evenly between purses and commissions.

Charity Days

California horse-racing associations have distributed many millions of dollars to worthwhile charities over the last 70 years. Their donations in the last fiscal year totaled \$512,088.

Business and Professions (B&P) Code section 19550 requires racing associations to contribute a portion of handle to charity. Associations have the option of selecting a number of racing days determined by the length of their racing meet or two-tenths of one percent of the live handle for the entire race meet. B&P Code section 19556(b) also requires that at least 60 percent of the proceeds be distributed to charitable groups within the horse-racing industry. While recognizing the worthwhile nature of all charitable organizations favored by distributing foundations, the CHRB encourages the foundations to exceed this minimum per-

centage. 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 meet on charity racing days, less deductions for actual expenses, is dedicated to charitable purposes. The following racing associations distributed funds last year: Los Angeles Turf Club II, Del Mar Thoroughbred Club, Los Alamitos Racing Association, Los Alamitos Quarter Horse Racing Association, Pacific Racing Association, and Watch and Wager LLC.

Uncashed Pari-mutuel Tickets

Winning pari-mutuel tickets can be cashed until May 15 of the year following the year in which the race meet ends. Racing patrons may mistakenly tear up, lose, or forget about winning tickets. After May 15, any unclaimed monies are distributed as indicated below.

Senate Bill 16 went into effect during 2009, eliminating the state's portion of unclaimed tickets pursuant to Business and Professions Code section 19641.

All such unclaimed money resulting from the thoroughbred, harness, or quarter-horse race meets, excluding the race meets of the California Exposition and State Fair, county, district agricultural association, or citrus fruit fair race meets, shall be distributed as follows:

1. Fifty percent of live races unclaimed pari-mutuel tickets shall be paid to a welfare fund established by the horsemen's organization contracting with the association with respect to the conduct of the racing meet for the benefit of the horsemen, and the said organization shall make an accounting to the Board within one calendar year of the receipt of such payment. During FY 2017–18, the distribution to the welfare funds was \$918,004.
2. The other 50 percent of live races unclaimed pari-mutuel tickets shall be divided equally between the association (as commissions) and horsemen (in the form of purses).

Notwithstanding the distribution of live races unclaimed tickets, unclaimed ticket monies generated by wagering on intrastate (north/south) thoroughbred and fair races and interstate imports are split equally between purses and commissions. During FY 2017–18, the tracks and the horsemen each received \$1,698,243.

3. Unclaimed refunds totaled \$723,108 for FY 2017–18. Unclaimed refunds provide health and welfare benefits to California licensed jockeys, former California licensed jockeys, and their dependents. The California Jockey Welfare Corporation is the organization designated by the CHRB to receive these funds.

4. Cash vouchers that are not redeemed within 365 days of the close of the racing meeting at which the voucher was purchased are distributed to a nonprofit organization for the purposes of maintaining a database of horse-racing information. CHRIMS is the organization designated by the CHRB to receive these funds. During calendar year 2017 uncashed vouchers totaled \$725,780.

Statement of Distribution by Fund of Horse Racing Revenue

July 1, 2017 through June 30, 2018

	Detail	Total
Revenue To Horse Racing Fund		
CHRB Support from Racing Associations	\$12,876,000	
CHRB Support from ADW	923,000	
Miscellaneous Income	0	
Income from Surplus Money Investment Fund	18,000	
Escheat of Unclaimed Checks, Warrants	5,000	
Total 3153 Fund		\$13,822,000
Revenue To General Fund (0001)		
Horse Racing Licenses	2,000	
Fines & Penalties	200,000	
Occupational Licenses	868,000	
Miscellaneous Income	0	
Total Fund 0001		\$1,059,000
Revenue to CA Veterinary Diagnostic Laboratory (0881)		
Equine Research License Fees	905,000	
ADW Equine License Fees	577,000	
Total Fund 0881		\$1,482,000
Total Revenue		\$16,374,000

Occupational Licenses and Fees

July 1, 2017, through June 30, 2018

Type of License	Fee	Issued	Total
Stable	\$100-300	365	\$108,700
Multiple Ownership*	300	3	900
Horse Owner-Open Claim	250	12	3,000
Officer/Director/Partner**	150-200	91	14,650
Horse Owner**	150-250	3,036	455,200
Trainer, Assistant Trainer***	50-150	336	48,300
Harness Horse Driver***	150	17	2,550
Jockey/Apprentice Jockey***	50-150	137	19,150
Jockey Agent	150	18	2,700
Bloodstock Agent	150	9	1,350
Veterinarian	150	46	6,900
Association Employee	75	260	19,500
Valet/Custodian/Attendant	75	19	1,425
Pari-mutuel Employee/Tote	35-75	638	39,970
Horseshoer	75	33	2,435
Exercise Rider/Pony Rider***	25-75	373	27,255
Misc. Employee/Stable Agent Vendor**	35-75	350	26,190
Security Guard	75	75	5,625
Stable Foreman	35-75	88	6,600
Authorized Agent	25	551	13,775
Replacement License	15	311	4,665
Annual Groom/Stable Employee (Original)***	35	370	12,950
Annual Groom/Stable Employee (Renewal)**	20-35	1,371	29,265
Total fees generated to General Fund		8,609	\$853,055

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

* Includes partnership registrations

**Variable fee

***Includes reduced license fees

Other Public Revenue

Horse racing contributes to local economies through sales tax from the sale of claimed horses. During FY 2017–18, there were 1,641 horses “claimed” at authorized race meets.

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 FY 2017–18, the total amount paid for claiming of horses was \$24,715,800, resulting in sales tax revenue of \$2,244,954.

Business and Professions Code 19610.3 authorizes every racing association or fair to permanently elect to deduct up to 0.33 of one percent from all pari-mutuel pools and to distribute the amounts to the city or county where the racing meet is held if the city or county passes an ordinance to accept such fees in lieu of admission taxes and license fees.

During FY 2017–18, \$3.2 million 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 per-

centage deduction for purses, and the track’s commission. Commissions retained by California racing associations during FY 2017–18 totaled \$122,127,896.

Purses

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

Purses for California race meets during FY 2017–18 totaled \$142,740,436. In addition, \$10,175,802 was paid out as California-bred incentives.

In order for the individual racing associations to establish their daily purse structure for their race meets, 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, and then revised during the course of the race meet based on actual handle. The racing association must also execute an agreement with the respective horsemen’s organization representing the horsemen at each race meet in order to establish the percentage of the total purses that may be used for stakes races.

Statistics For Horses Claimed

July 1, 2017 to June 30, 2018

Track Location	Horses Claimed	Amount Paid	Sales Tax
Thoroughbred Race Meets — Northern			
Golden Gate	429	\$4,454,750	\$412,065
Thoroughbred Race Meets-Central-Southern			
Del Mar	247	\$7,269,000	\$558,537
Los Alamitos	41	648,000	59,811
Santa Anita	422	10,487,250	994,898
Harness Meets-Statewide			
Cal Expo	12	\$61,250	\$5,053
Quarter-Horse Meets-Statewide			
Los Alamitos	345	\$1,614,000	\$125,085
Fair and Mixed Meets-Statewide			
Pleasanton	25	\$224,000	\$20,720
Santa Rosa	34	202,900	17,500
State Fair	25	142,150	11,727
Pleasanton Fall	21	131,400	12,155
Ferndale	6	23,900	1,852
LACF @ Los Al.	23	407,500	31,581
Fresno	11	49,700	3,970
Grand Total	1,641	\$24,715,800	\$2,244,954

Authorized Horse Sales

Each year the CHRB 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 2017–18, there were 739 horses sold for a total of \$18,397,400. These sales generated a total of \$747,937 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.

The following sales were authorized in FY 2017–18:

Barretts Equine Ltd. at Del Mar

Paddock Sale July 26, 2017

Barretts Equine Ltd.

August Select Yearling Sale August 29, 2017
 October Fall Sale October 17, 2017
 January Mixed Sale January 17, 2018
 Spring Sale April 4, 2018

Altogether, 413 horses were sold through Barretts' Equine Limited sales for a total of \$12,773,400, which generated \$623,891 in sales tax.

California Thoroughbred Breeders Association Sales

Nor-Cal Yearling Sale and
 Horses of Racing Age August 15, 2017

A total of 98 horses was sold for \$894,500, which generated \$48,341 in sales tax.

Quarter-Horse Sales At Los Alamitos

Los Alamitos Equine Sale Oct. 7, 8, 2017

A total of 228 horses was sold for \$4,729,500, which generated \$75,705 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 meet 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.

The breeder of a California-bred horse receives a monetary award based on the order of finish for horses finishing in the first three places. A further incentive to own a California-bred horse is provided by owners premiums. Business and Professions Code section 19611 (d) allows for 0.07 percent of the takeout to be distributed as owners premiums to persons owning California-bred horses.

Additionally, stallion awards are issued to owners of qualified 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.

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

Thoroughbred Breeders Program

The California Thoroughbred Breeders Association (CTBA) 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. In FY 2017–18, \$610,300 was generated as owners premiums and \$9,634,870 for the breeders program from the wagering handle.

At California thoroughbred race meets, the amount of 0.54 percent on track and 0.54 percent off track of all pari-mutuel pools is deducted as takeout and transferred to the CTBA for distribution. A further amount equal to 0.07 percent of the handle is specified for owners premiums and transferred to the CTBA for distribution. The CTBA is authorized to deduct five percent for administrative overhead and expenses, including education, promotion, and research.

Standardbred Breeders 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 four percent of funds generated) for administering the Standardbred Breeders Program. The program is funded from the breakage at harness race meets and an additional one percent takeout on all exotic wagering at harness race meets. In FY 2017–18, the program generated \$189,456.

Quarter-Horse Breeders Program

Pacific Coast Quarter Horse Racing Association, as the recognized breeders organization, received \$337,028 from the pari-mutuel handle to fund its program in FY 2017–18. The source of these funds was 0.48 percent of the on-track and 0.48 percent of the off-track handle on quarter-horse racing at the fair race meets, 0.4 percent of the handle at quarter-horse race meets, and a proportional payment of the monies required by the state, the association, and the horsemen.

Paint Breeders Program

The Paint breeders awards received \$281 for the breeders program in FY 2017–18. No Paints ran in California. This revenue came from ADW wagers.

Arabian Breeders Program

The California Arabian horse breeders awards received \$5,543 for the program during FY 2017–18.

Mule Breeders Program

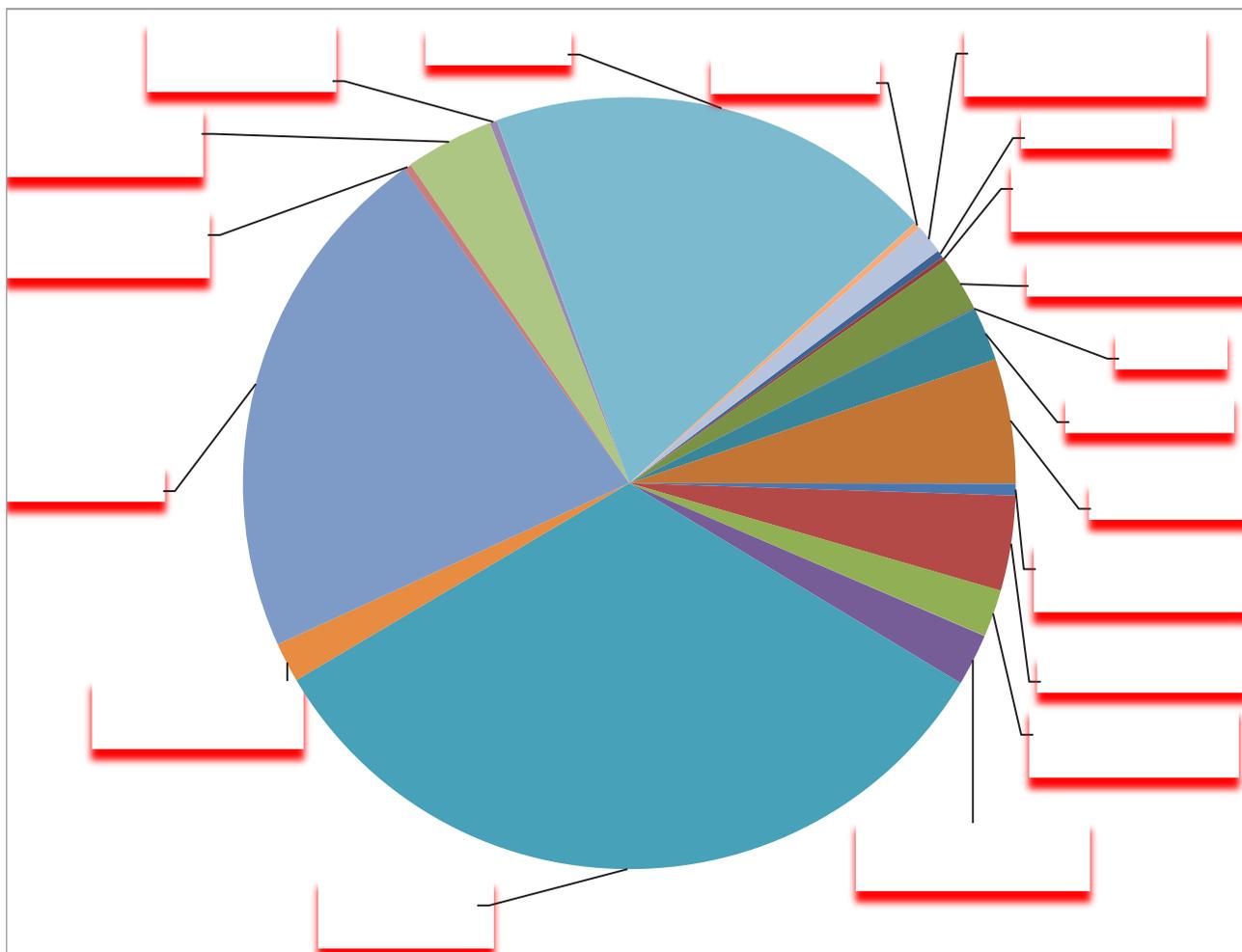
The California mule breeders awards received \$8,623 for the program during FY 2017–18.

Appaloosa Breeders Program

California did not host Appaloosa breed races during FY 2017–18.

The Revenue Stream

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



A total of \$3,181,903,942 was wagered by fans of California racing during FY 2017-18, and of the money, 79 percent (\$2,519,181,026) was returned to winning ticket holders.

Prior to simulcast wagering in 1985, virtually all of the wagering on California races was at the track, but today “on-track” bets make up only 10.73 percent of wagers placed (\$341,350,000). Off-track betting within the state provides 19.95 percent of the handle (\$634,740,000). The balance comes from out-of-state and Advance Deposit Wagers (totaling \$2.2 billion). ADW accounted for \$938,416,268 of the handle.

Patrons failed to cash \$4.3 million

worth of winning tickets. Per B&P Code section 19641(b), money from uncashed tickets, except for fairs, is split between a welfare fund for the benefit of the backstretch workers (50 percent), the associations (25 percent), and horsemen (25 percent). 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 self-serve bet-

ting machines is used to finance the horse-racing revenue database called CHRIMS.

Breakage, a by-product of the pari-mutuel calculation, is distributed to purses and to the racing associations. This totaled \$8,660,092 in FY 2017-18.

Of the \$3,181,903,942 wagered, \$662,000,000, or 20.83 percent, was withheld as the “takeout” for such purposes as horsemen’s purses, race-track operations, and government taxation, as detailed on the next page:

Horsemen's Purses

A total of \$142,740,436 was distributed during FY 2017–18 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 organizations that represent owners and other horsemen.

Track Commissions

The racetracks and fairs that host the racing programs collected a total of \$122 million in commissions. Much of that money went toward the cost of operations, such as rent, mortgages, and labor costs, of which pari-mutuel clerks represent a large part. The racetracks are also responsible for marketing the sport with advertising, promotions, and other forms of publicity.

CHRB Support

The allocation of the CHRB budget comes from the horse-racing industry through the yearly budget process conducted by the State Legislature. This allocation is used to fund the CHRB'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 \$10,175,801 in awards were divided between programs for thoroughbreds (\$9,634,870), standardbreds (\$189,456), quarter horses (\$337,028), paints (\$281), Arabians (\$5,543), and mules (\$8,623).

Local Government

For those local municipalities who elect to participate, an additional 0.33 of one percent 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 \$3.2 million was withheld for this purpose.

Host Fees

Host fees are negotiated for 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 \$14.6 million to out-of-state hosts.

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 \$213.1 million.

Equine Research

A mandated deduction goes to U.C. Davis for equine research. Last year the total for equine research was \$1.7 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, the Promotion Fund to be used for the promotion of horse racing, the Expense Fund for the purpose of offsetting the costs of simulcast broadcasting, and to guest-site commissions. A guest site is the term used for an authorized off-track betting system, or simulcast facility, that is an authorized recipient of a live horse race.

These funds received a total of \$64.6 million last year:

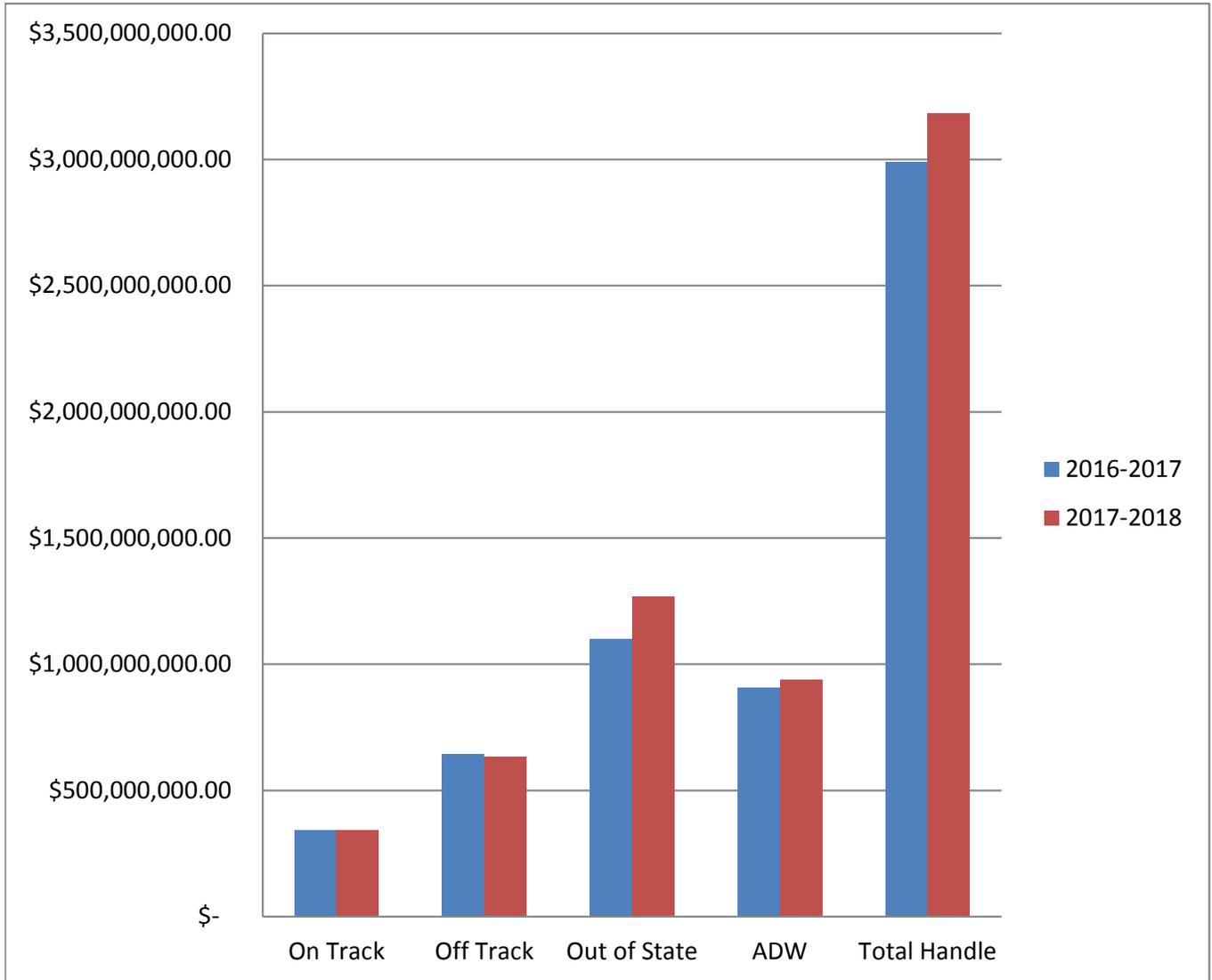
Stable and Vanning Fund:	\$12.9 million
Promotion Fund:	\$2.0 million
Expense Fund:	\$23.9 million
Guest Site Fees:	\$25.8 million

Retirement and Welfare

ADW Retirement and Welfare Plans received \$3,114,969 in FY 2017–18. These funds supplement the backstretch personnel pension plan and provide welfare benefits for horsemen and backstretch personnel.

Sources of Handle

Fiscal Years 2016–17 and 2017–18



The on-track handle represents wagers at the host track. For FY 2017–18, on-track wagers accounted for 10.73 percent of the total handle. Off-track handle represents wagering at California simulcast locations and accounted for 19.95 percent of the total. Out-of-state handle represents commingled wagers from other U.S. and international sites. Out-of-state wagers accounted for 39.83 percent of the total. Advance Deposit Wager (ADW) represents the handle generated through the seven licensed California ADW companies. The ADW handle accounted for 29.49 percent of the total.

The Horsemen's Organizations Welfare Funds

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

The California Thoroughbred Horsemen's Foundation, Inc.

P. O. Box 660129
Arcadia CA 91006
Registry of Charitable Trusts
No. 052861

Quarter Horse Benevolent Charity Foundation

11278 Los Alamitos Blvd., Suite 243
Los Alamitos, CA 90720
Registry of Charitable Trusts No. 018221

California Harness Horsemen's Benevolent Foundation

1600 Exposition Boulevard. Gate 12
Sacramento, CA 95815
Registry of Charitable Trusts No. CT0202834

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 following horsemen's organizations were recognized by the Board during FY 2017-18: Thoroughbred Owners of California for thoroughbred owners; California Thoroughbred Trainers for thoroughbred trainers; California

Harness Horsemen's Association for harness horsemen; Pacific Coast Quarter Horse Racing Association for quarter horsemen; and the Arabian Racing Association of California for Arabian horsemen.

Audited Expenses of California Horsemen's Organizations

The information regarding the expenditures of these organizations is only one portion of the total audited financial statements submitted to the CHRB. 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 office in Sacramento.

Audited Financial Statements of California Horse Racing Industry

Pursuant to Business and Professions Code Section 19440.5 and requirements outlined in the license application, the CHRB requires recognized industry participants receiving statutory distributions from the takeout to annually file audited financial statements. The table below lists those organizations and their most recent statements received by the CHRB.

Horsemen's Associations	Last Audit Report
Pacific Coast Quarter Horse Racing Association	2017
American Mule Racing Association	2015
California Thoroughbred Horsemen's Foundation, Inc.	2017
California Harness Horsemen's Association	2018
Arabian Racing Association of California	2016
Thoroughbred Owners of California	2016
California Thoroughbred Trainers	2017
California Thoroughbred Breeders Association	2017
Administrative Funds	
CHRIMS	2017
California Marketing Committee (CMC)	2016
California Thoroughbred Business League	2016
Northern California Off-Track Wagering (NCOTWINC)	2016
Southern California Off-Track Wagering (SCOTWINC)	2017
California Thoroughbred Trainers Inc. Backstretch Employees' Cash Balance Pension Plan	2017
California Jockeys' Welfare Corp	2016
CHRB Defined Contribution Retirement Plan for California Licensed Jockeys	2017
Quarter Horse Benevolent Charity Foundation	2017
California Standardbred Sires Stakes Committee	2017
California Harness Horsemen's Benevolent Foundation	2018
Northern California Auxiliary Vanning and Stabling Fund	2016
Southern California Stabling and Vanning Fund Trust	2016
Racing Associations	
Golden Gate Fields (Pacific Racing Association)	2017
Del Mar (Del Mar Thoroughbred Club)	2017
California Authority of Racing Fairs (CARF)	2017
Santa Anita Park (Los Angeles Turf Club, Inc.)	2017
Los Alamitos Quarter Horse Racing Association (Quarter Horse Racing, Inc. & Subsidiaries)	2017
Los Alamitos Racing Association (Quarter Horse Racing, Inc. & Subsidiaries)	2017
Cal Expo (WatchandWager.com, LLC)	2017

*Pursuant to Business and Professions Code section 19613.2 (c) the Board may take disciplinary action against a horsemen's organization that is not in compliance with filing annually with the CHRB its audited financial statements.