

NATIONAL COUNCIL OF LEGISLATORS FROM GAMING STATES
SPECIAL COMMITTEE ON PARI-MUTUELS & TECHNOLOGY
LA JOLLA, CALIFORNIA
JUNE 6, 2014
10:00 A.M. – 11:00 A.M.
MINUTES

The Committee on Pari-Mutuels & Technology of the National Council of Legislators from Gaming States (NCLGS) met the Hyatt Regency La Jolla in San Diego, California, on Friday, June 6, at 10:00 a.m.

Rep. Tom Burch of Kentucky, acting committee chair, presided.

Other legislators present included:

Rep. Helene Keeley, DE
Rep. David Richardson, FL
Rep. Jim Waldman, FL
Sen. Art Wittich, MT
Rep. Lois Delmore, ND
Rep. Kevin Killer, SD

Others present were:

Susan Nolan, Nolan Associates, NCLGS Executive Director

MINUTES

The Committee accepted the minutes of its last meeting on January 10, 2014, in Hollywood, California.

TECHNOLOGICAL ADVANCEMENTS IN PARI-MUTUEL WAGERING

Groundbreaking Online Entry System For Standardbred Owners/Trainers

Rebecca Kidner, Esq., representing the Delaware Standardbred Owners Association (DSOA), said that as many know, there have been exciting developments in technology in the standardbred world. She said that 14 years into it, the technology is coming into the 21st century.

Ms. Kidner said that previously entering horses for standardbred races required horsemen to call via telephone and wait for their turn in line to enter horses. She said that when they finally got through, it was often too late to enter for the race of their choice. She said that this year the U.S. Trotting Association launched in April a national system for horsemen to go online and enter their horses. She said it has only been up for a couple of months and was getting rave reviews from all involved. She said that, to her knowledge, there were no glaring glitches and that the online system was easy, fast, and efficient.

Ms. Kidner said that a horseman could log on and create a personal account—and that the system would load all the horses that he/she had raced in the past year, with details about each horse, such as name, age, owner, trainer, etc., recent starts, and the conditions that the horse fits. She showed a snapshot of the online system screen, showing the last 4, 5, or 6 starts and the money earned, as well as races and racetracks qualified to enter. She said that there is a way to verify entry—a line that shows horses listed as "in to go," and another that indicates that a horse has been "declared" and is waiting to be entered. Ms. Kidner said that one horseman told her that he had taken care of all his horse entries for the week while waiting for dinner to be served.

Ms. Kidner reported that there are new things in the pipeline, new Apps that provide more efficiencies, such as those alerting drivers when chosen to drive multiple horses in the same race, allow the driver to choose the horse that he/she will drive, and notify the trainers which horses were not selected by their driver of choice. She noted that this process is quite cumbersome at present and that drivers tell her the technology will make it easier for them. She concluded that all is working well and that technology is serving the standardbred community.

WAGERING INNOVATIONS, ADVANCED DEPOSIT WAGERING, HISTORIC RACING, ETC.

John Mooney, Executive Director of Racing for Delaware Park, said that by way of background, at one time pari-mutuel wagering could only be done at a facility that was running the race. He said that wagering was then done through the "old relay tote system." He said that over the years, technology has come along and that it has been upgraded tremendously.

Mr. Mooney said that the standardbred wagering system was first expanded years ago with telephone account wagering that was allowed in Florida and a few other states, with wagers called into a central tote at a racetrack. He said that several people took wagers, which were recorded, and accounts had to be opened in advance.

Mr. Mooney said that from there, wagering was expanded into what people called "off-track wagering sites." He explained them as facilities built in states that permitted it, where people could directly wager into the central tote, or "hub," at that time always based at the track that was running.

Mr. Mooney said that with advancement in technology of account wagering and simulcasting, many of the tote companies set up major hubs, which could control numerous tracks. He said information went by data line to a central hub and that all tickets were issued through that and disseminated at the track.

Mr. Mooney said that standardbreds have come a long way since then, that they now have advanced deposit wagering (ADW) and several ADW companies, which have set up accounts so that by way of computer, iPhone, iPad, Internet, etc., a bettor can make his/her own wagers and have an active account. He said that many of the ADWs are based in states other than where racing is taking place. He said that direct access to the totalizator central hub allows wagers to go in and out.

Mr. Mooney reported that the industry was also working to set up a security system that will track and monitor where the wagers are coming from, be it a racetrack, an OTB parlor, an ADW company, etc.

Mr. Mooney said that many things are being done by those who may not want to go to live racing that used to be done in-house. He said that by iPad, wagering may be done right into the tote system, rather than by getting into the wagering line. He said this seems to be popular with the younger customer, who is more sophisticated and used to using the iPad for everything. He said he believed that this will come into play in most racetracks in North America in the near future.

Mr. Mooney added that technology has allowed information to be available that previously could not be attained without physical presence at a racetrack or by subscription, such as a daily racing form or program. He said that now people can sit at home and bring up such information on their computer or iPad and can follow a horse or trainer, and get entrees and past performances, etc., using services like *Equibase*, and wager from there, providing it is legal in the state. Mr. Mooney said that in the future there may be a need to find a way to draw people to the track as the younger generation will not come if they can wager on their computers, iPads, etc.

Mr. Mooney concluded by saying that there have been major advancements in technology in the past five years, that things are changing all the time, and that he expects they will continue to change.

Responding to a question from Rep. Keeley regarding generational attitudes toward wagering, Mr. Mooney said that there is enough of an increase in wagering from iPads, etc., particularly from regular on-track customers wagering from at-home, that tracks are looking to have their own systems into their own totalizators so they don't have to pay other companies the percentage that is paid to do so.

Sen. Steven Geller, Partner, Greenspoon Marder, P.A., said that we have been hearing that the average age for track goers is getting older and older, with the exception of major events like the Kentucky Derby, and that the younger generation is not going to tracks. He said that while there are some people who want to wager from the comfort of their home, there is a whole host of people, 20 and 30-somethings, who would like to go out, go to a sports bars, and watch sporting events.

Sen. Geller said that a company called *Social Gaming Inc.*, which he now represents, is trying to capitalize on that need. He said that the company is now up and running in North Dakota and also in South Dakota or Montana. He said that they are trying to enhance an OTB-like atmosphere, which often does not attract a more social crowd. He said that *Social Gaming Inc.* is trying to set up iPad-based technology at sports bars. He said that he thought there would be legislation in Florida this year to permit this, as actually in Florida the legality of telephone wagering in the state is not clear-cut.

Sen. Geller said that *Social Gaming Inc.*, by using iPad technology, would go through the totalizator system and everyone would get paid what they should get paid, would basically take the place of the host track, and would share revenue with the restaurants in which they are situated. He said that the business model could be customized from state-to-state to reflect state law and unique circumstances, such as restricting activity in a bar within a certain distance from a racetrack or by giving a percentage to a nearby track.

Sen. Geller said that typically folks who go in sports bars are an ideal audience as they are younger, are interested in sports, and are aware of current iPad technology. He said that using a sports bar would eliminate the problem of underage wagering because the bar would have folks trained to identify any underage activity.

Sen. Geller said that we have already established that inter-track wagering benefits everyone and that this would be a way to interest the younger generation in horse racing and other sports activities and then perhaps physically attend tracks. Mr. Mooney noted that Delaware Park is allowed to do parlay wagering on football, National Football League (NFL) only, and that it draws a tremendous amount of the younger generation to the track.

Tim Yelton, Operations Mgr., Instant Racing, of AmTote International, spoke to instant or "historical" racing, which is racing repackaging itself and getting out to a broader, new audience. He said that instant racing terminals are horseracing extending its existing product, though with a lot of bells and whistles. He said that though people say it looks like a slot machine, it is not and that it also is not an alternative gaming device. He said everything depends on how the three horses finish and whether you have bet on the three horses.

Mr. Yelton said that historic racing was developed at Oaklawn Park, Arkansas. He said that in the 1990s, Oaklawn was facing problems that racing in general was facing and that Oaklawn would be closed today if not for instant racing. He said that since inception roughly \$2 billion has been wagered through instant racing terminals, and of that \$30 million has gone to purses. He said that instant racing has kept Oaklawn as a viable racetrack.

Mr. Yelton said that instant racing went into Kentucky Downs in September 2011. He said that at that time, purses for a five-day meet were \$769,000 and in 2013 purses were over \$4.1 million for its five-

day meet. He noted that 70 percent of the over \$4.1 million came from instant racing wagers. He said that last year, between Kentucky and Arkansas, 230 million historical races were viewed. Mr. Yelton said that the racetrack pays a fee to the tracks and horsemen involved in the races and that \$840,000 has been paid for rights to replay the races. He noted that this is above money that goes into purses.

Mr. Yelton said that the Kentucky Downs' \$4.1 million in purses was a 103.9 percent increase from the previous year and that historic racing is bringing in new people to racing. He said that it is creating more jobs—from 15 to 130 at present—and more payroll—from \$668,000 to \$3.1 million—and is generating more tax revenue. He noted that this is happening in a small track attracting a lot of people who may see racing for the first time. He said that people are coming and sticking around for major events like the Breeders Cup, the Belmont, etc.

REPORT ON DECOUPLING RACING FROM RACINOS

Sen. Geller said, by way of background, that decoupling is the elimination of the requirement that if a racing facility is going to have other types of gambling, it has to have live racing as well. He said that in Florida, for example, in order to have a card room or slot machines, you must have a certain amount of live racing at the pari-mutuel facility.

Sen. Geller said, for example, that in the 1990s Florida passed a law, which he sponsored, which required that if a pari-mutuel facility wanted a card room or slot machines, it had to keep running at 90 percent of the amount of races. He said that in the 1990s everyone signed off on it and it seemed to work but that was 20 years ago. He said that now the greyhounds were on hard times and most were losing money—all on live racing—while some made some money on inter-track wagering. He said that greyhound facilities are only continuing to race in order to keep their slot machines and facilities.

Sen. Geller said that at minimum greyhounds would like to reduce the amount of racing that they are required to do and that some would like to eliminate racing altogether. He said that this has particularly affected greyhounds because animal rights groups have come out so strongly against greyhound racing. He said that there has been some affinity between greyhound and standardbred and thoroughbred breeders and owners because if you decouple with greyhounds and Jai Alai, then will you next decouple with standardbred and thoroughbreds? He said that the permit holders are supportive of decoupling and the greyhounds, Jai Alai players, owners and breeders are against decoupling.

Sen. Geller said that no legislation has passed in Florida due to competition within pari-mutuels, the campaign contributions and the political climate, and other factors.

Rebecca Kidner, representing harness horsemen, said that they oppose decoupling. She commended the Delaware legislature because when the harness industry was in distress 20 years ago, it saw fit to implement what she called the "agrarian model." She said that they implemented *the Horse Redevelopment Act* for the purpose of revitalizing and reinvigorating the industry and as a result a casino industry grew out of it, which has been very profitable and good for the state. She said that the legislation was not without controversy, being vetoed by one governor, and that finally it narrowly passed and was allowed to become law without the signature of another governor.

Ms. Kidner said that additionally there is a very large economic impact on the agricultural industry as a whole, where you have this multiplier effect. She said that Delaware has multiple horseracing farms, successful veterinarians, a successful harness supply industry, and lots of feed and grain being sold. She said that many years ago a study was performed to find out the economic impacts on the state and that efforts are being made to update the study.

Ms. Kidner said that while Delaware does not have greyhound racing, it has seen efforts in the state to decouple. She said that other stand-alone casinos have come in and have suggested that it would better to put the state's money into charitable purposes but they have not succeeded, and she said she is happy that the legislature has continued to support Delaware's strong intertwined agrarian model.

UPDATE ON EQUINE MEDICATION/TECHNOLOGY

Tom Robbins, Executive VP, Racing Industry Relations/Racing Secretary for Del Mar Thoroughbred Club, spoke to progress in medication reform. He said that the reforms include uniform medication guidelines, a penalty system targeting individuals with multiple medication violations, restrictions on the use and administration of Lasix, and testing laboratory accreditation for external quality assurance. Mr. Robbins said that hopefully each of the reforms being actively pursued go along way to address safety and integrity concerns expressed by casual fans and core customers alike.

Mr. Robbins said that reforms were developed by the Racing and Medication Testing Consortium (RMTC), the industry's scientific advisory organization on which he serves as a board member, and the Association of Racing Commissioners International (RCI). He said that RMTC recommended the reforms to the RCI and the RCI voted to incorporate the reforms into its official model rules earlier this year. Mr. Robbins said that now it is up to the individual states to adopt the reforms as outlined in the RCI model rules and that is what is being pursued across the country.

Mr. Robbins said that a controlled therapeutic medication schedule has been created, which currently lists 26 medications that have been recognized as treatment for the illness or injury of the horse on a routine basis. He said that for each medication the schedule lists a uniform detection threshold at which the testing laboratory is to report a positive test. He said that these threshold levels have been scientifically determined to eliminate the beneficial effects of all therapeutic medication to the horse's system prior to competition so the medications will neither affect the horse's performance nor mask lameness in pre-racing inspections. He said that these thresholds are at the heart of the reforms because they help to ensure the safety of our human and equine athletes and the integrity of our sport. He said that as of today 18 states, 70 percent of the pari-mutuel handle nationally, including Arizona, California, Delaware, Idaho, Illinois, Indiana, Kentucky, Maryland, Massachusetts, Minnesota, New Jersey, New Mexico, New York, North Dakota, Pennsylvania, Texas, Virginia, and West Virginia have implemented, or are in the process of implementing, the schedule.

Mr. Robbins said that reform includes a detailed multiple violations penalty system, which provides an industry-wide plan for multiple medical violators, regardless of the jurisdiction in which they occur. He said that the under the new system each violation is assessed points, the points are tracked in a central database maintained by RCI, and if a trainer accumulates a sufficient number of points, he/she is required to serve a suspension in addition to punishment for the underlying violation. He said that a total of ten states, including California, Colorado, Delaware, Indiana, Massachusetts, New Jersey, New Mexico, New York, North Dakota, and Virginia have committed to implementation or are in the process of adopting the system.

Mr. Robbins said that the third important aspect of the reform is restriction of the use and administration of Furosemide, or Lasix—in particular, that Furosemide be the only medication authorized for administration on race day to aid in exercise-induced pulmonary hemorrhaging (EIPH) and that it be administered only by regulatory veterinarians or veterinarians working under the supervision of regulatory vets. He said the process is underway and/or being established in no fewer than 17 states, including California, Colorado, Delaware, Indiana, Kentucky, Maine, Maryland, Massachusetts, Minnesota, New Jersey, New York, North Dakota, Oregon, Pennsylvania, Texas, Virginia, and West Virginia.

Mr. Robbins said that the fourth aspect of the reform is testing laboratory accreditation for external quality assurance. He said the reform requires that every participating state's drug-testing laboratory must be accredited by the RMTC to standards that are the strictest standards for equine sport drug testing in the world. He said to be RMTC-accredited, a lab must first be accredited according to international standards, called ISO 17025 accreditation standards. He said this is an important first step but more is required for a lab to be RMTC accredited. He said that five of the nation's 15 laboratories have been accredited, including UC Davis Maddy Equine Laboratory, LGC Sports Science Laboratory, Ohio Department of Agriculture Laboratory, Industrial Laboratories, and Truesdail Laboratories. He said that three of these—Ohio Department, Industrial, and Truesdail—have been added since January. Mr. Robbins said these five labs conduct drug-racing testing for 23 racing jurisdictions, including Arkansas, Arizona, California, Colorado, Delaware, Idaho, Indiana, Kentucky, Massachusetts, Maryland, Maine, Minnesota, Nebraska, North Dakota, New Jersey, New Mexico, Nevada, Ohio, Oklahoma, Oregon, Washington, Virginia, and Wyoming.

Mr. Robbins said that three more laboratories—New York Drug Testing & Research Program, Dalare Associates, and Pennsylvania Equine Toxicology & Research Association, serving four states, Delaware, New York, Pennsylvania, and West Virginia—are applying for RMTC accreditation. He said that accreditation of these labs could take place as early as this summer.

Mr. Robbins said that seven states have yet to be RMTC-accredited. He said that:

- Florida's lab is ISO-accredited, and its RMTC application is being considered.
- Illinois' lab is ISO-accredited and applied for RMTC accreditation in March.
- South Dakota is ISO-accredited, and there is nothing to report regarding RMTC accreditation.
- Texas is expected to be ISO-accredited later this year, with nothing to report on RMTC.
- Three states—Iowa, Louisiana & Michigan—meet neither ISO nor RMTC accreditation standards.

Mr. Robbins said this means that the last seven states are not participating in the RMTC Quality Assurance Program. He says this means the industry as a whole has no way of confirming that labs are capable of reliably detecting drug positives and therapeutic overages. He asserted that with 90 percent of handle now being generated in the interstate simulcast market, every state needs to use RMTC-accredited laboratories.

Mr. Robbins added a final word about Florida. He said that Florida's dated pari-mutuel standards are preventing the Florida Division of Pari-Mutuel Wagering from adopting many of the reforms being implemented across the country. He said, as a consequence, Florida tracks have joined with horsemen in support of revisions to Section 550.2415 of Florida Statutes, as detailed in S.B. 742. He said that the statutory revisions in S.B. 742 are necessary and would allow Florida to move forward with adoption of the uniform medication reforms.

Mr. Robbins urged the Florida legislature to enact S.B. 742 as proposed by the horseracing industry. He said that the industry needs the reforms and that states each need the reforms. He said that the reforms strengthen integrity, provide national uniformity, provide a safe environment for human and equine athletes, and serve as a response to critics both within and outside the sport. He asked legislators to each champion reforms in his/her state.

ADJOURNMENT

There being no further business, the meeting adjourned at 11:00 a.m.