

Thirty-Third Annual Report of the California Horse Racing Board

A Summary of
Fiscal Year 2002 – 2003
Racing in California

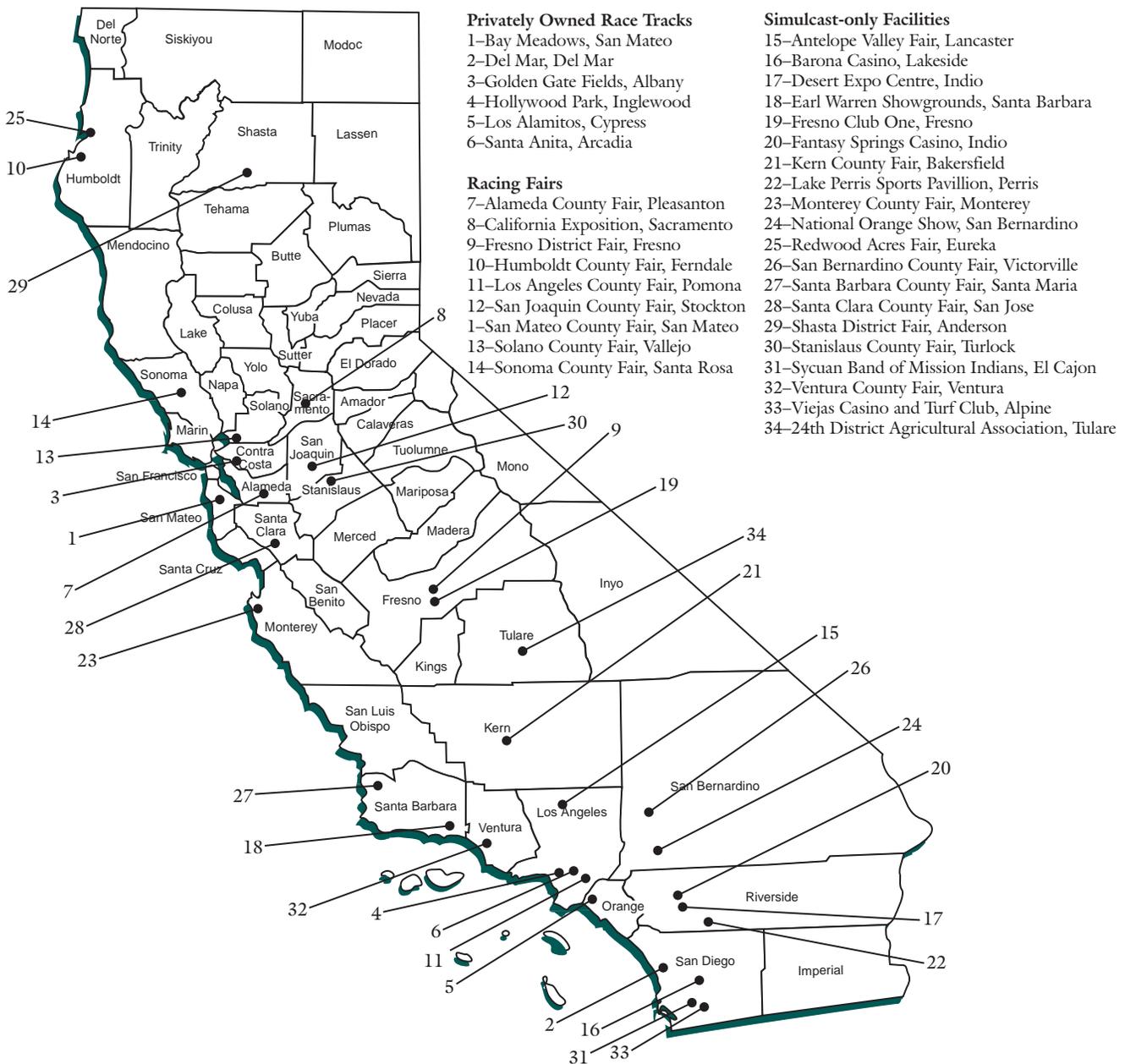
California Horse Racing Board

Roger H. Licht, Chairman
John C. Harris, Vice Chairman
William A. Bianco, Member
Sheryl L. Granzella, Member
Alan W. Landsburg, Member
Marie G. Moretti, Member
John C. Sperry, Member
Roy C. Wood, Jr., Executive Director

The CHRB general office is located at 1010 Hurley Way, Suite 300, Sacramento, CA 95825.

*Regional and field offices are located in the Los Alamitos-Stanton area and at all operating racetracks.
A free copy of this report may be obtained from the general office. Recent annual reports also can be viewed at
our World Wide Web site www.chrb.ca.gov on the Internet.*

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



REPORT OF THE CHAIRMAN

On behalf of the California Horse Racing Board, I am pleased to submit our 33rd Annual Report, which summarizes the activities of the Board during the 2002-2003 fiscal year, including statistical data and an overview of the Board's operations. This report also offers highlights of horse racing for all breeds in California through November of 2003, including the \$14 million Breeders' Cup at Santa Anita Park.

The revenue stream for California horse racing has experienced a monumental shift away from traditional on-track wagering – which until the 1980s was the only legal way that a person could place a wager on a race in California – to off-track wagers, or simulcast wagering. The numbers illustrate this point. In FY 2002-2003, the California pari-mutuel wagering system handled more than \$4.2 billion from all sources. However, just 18.3% of that amount was wagered on track by bettors at California racetracks where live races were being run. Another 40.3% of the handle was generated by bettors at simulcast facilities located at fairgrounds, Indian reservations, and other off-track locations within California. The remaining 41.4% was wagered at more than 100 out-of-state locations throughout the United States and in foreign countries, including numerous sites in the Caribbean.

I resolved during my year as CHRHB chairman to deal with a number of concerns, such as improving both the perception and the reality that racing is a fair game. Various standing and ad hoc committees of the Board publicly addressed issues of concern among the industry and fans, ascertaining that adequate procedures and safeguards are in place to ensure the integrity of horse racing. These discussions also provided a platform for the exchange of viable ideas to improve the sport. We implemented standards for the review of all racing-related decisions and imposed commensurate penalties. And we worked to bring the racing product to the people.

The charts on page four of this Annual Report record Advance Deposit Wagering (ADW) activity during the last fiscal year. ADW has proven to be a great convenience to fans who open accounts and place wagers by telephone and over the Internet. More than \$452 million has been wagered through ADW since its inception in February of 2002.

For the sixth time in the 20-year history of the Breeders' Cup, the championship day of thoroughbred horse racing came to California. Hosted by the Oak Tree Racing Association at Santa Anita Park on October 25, 2003, the Breeders' Cup and other races on the card generated a record \$120.8 million in handle. Photographs and details of this magnificent day of racing are contained in this annual report.

California maintained its position as a premier racing state by offering quality racing for all breeds. The MBNA Challenge Championship Night and the Los Alamitos Million highlighted an exciting year of quarter-horse racing. A series of 18 races showcased California's best 2-year-olds and 3-year-olds in the California Standardbred Sires Stakes program at Cal Expo. And California Cup XIV, sponsored by the California Thoroughbred Breeders Association and the Oak Tree Racing Association at Santa Anita Park, featured 91 California-bred horses competing in 10 races with total purses for the day exceeding \$1.3 million, providing another boost for the California breeding industry.

But during a year offering such memorable races, we were reminded that horse racing is a sport of both great highs and lows by the retirement of two of the greatest riders of all time – Laffit Pincay, Jr. and Eddie Delahoussaye – and the death of legendary jockey Bill Shoemaker.

California horse racing is built on a historical foundation of great races and remarkable individuals, and in the coming year the CHRHB will strive to strengthen that foundation by continuing to address sensitive issues and ensure the integrity of the sport of horse racing.

Respectfully submitted,



Roger H. Licht, Chairman
California Horse Racing Board



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

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

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

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The 2003 Breeders' Cup at Santa Anita Park attracted 90 of the best thoroughbreds in the world, who competed in eight races for purses and awards totaling \$14 million. Additional details on this championship day of racing are contained in the *Horse Racing in California* section of this annual report.

(All Breeders' Cup photographs provided by Benoit Photo)



Pictured from the top down, Action This Day and jockey David Flores are shown winning the Breeders' Cup (BC) Juvenile; Adoration and Pat Valenzuela winning the BC Distaff; Halfbridled and Julie Krone winning the BC Juvenile Fillies; and Six Perfections and Jerry Bailey winning the BC Mile.

Pleasantly Perfect and Alex Solis (top right) win the Breeders' Cup Classic, giving California-based trainer Richard Mandella his fourth Breeders' Cup win of the day.

Islington and Kieren Fallon (below) outgame L'Anresse (to their inside) to win the BC Filly/Mare Turf.

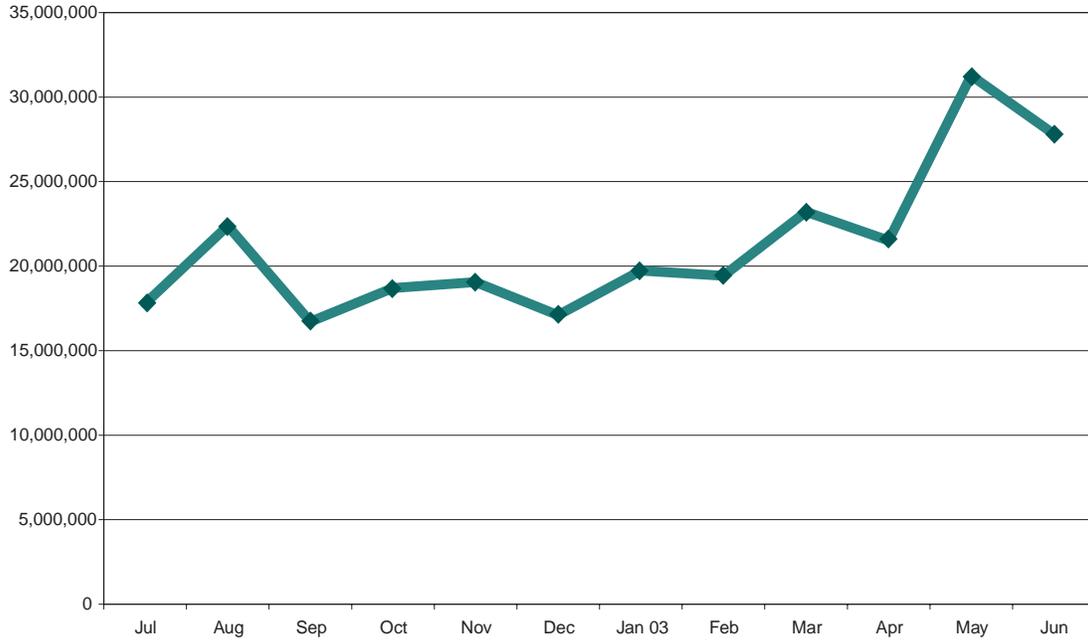


In the first dead heat in Breeders' Cup history, Johar and Alex Solis (below, grandstand side) reach the wire at exactly the same time as High Chaparral and Michael Kinane to share victory in the BC Turf.

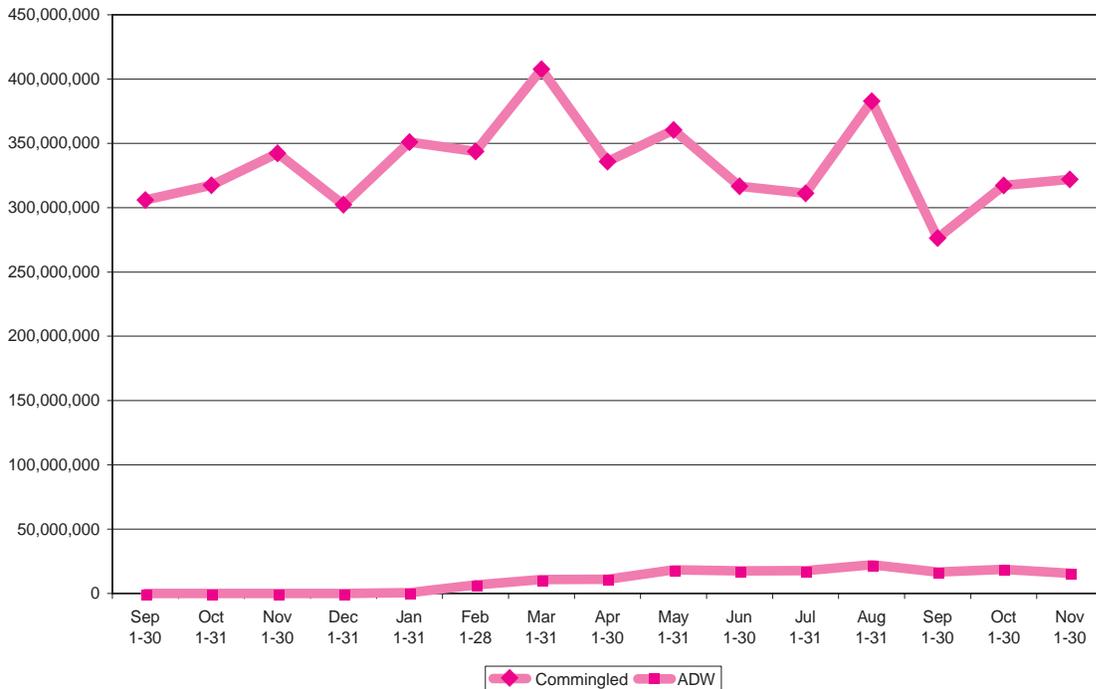


Cajun Beat and Cornelio Velasquez are shown (above) winning the BC Sprint.

All Advance Deposit Wagering Monthly Activity—July 1, 2002 through June 30, 2003



On & Off Track Handle vs. ADW Monthly Handle



ADVANCE DEPOSIT WAGERING

The California horse-racing industry entered a new era in 2002 with the advent of Advance Deposit Wagering (ADW), which allows customers to deposit funds into accounts in order to wager online and over the telephone. These wagers are funneled into pools at host tracks where the races are being run, and are within the pari-mutuel wagering system regulated by the California Horse Racing Board.

The CHRFB approved three companies to provide this service: TVG, XpressBet, and Yobet.com. During the last fiscal year, the three ADW providers collectively handled \$254,685,812 in wagers made by account holders in California and those in other jurisdictions who placed wagers on races in California.

As the top-left chart shows, ADW handle is not constant. ADW is subject to the same variables that affect overall handle, including economic conditions, the quality and amount of racing during any particular period, and special events, such as the Kentucky Derby. Understandably, ADW handle during the fiscal year peaked in May when bettors wagered heavily on the Derby. Fluctuations aside, the overall trend showed a gradual increase in ADW handle through the fiscal year. The ADW handle for July 2002 was \$17,782,035. By year's end it reached \$27,814,007.

Despite the three providers handling more than \$254 million between them during the fiscal year, the bottom-left chart shows that ADW still represents just a fraction of the total money wagered through the California pari-mutuel wagering system. During that same 12 months, the total money wagered through the entire system reached \$4,222,402,437. ADW handle represented just 6 percent of the \$4.2 billion in total wagers.

Charity Days

California horse-racing associations have distributed many millions of dollars to worthwhile charities over the last 66 years. Their donations in the last fiscal year alone totaled \$1,150,719.

By law, each racing association must conduct a specified portion of its race meeting for the benefit of charities meeting the statutory criteria and approved by the Board. The law also requires that at least 50% of the proceeds be distributed to charitable groups within the horse-racing industry. While recognizing the worthwhile nature of all the charitable organizations favored by the various distributing foundations, the CHRB encourages the foundations to exceed this minimum percentage to racing-related charities.

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



Vassar Photo

Aisha Boykin, senior services supervisor, presents a free bag of groceries to Albany resident and racing fan Kathleen Cardinelli outside of the Albany Senior Center, one of several charities that receive donations from the racetrack.

The California Horse Racing Board

A Brief History

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

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

- ◆ Assure protection of the public;
- ◆ Encourage agriculture and the breeding of horses in this state;
- ◆ Generate public revenues;
- ◆ Provide for maximum expansion of horse-racing opportunities in the public interest; and
- ◆ Provide uniformity of regulation for each type of horse racing.

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

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

The CHRHB's principal responsibilities are to:

- ◆ Adopt rules and regulations for the protection of the public and the control of horse racing and pari-mutuel wagering;
- ◆ Adjudicate controversies arising from the enforcement of laws and regulations of horse racing and pari-mutuel wagering;
- ◆ License each racing association, each simulcast wagering facility, and all persons, other than the public at large, who participate in a horse

race meeting with pari-mutuel wagering; and

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

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

Board Meetings

The California Horse Racing Board met 10 times throughout the state during the 2002-2003 fiscal year. Meetings were held in conjunction with a licensed racing meet. Board meetings are open to the public and include a published agenda. The following meeting dates and locations were held:

July 25, 2002
Del Mar Simulcast Facility,
Del Mar

August 21, 2002
Del Mar Simulcast Facility,
Del Mar

September 25, 2002
Los Angeles County Fair/Fairplex,
Pomona

October 17, 2002
Embassy Suites,
Arcadia

November 21, 2002
Embassy Suites,
El Segundo

January 23, 2003
Holiday Inn,
Monrovia

February 21, 2003
Embassy Suites,
Arcadia

March 27, 2003
Golden Gate Fields Racetrack,
Albany

April 24, 2003
Hollywood Park Racetrack,
Inglewood

June 26, 2003
Alameda County Fair,
Pleasanton

Members of the California Horse Racing Board

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

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

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

Committees Of The Board

The executive director is directed to provide public notice of a meeting of a

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

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



**Roger H. Licht,
Chairman**

Partner in the Beverly Hills law firm of Licht and Licht. Appointed to the CHRB by Governor Gray Davis on February 23, 2001, through July 26, 2004. Chairman since January 1, 2003.



**John C. Harris,
Vice Chairman**

Chairman and CEO of Harris Farms, Inc., in Coalinga. Appointed to the CHRB by Governor Gray Davis on November 9, 2000, through July 26, 2003. Reappointed by Governor Davis through July 26, 2007. Vice Chairman since January 1, 2003.

Members of the California Horse Racing Board



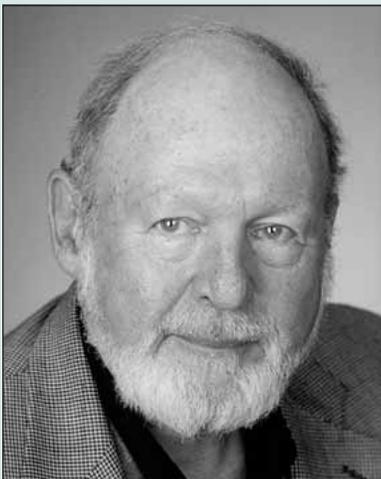
**William A. Bianco,
Member**

Founded Kinetics Group in 1971. Appointed to the CHRHB by Governor Gray Davis on March 1, 2001, through January 1, 2003. Reappointed by Governor Davis through January 1, 2007.



**Sheryl L. Granzella,
Member**

Business Development Manager with Republic Services Inc. Appointed to the CHRHB by Governor Gray Davis on October 22, 1999, through January 1, 2002. Reappointed by Governor Davis through January 1, 2006.



**Alan W. Landsburg,
Member**

Founder of the Landsburg Company (television/movie productions), in Los Angeles. Appointed to the CHRHB by Governor Gray Davis on November 22, 2000, through January 1, 2004



**Marie G. Moretti,
Member**

In the Office of Governor Arnold Schwarzenegger. Appointed to the CHRHB by Governor Davis on October 22, 1999, through January 1, 2002. Reappointed by Governor Davis through January 1, 2006.



**John C. Sperry,
Member**

Retired, former President of the United Food and Commercial Workers Union, Local 324. Appointed to the CHRHB by Governor Gray Davis on February 2, 2002, through July 26, 2005.

Assignments for the standing committees of the Board during FY 2002-2003, as assigned by Chairman Roger Licht, were as follows:

**BENEVOLENT
PROGRAMS
COMMITTEE**

Commissioner Sheryl Granzella,
Chairwoman
Commissioner John Sperry

Oversees the Horsemen's Organizations Welfare Special Account funds; makes recommendations to the Board on submitted requests for distributions of charity racing funds; oversees the propriety of charity racing distributing agents; and recommends to the Board revisions of laws or regulations deemed necessary to ascertain appropriate benevolent and charitable uses of funds designated for such purposes.

**LEGISLATIVE
COMMITTEE**

Commissioner Marie Moretti,
Chairwoman
Commissioner Alan Landsburg

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

**PARI-MUTUEL
OPERATIONS
COMMITTEE**

Commissioner Alan Landsburg,
Chairman
Commissioner Roger Licht

Approves agreements, facilities equipment, and accommodations necessary for wagering; determines appropriate procedures and considers matters dealing with expansion of pari-mutuel operations; and recommends to the Board changes to law or regulations governing pari-mutuel operations.

**HORSEMEN'S
REPRESENTATION AND
ORGANIZATION
BYLAWS COMMITTEE**

Commissioner John Sperry,
Chairman
Commissioner Roger Licht

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

**MEDICATION
COMMITTEE**

Commissioner John Harris,
Chairman
Commissioner William Bianco

Establishes the Board's veterinary practices and procedures; selects qualified applicants for listing of official veterinarians for assignment to racing meetings; offers recommendations for laws or regulations deemed necessary to improve veterinary practices; oversees Board enforcement of veterinary practices and medication procedures; and provides leadership in the development of new or amended track safety standards.

**RACE DATES
COMMITTEE**

Commissioner Roger Licht,
Chairman
Commissioner Sheryl Granzella

Considers requests from racing associations and interested organizations concerning racing dates to be allocated by the Board; reviews staff proposals for the racing calendars; and recommends to the Board the California horse-racing schedule for the calendar year or for multiple years.

SECURITY AND LICENSING COMMITTEE

Commissioner Marie Moretti,
Chairwoman
Commissioner William Bianco

Oversees the Board's occupational licensing operations; reviews security controls maintained by racing associations; makes recommendations to the Board for changes to laws or regulations governing security at racing facilities; and meets with the security services subcommittee, which consists of the Board's chief investigator, supervising investigators, and security personnel for racing associations, to consider reports and recommendations of the subcommittee.

SIMULCAST OPERATIONS COMMITTEE

Commissioner Alan Landsburg,
Chairman
Commissioner John Sperry

Oversees the state simulcast program; also receives input from an industry-wide group that makes recommendations to increase revenue to the horsemen, to the associations, and to the state in a coordinated effort to protect the state's share of the simulcasting market and to keep California in front of competition from other states.

STEWARDS' COMMITTEE

Commissioner William Bianco,
Chairman
Commissioner Sheryl Granzella

Selects by examination qualified applicants for listing of stewards for assignment to racing meetings; advises the Board on matters relating to stewards and racing officials; and recommends to the Board revisions to laws and regulations deemed necessary to improve race officiating.

SPECIAL AD HOC COMMITTEES

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

RCI COMMITTEES

Members of the Board and CHRB staff members participated in Committee functions of the Association of Racing Commissioners International, as follows:

Board of Directors

Sheryl Granzella,
Member at Large
Roy Wood
Alternate

Flat Racing Model Rules Subcommittee

Roy Wood

Stewards/Judges Accreditation Committee

Roy Wood

Drug Testing Standards/Practices

Alan Landsburg
Roy Wood
Dr. Ronald Jensen

Scientific Review Committee

Dr. Ronald Jensen, advisor

Veterinary Pharmacology Com.

Dr. Ronald Jensen

Multi-Jurisdictional Licensing Program

Roy Wood,
Vice-Chairman

Safety and Security Committee

Roy Wood

Veterinary Advisory Committee

Dr. Ronald Jensen, chairman

Model Rules and Practices Committee

Roy Wood,
Vice-Chairman

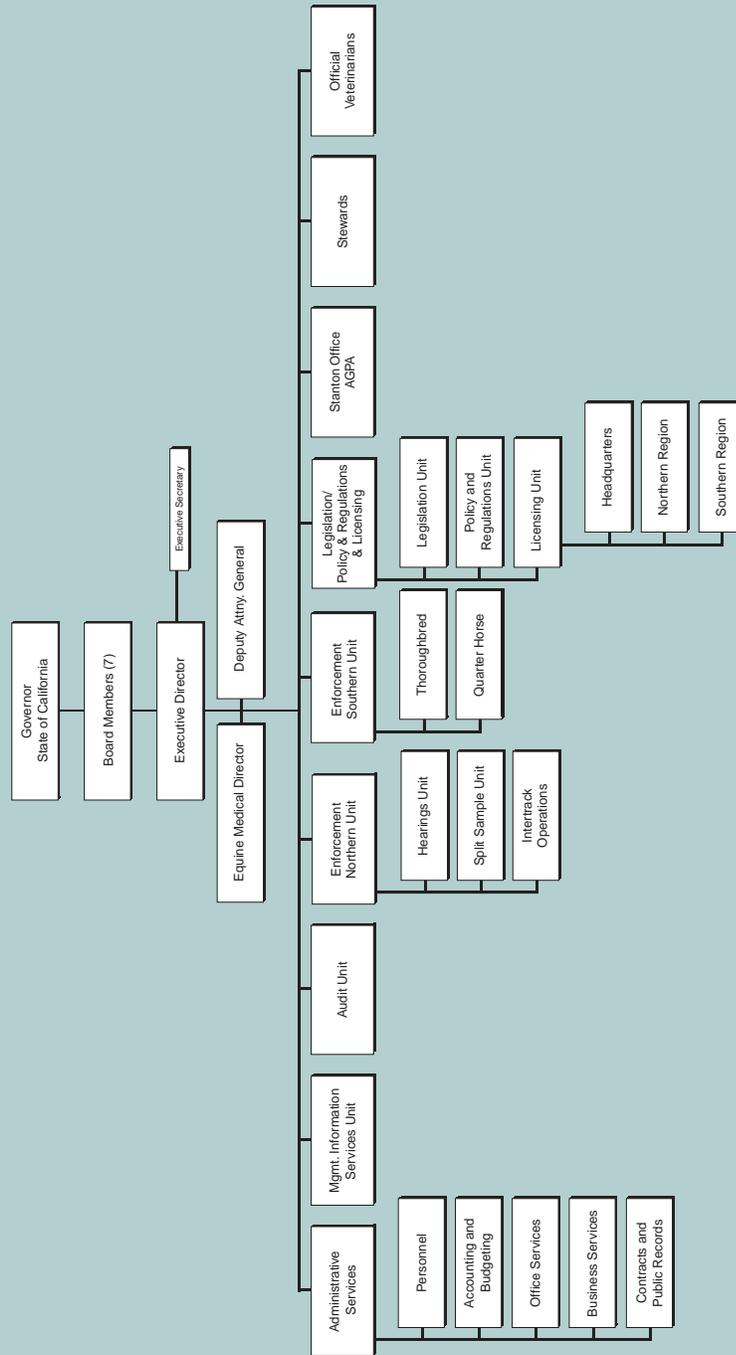
California Horse Racing Board – Operating Budget

July 1, 2002 – June 30, 2003

Appropriations	Item	Total
Personal Services	\$3,623,000	
Operating Expenses	4,930,000	
Total Appropriation		\$8,553,000
Expenditures — Personal Services		
Salaries and Wages	\$2,901,548	
Staff Benefits	698,260	
Total Personal Services		\$3,599,808
Operating Expenses and Equipment		
General Expense	197,341	
Printing	37,837	
Communications	50,221	
Postage	27,034	
Travel-in-State	213,830	
Travel-out-of-State	3,488	
Training	3,299	
Facilities Operation	178,306	
Contractual & Professional Services-Interdepartmental	540,425	
Contractual & Professional Services-External	3,134,879	
Consolidated data center: Stephen P. Teale Data Center	198,313	
Central Administration Services: Pro Rata	274,591	
Equipment	25,765	
Total Operating Expenses and Equipment		\$4,885,329
Total Expenditures		* \$8,485,137
Unexpended Balance FY 2001 -2002 to be reverted to General Fund 6/30/04		\$ 67,863
Total Expenditures & Unexpended Balance		\$8,553,000

* Includes year-end accruals

California Horse Racing Board Management Organization



Executive Division

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

The Board appoints an executive director to execute the duties as specified. The executive director is responsible for the department's operations, which includes overseeing on a daily basis all office and field operations conducted

by the staff, including CHRBR investigators and licensing personnel, and contract personnel, including the stewards and official veterinarians. The executive director is assisted in this regard by supervisory personnel at CHRBR offices and at racetracks.

The dynamics, complexity, and broad geographical base of the horse-racing industry place a tremendous responsibility on the executive staff of the Board as it deals with a myriad of situa-

tions that arise on almost a daily basis. The stewards at the various racetracks are in continual contact with Board executives, who in turn have direct access to the chairman and vice-chairman if their guidance is required. The horse-racing industry operates seven days a week — 365 days a year — because even when there is no actual racing in progress, the stable areas remain active. Board executives are available by pager and cellular telephone at any hour of the day.

MISSION

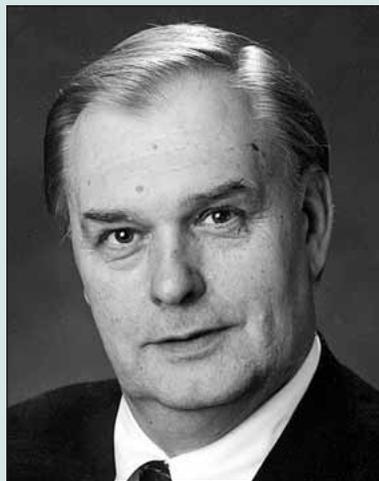
To Coordinate and Manage All Administrative Departments

ACHIEVEMENTS

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

Roy C. Wood, Jr.
Executive Director

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



MISSION

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

MISSION

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

MISSION

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

MISSION

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

ACHIEVEMENTS

The BUDGET AND ACCOUNTING UNIT accurately and efficiently accounted for all revenue, expenditures, receipts, disbursements, and property of the state. In recognition of the Budget and Accounting Unit's accuracy and efficiency, the State Controller's Office presented an award for achieving excellence in financial reporting. New programs and procedures are being developed on an ongoing basis to further perfect and streamline current operations.

ACHIEVEMENTS

The BUSINESS SERVICES UNIT continued to perform its responsibilities relating to the business operations of the Department, which include property management, printing, and telecommunications. The Unit managed the acquisition, repair, and disposal of supplies and equipment. This Unit processed travel-claim documents for the commissioners and staff, and acted as a resource for Board members and staff on the business operations of the department.

ACHIEVEMENTS

The OFFICE SERVICES UNIT provided support with office-telephone reception, word processing, filing, mail distribution, photocopying, and coordinating the Board's records retention program. This Unit performed the critical function of photocopying, collating, and distributing the monthly Board and Committee meeting notices and packages to the Board members, staff, and interested members of the public. Since May 2000, the Unit has offered subscribers of the Board and Committee meeting notices the opportunity to receive those notices via electronic mail. To date, more than 130 individuals elected to receive their meeting notices in this way. Other significant responsibilities included direct support to the administrative hearings unit and the business services unit.

ACHIEVEMENTS

The PERSONNEL UNIT continued to maintain, update, and keep employees informed on programs relating to defensive driving, CPR and first aid, mentoring, the Americans with Disabilities Act, health and safety, wellness, ergonomics, merit award, and emergency evacuations as part of health and safety.

The Unit processed all actions relating to payroll, health, dental and vision benefits, annual conflict of interest statements, and other related personnel actions. The Personnel Unit continued to administer a variety of examinations throughout the year. Personnel staff continued to attend meetings related to classification, recruitment, training, health and safety, and wellness to keep the California Horse Racing Board current with any changes that may impact the department and its employees.

MISSION

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

ACHIEVEMENTS

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

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

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

MISSION

To Promote Sound Business Decisions While Securing Necessary Services Through Contractual Agreements

ACHIEVEMENTS

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

In FY 2002-2003, the Board realized a significant improvement in small-business procurements with a 19% increase in small-business contracting participation.

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

MISSION

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

ACHIEVEMENTS

The MANAGEMENT INFORMATION SYSTEMS DIVISION (MIS) oversees all aspects of the CHRB's statewide computer network. In FY 2002-2003, MIS improved the Board's computer capabilities and functionality by further deploying state-of-the-art technological enhancements that allow the Board to maintain constant communications with many of the track locations, while simultaneously providing those locations with access to mission-critical information through direct connection to CHRB Headquarters in Sacramento.

MIS continued its aggressive effort to employ newer, more cost-effective technological solutions throughout the CHRB in order to enhance productivity and efficiency while significantly reducing communications overhead costs. MIS upgraded its internal network infrastructure, which resulted in significant improvements to

CHRB staff functionality and capabilities. This upgrade allowed for every fair location to access CHRB's mission-critical applications in the same manner as the permanent track location, thus improving the CHRB's ability to oversee all racing meets.

MIS will continue expanding the CHRB licensing system toward the goal of providing all racetrack offices and paymasters with immediate on-line access to the specific CHRB license information that they rely on to conduct their business.

MIS continues to make major enhancements and refinements to the CHRB Website. The Website increased the availability of meeting notices, agendas, and transcripts. A new Administrative Rulings section was added to allow the racing community to access critical and pertinent information in a timely manner. The new pages allow interested parties to view stewards rulings by track, precedential decisions, and administrative cases. Additionally, new audio/video pages now make it easier than ever for interested parties to learn about the horse-racing industry and its operations.

MIS has deployed a state-of-the-art photo identification system. This new ID system will significantly enhance the current licensing process, while reducing the amount of time required to physically generate a photo ID/license. This new system will interface with existing CHRB databases, while capturing new and important information on each licensee. This new system will serve as the cornerstone of a new information technology environment that will improve all aspects of the Board's ability to monitor and serve the racing community.

Looking to the future, MIS will continue working with the Department of Justice and the FBI to replace the CHRB's manual fingerprint processing procedure with a digitized biometric system to help identify and review license applicants more quickly and accurately.

MISSION

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

ACHIEVEMENTS

The POLICY AND REGULATION UNIT, in response to enacted legislation and industry requests, permanently added six rules governing Backstretch Worker Housing. The Unit also revised five of the Board's regulations governing horse racing in California.

In 2003 the Board adopted the permanent addition of Article 28, Backstretch Worker Housing, which was initially adopted in 2002 as an emergency regulation. Article 28 contains the following related rules:

Rule 2100, General Provisions, specifies that backstretch worker housing provided by an association shall be maintained in accordance with Article 28.

Rule 2101, Definitions, provides definitions for terms used in Article 28.

Rule 2102, Backstretch Worker Housing Inspection Required, sets the requirements for backstretch worker housing inspections.

Rule 2103, Habitable Rooms, provides the basic conditions that must be present for rooms to pass inspection.

Rule 2104, Sanitation Facilities, provides guidelines for backstretch worker sanitation facilities.

Rule 2105, Pest Control, provides requirements for the control of pests in and around backstretch worker housing.

The Board adopted the following revisions:

Rule 1467, Paymaster of Purses, revised to require the paymaster to deduct 10% of the net purse earned on any horse that finishes first, second, or third at a quarter-horse race meeting and deposit it into the trainer's account.

Rule 1867, Prohibited Veterinary Practices, revised to add snake and snail venom to the list of items for which the possession and/or use on the premises of a facility under the jurisdiction of the Board is prohibited.

Rule 1928, Fire Regulations, revised to require associations to post an emergency evacuation plan in English and Spanish in all backstretch worker housing areas.

Rule 1979.1, Superfecta, revised to delete the requirement that a Superfecta pool be refunded if less than five wagering interests finish the race.

Rule 2000, General Provisions, revised to add business services assistant and business services officer to the designated positions that must file a statement of economic interest.

MISSION

To Monitor Legislation and Update the Horse Racing Law

Enacted Legislation:

AB 388 – Assemblyman Tony Strickland; Chapter 174

AB 401 – Assemblyman Jerome Horton; Chapter 556

AB 1128 – Assemblywoman Carol Liu; Chapter 8

SB 690 – Senator Roy Ashburn; Chapter 372

SB 738 – Senator Betty Karnette; Chapter 24

ACHIEVEMENTS

The LEGISLATIVE UNIT, in addition to updating the Horse Racing Law and representing the Board in legislative hearings, tracked and analyzed all legislative bills with a potential impact on the horse-racing industry. During the 2003 legislative session, 22 horse-racing related bills were introduced, five of which were enacted by the Legislature and signed into law by the Governor.

The following horse-racing bills were chaptered in 2003:

Permits the CHRB to set the deduction for any new type of wager introduced after January 1, 2004, in an amount of not less than 10% nor more than 30% at the joint request of an association or fair and the horsemen's organization. Effective date: January 1, 2004.

Allows the California State Fair and Exposition (State Fair) to operate an additional satellite wagering facility off the fairgrounds, but within the county boundaries of the fair; also broadens those races qualifying for breeder and stallion awards. Effective date: January 1, 2004.

Permitted the CHRB to authorize a racing association that was not a fair in the central zone to conduct a racing program that included Breeders' Cup prep races on September 28, 2003, a date when a fair was also conducting live racing in the central zone. This bill was an urgency statute. Effective date: May 1, 2003.

Allows any fair in Kern County to operate a satellite wagering facility off the fairgrounds, but within the county boundaries of the fair. Effective date: January 1, 2004.

Redefines the definition of a California-bred standardbred horse as a standardbred foal dropped by a mare in California after being conceived in California by a stallion registered with the California Standardbred Sires Stakes Program. Effective Date: January 1, 2004.

MISSION

To Supervise All Audits and Authorized Pari-mutuel Wagering Operations

ACHIEVEMENTS

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

MISSION

To Continually Audit Pari-mutuel Operations

ACHIEVEMENTS

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

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

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

MISSION

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

ACHIEVEMENTS

The PUBLIC INFORMATION OFFICER responded daily to numerous inquiries from the news media and the general public on a wide range of matters pertaining to the California horse-racing industry and the Board's activities. The PIO attended all Board and Committee meetings and issued 19 news releases pertaining to those meetings and other actions of the Board. Those releases were routinely distributed to members of the news media and news organizations interested in California horse racing, as well as to all major racing organizations, interested state lawmakers and agencies, and certain national and international groups involved in the industry.

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

In an effort to enhance the image of horse racing, the PIO distributed and arranged for the public viewing of several motion-picture-quality videos, which were developed by the Board to inform the general public of the nature of horse racing and the effectiveness of the State of California in regulating that industry. The PIO arranged for various racetrack stewards to attend seminars and other public events in order to meet and respond to questions from the public, thereby reassuring the public concerning the professionalism and qualifications of those responsible for the orderly conduct of race meetings. And the PIO wrote articles for various publications emphasizing positive aspects of the CHRB and horse-racing industry.

Highlights of CHRB News & Review

The California Horse Racing Board publishes a quarterly newsletter, the CHRB News & Review, to publicize the many positive accomplishments of the Board, state government, and the horse-racing industry. What follows are summaries of important articles from FY 2002-2003:

When the horses are safely put away in their stalls and the work is done, backstretch employees throughout California spend their leisure time on more relaxing activities. Many turn to sports and other recreational pastimes. Others take advantage of educational opportunities. Still others get involved in group events, some involving the church. And, of course, there's always television. All of the employee sleeping rooms at Hollywood Park are wired for cable. Workers in racetrack stable areas are just like residents of other California communities when it comes to needing entertainment to fill their off hours. But whereas budget problems are forcing many communities to cut back severely on recreational and educational programs, workers in the California horse-racing industry have a growing list of diversions to choose from.

Tough love. That's the best way to put it. Compassion, concern, understanding, and a sincere desire to help. Yes, all of that. But at the same time, anyone with a substance abuse problem who walks through the door of the Winners Foundation is also going to encounter hard truths. It doesn't matter if you talk to outgoing executive director Don Murray, his replacement, Bob Fletcher, or any of the caseworkers located at racetracks throughout California. They all know the score. They've been there. They overcame their own personal demons and now stand ready to help others who are truly committed to helping themselves. The Winners Foundation is a major success story comprised of hundreds or perhaps thousands of individual success stories: Each racetrack worker, each family member, each life that the Winners Foundation has helped turn around is a testimonial to this success.

A basic cornerstone of the racetrack experience is knowing that the game is fair. The California Horse Racing Board exists to regulate the horse-racing industry and provide that level of confidence. This in-



volves licensing all of the participants in the racing industry, testing the horses for any illegal drugs, and monitoring the pari-mutuel department to ensure that the odds and payouts are accurate and untainted.

Anyone who ever misplaced a winning ticket or refund slip for a canceled wager might find comfort in learning the money was put to good use. Last year nearly \$2.6 million of this "unclaimed property" helped pay for health and welfare programs benefiting California racetrack workers and jockeys. This was in addition to \$600,000 that California racetracks and foundations distributed last year to racing-related charities through their Charity Racing Days. Backstretch health and welfare programs and racing-related charities also received more than \$500,000 from the Oak Tree Racing Association and its Charitable Foundation. And they received \$245,000 that California thoroughbred horsemen diverted from purses. Another \$100,000 is projected for health and welfare programs from new Advance Deposit Wagering (ADW) operations. Altogether these sources provided nearly \$4 million last year for worthwhile causes within the horse-racing industry.

Licensing

During the operation of a licensed race meeting at any of the 14 racetracks in the state, a field office of the Board is established at the operating facility and staffed with personnel of the LICENSING DIVISION, who license all participants. The Division is comprised of a Licensing Manager, Licensing Supervisor, and 10 professional licensing specialists known as License Technicians. The primary duty of the Division is to issue occupational licenses to qualified applicants and ensure that everyone participating in a race meeting is properly licensed.

MISSION

To License All Participants
In Horse Racing

ACHIEVEMENTS

In compliance with laws and regulations requiring all persons who participate in the racing of horses, all employees of a pari-mutuel department, and all persons acting as officials to be licensed by the Board, the LICENSING DIVISION issued 13,186 licenses of all classes, a decrease of 97 from the previous year. The majority of these were renewal licenses for individuals who had been previously licensed, including 4,159 owners, 846 pari-mutuel, and 4,067 grooms' licenses.

To Ensure Proper Licensing
and Enhance Customer
Service to the Public
and Licensees

For the majority of the year, due to budget cutbacks, the unit operated at 40% of normal staffing, then dropped even lower toward the end of the calendar year. But despite the cutbacks, the unit maintained its normal workload and, in fact, handled the extra responsibilities related to the Breeders' Cup at Santa Anita Park and the Quarter Horse Challenge at Los Alamitos.

Shortages were met by outstanding work and flexibility of existing staff, which had been trained and practiced backing up each other during previous years. The existing licensing staff performed at a heroic level to meet the needs of the industry and to keep California racing. In addition to issuing licenses, staff also checked racing programs daily to insure proper licensing and insurance coverage was in place prior to racing. They processed all fingerprints required of new licensees and all reciprocity fingerprint affidavits, while maintaining courtesy calling programs to notify trainers of expiring insurance policies.

Licensing Summary

Applicant and License Processing — Fiscal Year 2002–2003	
Verification of license qualifications:	
Approval for license	13,186
Formal refusal of license	57
Verification of criminal offender records:	
Fingerprints taken and processed	2,006

Enforcement

The ENFORCEMENT DIVISION is comprised of investigators, two chief investigators, and three supervising investigators, all of whom are sworn peace officers. Their primary duty is the enforcement of the Horse Racing Law and provisions of the Penal Code relating to crimes in connection with sporting events and gambling. During the operation of a licensed race meeting at any of the 14 racetracks in the state, a field office of the Board is established at the operating facility and staffed with investigative personnel who investigate all observed or reported offenses.

MISSION

To Check on Fitness for Licensure

To Obtain and Submit Information to the National Data Bank

To Enforce Rules and Regulations

ACHIEVEMENTS

As part of required background investigations, the ENFORCEMENT DIVISION conducted investigational interviews of applicants who admitted to having a criminal conviction for any public offense or a suspension or revocation of license for any racing-related violation. The Division received from the Licensing Division and submitted 2,006 fingerprints to the Department of Justice for processing.

The Division obtained background information on applicants through the computerized national index of the Association of Racing Commissioners International. As part of its participation in this national program, the Board submitted 1,380 rulings of the California stewards for input into the national system. There is on-line access to the NASRIS index at each field office, as well as microfiche records, to assist in reviewing an out-of-state applicant's license history. Documents supporting eligibility for employment of resident aliens were checked in an effort to prevent subsequent problems between the applicant and the Immigration and Naturalization Service. The Division declined to issue 57 licenses to applicants who failed to meet established criteria or because grounds existed to refuse or deny the license. Such refusals were without prejudice to the applicants, who were permitted to reapply if the license criteria were met.

Observed or reported offenses were investigated, and the majority of those 1,080 investigations resulted in administrative action against the licensees and the issuance by the stewards of 1,380 rulings. Of those, 312 concerned riding or driving infractions during races, 88 involved the eligibility of horses entered in races, and 112 resulted from financial responsibility complaints. Potential or actual criminal offenses were investigated, including horse druggings, bookmaking, possession and/or sales or controlled substances, theft, burglary, arson, and forgery, as well as disorderly conduct and the writing of non-sufficient-fund checks. Board investigators maintained a close liaison with municipal, state, and federal law enforcement agencies, as well as local enforcement officers assigned to anti-gambling operations. Local policing authorities often worked in conjunction with Board investigators concerning matters of mutual interest. Board investigators conducted compliance inspections of each racing facility to make certain that required standards for access, maintenance, cleanliness, fire safety, and officiating equipment were being met.

Enforcement Summary

Enforcement Actions — Fiscal Year 2002–2003	
Investigations:	
Fitness for continued licensing	46
Unlicensed participation	18
Conduct of financial affairs	263
Use of a prohibited drug on entered horse	30
Improper medication practice	147
Possession of contraband	22
General misconduct	124
Intoxication/alcohol or controlled substance	73
Other	357
Total Investigations	1,080
Total Complaints filed:	729
Steward's Rulings	
Racing infractions during a race	312
Misconduct concerning entry or procedure	143
Fitness for continued license	57
Conduct of financial affairs	112
Use of a prohibited drug on entered horse	88
Improper medication practice	9
Possession of contraband	13
Unlicensed participation/security control	43
Intoxication/alcohol or controlled substance	88
Failure to appear	25
Other	490
Total Official Rulings of the Board of Stewards	1,380

MISSION

To Process Appeals in a Fair and Timely Manner

ACHIEVEMENTS

The ADMINISTRATIVE HEARINGS UNIT received 53 appeals, coordinated 30 administrative hearings, and processed 44 requests for temporary stays and 48 peremptory orders related to those appeals and other actions of the Board.

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

MISSION

To Ensure Compliance with All Laws and Rules at Simulcast Facilities

ACHIEVEMENTS

CHRB investigators conducted random compliance inspections of SIMULCAST WAGERING FACILITIES in California. These inspections focused on the overall facility operation in addition to compliance with California Horse Racing Board Rules and Regulations. Satellite uplink and downlink equipment was also examined during the course of these inspections.

Including the six major racetracks and nine racing fairs, there are currently 34 simulcast wagering facilities located throughout the state. Four of the 34 are located on Indian reservations. The day-to-day operation of a facility is overseen by a simulcast supervisor, who works in concert with a pari-mutuel manager to ensure that all aspects of the facility operation run smoothly.

During FY 2002-2003, investigators continued to conduct a variety of investigations at simulcast wagering facilities. Each location submitted a work list of current onsite personnel.

Another important function performed by the unit was the review of California Department of Justice and Federal Bureau of Investigation criminal history records on all first-time license applicants and subsequent arrest/conviction information on current licensees. In the case of a first-time applicant this information may result in the termination of the license if the applicant failed to accurately report his or her conviction at the time of the application. In the case of a subsequent arrest or conviction, the information may result in a Complaint and Order to Appear before the stewards being sent to the licensee for adjudication at a steward's hearing. This process helps to keep undesirable elements from actively participating in horse racing.

Appointed CHRB Officials — FY 2002–2003

STEWARDS

Grant Baker
Pamela Berg
Albert Christiansen
Michael Corley
Ingrid Fermin
Martin Hamilton
John Herbuveaux

Robert Latzo
Darrel McHargue
William Meyers
Dennis Nevin
Peder Pedersen
David Samuel
George Slender

Peter Tommila
Merlin Volzke
Thomas Ward
John Williams

ASSOCIATE STEWARDS

Pamela Berg

Martin Hamilton

John Williams

OFFICIAL VETERINARIANS

Dr. B. William Bell, DVM
Dr. Donald Dooley, DVM

Dr. Robert Guillen, DVM
Dr. Robert Goodbary , DVM

Dr. Joan Hurley, DVM

Racing Supervision

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

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

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

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

ture provides an annual appropriation to meet the costs of direct racing supervision. The allocation for FY 2002-2003 was \$1.9 million for stewards and official veterinarians. Other racing officials were paid by the associations in the manner prescribed by the Board.

MISSION

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

ACHIEVEMENTS

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

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

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

MISSION

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

ACHIEVEMENTS

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

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

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

MISSION

To Properly Identify All Horses Competing at Race Meetings

ACHIEVEMENTS

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

Track Safety Program

The CHRB continued in 2003 its enforcement of the track safety standards and backstretch housing standards programs, which are designed to provide the safest environment possible for California's racing participants. The CHRB received full cooperation from all segments of the horse-racing industry in these important efforts.

The CHRB and California horse-racing industry are dedicated to ensuring that California's racetracks offer a safe environment for participants.

Rules governing the track safety program at all of the state's racing and sanctioned training facilities establish standards for rails on the racetrack, outline the renovation requirements for dirt tracks, address maintenance of dirt race tracks, and outline the criteria that must be met by facilities operating golf courses in the infield.

In 2003, each racing association and racing fair filing an application for a license to conduct a race meeting was inspected and monitored for compliance with the established safety standards regulations.

Prompt action was taken by the racing association to correct any deficiencies noted in the inspections, bringing California's racing facilities into compliance with the safety standards and conditions for their respective racing facilities.

In addition to the track safety inspections, 2003 saw the continuation of the backstretch housing inspection

program, which established standards that provide the basic conditions for habitable rooms on the backside. Each racing association and fair submitting an application for a license to conduct a race meeting was inspected and monitored for compliance with the backside housing standards. The industry corrected any deficiencies noted in the inspections.

In conjunction with the backstretch housing inspection program, the California racing fairs upgraded and renovated their backside facilities showers, restroom facilities, and tack rooms.

California Horse Racing Information Management System (CHRIMS)

A database system is available to the CHRB, Division of Fairs and Expositions, all racing associations and tracks, specified legislators, and other subscribers within the horse-racing *industry*.

The CHRIMS pari-mutuel system was developed in 1989 from a required accounting and managerial need to keep up with the growth of simulcast wagering. The initial goal of the CHRIMS project was to gather daily handle and attendance numbers from 1985 (when simulcasting began). Shortly after the goal was met, the project was then expanded to include all pari-mutuel distributions. This required processing daily conventional and exotic pools by location, association, and type of race.

The total amount retained from the public (takeout) and the total amount payable to the public are balanced back to total track handle. Handle, along with prospective distributions, can be queried and sorted by location groups (e.g., California on-track, California off-track, and out-of-state wagers) and by various date ranges, breeds, and a variety of other options.

Utilizing the software tools that have been developed, the CHRIMS staff loads and balances California pari-mutuel data daily.

The basic system operation of CHRIMS occurs in three phases:

- ◆ **Data Acquisition.** Each night following the close of wagering, CHRIMS computers in Northern California automatically dial into three totalizator hubs, which together process all California pari-mutuel wagering, including in-state and out-of-state wagering on thoroughbred, quarter-horse, and standardbred racing. The CHRIMS computers electronically download complete end-of-session

reports from the three totalizator computers, a data stream that includes all wagering activity conducted through California pools, down to the level of individual teller transactions. Additionally, staff updates the CHRIMS system with statutory rates at the beginning of each race meet and updates simulcast rates daily as needed.

- ◆ **Data Processing.** Each morning, CHRIMS personnel supervise the compilation of tote data into usable information units (pool by pool, site by site, handle, takeout, breakage, and payout). This information is then processed using tables prescribing statutory and contractual takeout distribution formulas to produce new information separating pari-mutuel revenue allocations. This processed information is then available electronically to an official auditor for review, and archived and made available throughout the system's network of users.

- ◆ **Information dissemination.** All wagering and takeout information is locked into the system and opened to the CHRIMS network in the form of queried data-sets, such as reports detailing the complete breakdown of handle by date, site, pool, and type of wagering event. System users may query the database across a variety of parameters to obtain consistent, reliable information for accounting purposes, statistical analysis, confirmation of pari-mutuel receipts due, interstate simulcast settlements, and more.

Unlike a spreadsheet, which was the prior industry standard, the database is relational, which allows the end-user to access information by selecting data ranges, host-track combinations, and a variety of data-sorting options.

The database numbers reflect what has actually taken place in California racing and can be used to project any changes that might affect racing statistics. The system has been structured to provide the data needed by mutuel, racing, and accounting departments within the track, as well as horsemen's associations. This information is valuable to help determine the probable effects of proposed changes to current law. Upon request, "what-if" scenarios can be run in a testing environment to graph distribution effects by changing distribution percentages that may be affected by proposed law.

In 2002, CHRIMS extended this application to account for handle reporting and the pari-mutuel distributions of Advance Deposit Wagering. In 2003, the system was improved by building out a flexible data model and by adding additional reports.

In addition to managing and reporting California pari-mutuel data, CHRIMS built and maintains a secure Wide Area Network connecting all California racetracks and wagering facilities for the purpose of passing totalizator traffic within California, as well as allowing CHRB and track staff access to the CHRIMS database. California stakeholders also use this network for software applications, including the Golden State Rewards Network (GSRN) program, general Internet access, and CHRIMS' own data processing systems described above.

Sample CHRIMS Report

Begin Date: 7/01/2002 End Date: 6/30/2003

Race Type: All Races
 Hosts: All Hosts
 Locations: All Locations
 Tracks: All Tracks

	On Track	Off Track	Total CA	Out of State	Total
-					
License Fees	12,831,079.17	22,444,875.85	35,275,955.02	5,026,155.51	40,302,110.53
Exotic License	0	0	0	0	0
Breakage	26,853.45	1,001,134.18	1,027,987.63	0	1,027,987.63
Minus Break	-2,660.63	0	-2,660.63	0	-2,660.63
F and E Fund	442,413.47	1,022,734.86	1,465,148.33	0	1,465,148.33
License Reduction	-1,602,444.29	0	-1,602,444.29	0	-1,602,444.29
Total License	11,695,241.17	24,468,744.89	36,163,986.06	5,026,155.51	41,190,141.57
-					
Equine Research Lab	772,672.49	1,491,569.18	2,264,241.67	0	2,264,241.67
-					
City Tax to State	0	0.01	0.01	0	0.01
City/County Tax	2,536,296.44	4,893,457.54	7,429,753.98	0	7,429,753.98
Total City Tax	2,536,296.44	4,893,457.55	7,429,753.99	0	7,429,753.99
-					
Promotion Fund	1,065,900.31	6,154,244.17	7,220,144.48	0	7,220,144.48
Van/Stabling	2,231,268.78	11,033,913.12	13,265,181.90	0	13,265,181.90
Location Fee	1,367,287.54	32,172,673.70	33,539,961.24	0	33,539,961.24
Expense Fund	7,666,625.24	50,253,652.29	57,920,277.53	0	57,920,277.53
Total Sim Distribs	12,331,081.87	99,614,483.28	111,945,565.15	0	111,945,565.15
-					
Purses	47,748,036.61	69,147,957.38	116,895,993.99	28,065,472.38	144,961,466.37
Exotic Purses	4,442,065.30	0	4,442,065.30	0	4,442,065.30
Overlap Purses	0	0	0	0	0
Breakage	2,860,837.28	2,980,845.73	5,841,683.01	0	5,841,683.01
Minus Break	-9,221.07	0	-9,221.07	0	-9,221.07
SB2000 Purses	0	0	0	0	0
Total to Purses	55,041,718.12	72,128,803.11	127,170,521.23	28,065,472.38	155,235,993.61
-					
Owners Premiums	566,828.76	888,682.99	1,455,511.75	0	1,455,511.75
-					
SB2000 Breeders	0	0	0	0	0
Breeder/Sires Awards	4,036,278.96	7,606,186.60	11,642,465.56	1,670,203.79	13,312,669.35
Total Breeder/Sires	4,036,278.96	7,606,186.60	11,642,465.56	1,670,203.79	13,312,669.35
-					
Track Commissions	50,750,431.03	70,005,495.68	120,755,926.71	28,065,099.31	148,821,026.02
Exotic Commissions	4,658,523.92	0	4,658,523.92	0	4,658,523.92
Overlap Track	0	0	0	0	0
Breakage	1,019,339.83	2,702,421.52	3,721,761.35	0	3,721,761.35
Minus Breakage	-10,273.91	0	-10,273.91	0	-10,273.91
License Reduction	1,602,444.29	0	1,602,444.29	0	1,602,444.29
Total to Track	58,020,465.16	72,707,917.20	130,728,382.36	28,065,099.31	158,793,481.67
-					
Commingle Guests				265,514,696.09	265,514,696.09
-					
Interstate Hosts	4,080,302.05	12,184,079.71	16,264,381.76		16,264,381.76
Intrastate Hosts	0	0	0	0	0
Proxy Host Fee	0	0	0	0	0
-					
Retained from Public	149,080,884.97	295,983,923.72	445,064,808.69	328,341,627.08	773,406,435.77
Payable to Public	623,590,046.43	1,195,552,052.38	1,819,142,098.81	1,375,168,090.04	3,194,310,188.85
-					
TOTAL HANDLE	772,670,931.40	1,491,535,976.10	2,264,206,907.50	1,703,509,717.12	3,967,716,624.62

Laboratory Services

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

The equine drug-testing program is comprehensive. Post-race urine and blood samples are obtained from the winner of every race, the 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.

The CHRB utilizes the services of two laboratories in its drug-testing program: Truesdail Laboratories, Inc. of Tustin, California, and the Kenneth L. Maddy Equine Analytical Laboratory at the University of California, Davis.

These laboratories screened samples utilizing instrumental, immunoassay, and thin-layer chromatography techniques. Screening results that indicate the presence of a prohibited substance were confirmed by gas chromatography and/or liquid chromatography combined with mass spectroscopy (GC/MS and LC/MS). Both official equine laboratories participated in the Laboratory Quality Assurance Program of the Association of Racing Commissioners International.

The two equine testing laboratories analyzed 30,081 urine and blood samples in FY 2002-2003 at a cost of \$1,114,304. Associated Pathologists Laboratories of Las Vegas performed human drug-test analyses.

The Board utilized the services of an equine medical director (EMD), who

advised on all aspects of the drug-testing program. Provided by the UCD School of Veterinary Medicine, the EMD reviewed, evaluated, and monitored testing programs of the laboratories, and evaluated security policies and procedures for the reporting of prohibited substances; recommended types of tests and drugs that needed to be tested by the laboratories; conducted long-range program planning; recommended policies and programs; advised on regulations relating to veterinary practices within racing enclosures; and monitored policies and procedures relating to the health and welfare of horses in regulated areas.

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

1. The owner, trainer, or representative of the horse being tested witnessed the blood and urine sample collection.
2. Containers of samples were identified and sealed against tampering, then frozen and delivered to the laboratory for analysis.
3. A portion of each sample was placed in a separate container for retention by the Board as a horseman's split sample.
4. The portion of the sample designated for analysis was sent directly to the appropriate laboratory. The horsemen's split-sample portion was sent to the split-sample storage site in Sacramento, where an investigator of the

Board, designated to be the custodial officer, received and secured the specimens.

5. All specimen containers were identified only by a unique number, and the identity of the horse involved was known only to the Board's official veterinarian until the laboratory informed the Board of the test results.

6. Because urine and blood samples from racehorses may be evidence in administrative or criminal proceedings, a strict chain of custody was maintained for the 30,081 samples tested.

Under Board procedures, when the laboratory detects and confirms the presence of a prohibited substance in a post-race sample, the laboratory reports the finding to the Board's Executive Director and EMD, who review the laboratory report. The Executive Director then notifies the CHRB investigators, who in turn confidentially notify the owner and trainer of the horse involved. The trainer/owner(s) have 72 hours to request that the horsemen's split sample be sent to an approved laboratory for analysis at their expense.

If the split sample laboratory confirms the presence of the prohibited substance reported by the official racing laboratory, the test is deemed positive, and the laboratory's test is deemed to be accurate and evidentiary proof of the presence of such prohibited drugs in the test sample. The matter is then submitted by the CHRB for administrative action.

Equine Postmortem Program

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

During February of 2003, the Postmortem Program, which was initiated to protect the health of horses in racing and training, celebrated its 13-year anniversary.

This program begun by the CHRB in partnership with California Animal Health and Food Safety (CAHFS), formally known as California Veterinary Diagnostic Laboratory System, has become a national role model for the racing industry. The actions of this partnership in advance of heightening public concern with the horseracing industry in the United States are helping to improve the safety and welfare of racehorses.

The program was established to determine the nature of injuries occurring in racehorses, to determine the reasons for these injuries, and to develop prevention strategies. To accomplish these goals, a broad cooperative approach was organized.

CAHFS is contracted to perform necropsies on any horse that dies or is euthanized on any racetrack or training facility under the jurisdiction of the CHRB. Pathologists at the Davis, Tulare, and San Bernardino branches of CAHFS conduct the postmortems.

Detailed information on each horse is compiled and reported to the CHRB. Various specimens are collected and sent to veterinary scientists in the School of Veterinary Medicine at the University of California at Davis for more in-depth analysis.

Funding for the entire program also is a cooperative effort. The CHRB funds the postmortems while the racing associations provide transportation of the horses to the nearest laboratory facility. Additional studies are funded by the Center for Equine Health and private sources.

Information from these tests and data gathered from the postmortem examinations are analyzed in efforts to elucidate the specific cause of catastrophic injuries. An advisory board composed of horse owners, trainers, CHRB officials, veterinarians, and track maintenance people gives insight into injury investigations and relays program findings and prevention strategies back to the industry.

After much success demonstrating the role of previously undiagnosed stress fractures contributing to catastrophic complete fractures of the pelvis, femur, and humerus of thoroughbred racehorses, similar studies by the Equine Orthopedic Laboratory group within the School of Veterinary Medicine are now focusing on fractures to the lateral condyle of the cannon bones and proximal sesamoid bones.

Previous information from the postmortem program indicating that toe-grab height is related to injury of the suspensory apparatus led trainers and racetrack practitioners to participate with Dr. Susan Stover and her associates of UC Davis in a two-year clinical study at the racetracks on horses that are racing. The data collection phase of the study has been com-

pleted. During the past year, past performances of the over 10,000 horses in the study have been obtained and the analysis of the data is well underway. The findings of this study will help trainers and officials make factual judgments concerning the types of racing shoes to use on their horses.

In addition to limb injuries in horses, collaborative studies have been done on stomach ulcers, unrecognized heart conditions leading to sudden unexplained deaths, laminitis, and incoordination due to protozoa organisms in the central nervous system of racehorses. Currently, an instrumented horseshoe and a computer model of the equine forelimb are being developed to measure and help understand racing and training injuries. There is now a computer program in place that simulates the actions and stresses on the ligaments and tendons of the forelimb of the horse both at rest and in motion.

The postmortem program has detailed information on more than 3,281 horses. This includes information on injuries and illnesses developed during racing, training, and even non-exercise-related activities. Most of the information concerns thoroughbred horses, but the quarter-horse, appaloosa, standardbred, and Arabian breeds also are included. This is a respected program throughout the national racing community. It is the desire of the program's partners to continually improve the welfare of racehorses and foster the public's trust in the sport of racing.

Racehorse Fatalities

A total of 229 fatalities was reported during the period 11/6/02 to 11/9/03.

Associations	Breed of Horse						Occurred During			
	TB	QH	ST	APP	AR	P	RACE	TRAIN*	OTH*	
Thoroughbred										
Los Angeles Turf Club/SA	37						13	20	4	
Churchill Downs Operating Co./HP	33						8	15	10	
Del Mar Thoroughbred Club/DM	13						8	3	2	
Oak Tree Racing Assn./SA	8						2	2	4	
Churchill Downs Fall Operating Co./HP	21						7	12	2	
Bay Meadows Operating Co./BM	16						7	7	2	
Bay Meadows Operating Co. (Fall)/BM	10						5	3	2	
Pacific Racing Assn./GGF	28						15	8	5	
Harness										
Capitol Racing LLC/CE**										
Quarter Horse										
Los Alamitos Quarter Horse Racing Assn./LA	11	19		1		1	19	3	10	
Fairs										
Stockton	2						1	1		
Pleasanton	4						1	3		
Vallejo	3						2		1	
Santa Rosa	1						1			
San Mateo	5						4		1	
Ferndale***										
Cal Expo	7	1					4	1	3	
Pomona	5						2	3		
Fresno	3						3			
Totals	207	20	0	1	0	1	102	81	46	
Total Fatalities 229							229	229		

TB = thoroughbreds QH = quarter horses ST = standardbreds APP = appaloosas AR = Arabians P= paints

* Training and other fatalities include fatalities that occurred at auxiliary training facilities.

** Statistics not available. *** Zero fatalities.

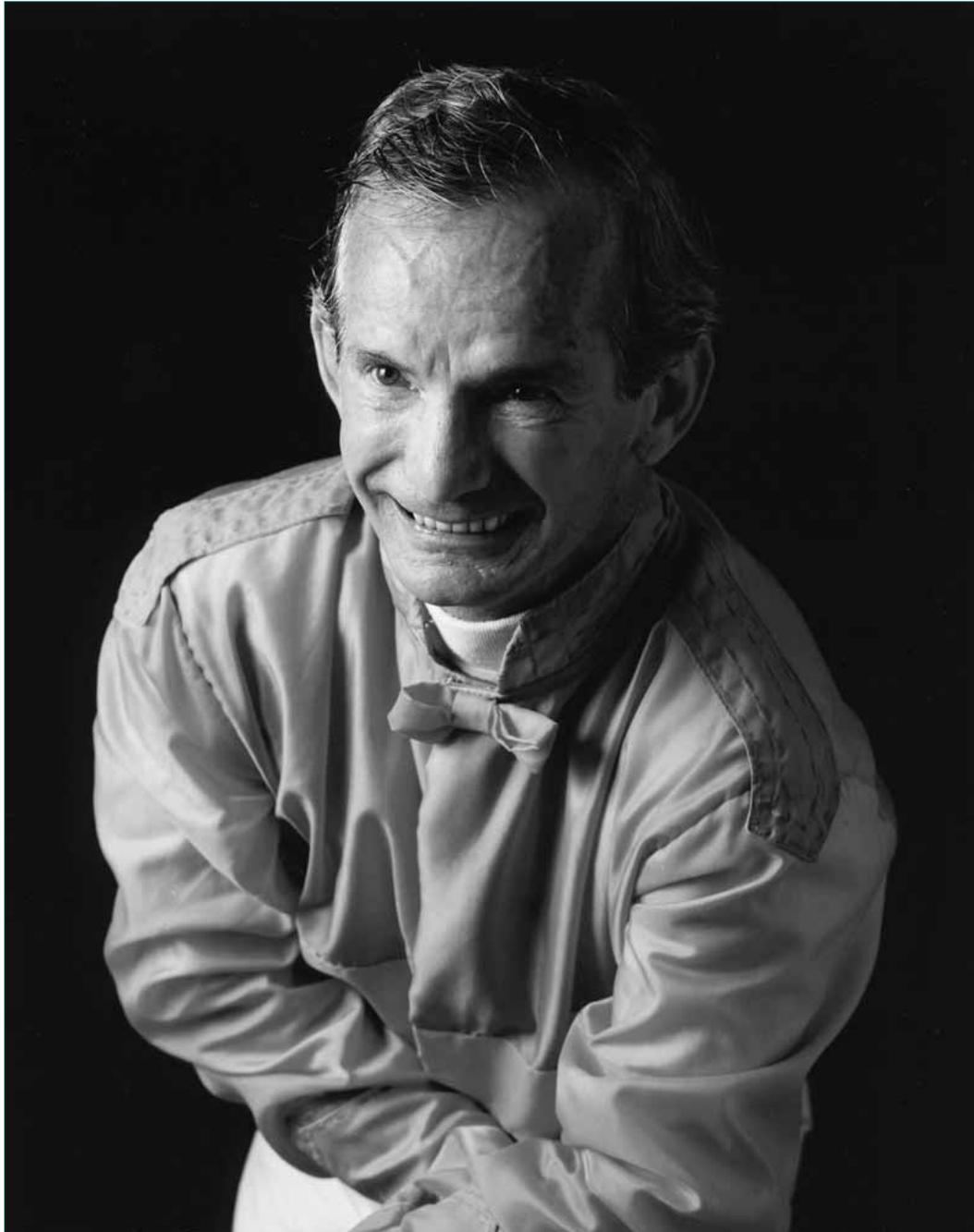
Racing Injuries

A total of 524 racing injuries were reported during the period 11/6/02 to 11/9/03.

Associations	Breed of Horse					
	TB	QH	APP	AR	ST	M
Thoroughbred						
Los Angeles Turf Club/SA	70					
Churchill Downs Operating Co./HP	42					
Del Mar Thoroughbred Club/DM	36					
Oak Tree Racing Assn./SA	20					
Churchill Downs Fall Operating Co./HP	20					
Bay Meadows Operating Co./BM	39					
Bay Meadows Operating Co. (Fall)/BM	12					
Pacific Racing Assn./GGF	71					
Thoroughbred Total	310					
Harness						
Capitol Racing LLC/CE*						
Quarter Horse						
Los Alamitos Quarter Horse Racing Assn./LA	24	89	1	5		
Fairs						
Stockton	8		1			
Pleasanton	9	1		1		
Vallejo	12	2	2			
Santa Rosa	6	1	3			
San Mateo	7			1		
Ferndale	4					
Cal Expo	8			1		
Pomona	6	3				
Fresno	17		1	1		
Fair Total	77	7	7	4		
Total By Breed	411	96	8	9		
Total Injuries 524						

TB = thoroughbreds QH = quarter horses ST = standardbreds APP = appaloosas
 AR = Arabians M = mules *Statistics not available

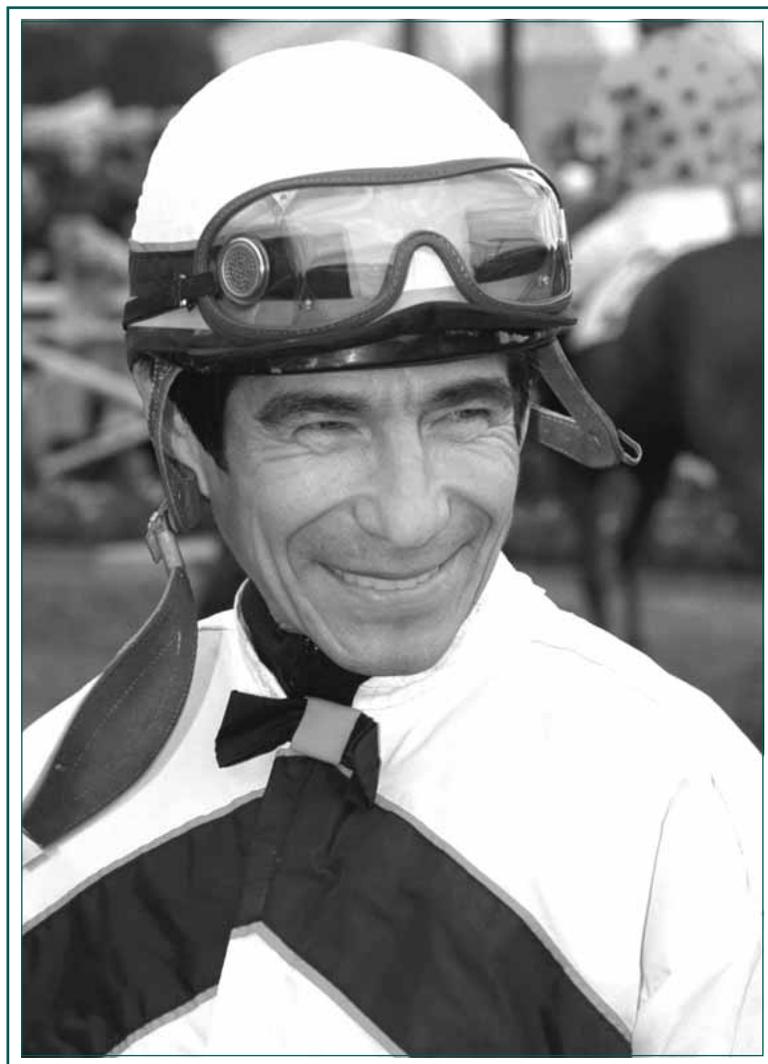
Bill Shoemaker 1931-2003



Benoit Photo

Horse Racing in California

Laffit Pincay Jr. announced his retirement on April 29, 2003, nearly 40 years after he won his first race in his native Panama on May 16, 1964. Along the way he won a world-record 9,530 races, including the Kentucky Derby and seven Breeders' Cup races. Southern California fans were fortunate to have the opportunity to watch Pincay ride on a daily basis for more than 30 years. He earned our greatest respect for his accomplishments on the racetrack and his exemplary behavior in private life.



Benoit Photo

California Horse-Racing Meetings During 2003

Thoroughbred Race Meetings — Central & Southern Zones	
Santa Anita Park	12/26/02 — 4/20/03
Hollywood Park	4/23/03 — 7/2003
Del Mar	7/23/03 — 9/10/03
Santa Anita Park (Oak Tree)	9/28/03 — 11/9/03
Hollywood Park	11/11/03 — 12/21/03
Thoroughbred Race Meetings — Northern Zone	
Golden Gate Fields	12/26/02 — 3/30/03
Bay Meadows	4/2/03 — 6/15/03
Bay Meadows	8/29/03 — 11/2/03
Golden Gate Fields	11/5/03 — 12/21/03
Quarter Horse Race Meetings — Statewide	
Los Alamitos	12/26/02 — 12/21/03
Harness Race Meetings — Statewide	
Cal Expo	12/26/02 — 7/26/03
Cal Expo	9/26/03 — 12/20/03

Fair Meetings — Statewide		
Stockton	(San Joaquin Fair)	6/11/03 – 6/22/03
Pleasanton	(Alameda County Fair)	6/25/03 – 7/6/03
Vallejo	(Solano County Fair)	7/9/03 – 7/20/03
Santa Rosa	(Sonoma County Fair)	7/23/03 – 8/4/03
San Mateo	(San Mateo County Fair)	8/6/03 – 8/18/03
Ferndale	(Humboldt County Fair)	8/7/03 – 8/17/03
Sacramento	(California State Fair)	8/20/03 – 9/1/03
Pomona	(Los Angeles County Fair)	9/12/03 – 9/28/03
Fresno	(Fresno District Fair)	10/1/03 – 10/13/03

California Racetracks

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

HIGHLIGHT

Breeders' Cup Day at Santa Anita Park Highlighted the Popular Oak Tree Meet

OAK TREE

Racing doesn't get any better than the 20th Breeders' Cup at Santa Anita Park on October 25, 2003: Purses and awards for the eight Breeders' Cup races totaled \$14 million; attendance surpassed 50,000; wagering exceeded \$120 million to set a new record for a Breeders' Cup card; locally based horses, trainers, and jockeys dominated the world-class competition; even the weather cooperated as a threatened heat wave delayed its arrival until after the last race of the day.

The 32-day Oak Tree Racing Association meeting at Santa Anita, which opened one racing-day early to accommodate prep races for the Breeders' Cup later in the meet, then concluded on Nov. 9 following the traditional running of the California Cup, was highlighted by record on-track and total handle for the Breeders' Cup World Thoroughbred Championships.

Attendance at Santa Anita on Breeders' Cup Day was 51,648. All-sources handle on Breeders' Cup Day was \$120.6 million, a record for a Breeders' Cup card. On-track handle at Santa Anita was \$16.3 million, also a Breeders' Cup record.

Breeders' Cup Alone Could Not Boost Total Attendance and Handle For Entire Meet

Although Breeders' Cup Day was successful, the remainder of the Oak Tree season concluded with a slight decline in total handle and declines in on-track handle and on-track attendance.

"The figures include complete attendance and handle for the meeting and exclude handle and attendance for Breeders' Cup Day," said Sherwood Chillingworth, executive vice president of Oak Tree, who explained that the compilation of financial data was complicated by inclusion of Advance Deposit Wagering (ADW) figures, the overlap of opening day with closing day of the Fairplex Park fair meet, and the exclusion of Breeders' Cup attendance and handle from the rest of the Oak Tree season.

The combined average daily handle from all sources (excluding Breeders' Cup Day) declined .8% for the Oak Tree meeting. Average daily handle from all sources was \$9,631,159 compared with \$9,709,897 for the previous year. Average daily on-track handle for the Oak Tree meeting (not including Breeders' Cup Day) was down 3.1% from the previous season, while handle at Southern California satellite wagering facilities declined 2.1% and out-of-state handle on Oak Tree races declined 5%. On-track average daily handle declined from \$2,044,989 to \$1,981,805, while average daily handle at the Southern California satellite locations declined from \$2,712,390 to \$2,655,071. ADW increased from an average daily total of \$543,474 in 2002 to \$804,015 per race date in 2003, an increase of 48%. On-track attendance (excluding Breeders' Cup Day) declined 9.2%.

Chillingworth Gave Reasons for Declines

“Although we started strongly, we were unable to overcome a barrage of unfortunate events that occurred in Southern California during our meeting and negatively impacted our on-track attendance and handle,” said Chillingworth.

An MTA transit strike left more than 400,000 daily bus and train riders without transportation; a series of wild fires that burned for nine days from San Diego to the Simi Valley displaced thousands of people and destroyed more than 3,400 homes; and a supermarket strike idled more than 70,000 workers. All three events occurred during the short Oak Tree season that began on Sept. 28 with an outstanding opening-day attendance of 20,371. The supermarket strike began Oct. 11, the transit strike began Oct. 14, and the wild fires began Oct. 21. The wild fires continued through Oct. 30.

Mandella Enjoyed a Dream Day in Breeders’ Cup

On Breeders’ Cup day, 53-year-old Hall of Fame trainer Richard Mandella made racing history by winning four Breeders’ Cup races. Mandella first saddled the winner of the BC Juvenile Fillies, Halfbridled, who was ridden by another Hall of Famer, jockey Julie Krone; next Mandella won the BC Juvenile with Action This Day, ridden by David Flores; he visited the winner’s circle a third time when Johar, ridden by Alex Solis, finished evenly with High Chaparral to tie for the win in the BC Turf; then Mandella capped the day with Pleasantly Perfect in the BC Classic. The purses for the four races totaled \$8.5 million.

Adoration, trained by David Hofmans and ridden by Pat Valenzuela, won the BC Distaff. The French filly Six Perfections, trained by Pascal Bary and ridden by Jerry Bailey, took the BC Mile; Cajun Beat, trained by Stephen Margolis and ridden by Cornelio Velasquez, won the BC Sprint. And European invader Islington won the BC Filly & Mare Turf for trainer Michael Stoute and jockey Kieren Fallon.

Tizbud scored an impressive upset win in the Cal Cup Classic. But Tizbud, the full brother to Tiznow and 1998 Cal Cup Classic winner Budroyale, had to share the spotlight with Harris Farms, which bred Distaff winner Blind Ambition, Distance winner Moscow Burning, and Sprint winner Green Team. Interestingly, Tizbud was raised at Harris Farms, as was the winner of the Juvenile Colts, He’s the Rage.

Patrick Valenzuela won the Oak Tree riding championship, edging Tyler Baze by just one win, 34-33. Doug O’Neill won 22 races to surpass the mark of 21 set by Bob Baffert twice, in 1998 and 1999.

IN THE WINNER’S CIRCLE AGAIN
Trainer Richard Mandella won his fourth Breeders’ Cup race of the day.



Benoit Photo

HIGHLIGHT

Tribute to Pincay Brought Together Legendary Jockeys & Celebrities

HOLLYWOOD PARK

Many will remember the 64th spring/summer meet at Hollywood Park for the stirring ceremony on Gold Cup day – July 13, 2003 – honoring Laffit Pincay Jr., who retired with a record 9,530 winners.

Bill Shoemaker, in the last public appearance before his death, joined Pincay and his family in the winner's circle for the tribute, along with such legendary current and former jockeys as Jerry Bailey, Pat Day, Julie Krone, Gary Stevens, Mike Smith, Angel Cordero Jr., Eddie Delahoussaye, Chris McCarron, and Jorge Velasquez.

Pincay's career was saluted in a letter from President George W. Bush. And the on-track crowd of 21,017 roared when Inglewood Mayor Roosevelt Dorn announced the new official name for 90th Street: "Pincay Drive." Pincay recorded some of his greatest accomplishments at Hollywood Park, including winning the prestigious Gold Cup nine times, most recently in 2002 aboard Sky Jack. And Pincay surpassed Shoemaker as racing's leader with victory No. 8,834 at Hollywood Park aboard Irish Nip on Dec. 10, 1999.

Figures for Meet Held Even with 2002 Record

The spring-summer meet closed virtually on par with its record meet of 2002 as common-pool wagering totaled \$688,581,157, down just .05% from the figure of \$688,935,976 the previous year. The daily average was \$10,593,000 compared to \$10,599,000 in 2002.

Advance deposit wagering (ADW) increased by 43 percent to \$32,822,041 for the 65-day meeting, compared to \$22,936,226 in 2002. On-track, business declined as the daily handle of \$1,852,822 was down 6.3% and the daily attendance of 8,498 was down 6.9% from 2002. Purses averaged a record \$424,498.

The popularity of Hollywood Park's signal, widely distributed through the Churchill Downs Simulcast Network, grew with record interstate wagering of \$274,740,167 for a record daily average of \$4,226,772 — up 3.2%. The previous standards of \$266,343,795 and \$4,097,596 were established in 2002.



Benoit Photo

The Jim Murray, boosted from \$75,000 to \$400,000, was the feature race on Los Angeles Times Day, which also included the \$200,000 Los Angeles Times Handicap and the \$150,000 Mervyn LeRoy Handicap.

Congaree and Jerry Bailey (on the lead) outclass a talented field to win the Hollywood Gold Cup.

End-of-Year Slump in So-Cal Racing Figures Extended to Fall Meeting At Hollywood Park

Despite a strong conclusion to the 13th annual Turf Festival, business was down at Hollywood Park's 30-day autumn meet. Handle for the year-end meet totaled \$287,112,497 with a daily average of \$9,570,417. The daily average was down just under 1% from 2002. Attendance for the meet averaged 14,817 compared with 15,375 for the previous year, a decline of 3.6%.

Turf Festival Attracted Top International Stars

The Turf Festival, a series of six stakes spread out over three days of racing that offers nearly \$2 million in purses, has been an annual highlight on the Southern California calendar since its inception in 1991, and the 2003 renewal drew superior horses from across the nation and from Europe.

The Turf Festival closed with the Hollywood Derby and the Matriarch, generating handle of more than \$15 million, the highest since 1999. The Grade I stakes doubleheader, complemented by a \$1-million guaranteed Pick Six, drew an on-track crowd of 11,720. Sweet Return led throughout en route to a half-length victory over more highly regarded stablemate Fairly Ransom in the Hollywood Derby. Heat Haze stormed from last in a field of 14 fillies and mares to win the Matriarch under John Velazquez, becoming the 25th Grade I winner of the year for trainer Bobby Frankel.

Valenzuela Swept Major Southern California Meets

Patrick Valenzuela won the autumn meet riding title to become the first jockey to sweep the five major Southern California meetings since Chris McCarron in 1983. He rode 27 winners, three more than Victor Espinoza



Benoit Photo

Sweet Return carries Julie Krone to victory in the Hollywood Derby.

HIGHLIGHT

Del Mar Magic Extended to Attracting Fans to Popular Vacation Destination

DEL MAR

Reversing an industry trend that sees fewer and fewer fans actually attending on-site locales, Del Mar's 64th race meeting drew 725,922 through its gates for a daily average of 16,882, a healthy rise of 8.8% from 2002, helping make the 2003 summer season the most successful ever.

What's more, the racetrack that Bing Crosby and his Hollywood pals built in 1937 handled \$570,795,239 in 2003 during its 43-day stand between July 23 and September 10. That record number led to a record daily register of \$13,274,308 in pari-mutuel action, which was 7.5% more than the track's standard-setting 2002 betting figures.

And Advance Deposit Wagering (ADW), where racing fans place bets through telephone and computer accounts, also showed a dramatic 50% increase, totaling \$40,674,317 for a daily average of \$945,914.

All told, the track gave away \$22,835,400 in purses for a daily average of \$531,055, both Del Mar records.

Track Benefited from Seabiscuit Popularity

The track was perfectly positioned to take advantage of the summer's "Seabiscuit" wave, the excitement and interest generated in the sport by the best-selling book and highly successful movie, which opened two days after the meet started. Del Mar held a Seabiscuit Day that drew an enthusiastic crowd.



Del Mar also spotlighted the full-fledged racing return of Hall of Fame rider Julie Krone, who came out of retirement and overcame injuries to wage an aggressive battle for leading rider with defending champion Pat Valenzuela. This friendly rivalry prompted a special "Battle of the Sexes" match race between the pair. Valenzuela's victory in that match race helped him gain a three-race advantage over Krone as he led the meet, 52 to 49.

Bob Baffert won his seventh consecutive training title with 23 firsts. The meet's leading owner with \$830,698 in purses was the local pair of Sid and Jenny Craig, who captured the premier event of the season when their star Candy Ride dominated the \$1-million Pacific Classic.

HALL OF FAME HUG --- Hall of Fame jockey Julie Krone gets a big hug from Hall of Fame trainer Ron McAnally after guiding Candy Ride to victory in the Pacific Classic.

HIGHLIGHT

Los Alamitos Set a National Record with MBNA Challenge

LOS ALAMITOS

Los Alamitos Race Course enjoyed its biggest night ever when fans wagered \$2,379,112 on the MBNA America Racing Challenge program on November 1, 2003, setting a single-night record for national quarter-horse racing. The record handle topped the previous national mark of \$2,127,758 set at Los Alamitos on June 30, 1995. The on-track attendance on MBNA America Racing Challenge Night was up 10% from the last time Los Alamitos hosted the event in 2001.

Buoyed by the record figure, Los Alamitos enjoyed a 1% increase in single-night average handle for the meeting of \$1.15 million. While the on-track handle was down 4%, the in-state handle was up 2% and the out-of-state numbers increased 1.6%. On-track attendance at the Orange County oval dropped 1% from 2002.

Rich Races Dominated Stakes Action at Popular Quarter-Horse Venue

Los Alamitos hosted the richest non-Breeders' Cup race of any breed in California in 2003 when 2-year-olds competed in the \$1,367,650 Los Alamitos Million Futurity on December 12. The Million was also the richest race in the track's 53-year history. A Regal Choice, the \$415,000 top seller at the 2002 Vessels/Schvaneveldt Sale in Bonsall, California, spoiled Hawkish's bid to win the track's version of the Triple Crown. Hawkish was eligible for a \$1-million bonus had he added the Million to his wins in the Kindergarten and Ed Burke Memorial Futurities earlier in the year. The Million was one of the many races featuring lucrative purses at the Cypress oval. Los Alamitos hosted the \$500,000 Champion of Champions, the richest event for older quarter horses in the world, and the \$860,000 Golden State Futurity. The Down Side became the first unaltered horse to win the Champion of Champions since 1991, while Be A Bono gave 92-year-old Spencer Childers his richest win ever in the Golden State. The \$175,000 Marathon National, the richest race for the breed at 870 yards, went to Heros Call, a 3-year-old quarter horse sired by the thoroughbred Grand Slam.

Purses Increased for Late 2003, Early 2004

The racing season ended on a high note, as purses were increased for all overnight races for the final six racing programs of the meeting. Los Alamitos track management and the Pacific Coast Quarter Horse Association have also announced a \$1

million purse increase for the months of January, February, and March in 2004. The result of this program will be every racing category on the Los Alamitos quarter-horse schedule will benefit by an average \$3,000 purse increase. Thoroughbreds and Arabians will benefit from \$1,500 purse increases across the board.



Benoit Photo

Hawkish winning the Kindergarten, kicking off his bid for the Los Alamitos 'Triple Crown.'

HIGHLIGHT

Wagering Handle Again Topped \$1 Billion for Santa Anita Winter Meet

Inaugural Sunshine Millions Joined Santa Anita Derby and Big 'Cap on Stakes Tab

SANTA ANITA PARK

For the fourth time in the past six years, total handle from all sources at Santa Anita's 2003 winter/spring meeting surpassed \$1 billion. And even though the 2003 handle of \$1,020,645,057 for the 85-day meet represented approximately a 2% decrease from the previous year's total handle, given the state of the economy, it was noteworthy that Santa Anita maintained handle and attendance figures that ranked among the highest in the industry.

Average daily handle was \$11.8 million, also representing a decrease of approximately 2% from 2002, when average daily handle was just over \$12 million. Santa Anita's on-track handle declined 7% from the previous season, while handle at Southern California satellites also dropped 7%. Average daily on-track attendance was 8,842. Advance Deposit Wagering increased from an average of \$166,667 per day in 2002 to more than \$490,000 in 2003, up nearly 200%.

Racing highlights included the successful inaugural running of the Sunshine Millions, which featured head-to-head competition between California-breds and Florida-breds in eight races, four each at Gulfstream Park and Santa Anita.

Buddy Gil, trained by Jeff Mullins, was the winner of three straight stakes at the meet as he repeatedly overcame public skepticism to win the Baldwin Stakes at odds of 29-1, the San Felipe Stakes at 9-1, and the Santa Anita Derby at 6-1.

Milwaukee Brew, who won the Santa Anita Handicap in 2002, became only the second horse to win the Big 'Cap twice when he came right back in 2003 to beat Congaree by a head. John Henry is the other two-time Big 'Cap winner (1981 and 1982).

Bob Baffert won an unprecedented seventh consecutive winter/spring training title with 43 victories. Pat Valenzuela captured his first Santa Anita riding championship with 94 wins.

Somewhat surprisingly, Valenzuela had never finished higher than third in the Santa Anita standings through the 1980s and 1990s when he finished behind the likes of Laffit Pincay Jr., Chris McCarron, Gary Stevens, Eddie Delahoussaye, Kent Desormeaux, and Corey Nakatani.

Milwaukee Brew and Edgar Prado, left, catch favored Congaree and Jerry Bailey to win the Santa Anita Handicap.



Benoit Photo

HIGHLIGHT

Bay Meadows Has Its Ups and Downs in 2003

BAY MEADOWS

Bay Meadows concluded its 2003 fall meet – a 50-day season conducted from August 29 through November 2 – with an increase of 3.9% in total handle from the same period in 2002. All-source wagering, including Advance Deposit Wagering, totaled \$191.4 million for the 2003 fall meet, compared to \$184.2 million for the previous year.

Earlier, the 2003 spring meeting – a 55-day season held April 2 through June 15 – experienced the wettest April in 20 years. Despite the heavy rains, total handle was down less than 1% (\$135.9 million compared to \$137 million) from 2002.

Twice in 2003, Bay Meadows hosted on-track crowds of more than 10,000. Some 10,433 patrons attended the peninsula track on Labor Day, and 10,157 fans were at the races on Memorial Day. Overall, on-track attendance was down 4.3% at the 2003 fall meet and 3.9% at the 2003 spring meet. The decline in on-track attendance at the fall meeting was attributable to the substitution of two afternoon cards in place of two nighttime cards, plus the loss of California Cup Day, which resulted from a racing calendar change made by the Oak Tree Racing Association. The rainy weather adversely affected attendance at the spring meet.

Ninebanks Steals Show at Both Bay Meadows Meets

The equine star of Bay Meadows in 2003 was Ninebanks, who won rich turf stakes at both meetings. Trained by Jerry Hollendorfer and owned by Peter Abruzzo, Ninebanks made five stakes starts at Bay Meadows in 2003 and was never worse than third. He won the Grade II San Francisco Breeders' Cup Mile and California Turf Championship, finished second in the Foster City and Pacifica Handicaps, and took third in the Grade III Bay Meadows Breeders' Cup Handicap.

Hollendorfer and jockey Russell Baze both continued their dominance at Bay

Meadows in 2003, collecting two more championships apiece. Baze, who has 30 career riding titles at Bay Meadows, won the spring meeting riding crown with 97 victories and the fall championship with 96 wins. Hollendorfer extended his streak of consecutive conditioning crowns at Bay Meadows to 27 by saddling 55 winners at the spring meeting and 52 winners at the fall session.

Ninebanks (outside), ridden by Ron Warren Jr., defeats Nicobar by a nose in the SFBC Mile.



Vassar Photo

HIGHLIGHT

Longer Meet Meant Increased Handle But Modest Drop in Daily Average Wagering

Baze and Hollendorfer Continued Domination

GOLDEN GATE

With three more days of racing than the previous year, total handle at the 2002-2003 Golden Gate Fields meeting – a 104-day season held November 6, 2002, through March 30, 2003 – was \$483 million, up 2.7% from the 2001-2002 meeting. Overall average daily handle declined by .3% as gains from Advance Deposit Wagering nearly offset the modest declines in on-track wagering and off-track wagering from traditional sites located in Northern California and outside California.

The 2002-2003 season featured a brilliant campaign by the 4-year-old filly Lacie Girl, who won three stakes and missed a fourth by just a nose. Lacie Girl won the Star Ball Handicap, the Orinda Handicap, and the Richmond Handicap. She was beaten a nose by Ema Bovary in the Soviet Problem Handicap. Lacie Girl, a Kentucky-bred daughter of Editor's Note, is trained by Jerry Hollendorfer and owned in partnership by Hollendorfer and Marta Racing Ventures.

The blue-collar horse of the 2002-2003 season was Red Packet, who won all five of his starts at the meeting. Trained by William E. Morey and owned by Gene Johnson, Red Packet won for claiming tags of \$12,500, \$20,000, and \$25,000.

Perennial riding champion Russell Baze won 176 races – only two off the track's single-season record of 178 that he set in 1992 – and he would have shattered the single-season mark had he not missed eight days of action due to riding suspensions. It was Baze's 25th career riding title at Golden Gate.

Jerry Hollendorfer saddled a record 114 winners – easily topping the track's single-season record of 107 that he established at the 2000-2001 meeting – en route to securing his 23rd consecutive training championship at Golden Gate.



Lacie Girl, with Russell Baze, winning the Orinda Handicap.

HIGHLIGHT

Harness Racing Still Going Strong at Cal Expo As Handle and Purses Post Gains

HARNES RACING

Strong handle both on and off track and stable purses made for another successful year of harness racing. Despite a tightening of the racing schedule from the previous year – reduced to 169 nights from 184 – the loss of 15 nights of racing resulted in no losses in average handle figures during the season that ran from September 2002 through July 2003.

On track the average daily handle was off a minor .4% at \$76,359 compared with \$76,659 in 2001-2002. Average daily handle at California simulcast outlets increased slightly at \$622,381, up 1.6% from the previous season's \$622,381. Out-of-state average handle increased significantly to \$248,756, up 12.3% from \$221,545. This contributed to an overall increase in total average daily handle of 4.7% at \$964,110 compared to \$920,586. These gains in out-of-state and total handle were probably the result of a seasonal strike in the Illinois harness industry, which shut down live harness racing in that state for nearly four months. This made the California product more attractive to Illinois fans.

Horsemen's purses also showed a modest increase of 1.6% with average nightly purses at \$45,346. In addition, funding for the California Standardbred Sires Stakes Program increased slightly to \$3,419 from \$3,370.

Overall, this stability is a good sign for the harness industry, which has consolidated its 10-month racing program at Cal Expo in Sacramento, where racing was highlighted by No Complications, the Horse of the Year. Trained and driven by rising talent Gilbert Garcia-Herrera, this 4-year-old trotting mare won 24 races during the season. Ed Hensley led all drivers with 289 victories, well ahead of runners-up Garcia-Herrera and Rick Plano. These individuals also finished one-two-three in the trainer standings.



The year was marked by the retirement of GivemewhatIneed. During his career, he set a race record of 1:50 for the mile distance, tallied 57 wins, and earned \$691,056. He was retired to full-time stud duty, having already established himself as a productive sire after several freshmen and sophomore pacers won Sires Stakes events at Cal Expo in 2003. He is joined in the winner's circle by trainers Robert Johnson and Lou Pena, driver Chip Lackey, and owners Linda Beck and her son Tony.

HIGHLIGHT

Innovative Programs and Historic Popularity of Fair Meets Helped Circuit Thrive in 2003

THE CALIFORNIA FAIRS

The California fair circuit connects horse racing to its historical and agricultural roots. Owners and trainers are encouraged to run at the fairs through an extensive program of performance purses, out-of-state trainer incentives, and the payment of purses through the eighth-place finisher in each race. These popular programs, in addition to a healthy purse structure, have resulted in increased average field size – from 7.31 in 2002 to 7.58 in 2003 – and a higher number of thoroughbred races at fair venues – from 628 in 2002 to 639 in 2003.

The track safety and maintenance program, managed by the California Authority of Racing Fairs, continues to improve racing surfaces at fairs. All racing fairs are equipped with uniform all-tread tractors and custom water trucks, providing safety and consistency to the circuit. And in 2003, the racing fairs and the California Thoroughbred Breeders Association renewed a long-standing spirit of cooperation by working together on a Seabiscuit theme for the fair circuit in Northern California, including a Seabiscuit bobblehead doll giveaway and tie-ins with Universal Studios to promote the motion-picture release.

HIGHLIGHT

The Fairplex Meet Started Great, Then Things Improved After That

FAIRPLEX PARK

Horse racing enjoyed a rousing and record-setting 2003 at Fairplex Park as handle was up from Day One and stayed up throughout the meet. The handle received a final jolt on the closing weekend when fans wagered a record \$10.2 million on Saturday, September 27. The 17-day total came to an all-time high handle of \$109,249,303, an increase of 9% from the \$98,460,184 handle recorded in 2002. Attendance remained steady in 2003. The 17-day on-track total was 114,648. Overall attendance, including intertrack wagering crowds, was up 4.8%.

Mel Stute Entered New Fairplex Hall of Fame

Trainer Mel Stute became the first inductee to the Fairplex Hall of Fame during a ceremony immediately before the Pomona Derby. Stute was joined in the winner's circle by Fairplex Park racing officials, his older brother Warren, and another veteran trainer with a long history at Fairplex, Ted West.

Defending champion Doug O'Neill and high-percentage conditioner Wesley Ward tied for the meet's thoroughbred training title with 10 wins apiece. Emerging-breeds trainer Ray Thomas, whose barn features an assortment of appaloosas, mules, quarter horses and thoroughbreds, also had 10 wins.

Hall of Fame jockey Julie Krone made her first-ever appearance at Fairplex when she rode Excess Summer to a five-length victory in the Pomona Derby. And there was an influx of new jockey talent, including David Nuesch and Ryan Fogelsonger. But none of the new blood could slow down Martin Pedroza, Fairplex Park's all-time winningest jockey, who outdid himself in 2003. In the process of winning his fifth straight meet title and sixth overall, he won 31 races in 17 days, topping his previous best of 29.

Julie Krone rode in the Pomona Derby at Fairplex Park in 2003.



Benoit Photo

HIGHLIGHT

Stockton Set New Handle Record and Attracted Larger Fields

STOCKTON

The 2003 meet at the San Joaquin Fair recorded increases in on-track handle, on-track attendance, and field size. A total of \$2.29 million was wagered on live and imported races on track, an increase of 1% from the 2002 meet. On-track attendance increased by 1% to an average of 4,508 fans per day, highlighted by a closing-day crowd of 7,318 fans. The amount of money wagered on live and imported races on track, in the Northern California off-track network, and through Advance Deposit Wagering increased 10% to \$16.95 million, compared with the previous record of \$15.4 million in 2000.

Forrest White, CEO of the San Joaquin Fair, cited full fields, continuing improvements in the racing surface, and an increase in promotional efforts for the gains. The average thoroughbred field size increased from 7.52 horses per race in 2002 to 8.26 in 2003. The San Joaquin Fair was also able to increase the number of thoroughbred races run from 66 in 2002 to 74 in 2003. The increase was attributed to recruiting efforts targeting Arizona horsemen and concerted efforts to improve racetrack maintenance and safety.

HIGHLIGHT

Pleasanton Achieved Second-Highest Handle In Fair History

PLEASANTON

The Alameda County Fair, home of America's oldest mile racetrack, concluded its 11-day race meet with the second-highest handle in fair history. Fans wagered a total of \$34.58 million, an increase of 6% from 2002. The largest gains were in out-of-state wagering, which totaled \$8.74 million, an increase of 14% from \$7.46 million wagered the previous year.

Although a heat wave hit Northern California during the first week of the Alameda County Fair and severely affected on-track handle and attendance, CEO Rick Pickering noted, "Our field size was up and increases from out-of-state and account wagering helped us gain ground that we lost due to unusually hot weather. It was a great meet."

Compared to near-record on-track figures in 2002, the meet experienced decreases in on-track handle (10%) and attendance (12%). Offsetting the on-track declines were wagers of \$2.27 million placed through Advanced Deposit Wagering.

The Alameda County Fair also launched a massive solar initiative on June 26. Once complete, solar panels located on the roofs of the backside barns will be able to generate roughly one megawatt of electricity, which is enough to power nearly 1,000 homes.

HIGHLIGHT

Full Fields Helped Boost Handle Despite Drop in Attendance in Vallejo

VALLEJO

The 2003 meet at the Solano County Fair recorded increases in on-track and all-source handle. A total of \$2.87 million was wagered on live and imported races on track, an increase of 3% from 2002. The amount of money wagered on live and imported races on track, in the Northern California off-track network, and out of state increased 12% to \$25.03 million. An additional \$2.18 million was wagered through account wagering. The average thoroughbred field size increased from 7.88 horses per race in 2002 to 8.49 in 2003. The increase in field size resulted in 739 thoroughbred starters, up 10% from the 670 thoroughbreds that started in 2002. On-track attendance declined 26% for the meet.

Promotion Tied to Seabiscuit Movie and Book Made for Big Weekend in Vallejo

A large crowd of 2,182 attended the races in Vallejo on “Seabiscuit Day,” Saturday, July 19. The day featured a giveaway of 2,000 Seabiscuit bobbleheads and included a special appearance by Fighting Ferrari, one of the thoroughbreds portraying Seabiscuit in the motion picture. Fair General Manager Kim Myrman said the phenomenal success of the book and the anticipation of the release of the film “created tremendous excitement and media interest, with a momentum that gave us the strongest weekend attendance figures in recent memory at the track.”

HIGHLIGHT

Santa Rosa Meet Drew Larger Fields & Increased Attendance, but Total Handle Declined

SANTA ROSA

A total of \$5.97 million was wagered on track at the Sonoma County Fair, down 1% from \$6.05 million wagered in 2002. All-source live handle dipped 4% from \$30.78 million in 2002 to \$29.46 million in 2003. An additional \$1.31 million was wagered through ADW. On-track attendance increased slightly from 67,629 in 2002 to 67,846 in 2003, proving the continued popularity of county fair racing in Santa Rosa and the appreciation of fans for larger fields. The fair was able to increase the number of thoroughbred races run in 2003 while also increasing the average runner per race from 7.4 in 2002 to 8.0 in 2003.

The Sonoma County Fair made good on its theme “Have a Wild Time” with its spectacular Hall of Flowers. The exhibit, one of the largest in the country, featured an “African Odyssey” complete with the Serengeti plains, life-sized wild animals, and Mount Kilimanjaro in the background.

HIGHLIGHT

‘Mystery Voucher’ Helped Generate Big Crowd and Contributed to Overall Gains in San Mateo

SAN MATEO

The San Mateo County Fair, which operates at Bay Meadows Race Course, ended its 12-day race meet with a 5% increase in on-track attendance compared to the previous year. A 2% drop in on-track handle, from \$7.33 million in 2002 to \$7.16 million in 2003, was offset by a 22% increase in out-of-state handle. All-source live handle for the 12-day meet was up 11% from \$24.13 million in 2002 to \$26.76 in 2003. Promotional efforts for the fair proved successful, including a “Mystery Mutuel Voucher” giveaway on August 16 that helped generate a 78% increase in on-track attendance for the day.

HIGHLIGHT

Redesigned Paddock Attracted Fairgoers Into Racetrack to Boost Overall Attendance in Fresno

FRESNO

The Big Fresno Fair concluded its 11-day meet with increases in on-track handle and attendance. On-track handle increased 4%, from \$3.18 million in 2002 to \$3.31 million in 2003, while on-track attendance jumped from 67,143 in 2002 to 73,301 in 2003 for an increase of 9%. Despite the on-track success, all-source live handle was down 1% (\$9.80 million in 2002 to \$9.70 million in 2003). Fans wagered \$896,320 through ADW.

The highlight of the race meet was the unveiling of a newly constructed paddock. The design provides a clear view and easy access to the racetrack for fair patrons. A new cantina built adjacent to the paddock proved to be one of the favorite gathering places of the meet. “Anyone walking down the center of the fairgrounds can see the horses,” said Dan White, director of racing operations. “We tore down two buildings and opened the whole south end. Casual fairgoers can’t help but be drawn into the races.”

HIGHLIGHT

Fair Attracted More Fans But Total Handle Declined For Ferndale Meet

FERNDALE

With vacation crowds continuing to flock to historic and quaint Ferndale, the Humboldt County Fair's 10-day meet in 2003 generated a 2% increase in attendance (22,664 compared to 22,184 in 2002) and a slight increase in on-track handle (from \$728,705 in 2002 to \$731,045 in 2003). However, all-source live handle declined in 2003 to \$3,636,827, down 20% from 2002.

"While we managed to hold our own this season, the results were a stark reminder of how vulnerable California's smallest racing association is to the many variables that define horse racing", said CEO Stuart Titus. "Humboldt's future is dependant upon its ability to build a purse structure that more closely resembles that which is offered by other fairs. Absent that opportunity, even the smallest of racing stables will be unable to support racing in Ferndale."

HIGHLIGHT

Popular Fair Experienced Drop in Numbers For Shortened Race Meet at Cal Expo in Sacramento

SACRAMENTO

The California State Fair celebrated its 150th anniversary and entertained just under a million guests during the 18-day run that concluded on Labor Day. Total handle for the meet (\$27,215,722) decreased from 2002 (\$29,157,084) because of the loss of one racing day due to an unseasonable rainstorm that hit the Sacramento area and caused unsafe racing conditions. But the meet increased average daily handle of \$2,474,157 compared with \$2,429,757 the previous year. Attendance was up 1%, from 69,701 in 2002 to 70,263 in 2003.

Trainer Mike Lenzini took home the lion's share of \$15,000 in the \$40,000 trainers contest. Lenzini had seven winners, eight seconds, and five thirds from 36 starters for the meet.



Classic Fool (outside), owned and trained by Sacramento native T.J. Stewart and sent off at 40-1, got up in the final jump under Hector Romero to win the Governor's Handicap.

Simulcast Facilities by Location

Stockton, 2nd District Agricultural Association

The San Joaquin Fair facility is located at the east side of Stockton at 1658 South Airport Way. The simulcast wagering facility opened October 24, 1985. The pari-mutuel handle and attendance in FY 2002-2003 was \$35,019,237 wagered by 186,814 patrons.

Monterey, 7th District Agricultural Association

The Monterey County Fair facility is located at 2004 Fairground Road in Monterey. The simulcast wagering facility opened on January 6, 1988. The pari-mutuel handle and attendance in FY 2002-2003 was \$13,081,078 wagered by 53,493 patrons.

Eureka, 9th District Agricultural Association

The Redwood Acres Fair facility is located approximately one mile east of downtown Eureka at 3750 Harris Street. The simulcast wagering facility opened November 11, 1987. The pari-mutuel handle and attendance in FY 2002-2003 was \$1,941,881 wagered by 6,046 patrons.

Bakersfield, 15th District Agricultural Association

The Kern County Fair facility is located in Bakersfield at 1142 South P Street. The simulcast wagering facility opened April 1, 1987. The pari-mutuel handle and attendance in FY 2002-2003 was \$11,160,771 wagered by 56,723 patrons.

Santa Barbara, 19th District Agricultural Association

The Earl Warren Showgrounds facility is located in Santa Barbara at 3400 Callareal St. The simulcast wagering facility opened March 3, 1987. The pari-mutuel handle and attendance in FY 2002-2003 was \$11,425,316 wagered by 34,472 patrons.

Fresno, 21st District Agricultural Association

The Fresno District Fair facility is located in Fresno at 1121 Chance Avenue. The simulcast wagering facility opened December 18, 1985. The pari-mutuel handle and attendance in FY 2002-2003 was \$16,635,949 wagered by 127,803 patrons.

Fresno, Polo Lounge/Club One

The Polo Lounge in Club One is located in Fresno at 1035 Van Ness Avenue. The facility is housed within the Club One Poker Casino and opened on May 1, 1997. The pari-mutuel handle and attendance in FY 2002-2003 was \$4,432,735 wagered by 7,437 patrons.

Del Mar, 22nd District Agricultural Association

The Del Mar Fair facility is located in Del Mar at 2260 Jimmy Durante Boulevard. The simulcast wagering facility opened September 12, 1991. The pari-mutuel handle and attendance in FY 2002-2003 was \$192,026,933 wagered by 981,272 patrons.

Tulare, 24th District Agricultural Association

The Tulare County Fair is located 40 miles south of Fresno, a quarter-mile west of Highway 99 at 215 E. Alpine Avenue. The simulcast facility opened June 25, 1989. The pari-mutuel handle and attendance in FY 2002-2003 was \$5,576,280 wagered by 29,170 patrons.

Anderson, 27th District Agricultural Association

The Shasta District Fair facility is located 12 miles south of Redding on Highway 273. The simulcast wagering facility opened May 18, 1988. The pari-mutuel handle and attendance in FY 2002-2003 was \$2,915,053 wagered by 12,236 patrons.

Victorville, 28th District Agricultural Association

The San Bernardino County Fair facility is located approximately 40 miles north of San Bernardino, adjacent and east of Interstate 15, at 14800 Seventh Street. The simulcast wagering facility opened April 26, 1989. The pari-mutuel handle and attendance in FY 2002-2003 was \$13,579,153 wagered by 77,603 patrons.

**Ventura, 31st District
Agricultural Association**

The Ventura County Fair facility is located in Ventura at 10 West Harbor Boulevard. The simulcast wagering facility opened November 11, 1987. The pari-mutuel handle and attendance in FY 2002-2003 was \$44,964,049 wagered by 145,574 patrons.

**Santa Maria, 37th District
Agricultural Association**

The Santa Barbara County Fair is located in Santa Maria at 937 South Thornburg. The simulcast facility opened April 7, 1987. The pari-mutuel handle and attendance in FY 2002-2003 was \$9,964,070 wagered by 33,539 patrons.

**Lancaster, 50th District
Agricultural Association**

The Antelope Valley Fair facility is located in Lancaster on the northeast side of town at 155 West Avenue I, approximately two miles east of Interstate 14. The simulcast wagering facility opened April 27, 1988. The pari-mutuel handle and attendance in FY 2002-2003 was \$18,472,612 wagered by 90,152 patrons.

**San Bernardino, National
Orange Show**

The National Orange Show facility is located in San Bernardino at 689 South E Street. The simulcast facility opened November 18, 1987. The pari-mutuel handle and attendance in FY 2002-2003 was \$48,066,762 wagered by 231,852 patrons.

**Sacramento, California
Exposition and State Fair**

The Cal Expo facility is located approximately three miles east of downtown Sacramento at 1600 Exposition Boulevard. The simulcast wagering facility opened October 17, 1985. The pari-mutuel handle and attendance in FY 2002-2003 was \$65,339,508 wagered by 311,237 patrons.

**Santa Rosa, Sonoma County
Fair and Exposition, Inc.**

The Sonoma County Fair is located in Santa Rosa at 1350 Bennett Valley Road. The simulcast facility opened October 17, 1985. The pari-mutuel handle and attendance in FY 2002-2003 was \$28,551,762 wagered by 165,543 patrons.

Vallejo, Solano County Fair

The Solano County Fair is located on the north side of Vallejo at 900 Fairgrounds Drive. The simulcast wagering facility opened December 1, 1987. The pari-mutuel handle and attendance in FY 2002-2003 was \$29,842,112 wagered by 138,914 patrons.

**Pleasanton, Alameda County
Fair**

The Alameda County Fair is located in Pleasanton at 4501 Pleasanton Avenue. Following the start of simulcast wagering on April 27, 1987, the location of the simulcast wagering was changed to a newly constructed facility on October 9, 1992. The pari-mutuel handle and attendance in FY 2002-2003 was \$73,328,969 wagered by 247,734 patrons.

**San Mateo, Bay Meadows
Racetrack**

The Bay Meadows Racetrack is located in San Mateo at 2600 South Delaware Street. The Bay Meadows simulcast wagering facility opened February 4, 1986. The pari-mutuel handle and attendance in FY 2002-2003 was \$181,308,559 wagered by 674,339 patrons.

Indio, Shalimar Sports Center

The Desert Expo centre is located approximately 10 miles southeast of Palm Springs just off Highway 111 at 46-350 Arabia Street on the National Date Festival grounds. The simulcast wagering facility opened May 18, 1988. The pari-mutuel handle and attendance in FY 2002-2003 was \$8,381,821 wagered by 37,864 patrons.

Pomona, Fairplex Park

The Los Angeles County Fair facility is located in Pomona on the grounds of the Fairplex public events facility, two blocks north of Interstate 10. The simulcast wagering facility opened July 27, 1988. The pari-mutuel handle and attendance in FY 2002-2003 was \$82,899,567 wagered by 343,451 patrons.

Inglewood, Hollywood Park Racetrack

The Hollywood Park facility is located in Inglewood at 1050 Prairie Avenue. The simulcast wagering facility opened July 27, 1988. The pari-mutuel handle and attendance in FY 2002-2003 was \$376,926,541 wagered by 1,642,275 patrons.

San Jose, Santa Clara County Fair

The Santa Clara County Fair is located in San Jose approximately 40 miles south of San Mateo, just off Hwy. 101 at 344 Tully Road. The simulcast facility opened July 30, 1988. The pari-mutuel handle and attendance in FY 2002-2003 was \$54,726,880 wagered by 203,736 patrons.

Albany, Golden Gate Fields

Golden Gate Fields is located in Albany at 1100 Eastshore Highway, just north of Berkeley, off Interstate 80, eight miles from downtown Oakland and 11 miles from San Francisco. The simulcast wagering facility opened September 24, 1985. The pari-mutuel handle and attendance in FY 2002-2003 was \$149,368,176 wagered by 520,023 patrons.

Arcadia, Santa Anita Park

The Santa Anita facility is located in Arcadia at 285 W. Huntington Drive. The simulcast wagering facility opened July 27, 1988. The pari-mutuel handle and attendance in FY 2002-2003 was \$414,034,357 wagered by 1,537,984 patrons.

Los Alamitos, Los Alamitos Race Course

Los Alamitos Race Course is located in Los Alamitos at 4961 Katella Avenue. The simulcast facility opened July 25, 1990. The pari-mutuel handle and attendance in FY 2002-2003 was \$271,944,815 wagered by 1,008,336 patrons.

Indio, Fantasy Springs Casino

The Cabazon Band of Mission Indians facility is located approximately 18 miles east of Palm Springs in Indio at the intersection of Interstate 10 and Auto Center Drive. The simulcast wagering facility opened March 3, 1990. The pari-mutuel handle and attendance in FY 2002-2003 was \$14,041,571 wagered by 59,923 patrons.

El Cajon, Sycuan Gaming Center

The Sycuan Band of Mission Indians facility is located approximately six miles east of El Cajon at 5469 Dehesa Road. The simulcast wagering facility opened October 7, 1990. The pari-mutuel handle and attendance in FY 2002-2003 was \$25,930,288 wagered by 122,418 patrons.

El Cajon, Viejas Casino and Turf Club

The Viejas Band of Mission Indians facility is located approximately 13 miles east of Alpine at 5000 Willows Road. The simulcast facility opened September 13, 1991. The pari-mutuel handle and attendance in FY 2002-2003 was \$14,731,466 wagered by 62,544 patrons.

Lakeside, Barona Casino

The Barona Band of Mission Indians facility is located approximately five miles northeast of Lakeside at 1932 Wildcat Canyon Road. The simulcast wagering facility first opened in 1992, then a new facility opened in 2002. The pari-mutuel handle in FY 2002-2003 was \$5,580,852 wagered by 28,831 patrons.

Turlock, Stanislaus County Fair

The Stanislaus County Fair facility is located in Turlock approximately two miles east of Highway 99 at 900 No. Broadway at Canal. The simulcast facility opened on April 7, 1993. The pari-mutuel handle and attendance in FY 2002-2003 was \$10,478,401 wagered by 44,798 patrons.

Perris, 46th District Agricultural Association

The Farmer's Fair and Expo facility is located in Perris approximately three miles east of the 215 Freeway at 18700 Lake Perris Drive and Ramona Expressway. The simulcast facility opened on December 1, 1993. The pari-mutuel handle and attendance in FY 2002-2003 was \$26,534,895 wagered by 123,258 patrons.

Horse-Racing Revenues

The State of California's revenue from horse racing is derived primarily from license fees, which are based on percentages of pari-mutuel wagers. The pari-mutuel handle totaled \$4,222,402,437 for the 2002-2003 fiscal year. This amount included wagers made within the State of California and wagers made in other racing jurisdictions, which were co-mingled (merged) into the wagering pools at live race meets in California. The CHRB was responsible for collecting \$41.4 million from all pari-mutuel sources for the 2002-2003 fiscal year.

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

The takeout is set by law and is a percent taken from each dollar wagered. The takeout on conventional wagering (win, place, and show pools) is 15.43% for thoroughbred race meets, 15.63% for quarter-horse meets, 16.43% for harness meets, and 16.77% for fair meets.

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

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

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

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

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

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

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

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

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

By law, breakage is divided between the state, the track, and purses, with the majority of breakage going to purses. In FY 2002-2003, the state received \$1.03 million in breakage, with the tracks receiving \$3.7 million and purses \$5.8 million.

Uncashed Pari-mutuel Tickets

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

The amount to the state from unclaimed pari-mutuel tickets during the FY 2002-2003 racing year totaled \$2,062,441.

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

1. Fifty percent shall be used by the Board to support research on matters pertaining to horse racing and racetrack security. The redistributable money provided to the Board pursuant to this paragraph shall be subject to annual budgetary review by the Legislature.

2. Fifty percent shall be paid to a welfare fund established by the horsemen's organization contracting with the association with respect to the conduct of racing meetings for the benefit of the horsemen, and said organization shall make an accounting to the Board within one calendar year of the receipt of such payment. All unclaimed money from other meetings shall be paid immediately into the State Treasury to the credit of the General Fund.

3. Notwithstanding the distributions in paragraphs 1 and 2, unclaimed ticket monies generated by wagering on intrastate (north/south) thoroughbred and fair races, and interstate imports are split equally between purses and commissions.

Redistributable Money in Pari-mutuel Pools (Unclaimed Tickets)

2002-2003	TB	QH	HH	Fairs
Los Angeles Turf Club	\$452,009			
Churchill Downs California Spring Oper. Co.	285,122			
Del Mar Thoroughbred Club	289,374			
Oak Tree Racing Assn.	118,496			
Bay Meadows Racing Assn.	123,942			
Pacific Racing Assn.	134,457			
Churchill Downs California Fall Oper. Co.	<u>101,470</u>			
Thoroughbred Total	\$1,504,870			
Los Alamitos Quarter Horse Racing Assn.		<u>\$79,810</u>		
Quarter Horse Total		\$79,810		
Capitol Harness Racing Assn.			\$167,107	
Harness Total			\$167,107	
Los Angeles County Fair				\$106,366
CARF				<u>204,288</u>
Fairs Total				\$310,654
Total to State from unclaimed pari-mutuel tickets				\$2,062,441

Occupational Licenses and Fees

July 1, 2002 through June 30, 2003

Type of License	Fee	Issued	Total
Stable	\$300	277	\$83,100
Multiple Ownership	0	29	0.00
Horse Owner-Open Claim	250	27	6,750
Officer/Director/Partner	200	37	7,400
Horse Owner	150	4,159	623,850
<hr/>			
Trainer, Assistant Trainer	150	449	67,350
Harness Horse Driver	150	44	6,600
Jockey/Apprentice Jockey	150	144	21,600
Jockey Agent	150	29	4,350
<hr/>			
Racing Official/Manager of Association	150	102	15,300
Bloodstock Agent	150	12	1,800
Veterinarian	150	56	8,400
Association Employee	75	226	16,950
Valet/Custodian/Attendant	75	13	975
<hr/>			
Pari-mutuel Employee/Tote	75	846	63,450
Horseshoer	75	45	3,375
Exercise Rider/Pony Rider	75	418	31,350
Misc. Employee/Stable Agent Vendor	75	341	25,575
Security Guard	75	178	13,350
Stable Foreman	75	84	6,300
<hr/>			
Authorized Agent	25	806	20,150
Replacement License	15	797	11,955
Annual Groom/Stable Employee (Original)	35	856	29,960
Annual Groom/Stable Employee (Renewal)	20	<u>3,211</u>	<u>64,220</u>
Gross Fees		13,186	1,134,110
Less allowance for Franchise Tax Board			-16
Total fees generated to General Fund			\$1,134,094

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

Fines Imposed in 2002 -2003

Thoroughbred Meetings — Central & Southern Zones

Location	Rulings	Imposed	Inclusive Dates
Del Mar	69	\$24,790	7/24/02 — 9/11/02
Santa Anita	26	3,575	10/2/02 — 11/3/02
Hollywood Park	92	3,930	11/6/02 — 12/22/02
Santa Anita	98	20,150	12/26/02 — 4/21/03
Hollywood Park	82	11,285	4/23/03 — 7/20/03

Thoroughbred Meetings — Northern Zone

Bay Meadows	12	\$3,750	8/30/02 — 11/3/02
Golden Gate	9	1,250	11/6/02 — 12/22/02
Bay Meadows	32	9,900	4/2/03 — 6/15/03
Golden Gate	32	6,420	12/26/02 — 3/30/03

Quarter-Horse Meetings — Statewide

Los Alamitos	76	\$17,725	7/1/02 — 12/22/02*
Los Alamitos	88	32,125	12/26/02 — 6/30/03*

Harness Meetings — Statewide

Cal Expo	34	\$5,850	9/27/02 — 12/21/02
Cal Expo	156	35,800	12/26/02 — 7/26/03

Fair Meetings — Statewide

Pleasanton	9	\$1,400	6/26/02 — 7/7/02
Vallejo	4	550	7/10/02 — 7/21/02
Santa Rosa	8	6,850	7/24/02 — 8/5/02
San Mateo	4	600	8/7/02 — 8/19/02
Ferndale	1	100	8/8/02 — 8/18/02
Sacramento	6	1,200	8/21/02 — 9/2/02
Pomona	34	3,420	9/13/02 — 9/29/02
Fresno	4	900	10/2/02 — 10/14/02
Stockton	13	11,900	6/11/03 — 6/22/03

* Although the Los Alamitos meet ran from 12/28/01 through 12/22/02, and the 2003 meet runs from 12/26/02 through 12/21/03, this chart contains data only from 7/1/02 through 6/30/03.

Statement of Distribution by Fund of Horse-Racing Revenues

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

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

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

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

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

July 1, 2002 through June 30, 2003

	Detail	Total
Revenue To Fair & Expo		
Pari-mutuel License Fees, Fund 0191:		
0.63% — total handle	\$13,263,735	
1.00% — fair handle	1,456,076	
Escheat of unclaimed warrant	99	
Section 19620-A	265,000	
Section 19620-B	12,284,000	
Total 0191 Fund		\$27,268,910
Simulcast Wagering Fees, Fund 0192:		
Simulcast Wagering	11,203,687	
Other regulatory, licenses, and permits — purses	1,395,816	
Total 0192 Fund		12,599,5023
Revenue To General Fund		
Horse racing licenses	449,638	
Breakage	0	
Fines & Penalties	141,130	
Unclaimed Pari-mutuel Tickets	310,654	
Unclaimed Pari-mutuel Tickets (Racetrack Security Fund)	1,479,754	
Occupational Licenses	1,134,094	
Miscellaneous Income	998	
Total General Fund		3,516,268
Wildlife Restoration		
Horse racing licenses		121,734
Racetrack Security		263,000
CA Veterinary Diagnostic Laboratory		2,420,353
Total Revenue		\$46,189,768

Other Public Revenues

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

During FY 2002-2003, there were 3,031 horses “claimed” at authorized race meetings.

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

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

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

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

Inasmuch as the claim of a horse is in fact a purchase, state sales tax is collected on the amount of the claim. During FY 2002-2003, the total amount paid for claiming of horses was \$48,246,587, resulting in sales tax revenues of \$3,921,812.

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

During FY 2002-2003, \$7,429,754 was distributed to local governments under this provision.

Track Commissions

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

Commissions retained by California racing associations during FY 2002-2003 totaled \$170,508,327.

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

Purses

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

Purses for California race meetings during FY 2002-2003 totaled \$166,662,320. In addition, \$15,762,655 was paid out as California-Bred incentives.

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

The actual purses to be paid for any one race, or for the day’s races, initially are determined by the racing secretary’s projections of handle, then must be revised during the course of the race meeting based on actual handle. The racing association must also conclude an agreement with the respective horsemen’s organization representing the horsemen at each meeting in order to establish the percentage of the total purses that may be used for stakes races.

California Horse Breeding Programs

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

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

An award based on the first, second, and third-place money of any purse won in any race run in California is paid to the breeder of the winning or placing California-bred horse. This amounted to about a 15% premium of the purse amount to breeders in 2002-2003. A further incentive to own a California-bred horse is provided by owners premiums. Owners premiums are distributed to persons owning California-bred horses that are in allowance races with a purse over \$15,000 and claiming races having a total purse value of certain qualifying amounts. These premiums for allowance races in FY 2002-2003 were at the 30% level, and funded both by the incentive program and the purse accounts.

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

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

Thoroughbred Breeders Programs

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

At California thoroughbred race meetings, the amount of .54% on track and .54% off track of all pari-mutuel pools is

deducted as takeout and transferred to CTBA for distribution. A further amount equal to .07% of the handle is specified for owners' premiums and deducted from purses to be transferred to the CTBA for distribution to purse accounts for qualifying Cal-breds.

During FY 2002-2003, \$14,226,389 was generated from the wagering handle. The CTBA is authorized to deduct 5% 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 4% of funds generated) for administering the Standardbred Breeders Program. The program is funded from the breakage at harness meetings and an additional 1% takeout on all exotic wagering at harness meetings. In FY 2002-2003, the program generated \$585,817.

Quarter-Horse Breeders Program

Pacific Coast Quarter Horse Racing Association, as the recognized breeders organization, received \$540,582 from the pari-mutuel handle to fund its program in FY 2002-2003. The source of these funds was .48% of the on-track and .48% of the off-track handle on quarter-horse racing at the fair race meetings, .4% of the handle at quarter-horse race meetings, and a proportional payment of the monies required by the state, the association, and the horsemen.

Appaloosa Breeders Program

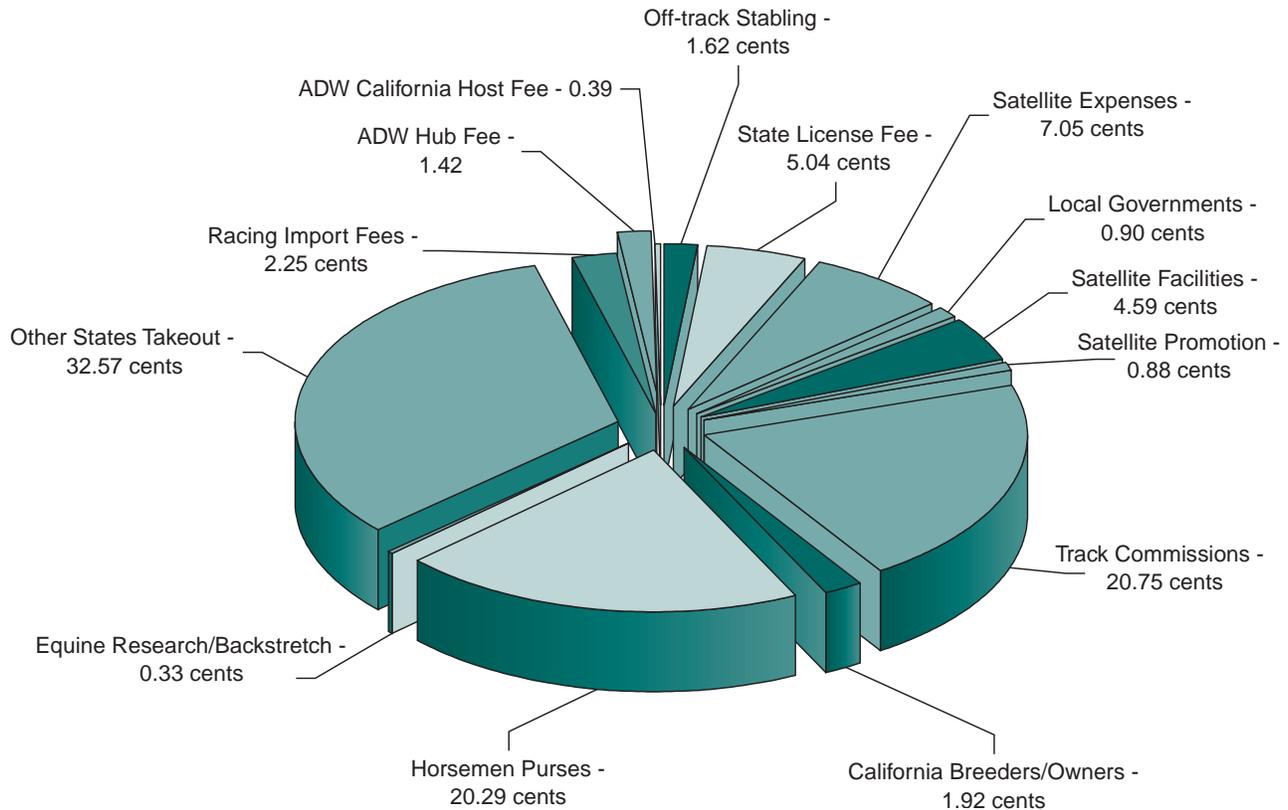
Cal-Western Appaloosa Racing, Inc., as the recognized breeders organization, received \$23,168 for the breeders program in FY 2002-2003.

Arabian Breeders Program

The California Arabian horse breeders awards received \$65,871 for the program during FY 2002-2003.

The Revenue Stream

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



California horse racing is popular with bettors throughout the United States as well as fans in many foreign locations. A total of \$4,222,402,437 was wagered by patrons of California racing during the 2002-2003 fiscal year, and of that money 80.5% (\$3,400,803,734) was returned to winning ticket holders.

Prior to simulcast wagering in 1985, virtually 100% of the wagering on California's races was at the track, but today "on-track" bets make up only 18% of wagers placed (\$773 million). Off-track betting within the state provides more than 38% of the handle (\$1.91 billion). The balance comes from out-of-state wagers (\$1.5 billion).

Patrons failed to cash \$3.6 million worth of winning tickets. By law,

money from uncashed tickets, except for fairs, is split evenly between a welfare fund for the benefit of backstretch employees and the CHRIB for racetrack security and research. Money from uncashed tickets at fairs is turned over to the state's General Fund.

Similarly, money from unredeemed vouchers issued by tracks for use by racing patrons at track self-serve betting machines is used to finance the horse-racing revenue database called

the California Horse Racing Information Management System (CHRIMS).

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

Of the \$4.2 billion wagered, \$822 million, or 19.5%, was withheld as the "takeout" for such purposes as horsemen's purses, racetrack operations, and government taxation, as follows on the next page:

HORSEMEN'S PURSES

A total of \$166.7 million was distributed last year in the form of purses. This money went to the owners of the horses, the jockeys, the trainers, and through them to the backstretch employees.

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

TRACK COMMISSIONS

The racetracks and fairs that host the racing programs collected a total of \$170.5 million in commissions. Much of that money went toward the cost of operations, such as rent or mortgages and labor costs, of which pari-mutuel clerks represent a large part. The racetracks also are responsible for marketing the sport — for advertising, promotions, and other forms of publicity.

STATE LICENSE FEES

Pari-mutuel wagering was authorized by the voters in 1933. During the last fiscal year, the state received \$41.3 million from pari-mutuel wagering. Of this money, \$3.5 million, went to the General Fund for budgeted operating revenues for state programs.

The allocation of the California Horse Racing Board budget (\$8.55 million) comes from the Fairs and Exposition Fund through the yearly budget process conducted by the State Legislature. This allocation is used to fund the Horse Racing Board's mission of overseeing the horse-racing industry on behalf of the state and the California public.

INCENTIVE AWARDS

One of the most important uses of horse-racing revenue is for incentive awards, which promote the agricultural program in California by encouraging horse breeding. Last year those awards were divided between programs for thoroughbreds (\$14,226,389), standardbreds (\$585,817), quarter horses (\$540,582), appaloosas (\$23,168), and Arabians (\$65,871).

LOCAL GOVERNMENT

For those local municipalities who elect to participate, an additional 0.33 of 1% is withheld from the handle to reimburse communities for costs incurred due to traffic control, security, and other expenditures resulting from horse-racing events. Last year \$7.4 million was withheld for this purpose.

HOST FEES

Host fees are negotiated or mandated payments to producers of live horse racing imported by tracks via satellite and offered to the betting public in conjunction with a California track's live racing program. Last year, California tracks paid \$18.5 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 \$267.6 million.

EQUINE RESEARCH

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

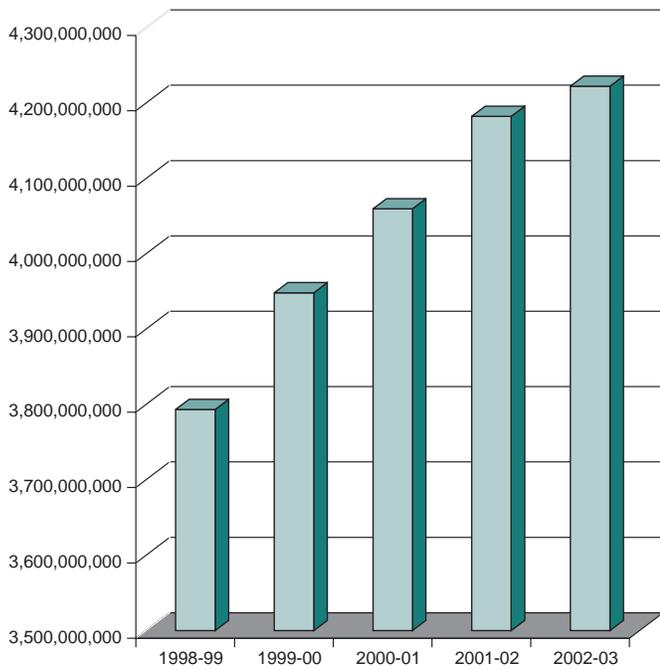
SIMULCAST FEES

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

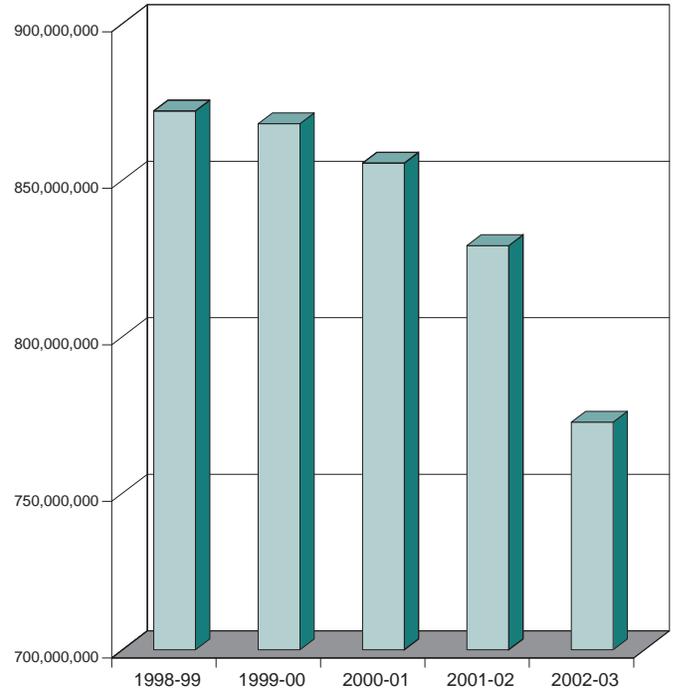
These funds received a total of \$116.1 million last year:

Stable and Vanning Fund:	\$13.3 million
Promotion Fund:	\$7.2 million
Expense Fund:	\$57.9 million
Guest Fund:	\$37.7 million

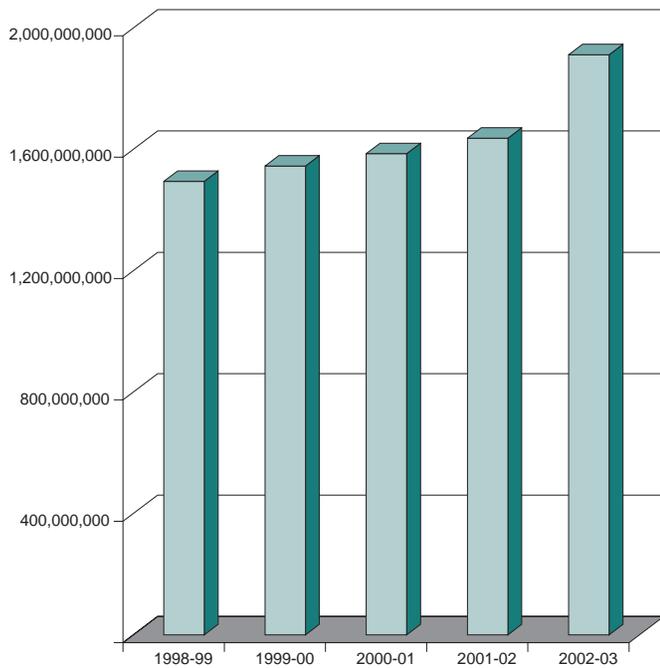
Total Handle



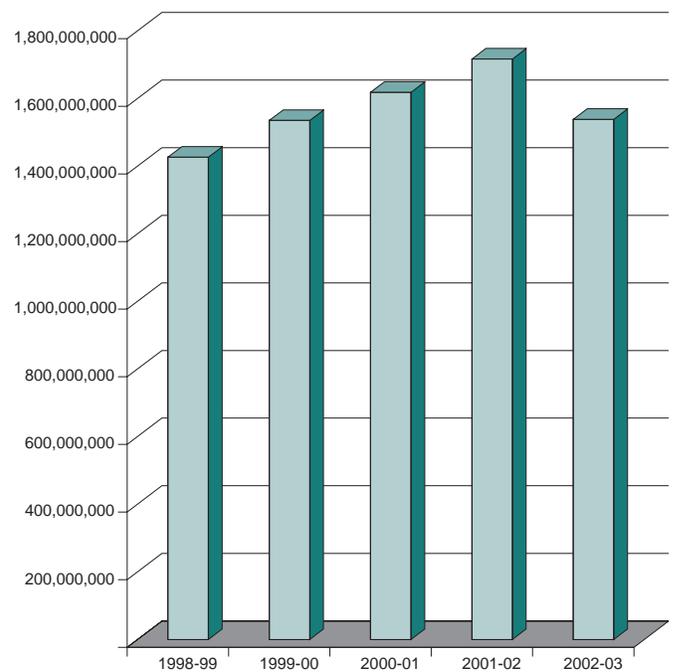
Total Handle On Track



Total Handle Off Track



Total Handle Out of State



The Horsemen's Organizations Welfare Funds

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

The California Thoroughbred Horsemen's Foundation, Inc.

285 W. Huntington Drive
P. O. Box 660129
Arcadia CA 91006
(Registry of Charitable Trusts
No. 4833)

California Harness Horseman's Association Welfare Fund

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

Quarter Horse Benevolent Charity Foundation

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

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

The California Horsemen's Organizations

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

The following horsemen's organizations were recognized by the Board during the last fiscal year: Thoroughbred Owners of California for thoroughbred owners; California Thoroughbred Trainers for thoroughbred trainers; California Harness Horsemen's Association for harness horsemen; Pa-

cific Coast Quarter Horse Racing Association for quarter horsemen; Cal-Western Appaloosa Racing, Inc., for appaloosa horsemen; and the Arabian Racing Association of California for Arabian horsemen.

Audited Expenses of California Horsemen's Organizations

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

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

Pacific Coast Quarter Horse Racing Association, Inc.

Statement of Revenues collected, expenses paid, and changes in fund balance - modified cash basis for the year ended December 31, 2002

REVENUES COLLECTED	2002	2001
Membership dues	\$ 2,580	\$ 8,910
Mutuel fees- HQHRA	313,046	372,718
Mutuel fees- Fairs	12,737	15,405
Mutuel fees- Thoroughbreds	49,689	52,162
Race administration fees	122,299	145,755
Berth transfers	2,400	3,600
Cal-Bred Registry fees	17,706	18,638
Advertising income	7,365	7,115
Interest income	13,004	32,429
	540,826	656,632
EXPENSES PAID		
Advertising	14,662	16,620
Annual awards	10,816	19,529
AQHA sponsorship	1,600	2,700
Memorial funds		5,000
Chaplaincy	7,500	
Computer costs	21,374	3,285
Contract services	104,497	85,118
Depreciation	1,713	4,969
Dues & subscriptions	6,434	2,833
Fair representative expense	9,394	9,443
Insurance	30,600	25,528
Legal & accounting	13,481	29,043
Miscellaneous	2,674	2,016
Newsletter & directory	15,083	11,767
Office expense	14,960	20,388
Postage	5,094	14,989
Purse Supplement	36,546	176,355
Race Awards	5,094	19,238
Salaries	164,405	156,793
Special events	9,469	14,458
Stationery & printing	5,463	6,817
Taxes-payroll and property	12,962	12,039
Telephone & utilities	5,619	5,989
Travel & meetings	18,468	19,736
	525,644	664,653
Change To Fund Balance Before Horse Sale	15,182	(8,021)
Horse Sale, excess of expenses over income	(6,264)	26,430
Increase To Fund Balance	8,918	18,409
Beginning Fund Balance	759,326	740,917
Ending Fund Balance	\$768,244	\$759,326

California Thoroughbred Trainers

Statements of Activities for the years ended December 31, 2001 and 2002

	2002	2001
Revenues		
Track revenues	\$718,452	\$784,637
Recreation hall income	524,052	543,017
Interest income	15,273	39,037
Other	16,794	100
Total revenues	1,274,571	1,366,791
Expenses		
Program services:		
Recreation hall and programs	521,000	559,615
Membership services	128,366	99,908
Contributions	21,052	41,448
Total program services	670,418	700,971
Supporting services:		
Administrative salaries and related expenses	533,322	474,210
Professional and outside services	44,726	123,785
General office expenses	56,709	55,884
Insurance	12,984	17,790
Travel (mileage reimbursement)	5,957	4,867
Meetings and conventions	17,035	15,516
Other, net	--	226
Repairs and maintenance	2,822	7,860
Depreciation	22,744	23,297
Total supporting services	696,299	723,435
Total expenses	1,366,717	1,424,406
Change in net assets	(92,146)	(57,615)
Net assets at beginning of year	1,038,361	1,095,976
Net assets at end of year	\$946,215	\$1,038,361

Arabian Racing Association of California

*Statement of Activities and Changes in net assets
for the year ended December 31, 2001*

(Updated report not received in time to include in this publication.)

	Administration (unrestricted)	Temporarily Restricted	Total
Revenue and Support:			
Owners' and breeders' awards		\$ 68,165	\$ 68,165
Track administration fees	85,405		85,405
Membership	1,990		1,990
Other	6,105		6,105
Net assets released from restriction: Satisfaction of program restrictions:	68,283	(68,283)	
Total	161,783	(118)	161,665
Expenses:			
Owners', breeders', and stallions' awards	55,289		55,289
Breed representative	44,479		44,479
Race sponsorship	5,399		5,399
Legal and accounting	7,900		7,900
Promotion	3,705		3,705
Convention, awards, and trophies	6,227		6,227
Other	17,697		17,697
Total	140,696		140,696
Increase (Decrease) in net assets	21,087	(118)	20,969
Net Assets:			
Beginning of year: As previously reported	143,379	6,253	149,632
End of year	\$ 164,466	\$ 6,135	\$ 170,601

Cal Western Appaloosa Racing, Inc.

Statement of Revenue and Expenses for the year ended May 31, 2001

(Updated report not received in time to include in this publication.)

Revenue		
Racing Income	\$63,472	
Magazine Subscriptions and Racing Dues	2,998	
Interest Income	2,847	
Miscellaneous Income	2,318	
Total Revenue		71,635
Expenses		
Salaries	18,637	
Racing Consultant	2,687	
Track Representative	11,935	
Insurance	222	
Race Add-ons	687	
Trophies and Awards	7,666	
Supplies	2,066	
Postage	1,331	
Accounting	2,807	
Rent	3,600	
Utilities, Telephone	4,057	
Taxes and Licenses	2,375	
Depreciation	599	
Maintenance and Repair	3,082	
Convention	1,061	
Board Meetings	40	
Miscellaneous	3,157	
Total Expenses		66,009
Net Income		\$5,626

Thoroughbred Owners of California

Statements of Activity for the fiscal years ended June 30, 2002 and 2003

	2002	2003
Unrestricted Revenues and Gains:		
Proceeds from racetracks	\$1,517,000	\$1,486,000
Contributed office space	46,000	47,000
Interest	47,000	32,000
Other	2,000	4,000
Total unrestricted revenues and gains	1,612,000	1,569,000
Unrestricted Expenses:		
Board and member meetings	50,000	56,000
Consulting	215,000	355,000
Donations	170,000	116,000
Newsletter	103,000	95,000
Seminars	65,000	64,000
Management and General	22,000	14,000
Total unrestricted expenses	1,708,000	1,763,000
Increase in unrestricted net assets	(96,000)	(194,000)
Unrestricted net assets, beginning of year	1,608,000	1,512,000
Unrestricted net assets, end of year	\$1,512,000	\$1,318,000

American Mule Racing Association

*Statement of Revenues, Expenses and Other Changes in Net Assets—Cash Basis
for the year ended December 31, 2002*

	2002	2001
Revenue and other support:		
California Authority of Racing Fairs	\$73,193	\$81,693
Futurities	9,000	8,424
Other income	6,739	5,024
Membership	2,695	2,155
Cal Bred fees	475	550
Total revenue and other support	92,102	97,846
Expenses:		
Program expenses		
Racing sponsorships	34,045	
Owner promotion	36,720	31,725
Futurities	8,740	8,160
Racing statistics	4,530	7,000
Award fees	2,810	1,513
Race meet assistance	3,500	4,000
Total program expenses	91,345	52,398
Supporting expenses		
General and administrative	10,805	8,885
Total supporting expenses	10,805	8,885
Total expenses	102,150	61,283
Change in net assets	(10,048)	36,563
Unrestricted net assets, beginning of year	123,951	87,388
Unrestricted net assets, end of year	\$113,903	\$123,951

California Harness Horsemen's Association

Statement of Functional Expenses for the year ended June 30, 2002

	Program Services	General and Administrative	Total
Accounting Services	\$14,821	\$1,647	\$16,468
Chaplaincy Services and Social Welfare	52,667		52,667
Depreciation	2,167	241	2,408
Dues and Membership	7,979	887	8,866
Equipment Leases and maintenance	2,641	293	2,934
Insurance	13,544	1,505	15,049
Interest expense		160	160
Legal Costs		131,217	131,217
Meetings	10,295	1,144	11,439
Net welfare insurance assessment	47,833		47,833
Office expenses	10,021	1,113	11,134
Payroll Taxes	10,726	1,192	11,918
Promotion and Advertising		856	856
Repairs and maintenance	7,179	798	7,977
Salaries, Office Staff	128,595	14,288	142,883
Storage	2,322	258	2,580
Track Representative	10,467		10,467
Total Expenses	\$321,257	\$155,599	\$476,856
	Unrestricted	Temporarily Restricted	Total
Revenues and Other Support			
Administration Fees	\$249,154		\$249,154
Interest Income	4,038	57	4,095
Membership Dues and Registration	9,705		9,705
Net Assets Released/Satisfied from Restrictions	62,848	(62,848)	
Total Revenues and Other Support	325,745	(62,791)	262,954
Expenses			
Program Services	321,257		321,257
General and Administrative	155,599		155,599
Total Expenses	476,856		476,856
Change in Net Assets	(151,111)	(62,791)	(213,902)
Net Assets, June 30, 2001	263,708	81,907	345,615
Net Assets at End of Year	\$112,597	\$19,116	\$131,713

