



## Who Gets What

### Understanding the Distribution of Wagering Revenue

By Mary Forney

**I**t's one thing to know how much handle is generated from racing, and quite another to understand how much of it can be considered "revenue," and to where it should be distributed.

For starters, "handle" refers to the total amount of money wagered. Bettors get back most of this money – roughly 80% – in the form of winning wagers, with just under 20% deducted or "taken out" for various racing and government interests.

The actual "takeout" deducted varies depending on the type of wager being made. For example, the takeout is 15.43% on all conventional (win, place and show) wagers and 20.68% on all other (exotic) wagers. It is distributed in accordance with California law, among those with a vested interest in the business. This includes horsemen in the form of purses, racetracks as "commissions," off-track wagering facilities as "location fees," breeders incentives, cities and counties where tracks are located as "taxes," and equine and other charities.

Unfortunately, being familiar with those components is the easy part. Understanding the specific distributions of those monies is where it gets complicated – very complicated – because the distribution formula varies according to where the bet was made and the location of the race.

In California, there are four places where bets are considered "made:"

- On-track
- Off-track at a Southern or Northern California Satellite Wagering facility
- Out-of-state
- By advance deposit wagering (ADW)

The location of races can include: live, out-of-zone, and out-of-state. "Live" refers to those races being run in the zone where the bet is placed. "Out-of-zone" races are those run at a California track in another part of the state – generally North or South, such as at Golden Gate Fields when Hollywood Park is running live, and vice versa. "Out-of-state races," well, they're pretty self-explanatory, i.e. races run at out-of-state tracks such as Churchill Downs in Kentucky or Gulfstream Park in Florida, which are simulcast to California.

The simplest way to understand this maze is to start by identifying the location at which a bet is being placed, then the origin of the race, followed by the type of bet.

For purposes of this article, the distributions from the 2004 Oak Tree race meet form the basis for the following illustrations. Keep in mind that these percentages were averaged for ease of understanding and will vary slightly from one race meet to the next, depending on variables such as the mix of conventional and exotic wagers, and the fees negotiated on out-of-state races.



# Beneficiaries of the Takeout

The following are explanations for the labels used in the pie charts on the following pages to identify various distributions.

## Backstretch

A percentage of ADW handle is dedicated to trainer-administered pension plans for backstretch personnel and a welfare fund established for the benefit of horsemen and backstretch personnel.

## Breeders

From essentially every wager placed in California, or on one of our races, a portion is earmarked for California Thoroughbred Breeders Association incentive awards and programs, including California Cup Day.

## DIR

From ADW handle, a percentage is distributed to the Department of Industrial Relations to cover costs associated with trainer audits conducted pursuant to Business & Professions Code Section 19526. In addition, any amounts exceeding DIR costs are forwarded to an organization designated by the racing association or racing fair for the purpose of augmenting a compulsive gambling prevention program.

## Equine

This deduction benefits such agencies as the Center for Equine Health, the California Animal Health and Food Safety Laboratory, and the School of Veterinary Medicine at UC Davis.

## Expense

By California statute, a portion of handle is set aside to cover the costs of wagering operations, as well as delivering the signal, to California satellite facilities.

## Hub Fee

For ADW handle only, and analogous to the Expense Fund, a percentage is retained by California licensed ADW providers (TVG, YouBet, or XpressBet) as a commission.

## Interstate Hosts (Host Fee)

For wagers made in California on out-of-state races, a commission – or “Host Fee” – is paid to the out-of-state track and horsemen. This commission is negotiated by California tracks or, in some cases, by California ADW licensees.

## License

On all wagers placed at California tracks and satellite facilities, a statutory tax is paid to the State of California, most of which goes to the California Horse Racing Board and the Division of Fairs and Expositions.

## Local Tax

As previously mentioned, tax revenues to local municipal or county governments are also derived from wagering handle. For instance, the city of Arcadia receives one-third of one cent of every dollar bet at Santa Anita.

## Location

For wagers made at off-track locations and through ADW providers, a percentage is paid to California off-track wagering facilities to cover their operating costs.

## Out-of-State

From wagers placed out-of-state on California races, the balance of the takeout above the simulcast fee is retained by the locations where the bet was placed. Because out-of-state sites retain these funds, California statutory distributions are deducted only from the simulcast fee received. Remember, the simulcast fee is a negotiated fee and varies depending on the guest location.

## Promotion

Pursuant to the California Racing Law (Business & Professions Code) Section 19605.73(c), these funds are distributed to a statewide marketing organization known as the California Marketing Committee, or “CMC,” for the promotion of Thoroughbred and Fair horse racing, and to defray the cost of workers’ compensation coverage for stable employees and jockeys working in the Thoroughbred industry.

## Van/Stabling

These funds are administered by SCOTWINC through a committee having oversight of the Stabling & Vanning Fund. The Fund reimburses offsite stabling at board-approved auxiliary training facilities for additional stalls needed to stable eligible runners beyond those available at the operating racing association or fair, as well as for the vanning of starters on race days.

## Workers Comp

With the passage of AB 701 last year, a 0.5% increase in exotic takeout was earmarked to fund a multi-faceted program intended to reduce overall workers’ compensation costs at the track, including, among other things, a starter-fee payment to owners.

## Remainder Distributed as Track Commissions and Horsemen’s Purses

After governmental, breeders, satellite, and all other distributions are made, the racetracks and horsemen divide the balance of the takeout remaining, essentially equally, as “commissions” and “purses” respectively.