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CHRB NEWS RELEASE

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BOARD ASKING MORE FROM RACETRACKS FOR LICENSE

LOS ALAMITOS, CA – California racing commissioners intend to place more demands on racing associations in the areas of racetrack security, marketing and advertising, and providing financial information, and they took steps in that direction Thursday by approving rule amendments for public notice to incorporate those requirements in the application for license to run a race meeting.

Improving security in the stable area has been a high priority for the California Horse Racing Board for the last year, and imposing requirements for racing associations to assist in that effort as a condition of license is the latest move in a continuing process. All racing associations already are voluntarily conducting TCO2 testing, which has all but eliminated the practice known as “milkshaking,” and by including TCO2 testing and related security requirements in the license application, the Board ensures the program will continue.

Electronic surveillance is another security matter addressed in the revised license application. Racing associations will need to provide the location and number of video surveillance cameras for the detention barn and stable area.

This year the CHRB also has sharpened its focus on marketing and advertising. Commissioner Richard Shapiro formed an ad hoc committee of racing executives, marketing chiefs, fans, and others to analyze the way the horse-racing industry promotes itself. Described as the “Bring Back the Fans Committee” because the primary purpose is to increase attendance at the live racetrack, the committee has reviewed marketing plans for all of the race meets in the state. However, only two of the racing associations provided financial information to the committee detailing how much is spent on marketing and advertising. Though perfectly willing to discuss many details of their marketing programs, most of the associations balked at providing financial details, indicating their belief that such budget information is proprietary in nature and not subject to public disclosure.

At the CHRB meeting Thursday, Hollywood Park President Rick Baedeker, speaking on behalf of the federation of California racing associations, elaborated on the reasons racing associations believe marketing-dollar information should not be included in the licensing process. Essentially, he said it opened the door for racing commissioners to micromanage an aspect of a racetrack’s business operation. He said that instead of officially incorporating such budget details in the licensing process, Hollywood Park, for one, would be willing to provide such details “one on one” to any racing commissioner.

But the four racing commissioners attending the meeting Thursday – Chairman John Harris, Vice Chairman William Bianco, Commissioner John Sperry, and Shapiro – were not persuaded by Baedeker.

“Your marketing efforts affect so many people in the industry, it really should be public information,” said Harris. “If racing was doing well right now, it might not be so important, but the way things are, I would like to see more transparency.”

Shapiro added, “Racing is going through some tough times right now, and I understand that you need help, but it is difficult for me to be an advocate when I don’t really understand what your bottom line is – how much you are spending and what your results are. We need to make sure racing associations are putting forth the effort and expenditures to justify us granting them a license – that they are spending money and helping the game rather than just milking it.”

The four racing commissioners decided to leave the marketing budget requirement in the proposed amendment but put off a final decision until the next meeting, when the other three racing commissioners who were unable to attend the meeting Thursday – Sheryl Granzella, Marie Moretti, and Jerry Moss – are likely to be present.

A third proposed change to the license application would require applicants to file an audited financial statement of the actual license holder. The commissioners concurred that a financial statement from a parent company would meet the requirement if the parent company completely guaranteed the financial obligations of the subsidiary. All of the proposed changes were approved for 15-day public notice, and will be discussed again at the June 30 meeting of the CHRB in Pleasanton.

The commissioners tackled another complex issue in a preliminary discussion of procedures used by racetrack simulcast coordinators to verify the identity and legitimacy of out-of-state simulcast customers and whether rebating is practiced at any of these locations.

Rebating, which is the practice of discounting the losses of customers, reportedly by as much as 10 percent, is prohibited by California law. Although it is suspected that some offshore wagering sites offer such rebates, the practice has never been proven, and the racing signal of California races has never been cut off for that reason alone to suspected rebaters, who represent a significant portion of the racing handle.

“We need to better understand what is going on,” said Shapiro. “If we decide that doing business with rebaters is in the best interests of California horse racing, then we should try to get the law changed rather than just not enforcing it.”

“The issues are complex. Who are the rebaters? To what extent are rebates being offered? What agreements are in place between the racetracks and these sites regarding taking bets from Californians?”

Harris expressed concern that California bettors conceivably could be at a disadvantage to those receiving rebates, and cited the need to level the playing field. In referring the matter to the CHRB’s Pari-Mutuel Operations Committee, he asked the committee to consider all of the possible ramifications of rebating and to try to quantify the cost and benefits of the practice.

In other business, the Board approved the Sonoma County Fair's license to conduct a meet in Santa Rosa from July 27 through August 8. The fair has spent \$3 million on improvements to the facility, including a new turf course, which is a major advancement for Northern California racing. Horsemen have long complained about the absence of turf racing through much of the fair season. The addition of turf racing in the middle of that season might convince some owners and trainers to keep horses in California that might otherwise be shipped out of state for turf races.

The Board also approved licenses for the Del Mar Thoroughbred Club (July 20 through September 7) and the Solano County Fair in Vallejo (July 13 through July 25).

The Sonoma and Solano fair dates are part of the revised fair schedule approved in total by the commissioners Thursday. The revised schedule was prompted by the decision by the California State Fair and Exposition to run a harness meet this year instead of its traditional fair race meet. The revised schedule eliminates the Sacramento fair meet that is traditionally run in late August and early September. After the Sonoma meet ends August 8, the fair circuit will move to Bay Meadows for the San Mateo County Fair meet from August 10 through August 25, then Bay Meadows will commence its thoroughbred meet on August 26 without an overlap with any fair meet. The Ferndale meet is unchanged, set for August 11 through August 21.

The Board authorized the Los Angeles County Fair to adjust its dates schedule by extending its meet by one day and closing on Monday, September 26, with no racing on Tuesday, September 13, and Tuesday, September 20, resulting in a 16-day meet that will open September 9 as originally approved.

The Board approved for public notice rule amendments relating to multiple-race wagers, such as the Pick 6. One change would allow the posting of "will pays" for the final race in the wagering series. Another change concerns races moved from the turf to the dirt, usually due to adverse weather conditions. When this switch to dirt occurs after the wagering pools have closed for a multiple-race wager, all horses in that particular race will be considered winners on the multiple-race wager.

The Board approved allocations for contracts with stewards, official veterinarians, and other services for 2005-2006. The allocation is \$1,598,000 for steward services and \$494,000 for veterinarians.

To deal with the problem of unexpected delays in the equine drug-testing program, the Board adopted a regulatory amendment that extends by three days – from 18 to 21 – the time allowed for the notification of a trainer of a potential positive test.

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