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TESTIMONY OF JOSEPH W. HARPER

President, Del Mar Thoroughbred Club

On behalf of the Board of Directors and employees of the Del Mar Thoroughbred Club ("Thoroughbred Club"), I want to welcome the members and staff of the National Gambling Impact Study Commission to Del Mar. This is a unique opportunity for us to showcase the sport of Thoroughbred racing in one of the greatest sporting venues in the world, located a couple of furlongs away from the Pacific Ocean.

My name is Joe Harper and I am the President of the Thoroughbred Club, a not-for-profit organization which has had the privilege of conducting racing here at Del Mar since 1968. Since that time, Del Mar has been transformed from a sleepy little seaside track founded in 1937 by Bing Crosby and Pat O'Brien to one of the leading Thoroughbred facilities in the country with average daily attendance, wagering and purse money offered annually ranking at or near the top of the racing world. This summer, nearly 600,000 people will enjoy a visit to "Where the Turf Meets the Surf," many of whom plan their annual vacation around our summer race meet. Those visitors will come from all over the world, including Japan, England, Hong Kong and the United States, and represent a major economic benefit to the local communities of Del Mar and Solana Beach as well as to the City and County of San Diego.

At its peak, the racetrack and the owners and trainers who run here employ over 3,500 people, the vast majority of whom are annual visitors who make their homes elsewhere in California. The economic impact of that number of visitors over a two month time frame is obvious. What is less obvious is the direct fiscal impact a company like ours has on the local community. Since 1970, the Thoroughbred Club has paid over \$250,000,000 in license fees to the State of California. More importantly, because of our unique corporate mission, every dollar earned at Del Mar is reinvested into the facilities here, enhancing the enjoyment of not only racing fans but also the millions of people who visit the Del Mar Fairgrounds both for interim event activities and the annual Del Mar Fair, which this year provided entertainment and educational programs for over 1.1 million people.

If you get the opportunity to tour our facilities this afternoon, you will see well over \$100,000,000 in capital improvements, virtually all of which have been financed with the earnings from live racing and off-track wagering here at Del Mar. Since 1970, our company has contributed more than \$80,000,000 to the 22nd District Agricultural Association, the owner of the property on which the Del Mar Racetrack is located, to finance those improvements.

We are particularly proud of the level of charitable giving by our business throughout California. In Del Mar's case alone, local and national charities have received more than \$5,000,000 in charitable contributions since we began operating live racing here.

Del Mar also contributes heavily to equine research programs at the University of California at Davis, with more than \$270,000 going to those programs in 1997 alone. And, Del Mar is not unique in regard to its commitment to equine research and welfare. Individuals in the racing industry and racing organizations have long supported equine medical research through private donations. Organizations such as the Grayson Jockey Club Research Foundation, American Quarter Horse Foundation, the American Association of Equine Practitioners Foundation, the Morris Animal Foundation and others have contributed millions of dollars in research funds that provide valuable information to the entire horse industry.

There is also a less well-known source of funding that provides a continuous stream of revenue throughout the year - the betting on racing itself. Since 1967, parimutuel wagering has provided more than \$39 million to equine medical research through a percentage of the takeout on various types of wagers. Currently there are 15 states with active programs that provide automatic funding for research in the laws governing parimutuel racing. Four states - California, Florida, New York and Ohio - have provided 71%, \$27.5 million, of all research funding.

Equine medical research that is funded through parimutuels is not geared solely to help race horses. Research projects supported by parimutuel wagering also include topics such as colic, respiratory ailments, reproduction, orthopedics and pediatrics. These research projects benefit all types of horses, regardless of breed or use.

While racing's contribution to state and local communities is, unfortunately, one of our best kept secrets, it is no secret that this is a highly regulated wagering environment that ensures the honesty and integrity of the sport. A short primer on that end of the business may be in order.

The parimutuel wagering system in the United States relies on technology. A totalisator, or "tote" machine, is used to calculate and display the wagering odds for a particular race. When wagering begins on a specific race, information appears on the "tote boards" located throughout the track. These tote boards identify the current odds for each horse entered in the race. The tote machine processes bets over and over during the course of betting, because the odds are calculated according to the relative amounts bet on each entry in the race. Every 30 to 60 seconds the tote board flashes new betting totals and odds for each horse, until the "windows" close just before the race starts. The final odds are determined by the total amounts wagered on each horse. This continuous recalculation is necessary because, as explained above, parimutuel wagers bet against one another rather than against the established odds of the "house."

The audit trail of the parimutuel wagering system protects the integrity of racing. The computer systems which issue the betting slips carry a number of features designed to minimize the potential for parimutuel fraud or machine malfunction. These features include coded ticket paper and duplication of all critical functions by two computers working independently of one another. This system provides a complete audit trail of regulators, which identifies each and every bet placed. Just as important, the race upon which the wager is made and paid is a public event conducted under the watchful and critical eyes of many interested fans and regulators at the track itself. Stewards, patrol judges, veterinarians and horse identifiers watch each race and observe as well the betting pattern on each race. Stewards and patrol judges may question owners, trainers

and jockeys if something irregular occurs and have the authority to change the results if warranted. This combination of the technology and human observation enhances the integrity of each race.

Most jurisdictions require that a horse have a minimum number of timed, recorded workouts before being entered in a race. The results of these workouts are published in the program when the horse first races. Before every race, a track veterinarian inspects every horse as it is saddled, as it parades from the paddock to the track and as it is loaded into the starting gate. At any time during this process, track veterinarians have complete authority to remove a horse from the race ("scratch" the horse) if they believe that the horse is in any way not sound to run. If a horse is scratched, wagers on that horse are refunded to the bettors. Horses that obviously have trouble finishing a race must be approved by the track veterinarian before being entered in a subsequent race.

The racing industry works closely with law enforcement officials to protect the integrity of parimutuel wagering. Because of the amount of money involved in parimutuel racing, law enforcement officials have long taken an active interest in the industry. Racing officials work closely with law enforcement personnel to respond immediately if there is any irregularity with a particular race or a pattern of suspicious behavior.

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