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CHRB NEWS RELEASE

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AB 2414 MOVES FORWARD IN CALIFORNIA LEGISLATURE

SACRAMENTO, CA – An important piece of legislation designed to help stabilize the California horse racing industry by providing incentives for the Breeders' Cup to come to California, increasing purses, and expanding wagering opportunities continues to move through the California Senate.

The bill, AB 2414, enjoys widespread support from labor, Hollywood Park, Del Mar, the Oak Tree Racing Association, the Jockeys' Guild, the Thoroughbred Owners of California (TOC), and the California Authority of Racing Fairs (CARF). The California Horse Racing Board (CHRB) also supports the passage of AB 2414 because it conforms to the principles set forth in the Horse Racing Law requiring the CHRB to assure protection of the public, encourage agriculture and the breeding of horses in the state, support the network of California fairs, provide for maximum expansion of horse racing opportunities in the public interest, and provide uniformity of regulation for each type of horse racing.

AB 2414, a bill authored by Assembly Speaker John A. Pérez, contains three major components:

- Provides an incentive for the Breeders' Cup Limited to run its world championship races at California racetracks by mandating that a portion of the takeout at the host track be designated for promotion of the Breeders' Cup. The bill cites a study indicating that the last two Breeders' Cups held at Santa Anita Racetrack generated an additional \$60 million economic impact on the State of California and Los Angeles region each of those years.
- Increases purses in order to encourage horse ownership, boost field sizes, and foster increased wagering on California horse races in order to compete with other states. Due to the high cost of running horses, owners and trainers seek out races offering the highest purses. Some states enhance purses with revenue from slots and other forms of gaming. It is hoped that by enhancing purses in California through AB 2414, the larger purses will encourage horse ownership, and more horsemen will opt to run in California. Larger fields invariably result in increased handle and more revenue, giving increased stability to the horse racing industry. AB 2414 points out "the importance of the horse racing industry to this state, including the 50,000 jobs associated with the industry..." The additional purse money will be generated by increasing the amount withheld from the wagered dollar. Even with this takeout increase of 2 to 3 percent on exotic wagers, such as exactas, trifectas, and the Pick Six, California's takeout rates will remain lower than those in some other states with comparable, high-quality racing. Under AB 2414, the takeout rate in California on exotic wagers placed on thoroughbred races will range from 22.18 percent to 23.78 percent, depending on the wager. This compares with a takeout rate of 25 percent or higher on many exotic wagers in New York, New Jersey, and Illinois.
- Provides the legal authority for California to offer a wagering variation called Exchange Betting, subject to approval by California horsemen and racetracks. Exchange Wagering is very popular in Great Britain where promoters claim it has attracted a younger audience for wagering on horse races. It is hoped that Exchange Wagering will attract a new clientele to California horse racing and lead to

increased wagering that will benefit all segments of the industry. Exchange Wagering is also being considered by the New Jersey State Legislature. AB 2414 along with rules to be developed by the CHRB will provide ongoing checks and balances. Exchange Wagering can only be implemented following financial negotiations between horsemen and Advance Deposit Wagering (ADW) companies and is subject to approval by all parties, including horsemen and the CHRB.

Exchange Wagering has been discussed at every meeting of the CHRB Legislative Committee dating back to March 4, 2010, and Exchange Wagering was specifically mentioned in the CHRB news release dated April 16, 2010, as being a significant proposal for legislation. The bill defines Exchange Wagering as “a form of pari-mutuel wagering” relating to “a given horse race or a given set of horse races” that is “submitted to an exchange wagering licensee.” The CHRB has verified that AB 2414 conforms to state and federal laws.

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