

**LEGISLATIVE
RESEARCH COMMISSION**

**HORSE RACING IN NORTH CAROLINA
STUDY COMMITTEE**



**REPORT TO THE
1993 GENERAL ASSEMBLY
OF NORTH CAROLINA**

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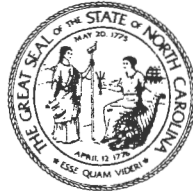
AN ACT TO ESTABLISH THE NORTH CAROLINA RACING COMMISSION,
AFTER A BINDING REFERENDUM TO DEVELOP A PROGRAM OF
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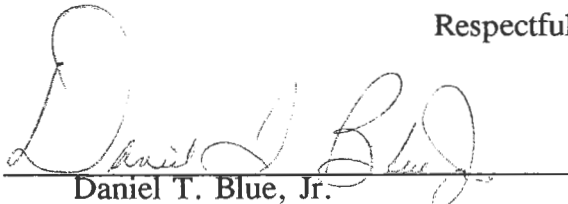



January 15, 1993

TO THE MEMBERS OF THE 1993 GENERAL ASSEMBLY:

The Legislative Research Commission herewith submits to you for your consideration its final report on Horse Racing in North Carolina. The report was prepared by the Legislative Research Commission's Committee on Horse Racing in North Carolina pursuant to Section 2.1(10) of Chapter 754 of the 1991 Session Laws.

Respectfully submitted,


Daniel T. Blue, Jr.
Speaker of the House


Henson P. Barnes
President Pro Tempore

Cochairmen
Legislative Research Commission



1991-1992

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PREFACE

The Legislative Research Commission, established by Article 6B of Chapter 120 of the General Statutes, is a general purpose study group. The Commission is cochaired by the Speaker of the House and the President Pro Tempore of the Senate and has five additional members appointed from each house of the General Assembly. Among the Commission's duties is that of making or causing to be made, upon the direction of the General Assembly, "such studies of and investigations into governmental agencies and institutions and matters of public policy as will aid the General Assembly in performing its duties in the most efficient and effective manner" (G.S. 120-30.17(1)).

At the direction of the 1991 General Assembly and the cochairs of the Legislative Research Commission, the Commission has undertaken studies of numerous subjects. These studies were grouped into broad categories and each member of the Commission was given responsibility for one category of study. The Cochairs of the Legislative Research Commission, under the authority of G.S. 120-30.10(b) and (c), appointed committees consisting of members of the General Assembly and the public to conduct the studies. Cochairs, one from each house of the General Assembly, were designated for each committee.

The study of Horse Racing in North Carolina was authorized by Section 2.1(10) of Chapter 754 of the 1991 Session Laws. That act states that the Commission may consider House Bill 341 and Senate Bill 917 in determining the nature, scope and aspects of the study. Section 2.1(10) of Chapter 754 of the 1991 Session Laws which provides that the Legislative Research Commission may study horse racing in North Carolina reads in part: "...including its economic and societal impacts, the benefits to the agribusiness industry in the State, potential taxes and fees that could be collected, methods of regulation, and other related issues... Copies of relevant portions of

Chapter 754 and the full text of Senate Bill 917 are included in Appendix A. The Legislative Research Commission grouped this study in its State Regulation area under the direction of Senator Frank W. Ballance, Jr. The Committee was chaired by Senator William N. Martin and Representative Vernon G. James. The full membership of the Committee is listed in Appendix B of this report. A committee notebook containing the committee minutes and all information presented to the committee is filed in the Legislative Library.

COMMITTEE PROCEEDINGS

The Legislative Research Commission's Committee on Horse Racing in North Carolina met 11 times. Committee meetings, subcommittee meetings, and a public hearing were held in Raleigh and the Committee held a two-day business meeting in Lexington, Kentucky, with presentations from various experts on horse racing. The deliberations spanned more than a year, with a wide variety of issues and subjects, from relatively simple ones like the different breeds of horses to quite esoteric ones like the effect of commingling of pari-mutuel wagering pools at off-site licensed facilities with those at the race tracks, being studied and considered by the Committee. The following are summaries of the highlights of the various meetings. For detailed reports on the presentations at these meetings, please consult the approved minutes on file in the Legislative Library. The following summaries contain terms that are unique to the equine and racing industries; these terms are defined in the Glossary contained in this report.

December 10, 1991.

The Committee met for the first time on December 10, 1991 in the Legislative Building. The meeting was called to order by Senator Frank Ballance, the LRC member, and all members of the Committee were introduced. At the outset of the first meeting both Senator William Martin and Representative Vernon James, the co-chairmen of the study committee, and the sponsors of the legislation leading to the study, indicated that the focus of the study was prepare a bill to allow the citizens of the state to vote on whether or not to bring horse racing to North Carolina to enhance the agricultural interests of the state and horse breeding industry in North Carolina. Both acknowledged that there were negatives involved with pari-mutuel wagering, but

that it was the wagering that would ultimately provide the funds for the enhancement of the agribusiness industry in this state.

The Committee Counsel provided background material to the Committee. Most of the substantive material provided to the Committee at this and all following meetings is contained in this report, which is intended by the Committee to serve as a reference source during the debate on the legislation recommended by the Committee.

The Committee considered the various breeds of horses, the nature of racing facilities at which horse racing is conducted, the equine industry in the United States, and the nature of pari-mutuel wagering.

The Committee considered preliminary reports of the potential economic impact that horse racing could have on North Carolina, determining that the impact of an operational program could be as much as \$250,000,000 per year providing up to 5,000 new jobs related to horses and horse racing.

The Committee also considered the problems that horse racing in North Carolina could potentially cause including organized crime involvement, gambling related crimes, and other negative effects. The Committee determined, at the outset, that any bill it would propose would have to provide for a strong Racing Commission charged with insuring the integrity of horse racing and pari-mutuel wagering.

February 11, 1992.

The Committee held its second meeting on February 11, 1992 in the Legislative Building. It heard from a number of scheduled speakers.

Dr. William W. Hedrick of Raleigh, provided an historical perspective of horse racing in North Carolina and proposed that a three-track racing circuit be considered in North Carolina. His concept provided for a track near Wilmington with racing from mid-May to mid-September, a track near Raleigh with racing from mid-September to mid-January, and a track near Charlotte with racing from mid-January to mid-May.

The tracks would be of modest size with the potential for growth as the industry matured. His plan called for the intrastate simulcasting of races at all three facilities so that they would function year round, with no off-site wagering.

Mr. Michael Bimonte, an independent research analyst from Raleigh, provided an overview of the standardbred racing industry. He provided detailed statistics about the number of tracks, the attendance at race meetings, the wagering patterns, the state pari-mutuel taxes, the take-outs, and a number of other facets of standardbred racing. He pointed out that attendance at this type of racing has been decreasing in recent years due to the increasing competition for the entertainment dollar. He pointed out that the handle for standardbred racing has been declining but that the trend has been reversed at quality tracks providing quality races with large enough purses to attract high quality horses.

Mr. John F. Wayne, Assistant General Manager of the Atlantic City Race Course and a former agent for the Thoroughbred Racing Protective Bureau, was invited to speak at this meeting. He detailed the operation of a race track and many aspects of security in the horse racing industry, including the background investigations of all personnel involved in racing and the medical testing of the horses. He discussed the operation of the Atlantic City Race Course which successfully competes directly with casinos and their lavish productions involving the top names in the entertainment industry for both the wagering and entertainment dollars. He stressed the many uses to which a race track, with its restaurants and other facilities, can be put when there is no race meeting going on, such as trade shows, concerts, and other activities.

The Committee engaged in considerable discussion on the need for integrity and security in any horse racing program established in this state. Problems, both past and current, involving horse racing were exhaustively discussed.

Dr. Bob Mowery, Horse Commodity Coordinator, North Carolina Cooperative Extension Service, provided information concerning the existing equine industry in North Carolina. He indicated that this state is well known for its breeding and training programs, that there are more than 225,000 horses in North Carolina. He described the number of 4-H horse projects, exceeding 16,000, that rank this state first in the Southeast and second in the nation. He discussed the impact that these horses have, and that a developing industry could have as a result of horse racing, on various agricultural commodities such as hay, oats, and other horse feeds.

Mr. Randall Terry of High Point discussed with the committee the development of a single, high quality, primary race track in North Carolina. He considered where North Carolina would fit into the national horse racing picture. He discussed claims and graded stakes races and indicated that he thought that it would take at least six years for this state to be considered as a site of a major race. He discussed the need to have a program which would balance the interests of the horse owners, breeders, and trainers, with the interests of the investors who would provide the funding for a racing facility. He indicated that properly drawn implementing legislation would provide a win-win" situation, but that an improperly drawn bills had delayed the development of racing programs in both Tennessee and Virginia.

March 23, 1992.

The Committee held its third meeting on March 23, 1992 in the Legislative Office Building. The Committee heard from several scheduled speakers before beginning its review of House Bill 341 which served as the focus of the remainder of the study.

Mrs. Marcia Emerson of The Pinehurst Driving and Training Club invited the Committee to its next open day of racing at the club, on March 23, 1992, and informed the committee that racing began at Pinehurst in 1916 and at one time horse racing generated more revenue than golf or tennis for the town.

Dr. Rex Eatman of Raleigh, representing the horse breeders and owners who take their horses to other states to race, spoke to the committee. He indicated that the equine industry in North Carolina is already a strong one and that the soil and climate of this state are conducive to the further development of the horse industry. He also pointed out that North Carolina possesses an active 4-H program, a progressive veterinary school, and concerned equine veterinarians. He pointed out that there are persons from North Carolina who are investing in race tracks outside the state because that investment opportunity is not available here. He also pointed out that Virginia has resolved the problems that delayed the construction of racing facilities there and that a race track will be built near Richmond, and one is planned for the Tidewater Area which would most certainly draw attendance from North Carolina. He expressed, on behalf of the North Carolina Horse Council, the recommendation that any bill passed in North Carolina prohibit raceday medication and prohibit off-site wagering until live racing was conducted in this state.

Dr. Ron Daroe, an equine veterinarian from Apex, related to the Committee his concerns that horses are bred, foaled, raised, and trained in North Carolina and then transported out-of-state for racing with the concurrent loss of revenue to North Carolina.

Mrs. Beth Muirhead, President of the North Carolina Thoroughbred Breeders and Owners Association, told of her family's background of breeding and raising thoroughbreds in North Carolina since 1976, and of the need to take the horses elsewhere to race because of the lack of a racing program in this state.

The Committee then began an exhaustive, line by line, review of House Bill 341, asking all present to make comments on improvements to the bill.

August 19, 1992.

The Committee held its fourth meeting on August 19, 1992 in the Legislative Building. The Committee heard from one scheduled speaker.

Mr. Mark Hennings, representing the North Carolina Network for Animals, addressed the committee about the hazards of drug use in the horse racing industry. His presentation led to a discussion of the use of medications including unlawful performance enhancing drugs and drugs lawfully used in other states to alleviate certain conditions caused in horses by the stresses of racing. It was pointed out that the bill, as proposed, provided that no drugs be allowed in North Carolina, similar to New York, which is the only state that prohibits all drug usage.

The committee continued its exhaustive review of House Bill 341 and discussed several issues including the size of the racing commission, the licensing of all persons involved in any way with horse racing except the public attending the races, the propriety of drug testing for all licensees, the number and location of any licensed facilities, the pari-mutuel taxes, the take-outs, the sources of other revenues generated for the benefit of the Commission or the state, the establishment of breeding funds, the need for special purses for North Carolina-only races, simulcasting and off-site wagering, and allowing alcoholic beverage permits to be issued to licensed facilities. The committee decided that the co-chairmen should appoint a subcommittee to resolve these issues and make a recommendation to the full committee.

The committee then discussed Equine Infectious Anemia, a lethal neurological disease, for which there is no cure and no vaccine, and which is transmitted through the bite of a horsefly that has bitten an infected animal. Most states have adopted a mandatory testing program requiring negative test results before a horse can be moved into or through the state. North Carolina currently has a regulation issued by the Department of Agriculture requiring testing, however, there are no inspectors to enforce that requirement. The committee decided that this was a issue directly related

to horse racing, since owners and breeders would not move their valuable horses to North Carolina and risk EIA. The committee decided to consider recommending the required appropriation for the EIA inspection program.

September 14, 1992--September 15, 1992.

The committee held its fifth meeting in Lexington, Kentucky on September 14 and 15, 1992. The Thoroughbred Owners and Breeders Association of the United States helped the committee staff to set an agenda with meetings between the committee members and racing officials from Kentucky.

The committee met in the Board Room of the Kentucky State Racing Commission and heard from several speakers. The first was Mr. Richard Tolheimer, an independent consultant and economist from the University of Kentucky who discussed some of the findings of the Equine Industry Study conducted for the University of Louisville. He reported that the attendance figures, numbers of horses foaled, and pari-mutuel handle has declined since the early 1970's. This decline was attributed to competition from legalized gambling--casinos, riverboat gambling, sports gambling, Indian Gaming, and lotteries. The mechanism for this decline has been the reduction in the purses which has led to the breeding and training of fewer horses providing for fewer horses fielded for races and increased off-site wagering facilities reducing attendance at live races. The solutions appear to be to provide more intrastate and interstate simulcasting, so that the fewer races allow for more wagering opportunities and providing more entertaining wagering opportunities such as "gimmick" wagering on several races throughout the United States.

The committee heard from Mr. Tony Chamblin, Executive Secretary of the Association of Racing Commissioners International, representing regulators from 43 states, Canada, Mexico, and the Caribbean. He told the committee of the association's efforts at providing uniformity in licensing requirements among the various jurisdictions

to permit reciprocity and centralized screening of license applicants. He indicated that the association currently has a centralized database where Stewards can enter information on infractions so that enforcement can be universal. He also discussed the question of influence of organized crime in horse racing. He said that this is often a concern of states when considering establishing horse racing and legalized pari-mutuel wagering but that due to the regulation of horse racing and the interchange of information among the jurisdictions any potential corruption has been minimized. He indicated that it is the responsibility of the stewards to insure the integrity of the actual races. He also stated that the Racing Commission should have its own law enforcement personnel.

Mr. Jack Smith, Executive Director of the Kentucky Racing Commission described the revolutionary changes that have occurred in the horse racing industry. From racing and wagering only at the track to simulcasting, off-site wagering, and the future with satellite transmission of races and cable television, the regulators have had to deal with significant changes in recent years.

Mr. Bruce Hundley, a breeder, owner, and member of the Kentucky Racing Commission stated that horse racing was good for the economy. He stated that horse racing provides 78,820 jobs in Kentucky. He stated that more than five hundred million dollars will be wagered on horse racing and the same amount will be spent on the lottery in Kentucky, this year.

The committee then recessed and reconvened at the Yearling Sales at the Keeneland Race Track where the results of the breeding programs in Kentucky were evident with the prices ranging from about \$30,000 to well over \$125,000 being paid for untested thoroughbreds. The committee had dinner at the track and had an opportunity to talk, informally, with racing officials and horse owners and breeders.

The committee held an evening meeting with Mr. Phillip Jackson Baugh, former member of the North Carolina General Assembly, and now owner and operator of Almerhurst Farms in Lexington. He discussed the feasibility of horse racing in North Carolina including competition for the entertainment dollar, the location and construction of the track, and simulcasting.

On September 15, 1992, the committee met at the Thoroughbred Club of America and heard from two scheduled speakers.

Mr. Nick Nicholson, Director of the Jockey Club of America spoke to the committee about the history of horse racing and pari-mutuel wagering in the United States. He felt that the horse owners and breeders should be more involved in the decisions that give rise to legislation providing for the regulation of horse racing.

Mr. Dan Metzger, Director of Communications for the Breeders Cup Program, gave the committee a briefing on the Breeders Cup Program, a series of races with added purses, and therefore with some of the finest thoroughbreds, run throughout the United States, which, because of television coverage, was a vehicle for educating the populace concerning the entertainment value of horse racing.

The committee then visited the Kentucky Thoroughbred Training Facility and learned from various people about the training given to a thoroughbred before it races. The committee observed the training tracks where the horses are timed, observed the training starting gate at which the horses are certified before being permitted to race, and observed a stable where a trainer discussed the investment opportunities for people interested in owning shares in a race horse.

October 19, 1992.

The committee held its sixth meeting, a public hearing, on October 19, 1992, in the Legislative Office Building.

Mr. Jim Tedford, Acting Director of the South Central Regional Office of the Humane Society of the United States alerted the committee to the following potential problems with horse racing based on current practices in other states: misuse of drugs (including Lasix, Phenylbutazone, and Corticosteroids to mask physical problems with horses and thereby allow unfit horses to race); breakdown (unscrupulous owners and trainers allow unfit horses to race, resulting in further physical injuries and ultimately in the destruction of the animal); racing two year olds (owners and trainers seeking to see earlier returns on their investments run horses that are still immature and unable to stand the stresses of racing); blatant cruelty; and other abuses (extremely hard racing surfaces, racing in extreme temperatures, and racing too frequently).

Mr. Chester Debnam, Mr. Joe Lennon, and Mr. David Martin addressed the committee on the moral issues related to and voiced strong opposition to pari-mutuel wagering and gambling.

Mr. Kevin R. Carroll of Goldsboro addressed the committee on animal rights. He indicated that he had observed cruelties and drug misuse at bush track racing events in North Carolina during recent years. He warned about the pervasiveness of animal cruelty.

Ms. Louise Barlow Puckett of the North Carolina Humane Federation spoke to the committee about humane treatment of animals and the low wages paid for some of the jobs connected with horse racing and the lawlessness of some people associated with horse racing.

Mr. Mark Hennings representing the North Carolina Network for Animals brought to the attention of the committee that North Carolina is now considered a dumping ground for horses which are slaughtered in Siler City and shipped to France for food. He addressed the small number of horses that make money at racing the are therefore put out to stud or kept as family riding animals.

Dr. Rex Eatman of Raleigh addressed the committee concerning some of the objections raised by the earlier speakers. He indicated that slaughtering horses for meat is common in other countries and that horsemeat has been used in pet food for years. He said that the practices will continue whether or not there is horse racing in North Carolina. He pointed out that although some of the jobs associated with horse racing are low pay, they would provide alternatives for some of the people who would otherwise be without jobs. He pointed out that the bill being considered by the committee had a prohibition against the use of drugs. He also pointed out that the Backstretch Fund would be used to bring spiritual, social, and educational services to the lower income workers at the tracks.

Mrs. Beth Muirhead of the North Carolina Thoroughbred Breeders Association spoke to the committee in support of the people involved in breeding, training, and racing horses. She indicated that the abuses were the results of actions by only a very small minority of the people involved in racing.

Ms. Jean Enderle, a thoroughbred breeder has been racing horses for more than 18 years across the United States. She said that the presence of a racing program in North Carolina would enable her to spend the money in this state that now goes to other states where she races her horses. She urged the committee to allow the people of North Carolina to vote on the issue.

Mr. Charles Dunn, Director of the State Bureau of Investigation, discussed the law enforcement issues surrounding pari-mutuel wagering. Gambling offenses are misdemeanors and the penalties should be increased. Animal abuse laws are inadequate and should be rewritten. He indicated that the current laws relating to gambling are in need of revision. He indicated that organized crime would not be coming to North Carolina because of the implementation of horse racing. He said that background investigations should be conducted on all applicants for licenses and that allowing

foreign corporations to apply for licenses severely limited the possibilities of conducting thorough investigations.

Mr. Tom Teal of Oxford, North Carolina agreed with the abuse in the bush league tracks in North Carolina and said state regulation of racing would do away with that abuse.

October 20, 1992.

The committee held its seventh meeting on October 20, 1992, in the Legislative Office Building. The committee heard from Lynn Muchmore, fiscal analyst, Fiscal Research Division, who after discussing the economic impact studies from Illinois, Kentucky, Minnesota, Kansas, Texas, and Maryland and discussing their methodologies, estimated that the economic from horse racing should be between \$200 million and \$250 million if and when the racing program is established. His estimate was based on an prediction of \$14 per capita wagering each year with the variables of (1) disposable income, (2) number of racing days, (3) number of years racing had been established, and (4) the presence of a lottery being factored in against the other economic impact surveys. He said that the economic impact would also include between 400 to 800 new jobs in North Carolina. He cautioned the committee to beware of inflated predictions from other states based on unreasonable multipliers.

The co-chairmen of the committee named Representative McLawhorn, Gregory Lee to serve with them on the subcommittee considering the rewrite of House Bill 341. They also asked Dr. Rex Eatman and Mr. Randall Terry to serve as consultants to the subcommittee.

November 17, 1992.

The eighth meeting of the committee was held on November 17, 1992, in the Legislative Office Building where the subcommittee met to discuss changes in the revised House Bill 341. The bill had been rewritten by the committee counsel based on

his research concerning issues addressed in legislation from other states. The committee counsel had distributed copies of the bill to all members of the committee and other interested parties and requested their proposals for consideration by the subcommittee. As a result of this request, the bill was presented to the subcommittee with sixteen proposals for revision. The subcommittee went through thirteen of those proposals and accepted, modified and adopted, or rejected each of the proposals. The bill was modified in accordance with those decisions. For detail about each of the proposals and the results of the deliberations, see the minutes on file at the legislative Library. The subcommittee agreed to meet again and consider the three remaining issues.

December 2, 1992.

The ninth meeting of the committee was held on December 2, 1992, in the Legislative Office Building where the subcommittee met to consider the revisions to the proposed bill approved at the last meeting and to consider three remaining proposals for revision of the proposed legislation. The subcommittee considered those proposals and reached agreement on how modify the bill to respond to the issues raised in the proposals.

December 7, 1992.

The tenth meeting of the committee was held on December 7, 1992, in the Legislative Office Building where the subcommittee reported the results of its deliberations to the full study committee. The committee. The full committee adopted the recommendations of the subcommittee. The committee heard presentations concerning Equine Infectious Anemia from Dr. McGinn, from the North Carolina Department of Agriculture who told the committee that this state was the first to implement a testing program for the fatal viral disease back in the early 1970's. The program called for verification of testing before a horse was imported into North

Carolina. Over the years, because of a lack of funding, the enforcement of this requirement has been reduced. Now the other states in the southeast United States have undertaken much more rigorous testing and enforcement programs, requiring a horse be demonstrably free of EIA before it can be sold, and North Carolina has become an "island" where the testing program has not been expanded to sales and is not rigorously enforced. North Carolina has become a "dumping ground" for horses that might be infected, since there is no testing requirement upon sales. The disease is spread through the transfer of blood from an infected animal to an uninfected animal. The normal transmission vector is a horsefly or other insect bite. The Board of Agriculture has adopted rules expanding the testing program to include tests upon sales, but they have decided not to put the new rules into effect until the General Assembly provides adequate funding for an enforcement program. The committee discussed this matter and the various options open to it and decided that it would urge the General Assembly to fund the enforcement program, since the lack of an enforcement program against this disease would prevent owners from shipping their horses into North Carolina, where they might be infected, and therefore cripple any racing program established here.

December 22, 1992.

The eleventh meeting of the committee was held on December 22, 1992 in the Legislative Office Building. Prior to this meeting, copies of the report and attached legislation were submitted to all members at least five days earlier, in accordance with the rules of the Legislative Research Commission. The committee considered recommending support for any additional legislative proposals offered by the State Bureau of Investigation to enhance law enforcement efforts to curtail illegal gambling and animal abuse in this state.

The committee voted to forward the report to the Legislative Research Commission at its January 15, 1993 meeting for transmittal to the General Assembly for consideration during the 1993 Session of the General Assembly.

FINDINGS AND RECOMMENDATIONS

1. The Study Committee recommends that the General Assembly consider and pass the attached bill which would allow for the establishment of horse racing with pari-mutuel wagering in North Carolina after a binding referendum of the people. Racing and pari-mutuel wagering, with the ripple effects on agriculture, equine medicine, tourism, employment, etc. would be financially beneficial to this state.

Legalization of horse racing should not exclude the racing of any breed of horse.

2. The Study Committee recommends that race track(s) should be sited in areas which have solid economic bases, proper support services (i.e., highways, water, sewer, fire protection, police), and a population pool large enough to support track operations. The General Assembly should not restrict the track sites, leaving the determination of where the race tracks should be built to the Racing Commission. Racing with pari-mutuel wagering and the protections granted by statute should not be prohibited at county fairs and at the State Fair.

3. The Study Committee recommends that because the effect a race track would have on a local government, in its proprietary and governmental capacities, there should be a local option capitation tax on the race goers with the funds used to help reimburse the local government for the added services required.

4. The Study Committee recommends that a single state commission with broad powers should regulate, supervise, and oversee horse racing in North Carolina.

The commission should consist of five members. One chosen by the Governor, with a confirmation process similar to the Public Utilities Commissioners, two by the General Assembly upon the recommendation of the President Pro-Tempore of the

Senate, and two by the General Assembly upon the recommendation of the Speaker of the House of Representatives.

To establish continuity and to develop expertise among the commissioners, the members should serve staggered six year terms and be able to succeed themselves. Commission membership should not be dominated by one political party or by a single geographic area of the state.

Commission members should be bonded for the faithful performance of their duties and background investigations should be conducted on all commissioners. Commission members should be prohibited from holding any interest in the operations of any track. Commission members should be prohibited from wagering at any race conducted in North Carolina. The legislation should provide for strict conflict of interest rules with regard to activities of racing commission members.

Racing commission members should receive per diem and reimbursement for their actual expenses as the only compensation for their services.

The state racing commission should have the following duties as part of their broad supervisory powers over horse racing:

a. Setting standards for race track facilities and race meetings; deciding on the granting of licenses for track construction and operation.

b. Identifying occupations with racing licenses; setting of standards for those licensees; setting of license fees. (Anyone not required to pay admission to enter a track should be licensed.)

c. Allocating dates for race meetings.

d. Regulating purse structures; establishing and contracting for a laboratory for medication testing.

e. Determining compliance with the racing law and regulations by investigation and imposing sanctions for violations of regulations.

- f. Requiring filing of annual financial statements by track operators.
- g. Issuing subpoenas and administering oaths.
- h. Keeping records of commission proceedings.
- i. Suspending and revoking licenses; imposing fines not in excess of \$1,000.
- j. Setting and allocating race days.

Included in the broad powers of the commission should be the power to employ sufficient staff to accomplish its goals. Other states successfully use an executive secretary who is directly responsible to the state racing commission and who manages the day-to-day administrative duties. The legislature should appropriate start-up funding for the commission's work from the general fund. The legislature should appropriate subsequent funding from the state's proceeds from racing and pari-mutuel wagering.

The state racing commission should be subject to the following standard controls on governmental authority:

- a. The commission should adopt its rules pursuant to the Administrative Procedures Act, Chapter 150B of the General Statutes.

- b. The commission, itself, should be subject to audit by the Office of the State Auditor.

5. The Study Committee recommends that the state racing commission should regulate the type of pari-mutuel wagering at racing facilities; that is, whether the wagering pool is win, place, or show, daily double, or other forms of exotic wagering.

6. While the Study Committee believes it is a legislative function to determine the takeout and the percentage of the takeout to be distributed to government, the Study Committee recommends: Takeout should be on a graduated scale, with the General Assembly determining, by statute the rate of graduation. The state's portion of these

funds should be used as described in the enabling legislation with any surplus funds being deposited in the General Fund. The racing commission should continuously study the impact of the takeout rate on the profitability of the racing program and should annually recommend to the General Assembly whether the takeout rates need to be legislatively modified.

In addition, funds from breakage and uncashed tickets should be collected by the state and should be applied to the incentive programs for the breeding, training, and racing of North Carolina born and bred horses and funds should be used to provide services for personnel, such as grooms and others living in dormitories at the racing facilities on the "backstretch" to include chaplaincy and educational services.

7. The Study Committee recommends that the Racing commission should determine qualifications for licensing of track employees. Maximum license fees should be statutory with other rates set by rule issued pursuant to the Administrative Procedure Act, Chapter 150B of the General Statutes.

While the racing commission should be responsible for the collection of all license fees, the Department of Revenue should be responsible for the collections of taxes from racing facilities.

8. The Study Committee recommends that certain jobs at racing facilities should be designated as seasonal to avoid extra strain on the unemployment insurance fund.

9. The Study Committee recommends that proper safeguards should be included in legislation to prevent pari-mutuel fraud. These safeguards should include a separation of accountabilities in the collection, distribution, and auditing of funds collected and distributed at racing facilities.

All wagers should be handled through an approved automated totalisator system.

10. The Study Committee recommends that the General Assembly should be open to consider various forms of racing facility ownership--private, corporate, state, or not-for-

profit ownership--to permit the most efficient promotion of horse racing in this state. There should be a restriction on out-of-state ownership of any racing facility. North Carolinians should own at least 50% of a corporation controlling management of a racing facility, but there should be no restriction on the passive, non-controlling investment from out-of-state (such as limited partnership interests).

If the General Assembly does not choose state ownership of racing facilities, there should be strict application and licensing requirements for track owners and operators. Upon the request of the state racing commission, the State Bureau of Investigation should perform background checks on applicants. There should be complete disclosure of individual ownership as well as corporate ownership. In the case of corporate ownership, all directors, owners, and stockholders should be disclosed. If the corporation has a parent corporation, the same material should be provided by the parent.

Individuals and corporations should provide financial statements to the state racing commission prior to licensing. These financial statements should include evidence of the financial ability to build and to operate a racing facility, the fiscal condition of the individual owner or of the corporation and parent corporation, if any, and detailed disclosure of debt of the individual or corporation and parent corporation.

In the case of ownership changes, the state racing commission should receive the same information as it received for original licenses. The state racing commission should give prior approval before any sale or change in owner of a racing facility or of stock in a racing facility.

11. All thoroughbred horse tracks should be members of the Thoroughbred Racing Association and the Thoroughbred Racing Protective Bureau.

12. There will be increased law enforcement needs which will accompany horse racing. The Study Committee recommends the General Assembly consider who will bear the

brunt of providing these police services and providing a funding mechanism such as a local option capitation tax on the patrons at licensed racing facilities.

13. The Study Committee recommends that the state agencies which would deal with the socio-economic impact of gambling devise means of gathering information about these consequences so that the state can adequately judge the effect of the legalization of horse racing and pari-mutuel wagering.

14. The Study Committee recommends that there should be no statutory age restriction on general admission to racing facilities during the day, and that children between 12 and 17 be allowed to attend night racing when accompanied by a responsible adult, but only persons 21 years of age and older should be permitted to wager at racing facilities.

15. The Study Committee recommends that there should be no horse racing on Sundays.

16. The Study Committee recommends that the General Assembly consider the legislative proposals from the State Bureau of Investigation to increase the penalties for gambling and animal abuse offenses in this state and to make other changes to enhance the enforcement of these statutes.

INTRODUCTION

Four generations ago, horses were a necessary part of the everyday life of most Americans. The great transition from horse power to automotive power came in the period 1910 - 1930, though horses continued to be an important source of transportation and production power in many rural areas into the 1930s. Made technologically obsolete by the development of the internal combustion engine, horses ceased to be a necessary part of the everyday life of most Americans. But, they have remained a desired part of the life of many Americans, who prize them for their ability to learn and perform, their grace in motion, their speed, their beauty, and their companionship. Horses have, therefore, continued to be a part of American life. Their breeding, care and feeding, sale, and enjoyment in races, shows, and other ways make up a business of significant size, which is called "the equine industry."

The horse population of the United States peaked at the beginning of this century. The period 1910 - 1930 brought a sharp decline, and the horse population continued to fall through the mid-1970s. Since then, it appears to have been on a slightly rising trend. An accurate count of the number of horses in the United States would be a difficult and expensive undertaking. Reported numbers for the horse population of the United States are, therefore, estimates. The American Horse Council attempt to maintain a consistent set of estimates, relying largely on reports from the various breed associations. The American Horse Council currently estimates that the U.S. horse population is between 5.1 million and 5.5 million. The 1987 U.S. Census of Agriculture estimated the total number of horses and ponies at 5 to 6 million.

There are three major categories of horses -- Ponies, Light Horses, and Heavy (Draft) Horses. General weights are less than 900 pounds for Ponies; 900 to 1400 pounds for Light Horses; and more than 1400 pounds for Heavy Horses.

The height of horses is measured in "hands" from the base of the neck to the ground, one hand equaling four inches. Ponies are less than 14.2 hands, Light Horses generally range from 14.2 to 17 hands, and Heavy Horses generally range from 14.2 to 17 hands, although taller horses of 18 or 19 hands are not uncommon.

Each breed of horse has its own physical subtleties in various of these characteristics, size and shape, referred to as "conformation." These differences are critical in judging the value and quality of an individual horse, because they ultimately affect desired performance.

There are six main coloring notations used to identify horses. A "chestnut" horse is generally light brown in color, with white feet. A "bay" is usually dark brown and always has black legs, mane, or tail. A "brown" horse is brown all over, including its muzzle. A "black" horse is entirely black with no trace of brown. "Grey" horses are usually grey all over and slightly darker around the legs. A "roan" horse generally looks brown from a distance, but a closer look reveals three colors of hairs in its coat--generally black, brown, and white or grey.

For a horse to remain healthy, its diet must have a nutritional composition similar to that of humans--water, carbohydrates, fats, proteins, and vitamins. Horses consume carbohydrates as sugars found in oats, barley, and corn. Fats are consumed as linseed and other fatty grains. Protein is supplied through cereals. During the winter months, a horse will also consume approximately 15 pounds of hay per day. The hay provides added nutrition and aids digestion. In the summer months, pasturage takes the place of hay. There is evidence that some horses are particular about their diets; too much of the same foods can cause boredom and behavioral problems.

BREEDS AND REGIONS

There are more than 75 recognized breeds among the 5 to 6 million horses in the United States. According to the American Horse Council data, three breeds account for about 57 percent of the horses in the United States: American Quarter Horse, 35 percent; Arabian, 12 percent; and Thoroughbred, 10 percent. The regional differences which emerged in the early 1800s are still reflected in the distribution of horses by breed and region in the United States.

Originally developed in Virginia as a work horse and sprinter, the American Quarter Horse was developed further in the Southwest through crossbreeding Thoroughbreds and Spanish horses. Concentration of the American Quarter Horse are especially evident in Louisiana, Oklahoma, and Texas. California, Colorado, Florida, Illinois, Kentucky, Michigan, Minnesota, Ohio, and Washington also account for significant numbers of this pervasive breed. Valued for its agility, speed at short distances, and intelligence, the American Quarter Horse has a wide range of uses, including races, rodeos, cattle ranching, and pleasure riding.

Arabians, the second most numerous breed in the United States, were brought to this country for breeding purposes, beginning in the 1730s. Strength and endurance are the prized characteristics that Arabian stallions impart to their progeny. Ownership of Arabians is widespread, with major concentrations in California, Colorado, Ohio, and Washington.

Thoroughbreds, the third most numerous breed in the United States were first produced in England and France in the late 1600s through the breeding of selected Arabian stallions with native mares to produce horses with large lung capacities and

speed, i.e., horses suitable for racing. For Thoroughbreds, the leading states are California, Florida, Kentucky, Maryland, and New York.

The thoroughbred is a breed of horse whose foundation was formed when Charles II of England imported three oriental stallions and mated them to native mares. As a result of this venture, all thoroughbreds' lineage can be traced to three sires bred in England during the mid-eighteenth century. Herod, Matchem, and Eclipse all resulted from the union of Arabian, Barb, and Turkish stallions with English mares. This combination produced horses with sloping shoulders and extremely long pasterns (the area between hoof and fetlock), plus the muscular symmetry which allowed for speed and endurance.

A thoroughbred normally stands between 15 and 16 hands high, weighs some 900 to 1200 pounds, and may be color-distinguished, as bay, brown, chestnut, sorrel, or gray. Discriminate breeding of these animals required that a well-regarded stallion had to initially produce some outstanding runners or his stud duties would cease. Over the years, inferior stock was greatly eliminated and today's race horse is taller and speedier than his ancestors. But he is also overbred (repeated lineage), temperamental, nervous and often hard to manage. As a result of competitive breeding and the temperamental behavior of the modern thoroughbred, plus the increased numbers of racing stock, as opposed to the numbers of American racetracks, fewer than 60% of all foals ever produce one dollar of track purse money. It has also been documented that only one in 10 thoroughbreds who come to the track ever make "expense money" for their owners. Thus, track bettors have far better odds for their invested dollar than a breeder or owner!

Horse racing in America officially began in Virginia in about 1760. These were mostly social affairs attended by those who could afford rich stakes or wagers, and no authentic records were kept. But these early contests were not among thoroughbreds,

the first of the breed having not been imported from England until about 1795. It was not until after the turn of the century that thoroughbred racing in America began in earnest. Most of these events were four-mile contests often consisting of three "heats" or separate races among the same horses during an afternoon's gathering. For more than a century these long-distance races, copied from English traditions, were popular, and the contestants were bred more for stamina than speed.

Although Virginia is credited with inaugurating thoroughbred racing, Kentucky, once it began breeding operations, produced the greatest sire by either past or present standards. Beginning in 1861, the horse Lexington led all sire lists for each year until his death in 1875. In all, Lexington sired 238 winners, a record not likely to ever be endangered.

Although the Union Course on Long Island was developed and used for racing as early as 1820, the first official track whose meets were conducted in a manner similar to modern acceptance was the one at Saratoga. It was here that the old four-mile races were discontinued in preference of shorter, speedier contests. The shorter races proved crowd-pleasing, and this aspect has continued in that less than 5% of all races today are more than 1 1/8 miles (nine furlongs) and more than half are at distances of less than one mile.

The Saratoga experiment proved so successful that just prior to 1900, tracks were opened at Jamaica and Aqueduct while in 1905 the great Belmont Park opened on Long Island. Thus, although Virginia and Kentucky initiated breeding principles, the North was responsible for racing as we know it today, and its glamour and excitement spread from New York in a southerly direction.

By 1911, Kentucky had formed a state racing commission with legalized betting, and Maryland soon followed suit. The betting revenue enjoyed by New York, Kentucky, and Maryland soon influenced other states to participate, until 25 states either

permitted or legalized betting by the early 1930's. Florida and California adopted pari-mutuel betting by 1936, and racing continued to boom right through the Depression, attracting more and more breeders and owners with its rich purses. New accommodations within pleasant surroundings were built so that the spectator-bettor might enjoy the "Sport of Kings" amid dining and bar facilities. Thus, thoroughbred racing, along with Hollywood movies, plus tennis and golf, moved into its Golden Age with confidence and security.

As racing's popularity grew, certain changes, reforms, and safeguards became standard. The saliva test, later replaced by urinalysis, became an accepted way of detecting the doping or stimulating of horses. The electronic stallgate to ensure equal starts, the photo finish to decide close contests without dispute, the use of patrol judges to detect possible illegal riding tactics along backstretch areas, and each track's use of security people (Racing Protective Bureau) all became standard practices. Touts, known bookmakers, or individuals of questionable character (especially pickpockets) were routinely photographed and denied track admission. Stable/barn personnel were scrutinized, and if past histories revealed previous criminal convictions, the trainer was informed that appropriate action was needed, and violations resulted in fines.

The lip tattoo, used to identify all racing stock, became mandatory, and use of ringers (one animal substituted for another) became past history. Additionally, most tracks now either have their own chemical laboratory or employ the use of privately owned, on-site mobile labs which have the capacity and personnel to analyze any foreign substance found in urine or blood specimens. Not only is the winning horse's urine/blood samples inspected, but random samples may be asked of also-rans, on the possibility that a substance could be employed which might reduce the animal's racing ability, thus slowing the horse for a better-odds payoff in a future race.

While occasional violations are either found or alleged, the racing industry is to be commended for its supreme effort in detecting and alleviating fraud, illegal betting coups, or unethical practices of any kind on the part of owner, trainer, or rider.

In addition to the higher purses which began escalating nearly 50 years ago, thoroughbred racing installed its own "handicapping system" to ensure against owners who might have used expensively bred stock (who became rich purse-winners) from competing against horses of lesser quality--thus monopolizing the sport of racing. First known as selling races, this system of racing was latter called claiming races, with conditions universally adopted by all recognized tracks. The claiming race of which most track-cards are composed simply stipulates that all entrants can be bought or "claimed" for the price specified under the race conditions. By placing his name, in addition to the name of the desired animal, into the claiming box 10 minutes or so before post-time, a specific horse can officially become the property of the new owner. Once this animal leaves the starting gate, his physical condition becomes the new owner's responsibility, and a lame or fallen animal becomes the new owner's woe.

Many owners and trainers owe their initial racing-stables to this claiming system, rather than the practice of buying or breeding stock. In some instances the new owner has been successful in elevating his claimer to allowance or even stakes competition through the use of vitamins, better feeding, corrective racing shoes, legal medication to alleviate bleeding or muscular soreness, veterinarian surgery and/or different training tactics.

Occasionally, the previous owner, suffering from a lack of funds will allow his animal to become infected with parasitic worms, which take their toll on the horse's ability to eat, train, and compete. Although a claimer can sometimes prove to be a valuable addition to a stable-string, normally a claim is made for an altogether different purpose.

While the term "horse" will continue to be used, the thoroughbred handicapper must be cognizant of racing's nomenclature. Racing genders are divided into the categories of colt, horse, filly, mare, and gelding. Regardless of when a thoroughbred is foaled, a "birthday" is officially celebrated every January 1st. Thus, a spring foal becomes a yearling on the subsequent January 1st. The gestation period for a mare is 11 months, so it is obvious that breeding and foaling date plans are important if the racing animal is to compete on grounds of physique, maturity, and training with other similar age groups. Most "late foals" do not race as two year olds, and some are not competitive at age three.

Each male thoroughbred is a colt until past the age of three, when he is termed a horse. Few mares conceive foals and return to racing, although most events for the female gender are termed "for fillies and mares." A gelding is a castrated colt or horse whose owner may have considered the decision unfortunate but necessary. Should the animal go on to win large purses, his owner will wonder if the animal might have made an excellent stud; but usually gelding is necessary because of ill temperament or unmanageable behavior, and when other methods have failed. When gelded, many of these animals have gone from losers to winners for their respective stables.

Despite increased purses, including stakes races for a gross of several hundred thousand dollars, today's highly successful thoroughbred retires to stud-duty far earlier than his grandsire. The super-winners now generally leave racing for breeding purposes at about the fifth year or before. Combined inflation, tax incentives and the high premium cost insurance necessary if the horse continued racing, make syndication breeding (share selling) the plausible answer for horsemen fortunate enough to own a truly fine thoroughbred.

It is well to contemplate the great horses, the super-stables of 60 or more animals and the magnificent breeding-farms of the wealthy, but it will always be the "ordinary"

owner-trainer, whose stable string consists of claiming and allowance animals, who continues to provide the racing industry with enough stock to satisfy daily meet programs. It is this particular owner-thoroughbred operation which should most interest the handicapper, since these individuals must win in order to stay in business.

Since there is an obvious discrepancy between the larger, wealthier stables with their well-bred, well-trained racing stock, and the smaller, less-affluent stables, it is necessary to have racing divisions or classes in order to assure that all stables will have an opportunity at purse money. The three basic classes of races are claiming, allowance, and stakes. The latter classification includes the various derbies, cup races, futurities, and handicaps. There are presently about 150 annual stakes races whose gross dollar-value exceeds \$100,000, with the Jockey Club Gold Cup topping the list at more than a half-million dollars. This stakes, held at Belmont, was won in 1981 by Temperance Hill, with the winner's share \$329,000.

Called stakes races because owners do indeed have a monetary stake within these race conditions, these races normally call for nominations (usually costing \$100-\$200), additional entry box fees which may be \$400 or more, and finally (though not always) a starting fee of considerable proportions. The added money, put up by the track, and all fees are then divided on a percentage basis for the first four finishers. Although the rewards of stakes are great, the thoroughbred owner is normally forced to gamble a small stake of his or her own in order to qualify and enter. Thus, stakes racing is better suited for the larger, wealthier stables and is of lesser consequence to the betting handicapper, since there are fewer races of this class than for "ordinary" horses.

The allowance race, which makes up about 30% of all track programs, is usually, but not always, a non-claiming event which specifies the sex and age of eligible animals, plus other conditions. These other conditions may limit the field to those who have never won two races other than maiden (initial win), and make certain weight

allowances for younger horses. Another specification may be that the thoroughbred had to have been conceived or foaled within the state which sponsors the race--a limitation which seems on the increase. There are innumerable conditions which any Racing Secretary may legally impose in order to either limit, or fill, the race. Allowance races are normally for slightly higher purses than claiming events, many are for younger animals, and with the exception of the higher-priced claiming animals, they usually attract better quality horses. The allowance also gives the owner (there are exceptions when allowance animals can be claimed) an opportunity to race his animal without fear of losing him.

The claiming race does not differ greatly from the allowance except in lower purses and fewer specifications, other than the agreed claiming price itself. Thoroughbreds who race within this classification may be claimed at prices ranging from \$50,000 (at larger tracks) all the way down to about \$1500 at the extremely small facility. For the expensive-to-claim races, weight allowances of two pounds or less for each multiple of \$200-\$300 less than the owner requires for his horse, are allowed and assigned--up to a maximum of 10 pounds. Thus, a \$40,000 claimer running in the same race with a \$50,000 horse may be assigned 10 pounds less to carry.

Most claimers compete in events in which they can be acquired by a new owner for \$10,000 or less, and for the most part they comprise the older horses five years and up, who struggle for enough purse money to pay their owner-trainer's feed and barn bills. In a business in which an average year's cost in fees, vet bills, stall space, travel costs, insurance, etc., amounts to an annual \$15,000, the average claimer may earn well under half this required amount for his owner. The owner is somewhat compensated by the fact that this is a tax-deductible enterprise and that when his horse does win, the owner, trainer, and most of the stable-help have money riding on his "nose." Bet at seller windows dealing with only \$20 denominational pari-mutuel tickets; this is usually

tax-free money, since IRS representatives generally only "inhabit" the windows dealing with the \$50 and \$100 cashier areas where it is occasionally required that the winners report their social security numbers for future taxation.

Since most thoroughbreds are ultimately relegated to the ranks of claimers, it is not surprising that this race classification accounts for 60% of every track's daily program of racing.

For those individuals who wish to successfully handicap a day at the races, it is imperative to read and understand the eligibility specifications for each separate claiming or allowance race in order to know what quality of horse is competing, and how predictable past performance records might be for the animals. Even more important, one must know and understand the complications, risks, and rewards of the smaller stable whose daily job it is to train, nurse, race, and often bet on their own string of claimers. Only then can we carefully study the Racing Form past performance statistics and make good judgment handicapping pay dividends.

American Standardbred Horses, used in harness racing and shows, are concentrated in Illinois, Maryland, New Jersey, New York, and Ohio. This breed was developed in the United States through crossbreeding of Thoroughbred and Narragansett Pacers, the founding sire being a Thoroughbred foaled in Kentucky in 1839.

While harness racing is generally considered to be a native American sport, traces of it can be found some 3,000 years back in history. And its roots, like those of most American citizens, can be found in other lands and other breeds.

American harness racing--at least the modern version--is generally conceded to have commenced in 1806, when records of sorts began to be kept and a gelding by the name of Yankee trotted a mile in less than three minutes for the first time.

The standardbred breed--both trotter and pacers are called standardbreds--received its most important transfusion in 1788. In that year, a grey thoroughbred called

Messenger arrived in America from England to become the patriarch of a family of trotting horses. An infusion of Morgan horse blood served to enrich the breed.

The harness sport received another massive shot in the arm with the birth of Hambletonian, a descendant of Messenger. Hambletonian, owned by William Rysdyk of Chester, New York, raced only sparingly, but quickly proved himself to be history's greatest progenitor of gait and speed. All but a very few of today's trotters and pacers trace back to Hambletonian, and it's small wonder that the most famous harness race of them all bears his name.

Harness racing's popularity has soared and sizzled, faded and fizzled over its long American history. It was immensely popular in the 1800's, but fell from favor when the automobile arrived on the scene to dislodge the horse as a means of transportation. It leaped back into prominence in the 1940's.

The return to popularity has stemmed from several factors--New York State approved pari-mutuel betting on the races, a group of intrepid investors proved that nighttime harness racing could succeed by offering races under the lights at Roosevelt Raceway on Long Island, and a man named Stephen G. Phillips developed the mobile starting gate.

Through both the thick and thin, great horses arrived on the scene to save the sport from extinction or to give it a healthy push as it bounced back to popularity. Flora Temple, the "bobtail nag" of Stephen Foster's Camptown Races, was an immense favorite of the 1850's. Goldsmith Maid won 350 races in the 1870's, and Dan Patch, a pacer, was a sort of national institution shortly after the turn of the century, drawing crowds of 60,000 or more and having tobacco, toys, washing machines and dance steps named after him.

Pacing horses wormed their way into harness racing hearts in the 1860's, earning their right to compete over the strenuous objections of many purists. If pacing

supporters had not persisted, the sport, the nation, and the world would never have heard of modern horses such as Bret Hanover, Albatross, and Hiatross. A little over a century later, four out of five harness horses now racing are pacers, and many persons in the sport are concerned about preserving the trotting gait.

Harness racing in the 1980's is still a healthy, vibrant sport, despite the relatively recent birth and growth of off-track betting, teletracks that offer wagering on races in theaters, and the spread of casino gambling. Nearly 30 million persons attend the races each year, sampling the sport at some 60 pari-mutuel tracks or at more than 400 fairs.

The harness sport is extremely popular in Canada, Australia, New Zealand, and in most of the nations of Europe, although only trotters are raced in the vast majority of the European nations. The sport arrived in the Far East in 1980, when a track was opened in Macao, near Hong Kong.

Harness racing is a burgeoning factor in the economies of many states across the nation. Tax revenue and jobs have resulted whenever pari-mutuel harness tracks have sprouted, with states, counties, and cities sharing in the bonanza. The growth of standardbred breeding--several states have rich racing programs to stimulate it--has been obvious in recent years, adding who new industries to the economies of some states.

More than 12,000 men and women are now driving harness horses in races across the land, some of them amateurs, some of them professionals. Nearly 50,000 persons hold membership in the U.S. Trotting Association, which keeps the sport's records and helps to govern it. Tens of thousands more are indirectly involved in the sport.

The various "homes" of harness racing range from the smallest county fair, where only an afternoon or two of racing is offered each year, to the handsome and huge Meadowlands Sports Complex at East Rutherford, New Jersey. Some 16,000 fans, betting some \$145 each, attend The Meadowlands each night it offers harness racing.

Standardbred yearlings have sold for as much as \$625,000, while drivers like Herve Filion, Bill Haughton, and Carmine Abbatiello have already driven horses to more than \$35 million in earnings each during their careers.

Harness racing is big business, and it's here to stay.

NATIONAL SUMMARY

YEAR	TOTAL HANDLE	STATE'S SHARE		ATTENDANCE
		DOLLARS	PERCENT	
1990	\$1,972,563,463	N/A	N/A	14,955,827
1989	\$2,079,298,976	\$99,213,921	4.77%	15,550,871
1988	\$2,228,968,320	\$87,466,996	3.92%	16,317,560
1987	\$2,394,194,054	\$82,993,095	3.47%	17,747,029
1986	\$2,410,141,543	\$108,321,643	4.49%	18,397,142
1985	\$2,578,858,537	\$93,910,478	3.64%	19,925,399
1984	\$2,607,607,038	\$96,525,251	3.69%	21,236,074
1983	\$2,742,631,560	\$118,709,108	4.33%	22,383,270
1982	\$2,724,771,869	\$118,850,832	4.36%	22,317,406
1981	\$2,799,617,068	\$111,574,842	3.99%	22,884,716
1980	\$2,833,126,601	\$146,861,483	5.18%	24,399,868
1979	\$2,824,240,487	\$148,488,962	5.26%	25,100,568
1978	\$2,733,383,632	\$150,321,429	5.50%	25,431,195
1977	\$2,597,519,276	\$141,620,783	5.45%	25,883,920
1976	\$2,684,915,022	\$176,634,138	6.58%	27,703,184
1975	\$2,583,032,769	\$185,447,595	7.18%	28,089,984

The American Saddlebred, or Saddle Horse, was developed in Kentucky by early settlers in need of a versatile utility horse, one that could be worked on the farm and also ridden comfortably over long distances. The breed was developed through the crossbreeding of Thoroughbreds, Morgans, and Narragansett Pacers. The modern American Saddle Horse is prized for show, especially as three- and five-gaited horses and fine harness horses.

EQUINE INDUSTRY OVERVIEW

The equine industry, as it exists in the United States today, is extensive, diverse, and diffuse. Any attempt to describe the industry is certain to neglect some aspects of it and even to risk oversimplification. The following industry overview does not purport to be comprehensive.

STRUCTURE

The U.S. equine industry is extensive not only in that it extends into all parts of the country, but also that it has important international dimensions. Foreign purchases of U.S. horses and foreign investment in the U.S. equine industry have been major factors affecting the industry, especially the Thoroughbred and Standardbred sector, during the past decade or so. Historically, the equine industry in the U.S., especially the Thoroughbred breeding racing sector, has had close ties, significant commercial transactions, and competitive interaction with the equine interests in Canada, France, Ireland, and the United Kingdom. In more recent times, the international dimensions of the U.S. equine industry have been enlarged by equine interests from the Middle East, Japan, New Zealand, and with particular attention to Standardbreds, Sweden.

Contributing to the industry's diversity are the numerous breeds of horses and the variety of purposes for which the horses are owned. There are more than 75 different breeds among the horse population of the U.S. Purposes for ownership include such activities as racing, showing and eventing, pleasure riding, competing at rodeos and polo matches, and breeding. Indicative of the wide spectrum of interests and activities are the more than 250 equine-oriented periodicals published in the United States.

The structure of the equine industry in the United States is so diffuse that the term "structure" may imply a greater degree of organization than actually exists. The American Horse Council (AHC), located in Washington, D.C., has the broadest scope of membership of the numerous organizations found in the equine industry. In addition to representing the equine industry with Congress, various Federal agencies, the news media, and the public at large, the AHC provides a "forum" for the industry "to develop programs and map policies for the betterment of the industry." At the same time, it is inherent in the structure of the AHC as a voluntary "trade association" or "federation" that each of the 175 member organizations has its own agenda and is free to steer its own course. Identified as a "division" of the AHC is the American Horse Racing Federation, "designed to advance horse racing in the United States, through discussion, analysis and resolution of major policy issues impacting the sport." The Federation includes seventeen member organizations which represent some distinctly different interests, with conflicting goals and objectives that have been difficult and sometimes impossible to reconcile.

The number of associations with a national role in the equine industry is at least 150, including breeding registries. In addition, there are numerous state and local associations. It is estimated that at the "grass roots" more than one million persons are owners of horses or are otherwise significantly involved in the equine industry as breeders, veterinarians, farriers, race track owners and employees, commercial suppliers, state horse council members, and other individuals.

The parent body of of thoroughbred racing is The Jockey Club (Jockey Club of New York), organized in 1894. All recognized thoroughbred racetracks must be registered by this organization and adhere to its principles and regulations. Working in accordance with The Jockey Club is each state's racing commission plus the official

organization which operates each individual track. This track organization may be known as a jockey club, racing club, corporation, or association.

Other organizations involved in horse racing include:

Thoroughbred Racing Association
Association of Racing Commissioners, International
Thoroughbred Owners and Breeders Association
Horsemen's Benevolent and Protective Association
American Trainer's Association
Jockey's Guild
Thoroughbred Racing Protective Bureau, Inc.
American Horse Council, Inc.
Service Employees International Union.

These organizations represent not only a particular group of involved in the racing industry, but the relationship between that particular group and other similar ones, demonstrating the thread of organization which runs throughout racing. The Horsemen's Benevolent and Protective Association, for example, constantly remains interested in every track's racing surface, horsemen's pari-mutuel take which goes to future purses, the stabling of horses, training track facilities, track kitchens where horsemen eat, stable security, fire protection/prevention, etc.

The Thoroughbred Racing Protective Bureau is alerted to the purported use of medicinal drugs on horses, reported or suspected use of foreign drugs, suspected arsonists, etc. All interests in racing--commissioners, owners, breeders, trainers, jockeys, and track security itself, are represented among these organizations.

The fact that these groups are so closely woven speaks well for the integrity and organizational effort devoted to thoroughbred racing.

The Jockey Club consists of approximately 85 elected members, most of whom are owners and breeders directly associated with the racing industry. From this select group are appointed nine stewards, and although this group of individuals has the power to withdraw official sanction to the various track organizations, both state groups and the Jockey Club work, for the most part, as equals, with individual track stewards appointed (one each) by The Jockey Club, the State Racing Commission, and the association (ownership) operating the track facility. Therefore, outside, potentially political influence is avoided as best as possible.

It is both the Jockey Club and the track stewards who for the most part regulate and govern a meet, and normally a Jockey Club steward will visit each track during the course of its meet as an honorary guest and observer. Jockey Club stewards are responsible for appointing all face officials, which include judges, clerks, the Racing Secretary, etc., unless prohibited by contrary laws of the state or rules of the state racing commission. Thus, a certain degree of flexibility is evident, and in a somewhat unusual order of protocol, Jockey Club stewards are in control of racing but work equally, if at a distance, with the various track stewards in all phases of track rules and conduct.

Jockey Club rules and regulations cover every facet of thoroughbred racing, and are divided into two categories; racing rules and registration rules. The rules define and interpret the definitive word-terms associated with racing, the powers of the Jockey Club stewards, the responsibilities of track stewards, the duties and powers of track officials, weights and weight penalties, types of races and how they must be conducted, license authorizations for those who participate in racing, racing colors, and punishments for those connected with racing who disobey rules and responsibilities.

Registration rules concern foal registration and fees, names which can and cannot be selected, transfer of ownership papers, breeder leasing arrangements, death and

identification reports, multiple fee schedules, and deceptive practices, among other items.

Stewards have the power and control relative to the conduct of all officials plus that of owners, trainers, grooms, jockeys, etc., and may impose suggested punishment appropriate to misdeeds. Should track stewards be unable to decide on a question of appropriate action, the matter may be referred to Jockey Club stewards. Not unlike the banking business, or courts of law, a degree of checks and balances exists between track stewardship and that of the parent Jockey Club. It is a commendable system which has worked well in the past, and will not doubt continue to function; with no small part of its success undoubtedly due to the recognition, respect, and supple flexibility between each state racing commission, its individual state racing laws, and the Jockey Club, itself.

The racing industry supports a great variety of self regulatory and protective organizations. These organizations constitute a substantial body of expertise for the industry. To ignore them is to omit an important source of checks and balances for the racing industry.

Association of Racing Commissioners, International is composed of legally constituted state or governmental boards or commissions on racing. It promotes the adoption of uniform procedures and reciprocity of enforcement, regulations, and penalties among the states allowing pari-mutuel racing. One of the association's most significant contributions to the industry was the creation of a centralized computer information network.

The American Horse Council (AHC) was established in 1969 to represent the horse industry before the federal government. At that time, the AHC attempted to protect the industry from what it felt were oppressive federal tax proposals then under consideration in Congress. Taxation continues to be a major concern of the

organization, as does state and federal regulation of the industry. In the short time since its creation the AHC has become the greatest aggregate representative of the industry. The AHC is potentially the most influential voice representing the entire horse industry's concerns before Congress.

The prestigious Jockey Club was formed in 1894 for the purpose of organizing and regulating thoroughbred racing. Over the years the club developed a number of procedures that are now standard in racing. Its stud book, maintained since the club's inception, provides a record of all American thoroughbreds. The starting gate, originally suggested by the club, today is used throughout the world. The photo-finish camera was developed through the efforts and funds of the club. Drug testing, horse identification procedures, and film patrol movies are among its other innovations. The Jockey Club also provides a forum for constructive debate about the industry's problems. Each year the club sponsors round table discussions in Saratoga, New York, and publishes a summary of all the issues discussed. The club also funds various economic studies that benefit racing's interests.

An influential organization representing track owners is the Thoroughbred Racing Association (TRA), established in 1942 to "promote the best interests of thoroughbred racing." TRA developed standards for its member racing facilities designed to keep the industry and the sport highly competitive, free of corruption, and entertaining for the spectator. TRA's 56 member tracks spend approximately \$13 million annually on track security.

The Thoroughbred Racing Protective Bureau (TRPB) is the investigative arm of the TRA. It was established in 1946 to enforce compliance with TRA standards. Its investigators are financed by TRA member tracks at an annual budget of more than \$1 million. The results of TRPB inquiries are given to authorized TRA officials and state racing commissions for either corrective or disciplinary action. The security standards

adopted by TRPB are stringent and comprehensive, and, if applied uniformly to all pari-mutuel wagering, would result in substantial improvement in track security throughout the industry.

The U.S. Trotting Association (USTA) was formed in 1938 to bring order to a sport torn by dissension. The USTA provides a wide variety of services to its nearly 40,000 members--horse owners, drivers, caretakers, breeders, and track personnel. The association's rules and regulations have been adopted or emulated by harness racing commissions in almost every state where this type of racing is offered. The USTA also serves as a clearinghouse providing registration, record keeping, and other information to tracks and various racing commissions. The association has supported research projects that have resulted in many innovations such as pre-race testing and improved control of equine diseases.

Harness Tracks of America (HTA), headquartered in Chicago, represents 50 harness tracks in this country and Canada. It is dedicated to the maintenance, promotion, and advancement of harness racing. Members of HTA underwrote the independent Harness Track Security (HTS) in 1968. Its mission is to identify and ban persons and practices that may tarnish the sport. HTS personnel are assigned to investigate all rumors and allegations of wrongdoing and report their findings to individual state racing commissions, to the tracks, and to prosecutors when evidence of wrongdoing has been obtained.

Quarter horse racing is increasing in popularity, particularly as the number of racing dates increases. The American Quarter Horse Association (AQHA), based in Amarillo, Texas, represents the breeders, owners, and trainers of quarter horses. Among its activities, AQHA records the pedigrees of quarter horses, publishes the stud book, and conducts promotional and educational programs on quarter horses. It also helps make

and enforce rules for recognized quarter horse racing at many racing facilities throughout the country.

The American Paint Horse Association, the Appaloosa Horse Club, the Arabian Horse Racing Association, and the Arabian Horse Racing Registry of America are all small, but growing, associations that represent emerging horse breeds of increasing interest to the racing industry.

REGULATION

Each of the thirty-two states which conduct pari-mutuel racing has a commission which regulates the conduct of that racing. A commission's authority flows from the state's racing law, but most commissions have extremely broad powers. Membership ranges from one to nine persons. The general appointing power usually resides in the governor. The compensation of commission positions involves either no salary or a very small salary with is coupled with reimbursement for expenses. Terms of office, qualifications, prohibited conflicts of interest, appointment of chairmen, and other administrative matters vary from state to state.

Every facet of racing should be within the jurisdiction of the racing commission. Every person who does not pay admission to gain entrance to a track should be licensed by the commission. Broad powers are necessary to maintain regulatory authority. This power should be enough to allow a commission, with due process protections, to impose civil penalties up to a maximum of \$1,000 and to bar persons from the track facilities.

The following chart shows the typical staffing of a racing commission.

RACING COMMISSION

FIELD PERSONNEL	MUTUELS DEPT. Pari-Mutuels Auditors	OPERATIONS DEPT. Admissions Auditors
OFFICE PERSONNEL	LICENSING DEPT. License Clerk Fingerprint Clerk Photographer	Executive Secretary Legal Counsel Auditor State Chemist Clerks Secretaries
RACING DEPT. State Steward State Veterinarian Test Barn Personnel Secretaries		

The duties of racing commissions vary from state to state, but they generally include:

1. Racing dates.

The allocation of racing dates is an important, and often controversial, power granted to state racing commissions. All states limit the number of racing dates, and the pressures on racing commissioners in awarding those dates can be strong. Most commission regulations require that racing dates be allocated to licensed racing associations capable of conducting races "in the public interest," but the racing commissioners still have considerable discretion.

2. Licensing.

The categories of racing participants required to be licensed vary from state to state. All states require that the racing associations that conduct the races undergo background checks, and some states require that each association be responsible for all personnel, including concessionaires and other contractors. Horse owners, trainers, jockeys, stewards, and backstretch personnel all must obtain licenses and pay the required fees. Bases for denying licenses include criminal records, false representation on license applications, failure to disclose true ownership of a horse, and inadequate training for a particular job, among others.

3. Racing rules.

Each commission establishes its own racing rules, which might cover race entry conditions, eligibility of certain horses, post position handicapping, racing weights, jockeys' fees, and claiming race requirements. All types of pari-mutuel wagering, including exotic

bets, are determined by the commissioners. In addition, the commissioners set out wagering restrictions, which might cover the types of betting by jockeys and wagering by persons with criminal backgrounds or criminal intent.

4. Professional standards.

The commissions, through their licensing and other procedures, set the professional standards for track personnel. Duties are established for all track officials including stewards, paddock judges, starters, timers, and veterinarians. The commissions also determine the grounds for suspension or revocation of licenses. These cover, among other things, violations of medication and horse testing regulations and general "good conduct" regulations, and criminal violations like bribery and illegal wagering.

5. Security.

The commissions try to insure track security through controlled entry to certain areas, identification requirements, special exemptions, and fire and safety regulations.

6. Taxation.

Although a state's takeout from a racing meet is determined by the state legislature, the state racing commission often acts as the tax collector for the state, and may be required to handle the bookkeeping and other duties associated with tax collection.

PERFORMANCE ACTIVITIES

A number of different types of performance activities are found in the equine industry: racing, horse shows and events, pleasure riding, rodeos, polo matches, etc. The remainder of this section of the report focuses on racing.

The economic significance of horse racing nationally and its regional distribution are dependent in large part on state laws governing legalized gambling, "pari-mutuel" wagering, and the amount of tax imposed on this wagering--the "pari-mutuel tax." Horse racing, as a commercial enterprise, is not economically feasible in states where pari-mutuel wagering is not permitted or where wagering is heavily taxed.

The essential aspects of pari-mutuel wagering are: (1) that wagering is centralized or "pooled" under the auspices of the organization operating the race track, (2) that a percentage of the total wagered on each race (the "handle") is retained by the track organization to pay "purses" to the owners of the winning horses and to help cover the operating expenses of the track, and (3) that the balance is paid to bettors holding pari-mutuel "tickets" on the winning horses. Pari-mutuel wagering is necessary for the generation of revenue sufficient to keep the track in operation and to pay purses large enough to attract good horses. Experience has shown that the economic feasibility of horse racing is rather sensitive to the amount of the pari-mutuel tax, i.e., the percentage of the handle that the state takes from the pool of wagers before anyone else gets a share.

Thirty-seven states had pari-mutuel wagering on horse races in 1989, and races were run in 36 of these states. Where the chart shows "NA", it means that the statistics are not available.

States With Pari-Mutuel Wagering
Rank Ordered by 1989 Attendance

STATE	ATTENDANCE	TOTAL PARI-MUTUEL WAGERS
CALIFORNIA	7,950,982	\$2,758,962,632
NEW YORK	7,133,766	\$3,288,190,723
NEW JERSEY	5,606,569	\$1,165,680,188
ILLINOIS	4,737,021	\$1,193,202,530
OHIO	3,685,365	\$463,894,392
MARYLAND	3,259,713	\$567,503,423
FLORIDA	2,947,185	\$529,510,712
KENTUCKY	2,870,942	\$439,809,802
LOUISIANA	2,806,799	\$387,581,824
MICHIGAN	2,682,457	\$443,113,234
PENNSYLVANIA	2,468,781	\$449,143,011
OKLAHOMA	1,810,523	\$189,391,058
WASHINGTON	1,545,182	\$212,755,127
WEST VIRGINIA	1,157,970	\$147,863,416
NEBRASKA	1,059,548	\$153,792,952
NEW HAMPSHIRE	1,046,788	\$142,725,136
MASSACHUSETTS	1,041,794	\$183,645,496
NEW MEXICO	1,011,176	\$150,961,339
ARKANSAS	1,010,697	\$119,611,381
DELAWARE	984,244	\$106,800,440
MINNESOTA	875,899	\$102,187,562
ARIZONA	792,511	\$85,563,871
ALABAMA	463,041	\$44,722,483
IOWA	453,287	\$37,648,876
IDAHO	196,000	\$8,272,000
KANSAS	88,174	\$6,206,005
WYOMING	83,764	\$10,470,967
TEXAS	52,681	\$3,866,059
COLORADO	43,944	\$2,171,979
SOUTH DAKOTA	19,000	\$676,979
NORTH DAKOTA	7,400	\$220,400
CONNECTICUT (inter-track only)	0	\$193,428,534
OREGON	NA	\$42,015,213
MAINE	NA	\$41,020,747
MONTANA	NA	\$7,885,812
VERMONT	NA	\$1,076,365
NEVADA	NA	\$444,252
TOTAL	59,893,203	\$13,682,016,920

California and New York, the nation's two most populous states, are the two leading states in race track attendance. Both rank at the top in terms of wagering, or pari-mutuel handle, but their positions are reversed. New York's "handle" is augmented by intertrack wagering and by off-track betting at locations receiving "simulcasts" from New York tracks at which races are being run. The regional pattern for pari-mutuel handle is similar, except that Connecticut permits off-track betting on horse races simulcast from tracks outside the state and thus has significant pari-mutuel hands while showing no race track attendance.

PURSE DISTRIBUTION BY STATE
RACING YEAR 1990

STATE	RACING DAYS	RACES RUN	GROSS DISTRIBUTION
ALABAMA	167	1,236	\$3,312,450
ARIZONA	222	2,054	\$7,360,944
ARKANSAS	65	638	\$10,818,125
CALIFORNIA	625	5,707	\$133,971,282
DELAWARE	150	1,360	\$7,079,800
FLORIDA	375	3,804	\$45,056,880
GEORGIA	2	10	\$285,000
IDAHO	49	386	\$824,681
ILLINOIS	489	4,717	\$52,389,085
IOWA	94	634	\$1,599,644
KANSAS	110	641	\$3,036,610
KENTUCKY	288	2,750	\$42,976,921
LOUISIANA	568	6,159	\$41,825,276
MARYLAND	280	2,870	\$45,810,078
MASSACHUSETTS	19	196	\$525,555
MICHIGAN	216	1,941	\$12,472,211
MINNESOTA	122	1,074	\$8,078,412
MISSOURI	1	3	\$22,500
MONTANA	60	603	\$914,042
NEBRASKA	222	2,198	\$10,976,732
NEW HAMPSHIRE	256	2,750	\$16,318,263
NEW JERSEY	339	3,365	\$42,003,244
NEW MEXICO	421	2,948	\$11,102,426
NEW YORK	475	4,423	\$113,270,185
NORTH CAROLINA	4	20	\$191,550
OHIO	477	4,648	\$25,829,000
OKLAHOMA	308	2,042	\$13,870,764
OREGON	141	1,217	\$2,349,240
PENNSYLVANIA	452	4,326	\$29,967,851
SOUTH CAROLINA	4	22	\$283,000
TENNESSEE	1	6	\$154,000
TEXAS	74	212	\$448,465
VIRGINIA	10	64	\$604,400
WASHINGTON	270	2,552	\$14,306,983
WEST VIRGINIA	474	4,793	\$12,952,280
WYOMING	47	295	\$376,097
TOTALS	7,877	72,664	\$713,363,976

Thoroughbred racing is probably the type of horse racing best known to the American public. Sometimes called "flat racing," it is conducted on race courses that are oval in shape and have dirt (sandy loam) surfaces. Some tracks, in recent years, have also developed turf surfaces alongside the oval dirt tracks or have developed all-weather surfaces. Distances for races range from 5 furlongs (5/8 mile) to 1 = miles, with the most frequently raced distances being 6 furlongs and one mile. Each horse is ridden by a jockey and may be required to carry a certain amount of additional weight.

In comparing the various thoroughbred tracks, one cannot help but notice constant similarities, rather than differences. About 90% of all tracks now use a sand/loam mixture for their track surfaces, with approximately 40% sand, 60% loam. While the design of nearly all tracks is oval, some have longer areas with differently-placed finish lines which produce variations in the home-stretch length. The stretch (distance from the last turn to the finish) at Churchill Downs is an extensive 1,234 feet, which favors come-from-behind horses rather than the speedy, front-running type. Aqueduct, Keeneland, Pimlico, and Saratoga also feature long home-stretch areas.

Each track also has chutes, which are straight jutting areas or extensions from the main track itself. These chutes are used in the shorter, four- to seven-furlong races to eliminate turns, thus increasing the speed of the race. With the advent of chutes for shorter races, the small tracks such as Sportsman's Park (five furlongs in circumference) present no special handicap to competing horses except in longer (1 1/8-mile or 1 1/4-mile) races.

The term "sandy loam," which most tracks list as their surface soil, is somewhat of a misnomer. Loam is a mixture of clay, sand and organic matter. The clay is used because of its ability to retain interstitial water during exposure to drought; thus coastal racetracks or those adjacent to large lakes are slightly affected during high tide intervals, retain a softer foundation, and seldom get completely dry.

But whether a racing plant is successful or not has little to do with the size, shape, or length of its home-stretch. Success is much more contingent upon track management's ability to blend three distinctly different entities into a cohesive mix. These involve the operational procedures according to regulations, the ability to attract ample horsemen with quality animals for competitive racing, and last, but not least, inducing racing patrons through the track turnstiles. This is primarily accomplished through normal newspaper, radio, and television advertising. The average amount of money bet per person at most tracks is some \$150 over an eight-, nine-, or ten-race program. Unlike casinos, thoroughbred tracks do not ordinarily arrange long-distance travel accommodations for "high-rolling" bettors, although every effort is made to assure their comfort should they become regular patrons. Basically, equality exists for both small and large bettors, and track officials are more concerned with attendance figures, knowing full well that when these figures are adequate the pari-mutuel handle will resolve itself. Few in attendance ever frequent the track as casual observers.

The primary "enemy" of every racing plant is its competition, meaning for the most part intrastate thoroughbred racing (although dog tracks and other sports may have an effect). This makes the assigning of racing dates among intrastate tracks quite important, and states with too many racing days often find that one particular track may suffer. A notable example is Hialeah Park which, when lawmakers in Florida rotated racing days on an annual basis with Gulfstream in mind, began seeing lower attendance and betting handles. Hialeah Park reportedly lost money over its 1980 meet, possibly due to its assigned late-spring racing dates, although two jai alai frontons and three dog tracks within its 50-mile radius could not have helped.

Because of competition and in order to attract horsemen as well as racing patrons, the track plant must maintain and constantly upgrade grandstand and clubhouse facilities, barns and stalls; prepare to keep the track surface in excellent condition; have

adequate customer parking; make contractual agreements with food and drink caterers and pari-mutuel workers; while offering reasonable purse allowances for horsemen, plus generally advertising and publicizing its meet dates well in advance.

In addition to the many general employees, the track must employ an elite group totally familiar with racing and its duties both operational and judicial in nature. This requirement is necessary because of Jockey Club specifications, and its assemblage includes:

- (1) Stewards and assistant stewards.
- (2) Placing Judges whose duties are to record the official order of finish for each race and forward a report after each day to the Jockey Club.
- (3) Paddock Judge and assistant. They are required to be present in the paddock saddling area in order to observe the general condition of horses about to be raced, inspect bandages, saddles or other gear.
- (4) Clerk of Scales, who must weigh all riders before and after each race (jockey body weight, lead weights if required for extra assigned weight, and saddle). This person also reports infractions and must file a daily report with the Jockey Club.
- (5) Official Timer, who records time when the winning horse crosses the finish line.
- (6) Racing Secretary, who must collect and receive all stakes fees, jockey fees, fines, etc. He composes the conditional terms for each race, including assigned weights. Weights are assigned according to the age and sex of participating horses, the conditions of the race and/or a specific rider should the latter be an apprentice rider who is allowed a weight advantage to compensate for inexperience.

Meanwhile, on the "backside" or "backstretch" of the racing plant, horsemen must van and unload their animals, find appropriately-marked stall space, hire local help for more menial labor, locate and buy feed, possibly locate a veterinarian, find a ferrier for shoeing, consult with the Racing Secretary as to the conditions of forthcoming races and, lastly, exercise and observe the horses relative to condition, illness, or fitness.

An additional responsibility of horsemen, and often a confusing one, is to stay within legal racing limits as each racing state regards the use of medication. One of the most controversial medicaments has been the use of banning of the drug phenylbutazone, known as "bute." "To bute or not to bute" is a question which has been answered, revised, and changed repeatedly. The classic "bute case" remains that of Dancer's Image, which in 1968 was the apparent winner of the Kentucky Derby. However, when samples taken by the lab crew at Churchill Downs turned up a trace of a prohibited medication, Forward Pass was declared the official winner. Since then, Kentucky has allowed and then disallowed the use of bute.

Today, some states allow controlled medication programs in which Butazolidin and Furosemide (Lasix) may be used, but must be reported. Where legally usable, the animals on this medication list are usually reported to the Racing Form for benefit of the racing patron, either by state or track officials responsible for its administration. Lasix is used to prevent lung or nostril bleeding, but should a horse continue to bleed when raced it can be suspended for an indefinite period of time before being allowed to continue its racing career.

In states where bute is presently banned, the chief criticism for its use has been that many older animals are given the medication and then too frequently raced. This purportedly has led to racing spills and serious injuries to both riders and horses. But whether medication is responsible for spills is controversial, and better left to racing commission decision. As it pertains to the horsemen/trainer, and especially one with

older claiming horses, traveling from bute to non-bute territory requires planning and forethought.

The owner-trainer must employ a variety of labor, some of which are permanently-salaried workers, while others are contractually hired from track to track. The horseman's employees include:

- (1) Muckers who clean barns and stalls.
- (2) Grooms who bathe, feed, and care for the trainer's string.
- (3) Hot-walkers who lead and gradually cool an animal after an exercise run or an actual race.
- (4) Exercise riders who saddle-up during workouts and report the animal's response and handling ability.
- (5) Assistant trainers who may be learning their profession in order to be eventually licensed.

Thus, the business of racing includes a widely divergent group of individuals all of whom are necessary if the track plant is to operate soundly, and once the meet begins the responsibilities of both track management and barn management continue to multiply. It is quite probable that more expertise is needed to successfully operate a track facility than is required to guide a corporate giant through the economic woes of history.

From within this racing camaraderie and environment comes a track "language" all its own, filled with zest and creativity. Parts of its vocabulary consist of slang expressions invented by veteran bettors or track personnel, while other terms have their origins with equipment of medication relative to horses.

Building and operating a racing facility of any kind is an expensive proposition. Land acquisition, which may involve as much as 300 acres for a thoroughbred facility,

is a significant expense. Construction costs are most significant in the major elements of stables, grandstands, and parking facilities.

For any type of horse racing facility, substantial space is necessary to stable the animals. Horses are stabled at a racing facility during a race meeting because they, like most large animals, do not travel very well. Normally, during a race meeting, a racing facility will conduct nine races per day. Each race will generally have ten horses entered. A typical thoroughbred may race comfortably once every seven to 14 days, depending on a number of factors like previous training schedules, the age of the horses, the length of the race, and the condition of the racing facility. Therefore, stable facilities for 1,200 horses would be a reasonable allocation of space.

Horse barns should be modern in construction, be in a central location at the racing facility, and have adequate fire protection. Proper fencing (wooden plank with either paint or creosote treatment) is important. For security reasons, access to the barn area should be limited. If harness racing is provided, facilities must be available for the sulkies and other equipment for harness racing.

The design or layout of horse racing facilities is oval in shape and varies from one-half mile to one mile in length. Thoroughbred racing facilities are typically one mile long. Jockeys prefer the longer tracks, and for safety reasons prefer slightly banked turns on the shorter tracks. Harness tracks are typically one-half mile long. The best composition for thoroughbred racing facilities is a layer of sand and earth or loam mixture approximately six inches deep. This surface is also appropriate for quarter horse racing. Constant, expert maintenance of the race track surface is necessary to provide ideal conditions for horse racing.

The grandstands for horse racing facilities should meet the needs of a very mobile audience. Race goers should be able to move easily from the grandstand seats to the standing positions near the racing facility, to the paddock areas, to the concession

areas, and to the betting windows. Exits should be easily accessible. According to one survey of racing facility patrons, important factors for an enjoyable outing at the races are cleanliness and honesty. A racing facility facility is similar to other major entertainment facilities, particularly theme parks. Other factors noted in the survey of patrons were courteous treatment by racing facility employees, quality food and beverages at reasonable prices, adequate parking, comfortable seating, and adequate security personnel. The design and layout of a racing facility are crucial to the success of the sport and the supporting economic development.

EMPLOYMENT.

Although most of the jobs that result from the race track and its impact on economic development, including the enhancement of the equine industry, are not at the track, itself, a racing facility does provide a significant number of jobs. By statute, in many states, between 80 and 85 percent of those jobs must be held by residents of the state in which the facility is located. The standard throughout the equine industry indicates that one person can generally care for no more than two race horses. For an average race meeting, this care would involve about 600 persons. A rough breakdown will involve a similar number of people in concessions, security, other track operations, and pari-mutuel operations.

The following chart gives a general idea of the types of positions involved at a race track.

TRACK OWNERS
BOARD MEMBERS
GENERAL MANAGER

RACING DEPT.

Dir. of Racing
Stewards
Placing Judges
Racing Secretary
Asst. Racing Secy
Paddock Judge
Patrol Judges
Identifier
Clerk of Scales
Starter
Track Superintendent
Veterinarian
Announcer
Stall Superintendent
Jockey Rm. Custodian
Horsemen's Bookkeeper
Clockers
Entry Clerks
Valets
Assistant Starters
Outriders
Ambulance Drivers
Barn Security
Physician
Nurses
Bugler
Barn Maintenance Crew

MUTUELS DEPT.

Mutuels Manager
Assistant Mutuels Mgr.
Calculators
Sheetwriters
Money Rm. Manager
and Counters

MISC. RACING DEPT.

CONTRACTEES AND
PERSONNEL

Horse Owners
Authorized Agents
Trainers
Grooms
Pony Riders
Jockeys
Exercise Boys
Jockey's Agents
Blacksmiths
Feed Concessioners
Tack Shop Concess.
Photo Finish Contractee
and Operator
Film Patrol Contractee
and Technicians
Closed Circuit TV
Contractee and
Technicians
Racing Form Contractee
Form Chart Contractee
Chart Caller
Chart Taker
Printing Contractee

MISC. MUTUELS DEPT.

CONTRACTEES AND
PERSONNEL

Totalisator Contractee,
Operator and
Technicians
Closed Circuit TV
Contractee and
Technicians

OPERATIONS DEPT.

Comptroller
Operations Mgr.
Secretaries
Office & Payroll
Clerks
PBX Operators

PUBLICITY

Director of Publicity
Dir. Special Events
Souvenir Shop Mgr.
Souvenir Shop Clerks

ADMISSIONS

Admissions Manager
Reservationist
Clubhouse Manager
Reserved Seat Sales
Personnel
Admission Sales Clerk
Ushers and Elevator
Operators

PARKING

Valet Parking Mgr and
Attendants
Parking and Sales
Personnel

OFFICIAL PROGRAMS
AND TIPSHEETS

Tipsheet Contractees
and Sales Personnel
Program Sales Pers.
Form Chart Sales Pers.

Payroll Clerk
Head Supervisor
MAINTENANCE
Line Supervisors
Sellers
Cashiers
Messengers

Intercommunication
Contractee and

Technicians
Armored Car
Contractee

TRACK

Maintenance Chief
Track Electrician
Handymen, Clean-Up
Crew and Restroom
Attendants

SECURITY

Security Chief or
Contractee
Guards and Night-
watchmen

SAFETY

Track Physician
First Aid Attendants

CONCESSIONS DEPT.

Concessions Mgr. or
Contractee
Maitre d'
Chefs
Bartenders
Waiters
Waitresses
Concession Booth
Operators
Bus Boys
Dishwashers
Track Kitchen Manager
or Contractee
Jockey Room Snack Bar
Mgr. or Contractee*

*This chart of positions was taken from: Wanna Bet? A study of the Pari-Mutuels System in the United States, by Bob and Barbara Freeman, Freeman Mutuels Management, 1982, p. 204.

Concessions

While providing a significant number of jobs at track facilities, food and beverage concessions also serve as an important source of income to racetrack facilities. According to one study, if it were not for concessions, many track facilities would be unable to stay in business. Profits are substantial because a track facility has a captive audience that has no opportunity to shop for price or quality. Thus, racing is similar to other forms of entertainment, like movie theaters or other sports events, where captive audiences are involved. Overpricing, poor quality, and poor service will cut into the profitability and the track's well being. Because of the importance of concessions, a racing commission should pay close attention to this area of track operations. Some states license all concession employees.

Income from concessions is commonly handled in two ways. The track facility may operate the concessions itself. The original financial outlay for restaurant facilities and equipment is substantial, and often track operators have little expertise in the food service business. Tracks often sign long term leases, on a percentage basis with the national or international companies that specialize in this type of catering. Therefore the track operator and the racing commission should carefully consider the decision to operate or lease the concession rights.

Beverage concessions generally involve alcoholic beverages. Consideration must be given to the issuance of on and off premise malt beverage, fortified wine, and mixed beverage licenses.

In 1989, Thoroughbred races with pari-mutuel betting were held at 122 tracks in the United States, including 82 commercial tracks and 40 fairground tracks. Thirty-seven of the 82 commercial tracks were exclusively Thoroughbred racing, as were five of the 40 fairground tracks. Among the tracks that were not exclusively Thoroughbred racing,

there were various combinations of Quarter Horse racing, harness (Standardbred) racing, and racing of Arabians, Appaloosas, and Paints.

THREE STATES EXPERIENCE
WITH PARI-MUTUEL WAGERING ON HORSE RACING

In 1990, pari-mutuel wagering was legal in 43 states. Of the 43, 42 allow betting on horse races. The following is the experience in three different states, Oklahoma, where horse racing began in 1986, Louisiana, where horse racing has been conducted since the 1940's, and Alabama, where horse racing began and ended in 1987, after only 177 days.

OKLAHOMA:

In 1982 the Oklahoma legislature and voters approved pari-mutuel betting. The voters approved a bill that called for an 18% takeout; 6% of each betting dollar going to the state, 6% to purses, and 6% to racetracks. No licenses for major tracks were issued until 1986, after the Oklahoma legislature changed the takeout to a graduated scale giving the state 2%, the purses 6%, and the tracks 10% of the first \$100 million wagered. Of the next \$50 million wagered, the state receives 4%, the purses 6%, and the track 8%. For the portion of the handle above \$150 million, the state, the purses, and the track each receive 6%.

Remington Park was licensed as Oklahoma's first major track. Oklahoma also licenses what it calls a "non-major" track, Blue Ribbon Downs in Sallisaw. Blue Ribbon Downs previously had operated for over a decade as a non-pari-mutuel track under the supervision of the American Quarterhorse Association. The Oklahoma Racing Commission supervised the track as a non-pari-mutuel facility for six months before the track converted to pari-mutuel wagering. The state also has three fair meets that allow pari-mutuel betting.

Oklahoma has taken a slow and deliberate approach to regulating the growth of the state's pari-mutuel industry. For example, the Oklahoma Racing Commission adopted a controversial "two-track" rule. Under the rule, until the wagering from one major track, Remington Park, and the one non-major track, Blue Ribbon Downs, reach a combined total of \$230 million per year for two years, the commission will not license any additional tracks. Although the commission is obliged to accept applications and give them due process, in order to receive a license before the two-track-threshold has been met, applicants must rebut the presumption of the commission that another track would disrupt the orderly development of the racing industry.

For 1989, its first full year of racing, Remington Park had a handle of over \$170 million and Blue Ribbon Downs a handle of over \$42 million, bringing the combined total close to the two-track rule's threshold. State revenue from pari-mutuel betting for 1989 was \$7.5 million.

LOUISIANA:

Louisiana is often cited as an example of an established racing state. Pari-mutuel betting on horse races was introduced in the 1940's, and the state now has seven horse tracks. The Louisiana department of tourism reports that Louisiana Downs near Shreveport is the state's number-one tourist attraction.

The state allows on-track, inter-track (bettors at one track wagering on races being run at another track) and off-track (wagering at a non-track facility) wagering. Major races from outside the state, in addition to races within the state, are simulcast to other tracks and to the off-track betting locations. With win-place-show, on-track, quarter horse wagering, Louisiana receives 3% of the daily handle between \$100,000 and \$201,000 (after deducting \$6,000 per quarter horse race), 4% of daily handles between \$201,000 and \$401,000, and 5% of the daily handles over \$401,000. Although the

state tax varies from 3% to 5% with on-track wagering, the tax is 1.5% on inter-track and off-track wagering.

In 1990, Louisiana Governor Buddy Roemer vetoed legislation that would have lowered the state tax. Members of the Louisiana legislature are planning to introduce legislation again in 1991 to lower the state's tax rate and to allocate more money to tracks and purses.

Louisiana Downs, in Bossier City, had the state's largest on-track handle for fiscal 1988-89, \$194 million. The on-track handle for all Louisiana tracks in fiscal 1988-89 was \$388 million, down from the \$450 million in fiscal 1987-88. While the on-track handle decreased 14%, the statewide off-track handle increased 252%, from \$49 million to \$172 million. Off-track betting was approved in 1987, and the increase in off-track betting handle can be largely attributed to the number of off-track locations that began operations in fiscal 1988-89.

The total handle for Louisiana in fiscal 1988-89 was \$559 million, a 12% increase over fiscal 1987-88. Total revenue from racing, which includes pari-mutuel taxes, admission taxes, license fees and more, was \$20 in fiscal 1988-89, down 4.3 percent from fiscal 1987-88. The decrease in tax revenue with an increasing total betting handle can be attributed to the large increases in the handles of off- and inter-track wagering, which are taxed at a lower rate than on-track betting.

ALABAMA:

While Alabama has had three successful pari-mutuel greyhound tracks for a decade, the Birmingham Turf Club--the state's only horse track--opened in March 1987 but shut down after only one racing season of 177 days and filed for bankruptcy. Lower-than-projected attendance and wagering, large investments in track facilities and overpaying of purses have been blamed for the track's problems. Alabama racing officials cited

inflated attendance and betting projections and overbuilding as contributing to the tracks' initial failure.

The track reopened in the summer and fall of 1989 and again in January 1990, using an increasing amount of simulcasting. In 1989, with 160 performances, the track handled \$44 million in live and simulcast racing pari-mutuel wagers. As of October 6, 1990, the track has handled \$42 million in live and simulcast wagers. A state racing official said the track is expected to run races in 1991, and there is discussion about holding both greyhound and horse races at the track.

The state of Alabama does not tax the horse-racing track, but 2 percent of the first \$150 million in total handle and 4 percent of the handle in excess of \$150 goes to city, county, educational and charitable entities. So far in 1990, after deducting from the 4 percent tax funds borrowed from the city of Birmingham to open the track and commission operating expenses, the track has paid \$25,000 to cities, counties, and charities.

OTHER STATES:

While pari-mutuel industries in many states have experienced difficult times, this is not true everywhere. California and New York have established horse racing industries that are often cited as successes.

In 1988, according to the Christiansen & Commings 1990 report on pari-mutuel taxation, California took in \$153 million in pari-mutuel taxes on thoroughbred, quarter horse and harness racing. Pari-mutuel wagering began in 1933 in California, and the state now has six major horse-racing tracks and eight fairs that allow pari-mutuel wagering. California's major tracks and fairgrounds (some without racing at the fairground itself) are allowed to simulcast and take bets on races held at other tracks.

New York began pari-mutuel wagering in the early 1940s and now has four thoroughbred race tracks and six harness race tracks; it has no quarter horse tracks. Three of the thoroughbred tracks are run by the New York Racing Association as not-for-profit corporations for the state. In 1988, New York horse racing had an on-track handle of \$1.5 billion that brought in \$59.5 million in tax revenue for the state. Off-track betting is allowed in betting parlors throughout the state. New York handled \$1.95 billion in off-track bets with the state realizing \$36.5 million and the cities and counties \$111.5 million in off-track betting revenue in 1988.

STATE TAX ASSESSED ON REGULAR, ON-TRACK
WAGERING ON HORSE RACES FOR SELECTED STATES

STATE	TOTAL TAKEOUT	% HANDLE TO STATE
Arkansas	17.00%	2.50%
California	15.33% (Thoroughbreds only)	4.80% - 6.00% - 5.70% (Depending on handle)
Kentucky	17.50% (Depending on handle) 16.00%	0.55% (Thoroughbreds only) 2.55%
Louisiana	17.00%	3.00% - 4.00% - 5.00% (Depending on handle)
New Mexico	18.75%	2.00%
New York	17.00% (N.Y.R.A. Tracks) 18.00% (Finger Lakes track)	5.00%
Oklahoma	18.00%	2.00% - 4.00% - 6.00% (Depending on handle)
Texas	18.00%	5.00%

Source: Summary of Pari-mutuel Taxation in the United States and Canada, April 1990, Chrisitansen/Cummings Associates.

PARI-MUTUEL OPERATIONS:

Two substantial expenses are involved in pari-mutuel operations. First is the totalisator equipment. This equipment calculates the odds, which are based on the

amount of money wagered on each horse. Sophisticated electronic equipment has been developed to handle wagers. The latest electronic equipment is the "cash-sell" system by which a bettor may buy and cash a ticket in any amount in any pool at any window.

Two major companies manufacture and operate totalisator equipment. Almost every track leases this equipment because of its expense and sophistication. The lease operates on a percentage basis, .5 cent of each dollar wagered for the older equipment and .6 cent of each dollar wagered for the newer "cash-sell" equipment. The larger of the two major companies is American Totalisator (AMTOTE), a division of General Instrument with its corporate headquarters in Maryland. The company has concentrated on the United States market and services most racing facilities, off-track betting facilities, and several state lotteries. The other major company is Automatic Totalisators, Ltd., which has operations around the world. In 1980, the company held about 20 percent of the United States totalisator business. Today's rapidly changing technology may enable some of the smaller emerging companies to gain a part of the market. Three of the notable small companies are Southern Technology, United Totalisator, and Dynatote, Inc. The second large expense in pari-mutuel operation is the payroll for the pari-mutuel personnel, generally between 1% and 1.5% of the amount wagered. The efficient operation of the pari-mutuel department of a track is crucial to the track's success. Most patrons have more contact with this department than with all other departments at the track combined. A patron's assessment will probably be based on his impression of the honesty and accuracy of the clerks.

In exchange for the large payroll, the pari-mutuel department has the following duties:

1. To see that all payoffs are correct
2. To divide correctly the revenues between the state and the track
3. To hire and train employees

4. To arbitrate and decide disputes between patrons and clerks
5. To maintain records
6. To make reports to the state racing commission
7. To set post times
8. To insure that all employees hold proper licenses
9. To oversee fulfillment of contractual obligations with:
 - a. the totalisator equipment lessor
 - b. the closed circuit television equipment lessor in the wagering areas
 - c. the pari-mutuel unions at union racing facilities

A pari-mutuel department's biggest concerns are:

1. Wagering by track employees. Most state statutes strictly prohibit this activity but experience has indicated that enforcement is difficult.
2. Touts.
A person who gives a selection to someone in exchange for part of the winnings is a tout. A tout wagers without risk and contributes nothing to the takeout which is divided between the state and the track.
3. Stoopers.
A person who looks for discarded winning tickets. Once again, this person takes no risk and deprives either the state or the track of funds that would otherwise be theirs. On the other hand, as the wagering public becomes more sophisticated, the number of uncashed winning tickets drops to as low as 0.1% of the total number of winning tickets.
4. Drops.
A drop is an intentional shortchanging by a clerk. Strict supervision is crucial to prevent this from occurring.

In 1989, Thoroughbred racing data was reported separately from other racing data by twenty states. The total number of racing days was 6,121; total number of races, 59,615; and, total attendance, 44.4 million. Total pari-mutuel handle, on-track and off-track, was \$9.7 billion, and purses totalled \$605 million.

Although Standardbred racing, or "harness racing," has not received the extent of national coverage by television and other news media as received by Thoroughbred racing, it is popular in several parts of the United States and Canada. During 1989, harness racing was held at 43 commercial tracks in the United States and at nine fairground tracks; 22 commercial tracks and six fairground tracks were exclusively harness racing.

HARNESS RACING TRACKS

STATE	COMMERCIAL TRACKS	FAIRGROUND TRACKS
ILLINOIS	7	2
MICHIGAN	7	1
NEW YORK	6	1
OHIO	4	1
CALIFORNIA	2	2
MAINE	3	0
KENTUCKY	3	0
NEW JERSEY	2	0
DELAWARE	2	0
MARYLAND	2	0
PENNSYLVANIA	1	0
FLORIDA	1	0
IOWA	0	1
VERMONT	0	1

In harness racing, the Standardbred is required to run a certain distance, usually one mile on an oval dirt track, maintaining a particular gait and pulling a "racing bike" or sulky and driver. If the horse "breaks" gait, the driver must pull back so that no

ground is gained on the other horses while "off" the required gait. All harness racing in the United States is under the auspices of the U.S. Trotting Association.

There were 5,483 harness racing days in 1989 and 59,750 races in fifteen reporting states. Although the number of racing days and the number of races in harness is almost the same as in Thoroughbred racing, attendance at harness races, at 15.8 million, was only a little over a third of the attendance reported for Thoroughbred races. Total handle at harness tracks in 1989 was \$2.9 billion, and total purses were \$230 million.

Quarter Horse racing with pari-mutuel wagering is conducted at 86 tracks in the United States, of which 38 are commercial tracks and 46 are fairgrounds tracks. Of the 20 states with Quarter Horse tracks and fairgrounds, 16 are west of the Mississippi River.

QUARTER HORSE TRACKS

STATE	COMMERCIAL TRACKS	FAIRGROUND TRACKS
NEW MEXICO	6	0
WASHINGTON	4	3
ARIZONA	3	10
CALIFORNIA	3	7
IDAHO	3	6
OREGON	2	4
OKLAHOMA	2	3
WYOMING	2	2
KENTUCKY	2	0
LOUISIANA	2	0
NEBRASKA	2	0
KANSAS	2	0
MONTANA	1	6

Quarter Horse racing is especially popular in the Southwestern United States. The All-American Futurity, which is held in Ruidoso Downs in New Mexico on Labor Day each year, has had, in recent years, the largest purse distribution for any horse race in the United States.

In 1989, there were 2,604 days of Quarter Horse and "mixed" racing with 27,673 races. Total attendance was 8.9 million. Total handle was \$1.2 billion, and purses totalled \$99 million.

In concluding this overview of the racing sector of the equine industry, it may be useful to distinguish types of races and to define certain terms that relate to pari-mutuel wagering:

A stakes race is for top-quality horses. Owners pay nominating fees, and starting fees, which go into the purse, or stake, to be paid to the winners. The race track may add money to the purse to assure a certain amount for winners.

In handicap races, the track's racing secretary evaluates the past performances of the entrants and assigns weights to be carried to equalize the chances of winning. The horses with the better records carry, of course, more weight than those with the poorer records. Purse values are determined by the nomination and starting fees and by added money.

In allowance races the eligibility of a horse and weight each horse carries are based on the number of races or amount of money each horse has won. A basic weight is assigned for the race, and horses with poorer records are given weight allowances. An allowance can be an invitational race.

In claiming races all horses entered are for sale at the price they are entered. They may be claimed or purchased by an owner who has started a horse at that race meeting. The claiming race is a method of classifying horses in order to produce races involving competition of equal quality.

Maiden races are for horses that have never won a race recognized by the sanctioning organization for the breed.

Newcomers to horse racing will find a variety of possible wagers available to them with win, place, and show leading the way. A win bet is just what it says it is; the horse you wager on must win in order for you to collect. With a place bet, your horse must finish first or second, while a show wager requires that your favorite finish first, second, or third for you to receive a payoff.

There are more wagering challenges available at most tracks, and most of them are discussed below.

Daily Double. To win the Daily Double you must correctly pick the winners of both the first and second races (though an occasional track will run a double on other races.)

Exacta. To win the Exacta you must select in their exact order the two horses that finish first and second in the designated race. The rewards are roughly comparable with the return on a successful Daily Double.

Quinella. To win the Quinella you must pick the horses finishing first and second in a designated race, but they need not be in exact order.

Trifecta. To win the Trifecta you must pick the first three horses in a designated race in precise order.

Wheeling. Wheeling a horse is coupling him with every other horse in the race to win an Exacta or Quinella, or with every horse in the other race to win the Daily Double. If your "wheel" horse wins, then you are a winner since you have covered every horse in that race or the next race.

Boxing. Boxing is selecting three key horses in a Trifecta and betting them in all the possible combinations so that if they finish in the top three, in any order of finish, you have won.

An Entry. An entry is two or more horses sharing the same owner or trainer. When they head to the post in the same race they must be raced as a common betting interest. A single ticket gives you a wager on all horses in the entry.

The Field. Most track totalisators are equipped to handle only 10 betting interests. When more than 10 horses go to the post they are lumped together as the field and are sold as mutuel ticket 10. If any of the field horses manages to win, you win, although weaker horses with less chance to win are generally offered as the field.

Finally, the following chart shows the approximate returns that would be paid for a winning mutuel ticket. It makes no difference to the track whether the favorite or a longshot wins, since the track's percentage is taken from the total pari-mutuel handle.

WINNING MUTUEL RETURN

(Approximate)

ODDS	\$2.00 BET	\$5.00 BET	\$10.00 BET	\$20.00 BET	\$50.00 BET
1-2	\$3.00	\$7.50	\$15.00	\$30.00	\$75.00
3-5	\$3.20	\$8.00	\$16.00	\$32.00	\$80.00
4-5	\$3.60	\$9.00	\$18.00	\$36.00	\$90.00
1-1	\$4.00	\$10.00	\$20.00	\$40.00	\$100.00
6-5	\$4.40	\$11.00	\$22.00	\$44.00	\$110.00
7-5	\$4.80	\$12.00	\$24.00	\$48.00	\$120.00
3-2	\$5.00	\$12.50	\$25.00	\$50.00	\$125.00
8-5	\$5.20	\$13.00	\$26.00	\$52.00	\$130.00
9-5	\$5.60	\$14.00	\$28.00	\$56.00	\$140.00
2-1	\$6.00	\$15.00	\$30.00	\$60.00	\$150.00
5-2	\$7.00	\$17.50	\$35.00	\$70.00	\$175.00
3-1	\$8.00	\$20.00	\$40.00	\$80.00	\$200.00
7-2	\$9.00	\$22.50	\$45.00	\$90.00	\$225.00
4-1	\$10.00	\$25.00	\$50.00	\$100.00	\$250.00
9-2	\$11.00	\$27.50	\$55.00	\$110.00	\$275.00
5-1	\$12.00	\$30.00	\$60.00	\$120.00	\$300.00
6-1	\$14.00	\$35.00	\$70.00	\$140.00	\$350.00
7-1	\$16.00	\$40.00	\$80.00	\$160.00	\$400.00
8-1	\$18.00	\$45.00	\$90.00	\$180.00	\$450.00
9-1	\$20.00	\$50.00	\$100.00	\$200.00	\$500.00
10-1	\$22.00	\$55.00	\$110.00	\$220.00	\$550.00
11-1	\$24.00	\$60.00	\$120.00	\$240.00	\$600.00
12-1	\$26.00	\$65.00	\$130.00	\$260.00	\$650.00
13-1	\$28.00	\$70.00	\$140.00	\$280.00	\$700.00
14-1	\$30.00	\$75.00	\$150.00	\$300.00	\$750.00
15-1	\$32.00	\$80.00	\$160.00	\$320.00	\$800.00
16-1	\$34.00	\$85.00	\$170.00	\$340.00	\$850.00
17-1	\$36.00	\$90.00	\$180.00	\$360.00	\$900.00
18-1	\$38.00	\$95.00	\$190.00	\$380.00	\$950.00
19-1	\$40.00	\$100.00	\$200.00	\$400.00	\$1,000.00
20-1	\$42.00	\$105.00	\$210.00	\$420.00	\$1,050.00
21-1	\$44.00	\$110.00	\$220.00	\$440.00	\$1,100.00
22-1	\$46.00	\$115.00	\$230.00	\$460.00	\$1,150.00
23-1	\$48.00	\$120.00	\$240.00	\$480.00	\$1,200.00
24-1	\$50.00	\$125.00	\$250.00	\$500.00	\$1,250.00
25-1	\$52.00	\$130.00	\$260.00	\$520.00	\$1,300.00
30-1	\$62.00	\$155.00	\$310.00	\$620.00	\$1,550.00
35-1	\$72.00	\$180.00	\$360.00	\$720.00	\$1,800.00
40-1	\$82.00	\$205.00	\$410.00	\$820.00	\$2,050.00
45-1	\$92.00	\$230.00	\$460.00	\$920.00	\$2,300.00
50-1	\$102.00	\$255.00	\$510.00	\$1,020.00	\$2,550.00

PARI-MUTUEL WAGERING

Gambling is a controversial subject, and there is no philosophical or religious position on gambling that would be universally accepted by North Carolina citizens.

We respect those who for religious and philosophical reasons consider gambling inherently immoral; that is, immoral under any circumstances.

Those who do not consider gambling inherently immoral look to the consequences of gambling in making a judgment about it. These consequences may include such things as encouragement of greed, addiction, theft, family disruption, suffering of human beings and animals, social disorder, and other ethical problems. The Study Committee considered some of these consequences.

Since we live in a pluralistic society and since participation in pari-mutuel wagering is not mandatory on the individual, the Study Committee does not consider it proper to impose one standard of morality regarding pari-mutuel wagering.

LEGAL AGE TO ATTEND AND WAGER AT RACE TRACK FOR SELECTED STATES

STATE	MINIMUM AGE TO ATTEND	CONDITIONS	MINIMUM AGE TO WAGER
Arkansas	None	None	18
California	None	None	18
Kentucky	None	None	18
Louisiana	12	None	18
New Mexico	None	Under 18 accompanied by adult	18
New York	None	Under 18 accompanied by adult	21
Oklahoma	None	None	18
Texas	None	Under 16 accompanied by adult	21

LAW ENFORCEMENT

Crimes related to horse racing and pari-mutuel wagering affect both the participants and the general public. Should the General Assembly legalize horse racing and pari-mutuel wagering, law enforcement needs would increase both on and off the racing facilities.

On-track crime problems are almost unique to the race setting and range from altering pari-mutuel tickets to drugging animals to burning horse barns to possible track ownership by undesirable individuals. Most state racing commissions have forestalled these problems by adopting and enforcing a strict set of application criteria for licensing track operators, by the licensing of track employees, and by the regulation of track security.

First, the racing commissions require prospective track owners to submit detailed applications for licenses. Applicants must disclose those persons or corporations which would be stockholders, owners, or directors of the race track operation. In some instances, states require disclosures of parent corporations and their ownerships as well as the businesses out of state in which applicants are engaged. Applicants must prove financial ability to complete and to operate the race track and they must list their debts and any encumbered property. The racing commissions in some state require disclosure of all concession agreements and they investigate the concession owners as thoroughly as track owners. In some states applicants must provide fingerprints and photographs to the racing commission.

Racing commissions investigate the truthfulness of the applications and the character and reputation of the applicant, stockholders, owners, directors, and concession

operators. The commissions determine if any of the parties have criminal records involving felonies or violations for any gambling statutes.

In addition to the financial and character investigations, racing commissions often require detailed building plans which meet uniform building and fire codes as well as market survey analyses on the proposed track site. Prospective owners should also show that they can meet all state and local zoning regulations.

When granting the license, the racing commission may also consider the sentiment of the community about a particular owner or a specific site.

The state racing commission can reject an applicant for cause. Once granted, however, licenses are often renewable yearly. Licensees must report changes in ownership and stockholders. If these owners or stockholders do not meet standards for licensing, the racing commission can order that they divest their holdings in the race track.

State racing commissions license track employees, not only as a small source of revenue, but primarily as a check against criminal activity at the track. State racing commissions set standards for employment, which include a check of the prospective employee's criminal record. Checks, such as those run through the Thoroughbred Racing Protective Bureau, are extremely helpful since the TRPB keeps a central file on track employees. Such a check helps keep up with undesirable employees who may drift from state to state hunting jobs. In addition, some racing commissions require racing facilities to submit a list of employees to the commission daily.

Racing commissions also regulate security at racing facilities. Commissions may set standards for the employment of security personnel by the race track owner. In New Mexico, the racing commission will not permit race racing facilities to hire any security service or personnel who would not provide the same security services which the Thoroughbred Racing Protective Bureau would provide.

Many on-track problems are related simply to the large numbers of people in the crowds attending the racing events. These crime problems are the same as those present when any large group gathers, for example at a football game. Before the beginning of each race meet, some states require race track operators to submit plans for riot control during race meetings. Off track, crowds generate traffic which would require additional law enforcement personnel for adequate control.

Law enforcement agencies in all jurisdictions would have to be concerned with possible increased activities by illegal bookmakers, if pari-mutuel wagering were legal in some areas of the state.

The Study Committee did not find a connection between organized crime and horse racing and pari-mutuel wagering. The Study Committee does recognize, however, that in order to prevent attractions for organized criminal activity, a strong Racing commission and adequate statutes regarding corruption, gambling, and other criminal activities are essential.

For recommendations made by Charles Dunn, Director of the State Bureau of Investigation, concerning law enforcement and strengthening the applicable statutes, please see Appendix D.

OFF-SITE WAGERING

This report presents information on those states that have legalized various forms of off-site wagering, including interstate intertrack, intrastate intertrack, betting parlors, telephone betting, and teletheaters.

It was not until the 1970's that off-site betting became legal anywhere in the United States. In 1970, New York became the first state to pass off-site betting legislation, culminating a 20-year effort to legalize this wagering in that state. Connecticut followed in 1976. By 1986, half of the states had legalized some form of off-site wagering.

The introduction of off-site betting has been strongly resisted in some states. Opponents of off-site betting establishments, both within and outside the racing industry, question the fairness of the system's distribution of revenue, its effects on the on-track racing business, and governmental involvement in operating a gambling enterprise. Proponents of off-site betting, including segments of the racing industry, and many state and federal policy-makers, view it as a potential economic force capable of benefiting local government revenues.

The major objectives of those seeking to legalize off-site betting are to:

1. provide fraud-free service to the wagering public;
2. assist in maintaining the financial integrity of the racing industry;
3. increase the income of the racing industry; and
4. increase state revenue.

TYPES OF OFF-TRACK BETTING:

Interstate intertrack. The Federal Interstate Horse Racing Act, allowing interstate off-site betting, was passed in 1978 (Pub. L. No. 95-515, ' 2, 92 Stat. 1811

(October 25, 1978)). Proponents of the bill argued that it was necessary for the monetary health and stability of the racing industry. Interstate intertrack wagering, the most common form of off-site wagering permitted in the United States is legal and operative in 22 states.

This type of off-site betting, where race track patrons place bets on races occurring at out-of-state tracks, generally is limited to selected horse races, such as the Triple Crown. For interstate betting, agreement must be reached among the horsemen's group and the host racing association, the racing commission in the state where the betting is to occur, and any currently operating tracks within 60 miles of the site where the betting is to occur.

Spokespersons for tracks where this type of wagering is permitted generally are enthusiastic about interstate betting. They report both increases in attendance and in the total amount wagered or wagering handle. However, local bettor familiarity with horses and jockeys seems to be the key to success for this type of betting. As a result, this type of activity is usually limited to races of national notoriety.

Intrastate intertrack. A less widespread type of off-site betting, intrastate intertrack, is legal in twelve states and operative in eight. With this type of wagering, track patrons may place bets on races occurring at other in-state racetracks. In South Dakota, the most recent state to legalize this form of betting, greyhound and horse tracks may broadcast to each other or to a non-track facility (not yet built) outside a 50-mile radius of a "live" track.

In California, in-state wagers are allowed only in the northern zone (as opposed to the central and southern zones). The program, officially begun in November, 1984, when Bay Meadows took wagers on the Breeders' Cup at Hollywood Park, has operated with increasing success.

In Colorado, horse and greyhound tracks are authorized to enter into agreements whereby, during the off season, races are televised at their facilities. Wagering at these "satellite facilities" becomes part of the pool at the track where the race occurs. Horse races are simulcast at greyhound satellite facilities and vice versa.

Kentucky, Minnesota, and West Virginia all have authorization to take wagers on in-state events, but have not yet done so. In New York, an agreement was reached in spring of 1986 which will allow New York Racing Association thoroughbred simulcasts to be shown at Yonkers even on nights when a harness program is being run there.

BETTING PARLORS.:

Betting parlors are legal in three states: Connecticut (OTB), New York (OTB), and Nevada (race/sports books). Connecticut has no horse tracks, but has 14 off-site betting branches, plus Teletrack, a racing theater in New Haven. Live video transmissions of New York racing events are offered at Teletrack. There is no simulcasting to any of the branches, although several of them broadcast live audio calls.

Cost-cutting in New York has reduced the number of off-site betting branches there to 293 from a total of 314 in 1985. These branches are under the jurisdiction of regional corporations. AS of mid-1986, a state breakdown by region was as follows: New York City (118) Capital (52), Western (51), Catskill (30), Suffolk (22) and Nassau (20).

In Nevada, where most forms of gambling are legal, horse race betting is a very minor part of the total gambling picture. Race betting, as well as legal sports betting, is operated at fixed odds by bookmakers who are licensed by the state Gaming Control Board and the State Tax Commission. Bookmaking establishments are either independent or housed in casinos where other forms of gambling are located. The federal government requires bookmaker to purchase \$500 occupational stamps for each employee.

A 1982 revision of the federal wagering excise tax is credited as one of the major reasons for notable increases in sports betting in Nevada. The revision made it possible for legal operators to offer a price competitive service. The 58 percent increase in race and sports book combined handle in 1983 was due largely to the conversion of illegal race and sports team wagering to legal betting. Another stimulating effect on the race book handle was the start-up of simulcasts of Southern California races to Nevada race books in 1984.

In 1985, Nevada had 38 race books and 74 sports books. These facilities have drawn criticism for two reasons: (1) the mandatory use of "disseminators" or middlemen to secure racing video packages, which prevent bookies from dealing directly with the tracks; and (2) the doubtful integrity of telephone betting accounts, which certain independent facilities used to co-mingle with other company funds. The Nevada Gaming Commission considered the total elimination of telephone bets in 1986, but instead decided to require race and sports books to maintain reserve accounts which name the State of Nevada as beneficiary in the event of business failure.

TELEPHONE BETTING:

This form of betting is legal in seven states and operative in six. Maryland has had enabling legislation since 1984, but no tracks have yet applied for it. As noted, above, Nevada's telephone betting system recently has been laboring under a cloud of controversy.

Connecticut and New York off-site betting customers can open telephone accounts with local branches and, in New York, customers who keep a minimum balance of \$500 may be exempt from the five percent off-site betting surcharge, subject to local racetrack approval. In Connecticut, an individual can establish an account with off-site betting by depositing a minimum of \$10 and selecting a secret code word. Wagers must be placed by the account holder and covered by the funds on deposit. Winning

bets are credited to the account, and funds can be withdrawn by mail or in person from off-site betting's New Haven office.

In Pennsylvania, telephone betting is conducted directly with the race track, rather than a state off-site betting office. The amounts wagered become part of the pool for the particular race, rather than part of a separate off-site betting pool. Pennsylvania tracks offer several betting variations. The Meadows offers Call-a-Bet, featuring cable broadcasts of its races in the home, and Penn National has TeleBet, which also allows establishment of "transfer accounts" in local taverns where races are shown live.

TELETHEATERS:

Teletheaters are legal in five states and operative in four. New jurisdictions in 1986 included New York (implemented) and South Dakota (not implemented). Teletheaters have given New York OTB "...a long awaited chance to expand." Capital District opened the state's first facility in February, 1986, the Teleplex in Albany. In April, 1986, New York City followed with The Inside Track, which garnered a \$400 per capita handle in its first two months of operation. Both theaters offer a waiver of the five percent OTB state surcharge on all bets, and an upscale atmosphere featuring full dining facilities.

As mentioned, above, Connecticut has implemented theater-type wagering at Teletrack in New Haven. The theater provides main level seating for 1,800, balconies with food service and seating for about 400, and club boxes for private parties. Thoroughbred and harness races are televised from Florida and New York tracks on a 24 by 32 food screen. The theater operates six afternoons and six evenings weekly during racing seasons. Betting is conducted at 47 windows and includes regular and exotic forms of wagering. The money wagered at Teletrack is combined with other Connecticut OTB systems (parlor and telephone) and forms a pool separate from the on-site track, often with different payouts than the track. .

The following chart shows the states in which the various types of off-site wagering is allowed:

Interstate/Intertrack	Intrastate/Intertrack	Race/Sports Books
Arizona	Arizona	Connecticut
California	California	Nevada
Colorado	Colorado	New York
Delaware	Illinois	
Florida	Kentucky (N. I.)	
Idaho	Minnesota	
Illinois	New Jersey	
Kentucky	New York	
Louisiana	Oklahoma	
Maryland	Pennsylvania	
Massachusetts	South Dakota (N.I.)	
Michigan	West Virginia (N.I.)	
Minnesota		
New Hampshire	Telephone Betting	Teletheaters
New Jersey	Connecticut	Arizona
New Mexico	Florida	Connecticut
New York	Kentucky	Nevada
Ohio	Maryland (N.I.)	South Dakota (N.I.)
Pennsylvania	New York	
Washington	Pennsylvania	
West Virginia		

FREQUENTLY ASKED QUESTIONS ABOUT RACING

How fast is a horse?

Races are contested at speeds averaging 25-30 miles per hour for the mile distance. When leaving the starting gate, speeds close to 35 miles an hour are reached by top horses.

What causes a Standardbred horse to break stride?

Several factors can cause breaks. A horse may be going too fast to maintain his gait. He may be tired. He may be interfered with. He may also be lame.

Why do drivers sometimes hold their horses back?

If a horse can go a mile in 2:05 and no more, a driver or jockey may pull back on him to "rate" him if the pace is too fast. Coming down the stretch, a driver may hold firmly to the lines to prevent a tired horse from breaking.

Are there age limits for race horses?

A horse may not race until he reaches 2 years or beyond his 15th birthday.

Does a driver's weight make a difference in driving?

For years experts have been saying no, except under muddy conditions. Some observers have noticed, however, that a majority of the sport's leading drivers have tended to be on the small and light side.

How often does a horse race?

Once a week is considered ideal. The number of horses present in a particular class usually affects the number of racing opportunities he may have.

Do judges view and supervise the races?

Races are normally supervised by a presiding judge, two associate judges, a finish line judge, and three patrol judges. In addition, many pari-mutuel tracks have closed circuit television systems to record races and provide playbacks.

Is a driver permitted to bet?

Yes, but only on his own horse.

Do odds determine the winner of a race?

The race is settled on the track, not by the pre-race opinion of bettors. Favorites, however, win roughly 37 per cent of the time.

Is it better for a horse to race along the rail?

Definitely. Mathematicians have figured that a horse racing five feet from the tail will travel 62 farther than the horse at the rail at the mile distance over a half-mile track.

Is horse racing dangerous?

A certain amount of danger is inherent in any activity that combines great speed and split second timing decisions.

Why do some horses have their legs bandaged?

For the same reason that human athletes frequently wear tape and other bandages to help support their legs and to provide protection.

What is the colored roll worn on the face of some standardbred horses?

That's a shadow roll, a large sheepskin type roll worn across the face, below the eyes. It cuts off the horse's view of the track so he won't shy at shadows, pieces of paper, or other objects.

How long does it take to train a colt?

A colt usually has had about nine months of schooling and serious training before making his first start. An aged horse will round into shape with three or four months training under his harness.

Do trotters and pacers race together?

Rarely, and only in qualifying races or occasionally at a small fair.

How much does a sulky weigh?

The modern sulky--or "bike," as it is sometimes called--weighs around 40 pounds. A jog cart, used in training the horse, is about 20 pounds heavier than the sulky.

What is the pole alongside some horses heads in harness racing?

It's called a headpole and it is used to prevent a horse from turning it head to the side opposite that on which the pole is worn. Some horses have a tendency to turn their heads while racing around the turns.

Do drivers always wear the same colors?

Almost always. The colors worn by drivers are registered by the U.S. Trotting Association and the particular pattern and combination chosen by a driver can only be used by him.

How much is a driver paid?

Most drivers receive 10 percent of whatever their horse earns in a race.

How many horses earn money in a race?

Normally, the top five horses in the summary earn checks, with the purse broken down like this: 50 percent of the purse for winning; 25 percent for second; 12 percent for third; 8 percent for fourth; and 5 percent for fifth.

What is a paddock?

The paddock is a set of stalls in a well guarded enclosure to which all horses for a race must be taken at a specified time, usually two or more hours before post-time. Only owners, trainers, grooms, and officials on duty are permitted in the paddock during the races.

Why is a horse warmed up?

Harness horses are probably the world's most finely conditioned athletic competitors. And like a human track star loosens his muscles with preliminary activity, so does a trotter or pacer.

Who picks the winner in a close race?

The judges, relying on a photo finish camera at all tracks where wagering is conducted. The picture is taken at the exact instant the finish line is reached.

GLOSSARY

ACROSS THE BOARD

To bet a horse to win, to place, and to show.

ADDED MONEY

Money added to purse (usually by owners in the nominating process, to make a horse eligible to start) -- entry fee.

AGENT

Usually receives 10% of the jockey's pay for obtaining mounts, ordinarily with care and selection. Only full-time, better-known riders have agents.

ALLOWANCE RACE

A race in which horses competing cannot be claimed.

ANNOUNCER

Person who calls the position of horses as they race, sometimes referred to as the caller.

ASTERISK(*)

Has many uses, but in front of the odds of a horse in racing form, the asterisk indicates the horse went off as the favorite.

BACKSIDE

Barn area at a race track.

BACKSTRETCH

Part of race track with straightaway on far side near barnside.

BEATEN FAVORITE

Horse that ran as a favorite in a previous race and did not win.

BLEEDER

Horse bleeds from lungs or nostrils after exertion.

BLINKERS

Headpiece or blinders restricting side vision of horse.

BLOW OUT

Pre-race tune up.

BOLT

Veering abruptly from straight course.

BOX

To bet on two horses to come in first and second in either order.

BREAKAGE

In pari-mutuel betting, the odd cents left over, after paying the successful bettors to the nearest \$0.10.

BREAKDOWN

When a horse cannot run because of physical injury; becomes lame.

BREAK MAIDEN

To win a first race.

BREEZE

Fast workout of horse. Clocker can get an official time from a breeze. One clocked or published workout is required before a horse can race.

BUG RIDER or BUG BOY

Jockey who is an apprentice. He is entitled to weight off when riding a horse depending upon the number of races he has won. Bugs are indicated in the program by an asterisk (*).

BUTE

Phenylbutazone -- medication used to kill pain in a horse. Used for sore animals so that they may recover more quickly with less time between racing starts. The more starts, the better chance for purse money.

CAULKS

Metal cleats on horse shoes.

CHALK HORSE

Expression originating from English bookmakers and indicating the favorite.

CHANGING LEADS

Horse changes stride to lead with opposite leg.

CHUTE

An extension to the track making a straight-away run, so that the horses do not have to make an immediate turn when they run a race. Chutes are usually used for a three-furlong race where two-year-olds begin to race.

CLAIMING PRICE

The predetermined price at which a horse in a claiming race must be sold, if it is claimed.

CLAIMING RACE

A race in which a horse competing in the race can be purchased (claimed) by a qualified buyer by entering a claim slip before the race is run. Equalizes competition by requiring owners to put a price tag on entries.

CLASSIFICATION

Alw 12000 means that it is an allowance race with purse value of \$12,000.

Clm 10000 means that it is a claiming race, entered for \$10,000.

Stk 50000 means it is a stake race with a purse of \$50,000.

Md Allow maiden race (horses which have never won a race) allowance.

Md Sp Wt means it is a maiden race where special weights will be assigned.

CLERK OF SCALES

Person employed by the track with responsibility to weigh each jockey before each race to verify that the horse will be carrying its assigned weight. Also, after each race, the jockey is weighed.

CLOCKER

At the race track, the timer who records the workouts of horses.

CONDITION BOOK

Book issued by the racing secretary and officers of each track. The book explains in detail rules and regulations regarding eligibility for entering races. Each day's racing conditions are spelled out for the program for the day.

CONTRACT RIDER

Jockey whose services are specifically those of one stable, usually one with a large group of horses divided and stabled at many tracks.

COOL OUT

Walking a horse when hot after a race or workout to cool it down.

COUPLED

Two horses entered by the same trainer to compete in a race. Listed in the program as 1 and 1A; if two trainers couple horses, they are listed as 2 and 2X.

CRIBBER

A horse whose bad habit is chewing on wood. The animal curls his lip and takes hold of wooden objects (in stall), which must be coated with creosote or some other foul-tasting liquid to prevent this.

CROP

Jockey's whip, sometimes referred to as bat.

CROWDING

One horse forcing another horse to the inside of the track.

DAILY DOUBLE

Two races (usually the first two) put together for a gimmick bet on the horses finishing first.

DAM

Mother of the horse.

DARK

There is no racing on a dark day.

DEAD HEAT

Two or more horses are tied at the finish of the race. If tied for first, the purse for first and second will be divided equally. The same applies for other ties.

DOGS UP

The "dogs" are barriers used to protect the part of the track nearest the rail. In workouts, an exercise with the barriers up means that the horse working did not have the advantage of the "inside track."

DOUBLE ENTRY

Two or more horses owned by the same stable entered in the same race and coupled for betting.

DRIVING

Horse finishing strong at the end of the race.

EIGHTH

A furlong (660 ft. or one-eighth of a mile).

EXACTA

Type of race where betting is picking two horses in a race to finish in exact order.

EXERCISE RIDER

Rider who goes from stable to stable to exercise and work horses. Many jockeys exercise horses.

FAST TRACK

Best condition of track.

FILLY

Young female horse up to age 5.

FIRST FLIGHT

First group of horses breaking from the gate.

FLAT TRACK

Track on which thoroughbred horses race, as opposed to harness races.

FOAL

Baby horse, either male or female.

FOAL PAPERS

The Jockey Club has on file names and descriptions of each horse. These papers must be kept on file at the race track during the period that the horse is racing.

FURLONG

One-eighth of a mile (660 ft.). Race distances are measured by furlongs. Originally an English term meaning a "furrow long," downward vision so that the horse cannot see its own shadow.

GAITS OF A HORSE

The way a horse runs. Gaits are walk, trot, canter, fast canter. Track talk for canter and fast canter is "gallop" and "breeze."

GATE CARDED

When a starter at a track o.k.'s a horse as having the ability to break from the gate without endangering other horses.

GELDING

Castrated male horse.

GIMMICK BET

A track-structured bet on combinations of horses and/or races, as daily doubles, perfectas, etc.

GROOMS

Stable hands hired by the trainer. They feed and water the horses, washing them down, bandage their legs, etc. Grooms walk horses from backside to the track when a horse is to run.

HALF MILE

Four furlongs.

HAND

To measure the horse's height from the ground to the withers -- equivalent to four inches.

HANDICAP

To consider all the variables and try to select a winner of a race.

HANDICAP RACE

Race in which weights carried on horses are adjusted to equalize the horses' chances of winning.

HANDLE

Total money bet, either in terms of one day or total meet.

HARNESS RACING

Racing with standardbred horses which either trot or pace, in harness, pulling a driver riding a sulky.

HERDING

Horse forcing another to the outside of the track during the race.

HIT THE BOARD

Those horses with numbers that appear on the tote board as first, second, third, and fourth. The first three finishers affect payoffs.

HOMESTRETCH

The stretch in front of the grandstand from the final turn to the finish.

HOT WALKERS

Stable hands who cool horses down gradually by walking the horses. If this is not done, the horse may catch cold. There are electrically-powered hot walker machines, with leads extending from four to six positions. Horses are forced to walk at the pace set.

IN JAIL

After a horse is claimed, the horse cannot run for 30 days for the same claiming price unless the horse is "stepped up" to a higher price.

INTERTRACK WAGERING

Pari-mutuel wagering on intrastate simulcast horse races held at an in-state sending track by patrons at an in-state receiving track, and transmission of the wagers to the in-state sending track.

IRONS

Stirrups.

JOCKEY

Person who rides a horse in a race.

JOCKEY AGENT

(or Jockey's Agent) -- A person employed by a jockey to secure mounts for him.

JOG

Slow gait of horse.

JUVENILE STAKES

Stake race for two-year olds.

LASIX

Medication for a horse who is a "bleeder."

LIP TATTOO

Before a horse can race, it is assigned a tattoo number and this number is tattooed on its upper lip. This becomes a permanent identification for that horse.

LONGSHOT

Horse paying good odds (10 to one, or better).

MAIDEN

Horse which has never won a race. When either a male or female horse "breaks its maiden", it has won its first race.

MARE

Female five years old or older.

MORNING LINE

Early estimate of probable odds handicapped by the track handicapper. These odds are listed in the program.

MUDDER

A horse which runs well on a muddy track. "Mud marks" *, X, mean the grading as to how well a horse runs on a muddy track. A "mudlark" runs best on a muddy track.

MUTUEL FIELD

If more than 12 horses are entered in a race, betting horse #12 would include the rest of the horses in the race; i.e., #13, #14, #15, #16, etc. This can occur in a stake race when the entries exceed the standard starting gate.

MUTUEL POOL

In pari-mutuel betting, the total amount bet on any race, or on any day, or at any meeting.

NECK

Measuring distance between horses in racing.

NOMINATION

The naming of a horse for a stakes race well in advance of the race. A set fee is paid on the nomination of a horse and other fees are paid at stated intervals.

ODDS ON

In betting, when the odds are less than even.

OFF TRACK

When the track is other than fast.

OFF TRACK BETTING (OTB)

Betting done at establishments away from the track in states that allow it. If legal, it will be plugged into the computers reflecting the betting pools at the track.

OUTRIDER

Employed by track to prevent horses from acting up, running away, or getting out of control before, during, or after a race.

OVERLAY

Situation where odds on horse are bigger than they should be.

OVERNIGHTS

Sheets mimeographed by the track. They list the horses in the race for the following day.

PACER

A standardbred horse which races by moving with a lateral gait (both left legs in unison, then both right legs).

PADDOCK

Area at the track where horses are saddled.

PARI-MUTUEL

Sharing in money bet.

PARI-MUTUELS

The system of race track betting which returns to successful bettors the precise amount of money wagered by unsuccessful bettors, after deduction of commission and breakage.

PLACE

Coming in second.

PLACING JUDGE

A racing association official who, with the other placing judges, decides the placement of the horses in their order of finish in a race.

PONYING A HORSE

Taking a horse to the race track and galloping it around the track without a rider.

POOL

Money bet on race in each pool -- win/place/show.

POST POSITION

The position from which a horse starts a race -- from inside rail, which is position #1, and outward. Most starting gates have 12 positions.

POST TIME

The time a race starts.

QUINELLA

Selection of two horses that will finish first and second, in either order.

RACE MEETING

The period of days during which races are run at any specified race track.

RACING CHEMIST

An analytical chemist whose duty it is to analyze saliva, urine, and blood samples of horses which have just completed a race, (usually the winners) to insure that the samples are free from forbidden substances, such as narcotics, stimulants, etc.

RACING COMMISSION

A state-appointed body charged with the duty of regulating and supervising the conduct of racing in its jurisdiction.

RUNNERS

People employed by the track to place the patron's bet at the windows and to collect bets for that person.

SADDLE CLOTH

Cloth under the saddle with number of post position.

SCRATCHED

Eliminated from race and not running when officially entered. A horse can be scratched by the veterinarian, jockey, trainer, or owner.

SET DOWN

Jockey suspended for "given days" for specific length of time.

SHED ROW

Expression used for row of stables which house horses on backside of the track.

SHOW

Come in third.

SILKS

Jockey's shirt made of heavy, rugged nylon, easily laundered, and quick to dry. Displays the colors and patterns which are registered by the owner with the Jockey Club.

SIMULCAST HORSE RACE

Horse races conducted at a sending track, transmitted simultaneously by video signal to a receiving track.

SIRE

Father of a foal.

SPEED RATING

Comparison of one horse's time with 100 par track record and 100 par track conditions.

SPIT BOX

After a race is run, the urine of the horse is tested to determine what and how much medication may have been used. This area is called the "spit box" because in the past, horses were made to spit for this test.

SPOOK

Horses are sensitive to loud sounds and quick movements. when this happens, a horse will react or "spook."

STABLE MASCOT

Thoroughbreds, being highly emotional, nervous animals, are often placated when a smaller animal is placed in the same stall. Often a pony, dog, cat, goat, duck or even a chicken can be a friendly stallmate.

STAKES RACE

A race in which the owners of the competing horses nominate their horse for participation and pay subscriptions, entrance, and starting fees, whether money or any added prize is added or not (unless it is a private sweepstakes).

STANDARD BRED

Pedigreed horse whose ancestry must have been standard and registered for generations. "Standard" originally meant that the horse had to race up to a certain set "standard" for speed.

STARTING GATE

The gate (usually 12 positions) into which horses are loaded before the start of a race.

STEEPLECHASE

A race over actual or artificial obstacles such as fences, hedges, water jumps and the like.

STEPPED DOWN

If a horse cannot compete for a claiming price where it is running, the horse is "stepped down" to a claiming price where it can compete.

STEPPED UP

If a horse is claimed, the horse must be "stepped up" to a higher claiming price if raced within 30 days after the claim.

STEWARD

The word "steward" or "stewards" means steward of the race meeting. Usually there are three, and it is their duty to see that the race meeting is run according to the rules of racing. They are judges of all matters of fact with respect to the conduct of a race meeting, but their decisions are subject to appeal to the state racing commission.

STRETCH

Part of the track after the horse makes the last turn for home and the finish line.

STUD FEE

Sum paid to stallion owner for the use of the stallion to sire a foal.

SULKY TRACK

Track on which standardbred horses race with a sulky cart.

SUPER SIX

Gimmick bet where six winners must be picked, usually races three through eight, in order to win large amounts of money.

TACK

Any special equipment for riding and caring for a horse.

TAKE OUT

The total amount deducted from the amount bet on a race to be paid to the taxing authority and the race track.

THOROUGHBRED

A breed of race horses with lineage traceable to the 1700's and to one of three foundation sires. Each horse is registered in either the American or English Stud Book, or if not registered, its sire and dam are registered.

TIP SHEET

Professional handicappers pick horses they think will win and sell sheets at the track.

TOTE BOARD

Display board in front of grandstand area which gives information regarding races.

TOTALISATOR

A refinement of a pari-mutuel system of race track betting whereby tickets are printed as purchased and the purchase is automatically recorded at a central place, so that the approximate odds may be quickly determined at any particular time and flashed on the odds board for public view and correctly determined and flashed when the race is over.

TRACK VARIANT

In racing form, track variant is second two digits in speed rating. It is the time in relation to the track condition.

TRAINER

An individual who supervises and cares for the race horses in his charge. In most cases it is their duty to enter the horses in races which suit the horses. In most jurisdictions, the trainer is licensed by the racing commission or governing body of racing.

TRIFECTA RACE

Gimmick bet where you must choose three horses to finish one, two, and three, in exact order, to collect on your bet. Payoffs can be high.

TROTTER

A standardbred horse which races with a diagonal gait (left front and right rear leg, then right front and left rear leg).

TURF

Grass track on the inside of the main track.

VALET

Person assisting jockeys and trainers in saddling horses in paddock and who keeps equipment in order.

WALKING RING

Area where horses parade before each race and area where jockeys mount their horses.

WEANLING

A foal which is a suckling ready to be weaned (separated from its mother). A foal is usually weaned when it is approximately six months old.

WHEEL A HORSE

In betting one horse with all others in a race in most any kind of gimmick bet.

WIRE-TO-WIRE

Term used to describe a win in which the horse left the starting gate on top and finished first "under the wire."

YEARLING

A horse which is one year old. January 1 after the year of the birth of a foal is the birthday of all thoroughbred horses. On January 1 a foal becomes a yearling, and on the following January 1, it becomes a two-year-old, etc.

APPENDIX A

CHAPTER 754
SENATE BILL 917

AN ACT TO AUTHORIZE STUDIES BY THE LEGISLATIVE RESEARCH COMMISSION, TO CREATE AND CONTINUE VARIOUS COMMITTEES AND COMMISSIONS, TO MAKE APPROPRIATIONS THEREFOR, TO DIRECT VARIOUS STATE AGENCIES TO STUDY SPECIFIED ISSUES, AND TO MAKE OTHER AMENDMENTS TO THE LAW.

PART I.-----TITLE

Section 1. This act shall be known as "The Studies Act of 1991."

.....

PART II.-----LEGISLATIVE RESEARCH COMMISSION

Sec. 2.1. The Legislative Research Commission may study the topics listed below. Listed with each topic is the 1991 bill or resolution that originally proposed the issue or study and the name of the sponsor. The Commission may consider the original bill or resolution in determining the nature, scope, and aspects of the study. The topics are:

.....

- (10) Horse Racing in North Carolina, including its economic and societal impacts, the benefits to the agribusiness industry in the State, potential taxes and fees that could be collected, methods for regulation, and other related issues (H.B. 341 - James, S.B. 917 - Martin of Guilford),

.....

PART XXI.-----EFFECTIVE DATE

Sec. 21.1. This act is effective upon ratification.

In the General Assembly read three times and ratified this the 16th day of July, 1991.

GENERAL ASSEMBLY OF NORTH CAROLINA

SESSION 1991

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1

SENATE BILL 917

Short Title: Horse Racing Study.

(Public)

Sponsors: Senator Martin of Guilford.

Referred to: Appropriations.

May 13, 1991

A BILL TO BE ENTITLED

AN ACT TO CREATE THE HORSE RACING STUDY COMMISSION.

The General Assembly of North Carolina enacts:

Section 1. The Horse Racing Study Commission is created. The Commission shall consist of 12 members. Six Senators appointed by the President Pro Tempore of the Senate, and six Representatives appointed by the Speaker of the House of Representatives.

Sec. 2. The President Pro Tempore of the Senate shall designate one Senator as cochairman and the Speaker of the House of Representatives shall designate one Representative as cochairman.

Sec. 3. The Commission shall study:

- (1) The economic and societal impact of horse racing in North Carolina;
- (2) The benefits to the agribusiness industry in North Carolina of the establishment of horse racing in this State;
- (3) The taxes and fees that would be collected, for the benefit of the State and local subdivisions of the State, as a result of horse racing;
- (4) The best method for regulating horse racing in this State; and
- (5) Other issues related to horse racing in North Carolina.

Sec. 4. The Commission may submit an interim report of its findings and recommendations to the General Assembly on or before the first day of the 1992 Session of the General Assembly and shall submit a final report of its findings and recommendations to the General Assembly on or

1 before the first day of the 1993 Session of the General Assembly by filing the
2 report with the President Pro Tempore of the Senate and the Speaker of the
3 House of Representatives. Upon filing its final report, the Commission shall
4 terminate.

5 Sec. 5. The Commission, while in the discharge of official duties,
6 may exercise all the powers provided for under the provisions of G.S. 120-19
7 and G.S. 120-19.1 through G.S. 120-19.4. The Commission may meet at any
8 time upon the joint call of the cochairmen. The Commission may meet in the
9 Legislative Building or the Legislative Office Building.

10 Sec. 6. Members of the Commission shall receive subsistence and
11 travel expenses at the rates set forth in G.S. 120-3.1.

12 Sec. 7. The Commission may contract for professional, clerical, or
13 consultant services as provided by G.S. 120-32.02. The Legislative Services
14 Commission, through the Legislative Administrative Officer, shall assign
15 professional staff to assist in the work of the Commission. The House of
16 Representatives' Supervisor of Clerks or the Senate's Supervisor of Clerks shall
17 assign clerical staff to the Commission, upon the direction of the Legislative
18 Services Commission. The expenses relating to clerical employees shall be
19 borne by the Commission.

20 Sec. 8. When a vacancy occurs in the membership of the
21 Commission, the vacancy shall be filled by the same appointing officer who
22 made the initial appointment.

23 Sec. 9. All State departments and agencies and all local
24 governments and their subdivisions shall furnish the Commission with any
25 information required by the Commission that is in their possession or available
26 to them.

27 Sec. 10. There is appropriated from the General Fund to the
28 General Assembly the sum of \$100,000 for the 1991-92 fiscal year and the
29 sum of \$100,000 for the 1992-93 fiscal year for the expenses of the
30 Commission.

31 Sec. 11. This act becomes effective July 1, 1991.

APPENDIX B
HORSE RACING IN NORTH CAROLINA
MEMBERSHIP - 1991-1992

LRC Member: Sen. Frank W. Ballance, Jr.
P.O. Box 616
Warrenton, NC 27589
(919) 257-1012

Members:

President Pro Tempore's Appointment

Sen. William N. Martin, Cochair
P.O. Box 21325
Greensboro, NC 27420-1325
(919) 373-1530

Sen. George B. Daniel
P.O. Box 1210
Graham, NC 27253
(919) 226-0683

Mr. Boyd Elliott
Route 3, Box 89
Fuquay-Varina, NC 27526

Mr. Gregory E. Lee
4201 Loon Lane
Raleigh, NC

Mr. Gary Perdue
211 Wilson Point Road
New Bern, NC 28560

Sen. Aaron W. Plyler
2170 Concord Avenue
Monroe, NC 28110
(704) 289-3541

Sen. J. K. Sherron, Jr.
4208 Six Forks Road, Suite 302
Raleigh, NC 27609
(919) 781-8721

Staff:

Mr. Ken Levenbook
(919) 733-6660

Speaker's Appointments

Rep. Vernon G. James, Cochair
Route 4, Box 251
Elizabeth City, NC 27909
(919) 330-4394

Rep. Edward C. Bowen
Route 1, Box 289
Harrells, NC 28444
(919) 532-4183

Rep. Charles F. Buchanan
Route 1, Box 273
Green Mountain, NC 28740
(704) 688-3544

Rep. Herman C. Gist
442 Gorrell Street
Greensboro, NC 27406
(919) 274-0701

Rep. Foyle Hightower
Route 2, Box 2
Wadesboro, NC 28170
(704) 694-2515

Rep. Charles McLawhorn
3725 S. Memorial Drive
Greenville, NC 27834
(919) 355-4001

Rep. Coy C. Privette
306 Cottage Drive
Kannapolis, NC 28081
(704) 933-3734

Clerk:

Ms. Sondra Crutchfield
(919) 733-5707 (O)
(919) 831-9929 (H)

1 If horse racing is approved by the voters, it is in the public
2 interest to provide for the establishment of a racing commission
3 to:

- 4 (1) Regulate horse racing and pari-mutuel wagering;
- 5 (2) Promote breeding and training of horses and the
6 further development of the equine industry in this
7 state;
- 8 (3) Promote farmland enhancement, the development of
9 new crops in this state, and the enhancement of the
10 state's agribusiness industry; and
- 11 (4) To administer and enforce the provisions of this
12 Chapter.
- 13 (5) Develop a long-term plan for racing in North
14 Carolina to determine the appropriate location and
15 number of tracks to be built in this state so as to
16 position any major track and its purse structure in
17 the upper segment of good quality tracks while
18 creating a strong born, bred, and training
19 structure throughout the state.

20 "§ 16A-3. Definitions.

21 Unless the context clearly otherwise requires, the following
22 definitions apply in this Chapter:

- 23 (1) 'Breakage' means the odd cents of all money to be
24 distributed based on each dollar wagered exceeding
25 a sum equal to the next lowest multiple of 10.
- 26 (2) 'Breeder' means the owner of a female horse at the
27 time the female horse gives birth to a North
28 Carolina-bred horse.
- 29 (3) 'Breeding fund' means special funds established by
30 the Commission pursuant to the provisions of this
31 Chapter and any applicable rules of the Commission
32 concerning the breeding, raising, and racing of
33 horses in the State.
- 34 (4) 'Breeding fund fee' means a fee payable to the
35 Commission by an operator pursuant to this Chapter
36 for deposit into the appropriate horse-breeding
37 fund.
- 38 (5) 'Commission' or 'NCRC' means the North Carolina
39 Racing Commission which is vested with control of
40 all horse racing with pari-mutuel wagering in the
41 state and with power to adopt rules under which
42 racing and wagering shall be conducted.
- 43 (6) 'Handle,' when used with reference to any specified
44 period of time, means the total amount deposited in

- 1 all of the pari-mutuel pools originated by an
2 operator during the period of time.
- 3 (7) 'Horse racing' means any form of horse racing in
4 which horses carry human riders or pull sulkeys
5 with human riders.
- 6 (8) 'License' means a privilege, not a right, that is
7 granted to the holder by the Commission in
8 accordance with the provisions of Article 3 of this
9 Chapter.
- 10 (9) 'Licensed facility' or 'licensed race facility'
11 means all areas of a race track's grounds,
12 including the parking area, to which admission can
13 be obtained only by payment of an admission fee or
14 presentation of official credentials. 'Licensed
15 facility' also means any site licensed for pari-
16 mutuel wagering.
- 17 (10) 'Member' means a member of the Commission.
- 18 (11) 'Metro area' means the counties containing a metro
19 area population as defined for the purposes of
20 allocating government funds by the Federal Office
21 of Management and Budget.
- 22 (12) 'Multiple pool' means a licensed pari-mutuel pool
23 (other than a straight pool, a two entry pool, or a
24 super multiple pool) involving three or four
25 combinations of wagers to win, place, or show.
- 26 (13) 'Multiple wager' means a wager in a multiple pool.
- 27 (14) 'Net revenues' means all fees (other than breeding
28 fund fees), commissions and other monies received
29 by the Commission less all expenses incurred in the
30 administration of this Chapter.
- 31 (15) 'North Carolina-trained' is a horse which is
32 boarded and trained in North Carolina when not
33 attending racing meetings and which has been
34 trained under the rules adopted by the Commission
35 at a North Carolina Certified Training Center and
36 is eligible for special races.
- 37 (16) 'North Carolina-bred horse' means a horse which is
38 registered in the registry designated and
39 administered by the Commission in accordance with
40 the Commission's rules concerning domicile and
41 registration requirements.
- 42 (17) 'North Carolina stallion' means a stallion which is
43 standing in the State at the time he is bred to the
44 dam of a North Carolina-bred horse, which is

- 1 registered with the Commission in accordance with
2 the Commission's rules concerning domicile and
3 registration requirements.
- 4 (18) 'Operator' means a corporation licensed by the
5 Commission to conduct horse racing events and pari-
6 mutuel wagering on those events in accordance with
7 the provisions of this Chapter.
- 8 (19) 'Owner' means a corporation, partnership, or other
9 business entity licensed by the Commission to own a
10 racing facility in accordance with the provisions
11 of this Chapter.
- 12 (20) 'Pari-mutuel wagering' means the system of wagering
13 on horse races where those who wager on the horses
14 that finish in the position or positions for which
15 wagers are taken, share in the total amounts
16 wagered, less deductions required or permitted by
17 law.
- 18 (21) 'Person' means an individual, firm, association,
19 partnership, corporation, trustee, or legal
20 representative, and any licensee, participant, or
21 patron.
- 22 (21.1) 'Race facility or mobile simulcasting unit' means a
23 race facility or mobile simulcasting unit where
24 simulcasting is conducted whether or not there is
25 live racing.
- 26 (22) 'Race track' means a flat or grass surface on which
27 horses race.
- 28 (23) 'Racing day' means a day assigned by the Commission
29 on which racing is conducted.
- 30 (24) 'Racing meeting' means a series of days in which
31 horse racing days are not separated by more than
32 five nonracing days.
- 33 (25) 'Resident of the State' means any one of the
34 following:
- 35 a. A natural person whose principal
36 residence is located in the State; or
- 37 b. A natural person who does not maintain
38 his or her principal residence in the
39 State but who owns, singly or jointly
40 with his or her spouse, real property
41 located in the State that has an original
42 cost to that person or a current fair
43 market value of not less than one
44 hundred thousand dollars (\$100,000); or

- 1 c. A corporation or partnership which has
2 its principal place of business in the
3 State and more than fifty percent (50%)
4 of the stock or other ownership interest
5 in which is owned by natural persons
6 described in subparagraphs a. or b. of
7 this subdivision.
- 8 (26) 'Simulcasting' means the televised showing of a
9 live race where pari-mutuel wagering is allowed.
- 10 (27) 'Stallion owner' means the owner of a stallion
11 standing in the State at the time he was bred to
12 the dam of a North Carolina-bred horse.
- 13 (28) 'State' means the State of North Carolina.
- 14 (29) 'State Racing Commission' means any agency of the
15 state with the powers and duties specified in G.S.
16 16A-9.
- 17 (30) 'Straight pool' means a licensed pari-mutuel pool
18 in which each ticket represents a wager to win,
19 place, or show.
- 20 (31) 'Straight wager' means a wager in a straight pool.
- 21 (32) 'Super exotic pool' means a licensed pari-mutuel
22 pool (other than a straight pool, a two entry pool
23 or a multiple pool) involving a combination of five
24 or more wagers to win, place, or show.
- 25 (33) 'Super exotic wager' means a wager in a super
26 exotic pool.
- 27 (34) A 'teletheater' means an enclosed heated and air
28 conditioned licensed facility or race facility
29 where simulcasting is conducted and there is no
30 live horse racing. These may include off-site
31 wagering restaurants.
- 32 (35) 'Two entry pool' means a licensed pari-mutuel pool
33 (other than a straight pool or a multiple pool or
34 super multiple pool) involving a combination of two
35 straight wagers to win, place, or show.
- 36 (36) 'Two entry wager' means a wager in a two entry
37 pool.
- 38 (37) 'Two or more entry pools' means an entry in
39 combination with other entries which may be a
40 series of separate two entry wagers in which any
41 entry combination wins; or which may be a series of
42 combination wagers as in multiple or super exotic
43 wagers in which all of the combinations must win.

1 (38) 'Year-round' means a race facility operating at
2 least 10 months of the year at which horse racing,
3 or simulcasting, or any combination thereof, is
4 conducted with pari-mutuel wagering.
5

6 "ARTICLE 2.

7 "The Commission.

8 "§ 16A-4. Commission created.

9 (a) The North Carolina Racing Commission is established in the
10 Department of Commerce with the powers and duties specified in
11 this Chapter. Preference shall be given in making appointments
12 to persons with knowledge about the equine industry, to persons
13 with knowledge about the racing industry, and to persons with
14 appropriate judicial temperament.

15 (b) The Commission consists of five members.

16 (c) One member shall be appointed by the Governor. This
17 appointment shall be subject to confirmation by the General
18 Assembly in joint session using the procedures set forth in G.S.
19 62-10.

20 (d) Four members shall be appointed by the by the General
21 Assembly in accordance with G.S. 120-121, by means of bills that
22 shall be introduced, debated, and enacted by both the Senate and
23 the House of Representatives, two upon recommendation of the
24 President Pro-Tempore of the Senate and two upon recommendation
25 of the Speaker of the House of Representatives.

26 (e) The Governor shall designate the initial Chairman of the
27 Commission, who shall serve a two year term. After the term of
28 the initial Chairman is completed, all subsequent Chairmen shall
29 be selected by the members of the Commission from among
30 themselves and shall serve two year terms. No member shall serve
31 consecutive terms as Chairman.

32 (f) Of the members first appointed beginning with the effective
33 date of this Chapter, the member proposed by the Governor shall
34 serve for two years. One member recommended by the Speaker of
35 the House of Representatives and one member recommended by the
36 President-Pro Tempore of the Senate shall serve a term of four
37 years. One member recommended by the Speaker of the House of
38 Representatives and one member recommended by the President Pro-
39 Tempore of the Senate shall serve a term of six years. After the
40 expiration of the initial terms, appointments are for terms of
41 six years.

42 (g) A member of the Commission shall have been a resident of
43 North Carolina for at least five years before appointment and
44 shall have no financial interest in any racing facility. A

1 member of the Commission shall not have been convicted of a
2 felony or of any law or rule relating to horse racing, pari-
3 mutuel wagering, or any other form of gambling.

4 (h) An investigation into the background of each member of the
5 Commission shall be accomplished by the State Bureau of
6 Investigation, prior to the member being confirmed by the General
7 Assembly.

8 "§ 16A-5. (Reserved).

9 "§ 16A-6. Removal; vacancies.

10 In the case of a vacancy caused by the death, incapacity,
11 resignation or removal of a member appointed by the Governor, the
12 appointment by the Governor is for the remainder of that term and
13 is subject to approval by the General Assembly. Vacancies in
14 appointments by the General Assembly shall be filled in
15 accordance with G.S. 120-122. Each member of the Commission
16 shall serve until a successor is duly appointed and qualified.

17 "§ 16A-7. Actions.

18 The Commission may sue and be sued in its own name but no
19 action may be brought against the Commission or any of its
20 members for actions taken in good faith in the performance of its
21 duties. Suits and actions may be commenced against the
22 Commission or any of its members in any court of competent
23 jurisdiction in this State by the service on the Secretary of
24 State of any summons, process, or pleadings authorized by the
25 laws of this State. If any summons, process, or pleadings is
26 served upon the Secretary of State, it shall be by duplicate
27 copies. One copy shall be retained in the office of the
28 Secretary of State and the other copy shall be forwarded
29 immediately by certified mail to the Chairman of the Commission
30 at the current address of the Commission. The Executive
31 Secretary of the Commission shall inform the Secretary of State
32 of the mailing address of the Commission and any changes.

33 "§ 16A-8. Annual report.

34 (a) The Commission shall submit an annual report to the Governor
35 and the General Assembly on February 15 of each year. This
36 report shall contain information necessary for the proper
37 oversight of the Commission's operations and responsibilities,
38 including:

- 39 (1) The Commission's activities for the prior year;
- 40 (2) The Commission's organizational structure and
41 personnel;
- 42 (3) The Commission's receipts and disbursements;
- 43 (4) The Commission's recommendations for changes in the
44 laws relating to racing and pari-mutuel wagering;

- 1 (5) The impact of horse racing and pari-mutuel wagering
2 on economic development in this state, including
3 the impact on travel and tourism and agriculture;
4 and
5 (6) Multi-year projections on the future costs of
6 operating the Commission and on regulating horse
7 racing and pari-mutuel wagering in this State.
8 (7) Recommendations on adjustment of the take-out rates
9 needed to enhance the development of horse racing
10 in North Carolina.

11 (b) The General Assembly finds that off-site wagering is
12 essential to successful accomplishment of the purposes of this
13 Chapter, and to that end, it is the intent of the General
14 Assembly that any off-site wagering technology developed and used
15 in any other state in which horse racing and pari-mutuel wagering
16 have been legalized and in which horse racing is conducted shall
17 be permitted in this state. The Commission shall conduct an
18 ongoing study of the types of off-site wagering that are
19 appropriate for this state and shall include the results of that
20 study in each of its annual reports submitted to the General
21 Assembly pursuant to subsection (a) of this section. These
22 reports shall include the Commission's findings, recommendations,
23 and a summary of arguments opposing the Commission's
24 recommendations on issues related to off-site wagering including,
25 but not limited to, present and anticipated technologies and
26 appropriate take-out rates and funding allocations. The
27 Commission shall also include in the annual report any required
28 legislation to implement off-site wagering.

29 (c) The Commission shall report the extent of minority employment
30 and contracting related to enterprises associated with the
31 operations of licensed facilities over which the Commission has
32 jurisdiction or influence. The Commission shall establish a task
33 force charged with the monitoring of minority involvement and
34 charged with advising the Commission relative to enhancing
35 minority participation in the enterprises associated with the
36 operations of licensed facilities.

37 "§ 16A-9. Commission powers and duties.

38 The Commission is vested with control of all horse racing and
39 pari-mutuel wagering on horse races in the state and may adopt
40 rules under which racing and pari-mutuel wagering shall be
41 conducted and under which this Chapter shall be implemented and,
42 in addition, has the following specific powers and duties:

- 1 (1) To issue permits to build only quality racing
2 facilities that are designed to permit year-
3 round racing;
- 4 (2) To assign dates and adopt rules for the
5 conduct of horse racing;
- 6 (3) To license all racing personnel and to adopt
7 licenses as provided in this Chapter;
- 8 (4) To enforce all laws and rules governing horse
9 racing;
- 10 (5) To audit books and distribute funds; and to
11 collect and distribute all taxes as provided
12 for in this Chapter;
- 13 (6) To conduct necessary investigations and
14 inquiries and compel the submission of
15 information, documents, and records it deems
16 necessary to carry out its duties;
- 17 (7) To initiate hearings or appeals of alleged
18 wrongdoings;
- 19 (8) To provide testing facilities for racing
20 animals;
- 21 (9) To supervise the conduct of pari-mutuel
22 wagering on horse racing;
- 23 (10) To employ and supervise personnel under the
24 laws of this Chapter;
- 25 (11) To ensure that all operations are cleanly,
26 efficiently, safely, and honestly run;
- 27 (12) To take all necessary steps to ensure the
28 integrity of racing in North Carolina;
- 29 (13) To maintain the goal of service to the public
30 within the objectives of developing the
31 agribusiness, the equine, and the travel and
32 tourism industries in North Carolina.

33 "§ 16A-10. Executive Secretary.

34 (a) The Executive Secretary is in charge of executing the rules
35 adopted by the Commission and in charge of conducting the
36 business of the Commission. The Executive Secretary shall insure
37 that pertinent records and statistics are kept for use in annual
38 reports to appropriate parties and coordinate this information
39 with other pari-mutuel states in the Association of Racing
40 Commissioners, International and other organizations acceptable
41 to the Commission.

42 (b) The Executive Secretary is responsible for the licensing
43 department and the racing and pari-mutuel field personnel. The
44 Executive Secretary is responsible for hiring and supervising the

1 office force necessary to carry out the Commission's duties,
2 including the field personnel under the Commission's
3 jurisdiction. The Executive Secretary furnishes staff support to
4 the State Steward.

5 (c) The Executive Secretary shall receive a salary in an amount
6 established by the Commission plus travel and subsistence
7 allowance in accordance with G.S. 136-6.

8 (d) The Executive Secretary shall be the administrative officer
9 of the Commission and shall hire, organize, and direct any
10 personnel necessary to carry out the functions and
11 responsibilities assigned by the Commission, including a Chief of
12 Racing Security, a Medical Officer, and an Auditor/Inspector of
13 Pari-Mutuels whose duties are set forth in subsequent sections of
14 this Chapter. The Executive Secretary may neither hire or
15 dismiss the Auditor/Inspector of Pari-Mutuels without the
16 approval of the Commission. All personnel except the Executive
17 Secretary shall be subject to the provisions of the State
18 Personnel Act.

19 (e) In addition to the above listed duties the Executive
20 Secretary shall perform the following:

21 (1) Take and preserve records of all proceedings before
22 the Commission, maintain its books, documents, and
23 records, and make them available for public
24 inspection as the Commission directs;

25 (2) If so designated by the Commission, to act as a
26 hearing officer in hearings conducted under the
27 Administrative Procedure Act, to conduct hearings,
28 receive testimony and exhibits, and certify the
29 record of proceedings to the Commission;

30 (3) Act as the Commission's chief personnel officer and
31 supervise the employment, conduct, duties, and
32 discipline of all Commission employees; and

33 (4) Perform other duties as directed by the Commission.

34 "§ 16A-11. Auditor/Inspector of Pari-mutuels.

35 (a) The Executive Secretary may employ an Auditor/Inspector of
36 Pari-mutuels. The Auditor/Inspector of Pari-mutuels is
37 responsible for the accuracy of the revenues paid from the
38 facility to the Commission and for seeing that the various funds
39 flow to the appropriate categories as specified by this Chapter.
40 The Auditor/Inspector of Pari-mutuels is the Commission's
41 auditor.

42 (b) The Auditor/Inspector of Pari-mutuels shall, while employed
43 by the Commission, devote full time to the duties of the
44 position, which are:

- 1 (1) To supervise all forms of pari-mutuel wagering on
2 horse racing in the State;
- 3 (2) To inspect all pari-mutuel machinery;
- 4 (3) To make reports on pari-mutuel wagering as the
5 Commission directs;
- 6 (4) Subject to Commission approval, to appoint deputy
7 auditors to perform duties the Commission
8 designates; and
- 9 (5) To perform other duties as directed by the
10 Commission.

11 (c) If no Auditor/Inspector of Pari-mutuels is appointed, his
12 duties are assigned to the Executive Secretary. The Commission
13 may contract with outside services or personnel to assist the
14 Executive Secretary in the performance of these duties.

15 (d) In extraordinary circumstances, when the Auditor/Inspector
16 determines that the integrity or efficiency of the Commission is
17 in jeopardy, the Auditor/Inspector shall have direct access to
18 the Commission and using this direct access shall not be
19 considered "just cause" for any disciplinary action under Chapter
20 126A of the General Statutes, the State Personnel Act.

21 "§ 16A-12. Chief of racing security.

22 (a) The Executive Secretary may appoint a Chief of Racing
23 Security.

24 (b) The Chief of Racing Security shall devote full time to the
25 duties of the position while employed by the Commission. The
26 Chief of Racing Security shall enforce all laws and Commission
27 rules relating to the security and integrity of racing.

28 (c) Chief of Racing Security and all other persons designated by
29 the Commission as security officers shall have free and open
30 access to all areas of all facilities the Commission licenses and
31 may search without a search warrant any part of a licensed race
32 facility and the person of any licensee of the Commission on the
33 premises.

34 (d) The Chief of Racing Security may order a licensee to take, at
35 the licensee's expense, security measures are necessary to
36 protect the integrity of racing, but the order may be appealed to
37 the Commission.

38 (e) Nothing in this Chapter prohibits other law enforcement
39 authorities and agents from entering a premises licensed under
40 this Chapter, in the performance of their duties.

41 (f) If no Chief of Racing Security is appointed, the duties of
42 the position are assigned to the Executive Secretary. The
43 Commission may contract with outside services or personnel to

1 assist the Executive Secretary in the performance of these
2 duties.

3 (g) In extraordinary circumstances, when the Chief of Racing
4 Security determines that the integrity or efficiency of the
5 Commission is in jeopardy, the Auditor/Inspector shall have
6 direct access to the Commission and using this direct access
7 shall not be considered "just cause" for any disciplinary action
8 under Chapter 126A of the General Statutes, the State Personnel
9 Act.

10 "§ 16A-13. Medical services.

11 (a) The Executive Secretary may appoint a Medical Officer, who
12 shall be a doctor of veterinary medicine licensed in the State of
13 North Carolina.

14 (b) The Medical Officer shall, while employed by the Commission,
15 devote full time to the duties of the position, which are:

- 16 (1) To supervise the formulation, administration, and
17 evaluation of all medical tests the Commission's
18 rules require or authorize;
- 19 (2) To advise the Commission on all aspects of
20 veterinary medicine relating to its powers and
21 duties;
- 22 (3) To supervise all personnel involved in medical
23 testing, subject to the supervision of the
24 Executive Secretary;
- 25 (4) To supervise the taking of samples from winning
26 animals and others at random and to forward these
27 samples to the State Chemist for analysis (test
28 barn personnel shall assist the Medical Officer in
29 the collection of the samples.);
- 30 (5) To observe the conduct and efficiency of the
31 facility's appointed veterinarians; and
- 32 (6) To make inspections of the barn areas for
33 cleanliness and ensure that living and working
34 conditions are compatible with the standards set by
35 the Commission for both horses and personnel at
36 licensed facilities.

37 (c) If no Medical Officer is appointed, the duties of the
38 position may be assigned to the Executive Secretary.

39 (d) In extraordinary circumstances, when the Medical Officer
40 determines that the integrity or efficiency of the Commission is
41 in jeopardy, the Auditor/Inspector shall have direct access to
42 the Commission and using this direct access shall not be
43 considered "just cause" for any disciplinary action under Chapter
44 126A of the General Statutes, the State Personnel Act.

1 (e) The Commission may obtain medical services, and services for
2 testing the blood, urine, saliva, and other samples taken from
3 horses at licensed facilities, as necessary, by entering into a
4 contract with the School of Veterinary Medicine, North Carolina
5 State University.

6 "§ 16A-14. Other employees; staff.

7 (a) Subject to the applicable laws, the Commission shall employ
8 and assign duties to other officers, employees, agents, and field
9 personnel it deems necessary to discharge its functions.

10 (b) Commission personnel are subject to the same laws,
11 particularly conflict of interest, as are the members of the
12 Commission.

13 "§ 16A-15. Assistance.

14 The Commission may request assistance from any department or
15 agency of the State in fulfilling its duties and shall make
16 appropriate reimbursement for any assistance and services
17 provided by other governmental entities.

18 "§ 16A-16. Reserved.

19

20 "ARTICLE 3.

21 "Licensing.

22 "§ 16A-17. License required.

23 (a) In order to insure the integrity of horse racing in North
24 Carolina, and to provide for adequate control and supervision of
25 all persons involved with horse racing by the Commission, all
26 persons, other than admission paying patrons or other members of
27 the general public attending the horse races at licensed
28 facilities, shall be licensed by the Commission.

29 (b) No person may engage in any of the activities listed in G.S.
30 16A-20 without first having obtained the appropriate license from
31 the Commission.

32 "§ 16A-18. Drug testing.

33 The Commission may require that all licensed personnel shall
34 sign waivers allowing drug testing.

35 "§ 16A-19. Nontransferable.

36 A license issued under this Chapter may not be transferred.

37 "§ 16A-20. Classes.

38 (a) The Commission may issue five classes of licenses:

39 (1) Class A ownership licenses. For the ownership and
40 use of a race facility with horse racing on which
41 pari-mutuel wagering is conducted;

42 (2) Class B operator licenses. For the function,
43 sponsorship and management of horse racing on which
44 pari-mutuel wagering is conducted;

- 1 (3) Class C occupational licenses. For the privilege
2 of engaging in certain occupations relating to
3 horse racing; and
- 4 (4) Class D special licenses. For the privilege of
5 engaging in certain occupations, services, events,
6 and promotions that by their nature require State
7 sanction and control. This includes any special
8 events, promotions, or public service performances
9 by or for associations which by their size and/or
10 nature necessitate the approval or cooperation of
11 various other governmental agencies.
- 12 (5) Class E off-site wagering restaurant/teletheater
13 license. For the ownership and use of a facility
14 without horse racing in which pari-mutuel wagering
15 is conducted. Class E licenses are necessary only
16 when the same licensee does not own Class A or
17 Class B license. No Class E licenses may be issued
18 on or after the fifth anniversary of the effective
19 date of this Chapter unless a racing facility has
20 been built and live racing is conducted in this
21 state.

22 (b) All application forms for licenses shall contain a statement
23 to the effect that by accepting a license from the Commission, a
24 licensee consents to having his property or person subject to
25 inspection at any time by the Chief of Racing Security or by
26 security officers designated by the Commission.

27 "§ 16A-21. Policy.

28 (a) Insofar as practical, the Commission shall follow the
29 guidelines on the uniform licensing rules adopted by the
30 Association of State Racing Commissioners, International.

31 (b) It shall be the policy of the Commission to favor the
32 applications for Class A licenses from applicants which are
33 corporations with widespread ownership of stock or which are
34 limited partnerships, provided the majority of stockholders or
35 partners are residents of this State.

36 "§ 16A-22. Class A license application.

37 (a) The Commission may issue one or more Class A licenses.

38 (b) An application for a Class A license shall be on a form the
39 Commission prescribes and shall be accompanied by detailed plans
40 and specifications of the facility, buildings, fences, and other
41 improvements as well as possible future additions including
42 living quarters or other buildings around the outside perimeter
43 of the oval racing track. An application may also contain plans
44 for one or more off-site wagering facilities. An application for

1 a Class A license shall be accompanied with a non-refundable
2 application fee of one hundred thousand dollars (\$100,000).

3 (c) The application shall contain:

- 4 (1) The name and address of the applicant and, if it is
5 a corporation, the names and addresses of all
6 officers and directors, and the names of all
7 shareholders of the corporation, foreign
8 corporation, partnership or joint venture, and any
9 of its holding corporations;
- 10 (2) If required by the Commission, the names of any
11 person or persons holding directly, indirectly, or
12 beneficially an interest of any kind in the
13 applicant or any of its holding corporations,
14 whether the interest is financial, administrative,
15 policy-making, or supervisory;
- 16 (3) A statement of the assets and liabilities of the
17 applicants, and any other information that the
18 Commission deems appropriate regarding the
19 character and responsibility of the applicant and
20 the members, partners, stockholders, officers and
21 directors of the applicant;
- 22 (4) An affidavit executed by the applicant setting
23 forth that no officer, director, or other person
24 with a present or inchoate direct or indirect
25 financial or management interest in the race
26 facility, to the best of the applicant's knowledge:
- 27 a. Is in default in the payment of an obligation
28 or debt to the State under the current General
29 Statutes of North Carolina;
- 30 b. Has ever been convicted of a felony in a State
31 or federal court or has a State or federal
32 felony charge pending;
- 33 c. Is or has been connected with or engaged in
34 any illegal business;
- 35 d. Has ever been found guilty of fraud or
36 misrepresentation or a false statement in
37 connection with racing or breeding;
- 38 e. Has ever been found guilty of a violation of a
39 law or rule relating to horse racing, pari-
40 mutuel wagering or any other form of gambling
41 which is a serious violation as defined by the
42 Commission's rules;

- 1 f. Has ever knowingly violated a rule or order of
2 the Commission or a law of North Carolina
3 relating to racing; or
4 g. Is not qualified to do business in North
5 Carolina or is not subject to the jurisdiction
6 of the courts of the State.
- 7 (5) An irrevocable consent statement, to be signed by
8 the applicant, which states that suits and actions
9 relating to the subject matter of the application
10 or acts or omissions arising from it may be
11 commenced against the applicant in any court of
12 competent jurisdiction in this State by the service
13 on the Secretary of State of any summons, process,
14 or pleadings authorized by the laws of this State.
15 If any summons, process, or pleadings is served
16 upon the Secretary of State, it shall be by
17 duplicate copies. One copy shall be retained in the
18 office of the Secretary of State and the other copy
19 shall be forwarded immediately by certified mail to
20 the address of the applicant, as shown by the
21 records of the Commission; and
22 (6) Any other information which the Commission in its
23 discretion deems appropriate.
- 24 "§ 16A-23. Denial of license.
25 The Commission shall deny a license to any applicant unless it
26 finds as follows:
27 (1) That over fifty percent (50%) of the natural
28 persons having an ownership interest in the
29 applicant, either directly or indirectly, shall
30 have been residents of the State continuously for a
31 period of five years next preceding the date of the
32 application in question; and
33 (2) That the applicant's facilities will meet the
34 following minimum standards:
35 a. That the primary horse racing facility will
36 provide a track racing surface of at least one
37 mile for horse racing;
38 b. That the facilities will be designed with
39 quality construction and weather protection
40 for year-round racing and shall have
41 sufficient parking to avoid traffic
42 congestion;
43 c. That racing surfaces designed for harness
44 racing shall be at least five-eighths of a

1 mile in length, except for racing surfaces at
2 the state fair or at county fairs.

3 d. That facilities for simulcasting will be
4 appropriately heated and air conditioned for
5 the conduct of a year-round operation.

6 "§ 16A-24. License statement.

7 (a) Every license issued by the Commission shall contain a
8 statement to the effect that the license is a privilege granted
9 by the state and that all forms of racing conducted under the
10 license shall be subject to the provisions of this Chapter and to
11 the rules issued by the Commission.

12 (b) An owner's license shall state the name of the person to whom
13 the license is issued, the duration of the license, the location
14 of the proposed race facility or simulcast facility, and any
15 other conditions of the license and related information that the
16 Commission deems proper.

17 "§ 16A-25. Hearing.

18 Before granting a Class A license, the Commission shall:

19 (1) Hold at least one public hearing in the area where
20 the race facility is or will be located.

21 (2) Request comments on the application from the
22 governing body of the city or town where the
23 facility is or will be located, or from the county
24 board of commissioners if it is to be located
25 outside a city or town and from the appropriate
26 regional council of governments, as the case may
27 be.

28 "§ 16A-26. Investigation.

29 (a) Before granting a Class A license the Commission shall
30 conduct, or request that the State Bureau of Investigation
31 conduct, a comprehensive background and financial investigation
32 of the applicant and its sources of financing.

33 (b) The Commission may charge an applicant an investigation fee,
34 in an amount determined by the Commission, to cover the cost of
35 the investigation.

36 (c) If the Commission requests that the State Bureau of
37 Investigation conduct the investigation, the Commission shall
38 reimburse the State Bureau of Investigation for its share of the
39 cost of the investigation.

40 (d) The Commission shall have access to all criminal history data
41 compiled by the State Bureau of Investigation on Class A licenses
42 and applicants.

43 "§ 16A-27. License issuance.

1 (a) In the granting of licenses and allocating dates for racing,
2 the Commission shall give due consideration to:

- 3 (1) The character, reputation, experience and financial
4 integrity of the applicants;
- 5 (2) Their facilities and accommodations for the conduct
6 of racing meetings;
- 7 (3) The location of the facilities of the applicants in
8 relation to the principal centers of population in
9 the State and their relation to the other principal
10 cities of population and to the major resort areas
11 of the State;
- 12 (4) Other factors which in the discretion of the
13 Commission are worthy of consideration.

14 (b) If, after considering the information received at the hearing
15 or investigations and the comments requested under G.S. 16A-25,
16 the Commission determines:

- 17 (1) That the license will not adversely affect the
18 public health, welfare, and safety;
- 19 (2) That the race facility will be operated in
20 accordance with all applicable laws and rules;
- 21 (3) That the license will not create a competitive
22 situation that will adversely affect racing and the
23 public interest; and
- 24 (4) That the applicant is financially able to operate a
25 licensed race facility;

26 it may issue a Class A license to the applicant.

27 The license is effective until revoked or suspended by the
28 Commission or relinquished by the licensee.

29 "§ 16A-28. Prohibited locations.

30 The Commission shall issue rules on the permitted and
31 prohibited locations for all licensed facilities, including race
32 tracks, teletheater facilities, or off-track wagering facilities.

33 "§ 16A-29. Changes in ownership or management.

34 If a change in the officers, directors, shareholders, or other
35 persons with a present or inchoate direct or indirect financial
36 or management interest in the licensee, or a change of ownership
37 of more than five percent (5%) of the licensee's shares, is made
38 after the application is filed or the license issued, the
39 applicant or licensee shall notify the Commission of the changes
40 within five days of their occurrence and provide the affidavit
41 required by G.S. 16A-22(4).

42 "§ 16A-30. License suspension and revocation.

43 (a) The Commission may revoke a Class A license for a violation
44 of law, order, or rule which in the Commission's opinion

1 adversely affects the integrity of horse racing in North
2 Carolina, or for an intentional false statement made in a license
3 application, or for a willful failure to pay any money required
4 to be paid under this Chapter, or for failure to perform material
5 covenants or representations made in a license application.

6 (b) The Commission may suspend a Class A license for up to one
7 year for a violation of law, order, or rule which in the
8 Commission's opinion adversely affects the integrity of horse
9 racing in North Carolina, and it may suspend a Class A license
10 indefinitely if it determines that the licensee has an officer,
11 director, shareholder, or other person with a direct, indirect,
12 or beneficial interest in the licensee who is a person who is in
13 the Commission's opinion inimical to the integrity of horse
14 racing in North Carolina or who cannot be certified under G.S.
15 16A-22(4).

16 (c) If the holder of a Class A, B, or D license is found to have
17 more than fifty percent (50%) ownership or control by residents
18 outside of this State, then the holder shall be considered
19 inimical to the integrity and best interests of racing in North
20 Carolina and shall be subject to license suspension and
21 revocation provided the licensee has not complied by remedying
22 the situation by a reasonable procedure and within a specified
23 time allowance as ordered by the Commission.

24 (d) A license revocation or suspension under this subdivision is
25 a contested case under the North Carolina Administrative
26 Procedure Act, Chapter 150B of the General Statutes. In
27 addition, criminal penalties may be imposed as provided in
28 Article 5.

29 "§ 16A-31. Multiple licenses.

30 A licensee may be permitted to hold multiple Class A licenses
31 or Class A and Class B licenses provided the applicant is a
32 corporation or partnership with widespread ownership of the stock
33 or limited partnership interests held by North Carolina
34 residents.

35 "§ 16A-32. Work areas.

36 A Class A licensee shall provide, at no cost to the Commission,
37 suitable work areas for Commission members, officers, employees,
38 and agents who are directed by the Commission to supervise and
39 control racing at the licensed race facility.

40 "§ 16A-33. Class B License Application.

41 (a) The Commission may issue one or more Class B licenses for the
42 operation, sponsorship, and management of horse racing licensed
43 race facilities.

1 (b) The application for a Class B license shall be on a form the
2 Commission prescribes and shall be accompanied by a bond in the
3 principal amount of five hundred thousand dollars (\$500,000)
4 payable to the State of North Carolina conditioned upon the
5 licensee's payment of all fees, taxes, and other money due and
6 payable under this Chapter, including the horse owner's purses
7 and payouts on winning pari-mutuel tickets.

8 (c) The application shall contain:

- 9 (1) The name and address of the applicant and if it is
10 a corporation or association, the names of all
11 officers, directors, and shareholders, including
12 those of any of its holding companies;
13 (2) If required by the Commission, the names of any
14 person or persons holding, directly, indirectly,
15 or beneficially, an interest of any kind in the
16 applicant or of any of its holding companies,
17 whether the interest is financial, administrative,
18 policy-making, or supervisory;
19 (3) A statement of the assets and liabilities of the
20 applicant;
21 (4) An affidavit of the type described in G.S. 16A-
22 22(4); and
23 (5) An irrevocable consent statement to be signed by
24 the applicant, which states that suits and actions
25 relating to the subject matter of the application
26 or acts or omissions arising from it may be
27 commenced against the applicant in any court of
28 competent jurisdiction in this State by the service
29 on the Secretary of State of any summons, process,
30 or pleadings authorized by the laws of this State.

31 If any summons, process, or pleadings is served
32 upon the Secretary of State, it shall be by
33 duplicate copies, One copy shall be retained in the
34 office of the Secretary of State and the other copy
35 shall be forwarded immediately by certified mail to
36 the address of the applicant, as shown by the
37 records of the Commission.

38 "§ 16A-34. Hearings; investigations.

39 (a) Before granting an initial Class B license the Commission
40 shall hold at least one public hearing on the license.

41 (b) Comprehensive investigations shall be conducted and their
42 costs paid in the manner prescribed by G.S. 16A-26.

1 (c) The Commission shall have access to all criminal history data
2 compiled by the State Bureau of Investigation on Class B
3 licensees and applicants.

4 "§ 16A-35. License issuance.

5 (a) If, after considering the information received from the
6 hearing and investigations, the Commission determines that:

- 7 (1) The applicant will conduct horse racing in
8 accordance with all applicable laws and rules;
- 9 (2) That issuance of a license will not adversely
10 affect the public health, welfare, and safety;
- 11 (3) That the license will not create a competitive
12 situation that will adversely affect racing and the
13 public interest; and
- 14 (4) That the applicant is fit to sponsor and manage
15 racing, the Commission may issue a Class B license.

16 (b) The license shall be granted for a period of 20 years, but it
17 shall be reviewed annually.

18 "§ 16A-36. Renewal.

19 On making the same determination required in G.S. 16A-25, the
20 Commission may renew a Class B license without a hearing.

21 "§ 16A-37. Changes in ownership or management.

22 If a change in the officers, directors, or other persons with a
23 direct or indirect financial or management interest in the
24 licensee or a change of ownership of more than five percent (5%)
25 of the licensee's shares is made after the initial application or
26 license issuance, the applicant or licensee shall notify the
27 Commission of the changes within five days of their occurrence
28 and provide the affidavit required in G.S. 16A-22(4).

29 "§ 16A-38. License suspension and revocation.

30 (a) Suspension, revocation, and refusal to renew a Class B
31 license is as provided in G.S. 16A-30.

32 (b) A license suspension or revocation or a refusal to renew a
33 Class B license is a contested case under the North Carolina
34 Administrative Procedure Act.

35 "§ 16A-39. Authority to issue Class C occupational licenses.

36 The Commission may issue Class C occupational licenses to
37 persons who wish to be employed in horse racing where pari-mutuel
38 wagering is conducted as:

- 39 (1) Horse owners or lessees;
- 40 (2) Jockeys or drivers;
- 41 (3) Exercise workers
- 42 (4) Grooms;
- 43 (5) Trainers and their assistants;
- 44 (6) Pari-mutuel personnel;

- 1 (7) Security officers;
2 (8) Other occupations the Commission by rule determines
3 require licensing to ensure the integrity of horse
4 racing in North Carolina.

5 "§ 16A-40. License agreements.

6 The Commission may enter into agreements with comparable bodies
7 in other racing jurisdictions for the mutual recognition of
8 occupational licenses issued by each body. The Commission may, by
9 rule, provide for and may charge a fee to be determined by the
10 Commission for the registration of each license issued in another
11 jurisdiction.

12 "§ 16A-41. Application.

13 An application for a Class C license shall be on a form the
14 Commission prescribes and shall be accompanied by an affidavit of
15 qualification that the applicant:

- 16 (1) Is not in default in the payment of an obligation
17 or debt to the State;
18 (2) Has never been convicted of a felony in a state or
19 federal court and does not have a state or federal
20 felony charge pending;
21 (3) Is not and never has been connected with or engaged
22 in an illegal business;
23 (4) Has never been found guilty of fraud or
24 misrepresentation in connection with racing or
25 breeding;
26 (5) Has never been found guilty of a violation of law
27 or rule relating to horse racing, pari-mutuel
28 wagering or any other form of gambling which is a
29 serious violation as defined by the Commission's
30 rules; and
31 (6) Has never knowingly violated a rule or order of the
32 Commission or a law of North Carolina relating to
33 racing.

34 The application shall also contain an irrevocable consent
35 statement, to be signed by the applicant, which states that suits
36 and actions relating to the subject matter of the application or
37 acts or omissions arising from it may be commenced against the
38 applicant in any court of competent jurisdiction in this State by
39 the service on the Secretary of State of any summons, process, or
40 pleading authorized by the laws of this State. If any summons,
41 process, or pleading is served upon the Secretary of State, it
42 shall be by duplicate copies. One copy shall be retained in the
43 office of the Secretary of State and the other copy shall be

1 forwarded immediately by certified mail to the address of the
2 applicant, as shown by the records of the Commission.

3 "§ 16A-42. Investigations.

4 (a) The Commission shall investigate each applicant for a Class C
5 license to the extent it deems necessary and may request the
6 assistance of and may reimburse the State Bureau of Investigation
7 in investigating applicants.

8 (b) The Commission may by rule require that an applicant be
9 fingerprinted or furnish his fingerprints. Investigations shall
10 be conducted and their costs paid in the manner prescribed by
11 G.S. 16A-26.

12 (c) The Commission may cooperate with national and international
13 organizations and agencies in conducting investigations.

14 (d) The Commission may, by rule, provide for examining the
15 qualifications of an applicant for the license for which the
16 application is being made.

17 (e) The Commission shall have access to all criminal history data
18 compiled by the State Bureau of Investigation on Class C
19 applicants and licensees.

20 "§ 16A-43. License issuance and renewal.

21 (a) If the Commission determines that the applicant is qualified
22 for the occupation for which licensing is sought and issuance of
23 a license will not adversely affect the public health, welfare,
24 and safety or the integrity of racing in North Carolina, it may
25 issue a Class C license to the applicant.

26 (b) If the Commission makes a similar finding for a renewal of
27 Class C license, it may renew the license.

28 (c) Class C licenses are effective for one year.

29 "§ 16A-44. License suspension and revocation.

30 (a) The Commission may revoke a Class C license for a violation
31 of law or rule which in the Commission's opinion adversely
32 affects the integrity of horse racing in North Carolina or for an
33 intentional false statement made in a license application.

34 (b) The Commission may suspend a Class C license for up to one
35 year for a violation of law, order, or rule.

36 (c) The Commission may delegate to its designated agents the
37 authority to impose suspensions of Class C licenses, and the
38 suspension may be appealed to the Commission according to its
39 rules.

40 (d) A license revocation or suspension is a contested case under
41 the North Carolina Administrative Procedure Act.

42 "§ 16A-45. Application for Class D license.

43 (a) The Commission may issue special privilege Class D licenses
44 to Class B license holders for engaging in activities listed in

1 G.S. 16A-20(4) while operating, conducting, and managing horse
2 racing on which pari-mutuel wagering is conducted.

3 (b) An application for a Class D license shall be on a form the
4 Commission prescribes. An application for a Class D license
5 shall be accompanied by detailed plans and specifications of the
6 event, promotion, services, logistics, and other details
7 requested by the Commission.

8 "§ 16A-46. Occupational licenses.

9 (a) A person who participates in the management or conduct of
10 horse racing or pari-mutuel wagering holding a Class D license,
11 who is in an occupation listed in G.S. 16A-39, shall have a
12 Class C license from the Commission except for active members of
13 nonprofit organizations who act without compensation as
14 concession workers, pari-mutuel clerks, or grounds attendants.

15 (b) The Commission shall issue regulations and shall make
16 decisions that are designed to increase the likelihood of
17 employment for North Carolina citizens as occupational licensees
18 without harming the racing industry.

19 "§ 16A-47. Hearing.

20 Before granting an initial application for a Class D license,
21 the Commission may hold a public hearing in the county where the
22 license is to be issued, and if the race facility to be licensed
23 is within a city or town, it may also request comments on the
24 application from the governing body of the city or town.

25 "§ 16A-48. Issuance of Class D license.

26 (a) If after considering the information received at any hearing
27 or hearings and considering the comments requested under G.S.
28 16A-47, the Commission determines that the license will not
29 adversely affect the public health, welfare, and safety and that
30 the racing to be licensed will be conducted in accordance with
31 all applicable laws and rules, it may issue a Class D license to
32 the applicant.

33 (b) The license shall be valid for a period of one year or
34 less, with the term to be specified in the license.

35 "§ 16A-49. Renewal.

36 After making the determinations required in G.S. 16A-47, the
37 Commission may renew a Class D license without a hearing.

38 "§ 16A-49.1. Revocation and suspension.

39 (a) Revocation and suspension of Class D licenses, and refusals
40 to renew Class D licenses, are as provided in G.S. 16A-30.

41 (b) A license suspension or revocation or a refusal to renew a
42 Class D license is a contested case under the North Carolina
43 Administrative Procedure Act.

1 (c) Criminal penalties may also be imposed as provided in Article
2 5 of this Chapter.

3 "§ 16A-49.2. License fees.

4 (a) The fee for a Class A license is twelve thousand dollars
5 (\$12,000) payable at two thousand dollars (\$2,000) per month for
6 a period of six months from the date of issuance of the owner's
7 license to the date of the beginning of the operation of the
8 related race facility. The license fee shall be used by the
9 Commission for operating expenses prior to the beginning of
10 operation of the race facility.

11 (b) The fee for a Class B horse racing license is one hundred
12 dollars (\$100.00) for each assigned racing day on which racing is
13 actually conducted.

14 (c) Fees imposed on Class B and Class D licenses shall be paid to
15 the Commission at the time and in the manner provided by rule
16 adopted by the Commission.

17 (d) The Commission shall by adopt rules establishing an annual
18 license fee for each occupation it licenses under G.S. 16A-39
19 but no annual fee for a Class C license may exceed one hundred
20 dollars (\$100.00).

21 (e) All license fee payments received shall be paid by the
22 Commission into the Commission's State Treasurer disbursement
23 according to G.S. 16A-63.

24

25

"ARTICLE 4.

26

"Wagering/TV/Race Dates/Stewards.

27 "§ 16A-50. Authority.

28 A Class B license gives the licensee authority to conduct pari-
29 mutuel wagering on the results of races run at the licensed race
30 facility, and on other races as authorized by the Commission in
31 G.S. 16A-66.

32 "§ 16A-51. Requirements.

33 A licensee conducting pari-mutuel wagering shall provide in a
34 licensed heated and air conditioned facility:

35 (1) The necessary equipment for issuing pari-mutuel
36 tickets; and

37 (2) Mechanical or electronic equipment for displaying
38 information the Commission requires. All
39 mechanical or electronic devices shall be approved
40 by the Commission before being used.

41 "§ 16A-52. Types of wagering.

42 (a) The Commission shall by rule designate those types of pari-
43 mutuel pools which are permitted at licensed facilities, and no

1 licensee may conduct any type of pari-mutuel pool which has not
2 been so designated.

3 (b) In addition to publication required under the Administrative
4 Procedure Act, these rules shall be published by the Commission
5 in book or pamphlet form for general distribution to all
6 interested persons.

7 (c) Under the authorized pari-mutuel system of wagering, a
8 licensee shall be permitted to provide separate pools for bets to
9 win, place, and show as well as separate pools for more complex
10 wagers involving such combinations of races and combinations of
11 the outcome of races as shall be approved by the Commission.

12 (d) Each pool, less the amount the licensee is permitted to
13 retain pursuant to the provisions of this Chapter, shall be
14 distributed separately to the winners in accordance with the
15 rules of the Commission for that kind of pari-mutuel pool.

16 (e) If there is no ticket wagered on the winning horse for any
17 pari-mutuel pool, the portion of the pool which would have been
18 distributed to any winners shall be distributed to the holders of
19 tickets for that pool in accordance with the rules of the
20 Commission for that kind of pari-mutuel pool.

21 "§ 16A-53. Take-out; distribution of winnings.

22 (a) A licensee conducting pari-mutuel wagering shall deduct from
23 a straight pari-mutuel pool, before payments to holders of
24 winning tickets, an amount equal to sixteen percent (16%) of the
25 total money in that pool plus the breakage applicable to the
26 winning wagers for that pool.

27 (b) A licensee shall deduct from a two-entry pool, before
28 payments to holders of winning tickets, an amount equal to
29 seventeen percent (17%) of the total money in that pool plus the
30 breakage applicable to the winning wagers for that pool.

31 (c) A licensee shall deduct from a multiple three- or four-
32 selection pool, before payments to holders of winning tickets, an
33 amount equal to eighteen percent (18%) of the total money in that
34 pool plus the breakage applicable to the winning wagers for that
35 pool.

36 (d) A licensee shall deduct from a super exotic pool of five or
37 more selections an amount equal to nineteen percent (19%) of the
38 total money in that pool plus the breakage applicable to the
39 winning wagers for that pool.

40 (e) It is the intent of the General Assembly that the take-out
41 rates at all licensed pari-mutuel facilities, including any off-
42 site wagering facilities, be uniform throughout the State.

1 (f) The remaining money in each pool shall be distributed among
2 the holders of winning tickets in a manner the Commission by
3 rules prescribes for each type of pool.

4 "§ 16A-54. Breakage.

5 (a) Breakage shall be computed on the basis of payoffs rounded
6 down to the next lowest increment of ten cents (10"), with a
7 minimum payoff of two dollars and twenty cents (\$2.20) on a two-
8 dollar (\$2.00) ticket, except that the licensee may reduce the
9 minimum payoff to two dollars and ten cents (\$2.10) on a two-
10 dollar (\$2.00) ticket if there is not a sufficient amount in a
11 pool to make a minimum payoff of two dollars and twenty cents
12 (\$2.20).

13 (b) A licensee shall be permitted to retain all monies
14 representing the breakage provided that those funds are used for
15 special events, publicity, promotions, and projects of the
16 facility.

17 "§ 16A-55. Backstretch Fund.

18 A licensee shall annually furnish to the Commission all net
19 underpayments over net overpayments. The funds received by the
20 Commission under this section shall be used by the Commission for
21 a Backstretch Fund to provide services to jockeys and race track
22 workers who would reside at the licensed facilities including
23 dormitories, the track chaplaincy, a jockey and worker disability
24 payments, and other social and educational services.

25 "§ 16A-56. Capital improvements.

26 (a) From the amounts deducted from all pari-mutuel pools by a
27 licensee, an amount equal to one percent (1%) of all money in all
28 pools shall be set aside by the licensee and used for capital
29 improvements.

30 (b) With the permission of the Commission that amount may be
31 accumulated from year to year provided the funds are directly
32 specified to be used on a qualified project.

33 "§ 16A-57. Purses.

34 (a) From the amounts deducted from all horse racing pari-mutuel
35 pools by a licensee, an amount equal to seven percent (7%) of all
36 money in all pools shall be set aside by the licensee for horse
37 racing and used for purses for horse races conducted by the
38 licensee.

39 (b) From the amounts deducted from all pari-mutuel pools by all
40 licenses, an amount equal to one percent (1%) of all money in all
41 pools shall be set aside by the licensee for use in the North
42 Carolina horse Breeding Funds described in this Chapter.

43 "§ 16A-58. Payments to State.

1 (a) There is imposed on the total amount wagered on all pari-
2 mutuel pools on each racing day a tax of one-half of one percent
3 (1/2 of 1%) except that the State shall receive an additional
4 one-half of one percent (1/2 of 1%) of all super exotic pools
5 involving five or more selections.

6 (b) A licensee annually shall furnish to the Commission all net
7 underpayments over net overpayments.

8 (c) The licensee shall designate and pay to the Commission for
9 deposit in the respective North Carolina Horse Breeding and
10 Development Funds one percent (1%) of the total amount wagered on
11 all pari-mutuel pools on each racing day.

12 (d) The taxes imposed by this section shall be paid from the
13 amounts permitted to be withheld by a licensee under G.S. 16A-57.

14 (e) The Commission may impose an additional admissions tax of not
15 more than ten cents (10¢) per person at any licensed race
16 facility if:

17 (1) The additional tax is requested by a local unit of
18 government within whose borders the facility is
19 located;

20 (2) A public hearing is held on the request; and

21 (3) The Commission finds that the local unit of
22 government requesting the additional tax is in need
23 of its revenue to meet extraordinary expenses
24 caused by the facility.

25 "§ 16A-59. Payment.

26 (a) The licensee shall remit the tax to the Commission or its
27 representative within seven days of the day on which it was
28 collected.

29 (b) The payments shall be accompanied by a detailed statement of
30 the remittance on a form the Commission prescribes.

31 (c) The Commission may by rule provide for the direct deposit of
32 required payments in the Commission's account in a financial
33 institution within the State and for determining the time of
34 applicability of different tax rates under G.S. 16A-58.

35 "§ 16A-60. Tax exclusive.

36 The tax imposed by G.S. 16A-58 is in lieu of any tax or
37 license fee, other than the taxes on real property, imposed by a
38 political subdivision and is in lieu of any other sales or excise
39 tax imposed by the State on race facility admissions or pari
40 mutuel pools or pari-mutuel ticket sales.

41 "§ 16A-61. Reports.

42 (a) Within 100 days of the end of a racing meeting, a licensee
43 subject to the tax imposed by the payments to the Commission or
44 state, shall file with the Commission a certified statement of

1 receipts from all sources during the racing meeting and of
2 expenses and disbursements, itemized on a form the Commission
3 prescribes after consultation with the State Auditor, showing the
4 licensee's net revenues from all sources.

5 (b) The statement shall be prepared by a certified public
6 accountant in accordance with generally accepted auditing
7 standards.

8 "§ 16A-62. Breeding Funds.

9 (a) The Commission shall establish North Carolina Horse Breeding
10 and Development Funds with the respective monies from horse
11 racing paid to it under G.S. 16A-58.

12 (b) The Commission shall issue rules that shall provide that
13 after paying the current cost of administering the funds, the
14 remaining funds shall be distributed for:

- 15 (1) North Carolina Purse Enrichment;
- 16 (2) Breeders Awards;
- 17 (3) North Carolina Stallion Owner Awards;
- 18 (4) Owners Premium Awards; and
- 19 (5) Research related to racing horses.

20 (c) The Commission shall issue rules defining the requirements
21 for qualifying for payments under subsection (b) of this section
22 and for the distribution of the funds.

23 (d) The Commission may establish advisory committees to advise it
24 on the distribution of money under this section, provided that
25 the members of any advisory committee shall serve without
26 compensation.

27 "§ 16A-63. Distribution of taxes and fees collected by the
28 Commission.

29 (a) The Commission shall distribute all money received under
30 this section and all money received from license fees in the
31 following manner:

- 32 (1) All money designated for deposit in the North
33 Carolina Horse Breeding and Development Funds shall
34 be paid into those funds for distribution under
35 G.S. 16A-62.
- 36 (2) Revenue from an additional admissions tax of ten
37 cents (10¢) per person imposed under G.S. 16A-58
38 shall be paid to the local unit of government at
39 whose request it was imposed, at times and in the
40 manner the Commission, by rule, determines.
- 41 (3) All other revenues received under this Chapter by
42 the Commission, and all license fees and other
43 revenues it receives, shall be paid to the

1 Commission and shall be deposited by the State
2 Treasurer to the account of the Commission.

3 All monies remaining after (i) the payment of all expenses
4 incurred in the administration of this Chapter; and (ii) the
5 deposit into the North Carolina Horse Breeding and Development
6 Funds of all amounts required by G.S. 16A-52, shall be
7 allocated, combined by the Commission with other excess funds, or
8 paid not less frequently than once each calendar year, twenty-
9 five percent (25%) to:

- 10 (1) Agricultural research;
- 11 (2) Agriculture extension education (includes 4-
12 H);
- 13 (3) Nonracing horse breeds;
- 14 (4) North Carolina State University Veterinary
15 Teaching Hospital to be used to help develop
16 the laboratory facilities needed for drug
17 testing and drug research;
- 18 (5) Agricultural program at North Carolina A&T;
19 and
- 20 (6) Other allocations as specified by the General
21 Assembly for any fiscal year, in furtherance
22 of the purposes of this Chapter.

23 The remaining seventy-five percent (75%) and any other funds
24 not allocated to these programs will be returned to the State
25 Treasurer for deposit in the General Fund.

26 (b) If any allocation of any portion of the net revenues of the
27 Commission pursuant to any provision of this Article cannot be
28 made for any reason, then the failure of the allocation shall not
29 impair the validity or effectiveness of any part of this Chapter
30 other than the provisions specifically providing for that
31 allocation, nor shall the failure of the allocation adversely
32 affect any other allocation of net revenues under this Chapter.

33 "§ 16A-64. Policy.

34 It is expressly declared that the primary purpose this Chapter
35 is to provide a means for permitting and regulating horse racing
36 and pari-mutuel wagering, and, further, that it is not a primary
37 purpose of this Chapter to provide funds for the various
38 governmental bodies and public or private institutions and
39 organizations to which allocations or portions of the net
40 revenues of the Commission are made pursuant to this Article.
41 The allocations of any net revenues made pursuant to this Article
42 represent the legislative effort to confer incidental incentives
43 and benefits upon a spectrum of animal, agricultural, and

1 governmental activities that develop the State's tourism, equine
2 industry, and farmland usage.

3 "§ 16A-65. Prohibited acts.

4 (a) A licensee may not accept a wager from any person under the
5 age of 21 years.

6 (b) A licensee may not accept a wager of less than two dollars
7 (\$2.00) from anyone.

8 (c) No one under 21 years of age is allowed to be in the betting
9 area.

10 (d) During day hours there is no minimum age for attendance at a
11 racing facility. During night hours minors ages 12 to 17 shall
12 be accompanied by an adult, and no person under the age of 12
13 shall be permitted to attend.

14 "§ 16A-66. Televised races.

15 (a) The Commission by rule may permit a Class B licensee to
16 conduct pari-mutuel wagering on horse races run in this or other
17 states and broadcast by television on the premises of the
18 licensed racing facility.

19 (b) All provisions of law governing pari-mutuel wagering apply to
20 pari-mutuel wagering on televised races except as otherwise
21 provided in this section or in the Commission's rules.

22 (c) Pari-mutuel pools conducted on televised races may consist
23 only of money wagered on the premises and may, pursuant to rules
24 issued by the Commission, be commingled with other pools off the
25 premises.

26 (d) Proceeds from the pari-mutuel pool may be used by the
27 licensee, pursuant to rules issued by the Commission, to:

28 (1) Pay a fee to the person or entity conducting the
29 race for the privileges of conducting pari-mutuel
30 wagering on the race;

31 (2) Pay the cost of transmitting the broadcast of the
32 race; and

33 (3) Pay part of the take-out designated to enhance
34 purses to the sending facility and its to enhance
35 its purse structure.

36 (d) Pari-mutuel wagering on a televised race may be conducted on
37 a racing day other than a racing day assigned by the Commission.

38 (e) The take-out and taxes on pari-mutuel pools on televised
39 races are as provided for other pari-mutuel pools.

40 (f) All televised races under this section shall comply with the
41 Interstate Horse Racing Act of 1978 as found in the United States
42 Code, Title 15, section 3001 and the following relevant sections.

43 (g) Nothing contained in this Chapter shall be construed to
44 authorize or legalize any wagering or gambling at any location

1 other than the pari-mutuel facilities licensed by this
2 Commission.

3 "§ 16A-67. Racing dates.

4 (a) An operator's racing license issued under this Chapter shall
5 permit the holder conduct one or more race meetings each year at
6 the race facility to which the license applies.

7 (b) Racing may be conducted any six of seven afternoons or nights
8 a week throughout the year, except post or matinee starting times
9 on Sundays shall not be before 1:30 p.m. and not after 6:00 p.m.

10 "§ 16A-68. Assignment of racing days.

11 (a) The Commission shall assign racing days to each licensee
12 authorized to conduct racing with pari-mutuel wagering and a
13 licensee may conduct matinee and evening racing with pari- mutuel
14 wagering only on a racing day assigned by the Commission.

15 (b) The Commission may assign racing days for up to three years
16 beyond the year in which the assignment is made.

17 (c) The assignments of racing days in any year shall be made by
18 July 1 of the previous year, except that days may be assigned
19 after that date to a licensee whose license is issued after that
20 date.

21 "§ 16A-69. Racing days; hearing.

22 (a) A public hearing is required before the Commission may:

- 23 (1) Make an assignment of racing days;
24 (2) Revise the assignment during the year; or
25 (3) Assign racing days to a licensee whose license is
26 issued after the initial assignment.

27 (b) The Commission may without a hearing assign one additional
28 racing day to a licensee for each originally assigned racing day
29 during the same racing meeting on which racing was not conducted
30 for reasons beyond the licensee's control.

31 "§ 16A-70. Prohibited assignments.

32 (a) The Commission may not assign a license for racing days to
33 any facility not in operation at least 10 months out of the year
34 offering horse racing or simulcasting.

35 (b) The Commission may not assign a licensee for county fair
36 racing days; however, all racing facilities shall advertise to
37 their patrons county fair events and agricultural products
38 produced in the State.

39 "§ 16A-71. Rescinding of racing days.

40 The Commission may, after a public hearing, rescind one or more
41 racing days assigned to a licensee if it determines that the
42 licensee has not met or will not meet the terms of the license.
43 A rescinded day or days may be reassigned to another licensee.

44 "§ 16A-72. Stewards, powers and duties.

1 (a) All horse races run at a licensed race facility shall be
2 presided over by a board of three stewards, two of whom shall be
3 appointees of the Commission or persons approved by it, and one
4 appointed by the licensee conducting the race meeting.

5 (b) The Commission shall designate one steward as chairman.

6 (c) At least two stewards for all races shall be employees of the
7 Commission and they shall be exempt from the State Personnel Act.

8 (d) The Commission may delegate the following duties and powers
9 to a board of stewards:

- 10 (1) To ensure that races are run in accordance with the
11 Commission's rules;
- 12 (2) To supervise the conduct of racing to ensure the
13 integrity of the sport;
- 14 (3) To settle disputes arising from the running of
15 horse races, and to certify official results;
- 16 (4) To impose on licensees, for violation of law or
17 Commission rules, fines not exceeding five hundred
18 dollars (\$500.00) and license suspensions not
19 exceeding 30 days;
- 20 (5) To recommend to the Commission where penalties are
21 warranted in excess of those in subdivision (4);
- 22 (6) To otherwise enforce the laws and rules of racing;
23 and
- 24 (7) To perform other duties and have other powers
25 assigned by the Commission.

26 "§ 16A-73. Board of Stewards; appeals, hearings.

27 (a) A ruling of a board of stewards may be appealed to the
28 commission or be reviewed by it on its own initiative.

29 (b) The Commission may provide for appeals to be heard by less
30 than a quorum of the Commission.

31 (c) A hearing on a penalty imposed by a board of stewards shall
32 be granted on request.

33 (d) A Commission decision with regard to a ruling by a board of
34 stewards constitutes a final agency decision for purposes of
35 appeal under the Administrative Procedure Act.

36 "§ 16A-74. Board of stewards; procedural powers.

37 A board of stewards may administer oaths, issue subpoenas,
38 order the production of documents and other evidence, and
39 regulate the course of hearings before it, according to the
40 Commission's rules.

41 "§ 16A-75. Board of stewards; rules.

42 The Commission may adopt rules governing the qualifications,
43 appointment, approval, authority, removal, and compensation of
44 stewards.

1 "§ 16A-76. Board of stewards; costs.

2 The Commission may require that a licensee reimburse it for the
3 costs of providing a State-paid steward or stewards to supervise
4 racing at the licensee's race facility.

5 "§ 16A-77. Board of stewards; compensation.

6 The total compensation of stewards who are not employees of the
7 Commission shall be commensurate with the compensation of
8 stewards who are Commission employees.

9

10 "ARTICLE 5.

11 "Judicial.

12 "§ 16A-78. Contracts

13 (a) The Commission shall by rule require that all contracts
14 entered into by Class A, Class B, or Class D licensees for the
15 provision of goods or services, including concessions contracts,
16 be subject to Commission approval.

17 (b) The Commission may require a contract holder to submit to it
18 documents and records the Commission deems necessary to evaluate
19 the contract.

20 "§ 16A-79. Appeals.

21 Appeals from a decision of the Commission shall be made in the
22 manner prescribed by the North Carolina Administrative Procedure
23 Act.

24 "§ 16A-80. Right of inspection.

25 The Commission and its representatives have the right to
26 inspect the licensed premises of a licensee and to examine his
27 books and other records at any time without a search warrant.

28 "§ 16A-81. Civil penalties.

29 (a) The Commission shall by rule establish a graduated schedule
30 of civil penalties for violations of laws related to horse racing
31 or of the Commission's rules. The schedule shall include minimum
32 and maximum civil penalties for each violation and be based on
33 and reflect the culpability, frequency and severity of the
34 violator's actions.

35 (b) The Commission may impose a civil penalty from this schedule
36 on a licensee for a violation of rules or laws relating to horse
37 racing.

38 (c) The civil penalty is in addition to any criminal penalty
39 imposed for the same violation.

40 (d) Imposition of a fine is a contested case under the North
41 Carolina Administrative Procedure Act.

42 "§ 16A-82. Rule-making authority.

1 The Commission may, in addition to all other rule-making
2 authority granted elsewhere in the North Carolina General
3 Statutes, adopt rules governing:

- 4 (1) The conduct of horse races held at licensed race
5 facilities in North Carolina, including but not
6 limited to the rules of racing, standards of entry,
7 operation of claiming races, filing and handling of
8 objections, carrying of weights, and declaration of
9 official results;
- 10 (2) Wire communications between the premises of a
11 licensed race facility and any place outside the
12 premises;
- 13 (3) Information on horse races which is sold on the
14 premises of a licensed race facility;
- 15 (4) Liability insurance which it may require of all
16 Class A, Class B and Class D licensees;
- 17 (5) The auditing of the books and records of a licensee
18 by an auditor employed or appointed by the
19 Commission;
- 20 (6) Emergency action plans maintained by licensed race
21 facilities and their periodic review;
- 22 (7) Safety, security, and sanitation of stabling
23 facilities at licensed race facilities as well as
24 general guidelines regarding off-track stables;
- 25 (8) Entry fees and other funds received by a licensee
26 in the course of conducting racing which the
27 commission determines shall be placed in escrow
28 accounts; and
- 29 (9) Any other aspect of horse racing or pari-mutuel
30 wagering which in its opinion affects the integrity
31 of racing or the public health, welfare, or safety.

32 Rules of the Commission are subject to the North Carolina
33 Administrative Procedure Act.

34 "§ 16A-83. Illegal wagering.

35 No person may place or accept a wager on or off the premises of
36 a licensed race facility other than a wager made within a
37 licensed pari-mutuel system.

38 "§ 16A-84. Off-track wagers; bookmaking.

39 No person may, as part of an organized commercial activity,
40 place or accept a wager off the premises of a licensed race
41 facility for delivery to a licensed race facility.

42 "§ 16A-85. Transmission of racing information prohibited.

43 (a) With the exception of television or radio coverage of races
44 authorized in accordance with G.S. 16A-66, it shall be unlawful

1 for any person to transmit or communicate to another by any means
2 whatsoever the results, changing odds, track conditions, or other
3 information relating to any horse race from any race facility in
4 this State between the period of time beginning one hour prior to
5 the first race of the day and ending 30 minutes after the posting
6 of the official results of each race, as to that particular race,
7 except this period may be reduced to permit the transmitting of
8 the result of the last race each day not sooner than 15 minutes
9 after the official posting of the results.

10 (b) The Commission may by rule permit the immediate transmission
11 by radio, television (other than television or radio coverage
12 pursuant to G.S. 16A-66), or press wire of any pertinent
13 information concerning special or feature races.

14 (c) It shall be unlawful for any person to transmit by any means
15 whatsoever racing information to any other person or relay the
16 same to any other person by word of mouth, by signal, or by use
17 of telephone, telegraph, radio or any other means when the
18 information is knowingly used or intended to be used for illegal
19 gambling purposes or is used in furtherance of illegal gambling
20 purposes.

21 "§ 16A-86. Influencing races.

22 No person may influence or attempt to influence a horse race
23 by:

- 24 (1) Making threats;
25 (2) Offering anything of value to a person involved in
26 the conduct of a race in return for that person's
27 committing an illegal act or failing to perform a
28 duty; or
29 (3) Conspiring with or seeking or having an
30 understanding or agreement with a person involved
31 in the conduct of a race to commit an illegal act
32 or to fail to perform a duty.

33 "§ 16A-87. Tampering with horses.

34 No person may:

- 35 (1) On the premises of a licensed race facility, use,
36 have in his possession with intent to use, or
37 knowingly assist another person in using a battery
38 or buzzer, electrical or mechanical, or other
39 device or appliance, which can be used to affect a
40 horse's racing condition of performance, other than
41 an ordinary whip for a horse;
42 (2) Affect or attempt to affect the racing condition or
43 performance of a horse at a race or workout

1 through the use of a drug or medication in violation
2 of the Commission's rules

3 (3) Use any method, injurious or otherwise to affect a
4 horse's racing condition or performance at a race
5 or workout in violation of the Commission's rules;

6 (4) Knowingly enter or cause to be entered in a race
7 any horse under an assumed name or out of its
8 proper grade or class;

9 (5) Change the name of any horse for the purpose of
10 entry in a race after the horse has once raced
11 except as provided by the operator's rules under
12 which the contest is advertised to be run; or

13 (6) Knowingly misrepresent or fraudulently conceal the
14 public performance in any former race of any horse
15 that is proposed to be entered in a race, whether
16 the horse is actually entered or not.

17 "§ 16A-88. False time by official timer.

18 No official timer at any race shall willfully and falsely
19 announce a slower or faster time than that actually run by a
20 horse when the result of that race is to constitute a record.

21 "§ 16A-89. Determination of class.

22 The grade or class to which a horse belongs for the purpose of
23 an entry in any race shall be determined by the public
24 performance of that horse in any former race, except as provided
25 by the operator's rules under which the proposed race is
26 advertised to be run.

27 "§ 16A-90. Reporting of information.

28 A person licensed by the Commission who has information
29 regarding a violation of any provision of this Chapter shall
30 report that information promptly to the Commission or an agent of
31 the Commission.

32 "§ 16A-91. False statement.

33 No person may knowingly make a false statement in a document or
34 application required to be submitted to the Commission or in a
35 sworn statement or testimony before the Commission.

36 "§ 16A-92. Altered tickets.

37 No person may knowingly offer for payment any pari-mutuel
38 ticket which has been altered or any counterfeit or forged pari
39 mutuel ticket.

40 "§ 16A-93. Conducting race without license.

41 (a) Any person who directly or indirectly holds any horse race
42 without having procured a license as prescribed in this Chapter
43 shall be guilty of a misdemeanor.

1 (b) Any person wagering upon the results of a race conducted
2 without the proper license, except in the case of pari-mutuel
3 wagering conducted by an operator in accordance with the
4 provisions of this Chapter, shall be guilty of a misdemeanor.

5 "§ 16A-94. Misuse of license.

6 Any credential, license or permit issued by the Commission, if
7 used by the holder for a purpose other than identification and in
8 the performance of legitimate duties on a race facility, shall be
9 automatically revoked whether so used on or off a race facility.

10 "§ 16A-94.1. Class G felonies.

11 A violation of G.S. 16A-86 or G.S. 16A-87 is a Class G felony,
12 in addition to any civil penalty which may be imposed pursuant to
13 this Article.

14 "§ 16A-95. Class H felonies.

15 A violation of the prohibition contained in G.S. 16A-84 or a
16 violation of G.S. 16A-92 is a Class H felony, in addition to any
17 civil penalty which may be imposed pursuant to this Article.

18 "§ 16A-96. Class I felonies.

19 A violation of G.S. 16A-90 or G.S. 16A-91 is a Class I felony,
20 in addition to any civil penalty which may be imposed pursuant to
21 this Article.

22 "§ 16A-97. Misdemeanors.

23 A violation of any other provision of this Chapter or North
24 Carolina General Statutes relating to this Chapter, or of a rule
25 or order of the Commission for which another penalty is not
26 provided is a misdemeanor, in addition to any civil penalty which
27 may be imposed pursuant to this Chapter.

28 "§ 16A-98. Persons excluded.

29 The Commission may exclude from any and all licensed race
30 facilities in the State a person who:

- 31 (1) Has been convicted of a felony under the laws of
32 any state or the United States;
- 33 (2) Has had a license suspended, revoked, or denied by
34 the Commission or by the racing authority of any
35 other jurisdiction; or
- 36 (3) Is determined by the Commission, on the basis of
37 evidence presented to it, to be a threat to the
38 integrity of racing in North Carolina.

39 "§ 16A-99. Disqualification due to gambling activities.

40 No person who engages in the practice of professional gambling
41 on horse races, or in the practice of making gambling or wagering
42 books on races, or who knowingly takes any part in that practice,
43 shall be eligible as an applicant for any license or permit to
44 own or operate a race facility or conduct racing activities under

1 the provisions of this Chapter, or to be connected therewith in
2 any capacity; and any corporation, partnership or other entity
3 which has an officer, director, stockholder, partner or executive
4 or who employs any person who engages in those practices shall
5 likewise be ineligible as a licensee; and the Commission may
6 inquire into these matters in considering any application and
7 otherwise in administering this Chapter.

8 "§ 16A-100. Appeal; hearing.

9 An order to exclude a person from any or all licensed race
10 facilities in the State shall be made by the Commission at a
11 public hearing of which the person to be excluded shall have at
12 least 15 days' notice. If the person is present at the hearing,
13 the person shall be permitted to show cause why the person should
14 not be excluded. An appeal of the order may be made in the same
15 manner as other appeals under G.S. 16A-79.

16 "§ 16A-101. Notice to race facilities.

17 Upon issuing an order excluding a person from any or all
18 licensed race facilities, the Commission shall send a copy of the
19 order to the excluded person and to all race facilities named in
20 it along with other information as it deems necessary to permit
21 compliance with the order.

22 "§ 16A-102. Prohibitions.

23 It is a misdemeanor for a person named in an exclusion order to
24 enter, attempt to enter, or be on the premises of a race facility
25 named in the order while it is in effect, and for a person
26 licensed to conduct racing or operate a race facility knowingly
27 to permit an excluded person to enter or be on the premises.

28 "§ 16A-103. Exclusions by race facility.

29 The holder of a license to conduct racing may eject and exclude
30 from its premises any licensee or any other person who is in
31 violation of any State law or Commission rule or order or who is
32 a threat to racing integrity or the public safety. A person so
33 excluded from a race facility premises may appeal his exclusion
34 to the Commission and shall be given a public hearing on his
35 appeal if the person so requests. At the hearing the person shall
36 be given the opportunity to show cause why the person should not
37 be so excluded. If the Commission after the hearing finds that
38 the integrity of racing and the public safety do not justify the
39 exclusion, it shall order the race facility making the exclusion
40 to reinstate or readmit the person. An appeal of a Commission
41 order upholding the exclusion is governed by G.S. 16A-79.

42

43

44

"ARTICLE 6.
"Miscellaneous.

1 § 16A-104. Medication.

2 (a) The Commission shall adopt and enforce rules governing
3 medication and medical testing for horses running at licensed
4 race facilities. The rules shall provide which, if any,
5 medication may be administered to a horse within a specified
6 number of hours of a race before it runs at a licensed race
7 facility.

8 (b) The Commission shall adopt rules establishing the
9 qualifications for on- and off- premise laboratories used by it
10 as testing laboratories to enforce its rules under this section.

11 "§ 16A-105. Possession of certain drugs prohibited.

12 (a) The possession or transportation of any drug or chemical
13 except those permitted by regulations of the Commission within
14 the racing enclosure is prohibited except upon a bona fide
15 veterinarian's prescription with complete statement of uses and
16 purposes on the container.

17 (b) A copy of the prescription shall be filed with the stewards.

18 (c) The Commission may allow medical emergency exceptions.

19 "§ 16A-106. Advisory committee.

20 The Commission may establish an advisory committee to advise it
21 on medication under this section, provided that the members of an
22 advisory committee shall serve without compensation.

23 "§ 16A-107. Financial interest.

24 No person may serve on the Commission or be employed by it who
25 has an interest in any corporation, association, or partnership
26 which holds a license from the Commission or which holds a
27 contract to supply goods or services to a licensee or at a
28 licensed race facility, including concessions contracts. No
29 member or employee of the Commission may own wholly, or in part,
30 or have an interest in a horse which races at a licensed race
31 facility in North Carolina. No member or employee of the
32 Commission may have a financial interest in or be employed in a
33 profession or business which conflicts with the performance of
34 his duties as a member or employee.

35 "§ 16A-108. Wagering.

36 No member or employee of the Commission may wager or cause a
37 wager to be made on a race at a licensed race facility while
38 serving on or being employed by the Commission. No person
39 appointed or approved by the Commission as a steward may wager or
40 cause a wager to be made at a licensed race facility during a
41 racing meeting at which that person is serving as a steward. The
42 Commission shall by rule prescribe any restrictions on wagering
43 by its licensees as it deems necessary to protect the integrity
44 of racing.

1 "§ 16A-109. Violation.

2 A violation of G.S. 16A-107 or G.S. 16A-108 is grounds for
3 removal from the Commission or termination of employment. A
4 wager made directly or indirectly by a licensee in violation of a
5 rule made by the Commission under G.S. 16A-108 is grounds for
6 suspension or revocation of the license.

7 "§ 16A-110- Required races.

8 By rule the Commission may set the number of required races.
9 Each holder of a Class B license shall declare and schedule, on
10 each racing day it conducts, at least one race which: (1) Before
11 January 1, 1999, is limited to horses which are North Carolina-
12 bred, North Carolina-foaled, North Carolina-trained, or North
13 Carolina-owned, and (2) On and after January 1, 1999, is limited
14 to horses which are North Carolina-bred or North Carolina foaled
15 and which are North Carolina-trained. If there are not a
16 sufficient number of these horses entered in the declared race to
17 make up an adequate slate of entries, another race may be
18 substituted. For horses the Commission shall by rule define
19 'North Carolina-foaled,' 'North Carolina-owned,' and 'North
20 Carolina-trained.'

21 "§ 16A-111. Provisions of this Chapter control.

22 Insofar as the provisions of this Chapter may be inconsistent
23 with the provisions of any other law concerning activities and
24 actions authorized by this Chapter, including but not limited to
25 Chapters 14 and 16 of the General Statutes, the provisions of
26 this Chapter shall control, it being specifically declared that
27 any other provisions of existing law, ordinance, or regulation
28 that prohibit or regulate horse racing, admissions, gambling or
29 pari-mutuel wagering shall not be applicable to any activities or
30 actions authorized by this Chapter."

31 Sec. 2. G.S. 14-289 reads as rewritten:

32 "§ 14-289. Advertising lotteries.

33 Except in connection with a lawful raffle as provided in Part 2
34 of this Article, if anyone by writing or printing or by circular
35 or letter or in any other way, advertise or publish an account of
36 a lottery, whether within or without this State, stating how,
37 when or where the same is to be or has been drawn, or what are
38 the prizes therein or any of them, or the price of a ticket or
39 any share or interest therein, or where or how it may be
40 obtained, he shall be guilty of a misdemeanor. As used in this
41 Article, the word 'lottery' does not include pari-mutuel wagering
42 conducted in accordance with the provisions of Chapter 16A of the
43 General Statutes."

44 Sec. 3. G.S. 14-292 reads as rewritten:

1 "§ 14-292. Gambling.

2 Except as provided in Part 2 of this Article, any person or
3 organization that operates any game of chance or any person who
4 plays at or bets on any game of chance, other than pari-mutuel
5 wagering conducted in accordance with the provisions of Chapter
6 16A of the General Statutes, at which any money, property or
7 other thing of value is bet, whether the same be in stake or not,
8 shall be guilty of a misdemeanor.

9 Sec. 4. There is appropriated from the General Fund to
10 the North Carolina Racing Commission the sum of \$150,000 for
11 fiscal year 1991-92 to provide initial start-up funds for the
12 Commission. This appropriation shall be repaid to the General
13 Fund out of the proceeds collected under the provisions of this
14 Chapter.

15 Sec. 5. It is the intent of this act that the
16 Commission shall be a self-supporting agency of State government
17 located in the Department of Commerce. No appropriations, loans,
18 or other transfer of State funds shall be made to the Commission
19 except for appropriations for initial start-up costs of the
20 Commission as provided by this act. Any other appropriation,
21 loan, or transfer of State funds to any other entity for the
22 purposes of horse racing with pari-mutuel wagering is prohibited.

23 Sec. 5.1. G.S. 120-123 is amended by adding a new 25
24 subdivision to read:

25 "(52) The North Carolina Racing Commission as
26 established by G.S.16A-4."

27 Sec. 6. G.S. 147-69.2(a) is amended by adding a new
28 subdivision to read:

29 "(21) The North Carolina Racing Commission."

30 Sec. 7. If approved by the qualified voters of the
31 State of North Carolina, Sections 1 through 6 of this act shall
32 become effective on the first day of the second month following
33 the election. The question of approval of this act shall be
34 submitted to the qualified voters of the State of North Carolina
35 at an election held on November 2, 1993.

36 The referendum shall be held in accordance with the provisions of
37 Chapter 163 of the General Statutes, and the form of the ballot
38 shall be:

39 "[] FOR approval of an act establishing horse racing
40 and a State Racing Commission.

41 [] AGAINST approval of an act establishing horse
42 racing and a State Racing Commission."

43 If less than a majority of the votes are cast in favor of the
44 approval of this act, it shall have no force or effect.

1 Sec. 8. Sections 7 and 8 of this act are effective upon
2 ratification.

ANALYSIS OF PROPOSED LEGISLATION FOR HORSE RACING/PARI-MUTUEL BETTING

The following is a section by section analysis of the legislation proposed by the Horse Racing in North Carolina Legislative Research Commission Study Committee entitled:

A BILL TO BE ENTITLED AN ACT TO ESTABLISH THE NORTH CAROLINA HORSE RACING COMMISSION, AFTER A BINDING REFERENDUM, AND TO PROVIDE FUNDS FOR AGRICULTURAL RESEARCH AND DEVELOPMENT.

Note: The comments in brackets ([]) after the analysis of each section are discussions of important issues raised by the preceding section and notes from the committee counsel/draftsman.

Section 1. Creates a new Chapter in the General Statutes relating to horse racing, pari-mutuel betting, pari-mutuel taxation, and regulation.

ARTICLE 1. General Provisions and Definitions.

G.S. 16A-1. Short title.

The short title of the act is the North Carolina Racing Act.

G.S. 16A-2. Findings and policy.

This section sets forth the findings of the General Assembly in support of horse racing, pari-mutuel wagering, the creation of a Racing Commission to regulate the racing and wagering, and in support of allowing the electorate to vote on the question of developing a racing program for North Carolina at a binding referendum.

[This section makes is clear that the intent of the committee was to recommend a bill that would enhance the equine industry, the agribusiness industry, the travel and tourism industry, and to provide new jobs and economic development in North Carolina. The Committee, early on, realized that pari-mutuel wagering was necessary to provide the funding for the incentives necessary for the development of a racing program and the attendant economic development.]

G.S. 16A-3. Definitions.

Self explanatory.

[Many of the definitions contained in this section are unique to the horse racing and equine industries. The racing industry has existed for many years in many states and is a mature industry with many technical aspects, similar to other industries. The equine industry currently exists and is growing in North Carolina and is evidenced that there are an estimated 225,000 horses in North Carolina.]

ARTICLE 2. The Commission.

G.S. 16A-4. Commission created.

Creates a North Carolina Racing Commission consisting of five members, one appointed by the Governor, two by the Senate, and two by the House of Representatives. Full terms, after staggered initial terms, shall be six years. Members shall have been North Carolina residents for five years before appointment. Preference shall be given to persons who have knowledge about the racing and equine industries. All members shall undergo background investigations prior to confirmation and no one with a financial interest in any racing facility or conviction for a violation of any felony, law, or rule relating to horse racing or gambling shall be ineligible to serve on the Commission.

[The committee spent considerable time discussing the qualifications for the Commission members. Since the bill provides that the Commission regulates all aspects of horse racing and allows considerable latitude to the Commission through its rule-making powers, the Commission must be of the highest caliber for the horse racing program to succeed in North Carolina.]

G.S. 16A-5. Reserved.

G.S. 16A-6. Removal; vacancies.

Vacancies shall be filled by the person or body making the initial appointment.

G.S. 16A-7. Actions.

This section makes the Racing Commission an independent body politic that can sue and be sued in its own name.

G.S. 16A-8. Annual report.

The Commission shall issue an annual report to the Governor and General Assembly on February 15 of each year. The report shall contain the listed information including a review of the Commission's activities, structure, financial information, recommended legislative modifications, the economic impact of the racing program, projections for the future of horse racing, recommendations of adjustment of take-out rates, an ongoing study of off-site wagering, and an analysis of minority involvement in the racing industry.

[The committee carefully considered the contents of the annual report because the report serves as the major tool for oversight of the Commission by the General Assembly and by the public. Many of the technical items were included in the reporting requirements, rather than tackled by the committee, because it is intended that the Commission develop technical expertise concerning the racing and equine industries and the decisions do not have to be made during the initial implementation of a racing program.]

G.S. 16A-9. Commission powers and duties.

The Commission is invested with control of all aspects of horse racing and pari-mutuel wagering. It has the power to issue rules under which racing and pari-mutuel wagering are conducted and under which the requirements of this Chapter are implemented.

[The intent of this section is to allow the Commission to regulate anything that is directly related to horse racing and pari-mutuel wagering in this state and to place the ultimate responsibility for the efficient and honest operation of a racing program with the Commission. The final power, involving service to the public consistent with the goals of development of agribusiness, equine, and travel and tourism industries, resulted from considerable discussion by the committee.]

G.S. 16A-10. Executive secretary.

There is to be an executive secretary, appointed by the Commission, receiving an annual salary set by the Commission, and exempt from the State Personnel Act, who shall enforce all of the rules issued by the Commission, shall hire all Commission personnel, act as hearing officer under the Administrative Procedures Act, and perform other duties assigned by the Commission.

[The committee specially considered this position and its responsibilities, which was redefined to make the Executive Secretary the chief operating and administrative officer for the Commission. He was given the power to hire all personnel for the Commission including the Auditor, Chief of Racing Security, and the Medical Officer. The persons filling these three senior positions were specifically allowed direct access to the Commission, by-passing the Executive Secretary, when they felt that the integrity or efficiency of the operation of the Commission required direct contact with the policy makers.]

G.S. 16A-11. Auditor of pari-mutuels.

The Executive Secretary may employ an auditor of pari-mutuels who assures the accuracy of revenues received by the Commission and acts as the Commission's internal auditor. If no auditor of pari-mutuels is appointed, then the executive secretary performs the functions of auditor of pari-mutuels, and the Commission may contract for outside auditing services to assist the executive secretary.

G.S. 16A-12. Chief of security.

The Executive Secretary may employ a chief of racing security who enforces all laws and Commission rules relating to the security and integrity of racing. If no chief of security is appointed, then the executive secretary performs the functions of chief of security, and the Commission may contract for outside security services to assist the executive secretary.

G.S. 16A-13. Medical services.

The Executive Secretary may employ a medical officer, who must be a licensed veterinarian, and who responsible for all medical services, medical tests, random testing, and observes veterinary services at licensed facilities. The Commission may obtain veterinary medical services from any school which teaches animal health sciences in the state. If no medical officer is appointed, then the executive secretary performs the functions of medical officer. The Commission may obtain services for blood, urine, and saliva tests from the School of Veterinary Medicine at North Carolina State University.

G.S. 16A-14. Other employees; staff.

The Executive Secretary may employ and assign personnel in other positions and determine their duties. These personnel are subject to the same conflict of interest provisions as apply to the Commission members.

[This section means that the Commission shall submit an annual budget to the General Assembly, through the normal budgeting process for approval of personnel and salaries.]

G.S. 16A-15. Assistance.

The Commission may request assistance from any department or agency of state government in fulfilling its duties and shall reimburse those departments or agencies for the cost of that assistance.

G.S. 16A-16. Reserved.

ARTICLE 3. Licensing.

G.S. 16A-17. License required.

Self explanatory.

[The committee intends that anyone involved in any way with horse racing or pari-mutuel wagering, except for members of the public attending the races or patronizing any other licensed facilities, be licensed by the Commission.]

G.S. 16A-18. Drug testing.

By virtue of applying for a license, the licensee voluntarily submits to the jurisdiction of the Commission to order random drug testing.

[The committee considered the equal protection issues of requiring all licensed personnel to submit to drug testing. There is federal case law that specifically authorizes drug testing for horse racing licensees.]

G.S. 16A-19. Licenses nontransferable.

Self explanatory.

G.S. 16A-20. Classes.

Provides for five classes of licenses: Class A -- for ownership and use of a racing facility. Class B -- for operation of a racing facility which includes operation of off-site wagering locations. Class C -- for occupations in horse racing or where pari-mutuel wagering is conducted. See G.S. 16A-39 for a list covered by this class of license. Class D -- special licenses for occupations or operations requiring State sanction and control. Class E -- for operation of an off-site wagering restaurant/teletheater facility at a location where live horse racing is not conducted; this license is only required when the wagering facility is not operated by a Class A or Class B licensee. The acceptance of any license makes the licensee subject to inspection by Commission personnel to ensure compliance with the requirements of the license.

[The committee considered that the ownership and the operation of any licensed facilities might be separate and required separate licenses for these functions.]

G.S. 16A-21. Policy.

States the policy that, to the extent possible, the issuance of licenses in this state should be consistent with the standards in the licensing rules of the Association of Racing Commissioners, International. It shall be the policy of the Commission to favor widespread ownership of the racing facilities over single ownership of the racing facilities, providing that the majority of the owners are North Carolina residents.

[The committee learned that the Association of Racing Commissioners, International has created a centralized clearinghouse for information, including fingerprints, of all applicants for licenses in member jurisdictions. The intent of this clearinghouse is to expedite the issuance of licenses acceptable in multiple jurisdictions and to prevent the issuance of licenses to persons who have violated laws or rules in different jurisdictions. This attempt to exchange information is part of the effort to insure the integrity of the racing industry, nationwide.]

G.S. 16A-22. Class A license application.

Requires that any corporation or other entity seeking a license to build a racing facility in this state must be more than 50% owned by North Carolina residents. Provides for the contents of the application.

[The committee heard from Charles Dunn, the Director of the State Bureau of Investigation, that investigations of state residents and state corporations are more likely to turn up any wrongdoing by the applicants than investigations of persons and corporations from other states. Consequently, there is a rational basis for this requirement for majority ownership of facilities by state residents.]

G.S. 16A-23. Denial of license.

Provides the grounds for denying a license application which includes failure to be owned by less than 50% North Carolina residents, failure to provide for a track at least one mile in length, failure to provide for facilities for year-round racing, failure to provide facilities for year-round off-site wagering and simulcasting.

[These grounds for denial of licenses are based on failures and problems that occurred in other jurisdictions.]

G.S. 16A-24. License statement.

Provides that the license shall include a statement that the licensee is subject to the laws of the State and to the rules of the Commission and include the duration of the license, the location of the racing facility for which the license is issued, and any other conditions that the Commission is levying on the licensee.

[Requires the applicant to submit themselves to regulation by the Commission, thereby eliminating, to the extent possible, lawsuits based on the Commission's decisions, and the delays that attendant with those disputes.]

G.S. 16A-25. Hearing.

At least one public hearing shall be held before the issuance of a Class A license. The Commission must request the comments of the local governing body and from the regional council of governments of the location where the racing facility is to be built.

[This section requires that the Commission solicit local input into the license issuing process for a race track and other licensed facilities.]

G.S. 16A-26. Investigation.

Before issuing a Class A license the Commission may, or it may ask the S.B.I., to conduct an investigation into the background and financial sources of the applicant. The costs of the investigation shall be paid for by the applicant. The Commission shall have access to criminal history information compiled by the S.B.I. on Class A applicants.

G.S. 16A-27. License issuance.

Provides the standards for the issuance of licenses after the applicants are investigated. Provides that a license shall be effective until revoked or suspended by the Commission or relinquished by the licensee.

[Because this is the license for the construction of a race track or other licensed facility, which would involve considerable capital expenditures, the license does not have a stated expiration or renewal date.]

G.S. 16A-28. Prohibited locations.

The Commission shall issue rules on the location of all licensed facilities.

[This section is intended to promote efficiency of the racing program while promoting the construction of licensed facilities by insuring a return on investment. Other racing programs have suffered from the improper citing of race tracks in areas without sufficient population to support live racing and the construction of various licensed facilities close to race track which drew the live audience from the track. This is an area where the Commission will develop special expertise and will be able to conduct the demographic studies to determine where licensed facilities should be built.]

G.S. 16A-29. Changes in ownership or management.

If changes in ownership or management exceed 5% after the issuance of the license, the licensee must notify the Commission of the changes.

G.S. 16A-30. License suspension or revocation.

Provides for the grounds for license suspension or revocation and provides for the lengths of the suspensions or revocations. Provides for contested case treatment under Chapter 150B of the General Statutes.

G.S. 16A-31. Multiple licenses.

A licensee may hold multiple licenses.

G.S. 16A-32. Work areas.

A licensee must provide, at no cost to the Commission, suitable work areas for the operation of the Commission and its employees regulating the facility.

G.S. 16A-33. Application.

Provides for Class B licenses for the operation, sponsorship, and management of horse racing licensed facilities. Provides for a \$500,000 bond payable to the State of North Carolina to guarantee the payment of all fees, taxes, and other moneys due to the State and to guarantee the payments of purses and payouts. Provides for the contents of the application.

G.S. 16A-34. Hearings; investigations.

Provides for at least one public hearing before the issuance of a Class B license. Provides for access to criminal history data from the S.B.I. on Class B licensees and applicants.

G.S. 16A-35. License issuance.

Provides for issuance of licenses of 20 years duration to Class B licensees.

G.S. 16A-36. License renewal.

Provides that Class B licenses may be renewed without a further public hearing.

G.S. 16A-37. Changes in ownership or management.

If changes in ownership or management exceed 5% after the issuance of the license, the licensee must notify the Commission of the changes.

G.S. 16A-38. License suspension and revocation.

Provides for the grounds for license suspension or revocation and provides for the lengths of the suspensions or revocations. Provides for contested case treatment under Chapter 150B of the General Statutes.

G.S. 16A-39. Authority to issue Class C occupational licenses.

Provides that the Commission may issue Class C licenses to persons who are employed as: horse owners or lessees, jockeys or drivers, exercise workers, grooms, trainers or their assistants, pari-mutuel personnel, security officers, other occupations that the Commission feels require licensing.

G.S. 16A-40. License agreements.

The Commission may enter into reciprocal agreements to recognize the licenses of other racing bodies. The Commission may provide for fees to be paid for licenses issued in this state or recognized from another state.

G.S. 16A-41. Application.

Provides for the form and content of the Class C license application.

G.S. 16A-42. Investigations.

Provides for investigations, as the Commission deems necessary, before the issuance of the Class C licenses.

G.S. 16A-43. License issuance and renewal.

Provides for the issuance of the Class C licenses and for annual renewal for on premises facility personnel and for variable effective length as prescribed by rule.

G.S. 16A-44. License suspension and revocation.

Provides for the grounds for license suspension or revocation and provides for the lengths of the suspensions or revocations. Provides for contested case treatment under Chapter 150B of the General Statutes.

G.S. 16A-45. Application.

Provides for issuance of Class D special privilege licenses to Class B license holders and others for the privilege of engaging in certain occupations, services, events, and promotions that by their nature require State sanction and control. Provides that the application must be accompanied by detailed plans and specifications of the event, promotion, services, logistics, and other details as requested by the Commission.

G.S. 16A-46. Occupational licenses.

Anyone involved in a Class D operation who is subject to licensure under Class C licenses must hold a valid Class C license, except that active members of nonprofit organizations may act, without compensation, as concession workers, pari-mutuel clerks, or grounds attendants.

G.S. 16A-47. Hearing.

At least one public hearing shall be held before the issuance of a Class D license. The Commission must request the comments of the local governing body and from the regional council of governments of the location where the licensed special racing event is to be held.

G.S. 16A-48. Issuance.

Provides for the issuance of the Class D licenses and for less than one year, with a term to be specified in the license.

G.S. 16A-49. Renewal.

Provides for renewal of a Class D license without a hearing unless the Commission requires a hearing.

G.S. 16A-49.1. Revocation and suspension.

Provides for the grounds for license suspension or revocation and provides for the lengths of the suspensions or revocations. Provides for contested case treatment under

Chapter 150B of the General Statutes. In addition criminal penalties may be imposed as provided in Article 5.

G.S. 16A-50. License fees.

The fee for a Class A license is \$12,000 per year payable at the rate of \$2,000 for the period of six months after the issuance of the license. The fee for a Class B license shall be \$100.00 for each assigned day of racing. The fee for a Class C or Class D license shall be not greater than \$100.00. All license fees shall be paid into the Commission's State Treasury account for disbursement in accordance with G.S. 16A-63.

ARTICLE 4.
Wagering/TV/Race Dates/Stewards

G.S. 16A-50. Authority.

Provides that a Class B licensee may conduct pari-mutuel wagering on races at a licensed facility and may conduct pari-mutuel wagering on races televised at a licensed facility.

G.S. 16A-51. Requirements.

A Class B licensee must provide a heated/air conditioned facility with necessary equipment to issue pari-mutuel tickets and to display information required to be displayed by the Commission.

G.S. 16A-52. Types of wagering.

The Commission shall, by rule, designate the types of wagering that will be allowed. The Commission shall, by rule, designate the manner of distributing the pari-mutuel pool to the winning bettors.

G.S. 16A-53. Takeout; distribution of winnings.

The takeout, or money reserved from the pari-mutuel pool, shall be 16% from straight pari-mutuel pools; 17% from two-entry pools, 18% from multiple three or four selection pools; and 19% from super exotic pools. The balance of the funds shall be returned to winning bettors as prescribed by Commission rules.

G.S. 16A-54. Breakage.

The division of the funds in the pari-mutuel pool shall be limited to ten cent increments, with a minimum \$2.20 payoff on a \$2.00 bet. The funds remaining as a result of this breakage or rounding down, shall be placed in a fund to be used for special events, promotions, and projects of the facility including care and training of nonracing horses for guide, security, and other purposes.

G.S. 16A-55. Backstretch Fund.

The "outs" or the net underpayments over net overpayments, due to winning tickets which are not presented for payment, for various reasons, shall be deposited with the Commission for to be used for upkeep to race track dormitories and for various social,

educational, and medical programs to benefit the jockeys, grooms, and other persons who reside or work with the horses at the licensed facilities.

[The committee learned that on average, approximately three-quarters of one percent (0.75) of the take-out is not collected by holders of winning tickets. Sometimes tickets are lost, invalidated due to damage or other reasons, or kept as souvenirs at major races.]

G.S. 16A-56. Capital improvements.

From the amounts deducted from the pari-mutuel pools, 1% must be set aside by the licensee for capital improvements. This fund shall be maintained by the licensee and used in accordance with rules issued by the Commission.

G.S. 16A-57. Purses.

From the amounts deducted from the pari-mutuel pools, 7% must be set aside by the licensee for purses. From the amounts deducted from the pari-mutuel pools, 1% must be set aside for the North Carolina Breeding Funds described in the Chapter.

G.S. 16A-58. Payments to State.

There is imposed a tax of 1/2 of 1% of the total pari-mutuel pool for each racing day. In addition when the pool involves super-exotic wagers of five or more selections, there is an additional tax of 1/2 of 1% of the amounts pooled on these wagers. The 1/2 of 1% held out for the breeding funds shall be deposited with the State. These taxes are on the total amount of the pari-mutuel pool, include the percentages deducted for the authorized purposes. An admission tax of 10 cents per person may be imposed if the additional tax is requested by the local community hosting the racing facility, a public hearing is held on the request, the local community needs the revenues to meet extraordinary expenses caused by the facility.

[The committee learned that the direct benefit to the State in terms of taxes is limited. The indirect benefit to the State is based on the taxes currently imposed on activities which would be increased due to the development of the related industries, such as income taxes on persons holding newly created jobs and sales taxes on the increased sales due to the development of the related industries. It was estimated that the economic benefit upon which the taxes would be levied could be in the neighborhood of \$250,000,000 when the racing program was fully implemented.]

G.S. 16A-59. Payment.

Remittance must be made by the licensee within 7 days of collection pursuant to rules to be issued by the Commission.

G.S. 16A-60. Tax exclusive.

No other local taxes may be imposed except for real property and personal property taxes.

G.S. 16A-61. Reports.

Within 100 days after a racing meeting, the licensee must submit a report, prepared by a CPA showing the licensee's receipts and net revenues.

G.S. 16A-62. Breeding funds.

Establishes North Carolina Horse Breeding and Development Funds. Provides that the Commission shall issue rules regulating the disbursement of these funds and the qualifications for payments from these funds.

[The committee determined that the legislative appropriation of the funds might, at least when the racing program is first starting and the funds available are limited, result in disbursement of monies in amounts that might not prove efficient or effective.]

G.S. 16A-63. Distribution of proceeds.

All monies for the breeding funds shall be deposited in those funds. All monies from any local admissions tax shall be paid to the local unit of government. All other revenues shall be deposited with the Treasurer. After expenses are taken out for the operation of the Commission, 25% of any remaining funds shall be used for agricultural research, the agricultural extension service (including 4-H), nonracing horse breeds, the North Carolina State University School of Veterinary Medicine and the agricultural program at North Carolina Agricultural and Technical University, and for any other similar purposes that the General Assembly may designate. The remaining 75% shall be deposited in the General Fund. Invalidity of any one use for the funds shall not impair the remaining valid uses of the funds.

G.S. 16A-64. Policy.

The purpose of this bill is to provide a means for permitting and regulating horse racing and pari-mutuel wagering in the State and not for revenue enhancement. The allocations of net revenues is a legislative attempt to confer incidental incentives and benefits to encourage the State's tourism, horse breeding, and farmland usage.

[The purpose of this section is to avoid lawsuits, that have occurred in other jurisdictions, to compel the distribution of funds when funds were insufficient to provide grants to the named recipients. These lawsuits impeded the operation and effectiveness of the Commissions for the duration of the disputes.]

G.S. 16A-65. Prohibited acts.

No wagering by anyone under 18 years of age. During the daytime there is not minimum age for attendance at the racing facility. During the night hours minors, ages 12 to 17, must be accompanied by an adult, and no one under age 12 will be admitted.

G.S. 16A-66. Televised races.

Provides for televised races, under rules issued by the Commission and under the Interstate Horse Racing Act of 1978, at licensed racing facilities. Televised racing may be on days other than when racing is held at the facility. Wagering on televised racing may not be conducted at any facility other than a licensed facility.

G.S. 16A-67. Racing dates.

The racing license shall set forth when the races may be held. Races may be held any time on six of seven afternoons or evenings per week and when held on Sunday may only be held between 1:30 p.m. and 6:00 p.m.

G.S. 16A-68. Assignment of racing dates.

The Commission may assign racing dates up to three years into the future. All racing dates must be assigned by the July 1, preceding the racing date.

G.S. 16A-69. Hearing.

A public hearing must be held before the Commission makes the assignment of racing dates, revises the assignment during the year, or assigns dates to a new licensee. A public hearing is not necessary to assign one additional racing day for each day on which racing was not held for reasons beyond the control of the licensee.

G.S. 16A-70. Prohibited assignments.

The Commission may not assign racing days to any facility that is not operated for at least 10 months out of the year offering racing and simulcasting. The Commission may not assign a licensee for county fair racing days but those days must be advertised with advertisements for agricultural products produced in the state, at the racing facilities.

G.S. 16A-71. Rescinding.

When the Commission, after a public hearing, rescinds racing days, they may be reassigned to another licensee.

G.S. 16A-72. Board of stewards; powers and duties.

All races shall be presided over by a board of three stewards, two of whom are appointed by the Commission, and one appointed by the licensee. At least two stewards for all races shall be employees of the Commission. The Commission shall designate one steward as chairman. The board of stewards shall insure that the races are conducted according to Commission rules, supervise the racing, settle disputes, impose fines of up to \$500.00 for violations of the rules, recommend more severe penalties be imposed by the Commission, enforce all rules and laws of racing, perform other functions at the direction of the Commission.

G.S. 16A-73. Board of stewards; appeals and hearings.

All appeals from decisions of the Board of Stewards shall be to the Commission. A Commission decision is a final agency decision for purposes of the Administrative Procedure Act.

G.S. 16A-74. Board of stewards; procedural powers.

A board of stewards has the designated powers.

G.S. 16A-75. Rules.

The Commission may issue rules regulating the board of stewards.

G.S. 16A-76. Costs.

The Commission may require the licensee to reimburse it for the costs of providing the board of stewards.

G.S. 16A-77. Compensation.

Compensation for stewards who are not employees of the Commission must be commensurate with compensation paid to Commission employees.

ARTICLE 5.
Judicial.

G.S. 16A-78. Contracts.

The Commission shall require that all contracts entered into by a Class A, Class B, or Class D licensee for provisions of goods and services be subject to Commission approval. The Commission may require necessary information to review the contract.

G.S. 16A-79. Appeals.

Appeals from a decision of the Commission shall be pursuant to the Administrative Procedure Act.

G.S. 16A-80. Right of inspection.

The Commission or its representatives have the right to inspect the licensed premises at any time without search warrant.

G.S. 16A-81. Fines.

The Commission shall establish a graduated schedule of civil fines for violations of laws related to horse racing or Commission rules. These fines are in addition to any criminal penalties for violating laws governing horse racing.

G.S. 16A-82. Rule-making authority.

Lists the additional rule-making authority of the Commission.

G.S. 16A-83. Illegal wagering.

Makes a separate crime to place or accept a wager other than as prescribed in the Chapter.

G.S. 16A-84. Off-track wagers.

Makes it a crime to accept wagers at other than licensed premises for delivery at licensed premises.

G.S. 16A-85. Transmission of racing information prohibited.

Makes it a crime to transmit information that could be used for off track wagering, illegal gambling purposes, or for furthering illegal gambling purposes for the period of one hour before the first race to 30 minutes after the posting of the official results of a race. This period may be reduced to 15 minutes after the final race of the day. The Commission may issue rules allowing the transmission of information about special or feature races.

G.S. 16A-86. Influencing races.

Makes it a crime to influence or attempt to influence a race by threats, bribery, of conspiracy.

G.S. 16A-87. Tampering with horses.

Makes it a crime to tamper with a horse.

G.S. 16A-88. False time by official timer.

Makes it a crime for an official timer to announce a slower or faster time to constitute a false record for the horse.

G.S. 16A-89. Determination of class.

A horse shall be handicapped based on its prior performance.

G.S. 16A-90. Reporting of information.

Any licensee who has information on a violation must report it to the Commission promptly.

G.S. 16A-91. False statement.

No person may knowingly make a false statement when required by the Commission.

G.S. 16A-92. Altered tickets.

No person may knowingly pay off on a false pari-mutuel ticket.

G.S. 16A-93. Conducting race without license.

A person who conducts a race without a valid license is guilty of a misdemeanor.

G.S. 16A-94. Misuse of license.

Misuse of any license or credential issued by the Commission shall result in its immediate revocation.

G.S. 16A-94.1. Class G. Felonies.

Influencing races or tampering with horses are Class G felonies.

G.S. 16A-95. Class H. Felonies.

Placing or accepting off-track wagers and altering tickets are Class H felonies.

G.S. 16A-96. Class I. Felonies.

Failure to report information on violations and providing a false statement to the Commission are Class I felonies.

G.S. 16A-97. Misdemeanors.

All other violations are misdemeanors.

G.S. 16A-98. Persons excluded.

The Commission, by rule may exclude from all licensed facilities, persons who have been convicted of felonies, has had any Commission license suspended, revoked, or denied by any racing commission, or is determined by the Commission to be a threat to the integrity of racing in North Carolina.

G.S. 16A-99. Disqualification due to gambling activities.

No licenses shall be issued to professional gamblers.

G.S. 16A-100. Appeal; hearing.

A public hearing, with 15 days notice, must be held before a person may be excluded from the licensed facilities. Appeals shall be as contested cases under the Administrative Procedure Act.

G.S. 16A-101. Notice to race facilities.

After excluding a person, notice shall be send to all racing facilities.

G.S. 16A-102. Prohibitions.

It is a misdemeanor for a person named in an exclusion order to be present at or admitted to a licensed facility.

G.S. 16A-103. Exclusions by race facility.

The licensee may eject or exclude any person who is in violation of any State law or Commission rule. Appeals shall be to the Commission.

ARTICLE 6. Miscellaneous.

G.S. 16A-104. Medication.

The Commission shall issue rules governing medication and medical testing for horses.

G.S. 16A-105. Possession of certain drugs prohibited.

Possession of drugs banned by the Commission, except for bona fide purposes, is a prohibited.

G.S. 16A-106. Advisory committee.

The Commission may establish an advisory committee about medication.

G.S. 16A-107. Financial interest.

No person may serve on the Commission or be employed by it who has a direct or indirect financial interest in licensees.

G.S. 16A-108. Wagering.

No person may serve on the Commission, be employed by the Commission, or serve as a steward and wager or cause to be wagered any amount on a race at a licensed facility.

G.S. 16A-109. Violation.

Violation of financial interest or wagering provisions is grounds for removal or termination.

G.S. 16A-110. Required races.

The Commission may issue rules setting at least one race per day for North Carolina horses.

G.S. 16A-111. Provisions of this Chapter control.

In case of any conflict with general laws, the provisions of this Chapter control.

Section 2. Amends G.S. 14-289 to allow advertising of horse racing and pari-mutuel wagering.

Section 3. Amends G.S. 14-292 to permit pari-mutuel wagering.

Section 4. Appropriates \$150,000 for start-up expenses.

Section 5. Provides that the Commission is to be self-supporting in the Department of Commerce and no other appropriations, other than the start-up funds, is to be forth-coming.

Section 5.1. Provides for a new fund in the treasury.

Section 6. Allows the State Treasurer to manage this new fund.

Section 7. Provides for alcoholic beverage permits to be issued to the licensed facilities.

Section 8. Provides for the binding referendum on November 2, 1993.

Section 9. Makes the provision of the act relating to the referendum effective upon ratification and makes the remainder of the act effective on January 1, 1994.



LACY H. THORNBURG
ATTORNEY GENERAL

NORTH CAROLINA
STATE BUREAU OF INVESTIGATION
DEPARTMENT OF JUSTICE

3320 GARNER ROAD
P.O. BOX 29500
RALEIGH, N.C. 27626-0500
(919) 662-4500
FAX (919) 662-4521



CHARLES J. DUNN
DIRECTOR

November 30, 1992

The Honorable William Martin
North Carolina Senate
Legislative Office Building, Room 628
Raleigh, North Carolina 27603-5925

Dear Senator Martin:

This letter is in response to a conversation with Ken Levanbook, Counsel to the Horse Racing Study Committee, and is a summary of remarks made before your committee on October 19, 1992. At that time I made the following suggestions to minimize crime potentials:

1). Legalization of horse racing and betting should be accompanied by strong regulatory controls.

- * Responsibilities for regulation and law enforcement should be separated and not within the same agency.
- * Applicants for licenses should deposit sufficient funds to pay for thorough background investigations by the law enforcement agency.
- * Special attention should be given to foreign corporations. This has presented problems in doing background investigations in some states.

2). Organized crime may also be interested in facilities and ancillary services such as liquor sales. Laws may need to be strengthened and certainly enforced in these areas.

- * The agency responsible for law enforcement should be prepared and equipped to deal with such areas as money laundering, tax evasion, loan sharking, labor racketeering, extortion, hidden interest investments, anti-trust violations, etc.

The Honorable William Martin
Page 2
November 30, 1992

3). North Carolina laws to deal with some of the potential problems are relatively weak and should be redone.

- * Gambling laws in North Carolina are totally out-of-date and need to be redone. There are no felonies. Sports betting and lotteries certainly need to be addressed if horse racing and betting come to the State.


Bookmaking, though illegal, is already big business in North Carolina. Even legalizing it for racing would remove it from the streets. In fact, the higher the State take at the tracks, the more illegal bookmaking on the streets.

- * Anti-corruption laws are weak in North Carolina. We proposed laws to give the SBI authority to investigate crimes involving bribery and misconduct in office and to authorize a grand jury to investigate bribery and corruption of public officers and employees and bid rigging.
- * Animal abuse laws are virtually ineffective. Stronger penalties are needed for chicken fighting and dog fighting and will be needed to prevent abuse of race horses.

As requested by Mr. Levanbook, I am attaching a copy of the Florida law on horse racing. I also have drafts of earlier legislative proposals on corruption and gambling, if your committee has need of them.

Best wishes for the Holiday Season!

Sincerely,


CHARLES DUNN
DIRECTOR

CD/jt

D - 2

cc: Ken Levanbook



LACY H. THORNBURG
ATTORNEY GENERAL

NORTH CAROLINA
STATE BUREAU OF INVESTIGATION
DEPARTMENT OF JUSTICE

3320 GARNER ROAD
P.O. BOX 29500
RALEIGH, N.C. 27626-0500
(919) 662-4500
FAX (919) 662-4521



CHARLES J. DUNN
DIRECTOR

December 28, 1992

The Honorable William Martin
North Carolina Senate
Legislative Office Building, Room 628
Raleigh, North Carolina 27603-5925

Re: Draft of Gambling Law

Dear Senator Martin:

Following up on our conversation on a realistic gambling law, I am sending a 1989 Memorandum from Agent Giles Berrier on what needs to be in a felony gambling statute. Agent Berrier, our in-house "expert" on gambling, was responding to a proposal from Associate Attorney General David Hoke, also attached.

If your Committee determines a need for such a statute, Associate Attorney General Hoke would be a valuable resource. Again, I feel a new statute is needed.

Sincerely,

CHARLES DUNN
DIRECTOR

CD/p

Attachments

cc: Associate Attorney General David Hoke
Mr. Ken Levanbook

**BUREAU OF INVESTIGATION
NORTH CAROLINA DEPARTMENT OF JUSTICE
RALEIGH**

Intra-Bureau Correspondence

To: Deputy Director Charles Dunn

Date: April 4, 1989

From: SSC J.G. Berrier

File No.:

Subject: Proposed Felony Gambling Legislation

In Reply To:

This Memorandum has been prepared in response to Deputy Director Dunn's written request of March 27, 1989 to review a draft of proposed legislation to create a felony gambling statute under North Carolina state law:

(1) It is regrettable that the entire Article 37 of Chapter 14 of the North Carolina Statutes (which regulates gambling) can not be completely revised to modernize its terminology and to establish a range of misdemeanor-to-felony violations with punishments matched according to the severity of the violation. Recognizing, however, the reluctance of some legislators to grant any increased penalties for the offense of gambling, it is encouraging to find that even this one proposed statutory addition is being made to help deter illegal gambling.

(2) S/A Berrier's initial reaction to the proposed statute is its broad "generality" in use of terms, a characteristic which will probably be opposed by defense lawyers in the legislature as just too plain "vague." Example: "A professional gambler is a person or organization that PURSUES unlawful gambling." This proposed statute does not provide a legal definition of Gambling and Pursue. The definition of gambling is very adequately defined in the present General Statute 14-292 as a "game of chance at which money, property, or other thing of value is bet" Does "Pursue" include both the bettor and the operator of the illegal gambling activity? Is the designation of Professional Gambler not so broad that it would include the person who invites several friends into his home for an evening of nickel and dime poker, or a several police officers playing for no higher stakes while they pass monotonous hours in a motel room surveillance?

*Mr. Dunn,
I believe Giles
definition and proposed
punishments would be
better reserved and be
more useful to investigators,
Chastin
4-11-89*

(3) It is S/A Berrier's belief that a statute which attempts to establish a penalty which carries up to ten-years imprisonment and which attempts to regulate a category of human misbehavior, like gambling, which is not universally condemned by the public, should be carefully worded to differentiate between relatively minor violations and their more serious cousins. Within the arena of the almost universally condemned, felonious drug violations, such an approach was taken in establishing the Trafficking Laws. Violators who are found in possession of greater quantities of illegal drugs are differentiated from lesser violators by subjecting the larger violator to greatly increased levels of punishment. Thus, the drug dealer who SELLS 500 methaqualone tablets is guilty of a Class H Felony and can be sentenced to a maximum of ten years in prison; but, if a person is merely found in POSSESSION of one thousand of the same tablets, he is subjected to the elevated penalties of TRAFFICKING which exposes him to a maximum of fifteen years in prison AND not less than a \$25,000 fine.

(4) The same principle should be applied under State law to define the category of people for whom the designation "Professional Gambler" is appropriate. The Federal gambling statute uses four criteria to determine if a particular activity meets its minimum requirements for indictment: (A) The number of people involved together (A minimum of five are required). (B) The nature of the roles played by the violators (Mere bettors can not be counted; only those who receive a salary or commission for "conducting" some aspect of the gambling operation, no matter how menial their job). (C) The monetary volume of bets accepted within a one-week period (A minimum of at least one thousand dollars, gross). (D) The duration of the operation (At least thirty-days continuous). It is not suggested that a State gambling statute be as discriminating in the elements of its offenses as the Federal statute. As selective as the Federal statute is, it carries a maximum penalty of only five years imprisonment and/or a \$10,000 fine.

(5) It is S/A Berrier's opinion that a State statute, which attempts to establish a felony gambling violation should employ language like:

Professional Gambling is defined as conducting, promoting, or operating ANY GAME of CHANCE, which is not specifically exempted under North Carolina statutes, and at which money, property, or other thing or service with a retail market value of at least \$500 is at stake. Whoever engages in Professional Gambling, or knowingly causes, aids, abets, or conspires with another to engage

in Professional Gambling in which the property or service at stake is valued between \$500 and \$1,000 shall be guilty of a Class J Felony (punishable by up to three years imprisonment and/or a fine).

If the value of the property or service at stake is between \$1,000 and \$5,000, the offense shall become a Class I Felony (punishable by up to five years imprisonment and/or a fine).

If the value of the property or service at stake exceeds \$5,000, the offense shall become a Class H Felony (punishable by up to ten years imprisonment and/or a fine).

A subsequent conviction for violation of the same specific offense under this statute shall elevate the the punitive exposure to the next highest Felony Classification.

Since the basic definition of gambling involves a game of chance at which something of value is a stake, the above suggested statute eliminates the need for cluttering the wording with all the various schemes and devices (e.g., bookmaking, numbers, slot machines, electronic gaming devices, etc.) through which gambling may be accomplished.

The punishment escalation clause for subsequent convictions of the same offense would serve as a deterrent to those (like a neighborhood numbers writer) who would intentionally tailor their volume of business (or at least their seizable records) to a level which they felt they could tolerate the punishment of the court for repeat offenses.

The above proposed statute makes no distinction among violators on the basis of their roles as bettor or operator-conductor, as does the Federal gambling law. The distinction between the misdemeanor and the felony gambling violator is made on the sheer basis of the size of their wagers. After all, it is the pursuit of higher stakes that motivates many to become involved in gambling as more than just a recreational past-time, i.e., as a professional gambler. The Federal gambling statute, ignores the role of the bettor, even though the gambling operator could not operate without the existence of bettors.

Also contrasted to the Federal Statute, the above proposed statute does not require a minimum number of people to be involved together before the offense of gambling can be proved. Many "high stakes" poker, gin, "ball tickets" and other gambling games are operated on a regular basis by ONE or MORE INDIVIDUALS from private residences or right out of an automobile.

It is S/A Berrier's belief that a felony State gambling statute should be as uncomplicated as possible, without being so vague that it would be meaningless. By remaining uncomplicated, it is more likely to be used by local law enforcement to deal with the problem of gambling at its "grass roots" level. By having a range of felony sanctions available, judges, who are so inclined, would have better options to match the punishment to the level of the offense.



LACY H. THORNBURG
ATTORNEY GENERAL

NORTH CAROLINA
STATE BUREAU OF INVESTIGATION
DEPARTMENT OF JUSTICE

3320 OLD GARNER RD.
P.O. BOX 29500
RALEIGH 27626-0500
(919) 779-1400



ROBERT MORGAN
DIRECTOR

March 27, 1989

MEMORANDUM

TO: ✓ Special Services Coordinator J. E. Berrier

FROM: Deputy Director Charles Dunn

SUBJECT: Draft of Legislation to Provide Penalties for Professional Gambling

Attached is a draft of legislation to provide penalties for professional gambling in the State. It was prepared by David Hoke in the Attorney General's Office at the request of a member of the General Assembly.

I would appreciate having your thoughts on the proposed legislation either in writing or over the telephone.

CD/dj

Attachment

AN ACT TO PROVIDE FOR AND PENALIZE PROFESSIONAL GAMBLING

The General Assembly of North Carolina enacts:

Section 1. G.S. §14-292.2 is enacted to read as follows:

§14-292.2. Professional Gambling.

A "professional gambler" is a person or organization that pursues the business or practice of unlawful gambling by the use of cards, dice, or other gambling device with the purpose of thereby winning money or other property, or who conducts, either as owner or employee, a place for gambling. Without limiting the generality of this definition, the following shall be included: book making; sports betting; maintaining slot machines, roulette wheels, or gaming tables, in any place; conducting lotteries or selling chances therein; operating pyramid schemes; and operating illegal bingo games. Whoever engages in professional gambling, or knowingly causes, aids, abets or conspires with another to engage in professional gambling shall be guilty of a Class H felony.

Section 2. This act shall become effective upon ratification.

In the General Assembly read three times and ratified this the
_____ day of _____, 1989.