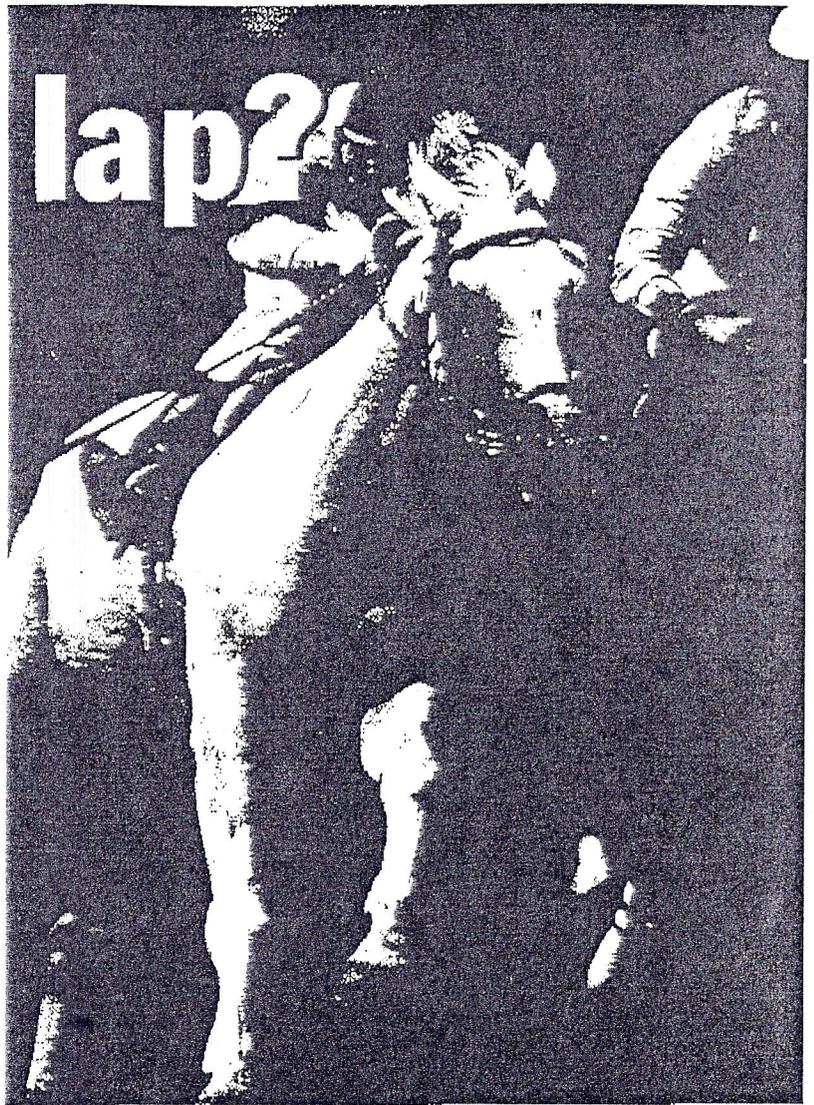


The last lap?

Hobbled by competition from cardrooms, casinos and the Internet, California's horse-racing industry is limping down the stretch. With a governor opposed to expanded gambling and younger bettors looking elsewhere, what will it take to keep horse racing in the running?

By Claudia Buck



In its glory days, back in the 1940s and '50s, California's race tracks were the envy of horse-racing enthusiasts nationwide. The grandstands were full, the betting fast and furious, the prize money generous and the balmy weather conducive to holding race meets virtually year-round.

Today, horse racing in California isn't trotting along at quite so brisk a gait. Attendance is flagging, trainers are shipping their horse to other states that offer fatter purses, and younger gamblers are turning to other venues for their gambling thrills.

"Hard times have hit horse racing in the state," said state Senator Don Perata (D-Oakland), whose district encompasses two tracks, Bay Meadows and Golden Gate Fields. "While there are a lot of factors involved, state gov-

ernment must do what it can to return the industry to competitiveness. Unlike many businesses that can no longer survive in this state, racing can," said Perata, who chairs the Senate Governmental Organization Committee. "Things like advance deposit and satellite wagering must be made legal to allow us to do what other states do for their racing industry."

No one is contemplating putting out to pasture the 15 racetracks and county fairs that offer thoroughbred, quarter horse and harness racing in California. Of those racetracks, six are privately owned (Bay Meadows in San Mateo, Del Mar in Del Mar, Golden Gate Fields in Albany, Hollywood Park in Inglewood, Los Alamitos in Cypress and Santa Anita in Arcadia) and nine are associated with county fairs, including the California State Fair. State-

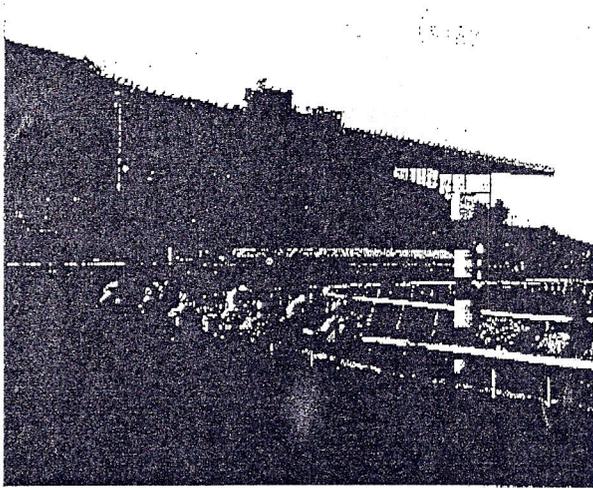
wide, horse racing employs some 52,500 workers – including breeders, trainers, jockeys, veterinarians, feed suppliers and betting clerks – and adds anywhere from \$800 million to \$4 billion annually to the state's economy, depending on the study.

The bad news is that attendance has steadily declined. In 1990, attendance at California tracks was 13.7 million; by 2000, it had dipped to 9.9 million. The better news is that the wagering handle, the amount bet statewide, has remained somewhat steady, helped largely by 19 satellite wagering centers scattered throughout the state that allow Californians to place their bets without actually showing up at a racetrack window. In 1990, the total amount wagered on California horse racing was \$2.8 billion; in 2000, the total wager was \$2.4 billion – more

than half of which was placed at off-track betting sites.

"If it weren't for satellite wagering, horse racing would be in serious trouble. That's what has kept this industry afloat," said one knowledgeable Capitol source.

But other states that permit slot



Heading toward the finish at Golden Gate Fields. Photo courtesy of the California Horse Racing Board

machines at racetracks offer more attractive prize money, which has lured a number of racehorse owners away from California. Horse owners also complain that this state's worker-compensation laws make it too costly to run their horses.

A number of steps have been taken in recent years to bolster horse racing's fortunes. The late state Senator Ken Maddy (R-Fresno), the "walking encyclopedia of horse racing," successfully brokered about \$50 million in reduced state licensing fees for horse racing in the late 1990s. This year's state budget eliminated the sales tax on racehorse breeding stock. More recently, the California Horse Racing Board proposed cutting the number of actual racing days in an effort to bolster prize monies and boost attendance.

Nevertheless, "the future of horse racing in California is tenuous because competition for a finite amount of wagering dollars is increasingly fierce," according to a recent study commissioned by the racing industry.

To capture a piece of that wagering dollar, San Francisco attorney Barry Fadern proposed a constitutional

amendment in 1999 that would have allowed racetracks the same number of slot machines as California's tribal casinos. Fadern, one of the architects of California's state lottery initiative, said racetrack slot machines were necessary to stay competitive with Indian casinos. Fadern eventually pulled the ballot measure after the state's racetracks owners failed to rally behind it. Two years later, Fadern says he doesn't see "any circumstances where the time is ripe for another initiative."

Not only were some racetrack owners reluctant to fork over the huge amounts of money needed to push such an initiative, but a number of local officials with racetracks in their midst were not enthusiastic about the prospect of adding slot machines. Even more troubling were polls that showed potential voters didn't regard the plight of racetracks as particularly worrisome.

"The idea that racetracks desperately needed a level playing field to compete against tribes never received a lot of sympathy," noted Fadern.

Most racetrack supporters are placing their bets on provisions of AB 471, which legalizes so-called "account wagering," where bettors place funds in an account that can be accessed by phone or the Internet. The bill is aimed at keeping within the state horse-racing revenues that currently are siphoned off to offshore and out-of-state gambling centers.

According to an industry study, California's racetracks and "horsemen" in 1998 and 1999 lost some \$30 million in horse-racing revenues from account wagering. Under AB 471, the state's horse-racing industry would receive 8 to 11 cents of every dollar bet from an account wager; smaller portion would be allocated to support county fairs, problem gambling programs, pension and welfare aid for racetrack backstretch employees and the equine health center at the University of California, Davis.

While noting that AB 471 is not the cure-all to horse racing's ailments,

Assemblyman Herb Wesson (D-Los Angeles), one of the bill's co-authors and chair of the Assembly Governmental Organization Committee, calls it "a significant step in the right direction. As California legislators, we need to be mindful that this industry creates 50,000 jobs, and a lot of individuals pay their bills and pay their taxes based on work in this industry."

The bill passed the Senate and Assembly by near-unanimous votes and, was signed by Governor Gray Davis. Last year, Davis vetoed a similar bill, saying it violated his oft-repeated pledge to not allow any expansion of gambling in California. Opponents such as the National Coalition Against Legalized Gambling contend AB 471 will make gambling more accessible.

But the bill's supporters say it is not an expansion of gambling but designed merely to keep in California money that otherwise goes to out-of-state or offshore Internet gambling operators. "It's not an expansion of gambling, it is an investment in the economy of the state," said Perata.

The bill was re-written this year to add safeguards preventing minors from accessing account wager funds and to insert a sunset clause on its gambling provisions in 2008. (The bill also would allow racing's backstretch employees to form bargaining unions and would require an annual state inspection of backstretch housing, considered substandard at many tracks.)

"In the short run, California's tracks have been blessed with good locations, good weather and very little competition. But in the long run, tracks need some type of Internet betting. Otherwise, there will be racetrack closures in California," said I. Nelson Rose, a national gambling law expert in Whittier. Racetracks, he says, are like railroads just after the invention of automobiles. "They've seen the handwriting on the wall and are trying to adapt and survive."

Something, by the way, most railroads failed to do.

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