

Washington Horse Racing Commission
Meeting Minutes
March 15, 2013

The meeting convened at 9:30 A.M. at the Auburn City Council Chambers, Auburn, Washington. Present were: Jeff Colliton, Chairman; Paul George, Commissioner; Sharon Payant, Assistant Attorney General; Douglas Moore, Executive Secretary; Patty Brown, Confidential Secretary.

Item #1. Approval of the meeting minutes of February 8, 2013.

Commissioner George moved to approve the meeting minutes with one addition to the bottom of page 2 indicating the ten year suspension of the parimutuel tax from Emerald Downs would begin with the passage of SB 5791 which places money into the Washington Horse Racing Commission (WHRC) operating account. Chairman Colliton seconded the motion. Unanimously approved.

Item #2. Commissioner's report.

Commissioner George said he had attended the Washington Thoroughbred Owners and Breeders Association (WTBOA) awards banquet. He said he very much enjoyed participating on behalf of the WHRC and felt it was a very successful event.

Chairman Colliton had nothing to report.

Item #3. Industry reports.

a. Emerald Downs report. Mr. Bob Fraser, VP, Operations, reported on the Emerald Downs handle and said that February is down ten percent, 5.2 percent down from last year. He said this is not unexpected and is about where they projected. Mr. Fraser said the Racing Secretary is writing the condition book and expects it to be out next week. In the barn area: 728 horses on the grounds as compared to last year's 617. The feeling is very positive and encouraging. Mr. Fraser said this year with the extra week of training, the trainers are very positive. He also said there are some new trainers that have shown interest this year. Mr. Fraser went over the Emerald Downs' legislation currently going through the Legislature in Olympia. He said a couple of bills had been introduced and were in the Appropriations committee. He thanked the industry for their participation; about twenty people went to testify on behalf of the legislation. One of the house bill's that had been dropped died in committee because it didn't make it out of the committee. The companion bill in the Senate is alive but is setting aside for the moment; it will be discussed in the budget phase. Mr. Fraser said they are very optimistic. The House bill regarding adding off track betting locations in the larger counties has passed the House 97-0; and is in the Senate Labor & Commerce committee; they are very optimistic for this bill also. Mr. Fraser said there are three locations they're looking at in King County right now though only one site will ultimately be chosen. Commissioner George asked about the opening date for the potential new sites. Mr. Fraser said he believed there was a waiting period of 30-60 days before action can be taken on the passed legislation; he said probably nothing till mid-summer; and they will be located on the west side of King County.

Ms. Sophia McKee, Director of Marketing, reported on the Groundhog Day handicapping contest. Interest was up and the top ten advanced to finals in April with one more qualifier in April.

Chairman Colliton said he had stopped by Portland Meadows and couldn't find out any news. No dates have been applied for at this time. He said there were only 20-25 cars in the parking lot and very few people were betting. Ms. McKee said Portland Meadows has a bill in their legislature to install instant racing. She said it is considered to be a form of pari-mutuel wagering.

b. WHBPA. Ms. Lanna Allen said Ms. O'Connell, Executive Director of the WHBPA was out of town and reported on the L&I changes that took place this year. The first billing went out at the end of February; it's doing very well. She said the L&I dedicated claims manager and supervisor visited the track to get an idea of what the employees do. Commissioner George asked about the database to bill the horsemen; are we billing now. Ms. Allen said yes at the end of the month and the trainer's have fifteen days to pay. The billing had just gone out to trainers.

c. WTBOA. Dana Halvorson, President, said the annual awards banquet was very successful. He wanted to send thanks to Emerald Downs for hosting the event and it couldn't have been better. He said their Board met yesterday and mentioned that the Jockey club was instituting a new rule that is now in effect for show horses; advocating new career for retired horses by transitioning those that are no longer able to participate by retraining them to trail riding or pleasure riding. The Breeders organization is sponsoring classes at the shows.

Item #4. ADW license renewal - TwinSpires.

Mr. Brad Blackwell appeared on behalf of TwinSpires. Mr. Moore presented the renewal application. The license is for April 12, 2013 and will expire on April 11, 2014. Mr. Moore said nothing of significance has changed with their application and that staff recommended approval of the renewal application.

Mr. Blackwell spoke behalf of TwinSpires. He reported on the industry from Kentucky standpoint; more competition, more online wagering. Mr. Blackwell said by acquiring "Luckity" it is for more casual players, doing some experimental things to get more exposure to the product. He said Churchill Downs has purchased a number of advance deposit wagering companies; TwinSpires TV, where you can watch six signals at one time and they are changing those signals to make them more user friendly. He said online poker is very much on the horizon.

Commissioner George mentioned an article he'd read about online poker and posing a threat to the horse industry; all the money is being taken out of the country and the industry receives nothing.

Commissioner George moved to approve the TwinSpires renewal application. Chairman Colliton seconded the motion. Unanimously approved.

Item #5. Hearing before the commission.

a. LaVanway WHRC 2012-003.

Mr. Dayson LaVanway appeared and asked to for a continuance until June, due to his attorney being ill. He also requested to appear by phone. Chairman Colliton granted the continuance but cautioned Mr. LaVanway that it will be heard at the April 12, 2013 commission meeting and that Mr. LaVanway could

be present by phone. Mr. Moore confirmed that assistant attorney general; Chad Standifer would be available that day.

Item #6. Emerald Downs' Application - Smart Phone App Wagering.

Mr. Moore asked that this item be tabled. He was waiting for an opinion from the Governor's office.

Mr. Fraser asked how long this would be tabled. Mr. Moore said a special meeting would be called or this would be an item for the next regular meeting, depending on whether the opinion is favorable. Mr. Fraser hoped to be able to offer this type of wagering by Derby weekend. Mr. Moore said he would inform him as soon as possible.

Item #7. Legislative update.

Mr. Moore presented the status of the bills moving through the legislature; HB 1006: February 19th this passed House and is now in the Senate and is moving forward; HB 1469 which allows the WHRC to collect Labor & Industry premiums is moving through the House. Mr. Moore said there is a new bill that establishes a registry of parents in arrears with child support that requires winnings from gambling be collected and forwarded to Child Support Enforcement if a patron is listed on that registry. The non-profit tracks are excluded from collection. Mr. Moore said the other two pieces that are seeking approval had been covered well by Mr. Fraser.

Mr. Moore reported on the decision of the Executive Ethics Board regarding allowing the vacant commission seat that is designated to be a breeder, be allowed to be an owner of race horses also. The Ethics Board did not approve this request. They were sympathetic to our problems, but could not find it was not a conflict of interest to be an owner. Mr. Moore reported on the search to fill the vacant commission seat, he said several applications had been received and it was possible the seat may be filled by the April meeting.

Item #8. Rules of racing.

a. WAC 260-20-090 Association security.

Mr. Moore said this amendment is to comply with RCI model rules recommendations concerning safety during late night hours at the race track. The track security would log the comings and goings of individuals during late night hours at the track. Staff recommends keeping a log from midnight to 4 A.M. to comply. Staff recommended approval.

Chairman Colliton moved to approve the amendment as presented. Commissioner George seconded the motion. Unanimously approved.

b. WAC 260-34-400 Powers and duties (Jockey agents).

Mr. Moore said the amendment would allow a jockey agent to own horses. Staff has no opinion on this change. No negative comments were received. Although this is not common practice in other states, it does happen by jockey agents placing the horse in another person's name. With this amendment, we will have more control over this.

Chairman Colliton moved to approve the amendment as presented. Commissioner George seconded the motion with the caveat that an update on what any outcome from this amendment produced. Unanimously approved.

c. WAC 260-34 Drug and alcohol testing of licensees.

Mr. Moore said the amendment mirrors the emergency rule that was adopted at the February 8, 2013 meeting dealing with the passage of I-502 legalizing the possession and use of marijuana. By adopting this amendment, the changes will be made permanent in rule.

Commissioner George moved to permanently adopt the amendments to WAC 260-34. Chairman Colliton seconded the motion. Unanimously approved.

d. WAC 260-48 Mutuels.

Mr. Moore on advice from Sharon Payant, Assistant Attorney General, recommended tabling this amendment pending an opinion from the office of the Governor.

e. WAC 260-70-630 Threshold levels.

Mr. Moore said by adopting the threshold levels on six commonly used therapeutic medications, detected in low doses by direct instrumentation of the serum, this will allow veterinarians to treat horses even though they may be detected in small quantities. Staff recommended approval. Mr. Moore met with practicing vets and the WHBPA and came to agreement with the recommended thresholds. Commissioner George asked if the low levels indicated were enough to be effective. Mr. Moore said yes. He had several discussions regarding implementation and how it works. Better to adopt the thresholds than keep calling positives on low doses.

Chairman Colliton moved to adopt the thresholds. Commissioner George seconded the motion. Unanimously approved.

f. WAC 260-84 Penalties.

Mr. Moore said the amendments to the penalty matrix are to update current WACs associated with penalties and the drug and alcohol penalties amended regarding the possession and use of marijuana; no longer a prohibited drug. Mr. Moore said this is mostly housekeeping and staff recommended approval.

Chairman Colliton moved to approve the amendments to the WAC 260-84. Commissioner George seconded the motion. Unanimously approved.

Item #9. Executive Secretary's report.

a. 2012 GMAP.

Mr. Moore presented the 2012 GMAP report. He reviewed safety and equine health and safety and licensing. Mr. Moore reported a steady decline of claims by exercise riders; there were very few injuries

at the Class Cs; the drop in penalties and medication violations some of this was attributed to the reduction in race days; Jockey injuries; Drug and alcohol testing for those on horseback has been increased for third straight year and no positives were detected on the random testing; those licensees with a conditional license show over ninety percent compliance indicating this is working well. None tested positive for drugs, but one was detected for alcohol. Investigators testing under reasonable suspicion found only one positive and that was for cocaine.

Mr. Moore reported for Veterinary Safety, that pre-race inspections increased to almost 100 percent with the second veterinarian available in 2012. Post-race testing showed less than one percent tested positive for drugs and those were usually for overages of permitted medications. There were two at Sun Downs.

Mr. Moore said for Licensing, with the implementing of fingerprinting, the number of applicants being approved immediately was up significantly.

b. Request from RMTC.

Mr. Moore asked to table this request to the April 12 regular meeting to gather more information regarding some concerns by the assistant attorney general.

c. Request from Sun Downs.

Mr. Moore said he had received a request from Tri City Horse Racing Association requesting \$25,000 to assist with paying for the required race day insurance for their approved race meet. Mr. Moore said the WHRC has the authority to do this in accordance with RCW 67.16 by making sure they have a viable meet; and after reviewing the WHRC fund balance, he felt this request could be granted. Mr. Shorty Martin was present to speak and answered question on behalf of Tri City Horse Racing Association.

Chairman Colliton said he knew of some problems arising with the Fair Board and asked if those had been resolved. Mr. Martin said they are working with the Fair Board to get them resolved.

Commissioner George stated that this is a critical year for racing in Eastern Washington and moved to approve the request for \$25,000 to assist with the required race day insurance. Chairman Colliton seconded the motion. Unanimously approved.

d. Wagering Recap (February 2013).

Mr. Moore said wagering is down 4.4 percent for February and 6.5 percent down for the calendar year. He attributed the downturn to cancelled race days due to bad weather on the east coast.

e. Monthly Financial Statement (January 2013).

Mr. Moore said reported on the estimated and actual revenues and expenditures. The Fund balance is \$638,918. Mr. Moore said the fund balance was healthy, although cautioning that the biggest time of year is now when staff is being brought back. The Class C race meet will also affect the fund balance but, he felt we should be able to maintain a good position.

Commissioner George will be attending the opening day of Sun Downs on April 20.

Item #10 Any other business that may be properly brought before the Commission.

None heard. Meeting adjourned. (11:12 A.M.)

Douglas L. Moore, Executive Secretary