



REPORT ON THE STATUS OF PARI-MUTUEL RACING IN THE STATE OF COLORADO

**COLORADO DIVISION OF RACING EVENTS
COLORADO RACING COMMISSION**



**SUBMITTED JANUARY 2012 TO:
THE SENATE AGRICULTURE AND NATURAL RESOURCES
COMMITTEE
THE HOUSE AGRICULTURE, LIVESTOCK AND NATURAL
RESOURCES COMMITTEE**

Pursuant to Section 12-60-202(4)(a), which reads, “On or before January 15, 2010; January 15, 2011; and January 15, 2012; the Director, in consultation with the Commission, shall prepare and deliver to the Senate Agriculture and Natural Resources Committee and the House Agriculture, Livestock, and Natural Resources Committee, or their successor committees, a report on the status of the pari-mutuel industry following passage of Senate Bill 09-174, enacted in 2009, and including, in particular, information on the financial status of horse and greyhound racing.” In response to this statutory mandate, it is my intention to provide an informational overview of the pari-mutuel racing industry and detailed information on the racing industry since the enactment of Senate Bill 09-174 on the pari-mutuel industry in Colorado.

Agency Purpose

MISSION STATEMENT

TO PROMOTE AND FOSTER PUBLIC CONFIDENCE IN THE PARI-MUTUEL INDUSTRY, PROTECT THE WELFARE OF THE PARTICIPANTS THROUGH FAIR, CONSISTENT, PROACTIVE ENFORCEMENT OF APPROPRIATE POLICIES, STATUTES AND COLORADO RACING COMMISSION RULES

The Colorado Racing Commission was established in 1949 to supervise pari-mutuel wagering in Colorado. Years later, the Division of Racing Events was created. Today, these associated entities function in tandem to oversee all facets of pari-mutuel regulation.

The Division of Racing Events is a regulatory, enforcement and pari-mutuel tax collecting agency of State Government. It is responsible for regulating all aspects of pari-mutuel horse and greyhound racing through licensing, on-site monitoring and enforcement. The major functions of the Division are to promote racing and the recreational, entertainment and commercial benefits derived from it, to establish high standards of sport and fair-play, to promote the health and safety of the animals involved in racing and to foster honesty and fair-dealing in the industry.

The Division has a five-member Commission of persons appointed by the Governor of Colorado and confirmed by the Senate to serve four-year terms. A Commission member may be re-appointed to serve no more than two consecutive terms. The statutorily mandated composition of the Commission requires that all members be citizens of the United States and residents of this state for the past five years; that none should have been convicted of a felony or gambling-related offense; that no more than three of the five members shall be affiliated with the same political party and no more than two shall be from the same congressional district and that one shall be from west of the continental divide; and, further, that two members shall have been previously engaged in the racing industry for a minimum of five years; that one member shall be a practicing veterinarian who is currently licensed in the state and has been so licensed for at least five years; that one member shall have been engaged in business in a management-level capacity for a minimum of five years; and that one member shall be a registered elector of the state who is not employed in any profession or industry described above.

Members of the Colorado Racing Commission

Jack Pretti: (Republican – Third Congressional District; Senate District 8/House District 57) Mr. Pretti, the Chairman of the Commission, is a representative of the racing industry, is a Colorado native and fourth-generation resident of Garfield County, born in Rifle and raised on the family ranch located at Silt. He was initially appointed to the Commission on October 20, 2004 for a four-year term through July 1, 2008. On September 19, 2008, Mr. Pretti was re-appointed to the Commission for a second four-year term expiring on July 1, 2012. He has operated Colorado Heritage Real Estate Company, a firm servicing all classifications of general real estate properties with offices located in Rifle and Battlement Mesa for over ten years. His early fondness and enthusiasm for racehorses, races and racing events has remained with him throughout his life. In the mid-1970's, when the Colorado Fair Circuit was active, Mr. Pretti was the Director, President and Association Steward for the Western Slope Race Association, which conducted a Fair Circuit race meet in Rifle.

Mary Sharon Wells: (Democrat – Seventh Congressional District; Senate District 20/House District 23) Ms. Wells is currently the Vice-Chair of the Commission. On September 22, 2008, Mary Sharon Wells was appointed to serve as a representative of the general public to the Colorado Racing Commission. Ms. Wells' term of service will remain in effect until 2012. Ms. Wells possesses a wealth of varied employment, volunteer and community service experience. She taught music in the Denver Public Schools for approximately ten years; then, served in numerous capacities in state and county government. She worked for twenty-six years with the Colorado Legislature as both a lobbyist and an employee. She held the position of Executive Director of Governmental Relations for the Jefferson County Public Schools. Ms. Wells distinguished herself at the State House and gained a reputation for integrity, fairness and commitment. Her community service has included, but is not limited to, being the chair and an advisory board member for the Colorado Criminal Justice Commission's Build a Generation program, being a community activist in Jefferson County and working for the betterment of neighborhoods, schools and the environment there.

Charles D. Vail, DVM: (Republican – Sixth Congressional District; Senate District 26/House District 37) Dr. Vail, a representative who is a practicing veterinarian, was initially appointed to the Commission on November 20, 2007 for a four-year term through July 1, 2011. In 2011, the Senate confirmed the re-appointment of Dr. Charles Vail to serve a second term on the Commission. His term will remain in effect until July 1, 2015. Dr. Vail has had a long and distinguished career in veterinary medicine, which has included serving as an Assistant Veterinarian at the 1958 and 1959 summer race meets at Centennial Racetrack and Brush, Colorado. Upon graduation from the Colorado State University College of Veterinary Medicine in 1960, Dr. Vail entered private equine practice in Littleton, Colorado. In 1962 and 1963, Dr. Vail served as the Track Veterinarian at Centennial Racetrack. Following the 1963 season at Centennial, Dr. Vail accepted the position of Senior Partner in the Littleton Large Animal Clinic. While no longer a Partner and Owner of the Littleton Large Animal Clinic, he does continue his association as an employee. During his career, Dr. Vail has been affiliated with and held offices in numerous professional associations and societies. In 1987, the Colorado Veterinary Medical Association selected Dr. Vail as its Veterinarian of the Year.

Daniel J. Kester: (Democrat – First Congressional District; Senate District 34/House District 5) In June, 2009, Governor Ritter appointed Daniel J. Kester to serve as the business representative

to the Colorado Racing Commission. Mr. Kester's term of service will remain in effect until 2013. Mr. Kester's thirty years of business experience, his demonstrated competency and recognized acumen qualify him to serve ably as a member of the Commission. Since 1996, Mr. Kester has held the position of President/CEO of the Sooper Credit Union in Denver. As the chief executive officer of this vibrant, expansive credit union, Mr. Kester has been responsible for the service, growth and efficiency of this \$236 million asset credit union. His duties include providing, enhancing and delivering financial products and services to Sooper Credit Union's 33,000 members. Along with the augmentation of electronic service delivery options to reach the Sooper Credit Union's geographically dispersed membership, personal service has also been enhanced under Mr. Kester's leadership. In conjunction with Mr. Kester's professional role, he serves as a member of the Board of Directors of the CU Community Foundation, which provides scholarships, raises funds for a number of women's shelters in Colorado and donates funds for the Arvada Community Food Bank.

Sean Beirne: (Republican – Seventh Congressional District, Senate District 28/House District 41) In October 2010, Governor Ritter appointed Sean Beirne to serve as a racing industry representative to the Colorado Racing Commission. Mr. Beirne's term of service will remain in effect until 2014. By virtue of Mr. Beirne's twenty years of experience in all facets of the racing business, including but not limited to, holding management positions at several renown horse racecourses in various states, and, most recently, serving as a Regional Sales Representative for Roberts Communications Network (RCN) at which, among his numerous responsibilities, is the coordination of decoder assignments and schedules for over 200 sites, he demonstrates that he is well qualified to serve as a member of the Commission. Additionally, Mr. Beirne is a highly motivated professional who has ably utilized his skills in simulcasting, marketing, public relations and racing operations.

The Commission's roles, as broadly defined by statute and supported by rule, are to:

- License racetracks.
- Allocate race dates in accordance with statutory provisions.
- Conduct hearings and, if necessary, impose penalties, such as fines and license suspensions.
- Ensure that all pari-mutuel wagering activity is performed in accordance with statutory provisions and, if violations occur, take necessary disciplinary action.
- Serve as a rule-making and policy-setting body for the State agency.
- Approve distribution of monies accrued in the Owner's and Breeder's Awards and Supplemental Purse Fund and the recently formed Greyhound Purse, Welfare, Adoption and Greyhound Racing Promotion Fund

The Division of Racing Events is required to:

- License all business and simulcast facilities.
- License all persons who are employed in any occupation at the racetracks and simulcast sites.
- Perform inspections of all licensed racetracks, simulcast facilities, stables/kennels and training locations to ensure that proper care, treatment and safety of all racing animals are being maintained and that health and cleanliness standards are being met.

- Supervise the conduct of all races/race meets, monitor the health and safety of the racing animals, and conduct drug tests to ensure that the animals race without prohibited substances.
- Oversee all pari-mutuel wagering activity, approve simulcasts, test and audit the performance of the totalisator equipment, and verify to ensure the proper allocation and distribution of revenue generated by pari-mutuel wagering.
- Enforce rules relating to and investigate any evidence of misconduct by licensees.

History of the Colorado Racing Commission and the Division of Racing Events

1948: Horse and greyhound racing, as well as pari-mutuel wagering on such races, became legal in Colorado in November 1948 by way of a General Assembly-referred measure. The referendum created a three-member, Governor-appointed racing commission (Commission) and established license fees for drivers, jockeys and trainers at \$10 per year, and apprentice jockeys at \$1.00 per year.

The 1948 referendum also limited race meets to no more than twenty days and prohibited a licensee from holding more than two race meets per year. The cost of a race meet license was set at five percent of the pari-mutuel handle, with an additional five percent of the pari-mutuel handle going to the state's General Fund. The referendum permitted the Commission to retain up to twenty percent of all revenues collected to cover the costs of regulation.

1949: Live racing began in Colorado.

1967: The number of categories of individuals and entities requiring licensure was expanded. License fees were removed from statute, and the Commission was granted the authority to establish such fees by rule.

1968: With the passage of the Administrative Reorganization Act this year, the Commission was transferred to the Department of Regulatory Agencies (DORA) as a Type I agency.

1973: Extensive modification was made to the Racing Statute.

1974: This was the first year that harness horse racing was conducted by the Colorado Harness Racing Association at Centennial Turf Club Inc. (On August 2, 1977, the Colorado Racing Commission voted unanimously to vacate Colorado Harness Racing Association's 1977 race dates based upon the enormous financial loss that this Association had sustained for the previous three years. This was, in part, due to the reluctance of the general public to accept the sport.)

1975: In the 1975 session of the Legislature, House Bill 75-1519 concerning the establishment of a Horse Breeder's Award and Supplemental Purse Fund was passed. It was fully implemented in January 1976. House Bill 75-1519 also allowed the seven active Fair Circuit horse racetracks to retain 4% of their handle that was allocated to purses for the horsemen. This, in part, accounted for the increase in number and quality of racehorses running at Fair Circuit meets. (Fair Circuit meets were race meets of limited duration conducted in relatively small communities outside of the metropolitan Denver area.)

1977: During this legislative session, several bills of significance were passed. Senate Bill 77-508 was passed. This bill provided for a complete update of the Racing Act in compliance with the most recent Sunset performance audit. Within this legislation, the number of licensed horse race meets being conducted on any one track in any single year was increased from three to four, thus allowing Colorado's commercial racetrack, Centennial Racetrack, Inc., to conduct an additional thirty days of racing. Also, House Bill 77-1115 was enacted. It provided for an additional ten race days (two existing thirty-day race meets were extended to thirty-five day race meets) for animals other than horses in any one county in any single year. This legislation also provided for a special partial race meet during calendar year 1977 not to exceed twenty race days to be held at any racetrack located in Arapahoe County (Interstate Kennel Club, Byers). House Bill 77-1516, which became effective on May 10, 1977, established a supplemental purse fund to increase the purses paid to horsemen.

1983: The General Assembly created the Division of Racing Events (Division), in DORA. The responsibility for most of the day-to-day regulatory matters previously managed by the Commission was transferred to the Division.

1991: On June 6th, Governor Romer signed into law Senate Bill 91-99. This was the most far-reaching piece of legislation for the racing industry in Colorado since the empowerment of the Racing Commission in 1949. This bill expanded the potential racing picture to include interstate simulcasting of horse races, off-track wagering facilities, the expansion of the amount of live greyhound racing and incentives for the return of live horse racing.

In October 1991, the Commission conducted a hearing in the matter of the proposed re-opening of the Arapahoe Park facility by United Track Racing, Inc. The Commission granted a conditional license and approved pre-meet simulcasting at Arapahoe Park, a re-opener track pursuant to Senate Bill 91-99. This year, the first full year of United Track Racing, Inc.'s racing operations at Mile High Greyhound Park, Pueblo Kennel Association and Interstate Kennel Club, proved to be a financial success.

1992: On May 16, 1992, Arapahoe Park reopened and conducted 64 live race days through September 7, 1992. The first day attracted 11,974 patrons. The handle for the inaugural performance was \$503,770. Since the track had not been open since 1984, this was a milestone in major horse racing in Colorado. The meet proved to be successful.

1992: DORA conducted a Sunset review of the Commission and the Division.

1992: The enactment of House Bill 92-1206 resulted in significant statutory changes, including the transfer of the Commission and Division from the Department of Regulatory Agencies to the Department of Revenue and expanded Commission membership from three to five members. The Commission was designated a Type II board. The statutorily mandated composition criteria for Commission membership were retained.

1993: As a result of sunset legislation, House Bill 93-1034, several of DORA's sunset recommendations were implemented, including transferring the Commission and the Division from DORA to the Department of Revenue and continuing each, as well as the regulation of horse and greyhound racing, until 1999. Additionally, House Bill 93-1034 granted the Commission subpoena powers and authorized the Commission to take disciplinary action against a licensee who had been subject to any form of discipline in another jurisdiction if the basis for such discipline would have constituted a violation of Colorado law. Previously, this had been

allowed only if the disciplinary action in the other jurisdiction had resulted in the suspension or revocation of the license. Finally, House Bill 93-1034, redefined “licensee” as being anyone holding a license or registration issued by the Commission, and directed the Commission to determine which occupations should be licensed and which should merely be registered. At that time, agency staffing decreased from 59 mostly contract employees to 38.5 full-time and part-time employees.

1994 & 1995: Relatively minor changes were made to the Racing Statute.

1996: The General Assembly passed two separate pieces of legislation this year that impacted racing and the operations of the Commission and the Division. Senate Bill (SB) 96-176 defined, for the first time, pari-mutuel wagering and placed on all Division employees, the same conflict of interest prohibitions as had previously applied only to the Division Director and the Commission members. Finally, SB 96-176 expanded jurisdiction for and elevated the Division’s investigators to a peace officer status more in line with other Department of Revenue and State investigators.

The second bill that passed in **1996**, HB 96-1308, more directly impacted the racing industry in that, for the first time, simulcasting of horse racing was permitted with a minimum of thirty days of live racing. However, it put conditions on a simulcast facility receiving out-of-state horse racing simulcast signals on any day that any Colorado-licensed horse track within fifty miles of the simulcast facility ran live horse races. Additionally, each licensed horse track was limited to no more than 250 simulcast days each year.

Finally, new limitations were placed on the disbursement of funds from the Horse Breeders’ and Owners’ Awards and Supplemental Purse Fund (Breeders’ Fund) in that funds distributed from the Breeders’ Fund to the various breed associations had to be distributed by the breed associations according to the by-laws of these associations. In effect, if a breed association desired to receive its share of Breeders’ Fund dollars, that breed association now had to adopt by-laws outlining how the Breeders’ Fund dollars distributed to that breed association would be further distributed. Failure to adopt such by-laws rendered such a breed association ineligible to receive Breeders’ Fund dollars.

1998: Four separate bills were passed, three of which made substantive changes to the Racing Statute. Senate Bill 98-174 required, as part of a race meet license application, the submission of a written agreement between the association sponsoring the race meet and an organization representing a majority of the greyhound kennel owners pertaining to the purse structure to be used at that race meet.

1998: Senate Bill 98-192 adjusted the maximum allowable takeout rate on greyhound races up from 17.5 percent to 19.5 percent of the gross handle. Additionally, this bill increased the mandatory contribution to greyhound purses by the association sponsoring the race meet from four percent to five percent of the gross handle.

1998: The final bill of that year, House Bill 98-1017, authorized the Commission to test on a random basis any occupational licensee or registrant for drugs or alcohol and authorized the Division to issue conditional and temporary licenses.

1999: During the 1999 legislative session, two bills pertaining to implementation of the recommendations made in the Sunset Report were introduced. Senate Bill 99-066, which was

enacted by signature of Governor Bill Owens, extended the regulatory powers of the Division of Racing Events until 2008. Senate Bill 99-081 amended the Racing Statute in accordance with the findings in the Sunset Report.

2000: House Bill 00-1216, which extended the authority of Division personnel to conduct off-site inspections and investigations, was enacted. The Division's staff was again reduced by 5.2 FTE (2 clerical staff members and 3.2 investigators) that resulted in a savings of \$239,789. Also, in the FY 2000 Long Bill, the Division staffing (1.3 FTE) and funding (\$88,234) was reduced for Fair Circuit racing due to the fact that no Fair Circuit meets had been conducted for four years.

Between FY 2000 and FY 2002, internal reorganization resulted in an additional 2.5 reduction in Racing Division staff.

2003: House Bill 03-1123 cash funded the Division of Racing Events. The Division staff was decreased by 2.8 FTE and \$182,000 due to a reduction of racing in the Southern Greyhound Circuit.

2006: House Bill 06-1409 amended the statute to allow for the continuation of simulcasting in areas of the state where live racing was no longer economically feasible. This legislation was intended to provide some relief to the industry.

2007: Senate Bill 07-119, the Division's Sunset Bill, as introduced, included a new approach to taxation. It sought to bring conformity to the racing and gaming industries by implementing a tax structure like limited stakes gaming using a tax based on a percentage of net proceeds rather than on a percentage of gross money wagered. Other provisions of the measure included, not only the continuation of the Colorado Racing Commission and the Division of Racing Events until July 1, 2016 unless live racing ceased, but elimination of the requirement that the director submit a proposed budget to the Commission, reduction in the required number of Commission meetings, elimination of the north/south greyhound racing circuits, reduction in the amount of adjusted gross receipts and the amount of breakage that a greyhound race meet could retain, elimination of the ability of an in-state simulcast facility to retain breakage on any simulcast greyhound or horse race received by the facility, required that any remaining monies in the h Horse Owners/Breeders Awards and Supplemental Purse Fund that had not been distributed in the previous three years be transferred to the Racing Cash Fund, and mandated that associations receiving monies from this fund annually report to the Commission on how those funds were spent and to whom the money was distributed. The measure was significantly amended as a result of final senatorial consideration and, in its final form, the measure retained only the 2016 Sunset date for the Commission and the Division of Racing Events.

2008: Efforts were made to prepare a legislative proposal designed to provide some financial relief to the greyhound racetracks and the racing industry in general. Because a consensus on a final solution could not be reached the attempt was not successful. However, Senate Bill 08-176, a bill designed to extend the period Arapahoe Park could conduct thirty rather than sixty days of live racing each year for two years was signed by Governor Ritter and enacted.

2007-08: Cloverleaf Kennel Club discontinued live racing after its 2006 meet. Although it appeared that Cloverleaf might request the ability to resume live racing at some future time, the Board of Directors elected to sell the property and equipment in 2008.

2008: After sixty years of continuous operation, Mile High Greyhound Park ceased live greyhound racing.

2009: Senate Bill 09-174 modified certain provisions in the Racing Statute relating to horse and greyhound racing and pari-mutuel wagering on horse and greyhound races. Additionally, it eliminated the relationship between the number of simulcast days and the number of live race days conducted annually. The measure allowed for the creation of the Colorado Greyhound Purse, Welfare, Adoption and Greyhound Racing Promotion Fund. On May 21, 2009, Governor Bill Ritter signed the measure into law. This Bill has allowed for the possible re-opening of additional simulcast facilities. On December 9, 2009, an additional facility opened in Pueblo to a large and enthusiastic crowd.

2009: House Bill 09-1094 was a measure supported by the Colorado Greyhound Kennel Operators. This Bill proposed cutting the pari-mutuel tax and remaining restrictions on simulcasting. This measure was defeated.

2010: House Bill 10-1134 was enacted for the purposes of implementing measures to prevent illegal interstate pari-mutuel wagering on racing, authorizing entry into interstate compacts governing racing and to provide for the collection of source market fees from out-of-state simulcast activity. This measure became effective on April 29, 2010.

2010: Senate Bill 10-037, effective upon the Governor's signature, provides for an increase in the amounts payable from the Horse Breeders' and Owners' Awards and Supplemental Purse Fund for costs of administration. This bill was enacted and became effective on August 11, 2010.

National Organizational Affiliation

The Division had been affiliated with the Association of Racing Commissioners International (ARCI) for many years, but, over time, the Division began to recognize that, by affiliating with another organization, it could potentially realize some additional benefits for the racing industry in Colorado. In 2002, the Division of Racing Events joined the North American Pari-Mutuel Regulators Association (NAPRA), based upon its philosophy and its focus on re-invigorating the relationship between the national organization and the member racing jurisdictions.

In 2006, a merger of these two racing-related organizations, NAPRA and the ARCI, took place. This has proved to be extremely beneficial to the racing industry in numerous ways. The ARCI is nationally and internationally recognized. Its membership is comprised of Commissioners, Executive Directors and Executive Secretaries of racing jurisdictions throughout the United States, Canada, Mexico, Puerto Rico and certain Caribbean Island nations. It provides a forum by which member racing jurisdictions are afforded the opportunity to bring forward issues and concerns, as well as, rule and policy proposals relating to the pari-mutuel industry. As a member of this prestigious organization, the Division of Racing Events is able to remain abreast of trends in the pari-mutuel industry, to access its master licensing database, to participate in conferences and model rules review sessions relating to both horse and greyhound racing, to play a significant role in the establishment of rules, protocols and drug classifications and to be made continuously aware of national trends affecting the industry.

The ARCI also affords auditors and investigators the opportunity to participate in conferences and discussion sessions each year. In this way, they meet and engage in constructive

interchanges regarding developments and activities in their respective racing jurisdictions. Attendance is contingent upon budgetary constraints within each jurisdiction, but, whenever possible, it has proved beneficial for auditors and investigators to be given the ability to participate in these events.

During its 2009 annual conference, the membership of the ARCI elected the Director of the Colorado Division of Racing Events (Dan Hartman) to serve as its Vice-Chairman for 2009-10 and as its Chairman in 2010-11. Mr. Hartman assumed his duties as Chairman of the ARCI. During his tenure, he participated in numerous regional meetings, teleconferences and two annual meetings.

Organizational Structure of the Division

During the past decade, the Division of Racing Events has streamlined many of its procedures, policies and rules in its ongoing efforts to serve Coloradans. Throughout this period, the Division has undertaken and completed technological upgrades in an effort to facilitate its internal communications (2000-2005), joined the North American Pari-Mutuel Regulators' Association (NAPRA) by which the Division gained access to the NAPRA database to monitor the backgrounds of licensees and exchange important regulatory and industry information with other racing jurisdictions (2002)*, implemented a new licensing database and refined its licensing protocols for clarity and simplicity (2003-ongoing), expanded its Human Drug and Alcohol Testing program at all racing facilities (2002-ongoing), adopted the National Uniform Model Rules for Drug and Alcohol Testing (2005), adopted new rules for the protection of the health of jockeys and established a Race Review Committee protocol (2005).

Leadership

The history of the Division during the period of 1999-2011 has been marked by change, both in leadership and in internal structure. In 1999, Mr. David Reitz, who had served in 1994-95 as Interim Director of the Division of Racing Events, was appointed to the position of Division Director, succeeding Mr. Larry Huls, who retired that year. On July 30, 2003, Mr. Reitz retired and, on September 9, 2003, Mr. Matt Cook became the Director of the Division of Racing Events. In October 2004, Mr. Dan Hartman, formerly the Division Manager of Racing Operations, was appointed to the Directorship of the Division of Racing Events. From July, 2010 until April 2011, Mr. Hartman served in dual capacities. He held the position of Director of the Division of Racing Events and, also, facilitated the creation and building of the Department of Revenue's Medical Marijuana Enforcement Division. In January 2011, Mr. Dan Hartman assumed the Directorship of the Medical Marijuana Enforcement Division on a full-time basis. In January 2011, Mr. Don Burmania was then appointed to serve as the Director of the Division of Racing Events, a post he held until November 2011. In November 2011, Mr. Dan Hartman was again designated to be the Director of the Division of Racing Events.

The Division's workforce is comprised of several different professional categories, including its director, an auditor, criminal investigators, veterinarians, a horse racing coordinator, licensing staff and administrative personnel. Additionally, the Division employs seasonal racing officials, (stewards, veterinarians and veterinary technicians) to supervise the activities at Colorado's only licensed horse racetrack.

Budget and Finance

The Division is a cash-funded agency and its operations are funded through occupational and racetrack license fees. Taxes and fines derived from all pari-mutuel wagering activity are deposited in the General Fund.

For FY 2011-12, the Division has a spending authority appropriation of approximately \$2.4 million.

Service Populations

The Division of Racing Events has multiple customers. We have a wagering public, horse and greyhound associations, individual owners, breeders and other occupational licensees/license applicants as well as the owner and operator of the horse racetrack and operators of off-track wagering facilities. Additionally, to a certain extent, other racing jurisdictions around the country and the world, along with other racetracks outside of Colorado, are our customers as well.

The Division of Racing Events oversees a gaming/wagering business, so it must deal with its customers in a very sensitive way. Since most of our customers have monetary interests in the industry, either via investment in wagering or investment in racing animal(s) on-site everyday during the conduct of a race meet, the Division needs to be cognizant of the financial and personal commitment that our customers have made to the racing industry. We must be especially conscious of the involvement of our customers in the racing industry as we handle complaints and/or conduct day-to-day business.

The patrons (the wagering public) desire confidence in the integrity of the pari-mutuel racing offered in Colorado. These individuals supply the revenue that drives the industry; therefore, they deserve pari-mutuel wagering activity that is free from manipulation, and races that are conducted fairly and honestly. The on-track attendance has declined significantly and this trend is not expected to change unless innovative products emerge or resurgence in the popularity of the sport occurs. However, we do see some increase possible with new simulcast facilities that may open in the near future, bringing on new or dormant markets.

The breeders of racing animals seek an active industry in Colorado. Like the occupational licensees, they make their living through affiliation with and participation in pari-mutuel racing.

Racing participants work long hours at the state's racetrack. These individuals demonstrate an impressive and passionate commitment to racing as they work hard to reap the rewards of an interesting and unique industry. In the absence of greyhound racing, we would anticipate that the total number of active occupational licensees would continue to decline for another year, then, stabilize at a level that sustains live horse racing. This population also includes the totalisator (tote) company that provides complex computer systems that tally and calculate the pari-mutuel wagers. A licensed racetrack will contract with a particular tote company to provide totalisator services at its facility.

The association (licensed racetrack) provides the arena for the racing and wagering – the racetrack facility.

The citizens of Colorado profit from the tax dollars and overall economic benefits derived from pari-mutuel racing. Although the amount of direct revenue to the state treasury from pari-mutuel wagering is a small part of the state’s total revenues, the public relies upon the Division and Commission to regulate the industry in a manner that secures that tax collection. Because racing is a strictly regulated pari-mutuel industry, the public can have the necessary confidence to invest in pari-mutuel racing through wagering and race animal ownership due to the integrity, safety and fairness that is ensured by our Division and Commission.

One customer whom we represent prominently is the one that is unable to speak for itself. That customer is the racing athlete - the racehorse and greyhound. Although the animals are not a “service population” in the traditional sense, the Division and Commission recognize their responsibilities to protect the health and safety of these animal athletes. Our Animal Welfare Section employs licensed veterinarians to protect the racing animals, and our Enforcement Unit is staffed investigators on duty at the active racetrack, charged (among other things) with the responsibility for watching out for the welfare of racing animals. By watching out for the safety and welfare of the animal, the Division is also watching out for the welfare of the wagering public.

Other Affected Populations

Racing is a labor-intensive industry, both on and off-track. It provides jobs in farming, ranching, veterinary medicine, transportation, information technology, the service economy and tourism.

In addition to the directly impacted service populations, the Division and Commission’s activities affect other populations. These include the following:

- Racing-related businesses, such as hay suppliers, tack vendors and food service businesses, provide products or services either to the association or to the occupational licensees.
- Other racing jurisdictions rely on the profitability of their own racetracks, which are affected by Racing Division and Commission decisions on race dates and simulcasting. Additionally, neighboring racing jurisdictions often license many of the same occupational licensees, as does Colorado’s Racing Division, and these jurisdictions seek to exchange licensing and enforcement information with our agency.
- The racing industry and its regulatory process may affect other Colorado governmental entities, including the judicial system and local law enforcement.
- Law enforcement agencies rely on Division investigators to share information regarding licensees and to assist with arrests when necessary.

External Factors Affecting the Racing Industry

Certain external factors have affected the racing industry in Colorado and are expected to continue to do so in the future. They are:

- Gaming and lottery activity in Colorado -- Both of these industries represent serious competition for the public's entertainment dollar, are very popular in the state and are expected to remain so.
- Racing and gaming activity in neighboring states -- For example, in New Mexico, because of gaming being allowed at racetracks, new racetracks are either under construction or are being renovated. New Mexico permits the installation and use of slot machines at racetracks. These provide a substantial revenue source to increase the purses paid and the profitability of racetracks, and the likelihood that live racing will be able to continue in that state.
- Accelerating rate of technological change adopted by totalisator companies is challenging the ability of our agency to respond in ways that maintain the integrity of the wagering system.
- The nature of the racing industry itself encourages participants – owners, trainers, jockeys – to compete in multiple states and transport their best animals across state lines on a regular basis. This challenges our agency to respond to the changing climate by adopting national standards for licensing, physical facilities, training methods and drug testing protocols.
- An ever-increasing growth in the volume of unregulated, and frequently illegal, wagering options via the Internet that pose a substantial competitive disadvantage to the licensed racing associations for the public's wagering dollar.
- The current economic environment is not conducive to a strong resurgence in the popularity of racing. However, the number of simulcast facilities has increased in the past year, several of which are operating outside of the Denver metropolitan area.
- The Division needs to be ever vigilant because of the close scrutiny of racing activity by animal rights groups and coalitions.

Provisions of Senate Bill 09-174

Senate Bill 09-174 affords the opportunity for:

- The establishment of a Colorado Greyhound Purse, Welfare, Adoption and Greyhound Racing Promotion Fund. The monies accrued in this fund are to be derived from pari-mutuel wagers on greyhound simulcast signals received by a Class B racetrack. These monies are either to be utilized as purses for live pari-mutuel greyhound races in Colorado, or, in the event that there is no live greyhound racing in Colorado, provided to the greyhound welfare and adoption organizations and other entities or organizations that promote or participate in greyhound racing or promote the welfare of racing greyhounds. At its November 2009 meeting, the Commission adopted an application form for release of monies from this Fund. The Commission reviewed two applications for the release of funds at its April 2010 meeting and four applications for the release of funds at its September 2010 meeting and granted each of the requesting organizations a portion of the fund accrual. (In order to perpetuate the fund, the Commission determined that it

should retain some money in the fund for future potential recipients.) In March 2011, the Commission reviewed and approved the release of monies from this Fund to four requesting organizations and, in November 2011, the Commission approved the release of Fund monies to five requesting organizations. We have continued to appropriate money to the Colorado Greyhound Purse, Welfare, Adoption and Racing Promotion Fund. Since November 2009, the Commission has authorized the release of \$151,283.50 in payments from this Fund to qualified applicants.

- Realignment in the allowable number of off-track betting facilities, keeping the total at the same level as authorized in 1991. At its September 2009 meeting, the Commission authorized the Division Director to transfer the three (3) active off-track betting facilities to Arapahoe Park on a permanent basis, these being Red & Jerry's, Havana Park and Mile High Greyhound Park's simulcast site, and, additionally, allowed the Director to make a permanent assignment of two (2) extra unopened off-track betting facilities to Arapahoe Park. In 2011, four off-track betting facility licenses were assigned to Arapahoe Park, leaving a total of two (2) potential off-track betting facilities presently unattached. There are currently eight active off-track betting facilities in Colorado.
- Elimination of the requirement that a "Class B" racetrack conduct a horse race meet consisting of fifty or more race days and, in its third year of operation and in each year thereafter, that the track would be the site of a race meet of horses consisting of sixty or more race days in order to retain its "Class B" status. The permanent requirement is now established at thirty race days.
- The Director is authorized to establish and adjust fees for all licenses and registrations issued, pursuant to statute, in an amount sufficient to generate revenue that approximates the direct and indirect cost of administration, except that an increase of more than ten percent in the fee for an occupational license or registration shall be subject to ratification by the Commission. (Such fees shall be credited to the Racing Cash Fund.)
- The release of monies that have been held in escrow for approximately thirty years because harness racing has not been conducted in Colorado since 1977 and no organization has sought to revive live harness racing in the state. This accrual may now be distributed as purse payments in conjunction with live horse racing in Colorado.

The passage of Senate Bill 09-174 has made a positive impact on live racing in Colorado. It has enabled additional simulcast wagering facilities to open, several of which are proving to be viable revenue-generating sources. In 2010 and 2011, Arapahoe Park was able to realize increases in both its handle and its purse distribution amounts. The legislation has contributed to stabilizing the industry and, hopefully, could enable it to continue to remain viable for the foreseeable future. Additionally, during the 2010 and 2011 live racing seasons, each of the groups involved in horse racing – the Commission, the racing association and its management, and the members of the horse racing community – worked together to achieve a positive result and the success of the meet was a testament to their commitment and cooperation. Although it is unclear at this time whether race associations other than the one that is currently active in the state will seek licensure to conduct new live race meets, the Division of Racing Events is hopeful that some live horse racing will continue to be offered in Colorado for the foreseeable future.

The Current Status of Live Greyhound Racing and Division's Proposal

On June 28, 2008, the only live operating greyhound race meet ceased operations. At that time, plans were made to assess whether it would be feasible to seek legislation that would make the racing of greyhounds economically favorable. Legislation was passed during the 2009 legislative session. This legislation gave the Commission the ability to approve the concept of a live non-traditional greyhound meet that could be agreed to by the track operator and greyhound owners. This could allow for a meet that runs fewer live days and generates larger purses through simulcasting when the live meet is not running. This business model has proved to be very successful at the horse track. The industry has made no attempt yet to move in this direction, seeming content to re-establish a viable and profitable horse racing industry, including using simulcasting of horse and greyhound races to promote that recovery. Over the past three years, the greyhound industry has not only experienced the closure of the Mile High Greyhound Park, a greyhound track in the Denver area, but has also seen major racing facilities in Phoenix, Arizona and outside of Milwaukee, Wisconsin bring their meets to an end. Additionally, racetracks throughout New England have been closed by voter referendum. The popularity of the sport of greyhound racing is extremely tenuous. Given that reality and the economic climate in general at this time, resurgence of the live greyhound racing industry in Colorado is unlikely. With the prospect of the permanent cessation of live greyhound racing, the Division of Racing Events took necessary steps to reduce its fiscal investment in greyhound activity by reducing permanent staff associated with live greyhound racing. Those positions that were affected were involved, both directly and indirectly, in the day-to-day regulation and operation of year-round greyhound racing. These layoffs were conducted in accordance with State Personnel Rules. Some former Division employees relocated to other sections within the Department of Revenue and others retired or chose to leave the State system.

In 2009, the Division of Racing Events submitted a negative supplemental request to its appropriated budget and FTE by which the positions associated with live greyhound racing were permanently eliminated. By taking this action, the Division was able to realize additional savings in direct and indirect costs that will no longer be passed on to the regulated industry in cash funding fees. The Division recognized that the negative impact of relinquishing the proposed FTE would be that, should at some time in the future, a racetrack operator/association wish to revive live greyhound racing, the Division would not have the available staffing to conduct the greyhound meet and, thus, would need to seek an appropriation to restore the essential regulatory positions.

Economic Outlook

The passage of Senate Bill 09-174 in the Spring of 2009 has given greater flexibility to the Colorado Racing Commission and the Division of Racing Events to react to changes within the industry much more quickly than in the past. Although a limited amount of live racing is being offered in Colorado at the present time that generates some tax revenue for the General Fund, an even greater impact on the state's economy that a viable pari-mutuel industry provides, continues to be realized in the agribusiness sector. This includes a large economic impact on small and rural communities. In 2005, the American Horse Council published a report on the economic

impact of horses and horse-related industries in the United States. The study concluded that horse racing in Colorado had an overall economic impact of approximately \$94,000,000 per year, creating numerous jobs and supporting a variety of businesses throughout the state. The Division of Racing Events believes that, while racing is not a large contributor to Colorado's tax revenue, there is an overall economic impact and benefit to the state derived from having some racing here and maintaining Colorado's pari-mutuel industry.

The Division of Racing Events and the Colorado Racing Commission were especially encouraged by the positive outcome of both the thirty-eight (38) day live race meet at Arapahoe Park in 2010 and the forty (40) day live race meet at Arapahoe Park in 2011. The total pari-mutuel handle for the 2010 season was \$21,804,751, an increase from 2009, and the total handle for the 2011 season was \$22,839,967. Arapahoe Park's management has submitted a race date request for 2012 and the Division is hopeful that the upward trend in wagering will continue.

In general, the overall racing industry in the United States has been declining for more than a decade. During economic downturns, the gaming industry has realized some success or has, at least, been able to sustain its viability. The most recent recession has impacted the gaming industry, including horse and greyhound racing, in negative ways that have never before been experienced. The overall economics of racing has been impacted by this decline in wagering activity to such an extent that some racing facilities have been forced to close or may yet cease operating, breeding of racing animals has been reduced and there is a widespread expectation of a continued economic slide for the industry. Although it can be difficult to determine the full impact of Senate Bill 09-174, there are definite reasons to make optimistic projections. After one year, the overall handle showed a moderate increase from 2009, despite the lack of live greyhound racing. Additionally, another positive indication comes from an increase in purses paid and an increase in payments made to purse and Breeders' funds for next year. While Colorado has seen declines over the years, the Colorado Racing Commission and the Division of Racing Events have seen some recent positive trends, especially relating to live horse racing, that have resulted from the enactment of Senate Bill 09-174. The impact has come from the addition of simulcasting on greyhound racing through Colorado's licensed horse racing facility. Because the legislation treated the dollars wagered in a new and innovative way, Colorado continues to see the benefit of having money increased in the horse purse fund and daily purses on many races at Arapahoe Park. The Division has seen the racetrack take full advantage of the opportunities afforded by the legislation by using all available simulcast days and by offering an increased number of available races based upon its ability to offer simulcasts of greyhound races. The average daily handle has shown a slight increase by taking advantage of all available days for simulcast broadcasting. Additionally, the legislation has had a positive impact on the state's pari-mutuel tax, the Owners and Breeders Awards Fund and has allowed for the creation of a new Greyhound Welfare Fund.

Future

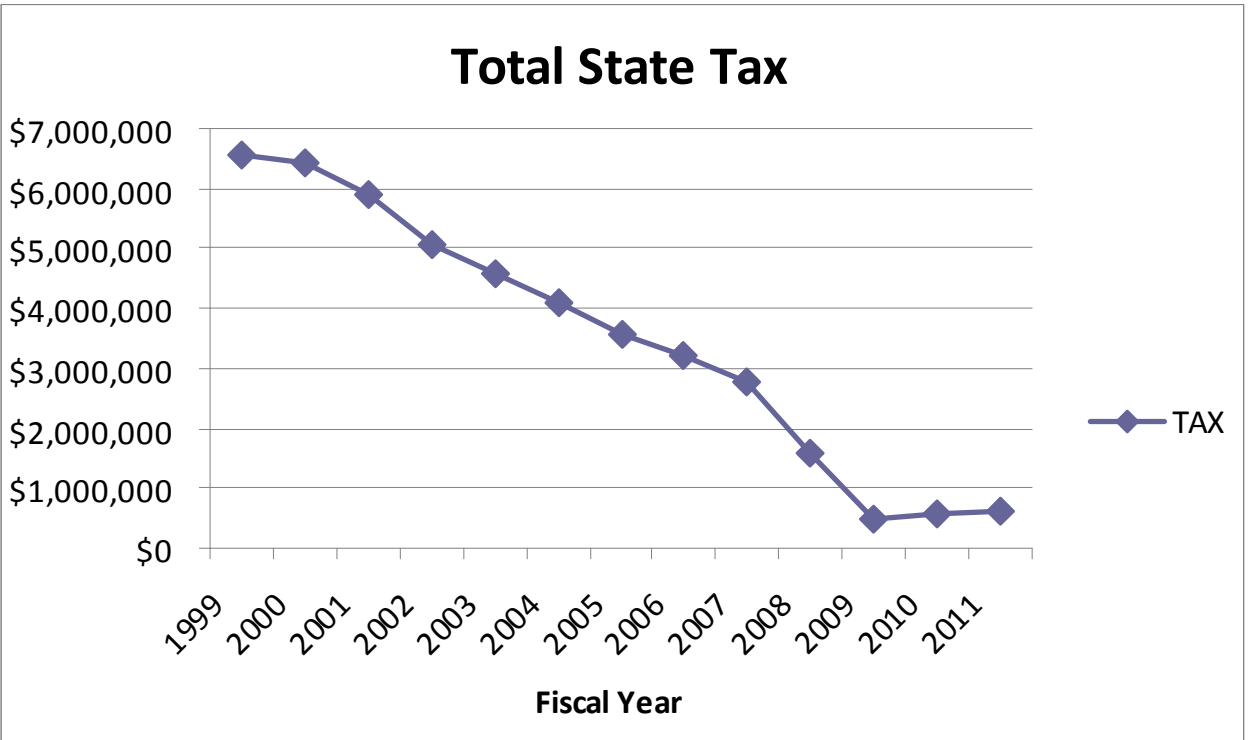
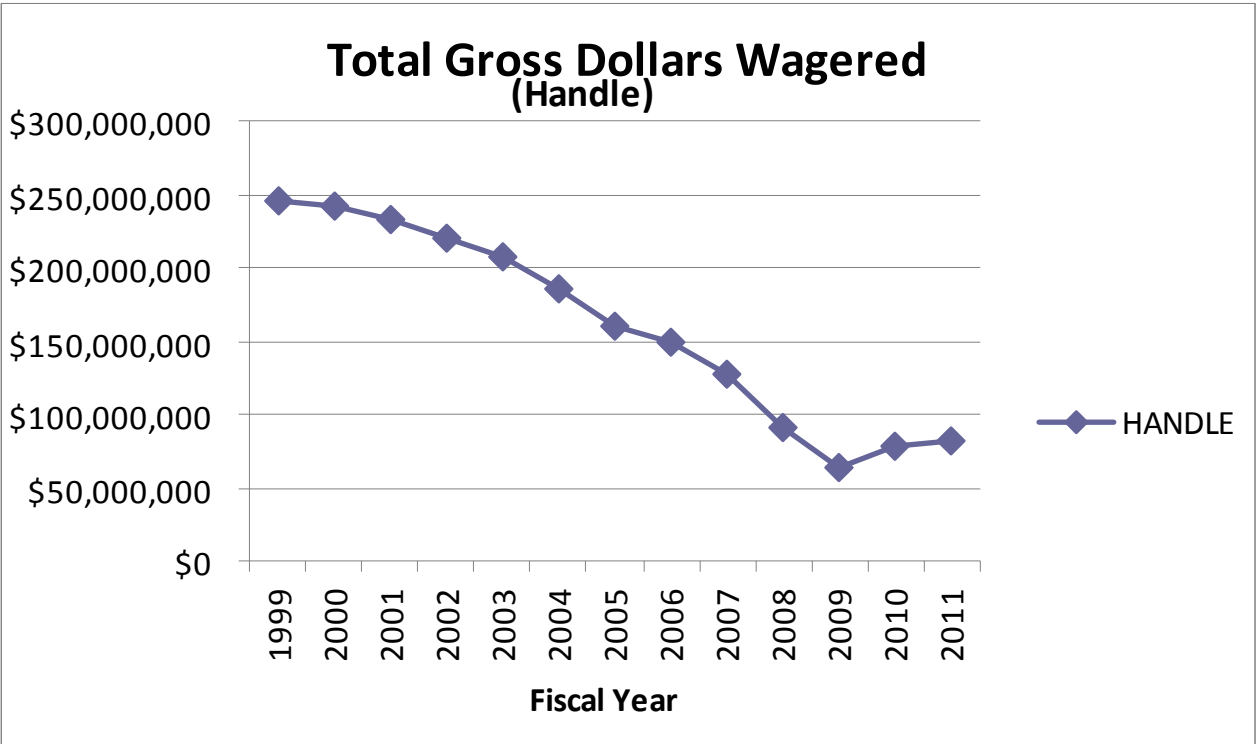
In order to forecast the future of racing in Colorado, one must consider the changes that have taken place during the past two to three decades in the state, look at the fluctuations in the popularity of the sport and assess to what extent the general public and the policymakers in the state of Colorado wish to continue the rich racing heritage that has been a part of Colorado for more than sixty years. The racing industry, both in Colorado and throughout the nation, has had

to adapt to the ever-changing landscape and availability of competition for the entertainment and more importantly than that, for the gaming dollar. It has never been more apparent than in the past two decades how greatly the gaming industry has impacted the racing/pari-mutuel wagering industry. Competition from the gaming industry and its culture of “instant gratification”, as well as the overall decline in popularity of pari-mutuel wagering and the sports of horse and greyhound racing, have marked a turning point that may just be sustainable at current levels.

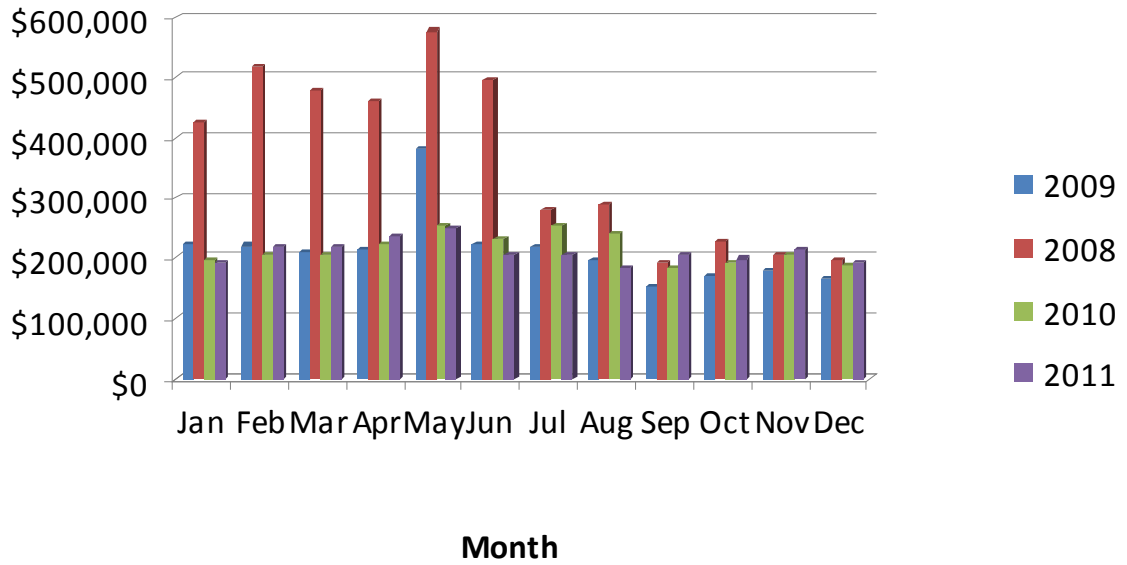
In the 1980’s, racing was affected by the introduction of the state-run lottery and the ability of the resident population to participate in that activity. While lotteries present competition for racing, more so in the past few years with multi-state mega-jackpots, the greatest competition for the gaming dollar came with the addition of limited stakes gaming in Colorado in 1991. Most recently, Amendment 50 increased the allowable monetary limit and permitted the expansion of available wagering platforms. In order for racing to be viable in this or in any other state, it must be adaptive and be able to change with the times. For the racing industry to stem the decline in its popularity and appeal, it must first undertake positive promotion of the sport and keep its existing fan base while broadening, attracting and building a new group of supporters.

Many states, including the states surrounding Colorado, have seen increased economic pressure on their state governments. Many states have legalized some form of gaming; approximately eleven states have allowed for the introduction of some type of additional gaming option to co-exist with and share their racing facilities. The “Racino” idea has been attractive to some legislators and voters because the racing facilities that already existed could also be used or co-opted for the addition of slot machines, video lottery terminals or card rooms at these sites. Thus, the states that have legalized this model were able to raise, maintain or increase the economic impact with much-needed tax revenue that racing brings to the state coffers without expanding the number of gaming/wagering facilities in operation and, in many cases, were able to give an economic boost to the racing industry at the same time. While the idea of developing other forms of gaming to take place at the state’s pari-mutuel racetracks has been discussed in the state of Colorado, the idea has not garnered much momentum. The fact that “racinos” are operational in surrounding states and are being discussed by other legislatures may increase competition for the wagering dollar outside Colorado and, also, may impact the racing animal breeding operations that may relocate to such states in order to take advantage of increased purses and increases to in-state breeder incentive programs.

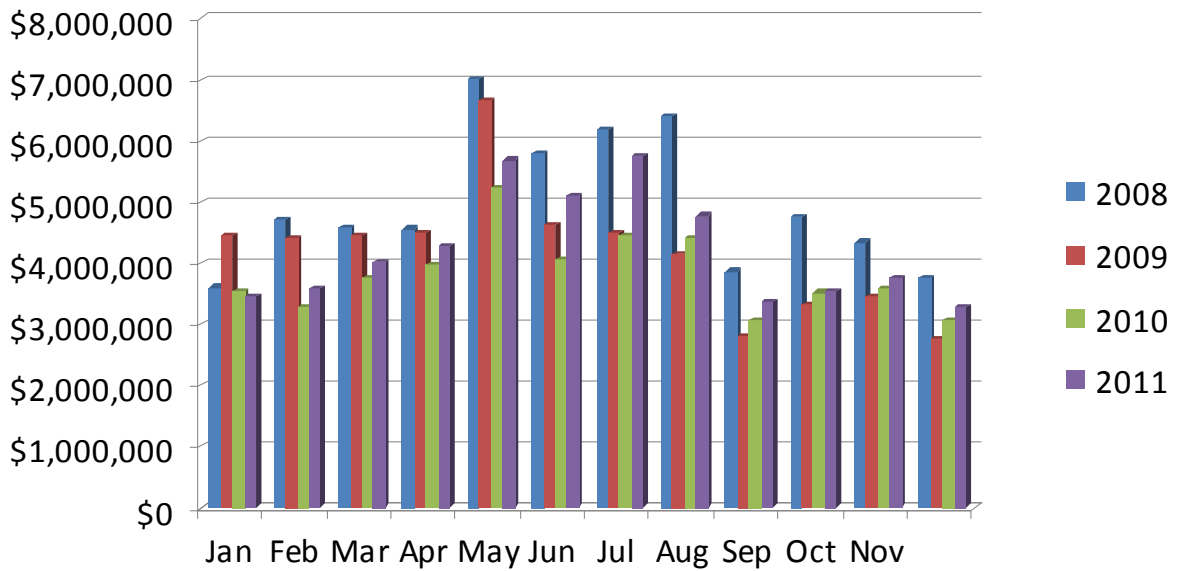
Instead of costly legislative or ballot fighting, the future of racing in Colorado may depend on a well-crafted scenario in which State elected officials and all industry stakeholders, including the state and casino industry, carefully analyze the impact of the potentially expanded gaming market. Keeping Colorado’s racing industry viable should prove beneficial in adding to the state’s future economic picture. If racing continues to maintain its current viability, it has the potential to maintain or even increase the economic impact of the approximate \$94 million generated in Colorado.

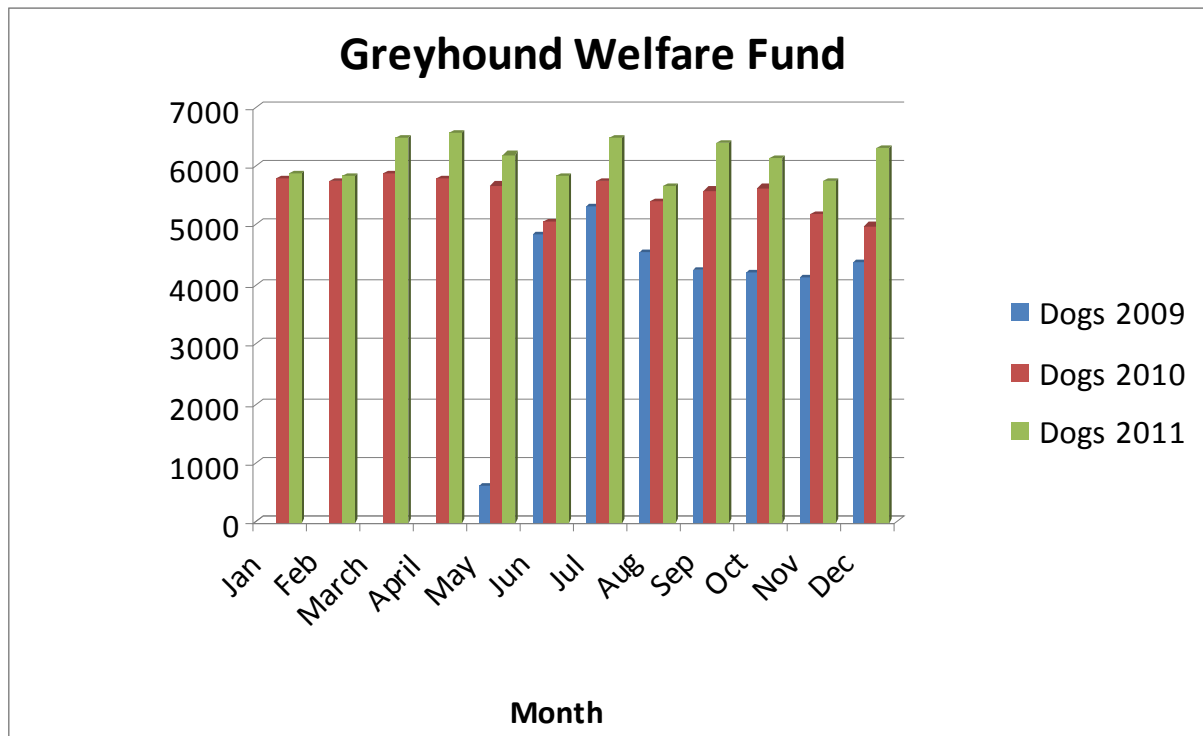
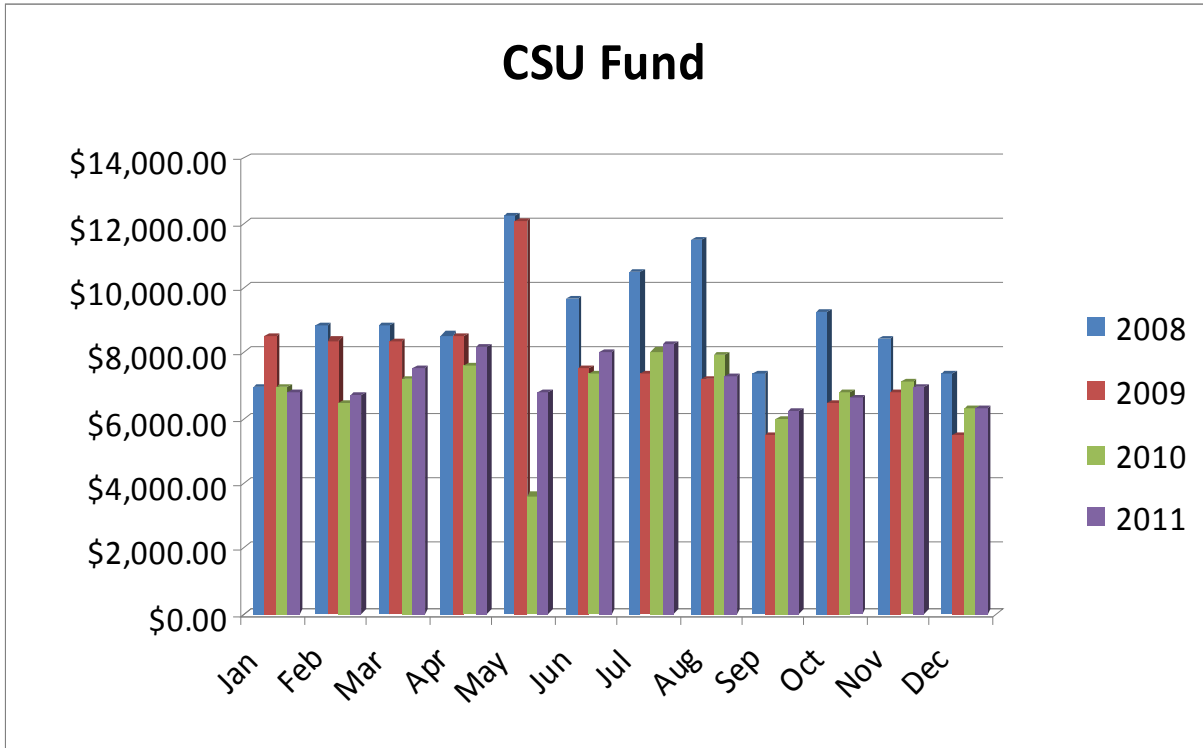


Average Daily Handle

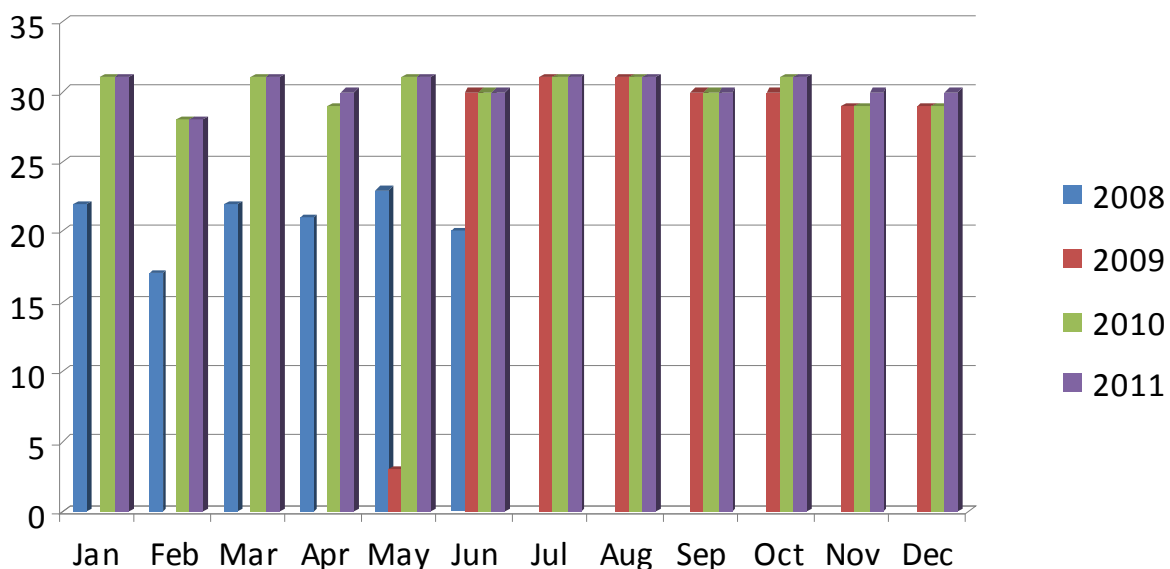


Horse Handle (Includes Live and Simulcast)

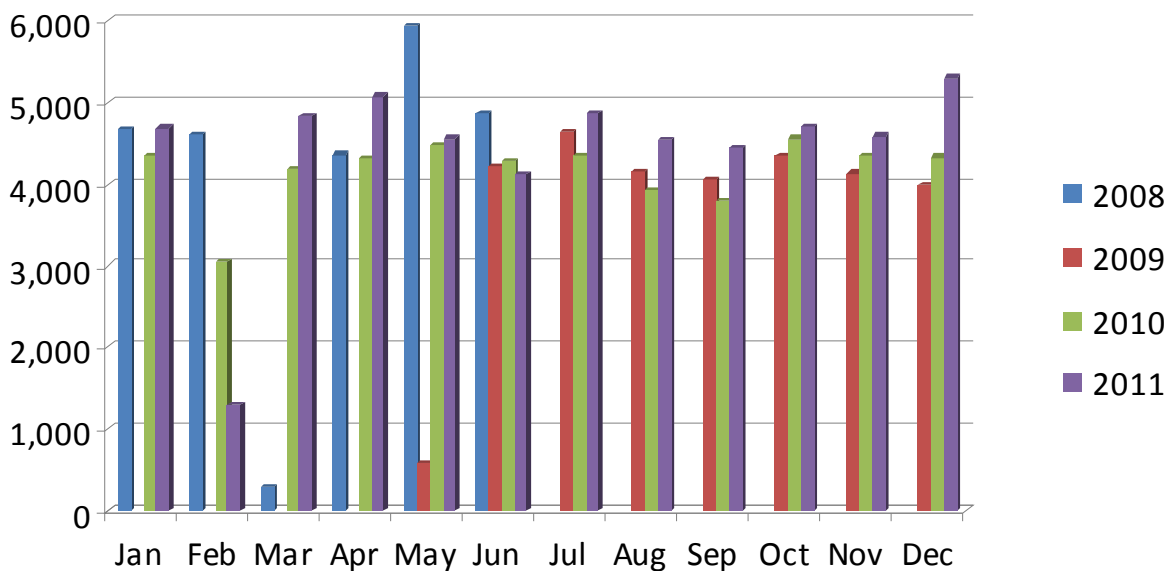




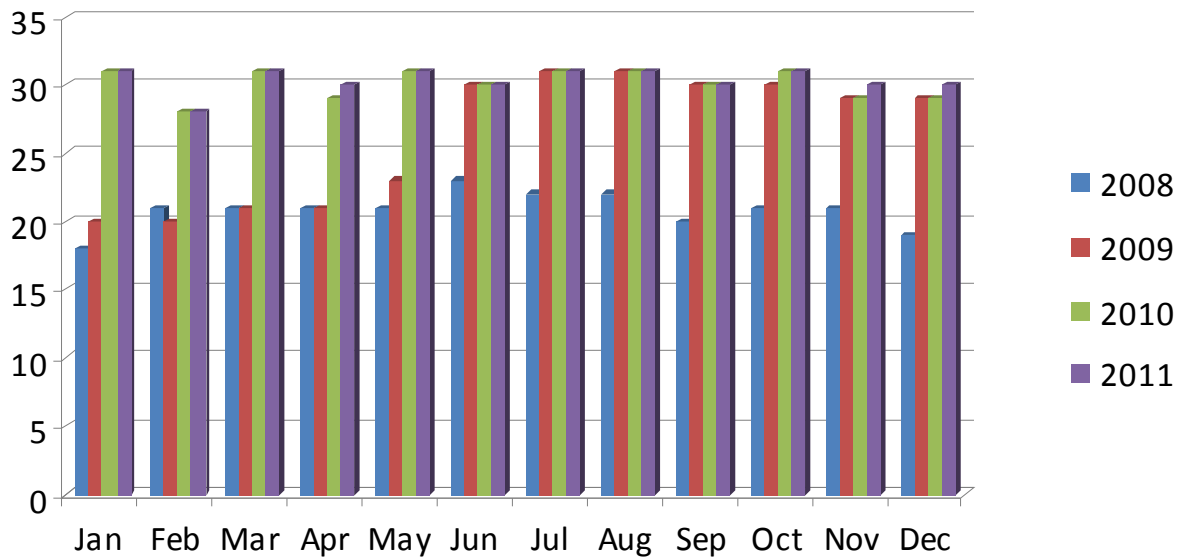
Simulcast Racing Days - Greyhounds



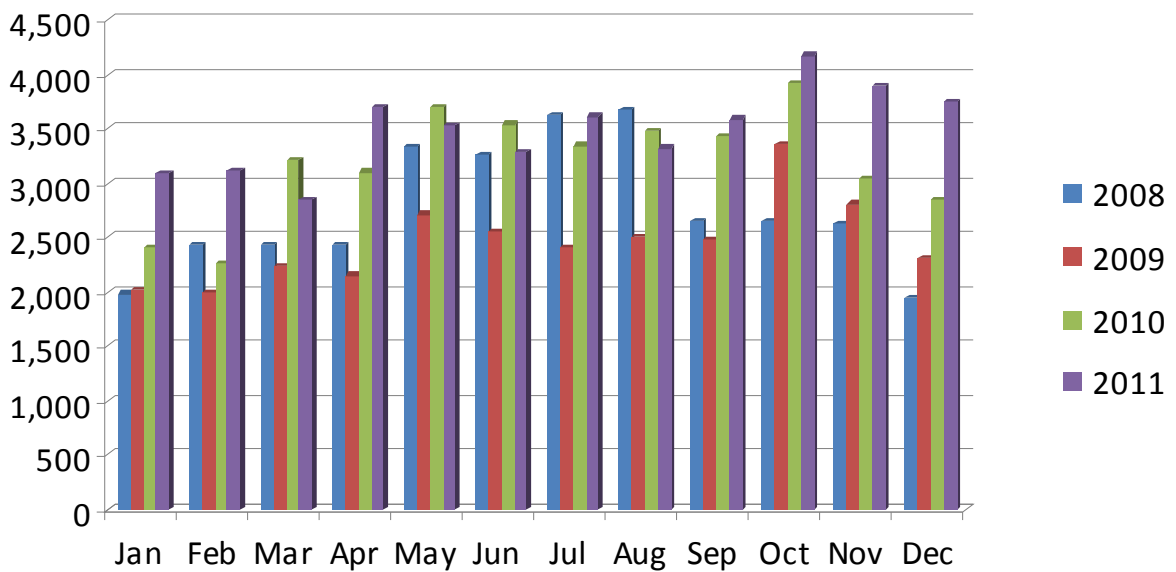
Number of Greyhound Simulcast Races



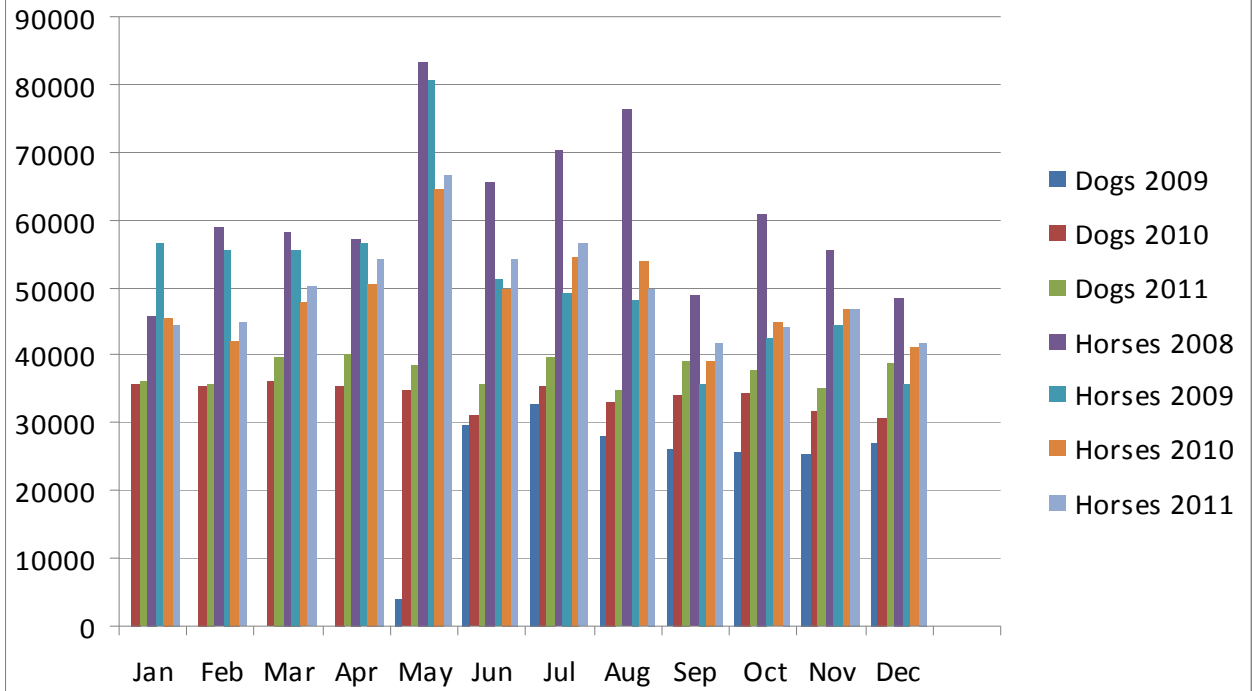
Racing Days - Horses (Includes Live and Simulcast)



Number of Horse Races (Includes Live and Simulcast)



Owners and Breeders Fund



Mile High USA
 Handle and Purse Statistics
 SB 174 Comparisons
 CY2009, CY2010, CY2011

	2009	2010	2011
<u>Arapahoe Park - Live Track</u>			
Number of Performances	36	39	40
<u>Handle Live Racing</u>			
Arapahoe On Track	\$ 1,520,194.00	\$ 2,033,680.00	2,289,429
Off Track Simulcast	\$ 344,720.00	\$ 439,781.00	1,134,790
Total In State handle	<u>\$ 1,864,914.00</u>	<u>\$ 2,473,461.00</u>	<u>\$ 3,424,219.00</u>
Out of state simulcast (on Arapahoe)	\$ 1,435,351.00	\$ 2,461,738.00	2,530,589
Purses Paid	<u>\$ 140,996.80</u>	<u>\$ 186,076.00</u>	<u>\$ 214,738.00</u>
<u>Horse simulcast</u>			
Total In State handle	<u>\$ 46,862,025.00</u>	<u>\$ 43,528,261.00</u>	<u>\$ 45,236,225.00</u>
Purses Paid	<u>\$ 1,859,444.00</u>	<u>\$ 1,720,531.00</u>	<u>\$ 1,808,891.00</u>
<u>Dog simulcast</u>			
Total In State handle	<u>\$ 14,054,240.00</u>	<u>\$ 28,971,896.00</u>	<u>\$ 31,686,654.00</u>
Purses Paid	<u>\$ 756,472</u>	<u>\$ 1,532,036</u>	<u>\$ 1,656,148</u>
<u>Total Purses Paid</u>	<u>\$ 2,756,913</u>	<u>\$ 3,438,643</u>	<u>\$ 3,679,777</u>
Paid CSU	\$ 92,062	\$ 86,988	\$ 88,717
Paid to Greyhound Welfare Fund	\$ 32,258	\$ 67,336	\$ 73,441
<u>Breakdown of Handle:</u>			
Dog - Live	\$ -	\$ -	\$ -
Dog - Simulcast	\$ 14,054,240	\$ 28,971,896	\$ 31,686,654
Horse - Live	\$ 3,300,265	\$ 4,935,199	\$ 2,826,779
Horse - Simulcast	\$ 46,862,025	\$ 43,528,261	\$ 45,236,225
	<u>\$ 64,216,530</u>	<u>\$ 77,435,356</u>	<u>\$ 79,749,658</u>
<u>Breakdown of Purses by signal type:</u>			
Dog - Live	\$ -	\$ -	\$ -
Dog - Simulcast	\$ 756,472	\$ 1,532,036	\$ 1,656,148
Horse - Live	\$ 140,997	\$ 186,076	\$ 214,738
Horse - Simulcast	\$ 1,859,444.00	\$ 1,720,531.00	\$ 1,808,891.00
	<u>\$ 2,756,912.80</u>	<u>\$ 3,438,643.00</u>	<u>\$ 3,679,777.00</u>
<u>Breakdown of Purses by payee:</u>			
To Horse trust	\$ 812,058.00	\$ 992,127.00	\$ 1,047,376.00