Declining Purses and Track Commissions in Thoroughbred Racing:

Causes and Solutions

EXECUTIVE SUMMARY

NTRA Wagering Systems Task Force
September 2004

PREFACE

The Wagering Systems Task Force (WSTF) acknowledges the cooperation of the racing associations, racetracks, horsemen's groups and account wagering operators who supplied the confidential financial data that has made possible this first-ever public, fact-based analysis of the effects of simulcasting and inter-site wagering on pari-mutuel handle, revenues and purses.

It is our hope that this information will be used as the basis for decisions that will enable the protection and growth of the pari-mutuel industry both domestically and internationally.

Respectfully,

The Members of the Wagering Systems Task Force:

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The views of the WSTF members reflected in this report are those members' individual views and may not be reflective of the views of the entities for which they work or with which they are associated.

The principal NTRA management and staff contributing to this report were Greg Avioli, NTRA President and chairman of the WSTF; Peggy Hendershot, vice president – legislative and industry affairs; Ken Kirchner, senior vice president – product development; Terry Meyocks, special assistant to the Commissioner; and Ragan Montemayor, associate counsel.

FOREWORD BY RUDOLPH W. GIULIANI

The National Thoroughbred Racing Association (NTRA) and the Wagering Technology Working Group (WTWG) retained Giuliani Partners in 2003 to address electronic security and public policy issues that developed after an attempted $3 million wagering fraud in connection with the 2002 Breeders' Cup World Thoroughbred Championships. Our firm worked closely with the NTRA and members of the WTWG throughout the year to conduct a candid assessment of the pari-mutuel wagering security infrastructure. We accomplished our goal of improving system-wide security and retaining public confidence.

Now, the NTRA is addressing another important issue. The dramatic growth in unregulated Internet wagering on U.S. races has introduced new integrity, fairness and security issues. To address these challenges, the NTRA and representatives from all aspects of the Thoroughbred industry assembled under the umbrella of the NTRA Wagering Systems Task Force (WSTF).

The Thoroughbred industry is no different from any other major international business. It must constantly reassess its business models and practices in the wake of the Internet revolution. What separates Thoroughbred racing from most businesses, however, is the fundamental obligation it has, as a state-licensed and -regulated business, to protect and maintain the security and integrity of the wagering product. This challenge has been heightened with the recent growth of electronic wagering, both domestically and abroad. In order to maintain security and integrity in this global marketplace, the domestic pari-mutuel industry must retain full control over the wagering product and provide complete transparency to lawmakers and regulators for the benefit of racing's most important constituency, its fans and players.

Following up on our work in 2003, Giuliani Partners was retained by the WSTF to determine the extent of the problem from economic, legal and regulatory perspectives and to develop recommendations for the future. This Final Report of the Task Force provides an analysis of the challenges the industry faces in dealing with the growth of Internet wagering. Only by fully understanding the facts can we begin to develop effective solutions.

We believe that implementation of the recommendations in Chapter 3 of this Report will go a long way toward meeting those objectives.

Horseracing is a significant part of our country's heritage. As a longtime racing fan, I applaud the efforts of the NTRA and the Wagering Systems Task Force to ensure the sport's continued vibrancy.

INTRODUCTION

The Wagering Systems Task Force (WSTF) is the latest example of the NTRA serving in the role of "Convening Authority" for the Thoroughbred industry. In the year prior to the Task Force's formation, there had been widespread public comment concerning the growth of rebaters, asserting that they were "poaching" the best racetrack customers and pirating racing signals and other intellectual property.

This commentary was heightened by the release of data in January 2004 that showed a 1% increase in handle along with a 1.7% decrease in purses for the previous year. The NTRA Board of Directors characterized the phenomenon of "handle up, purses down," as one of the leading problems facing the Thoroughbred industry and authorized the convening of the WSTF to conduct a systematic review of the causes of reduced purse levels in North American horseracing, despite an increase in the primary revenue source for purses, pari-mutuel wagering.

The Task Force – composed of 30 industry professionals representing nearly two dozen racetracks, regulatory agencies and racing associations – convened regularly over the following six months along with a group of outside consultants to engage in fact-finding on key issues germane to domestic and international, electronic pari-mutuel wagering.

The consultants and their areas of expertise included Giuliani Partners, led by former New York Mayor Rudolph W. Giuliani (electronic security); National Economic Research Associates (NERA), led by partner Louis Guth (business economics); Richard Cirillo of King & Spalding LLP – New York (anti-trust counsel); Robert Penchina of Levine Sullivan Koch & Schulz LLP (legislative counsel) and Michael Hauser of Alston & Bird LLP (intellectual property counsel).
The Task Force identified the following areas for intensive review:

- Changing wagering patterns (e.g., from on-track to off-track);
- Rebating (e.g., under current regulatory rules and as practiced by some OTB or account wagering operators);
- Reductions in normal winning payoffs due to computer-assisted pari-mutuel wagering; and
- Internet-based betting exchanges.

The Task Force began its work by commissioning a study of the wagering-related business practices of the pari-mutuel and Thoroughbred racing industries that have a direct impact on purse monies. The resulting study, prepared by NERA, is a primary source document considered in the Task Force's report. In addition to its fact-finding role, the Task Force was charged to recommend appropriate remedial steps to reverse the downward trend of purses, the lifeblood of the Thoroughbred racing industry.

CHAPTER 1: THE CHANGING ENVIRONMENT FOR PARI-MUTUEL WAGERING

Overview

Pari-mutuel wagering in the United States has undergone a substantial transformation since the early 1970s when off-track wagering debuted in New York. As a result of legislative advances and technological improvements broadening over the last two decades, bettors today lawfully can place wagers at racetracks on live events or imported races; at off-track betting facilities; or via remote communications devices such as the telephone, personal computer, hand-held wagering devices and digital TV set-top boxes. Eighty-seven percent of U.S. pari-mutuel handle is now bet on non-live racing due in large measure to the expansion of simulcasting in the 1980s and 1990s.

Account Wagering

A key "market within the market" for simulcast wagering is account wagering, which allows individuals with pre-established wagering accounts to send wagering instructions from a location outside a licensed pari-mutuel wagering facility. Wagering instructions can be communicated remotely via a range of hand-held electronic devices.

Account wagering in the United States is regulated by both federal and state law. The federal law legalizing account wagering is the Interstate Horseracing Act (IHA) of 1978, which was amended in 2000 to give express authorization to account wagering through a definitional change to the term "interstate off-track wager." Under the amended IHA, an interstate off-track wager is defined as:

> "[A] legal wager placed or accepted in one State with respect to the outcome of a horserace taking place in another State <u>and includes pari-mutuel wagers, where lawful in each State involved, placed or transmitted by an individual in one State via telephone or other electronic media and accepted by an off-track betting system in the same or another State, as well as the combination of any pari-mutuel wagering pools</u>."

By any measure, account wagering is the fastest-growing segment of the United States pari-mutuel market. It is estimated that licensed domestic account wagering handle now exceeds $2 billion per annum, capturing more than 13% of the total U.S. pari-mutuel market and equaling the amount wagered on-track at live racing events.

Secondary Pari-Mutuel Organizations

The same characteristics that have resulted in the dramatic growth of domestic simulcasting and account wagering – convenience, real-time data and high-quality video streaming – have also led to exponential growth of wagering through so-called secondary pari-mutuel organizations or SPMOs that have access to United States wagering pools. After much discussion about what does and does not constitute an SPMO, the Task Force has endorsed the following criteria previously developed by the Thoroughbred Racing Protective Bureau (TRPB), while acknowledging that each entity defined as an SPMO herein may not meet every characteristic of the definition.

An SPMO is a pari-mutuel operation:

- That does not conduct live racing and whose primary business is wagering on simulcast races;
- That provides rebates to bettors, ranging from 5-10% or more;
- Based primarily on telephone account wagering with a limited customer base with some customers using personal computers in their handicapping and wagering activity and using special means of accessing pari-mutuel systems and services;
- Whose owners and/or operators are not clearly identified;
- That is out-of-country, a Native American gaming facility, or is not in the geographical mainstream of U.S. racing locations;
- That has little or no U.S. regulatory oversight;
- Whose significant level of business is contrasted by no visible marketing or advertising;
- With consistent and often substantial money settlements due from the host track; and
- Whose tax withholding policies and practices in relation to U.S. IRS regulations are unverified.

According to NERA research, the six largest SPMOs accounted for $1.2 billion in handle in 2003 – more than 50% of all dollars flowing through the account wagering system. The amount wagered through these entities represents a 50% increase over 2002 and is expected to increase in 2004.

Computerized Robotic Wagering

In addition to wagering data supplied by several U.S. racetracks for analysis by NERA, the Task Force received detailed information from the TRPB, major players and the tote companies confirming that certain players take advantage of the ability to place multiple, direct bets into the tote system immediately prior to a race via a process known as computerized robotic wagering (CRW).

CRW does not include isolated use of a software program and personal computer to develop speed ratings, formulate statistics, forecast race patterns, create betting strategies, or manage other aspects of handicapping.

The term does apply to the configuration of a personal computer to serve as a betting or communicating device into the totalisator system.

CRW is a complete robotic package that can be broken down into three steps, beginning with a computer and a proprietary handicapping program that is based on mathematics. The program digests statistical data about each entered horse, with the resulting analysis producing a value line for each runner in a race. The program may also compile models from past wagering activity.

The second step occurs when race betting pools open. As wagering progresses, conventionally available tote data (pool totals and probable payoffs) are reviewed by the handicapping program and compared to the program's previously established values for each horse. As imbalances (wagering overlays) are seen between the program's values and those established by all other bettors, the program calculates wagers on a weighted basis to capture the perceived value and take advantage of inefficiency in the pools. In the final one or two minutes prior to post time, the CRW operator selects from among the value wagers that have been filtered from the data and are displayed on the PC monitor.

In the final step, the CRW operator enters the value wagers into the tote system. Prior to the advent of computer interface wagering, these wagers were then placed by the traditional methods of calling out wagers to a clerk or using a self-serve betting device, the drawbacks to both being limited time to register the wagers and the potential for human error.

Traditional methods have largely been supplanted by the introduction of computer interface betting, which takes one of the following forms:

- **Batch wagering**, in which a personal computer is configured to emulate a betting terminal and "batches" of wagers are transmitted to the totalisator at a rate of up to 50 bets per second; and

- **Bet streaming**, in which a PC is configured to emulate a betting terminal or a telephonic device for communication with an Interactive Voice Recognition (IVR) betting system. Wagers are registered at the fastest rate – e.g., 150-200 wagers per minute – sustainable by the automated betting device to which the PC is connected. The efficiency of bet streaming can be multiplied by sending wagers to several data ports at the same time.

Computerized wagering is not itself illegal in U.S. racing jurisdictions and, as noted by tote companies and Task Force members, has the added benefit of facilitating speed, accuracy and efficiency in the wagering process and is available to all bettors (which may be a small minority) with the capital and expertise to take advantage of the systems.

On the other hand, because of limitations on the practical ability of a wide range of bettors to take advantage of these opportunities, the relatively few "program bettors" who can make last-minute computerized wagers have a clear advantage over less sophisticated "recreational" players, who will not see the effects of these wagers on the final odds until after the stop-betting signal has been delivered (and often after the race is well in progress). For this reason, several U.S. racing commissions have expressed concerns with the practice, which is disallowed in several foreign jurisdictions.

CRW mechanisms – while not widely deployed – do exist in the domestic consumer market. United Tote has recently unveiled its "Enterbet," designed to facilitate players' ability to directly interface with the tote. United Tote officials note that this underlying technology had been available and used by some larger bettors and wagering sites for the last five years.

Late Odds Changes

The Task Force also addressed the issue of whether CRW plays a role in "late odds changes" and their resultant public perception problems. Historically, skilled handicappers attempt to place their bets as close the start of the race as possible. This phenomenon is also true for batch or streamed wagers, which often are placed in the final seconds before the stop-betting signal is given to achieve the highest level of efficiency in the trading program. The combination of "last-minute" bets and technological limits to the tote system result in timing delays with the result that the pari-mutuel odds displayed on the tote board do not always reflect the effects of the computerized wagers for several seconds after a race has begun. Late odds changes not only place other players at an economic disadvantage; they also create perception issues with fans, who question the integrity of the race itself.

CHAPTER 2: "HANDLE UP, REVENUE (AND PURSES) DOWN: AN ECONOMIC ANALYSIS OF CURRENT TRENDS IN THE THOROUGHBRED RACING INDUSTRY" (PREPARED BY LOUIS A. GUTH, SENIOR VICE PRESIDENT AND THOMAS E. JOSCELYN, SENIOR ANALYST OF NERA ECONOMIC CONSULTING)

Introduction and Summary of Conclusions

"Handle Up, Purses Down" has been widely used by many participants in the Thoroughbred racing industry to describe the *increase* in handle (+0. 8%) and the *decrease* in purses (-1.7%) in 2003 as compared to 2002. Building on our 2000 study *Time to Deregulate: The Case for Thoroughbred Racing,* NERA was hired by the NTRA to assemble data relevant to this issue. We were also asked to provide to the NTRA our analysis of the underlying economic conditions in the Thoroughbred industry that may have lead to this circumstance. We have participated in several NTRA Wagering Systems Task Force Meetings, had numerous conversations with many industry participants (including track executives, players, industry analysts and consultants), and analyzed extensive amounts of public and private economic data. This report contains information from all of these sources. Our findings, in brief, are as follows:

- "Handle Up, Purses Down" is not a new occurrence specific to 2003. In general, purses have not grown as fast as handle for more than a decade. For example, from 1995 to 2003 total Thoroughbred handle grew by 45% while total purses paid to horsemen grew by only 38%. This trend becomes even clearer when purse payments are adjusted for estimates of the contribution of slot revenues. Purses, less the contribution of slot revenues, have grown by only 23% over this time period. With only a small, nominal increase in handle in 2003, it is not a surprise that purses declined.

- A more fundamental relationship is "Handle Up, Revenue (and Purses) Down." That is, purses are mostly determined by the pari-mutuel revenues generated by tracks from wagering. Our analysis of the track revenues generated from over half of the U.S. Thoroughbred industry's total handle illustrates that *both* revenue and purses decreased in 2003.

- The lag in purse growth relative to handle growth can be explained by changes in the revenue model and resulting handle distribution used by Thoroughbred tracks for generating wagers. The most significant change in this distribution model is from *on-track wagering* to *interstate export wagering*. The effect of this change explains both why handle has generally grown faster than revenue – and therefore purses – since 1990 and why, more recently, the small increase in 2003 handle resulted in a decline in purses.

- But, the decline in adjusted purses per dollar of handle between 2002 and 2003 is also the result of a second phenomenon. Within the interstate simulcast distribution channel there have been significant changes over the last three years. Interstate export handle has been increasingly generated through new distribution systems that are not necessarily directly affiliated with a Thoroughbred track or horsemen's group through ownership, or through state law and/or regulatory policy. For example, these include telephone or Internet-based account wagering systems and related international and domestic entities. Unless there are other controlling contractual issues, these "retail" distributors of Thoroughbred racing signals contribute materially less of their handle to Thoroughbred revenue and purses than more traditional interstate simulcast relationships.

- From an economic standpoint, the growth in interstate simulcasting increases economic competition – that is, effective deregulation – within the Thoroughbred racing market. That this increase in economic competition currently focuses principally on the margin, that is, for high-volume bettors, is not surprising. Indeed, it is the very same pattern observed in virtually every other industry that has gone through deregulation. And, again as with all of these other industries, economic competition creates issues concerning the traditional price and cost structures of the Thoroughbred racing business. These issues all bear on future prospects for growth in handle and the extent of corresponding growth in track revenue and in purses. They include:

    A. Overall price level, that is, the nominal takeout rates on wagers by type of pool;

    B. Price structure, in particular the relative level of track revenues (used for purses and to cover operating costs) realized by type of distribution channel; and,

    C. The effect of current information technology in wagering systems on the effective takeout rates of typical racetrack patrons.

- There have been only minor changes to nominal takeout rates around the United States since 1998. A number of members of the task force have expressed views on how moderating nominal takeout rates generally, or takeout rates on specific pools, might stimulate overall handle as well as overall revenue for purses. The evidence in support of these views, however, is inconclusive. And pricing in the form of nominal takeout rates is a subject for individual track strategic thinking and policy. We do, however, hold to our central conclusion in *Time to Deregulate*:

    "States should get out of regulating takeout rates, perhaps setting only floors and ceilings in transition. Designing strategic pricing strategies to appeal to all types of bettors is the essence of competition in free markets. It is the most certain outgrowth of deregulation, while being the least predictable in specifics. For similar reasons, states should routinely permit new wager types – with disclosure to bettors – using experimental acceptance procedures in the transition to competition."

- There has emerged, however, a major gap within the retail distribution of Thoroughbred racing in the portion of handle going to *purses and other track expenses associated with putting on live racing*. On average, purses ($1 billion) are 6.7% of aggregate U.S. handle ($15 billion). Under the current pricing structure, however, a rapidly growing distribution channel, unaffiliated retail entities, contribute materially **less** than this amount – from 3-5% of their handle – to tracks for purses and other track expenses associated with putting on live racing. All other distribution channels contribute materially **more** than this amount when one combines revenues going to host tracks, to guest tracks and/or to in-state hosts – at least 8%, and more typically 10-13%. So the gap is at least 3% but more typically 6%.

    There are two principal effects of interest. First, the distinct gap in overall support of live racing is a key component – and probably *the* key component – of rebates made available by the advantaged entities to high volume bettors. Second, the growing (and resulting) shift in handle toward these entities necessarily reduces track revenues and purses relative to aggregate handle.

- Increasing competition in the distribution of Thoroughbred wagering opportunities requires that the industry be afforded the opportunity to meet the pricing demands of its customers. In doing so, tracks need to consider – in addition to customer demand – the actual costs incurred doing each of the things they do: (a) in producing live racing, (b) in providing wagering opportunities for live patrons; (c) in otherwise hosting live patrons, and so forth. That is, pricing must be determined by the interplay of supply and demand.

- Finally, the evidence made available to us strongly indicates that a certain category of high volume bettors, using current information technology not only to handicap races but also to place wagers, are able to achieve persistent high payoff rates across tracks. These payoff rates exceed what we understand are expected payoff rates for superior handicappers (before rebates) of 90-95%.

Handle and Purses

The 1990s witnessed rapid growth in the total amount of handle wagered on Thoroughbred wagering. Even as the total number of Thoroughbred races consistently declined, the total amount of handle consistently increased. For example, from 1995 to 2003 the total number of Thoroughbred races declined from roughly 62,000 to less than 54,000, a decrease of approximately 14%. However, total handle grew from approximately $10.4 billion in 1995 to roughly $15.2 billion in 2003, an increase of nearly 46%. This means that the total handle per Thoroughbred race has grown dramatically from roughly $168,000 per race in 1995 to nearly $284,000 per race in 2003, an increase of 68.7%. In short, over the last decade the Thoroughbred industry has expanded its product distribution dramatically.

The growth in purses, however, has not matched the growth in handle. Over the same time frame discussed above, total purses increased from approximately $762 million in 1995 to roughly $1.0 billion in 2003, an increase of only 38.7% (as compared to a 46% increase in handle over this time frame). Purses per race also increased dramatically from 1995 to 2003, but lagged the growth in handle per race. The average purse paid per race grew by roughly 60% from $12,285 per race in 1995 to $19,737 per race in 2003. Therefore, while increasing a great amount, the growth in purses has lagged the growth in handle by several percentage points.

Total purses have stayed relatively constant at about 7% of total handle. However, adjusting for the contribution of slot revenues reveals a different story. Using data provided by the Thoroughbred Racing Associations of North America (TRA), purses were roughly 7.3% of handle in 1995. This figure fell to 6.2% in 2003. Therefore, removing the contribution of slot revenues from purses reveals a longer-term downward trend in purses, as measured relative to handle.

In sum, 2003 was not the first time purses grew more slowly than handle. The contribution of pari-mutuel handle to purses has steadily declined for much of the period since 1990. This longer-term decline is explained by changes in the Thoroughbred industry's revenue model and the shift from on-track wagering to interstate export wagering. In the next section these changes are discussed in more detail.

Conclusions

Three measures will help remedy the situation of "Handle Up, Revenue (and Purses) Down":

- **Increase Thoroughbred racetrack handle.** As long as handle grows robustly, track revenues and purses paid will grow, albeit not necessarily at the same *rate* as handle. Whatever methods are used to market Thoroughbred racing as a betting opportunity, our economic advice remains the same as it was in *Time to Deregulate*: <u>racetracks must be given more flexibility to set takeout rates in a competitive environment</u>.

- **Better align Thoroughbred track economic policies with the changing business model they face,** i.e., distribution that is increasingly off-track, interstate and unbundled from live track operations. Better alignment would close the gap between growth in handle and growth in revenue and purses. The first economic issue of course is pricing the service of providing races for wagering in a nationwide – and soon to be worldwide – market. But, as with other industries, the issue may also ultimately be addressed via vertical integration – tracks establishing separate retail distribution entities – and/or by tracks rethinking their economic role and the priority of the services they provide in pricing overall to recover costs that are efficiently incurred.

- **Establish the most attractive blend of economic incentives to participation for both informed bettors and recreational players**. The evidence we have reviewed appears to confirm what members of the WSTF have pointed to, namely, a current imbalance in effective takeout rates for informed program bettors and all other informed and recreational players. Economic theory suggests that the higher effective takeout rates on all other bettors would decrease their participation in Thoroughbred racing, all else equal. The imbalance, we believe, is rooted in current technology that makes handicapping information and pool data available on demand and the process of placing bets almost instantaneous, <u>but which cannot then redistribute updated pari-mutuel pool information on a real-time basis</u>. Longer term, the solution lies in improving technology for all bettors.

CHAPTER 3: PROPOSED RECOMMENDATIONS

The Task Force's recommendations to address the problems of declining track revenues and purses fall into five categories: economic analysis, technology, integrity, betting exchanges/bookmakers and legislative/regulatory.

Economic Analysis

1. Each track and horsemen's association should perform detailed analyses of its wagering data to understand fully the effect of all the different *sources* of wagering (live, on-track simulcast, intrastate and interstate simulcast and international wagering) as well as the *types* of wagering (e.g., computerized wagering) on its net income and purse structure.
2. Each track and horsemen's association should review its wagering data and internal cost structure to determine whether its current revenue policies reflect its current cost structures.

Technology

3. The industry must make improving the tote infrastructure its top priority to fully address current inefficiencies and satisfy ongoing integrity requirements. The improved system should include:
   - Processes whereby the live host track controls the wagering event including when to accept wagers and when to stop the betting process.
   - Tote communication based on Wagering Transaction Protocol (WTP) (not existing ITSP protocol) whereby guest sites send bet details to the live host and the live host confirms receipt of those details and advises the guests that they can print a ticket or tickets for that pool.
   - Development of a security database of wagering information to allow for real-time monitoring of suspicious activity and historical review of wagering data by regulators and appropriate industry representatives.
   - Technological advances to eliminate or substantially reduce late odds changes.

Integrity

4. Tracks, horsemen's associations, and racing commissions should diligently monitor all wagers allowed into their pari-mutuel pools by requiring and reviewing relevant information from tote companies and wagering sites. This information should be aggregated by an industry-wide, national wagering security organization (e.g., the National Office of Wagering Security called for by the WTWG report in 2003). A refusal to provide the information necessary to ensure integrity of the system could affect the willingness of industry members to permit access to their own pari-mutuel pools.
5. Tracks, horsemen's associations, and racing commissions should require an adequate level of disclosure as well as regulatory and appropriate industry access for international and Native American gaming sites and for all domestic wagering (e.g., ownership, tax status, customer domicile, etc.).

Betting Exchanges/Bookmakers

6. Additional research and planning should be conducted regarding the impact on U.S. handle, revenue and purses from the growth of wagering through international betting exchange platforms and bookmakers.
7. The U.S. industry should work with the international racing community to better understand the extent of the global challenges posed by unauthorized wagering without host track and horsemen consent.
8. Racetracks and horsemen's associations should work with law enforcement agencies to aggressively protect against betting exchanges and other entities (e.g., online bookmakers) that illegally accept wagers on U.S. races from U.S. citizens.

Legislative/Regulatory

9. The industry should focus on efforts to secure passage of new state laws and regulations to allow tracks and other licensed operators the flexibility needed to compete in the electronic gaming marketplace. This would include passage of account wagering and flexible-takeout legislation in all pari-mutuel states.
10. The industry should redouble its efforts to ensure passage of the legislation regarding the 30% withholding rate (currently before Congress) to facilitate the export of the U.S. racing product to the $85 billion international pari-mutuel wagering market.
11. Efforts to respond to the activities of betting exchanges and bookmakers should include seeking additional legislation [e.g., as outlined in Appendix C] to strengthen current protections of the industry's wagering rights including civil remedies for infringements on those rights.
12. Members of the industry should proactively cooperate with legislators and law enforcement officials to preserve horseracing's existing legal positions regarding interstate electronic wagering as set forth in the Interstate Horseracing Act.