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CHRB NEWS RELEASE

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**WORKERS' COMPENSATION COSTS DECREASING IN CALIFORNIA**

DEL MAR, CA – Horsemen advised racing commissioners Thursday that subsidies from the pari-mutuel pools are resulting in average daily savings of \$3 per horse for workers' compensation insurance and that costs might be further reduced as administrators systematically eliminate fraudulent claims and institute other efficiencies in the California program.

"We are seeing positive results as the word spreads that we are succeeding in bringing down the cost of workers' compensation insurance in California," explained Ed Halpern, executive director of the California Thoroughbred Trainers (CTT) at the regular monthly meeting of the California Horse Racing Board. "I have received calls from horsemen in other states expressing interest in shipping horses to California."

Drew Couto, president of the Thoroughbred Owners of California (TOC), said his organization is urging owners to speak with their trainers to make certain that any savings in workers' compensation get passed along to owners, perhaps in the form of reduced day rates.

Most of the savings are the result of a new law – AB 701, authored by Assemblymember Jerome Horton – that raised the takeout on exotic wagers in California by 0.5 percent in order to address increases in workers' compensation costs within the California horse-racing industry. The change could generate approximately \$9.5 million to help the industry offset insurance costs.

In their joint presentation to the Board, Halpern and Couto explained that California thoroughbred racing associations, the California Thoroughbred Breeders Association, the CTT, and the TOC formed the California Thoroughbred Business League to administer the use of funds generated by AB 701. This distribution has three components.

"First, the program subsidizes the insurer (either AIG or the State Fund) at the rate of \$8.71 per \$100 of premium," said Halpern. "That subsidy, along with letters of credit from the racing associations to AIG, bring the base rate down to about \$22 per \$100. Second, we pay a starting fee of \$400 to the owners of horses finishing fifth or worse in thoroughbred races in Southern California, \$300 in Northern California, and \$175 at the fairs (but \$300 when the fairs are running concurrently with a northern thoroughbred meet). And third, we pay \$50 toward the jockey rate, which is currently \$116, making the base rate \$66."

CHRB Vice Chairman Roger Licht said that his discussions with owners had not identified any trainers who are passing along the savings to owners. But both Halpern and Couto explained that because this program only began July 1, the most recent billings would not reflect the changes.

Halpern also outlined another aspect of changes to the workers' compensation program in the industry that is unrelated to AB 701. The CTT and TOC created the California Horsemen's Safety Alliance to reduce premiums by monitoring program activities. This includes auditing the records of trainers, creating safety programs for employees, and carefully reviewing all claims, including extensive follow-ups.

"We could see additional cost reductions as a result of this monitoring program," said Halpern, who quickly added that everything depends on the nature and number of future claims against the program. A rash of serious cases could drive up program costs considerably.

In other business, the CHRB staff reported that no comments have yet been received from the public or the industry regarding proposed changes to the scale of weights for jockeys. The proposed rules changes are scheduled for a public hearing August 19. If there are no changes to the proposed rules, they could become effective as early as November 19.

As proposed, the minimum weight for jockeys riding in Arabian and thoroughbred races in California would be 118 pounds (123 pounds for Appaloosas, paints, quarter horses, and mules). Jockeys would weigh in nude without any equipment. Each horse would carry an additional 10 pounds of riding gear. Jockeys would be required to maintain a body fat content of at least 5 percent.

During the limited discussion of this matter Thursday, representatives from racetracks and horsemen's organizations agreed that it would be best for this proposal from the Jockeys' Guild to be handled on a national basis.

Chris McCarron, the former jockey who now serves as general manager of Santa Anita Park (a Magna company), said he has spoken with racing executives in New York and Florida, including representatives of Churchill Downs, Inc, and "we feel we can have a national agreement very shortly." While strongly supporting raising the minimum weight for jockeys, McCarron feared that if California acts ahead of the rest of the country, it could have a negative impact on the size of fields as horsemen ship their runners to locations where they would carry less weight.

"Magna feels strongly that raising the scale of weights is necessary, but Magna also believes that it must be done on a national basis," said McCarron, who followed up this remark by downplaying the possible ill effect that any increased weight might have on horses.

Couto said the TOC is working with Magna, Churchill Downs, NYRA, and others to "dig in and work through the plan proposed by the Guild and procure relief for riders – perhaps not to the magnitude requested but some relief. We are making a wide effort to balance all interests."

Albert Fiss, vice president of the Jockeys' Guild, reacted to this testimony by stating, "The problem with trying to handle this as a national, one-time only deal is that when you try to do anything on a national, non-regulatory basis, it never gets done. When we tried to get uniformity of saddlecloth colors in all racing jurisdictions, it took 10 years. They jockeys can't wait 10 years."

CHRB Chairman John Harris said, "It will be difficult to get a national consensus. The question is whether California should take the lead. Personally, I don't agree there will be a giant exodus of horses to other states if we make these changes here."

Staff reported that Capitol Racing LLC has complied with the terms of its conditional license by supplying the Board with financial data, and that everything appears to be factually correct. Capitol is in the process of arranging for a full audit. That audit could take several months. The Capitol harness meet will begin September 24 at Cal Expo.

Capitol's lease with Cal Expo expires next year, and a new group has expressed an interest in taking over that lease. One member of that group is former CHRB Chairman Ralph Scurfield, who advised the Board that he and his associates have formed the Sacramento Harness Benevolent Association, which includes high-profile owners and trainers in the harness industry and powerful elected officials, such as Sacramento County Sheriff Lou Blanas. This group will be submitting a proposal to the Board of Directors at Cal Expo for consideration.

"This organization was formed as a result the problems connected with the Sacramento harness meet, such as the backstretch that desperately needs improvements, legal problems concerning impact fees (involving Los Alamitos Race Track), not to mention overpayment of purses and purse cuts," said Scurfield. "We organized a not-for-profit entity with a Board of Directors that has expertise in governmental oversight, community leadership, and horsemanship. Our intention is to operate as Del Mar does – using all profits for facility improvements, purse increases, and any community activity that might contribute to the overall benefit of Cal Expo harness racing."

Responding to reports of an increased number of cases of West Nile Virus in California, Dr. Ron Jensen, the CHRB equine medical director, reported that most racehorses in the state have been vaccinated against the disease.

"But we probably have not vaccinated 100 percent of our horses, so I would not be surprised if we had one case of West Nile Virus this year," said Jensen. "The important thing to remember is not to panic if that one case develops. This disease is not transmitted from horse to horse or human to human."

The Board approved the license for Bay Meadows to operate a thoroughbred meet from September 3 through November 7 and for the Los Angeles County Fair to conduct a fair meet in Pomona from September 10 through September 26.

The Board authorized the Oak Tree Charitable Foundation to distribute \$85,500 in charity day proceeds to 24 beneficiaries, more than 85 percent of which will go to racing-related charities.

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