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CHRB NEWS RELEASE

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REVIEW OF CHRB ACTIONS AND DISCUSSIONS 12-16-10

ARCADIA, CA – The California Horse Racing Board conducted its regular monthly meeting Thursday, December 16, at Santa Anita Park. Chairman Keith Brackpool presided. Vice Chairman David Israel and Commissioners Jesse Choper, Bo Derek, John Harris, Jerry Moss, and Richard Rosenberg were in attendance. During the meeting:

- In addressing several agenda items, the Board members insisted that all California licensed racing interests must comply with both the letter and the spirit of a new law designed to boost purses by 25 percent. Specifically, SB 1072 increases the takeout on exotic wagers in order to augment overnight purses at thoroughbred racetracks and fairs. The hope and expectations are that higher purses will attract fuller fields, resulting in a better racing product, increased handle, and higher revenue for all racing interests. To that end, the racing associations and other interests that normally would insist on a direct share of increased revenue agreed to support SB 1072 even though all of the resulting revenue is earmarked for purses.

Four items on Thursday's agenda pertained to renewing the licenses of the four authorized Advance Deposit Wagering (ADW) companies operating in California, and during that discussion, the Board learned that Churchill Downs Technology Initiatives (CDTI), which operates both TwinSpire.com and YouBet.com, has not yet signed two agreements with the owner of Santa Anita Park and Golden Gate Fields – the reason being that CDTI has not agreed to pass along to purses the increased revenue from the increase in takeout as the other two companies – TVG and XpressBet – already have done. This prompted Chairman Brackpool, referring to the intended spirit of SB 1072, to advise TwinSpire Vice President Brian Blackwell, “We all hold hands together and jump. You don't get to jump separately.”

As the discussion of the ADW license renewals continued, the Board learned that some of the companies had not yet signed the required agreement with organized labor. This time it was Commissioner Choper who expressed his frustration when he commented, “I'm amazed. This is not a 2nd or 3rd-grade playground. This is serious business.”

After conferring with counsel and staff, the Board decided against issuing two-year licenses to the ADW companies at this time. Instead, the Board voted to extend the

current licenses – which are due to expire January 1 – by 30 days to January 30, so that the Board can address this matter again at the January 20 meeting. In the meantime, TwinSpires must have its agreements in place with Santa Anita and Golden Gate by January 1 or it will not be able to accept wagers on any California race.

- SB 1072 was the specific subject of another agenda item requested by the California Thoroughbred Trainers. Executive Director Alan Balch and two other CTT representatives indicated there are ambiguities in the language of the law relating to the distribution of statutorily mandated distributions of portions of the takeout. Foremost among their concerns is whether the additional takeout from SB 1072 will be deposited into the purse account at racetracks or kept separated. This is important because other sections of law designate 1 percent of the purse account to help fund the backstretch pension fund and the operations of the CTT and Thoroughbred Owners of California (TOC). Chairman Brackpool, Vice Chairman Israel, Commissioners Choper and Harris, and Jack Liebaw, the president of Hollywood Park who helped draft the language for SB 1072, all reminded the CTT that the intent of SB 1072 was to put 100 percent of the revenue from the increased takeout into purses, not to help fund pensions or the operations of horsemen’s organizations. And to help make that point “crystal clear,” the chairman produced a letter from the author of the bill, Senator Ron Calderon, reiterating his intent for all of the revenue to augment overnight purses. The Board concluded the discussion by approving a motion stating their statutory interpretation of the law is that revenue from the increased takeout shall be used solely for increasing overnight purses “and for no other purpose.”
- The racing commissioners indicated their intent to completely eliminate wagering entries in California horse racing. Chairman Brackpool directed staff to draft language for the repeal of the rule requiring horses with the same owner to race as one wagering interest. This was the outgrowth of a proposed regulation to allow a horse to run for purse money only if the horse is part of an entry and another horse in that entry is scratched. Chairman Brackpool said the proposed rule “creates five problems for every one it solves” and that he would prefer to repeal the coupling rule altogether rather than tinker with it in this way. The other commissioners voiced agreement, with Vice Chairman Israel and Commissioner Choper emphasizing the need to adequately inform the wagering public when horses with the same owner are racing uncoupled. Meanwhile, staff will rewrite the proposed regulation to allow a horse to run for purse money only – as a non-wagering interest – if the horse is removed from the wagering pool in error.
- The Board approved a change in the distribution of takeout from handle at simulcast facilities in California to allow for an approximate \$350,000 budget increase for the California Marketing Committee (CMC). The statewide racing promotions and marketing program will use the \$350,000 to conduct extensive marketing research and

better “brand” the product. CMC representatives said the racing promotion program was facing a decline in operational funds of 50 percent or roughly \$2 million due to another provision of SB 1072 that takes effect January 1. They asked the Board to essentially restore \$350,000 of that estimated \$2 million reduction by increasing the CMC portion of simulcast handle by .05 percent (from 0.2 percent to 0.25 percent).

- Representatives of San Luis Rey Downs Training Center continued their push for a restoration of subsidies for the stabling and training of horses at the north San Diego County training center that go on to race at California racetracks. The Board asked the Vanning and Stabling Committee to reconsider their decision to cut off stabling subsidies to SLRD and perhaps change the criteria for granting subsidies to offsite stabling sites by giving greater consideration to horses that participate in racing programs.
- Ron Blonien, representing the Commerce Casino, said the minisatellite operation at Commerce has been averaging \$80,000 daily on horse racing and is so popular that the two rooms designated for horse racing are at times insufficient to accommodate crowds. He said they are investing \$1 million to expand the minisatellite operation into an adjacent 10,000-square-foot building. He said the original room used for horse racing will remain open.
- The Board continued its discussion of proposed rules to require random drug testing of jockeys, apprentice jockeys and drivers but delayed action in order to allow staff to expand the language to include random testing of other personnel who impact the racing program on a given day. Commissioner Harris noted that he has been pushing for random testing for many years and he argued against further delays, but Chairman Brackpool said it should not take much longer to get the language completely correct and he assured him the matter would be back on the agenda for the January 20 meeting.

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