

**State of Arizona
Department of
Racing**



**Annual Report
FY 2006**

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ARIZONA DEPARTMENT OF RACING

JANET NAPOLITANO
GOVERNOR



GEOFFREY E. GONSHER
DIRECTOR

September 29, 2006

The Honorable Janet Napolitano
Governor of the State of Arizona
1700 West Washington
Phoenix, Arizona 85007

Dear Governor Napolitano:

It is my pleasure to submit the FY 2006 Department of Racing Annual Report. This report reflects statutory requirements as they relate to the Department's regulatory, fiscal, and administrative responsibilities.

Last year, the Department regulated and supervised horse and greyhound racing and pari-mutuel wagering at three commercial horse tracks, three greyhound tracks, fifteen county fair racing meetings, and 83 teletrack locations throughout Arizona. The total pari-mutuel handle for all racing was \$285.4 million, an increase of \$20.9 million or 7.9% from the prior year. The total pari-mutuel tax receipts amounted to \$527,860, an increase of 9.1% from the prior year.

FY 2006 continued to be a period of progress for the Department. The Department introduced more management and operational improvements that are consistent with the resources and regulations. With the continued support of your administration, our objective is to continue building on the following for a more responsive and effective operation in the future.

- Regulate and supervise all pari-mutuel racing and wagering in order to protect participants and the wagering public.
- Strengthen agency management to respect and follow the rules, regulations and statutes that protect the integrity of the racing industry.
- Improve relationships with employees, permittees, licensees, and industry organizations to create partnerships to support the racing industry.

1110 West Washington, Suite 260
Phoenix, AZ 85007
Ph (602) 364-1700
Fax (602) 364-1703
www.azracing.gov
ador@azracing.gov

The Honorable Janet Napolitano

September 29, 2006

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As part of the annual report, the Department is required by statute to submit recommendations for increasing state revenues from the regulation of the racing industry while maintaining the financial health of the industry and protecting the public interest. These are challenges that the Department and the industry must confront together.

During the past three legislative sessions, the Department has requested the generation of revenue from the industry to support its statutory, administrative, and regulatory duties. The Legislature, however, supported the continuation of General Fund dollars to meet these objectives.

This year, the Department will propose various mechanisms in which racing permittees fund a portion of the Department operating costs related to racing regulation while reducing the need for General Fund monies. Currently, the racing industry does not provide sufficient revenue to the State to fund the Department's responsibilities, creating a dependence on other revenue sources. Many other Arizona industries provide sufficient funding to the State to comply with their regulatory functions. We believe that the racing industry should also provide revenue for this purpose. The Department's proposals will include modification of certain tax exemptions or tax credits currently available to the industry and the creation of an animal drug testing fund that will benefit from a fee from each permittee for each race horse and greyhound entered in a race.

The Racing Department is committed to performing all statutory and regulatory duties in a manner that brings respect to the agency and the industry. Your continued support is greatly appreciated.

Sincerely,

A handwritten signature in black ink, appearing to read "Geoffrey E. Gonsher". The signature is fluid and cursive, with the first name being the most prominent.

Geoffrey E. Gonsher
Director

GEG/nm

Arizona Racing Commission

The Arizona Racing Commission was established in 1949 by the Arizona Legislature. The Racing Commission is responsible for issuing racing dates; preparing and adopting rules to govern racing meetings as may be required to protect and promote the safety and welfare of the animals participating in racing meetings; protecting and promoting public health, safety and the proper conduct of racing and pari-mutuel wagering; conducting hearings on applications for racing permits; reviewing applications for capital improvements at racetracks; and conducting hearings and other legal procedures on matters relating to racing licensees and the racing industry.

Arizona Revised Statutes § 5-102 authorizes a five-member Racing Commission, who shall be appointed by the Governor pursuant to A.R.S. § 38-211. Appointment is for a term of five years.

Burton Kruglick, Racing Commission Chairman, is serving as a representative of the Dog Racing Industry. Mr. Kruglick was appointed to the Commission in 1997, and has served one year as Chairman and three years as Vice-Chairman. Mr. Kruglick has been active in Arizona government and politics for many years, serving as Chairman of the Arizona Republican Party from 1985 through 1991. He has been appointed to several Commissions and Boards over the years and is an active participant in community and philanthropic organizations.

James N. Chilcoat, Sr., Racing Commission Vice-Chairman, was appointed to the Racing Commission in 2005 to serve as a public member. Mr. Chilcoat retired from the Arizona Department of Public Safety after 30 years of service. During his career, he worked in Highway Patrol, Intelligence, Fiscal Management, Legislation, and retired at the rank of Assistant Director. Mr. Chilcoat has attended numerous law enforcement seminars and programs, including the FBI National Academy, to enhance his knowledge and expertise in several areas of criminal justice.

Bob Ford, was appointed to the Commission in 2001, served as Vice-Chairman for two years and one year as Chairman. Serving as a public member to fill the seat vacated by Michael Vespoli, Mr. Ford comes from a family with over 50 years in the horseracing industry. Mr. Ford has worked at tracks in several positions, gaining first-hand knowledge that serves him well on the Commission. Retired from the City of Phoenix Fire Department, Mr. Ford currently serves on the City of Phoenix Planning Commission.

Erin Owens-Hall was appointed to the Racing Commission in 2005 to serve as the representative of the Horse Racing Industry. Ms. Owens-Hall was raised in the ranching and racing industry in Arizona. She spent several years in official positions at Canterbury Downs, San Juan Downs, Columbus Racetrack, and Turf Paradise. Ms. Owens-Hall is currently Director of Enrollment and Enrollment Manager at the University of Phoenix and supervises a staff of over 100 employees with responsibility for a total budget of \$9.2 Million.

Paul Ulan. Mr. Ulan is the principal of Primary Consultants, L.L.C., a Phoenix-based market research consulting firm specializing in political campaign management, phone banks, public affairs and issue management. Mr. Ulan has specialized in bond and override elections for school districts and tax-related elections, performing a variety of services including polling, demographics and public relations.

Awards

HORSERACING INDUSTRY AWARDS

The Racing Commission adopted a new program to recognize individuals for service to the horseracing industry. The following awards were presented at the December 14, 2005 Commission meeting.

Recognition of Excellence Award. J. Lloyd Yother, President, AQRA

Lifetime Achievement Award. Lyman Rollins, owner-trainer

GREYHOUND INDUSTRY AWARDS

The Racing Commission adopted a new greyhound racing industry recognition program. The following awards were presented at the December 14, 2005 Commission meeting.

Lifetime Achievement Award. Maxine Willis, Greyhound owner, trainer

Recognition of Excellence Award. Charlie Sample, Greyhound trainer (posthumous)

DEPARTMENT OF RACING EMPLOYEE RECOGNITION AWARDS

Governor Janet Napolitano proclaimed State Employee Recognition Day in Arizona to honor the dedication and commitment of all State employees. In the spirit of the Governor's proclamation, the Department of Racing announced a new Employee Recognition Program. The purpose of the program is to say "thank you," "well done," "we value you as an employee," and to acknowledge exemplary employee service and outstanding employee contributions that support the agency mission.

FY 2006 Awards

Employee of the Year Award. Marcelina "Marcey" Katon, Administrative Assistant
John Adams, Administrative Assistant

Supervisor of the Year Award. Rita Fresquez, Chief Horseracing Steward

Team of the Year Award. Pam Niederkorn, Audit Manager
Rachael Richie, Pari-Mutuel Auditor

FY 2005 Awards

Employee of the Year Award. Kathryn "Katie" Kenfield, Examiner Technician II

Supervisor of the Year Award. Bryan Stoyer, Chief Greyhound Steward

Team of the Year Award. Andy Carlton, DVM, Veterinarian Supervisor
Cynthia Toering, DVM, Veterinarian

FY 2004 Awards

Employee of the Year Award. Eddie Rosano, Assistant Steward

Supervisor of the Year Award. Andy Carlton, DVM, Veterinarian Supervisor

Team of the Year Award. Accounting Staff
Amy Besco, Fiscal Services Specialist III
Karri Hernandez, Fiscal Services Specialist II
Pearl Pistiner, Administrative Services Officer I

FY 2003 Awards

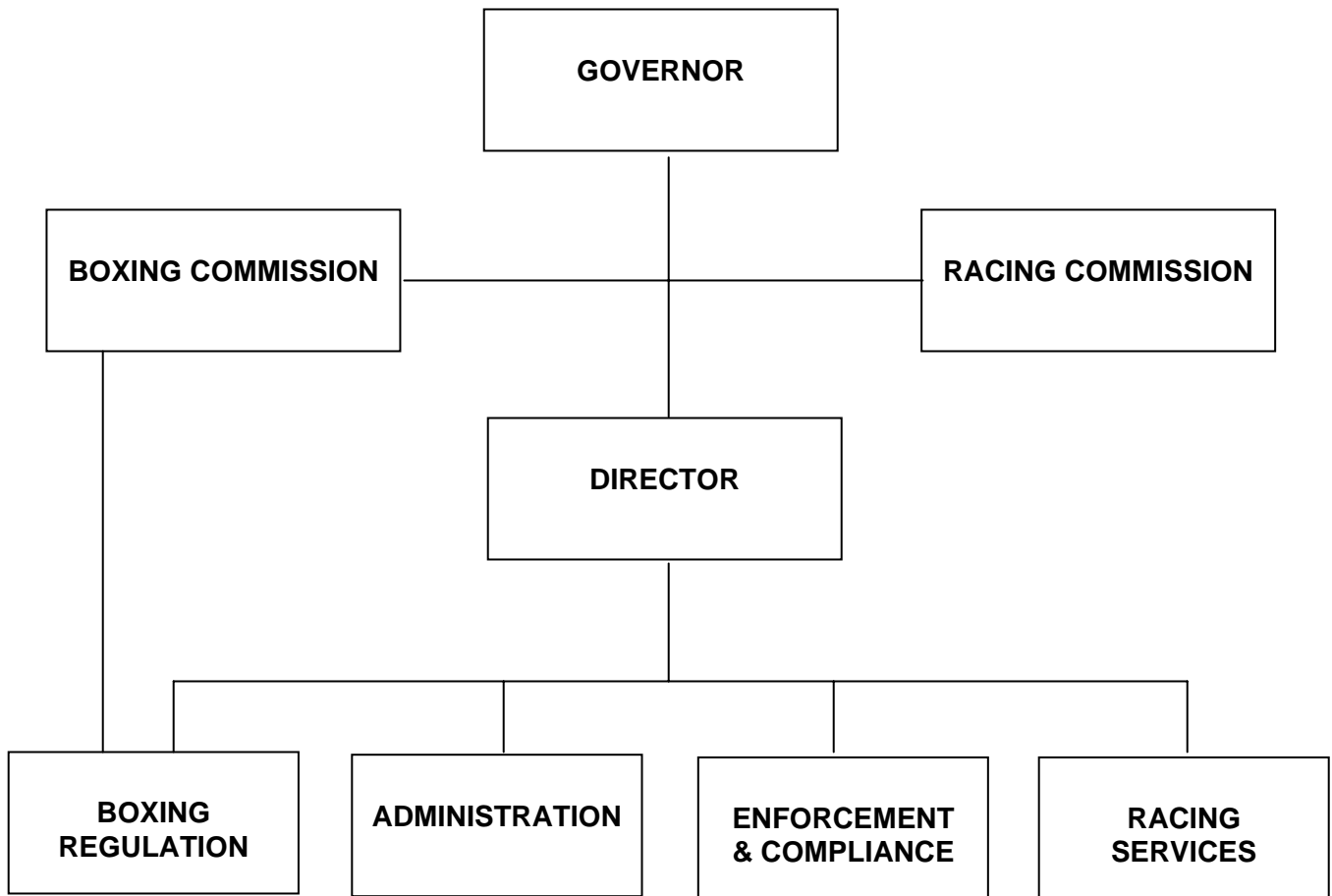
Employee of the Year Award. Norma Rivero, Accounting Technician III

Supervisor of the Year Award. Gerry Howard, Chief Horse Racing Steward (posthumous)

Team of the Year Award. Tucson Greyhound Park Stewards
Mike Brimmer, Chief Steward
Eddie Rosano, Assistant Steward
Katherine Vasco, Assistant Steward

Department Of Racing

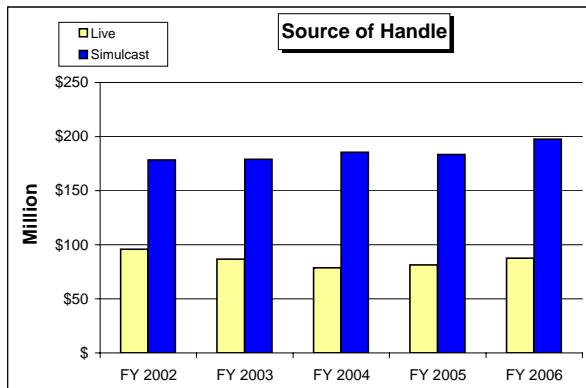
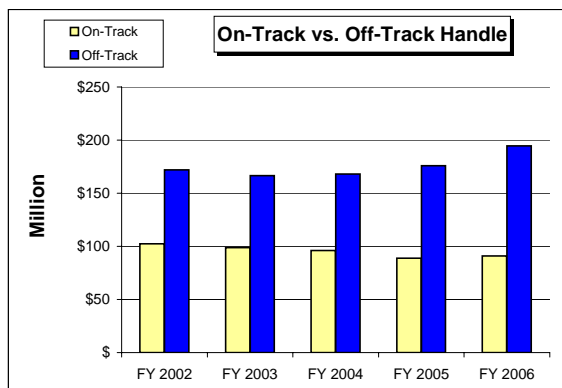
The primary mission of the Department of Racing is to regulate and supervise pari-mutuel horse and greyhound racing and wagering conducted in Arizona in order to protect racing participants and the wagering public. In addition, the Department regulates and supervises boxing events conducted in Arizona to protect participants in these events.



COMMERCIAL AND COUNTY FAIR RACING
Commercial Horse, Greyhound and County Fair Racing

<u>RACING STATISTICS</u>	<u>FY 2002</u>	<u>FY 2003</u>	<u>FY 2004</u>	<u>FY 2005</u>	<u>FY 2006</u>
<u>Race Days/Performances (including 12 Charity Days)</u>					
Live Race Days	1,001	981	988	897	933
Dark Day-Simulcast only	588	611	605	697	662
Total Race Days	1,589	1,592	1,593	1,594	1,595
Total Live Performances (Matinee & Evening)	1,005	1,010	988	897	933
<u>Number of Races</u>					
Live Races	13,534	13,534	12,871	11,778	12,851
Simulcast Races	212,803	230,028	265,248	263,586	262,275
Total Number of Races	226,337	243,562	278,119	275,364	275,126
<u>Attendance</u>					
On-Track	810,454	843,474	852,987	768,582	819,425
Off-Track	855,374	838,310	848,157	905,002	1,022,623
Total Attendance	1,665,828	1,681,784	1,701,144	1,673,584	1,842,048
<u>Pari-Mutuel Handle</u>					
Average Handle per Race Day	\$172,579	\$166,823	\$165,786	\$165,974	\$178,946
Breakdown by location					
On-Track Handle	\$102,322,446	\$98,925,176	\$96,023,226	\$88,766,221	\$90,944,292
Off-Track Handle	\$171,906,178	\$166,657,437	\$168,073,643	\$175,795,847	\$194,474,484
Breakdown by source					
Live Races	\$95,785,970	\$86,628,828	\$78,573,084	\$81,251,006	\$87,686,434
Simulcast Races	178,442,654	178,953,785	185,523,785	183,311,061	197,732,342
Total Pari-Mutuel Handle	\$274,228,624	\$265,582,613	\$264,096,869	\$264,562,067	\$285,418,776
<u>DISTRIBUTION OF REVENUES</u>					
<u>Returned to Wagering Public</u>	\$214,510,744	\$204,188,047	\$203,820,895	\$204,344,382	\$219,060,582
<u>State Pari-Mutuel Revenues</u>	\$757,662	\$628,564	\$565,191	\$483,901	\$527,860
<u>Track Mutuel Revenues</u>					
Track Commission	\$54,840,464	\$52,770,892	\$52,677,260	\$53,130,250	\$57,052,294
Capital Improvement Rebate	561,913	248,590	79,377	88,296	89,991
Capital Improvement Non-Taxable	339,609	116,933	0	0	0
Capital Improvement AGP Non-Taxable	0	0	0	0	0
Charity Days-Revenues Withheld	63,297	69,660	69,895	87,259	71,464
Hardship Tax Credit	1,901,210	2,230,937	2,261,865	2,418,044	2,653,989
AGP-Hardship Tax (Transferred to PGP)	0	0	0	0	0
Breakage	1,226,711	1,136,083	1,175,091	1,139,347	1,221,958
Total Track Revenues	\$58,933,204	\$56,573,095	\$56,263,488	\$56,863,196	\$61,089,696
<u>Purses</u>	\$24,187,316	\$20,842,682	\$20,497,445	\$20,708,997	\$22,314,331

Racetrack Trends at a Glance



Commercial Racing

The Department of Racing regulates and supervises all commercial horse and greyhound racing meetings and pari-mutuel wagering conducted on- and off-track in Arizona to enforce laws and regulations and to protect racing participants and the wagering public.

In FY 2006, the Arizona Racing Commission approved a three-year commercial racing permit for Rillito Park. Rillito's dates for 2007 are pending. TP Racing, L.L.L.P. filed a new application for commercial racing at Turf Paradise during FYs 2007, 2008 and 2009. By statute, Turf Paradise may continue to operate under the permit issued TP Racing, L.L.L.P. until the Arizona Racing Commission, upon recommendation by the Department, has finally ruled on the application.

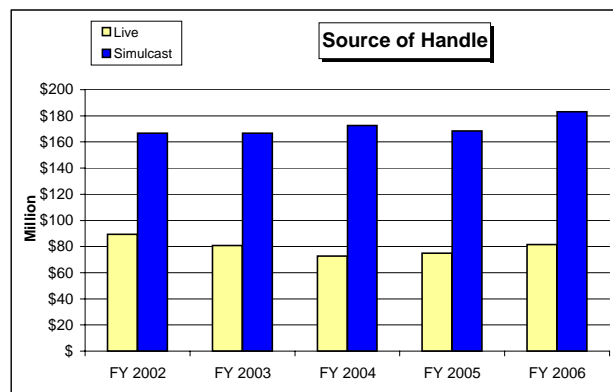
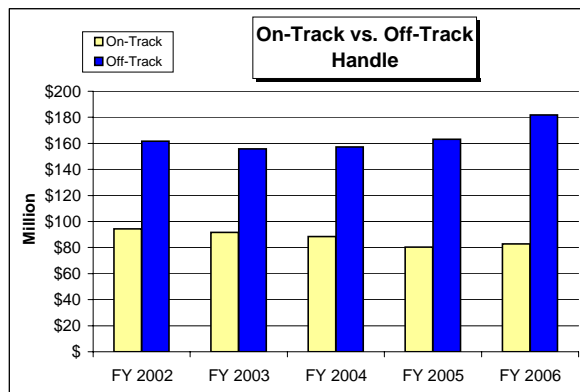
Commercial Racing Permittees, Tracks and Permit Terms

<u>Permittee</u>	<u>Track</u>	<u>Permit Term</u>
American Greyhound Racing, Inc.	Apache Greyhound Park	01/01/05 - 12/31/07
American Greyhound Racing, Inc.	Phoenix Greyhound Park	01/01/05 - 12/31/07
Pima County Horsemen's Association	Rillito Park	02/05/05 - 2007
Tucson Greyhound Park, Inc.	Tucson Greyhound Park	01/01/05 - 12/31/07
TP Racing, L.L.L.P.	Turf Paradise Race Course	06/01/03 - 05/31/06
Western Racing, Inc.	Phoenix Greyhound Park	01/01/05 - 06/08/05
Yavapai County Fair Association	Yavapai Downs at Prescott Valley	05/29/04 - 09/01/06

COMMERCIAL TRACKS
Commercial Horse and Greyhound Racing

RACING STATISTICS	FY 2002	FY 2003	FY 2004	FY 2005	FY 2006
Race Days/Performances (including 12 Charity Days)					
Live Race Days	943	921	927	835	874
Dark Day-Simulcast only	586	609	603	695	659
Total Race Days	1,529	1,530	1,530	1,530	1,533
Total Live Performances (Matinee & Evening)	947	950	927	835	874
Number of Races					
Live Races	13,029	13,028	12,358	11,244	12,332
Simulcast Races	211,006	227,928	262,400	260,574	259,747
Total Number of Races	224,035	240,956	274,758	271,818	272,079
Attendance					
On-Track	691,411	737,567	725,228	640,640	690,948
Off-Track	801,961	780,311	789,343	834,294	949,002
Total Attendance	1,493,372	1,517,878	1,514,571	1,474,934	1,639,950
Pari-Mutuel Handle					
Average Handle per Race Day	\$167,509	\$161,673	\$160,457	\$159,162	\$172,643
Breakdown by location					
On-Track Handle	\$94,376,373	\$91,610,048	\$88,355,137	\$80,337,461	\$82,814,154
Off-Track Handle	\$161,744,757	\$155,749,842	\$157,143,398	\$163,180,209	\$181,847,949
Breakdown by source					
Live Races	\$89,292,335	\$80,765,076	\$72,812,408	\$74,986,000	\$81,471,551
Simulcast Races	166,828,795	166,594,814	172,686,127	168,531,669	183,190,552
Total Pari-Mutuel Handle	\$256,121,130	\$247,359,890	\$245,498,535	\$243,517,669	\$264,662,103
DISTRIBUTION OF REVENUES					
Returned to Wagering Public	\$200,150,196	\$189,919,817	\$189,272,455	\$187,771,621	\$203,192,511
State Pari-Mutuel Revenues	\$757,662	\$628,564	\$565,191	\$483,901	\$527,860
Track Mutuel Revenues					
Track Commission	\$51,191,723	\$49,185,569	\$49,022,251	\$48,956,413	\$52,948,454
Capital Improvement Rebate	561,913	248,590	79,377	88,296	89,991
Capital Improvement Non-Taxable	339,609	116,933	0	0	0
Capital Improvement AGP Non-Taxable	0	0	0	0	0
Charity Days-Revenues Withheld	63,297	69,660	69,895	87,259	71,464
Hardship Tax Credit	1,901,210	2,230,937	2,261,865	2,418,044	2,653,989
AGP-Hardship Tax (Transferred to PGP)	0	0	0	0	0
Breakage	1,128,504	1,046,447	1,075,131	1,026,349	1,110,798
Total Track Revenues	\$55,186,256	\$52,898,136	\$52,508,519	\$52,576,361	\$56,874,696
Purses	\$20,538,575	\$18,842,906	\$18,435,371	\$18,523,133	\$20,107,799

Racetrack Trends at a Glance



Commercial Horse Racing

The Department of Racing is responsible for regulating and supervising all commercial horse racing meetings, conducting investigations, issuing licenses, conducting equine and human drug testing, overseeing wagering, hearing appeals of decisions, conducting hearings on investigation referrals and race incidents, collecting revenues for the State, and distributing awards to program recipients.

Investigations

The Department investigates possible violations of racing laws and rules and imposes administrative sanctions on those determined to have committed violations. All races are observed and supervised to ensure that all participants comply with the rules of racing.

<u>Performance Measures</u>	<u>FY 2004</u>	<u>FY 2005</u>	<u>FY 2006</u>
Number of rulings issued	565	410	411
Percent of original actions upheld on appeal	100%	100%	99%
Number of investigations conducted regarding compliance with rules	261	276	195
Percent of investigations resulting in disciplinary action	72%	86%	99%

Licensing

The Department issues licenses to participate in racing to those who are qualified and eligible. Licenses are denied for those who are undesirable or statutorily prohibited from participating.

<u>Performance Measures</u>	<u>FY 2004</u>	<u>FY 2005</u>	<u>FY 2006</u>
Number of licenses issued	3,157	3,941	2,229
Number of licenses denied	6	4	9
Number of investigations conducted regarding licensing	337	168	572
Percentage of background investigations resulting in disciplinary action	15%	71%	85%
Percent of license denials upheld on appeal	100%	100%	99%

Breeders & Stallion Awards

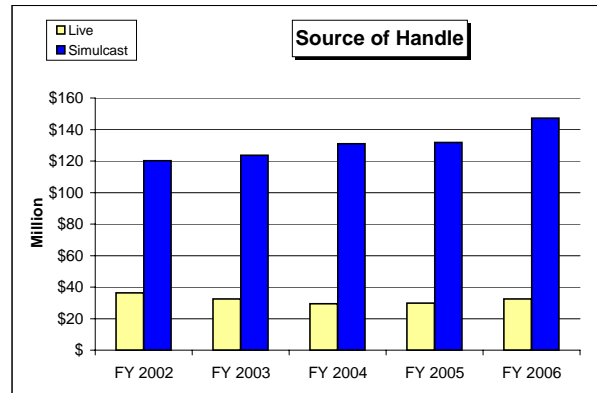
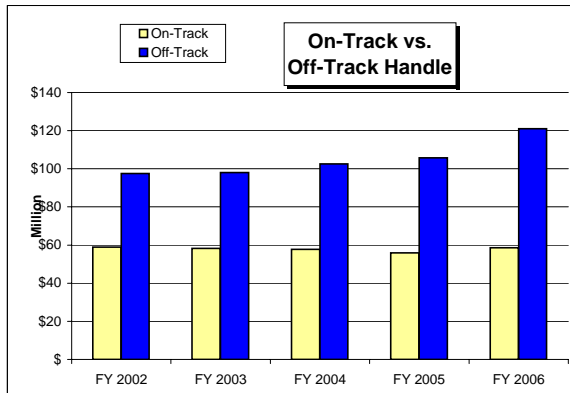
The Department encourages and promotes horse breeding in Arizona through the administration of and distribution to recipients of funds available through Breeders and Stallion Awards Programs.

<u>Performance Measures</u>	<u>FY 2004</u>	<u>FY 2005</u>	<u>FY 2006</u>
Number of registered breeders	3,184	2,491	3,279
Percent of registered breeders winning awards	14%	5%	8%
Number of registered horses	5,239	5,590	6,034
Percent of registered horses winning awards	5%	5%	6.5%
Quarter Horse Breeders' Awards	\$39,369	\$38,691	\$34,585
Thoroughbred Breeders' Awards	\$419,357	\$418,126	\$434,823
Stallion Awards	\$40,000	\$39,991	\$37,374

COMMERCIAL HORSE TRACKS
Rillito Park, Turf Paradise, Yavapai Downs

RACING STATISTICS	FY 2002	FY 2003	FY 2004	FY 2005	FY 2006
Race Days/Performances (including 3 charity days)					
Live Race Days	208	211	208	201	207
Dark Day-Simulcast Only	235	236	232	242	239
Total Race Days	443	447	440	443	446
Total Live Performances	208	211	208	201	207
Number of Races					
Live Races	1,989	2,079	1,866	1,872	1,875
Simulcast Races	32,429	37,039	44,178	46,735	47,514
Total Number of Races	34,418	39,118	46,044	48,607	49,389
Attendance					
On-Track	425,821	406,922	415,823	380,465	432,654
Off-Track	513,002	511,907	543,899	581,299	683,821
Total Attendance	938,823	918,829	959,722	961,764	1,116,475
Pari-Mutuel Handle					
Average Handle per Race Day	\$353,324	\$349,557	\$364,636	\$364,857	\$402,987
Breakdown by location					
On-Track Handle	\$58,975,299	\$58,231,225	\$57,798,008	\$55,917,152	\$58,639,790
Off-Track Handle	\$97,547,150	\$98,020,838	\$102,641,830	\$105,714,653	\$121,092,552
Breakdown by source					
Live Races	\$36,360,266	\$32,550,698	\$29,381,769	\$29,905,601	\$32,503,981
Simulcast Races	120,162,183	123,701,365	131,058,069	131,726,204	147,228,362
Total Pari-Mutuel Handle	\$156,522,449	\$156,252,063	\$160,439,838	\$161,631,805	\$179,732,342
DISTRIBUTION OF REVENUES					
Returned to Wagering Public	\$124,128,643	\$120,365,579	\$124,211,953	\$125,373,998	\$138,105,510
State Pari-Mutuel Revenues	\$595,011	\$528,708	\$480,282	\$483,901	\$527,860
Track Mutuel Revenues					
Track Commission	\$30,883,355	\$30,943,734	\$31,866,767	\$32,537,928	\$36,050,363
Capital Improvement Rebate	107,288	93,873	79,377	88,296	89,991
Capital Improvement-Non Taxable	0	0	0	0	0
Charity Day	14,628	12,935	11,869	10,949	15,413
Hardship Tax Credit	10,279	15,498	16,114	14,932	16,825
Breakage	783,247	780,344	828,287	796,754	889,107
Total Track Revenues	\$31,798,797	\$31,846,384	\$32,802,413	\$33,448,859	\$37,061,698
Purses	\$14,974,184	\$14,090,151	\$13,954,044	\$14,130,954	\$15,515,306

Racetrack Trends at a Glance



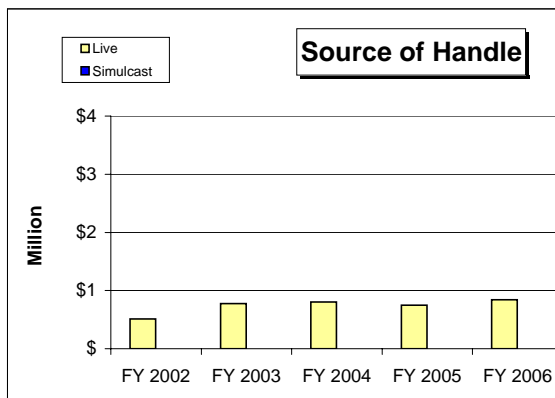
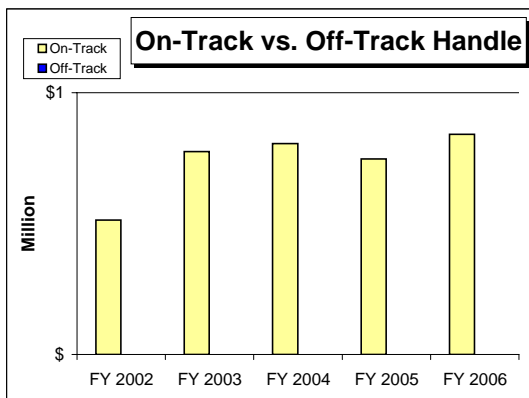
4502 North First Avenue
Tucson, Arizona 85728

RILLITO PARK
Pima County Fair Horse Racing Commission

FY 2006 Racing Dates:
February 4, 2006 - March 5, 2006

<u>RACING STATISTICS</u>	<u>FY 2002</u>	<u>FY 2003</u>	<u>FY 2004</u>	<u>FY 2005</u>	<u>FY 2006</u>
<u>Race Days/Performances</u>					
Live Race Days	6	10	9	9	9
Dark Day-Simulcast Only	0	0	0	0	0
Total Race Days	6	10	9	9	9
Total Live Performances	6	10	9	9	9
<u>Number of Races</u>					
Live Races	55	91	84	86	83
Simulcast Races	0	0	0	0	0
Total Number of Races	55	91	84	86	83
<u>Attendance</u>					
On-Track	16,446	23,453	24,569	36,238	40,705
Off-Track	0	0	0	0	0
Total Attendance	16,446	23,453	24,569	36,238	40,705
<u>Pari-Mutuel Handle</u>					
Average Handle per Race Day	\$85,657	\$77,492	\$89,521	\$82,955	\$93,470
Breakdown by location					
On-Track Handle	\$513,941	\$774,915	\$805,693	\$746,592	\$841,230
Off-Track Handle	\$0	\$0	\$0	\$0	\$0
Breakdown by source					
Live Races	\$513,941	\$774,915	\$805,693	\$746,592	\$841,230
Simulcast Races	0	0	0	0	0
Total Pari-Mutuel Handle	\$513,941	\$774,915	\$805,693	\$746,592	\$841,230
<u>DISTRIBUTION OF REVENUES</u>					
Returned to Wagering Public	\$396,671	\$597,804	\$621,883	\$575,682	\$643,248
State Pari-Mutuel Revenues	\$0	\$0	\$0	\$0	\$0
<u>Track Mutuel Revenues</u>					
Track Commission	\$102,977	\$155,644	\$161,251	\$150,150	\$175,287
Capital Improvement Rebate	0	0	0	0	0
Capital Improvement-Non Taxable	0	0	0	0	0
Charity Day	0	0	0	0	0
Hardship Tax Credit	10,279	15,498	16,114	14,932	16,825
Breakage	4,014	5,969	6,445	5,828	5,871
Total Track Revenues	\$117,270	\$177,111	\$183,810	\$170,910	\$197,982
Purses	\$92,922	\$173,139	\$165,283	\$205,624	\$189,054

Racetrack Trends at a Glance



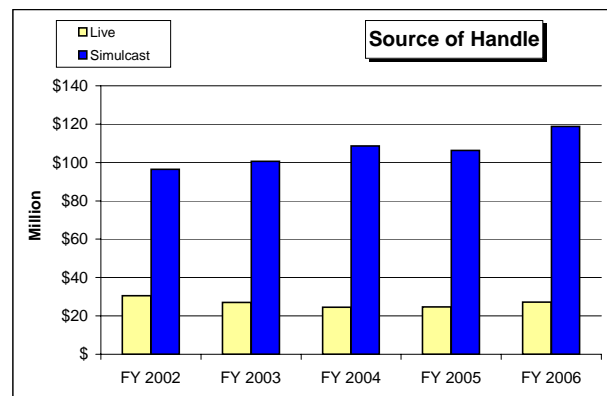
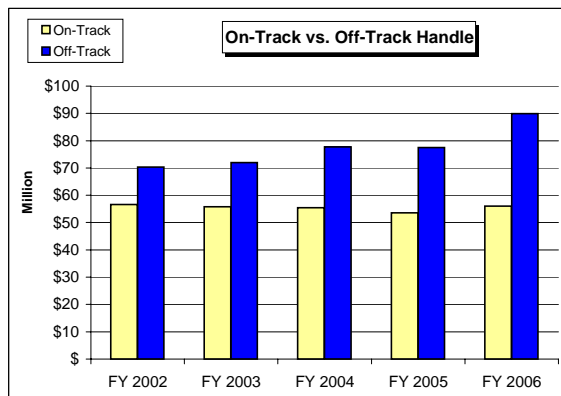
1501 West Bell Road
Phoenix, Arizona 85023

TURF PARADISE
TP Racing, L.L.L.P.

FY 2006 Racing Dates:
July 1, 2005-June 30, 2006

<u>RACING STATISTICS</u>	<u>FY 2002</u>	<u>FY 2003</u>	<u>FY 2004</u>	<u>FY 2005</u>	<u>FY 2006</u>
<u>Race Days/Performances</u> (including 3 charity days)					
Live Race Days	151	152	154	144	151
Dark Day-Simulcast Only	195	196	194	202	197
Total Race Days	346	348	348	346	348
Total Live Performances	151	152	154	144	151
<u>Number of Races</u>					
Live Races	1,492	1,551	1,388	1,356	1,375
Simulcast Races	29,044	33,329	40,325	42,852	43,371
Total Number of Races	30,536	34,880	41,713	44,208	44,746
<u>Attendance</u>					
On-Track	333,776	314,606	324,061	301,100	331,511
Off-Track	371,515	374,886	408,908	407,370	473,525
Total Attendance	705,291	689,492	732,969	708,470	805,036
<u>Pari-Mutuel Handle</u>					
Average Handle per Race Day	\$366,969	\$366,991	\$382,892	\$378,807	\$419,562
Breakdown by location					
On-Track Handle	\$56,603,892	\$55,788,355	\$55,502,312	\$53,625,809	\$56,037,345
Off-Track Handle	\$70,367,367	\$71,924,499	\$77,744,086	\$77,441,273	\$89,970,068
Breakdown by source					
Live Races	\$30,481,949	\$27,082,151	\$24,607,228	\$24,744,198	\$27,163,223
Simulcast Races	96,489,310	100,630,703	108,639,170	106,322,884	118,844,190
Total Pari-Mutuel Handle	\$126,971,259	\$127,712,854	\$133,246,398	\$131,067,082	\$146,007,413
<u>DISTRIBUTION OF REVENUES</u>					
<u>Returned to Wagering Public</u>	\$100,733,160	\$98,413,195	\$103,130,018	\$101,896,223	\$112,372,468
<u>State Pari-Mutuel Revenues</u>	\$595,011	\$528,708	\$480,282	\$483,901	\$527,860
<u>Track Mutuel Revenues</u>					
Track Commission	\$25,004,970	\$25,275,721	\$26,422,880	\$26,370,398	\$29,267,373
Capital Improvement Rebate	0	0	0	0	0
Capital Improvement-Non Taxable	0	0	0	0	0
Charity Day	14,628	12,935	11,869	10,949	15,413
Hardship Tax Credit	0	0	0	0	0
Breakage	623,491	632,473	692,750	645,789	721,384
Total Track Revenues	\$25,643,089	\$25,921,129	\$27,127,499	\$27,027,136	\$30,004,169
<u>Purses</u>	\$12,934,104	\$11,878,800	\$11,834,760	\$11,690,443	\$12,841,141

Racetrack Trends at a Glance

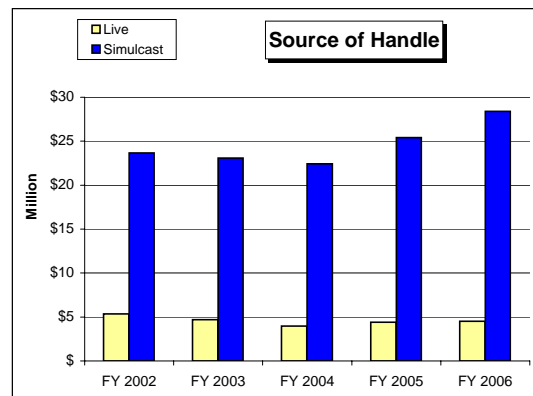
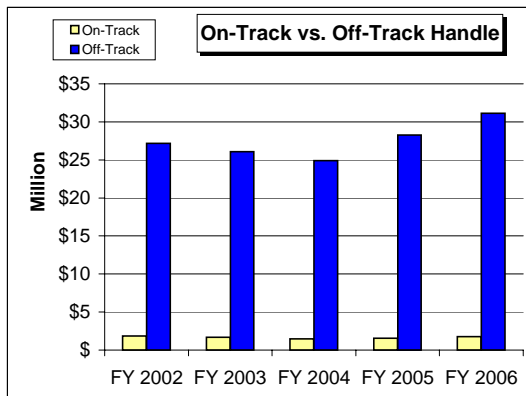


YAVAPAI DOWNS
 Yavapai County Fair Association

FY 2006 Racing Dates:
 July 6, 2005 - September 2, 2005
 May 27, 2006 - June 29, 2006

RACING STATISTICS	FY 2002	FY 2003	FY 2004	FY 2005	FY 2006
<u>Race Days/Performances</u>					
Live Race Days	51	49	45	48	47
Dark Day-Simulcast Only	40	40	38	40	42
Total Race Days	91	89	83	88	89
Total Live Performances	51	49	45	48	47
<u>Number of Races</u>					
Live Races	442	437	394	430	417
Simulcast Races	3,385	3,710	3,853	3,883	4,143
Total Number of Races	3,827	4,147	4,247	4,313	4,560
<u>Attendance</u>					
On-Track	75,599	68,863	67,193	43,127	60,438
Off-Track	141,487	137,021	134,991	173,929	210,296
Total Attendance	217,086	205,884	202,184	217,056	270,734
<u>Pari-Mutuel Handle</u>					
Average Handle per Race Day	\$319,091	\$311,958	\$317,925	\$338,842	\$369,480
Breakdown by location					
On-Track Handle	\$1,857,466	\$1,667,955	\$1,490,003	\$1,544,751	\$1,761,215
Off-Track Handle	\$27,179,783	\$26,096,339	\$24,897,744	\$28,273,380	\$31,122,484
Breakdown by source					
Live Races	\$5,364,376	\$4,693,632	\$3,968,848	\$4,414,811	\$4,499,528
Simulcast Races	23,672,873	23,070,662	22,418,899	25,403,320	28,384,172
Total Pari-Mutuel Handle	\$29,037,249	\$27,764,294	\$26,387,747	\$29,818,131	\$32,883,699
<u>DISTRIBUTION OF REVENUES</u>					
Returned to Wagering Public	\$22,998,812	\$21,354,580	\$20,460,052	\$22,902,092	\$25,089,795
State Pari-Mutuel Revenues	\$0	\$0	\$0	\$0	\$0
<u>Track Mutuel Revenues</u>					
Track Commission	\$5,775,408	\$5,512,369	\$5,282,636	\$6,017,380	\$6,607,704
Capital Improvement Rebate	107,288	93,873	79,377	88,296	89,991
Capital Improvement-Non Taxable	0	0	0	0	0
Charity Day	0	0	0	0	0
Hardship Tax Credit	0	0	0	0	0
Breakage	155,742	141,902	129,092	145,136	161,852
Total Track Revenues	\$6,038,438	\$5,748,144	\$5,491,104	\$6,250,812	\$6,859,546
Purses	\$1,947,158	\$2,038,212	\$1,954,001	\$2,234,887	\$2,485,110

Racetrack Trends at a Glance



* Prescott Downs through 2001

County Fair Racing

The Department of Racing is responsible for regulating and supervising all county fair horse racing meetings, providing staff to operate race meetings, conducting investigations, issuing licenses, conducting equine and human drug testing, overseeing wagering, conducting hearings on investigation referrals, and collecting revenues for the State.

The Department of Racing recognizes that county fair racing is an important component of the Arizona racing industry. The racing fans and general public who attend have an enjoyable time. The horse owners, grooms, jockeys, and others are able to experience a competitive environment. Local communities also benefit from the economic and entertainment value of the races. An economic impact report submitted to the Commission concluded that 36,700 fans attended county fair race events in FY 2002. In addition, this segment of the racing industry had a total economic impact of \$22.7 million. In FY 2006, the Commission approved 9 applications for three-year county fair racing permits.

In FY 2006, a total of \$1.13 million was available for county fair racing activities. County fair racing is supported by the following two fund sources:

County Fair Racing. This appropriated fund, used for the administration of county fair racing, is generated by 9% of all pari-mutuel receipts, license fees, and State unclaimed property up to \$300,000 annually. In FY 2006, this fund received \$300,000, and \$299,875 was spent for the program administration.

County Fair Racing Betterment. This non-appropriated fund provides purse subsidy and betterment grants to every eligible county fair association for conducting county fair racing meetings. The fund receives 22% of all pari-mutuel receipts, license fees, and State unclaimed property up to \$800,000 annually. In FY 2006, this fund received \$800,000, and \$819,500 was distributed. Some counties benefited from a portion of prior years' carryover.

Four of the ten counties conducting a meet in FY 2006 received \$51,400 each to subsidize purses; the remaining counties received \$46,800, each. Five counties conducted their meets at commercial tracks and did not receive funding for this purpose.

Ten counties received either \$23,050, \$24,250, \$35,025, or \$35,825 each in Betterment Grants last year. These funds were used for personnel, maintenance, security, emergency medical services, marketing, and other operating expenses. The five counties that conducted their racing at commercial sites were not entitled to the funds.

County Fair Racing

Betterment Payments to Counties

<u>County</u>	<u>Purses</u>	<u>Betterment</u>	<u>Total</u>
Apache County	\$51,400	\$35,825	\$87,225
Cochise County	46,800	35,825	82,625
Coconino County	46,800	35,025	82,625
Gila County	51,400	35,825	87,225
Graham County	46,800	35,825	82,625
Greenlee County	46,800	35,825	82,625
La Paz County	0	0	0
Maricopa County	0	0	0
Mohave County	46,800	35,825	82,625
Navajo County	0	0	0
Pima County	51,400	23,050	74,450
Pinal County	0	0	0
Santa Cruz County	46,800	35,825	82,625
Yavapai County	51,400	24,250	75,650
Yuma County	0	0	0
	\$486,400	\$333,100	\$819,500

Investigations

The Department investigates possible violations of racing laws and rules and imposes administrative sanctions on those determined to have committed violations. All races are observed and supervised to ensure that all participants comply with the rules of racing.

<u>Performance Measures</u>	<u>FY 2004</u>	<u>FY 2005</u>	<u>FY 2006</u>
Number of rulings issued	64	41	41
Percent of original actions upheld on appeal	100%	100%	100%
Number of investigations conducted regarding compliance with rules	19	23	58
Percentage of investigations resulting in disciplinary or enforcement action	62%	83%	93%

Licensing

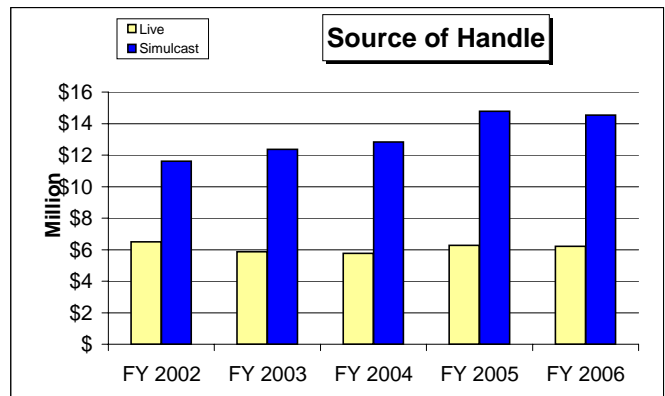
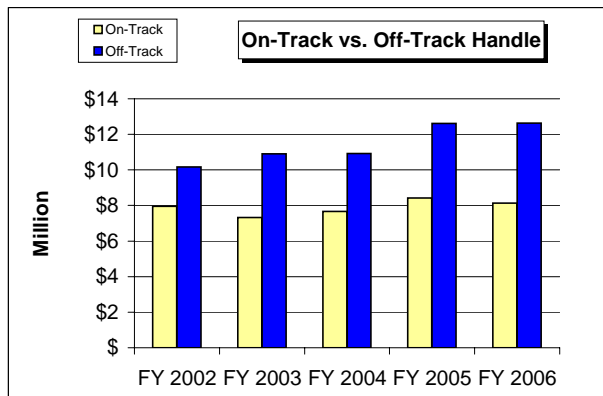
The Department issues licenses to participate in racing to those who are qualified and eligible. Licenses are denied for those who are undesirable or statutorily prohibited from participating.

<u>Performance Measures</u>	<u>FY 2004</u>	<u>FY 2005</u>	<u>FY 2006</u>
Number of licenses issued	420	715	325
Number of licenses denied	1	1	0
Number of investigations conducted regarding licensing	43	23	52
Percent of background investigations resulting in disciplinary or enforcement action	20%	9%	75%
Percent of license denials upheld on appeal	100%	100%	100%

COUNTY FAIR TRACKS
County Fair Racing at Fairs and Commercial Tracks

RACING STATISTICS	FY 2002	FY 2003	FY 2004	FY 2005	FY 2006
<u>Race Days/Performances</u>					
Live Race Days	58	60	61	62	59
Dark Day-Simulcast Only	2	2	2	2	3
Total Race Days	60	62	63	64	62
Total Live Performances	58	60	61	62	59
<u>Number of Races</u>					
Live Races	505	506	513	534	519
Simulcast Races	1,797	2,100	2,848	3,012	2,528
Total Number of Races	2,302	2,606	3,361	3,546	3,047
<u>Attendance</u>					
On-Track	119,043	105,907	127,759	127,942	128,477
Off-Track	53,413	57,999	58,814	70,708	73,621
Total Attendance	172,456	163,906	186,573	198,650	202,098
<u>Pari-Mutuel Handle</u>					
Average Handle per Race Day	\$301,792	\$293,915	\$295,212	\$328,819	\$334,785
Breakdown by location					
On-Track Handle	\$7,946,073	\$7,315,128	\$7,668,089	\$8,428,760	\$8,130,138
Off-Track Handle	\$10,161,421	\$10,907,595	\$10,930,245	\$12,615,638	\$12,626,535
Breakdown by source					
Live Races	\$6,493,635	\$5,863,752	\$5,760,676	\$6,265,006	\$6,214,883
Simulcast Races	11,613,859	12,358,971	12,837,658	14,779,392	14,541,789
Total Pari-Mutuel Handle	\$18,107,494	\$18,222,723	\$18,598,334	\$21,044,398	\$20,756,673
<u>DISTRIBUTION OF REVENUES</u>					
Returned to Wagering Public	\$14,360,548	\$14,268,230	\$14,548,440	\$16,572,761	\$15,868,071
State Pari-Mutuel Revenues	\$0	\$0	\$0	\$0	\$0
<u>Track Mutuel Revenues</u>					
Track Commission	\$3,648,741	\$3,585,323	\$3,655,009	\$4,173,837	\$4,103,839
Breakage	98,207	89,636	99,960	112,998	111,160
Total Track Revenues	\$3,746,948	\$3,674,959	\$3,754,969	\$4,286,835	\$4,214,999
Purses	\$3,648,741	\$1,999,776	\$2,062,074	\$2,185,863	\$2,206,532

Racetrack Trends at a Glance



County Fair Racing

Schedule and Statistics
FY 2006

	<u>Race Days</u>	<u>Live Races</u>	<u>Simulcast Races</u>	<u>Total Handle</u>	<u>Simulcast Handle</u>	<u>Attendance</u>	<u>Returned to Public</u>	<u>Track Commission</u>	<u>Breakage to Track</u>	<u>Purses</u>
Fairs at Non-Commercial Tracks										
Coconino County Fair at Flagstaff June 30, July 1, 2, 3, 4, 5, 2005	6	36	257	\$2,283,175	\$1,707,423	23,232	\$1,771,103	\$454,926	\$12,526	\$173,227
Apache County Fair at St. Johns September 17, 18, 24, 25, 2005	4	32	0	53,823	0	1,430	41,989	10,304	454	57,188
Gila County Fair at Globe October 1, 2, 8, 9, 2005	4	33	0	78,997	0	3,000	61,111	15,574	732	62,245
Greenlee County Fair at Duncan March 11, 12, 18, 19, 2006	4	32	0	78,412	0	1,385	60,983	15,159	702	60,815
Graham County Fair at Safford March 25, 26, April 1, 2, 2006	4	36	0	125,429	0	5,200	97,611	24,258	1,051	63,911
Cochise County Fair at Douglas April 8, 9, 22, 23 2006	4	38	0	130,939	0	11,000	101,800	25,136	1,384	99,097
Santa Cruz County Fair at Sonoita April 29, 30, May 6, 7, 2006	4	36	0	185,762	0	8,800	144,751	35,555	1,741	107,761
Mohave County Fair at Kingman May 13, 14, 20, 21, 2006	4	30	0	105,709	0	2,550	82,380	20,143	1,073	62,132
Subtotal - Fairs at Non-Commercial Tracks	34	273	257	\$3,042,246	\$1,707,423	56,597	\$2,361,727	\$601,054	\$19,663	\$686,376
Fairs at Commercial Tracks										
Yavapai County Fair at Prescott Valley (Yavapai Downs) September 3, 4, 5, 6, 2005	4	38	154	\$1,683,832	\$1,248,232	19,183	\$1,253,249	\$331,768	\$8,635	\$123,646
La Paz County Fair at Phoenix (Turf Paradise) January 14, 15, 21, 22, 2006	4	36	496	3,183,139	2,376,160	19,521	2,427,973	628,691	16,280	260,225
Maricopa County Fair at Phoenix (Turf Paradise) January 7, 8, 28, 29, 2006	4	36	470	3,569,011	2,580,389	29,185	2,725,971	704,388	17,302	308,301
Pima County Fair at Tucson (Rillito Park) January 21, 22, 28, 29, 2006	4	36	0	322,989	0	17,900	247,069	66,936	2,525	70,572
Pinal County Fair at Phoenix (Turf Paradise) February 11, 12, 18, 19, 2006	4	37	435	3,794,915	2,663,561	24,000	2,948,458	749,995	19,991	345,426
Navajo County Fair at Phoenix (Turf Paradise) March 11, 12, 18, 19, 2006	4	27	569	3,536,430	2,793,597	20,634	2,652,061	699,482	18,677	282,600
Yuma County Fair at Prescott Valley (Yavapai Downs) May 27, 28, 29, 30, 2006	4	36	147	1,624,111	1,172,427	15,078	1,251,563	321,526	8,088	129,385
Subtotal - Fairs at Commercial Tracks	28	246	2,271	\$17,714,427	\$12,834,366	145,501	\$13,506,344	\$3,502,786	\$91,497	\$1,520,156
Total - All County Fair Racing	62	519	2,528	\$20,756,673	\$14,541,789	202,098	\$15,868,071	\$4,103,839	\$111,160	\$2,206,532

Commercial Greyhound Racing

The Department of Racing is responsible for regulating and supervising all commercial greyhound racing meetings, conducting investigations, issuing licenses, conducting greyhound drug testing, overseeing wagering, hearing appeals of decisions, conducting hearings on investigation referrals and race incidents, collecting revenues for the State, and distributing awards to program recipients.

Investigations

The Department investigates possible violations of racing laws and rules and imposes administrative sanctions on those determined to have committed violations. All races are observed and supervised to ensure that all participants comply with the rules of racing.

<u>Performance Measures</u>	<u>FY 2004</u>	<u>FY 2005</u>	<u>FY 2006</u>
Number of rulings issued	122	106	184
Percent of original actions upheld on appeal	100%	100%	100%
Number of investigations conducted regarding compliance with rules	81	58	128
Percent of investigations resulting in disciplinary action	69%	100%	99%

Licensing

The Department issues licenses to participate in racing to those who are qualified and eligible. Licenses are denied for those who are undesirable or statutorily prohibited from participating.

<u>Performance Measures</u>	<u>FY 2004</u>	<u>FY 2005</u>	<u>FY 2006</u>
Number of licenses issued	582	1,420	566
Number of licenses denied	2	2	2
Number of investigations conducted regarding licensing	98	58	115
Percent of background investigations resulting in disciplinary action	12%	35%	63%
Percent of license denials upheld on appeal	100%	100%	100%

Inspections

The Department issues licenses to greyhound farms, kennels and other operations after the facilities have been inspected and satisfied requirements.

<u>Performance Measures</u>	<u>FY 2004</u>	<u>FY 2005</u>	<u>FY 2006</u>
Number of facility licenses issued	5	36	8
Number of inspections conducted at facilities	37	50	58
Percent of inspections resulting in violations and disciplinary action	14%	6%	4%
Number of litter inspections	141	127	76

Commercial Greyhound Racing

Breeders' Awards

The Department encourages and promotes greyhound breeding in Arizona through the administration of and distribution to recipients of funds available through the Breeders' Awards Programs.

<u>Performance Measures</u>	<u>FY 2004</u>	<u>FY 2005</u>	<u>FY 2006</u>
Amount of awards	\$309,339	\$379,768	\$298,026
Percent of breeders winning awards	14%	8%	8%
Number of greyhounds earning awards	800	689	3,352
Number of registered greyhounds	8,000	5,321	4,571

Greyhound Adoption

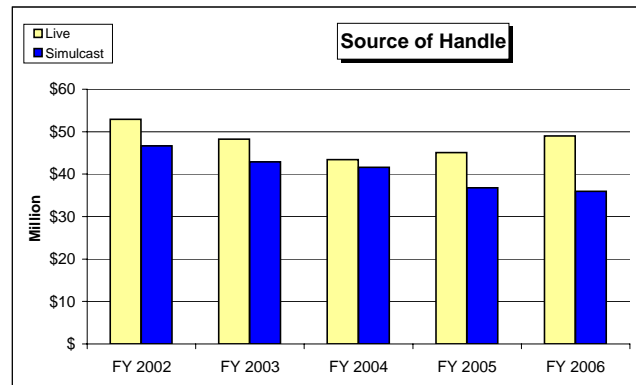
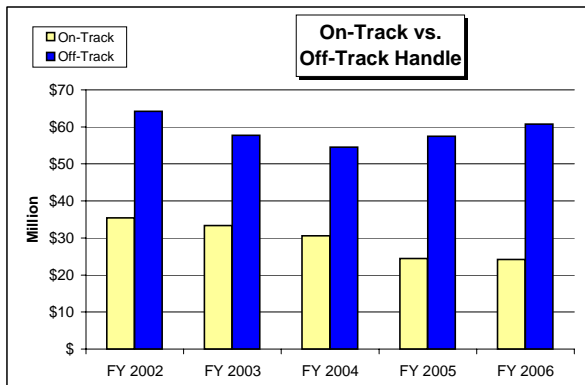
The Department provides grants to non-profit organizations to promote the adoption of retired racing greyhounds as domestic pets. This fund receives 100% of all fees collected from licensing greyhound racing kennels, breeding farms and other operations where greyhounds are raised for racing purposes. In FY 2006, the fund received \$300.

<u>Performance Measures</u>	<u>FY 2004</u>	<u>FY 2005</u>	<u>FY 2006</u>
Number of grants awarded	0	2	2
Amount of grants awarded	\$0	\$3,143	\$1,534

COMMERCIAL GREYHOUND TRACKS
 Apache Greyhound, Phoenix Greyhound,
 Tucson Greyhound

<u>RACING STATISTICS</u>	<u>FY 2002</u>	<u>FY 2003</u>	<u>FY 2004</u>	<u>FY 2005</u>	<u>FY 2006</u>
<u>Race Days/Performances (including 9 charity days)</u>					
Live Race Days	735	710	719	634	667
Dark Day-Simulcast only	351	373	371	453	420
Total Race Days	1,086	1,083	1,090	1,087	1,087
Total Live Performances (Matinee & Evening)	739	739	719	634	667
<u>Number of Races</u>					
Live Races	11,040	10,949	10,492	9,372	10,457
Simulcast Races	178,577	190,889	218,222	213,839	212,233
Total Number of Races	189,617	201,838	228,714	223,211	222,690
<u>Attendance</u>					
On-Track	265,590	330,645	309,405	260,175	258,294
Off-Track	288,959	268,404	245,444	252,995	265,181
Total Attendance	554,549	599,049	554,849	513,170	523,475
<u>Pari-Mutuel Handle</u>					
Average Handle per Race Day	\$91,711	\$84,125	\$78,036	\$75,332	\$78,132
Breakdown by location					
On-Track Handle	\$35,401,074	\$33,378,823	\$30,557,129	\$24,420,309	\$24,174,364
Off-Track Handle	\$64,197,607	\$57,729,004	\$54,501,568	\$57,465,556	\$60,755,397
Breakdown by source					
Live Races	\$52,932,069	\$48,214,378	\$43,430,639	\$45,080,399	\$48,967,570
Simulcast Races	46,666,612	42,893,449	41,628,058	36,805,465	35,962,191
Total Pari-Mutuel Handle	\$99,598,681	\$91,107,827	\$85,058,697	\$81,885,864	\$84,929,761
<u>DISTRIBUTION OF REVENUES</u>					
Returned to Wagering Public	\$76,021,553	\$69,554,238	\$65,060,502	\$62,397,624	\$65,087,000
State Pari-Mutuel Revenues	\$162,651	\$99,856	\$84,909	\$0	\$0
<u>Track Mutuel Revenues</u>					
Track Commission	\$20,308,368	\$18,241,835	\$17,155,485	\$16,418,485	\$16,898,092
Capital Improvement Rebate	454,625	154,717	0	0	0
Capital Improvement Non-Taxable	339,609	116,933	0	0	0
Capital Improvement AGP Non-Taxable	0	0	0	0	0
Charity Days-Revenues Withheld	48,669	56,725	58,026	76,310	56,052
Hardship Tax Credit	1,890,931	2,215,439	2,245,751	2,403,112	2,637,164
AGP-Hardship Tax (Transferred to PGP)	0	0	0	0	0
Breakage	345,257	266,103	246,844	229,595	221,691
Total Track Revenues	\$23,387,459	\$21,051,752	\$19,706,106	\$19,127,502	\$19,812,998
Purses	\$5,564,391	\$4,752,755	\$4,481,327	\$4,392,179	\$4,592,493

Racetrack Trends at a Glance



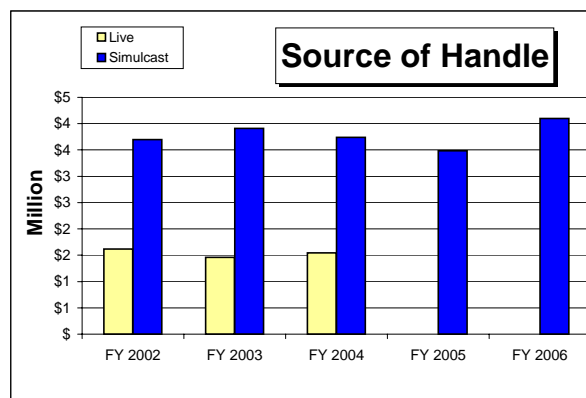
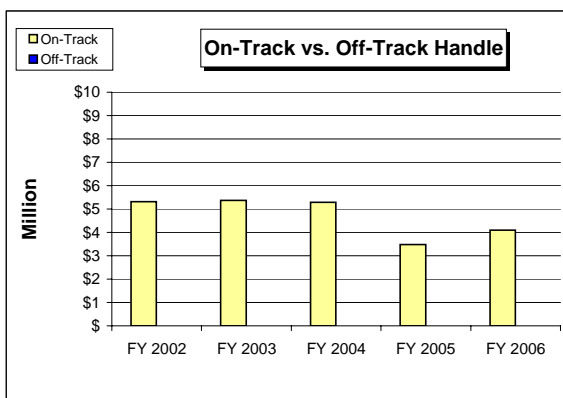
2551 West Apache Trail
 Apache Junction, Arizona 85220

APACHE GREYHOUND PARK
American Greyhound Racing, Inc.

FY 2006 Racing Dates:
 July 1, 2005-June 30, 2006

<u>RACING STATISTICS</u>	<u>FY 2002</u>	<u>FY 2003</u>	<u>FY 2004</u>	<u>FY 2005</u>	<u>FY 2006</u>
<u>Race Days/Performances</u>					
Live Race Days	69	52	56	0	0
Dark Day-Simulcast only	293	310	308	362	362
Total Race Days	362	362	364	362	362
Total Live Performances (Matinee & Evening)	69	52	56	0	0
<u>Number of Races</u>					
Live Races	932	774	834	0	0
Simulcast Races	56,843	59,484	60,250	60,270	64,529
Total Number of Races	57,775	60,258	61,084	60,270	64,529
<u>Attendance</u>					
On-Track	42,600	127,819	126,750	81,353	82,160
Off-Track	0	0	0	0	0
Total Attendance	42,600	127,819	126,750	81,353	82,160
<u>Pari-Mutuel Handle</u>					
Average Handle per Race Day	\$14,684	\$14,846	\$14,511	\$9,629	\$11,329
Breakdown by location					
On-Track Handle	\$5,315,494	\$5,374,389	\$5,281,988	\$3,485,747	\$4,101,136
Off-Track Handle	\$0	\$0	\$0	\$0	\$0
Breakdown by source					
Live Races	\$1,619,524	\$1,461,493	\$1,544,305	\$0	\$0
Simulcast Races	3,695,970	3,912,896	3,737,683	3,485,747	4,101,136
Total Pari-Mutuel Handle	\$5,315,494	\$5,374,389	\$5,281,988	\$3,485,747	\$4,101,136
<u>DISTRIBUTION OF REVENUES</u>					
Returned to Wagering Public	\$4,071,255	\$4,092,042	\$4,103,541	\$2,670,590	\$3,223,463
State Pari-Mutuel Revenues	\$0	\$0	\$0	\$0	\$0
<u>Track Mutuel Revenues</u>					
Track Commission	\$1,126,627	\$1,135,328	\$1,103,296	\$813,942	\$942,979
Capital Improvement Rebate	32,390	0	0	0	0
Capital Improvement Non-Taxable	73,904	27,383	0	0	0
Capital Improvement AGP Non-Taxable	(106,310)	(27,383)	0	0	0
Charity Days-Revenues Withheld	3,532	4,710	4,418	0	0
Hardship Tax Credit	85,542	75,362	80,519	0	0
AGP-Hardship Tax (Transferred to PGP)	0	0	0	0	0
Breakage	27,789	17,158	18,363	8,938	8,810
Total Track Revenues	\$1,243,474	\$1,232,558	\$1,206,597	\$822,880	\$951,789
Purses	\$169,194	\$278,658	\$255,152	\$160,366	\$187,587

Racetrack Trends at a Glance



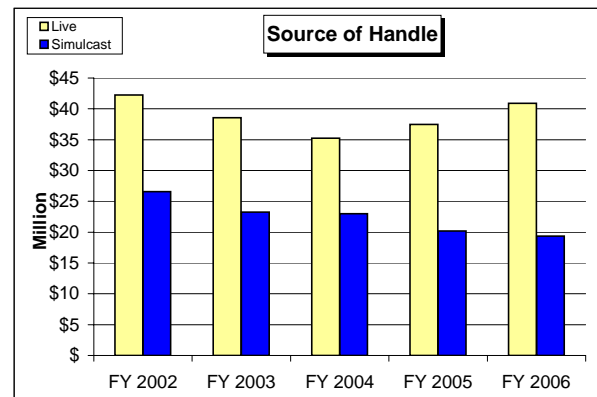
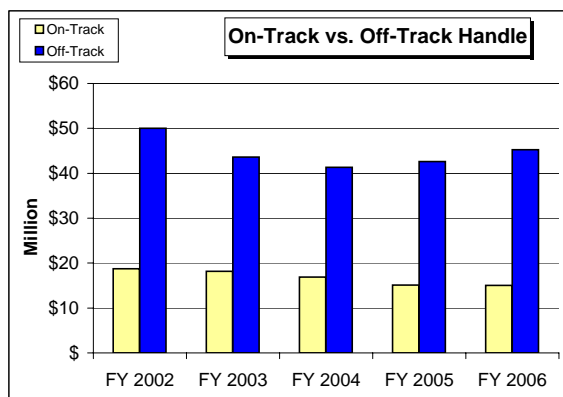
3801 East Washington Street
Phoenix, Arizona 85036

PHOENIX GREYHOUND PARK
American Greyhound Racing, Inc.

FY 2006 Racing Dates:
July 1, 2005-June 30, 2006

RACING STATISTICS	FY 2002	FY 2003	FY 2004	FY 2005	FY 2006
Race Days/Performances (including 9 charity day)					
Live Race Days	354	349	352	352	362
Dark Day-Simulcast only	8	10	11	10	0
Total Race Days	362	359	363	362	362
Total Live Performances (Matinee & Evening)	358	378	352	352	362
Number of Races					
Live Races	5,174	5,486	5,169	5,387	5,770
Simulcast Races	46,694	57,608	74,579	67,266	63,841
Total Number of Races	51,868	63,094	79,748	72,653	69,611
Attendance					
On-Track	157,522	148,984	133,309	127,079	123,617
Off-Track	197,407	183,820	165,126	165,341	171,657
Total Attendance	354,929	332,804	298,435	292,420	295,274
Pari-Mutuel Handle					
Average Handle per Race Day	\$190,044	\$172,202	\$160,503	\$159,323	\$166,511
Breakdown by location					
On-Track Handle	\$18,742,278	\$18,182,026	\$16,906,712	\$15,080,705	\$15,043,286
Off-Track Handle	\$50,053,671	\$43,638,503	\$41,355,918	\$42,594,136	\$45,233,757
Breakdown by source					
Live Races	\$42,224,319	\$38,568,181	\$35,263,900	\$37,464,322	\$40,908,294
Simulcast Races	26,571,630	23,252,348	22,998,730	20,210,518	19,368,749
Total Pari-Mutuel Handle	\$68,795,949	\$61,820,529	\$58,262,630	\$57,674,840	\$60,277,043
DISTRIBUTION OF REVENUES					
Returned to Wagering Public	\$52,487,648	\$46,744,353	\$44,174,254	\$43,953,881	\$45,922,489
State Pari-Mutuel Revenues	\$162,651	\$99,856	\$84,909	\$0	\$0
Track Mutuel Revenues					
Track Commission	\$13,737,588	\$11,967,747	\$11,362,412	\$11,130,623	\$11,577,368
Capital Improvement Rebate	422,235	154,717	0	0	0
Capital Improvement Non-Taxable	265,705	89,550	0	0	0
Capital Improvement AGP Non-Taxable	106,310	27,383	0	0	0
Charity Days-Revenues Withheld	45,137	52,015	53,609	76,310	56,052
Hardship Tax Credit	1,305,647	1,689,918	1,800,998	1,984,228	2,193,905
AGP-Hardship Tax (Transferred to PGP)	0	0	0	0	0
Breakage	246,051	187,772	175,420	170,544	163,624
Total Track Revenues	\$16,128,673	\$14,169,102	\$13,392,439	\$13,361,706	\$13,990,948
Purses	\$3,570,784	\$3,317,197	\$3,188,597	\$3,189,057	\$3,352,976

Racetrack Trends at a Glance



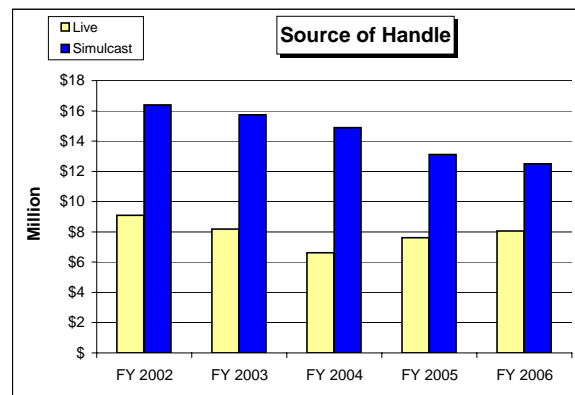
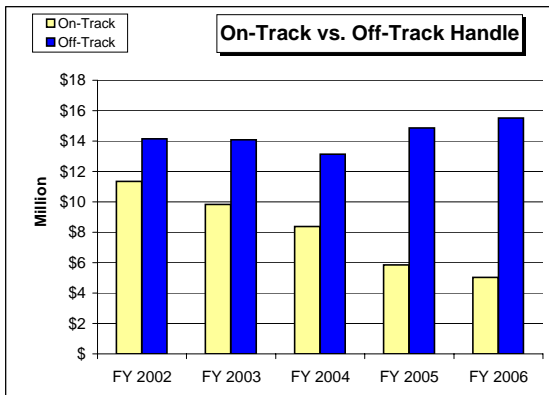
2601 South Third Avenue
Tucson, Arizona 85713

TUCSON GREYHOUND PARK
Tucson Greyhound Park, Inc.

FY 2006 Racing Dates:
July 1, 2005-June 30, 2006

<u>RACING STATISTICS</u>	<u>FY 2002</u>	<u>FY 2003</u>	<u>FY 2004</u>	<u>FY 2005</u>	<u>FY 2006</u>
<u>Race Days/Performances</u>					
Live Race Days	312	309	311	282	305
Dark Day-Simulcast only	50	53	52	81	58
Total Race Days	362	362	363	363	363
Total Live Performances (Matinee & Evening)	312	309	311	282	305
<u>Number of Races</u>					
Live Races	4,934	4,689	4,489	3,985	4,687
Simulcast Races	75,040	73,797	83,393	86,303	83,863
Total Number of Races	79,974	78,486	87,882	90,288	88,550
<u>Attendance</u>					
On-Track	65,468	53,842	49,346	51,743	52,517
Off-Track	91,552	84,584	80,318	87,654	93,524
Total Attendance	157,020	138,426	129,664	139,397	146,041
<u>Pari-Mutuel Handle</u>					
Average Handle per Race Day	\$70,407	\$66,058	\$59,267	\$57,094	\$56,616
Breakdown by location					
On-Track Handle	\$11,343,302	\$9,822,408	\$8,368,429	\$5,853,857	\$5,029,942
Off-Track Handle	\$14,143,936	\$14,090,501	\$13,145,650	\$14,871,420	\$15,521,640
Breakdown by source					
Live Races	\$9,088,226	\$8,184,704	\$6,622,434	\$7,616,077	\$8,059,276
Simulcast Races	16,399,012	15,728,205	14,891,645	13,109,200	12,492,307
Total Pari-Mutuel Handle	\$25,487,238	\$23,912,909	\$21,514,079	\$20,725,277	\$20,551,582
Returned to Wagering Public	\$19,462,650	\$18,717,843	\$16,782,707	\$15,773,153	\$15,941,049
State Pari-Mutuel Revenues	\$0	\$0	\$0	\$0	\$0
<u>Track Mutuel Revenues</u>					
Track Commission	\$5,444,153	\$5,138,760	\$4,689,776	\$4,473,920	\$4,377,744
Capital Improvement Rebate	0	0	0	0	0
Capital Improvement Non-Taxable	0	0	0	0	0
Charity Days-Revenues Withheld	0	0	0	0	0
Hardship Tax Credit	499,742	450,159	364,234	418,883	443,259
Breakage	71,417	61,173	53,061	50,114	49,257
Total Track Revenues	\$6,015,312	\$5,650,092	\$5,107,071	\$4,942,917	\$4,870,261
Purses	\$1,824,413	\$1,156,900	\$1,037,578	\$1,042,756	\$1,051,930

Racetrack Trends at a Glance



Teletracking

The Department of Racing has the authority to approve applications for teletracking (off-track betting) permits, license teletracking sites and their personnel, and monitor compliance for both operational and technical requirements. Coconino County Racing (Fort Tuthill Downs), Turf Paradise, Yavapai County Fair Association (Yavapai Downs), Phoenix Greyhound Park, and Tucson Greyhound Park each held teletracking permits approved by the Arizona Racing Commission to operate off-track wagering sites in FY 2006. A total of 83 off-track-betting sites were authorized to support both greyhound and horse racing in Arizona.

The total handle generated by commercial and county fair racing for teletracking was \$194.8 million. This included \$133.9 million for horse racing and \$60.9 million for greyhound racing. The State of Arizona received \$264,036 in revenue from the teletracking handle, all of which was generated from the Turf Paradise handle at off-track sites.

The handle at teletracking facilities was up 12.6% during FY 2006 from the prior year. The Table below summarizes the teletrack handle generated by commercial and county fair meets.

Teletrack Handle

<u>Track</u>	<u>FY 2005</u>	<u>FY 2006</u>
Turf Paradise	\$74,473,836	\$89,970,048
Phoenix Greyhound Park	42,593,968	45,152,079
Yavapai Downs	28,264,640	31,147,803
Tucson Greyhound Park	14,823,435	15,734,151
Turf Paradise (Fair Meets)	7,864,349	7,789,048
Yavapai Downs (Fair Meets)	2,708,144	2,942,721
Fort Tuthill Downs (Fair Meet)	2,329,318	2,074,058
Rillito Park*	0	0
TOTAL	\$173,057,690	\$194,809,908

* No teletracking since FY 2000.

TELETRACKING ACTIVITY - COMMERCIAL HORSE MEETS

City	Site	YAVAPAI DOWNS			TURF PARADISE		
		Handle	Revenue	Performances	Handle	Revenue	Performances
AHWATUKEE	PAYTON'S PLACE	\$527,627	-	89	1,477,887	4,338	245
APACHE JUNCTION	APACHE GREYHOUND PARK	785,348	-	89	2,676,755	7,858	243
APACHE JUNCTION	ARIZONA JOE'S	264,038	-	89	945,196	2,775	245
BUCKEYE	WADDEL'S LONGHORN	7,786	-	10	-	-	-
CASA GRANDE	MCMASHER'S SPORTS BAR	304,759	-	89	960,676	2,820	242
CAVE CREEK	HAROLD'S	103,515	-	30	1,123,042	3,297	236
CHANDLER	DIRTY DRUMMER	1,688,864	-	89	4,405,409	12,932	244
CHANDLER	STADIUM CLUB	1,272,392	-	89	3,154,790	9,261	244
COTTONWOOD	ZOOMER'S	218,677	-	83	698,877	2,052	241
FLAGSTAFF	MUSEUM CLUB	366,761	-	89	752,464	2,209	245
FORT MOHAVE	THUNDER LANES	51,943	-	58	4,528	13	12
GLENDALE	MAX'S SPORTS BAR	1,165,672	-	89	3,560,601	10,452	243
GOODYEAR	ROMAN'S OASIS	194,246	-	89	565,638	1,660	243
KINGMAN	CERBAT HILLS	374,691	-	89	1,142,403	3,354	244
LAKE HAVASU CITY	GALLAGHER'S AGAIN	415,818	-	89	1,098,773	3,226	244
MARANA	OLD FATHER INN	181,387	-	30	678,983	1,993	195
NEW RIVER	GAVILAN PEAK	226,493	-	75	801,813	2,354	242
PARKER	JULIO'S	32,806	-	22	190,538	559	139
PARKER	STROKES	75,814	-	59	12,032	35	14
PAYSON	FAMOUS SAM'S	159,535	-	89	424,642	1,247	239
PEORIA	GALLAGHER'S	85,821	-	30	103,903	305	49
PEORIA	GRAND INN	722,750	-	89	2,227,393	6,539	245
PEORIA	MCDUFFY'S SPORTS GRILL	811,903	-	89	2,244,004	6,587	244
PHOENIX	1800'S SALOON	51,605	-	30	74,398	218	37
PHOENIX	AMERICAN LEGION #7	753,292	-	89	1,918,754	5,633	242
PHOENIX	AMF CHRISTOWN LANES	173,785	-	30	896,136	2,631	200
PHOENIX	ARMADILLO GRILL	910,799	-	89	2,950,270	8,661	244
PHOENIX	BIG DADDY'S	91,911	-	62	456,992	1,342	242
PHOENIX	BRENNAN'S	1,798,711	-	89	6,785,259	19,919	243
PHOENIX	CROSSROADS	344,530	-	89	1,060,285	3,113	245
PHOENIX	DRAW 10	135,755	-	89	501,552	1,472	242
PHOENIX	FINAL SCORE SPORTS GRILL	147,184	-	47	835,669	2,453	244
PHOENIX	GALLAGHER'S	980,151	-	89	2,744,796	8,058	244
PHOENIX	HAM'S RESTAURANT	596,860	-	89	1,565,186	4,595	242
PHOENIX	METRO SPORTS BAR	319,790	-	89	801,751	2,354	244
PHOENIX	NORTH STAR RESTAURANT	779,113	-	89	2,233,739	6,557	245
PHOENIX	PADRE MURPHY'S	1,750,410	-	89	5,415,032	15,896	245
PHOENIX	ROMAN'S COUNTY LINE	722,607	-	89	1,802,985	5,293	244
PHOENIX	TURF PARADISE	505,754	-	45	-	-	-
PRESCOTT	MATT'S SALOON	322,850	-	89	906,536	2,661	243
PRESCOTT VALLEY	ANTELOPE LANES	287,200	-	89	817,558	2,400	244
PRESCOTT VALLEY	YAVAPAI DOWNS	-	-	-	605,812	1,778	233
QUARTZSITE	QUARTZSITE YACHT CLUB	29,643	-	22	338,335	993	174
ROCK SPRINGS	ROCK SPRINGS CAFE	125,363	-	83	374,879	1,100	211
SAFFORD	CHALO'S LA CASA REYNOSO	238,129	-	89	584,428	1,716	241
SCOTTSDALE	CASINO ARIZONA	969,731	-	89	-	-	-
SHOW LOW	RT'S BLACK BULL	324,671	-	89	407,724	1,197	237
SIERRA VISTA	P.C.'S LOUNGE	437,738	-	89	1,097,257	3,221	244
SURPRISE	COYOTE ALLEY	78,760	-	30	519,233	1,524	145
SURPRISE	RUNNER'S SPORTS BAR	493,305	-	89	1,652,252	4,850	245
TEMPE	BOSTON'S GRILLE	68,586	-	30	111,569	328	43
TEMPE	DERBY GRILL	553,378	-	89	1,500,501	4,405	244
TEMPE	HORSE & HOUND-BROADWAY	963,719	-	89	3,035,125	8,910	244
TEMPE	MCDUFFY'S SPORTS BAR	700,814	-	83	2,189,178	6,426	244
TEMPE	SKIP & JAN'S	1,005,368	-	89	3,363,139	9,873	244
TEMPE	STRAY CAT	136,442	-	30	497,916	1,462	95
TONOPAH	TIN TOP RESTAURANT	28,938	-	59	7,581	22	12
TUCSON	AIRPORT INN	107,628	-	87	270,240	793	243
TUCSON	ARIZONA ALE HOUSE	150,187	-	75	549,969	1,614	201
TUCSON	FAMOUS SAM'S-CENTRAL	204,641	-	89	650,683	1,910	244
TUCSON	FAMOUS SAM'S-EAST	188,319	-	89	483,263	1,419	243
TUCSON	FAMOUS SAM'S-SOUTH	138,427	-	89	444,223	1,304	243
TUCSON	GOLDEN PIN LANES	724,052	-	89	2,077,183	6,098	244
TUCSON	JEFF'S PUB	420,785	-	89	1,217,603	3,574	244
TUCSON	RILLITO PARK	-	-	-	71,301	209	5
TUCSON	TOUCHDOWN'S	421,444	-	89	1,214,862	3,566	243
TUCSON	TUCSON GREYHOUND PARK	929,534	-	89	2,518,548	7,393	244
WICKENBERG	MECCA RESTAURANT	135,644	-	75	389,509	1,143	197
WINSLOW	PT'S COCKTAILS	46,725	-	58	16,319	48	23
YUMA	FAMOUS SAM'S	814,879	-	86	2,737,867	8,037	244
Sub-Total		\$31,147,803	-	5,067	\$89,943,744	\$264,036	13,902
County Fairs							
ST. JOHNS	APACHE COUNTY FAIR	-	-	-	14,030	-	4
SONOITA	SANTA CRUZ COUNTY FAIR	-	-	-	12,274	-	4
Sub-Total		-	-	-	26,304	-	8
TOTAL		\$31,147,803	-	5,067	\$89,970,048	\$264,036	13,910

TELETRACKING ACTIVITY - COUNTY FAIR MEETS

		<u>FORT TUTHILL DOWNS</u>		<u>YAVAPAI DOWNS</u>		<u>TURF PARADISE</u>	
		(Coconino)		(Yavapai & Yuma)		(La Paz, Maricopa, Navajo, & Pinal)	
City	Site	Handle	Performances	Handle	Performances	Handle	Performances
AHWATUKEE	PAYTON'S PLACE	\$47,985	6	\$58,838	8	\$222,303	16
APACHE JUNCTION	APACHE GREYHOUND PARK	49,772	6	70,979	8	286,410	16
APACHE JUNCTION	ARIZONA JOE'S	17,607	6	23,812	8	91,937	16
BUCKEYE	WADDEL'S CORRAL	1,525	1	-	-	-	-
CASA GRANDE	MCMASHER'S SPORTS BAR	25,697	6	33,846	8	83,563	16
CAVE CREEK	HAROLD'S RESTAURANT	5,794	1	15,899	4	111,324	15
CHANDLER	DIRTY DRUMMER	113,732	6	150,575	8	322,662	16
CHANDLER	STADIUM CLUB	84,549	6	128,211	8	318,556	16
COTTONWOOD	ZOOMER'S SPORTS BAR	11,257	4	14,964	6	47,356	15
FLAGSTAFF	MUSEUM CLUB	18,618	6	26,701	8	63,628	15
FORT MOHAVE	THUNDER LANES	2,812	5	1,967	4	-	-
GLENDALE	MAX'S SPORTS BAR	74,346	6	124,526	8	322,460	16
GOODYEAR	ROMAN'S OASIS	11,685	6	23,533	8	46,290	16
KINGMAN	CERBAT HILLS	17,013	6	22,677	8	75,856	16
LAKE HAVASU CITY	GALLAGHER'S AGAIN	39,446	6	26,058	8	113,502	16
MARANA	OLD FATHER INN	8,011	1	35,528	4	74,283	16
NEW RIVER	GAVILAN PEAK	5,937	1	22,661	8	67,774	16
PARKER	JULIO'S	576	1	3,861	2	28,931	16
PARKER	STROKES	7,783	5	4,811	4	-	-
PAYSON	FAMOUS SAM'S	14,135	6	12,898	8	27,423	14
PEORIA	GALLAGHER'S	4,070	1	5,500	4	-	-
PEORIA	GRAND INN	56,426	6	64,873	8	186,467	16
PEORIA	MCDUFFY'S SPORTS BAR	47,179	6	76,985	8	173,595	16
PHOENIX	1800'S SALOON	7,295	1	7,103	4	-	-
PHOENIX	AMERICAN LEGION #7	58,468	6	62,566	8	171,114	16
PHOENIX	AMF CHRISTOWN LANES	7,777	1	25,080	4	86,098	16
PHOENIX	ARMADILLO GRILL	56,028	5	90,012	8	295,687	16
PHOENIX	BIG DADDY'S	2,541	1	11,229	8	42,685	16
PHOENIX	BRENNAN'S	76,659	5	230,429	8	600,987	16
PHOENIX	CROSSROADS	27,579	6	35,091	7	77,402	16
PHOENIX	DRAW 10	6,140	4	13,117	6	27,871	15
PHOENIX	FINAL SCORE SPORTS	4,459	1	19,431	8	99,552	16
PHOENIX	GALLAGHER'S	75,945	6	71,014	8	231,125	16
PHOENIX	HAM'S RESTAURANT	32,341	4	41,437	7	117,735	16
PHOENIX	METRO SPORTS BAR	19,114	6	13,203	8	57,573	16
PHOENIX	NORTH STAR RESTAURANT	58,128	6	60,660	8	185,252	16
PHOENIX	PADRE MURPHY'S	141,038	6	164,463	8	389,812	16
PHOENIX	ROMAN'S COUNTY LINE	48,292	6	53,414	8	135,843	16
PHOENIX	TURF PARADISE	31,602	4	96,110	8	-	-
PRESCOTT	MATT'S SALOON	24,071	6	35,313	8	78,436	16
PRESCOTT VALLEY	ANTELOPE LANES	22,844	6	22,835	8	71,355	16
PRESCOTT VALLEY	YAVAPAI DOWNS	3,039	1	-	-	69,800	16
QUARTZSITE	QUARTZSITE YACHT CLUB	751	1	5,867	3	47,073	16
ROCK SPRINGS	ROCK SPRINGS CAFE	7,695	6	10,998	6	27,655	16
SAFFORD	CHALO'S LA CASA REYNOSO	20,032	5	21,582	8	41,399	16
SCOTTSDALE	CASINO ARIZONA	67,832	6	98,555	8	-	-
SHOW LOW	RT'S BLACK BULL	21,152	6	33,732	8	23,356	14
SIERRA VISTA	P.C.'S LOUNGE	41,742	6	32,085	8	103,475	16
SURPRISE	COYOTE ALLEY	6,241	1	11,237	4	66,996	16
SURPRISE	RUNNER'S SPORTS BAR	32,761	6	41,405	8	108,873	16
TEMPE	BOSTON'S	2,130	1	10,209	4	-	-
TEMPE	DERBY GRILL	32,411	6	39,454	8	138,390	16
TEMPE	HORSE & HOUND-BROADWAY	72,151	6	85,428	8	217,585	16
TEMPE	MCDUFFY'S SPORTS BAR	29,705	5	63,838	8	137,074	16
TEMPE	SKIP & JAN'S	42,848	6	86,762	8	212,123	16
TEMPE	STRAY CAT	4,359	1	17,648	4	34,925	6
TONOPAH	TIN TOP RESTAURANT	1,630	5	4,400	4	-	-
TUCSON	AIRPORT INN	10,357	6	11,178	8	22,964	16
TUCSON	ARIZONA ALE HOUSE	5,060	1	19,450	8	135,185	16
TUCSON	FAMOUS SAM'S-EAST	13,521	6	16,755	8	22,392	16
TUCSON	FAMOUS SAM'S-CENTRAL	17,135	6	18,451	8	46,741	16
TUCSON	FAMOUS SAM'S-SOUTH	17,457	6	12,423	8	49,256	16
TUCSON	GOLDEN PIN LANES	52,883	6	53,951	8	113,162	16
TUCSON	JEFF'S PUB	37,259	6	37,695	8	132,396	16
TUCSON	RILLITO PARK	-	-	-	-	87,119	8
TUCSON	TOUCHDOWNS	24,310	6	33,753	8	108,292	16
TUCSON	TUCSON GREYHOUND PARK	70,470	6	95,496	8	214,025	16
WICKENBERG	MECCA RESTAURANT	10,222	6	9,686	6	28,914	16
WINSLOW	PT'S COCKTAILS	4,384	5	2,883	4	-	-
YUMA	FAMOUS SAM'S	59,045	6	65,590	8	267,391	16
TOTAL		\$2,074,858	318	\$2,942,721	467	\$7,789,408	934

TELETRACKING ACTIVITY - GREYHOUND MEETS

		<u>PHOENIX GREYHOUND PARK</u>			<u>TUCSON GREYHOUND PARK</u>		
City	Site	Handle	Revenue	Performances	Handle	Revenue	Performances
APACHE JUNCTION	APACHE GREYHOUND PARK	\$ 1,447,321	-	362	-	-	-
CASA GRANDE	MCMASHER'S SPORTS BAR	522,038	-	309	-	-	-
CAVE CREEK	CREEKERS	312,621	-	193	-	-	-
CHANDLER	GALLAGHER'S	513,545	-	361	-	-	-
CHANDLER	DIRTY DRUMMER	2,481,408	-	362	270,667	-	304
CHANDLER	STADIUM CLUB	2,050,864	-	362	211,526	-	302
FLAGSTAFF	JOE'S PLACE	104,603	-	104	-	-	-
GLENDALE	MAX'S SPORTS BAR	5,410,503	-	362	699,436	-	304
KINGMAN	DAMBAR & STEAKHOUSE	334,610	-	202	-	-	-
LITCHFIELD PARK	LIGHTHOUSE RESTAURANT	2,052,115	-	359	233,199	-	299
MARANA	OLD FATHER INN	129,744	-	245	459,134	-	246
PEORIA	GALLAGHER'S	1,939,687	-	362	224,902	-	304
PHOENIX	BIG DADDY'S	1,061,869	-	362	-	-	-
PHOENIX	BRENNAN'S	1,992,322	-	356	348,026	-	301
PHOENIX	GALLAGHER'S	2,256,699	-	362	345,626	-	304
PHOENIX	HAM'S RESTAURANT	1,834,177	-	318	264,706	-	302
PHOENIX	METRO SPORTS BAR	1,436,222	-	362	-	-	-
PHOENIX	NORTH STAR	1,047,294	-	361	-	-	-
PHOENIX	PADRE MURPHY'S	4,957,774	-	362	466,918	-	304
PHOENIX	PHOENIX GREYHOUND PARK	-	-	-	959,384	-	304
PHOENIX	PURPLE TURTLE	471,763	-	362	-	-	-
PRESCOTT	PLAZA BOWL	266,045	-	304	-	-	-
PRESCOTT VALLEY	ANTELOPE LANES	115,678	-	192	-	-	-
SCOTTSDALE	CASINO ARIZONA	3,291,119	-	362	-	-	-
SIERRA VISTA	COCHISE HEALTH & RACQUET	158,649	-	81	-	-	-
SIERRA VISTA	PC'S LOUNGE	477,358	-	216	-	-	-
SURPRISE	RUNNER'S SPORTS BAR	737,788	-	362	-	-	-
TEMPE	BOSTON'S BAR & GRILLE	588,570	-	362	-	-	-
TEMPE	HORSE & HOUND-OFF BROADWAY	1,251,467	-	362	-	-	-
TEMPE	MCDUFFY'S SPORTS BAR	772,463	-	354	-	-	-
TEMPE	SKIP & JAN'S	872,107	-	362	-	-	-
TUCSON	AIRPORT INN	93,688	-	360	687,052	-	362
TUCSON	ARIZONA ALE HOUSE	199,882	-	299	475,562	-	302
TUCSON	FAMOUS SAM'S - CENTRAL	182,840	-	362	1,119,077	-	363
TUCSON	FAMOUS SAM'S - EAST	217,331	-	362	1,390,890	-	363
TUCSON	FAMOUS SAM'S - SOUTH	154,414	-	359	710,527	-	362
TUCSON	GOLDEN PIN LANES	688,172	-	362	2,791,230	-	363
TUCSON	JEFF'S PUB	461,957	-	362	1,980,701	-	363
TUCSON	TOUCHDOWNS	661,761	-	362	2,095,588	-	362
TUCSON	TUCSON GREYHOUND PARK	803,282	-	362	-	-	-
WICKENBERG	MECCA RESTAURANT	18,571	-	37	-	-	-
YUMA	YUMA GREYHOUND PARK	781,758	-	257	-	-	-
TOTAL		\$ 45,152,079	-	12,869	\$ 15,734,151	-	6,114

Racing Regulation

The Department of Racing's regulatory responsibilities ensure that all participants and permittees involved in commercial horse racing, greyhound racing, and county fair horse racing operate and perform in compliance with applicable Arizona statutes, rules and regulations. This is accomplished through the investigation and licensing activities of the Department.

Licensing

The Department processes and investigates all license applications in a timely manner while ensuring only those eligible receive licenses.

<u>Performance Measures</u>	<u>FY 2004</u>	<u>FY 2005</u>	<u>FY 2006</u>
Number of licenses issued	4,164	6,112	3,120
Number of licenses denied	9	7	11

Civil Penalties/Fines

The Boards of Stewards have the authority to impose penalties and fines up to a maximum of a 60-day suspension and/or \$1,000. The Director has the authority to affirm, reverse or modify the Stewards' Rulings, including license revocation.

<u>Performance Measures</u>	<u>FY 2004</u>	<u>FY 2005</u>	<u>FY 2006</u>
Number of disciplinary actions	743	557	636
Percent total licensees with disciplinary action	11%	9%	20%
Amount of fines imposed	\$60,255	\$54,661	\$54,018
Amount of fines collected	\$42,930	\$41,921	\$47,438

Stewards Rulings by Track

<u>Track</u>	<u>FY 2004</u>	<u>FY 2005</u>	<u>FY 2006</u>
Turf Paradise	372	266	320
Yavapai Downs	167	114	74
Rillito Park	26	30	17
All County Fairs	56	41	41
Apache Greyhound Park	11	0	0
Phoenix Greyhound Park	45	29	84
Tucson Greyhound Park	66	77	100
Total	743	557	636

Racing Regulation

Director's Rulings

The Director may conduct hearings of appeals or Stewards' referrals or may assign a case that has been appealed or referred to the Arizona Office of Administrative Hearings. The Administrative Law Judge provides the Director findings of fact, conclusions of law and a proposed order. The Director may accept or modify any decision proposed by the Judge. The table below summarizes hearings and cases by the Director, the Office of Administrative Hearings, and the Racing Commission.

<u>Summary of Hearings and Orders</u>	<u>FY 2004</u>	<u>FY 2005</u>	<u>FY 2006</u>
Director's Hearings	191	217	916
Referrals	168	56	156
Appeals	15	10	39
<i>Sua Sponte</i> Director Review	17	35	130
Case Backlog Hearings			591
Administrative Law Judge Hearings	4	1	10
Racing Commission Hearings	4	2	7
Cases Withdrawn/Dismissed	8	2	2
Total Number of Hearings	199	220	933
Total Number of Director's Orders*	244	293	1,093

* (Includes orders for action taken not requiring a hearing, i.e. stays, reinstatements, cases dismissed, etc.)

Investigations

The Department investigates all possible violations of racing laws and rules. In addition, investigations are conducted in connection with license applications.

<u>Performance Measures</u>	<u>FY 2004</u>	<u>FY 2005</u>	<u>FY 2006</u>
Number of Investigations Regarding Violations	380	293	933
Percentage of Investigations Resulting in Disciplinary Action	51%	65%	85%
Number of Investigations Regarding Licensing	478	335	687
Percentage of Investigations Resulting in Disciplinary Action	23%	59%	85%

Types of Investigations

<u>Offenses</u>	<u>Total</u>	<u>Denied</u>	<u>Referred</u>	<u>Pending</u>	<u>Warning</u>	<u>No Violation</u>
Criminal Records Received	552	0	441	0	0	111
Inspection-Kennels	58	0	2	0	0	56
Interviews	138	7	0	0	0	131
False Application	441	0	441	0	0	0
Human Drug Testing	50	0	40	0	0	10
Animal Drug Testing	47	0	47	0	0	0
Horse Rule Violation	195	0	190	0	0	5
Miscellaneous	11	0	11	0	0	0
Undesirables	10	2	8	0	0	0
Greyhound Rule Violation	128	0	120	0	0	8
Possession of Contraband	4	0	4	0	0	0
Criminal Violation	38	0	38	0	0	0
Illegal Gambling	0	0	0	0	0	0
Total	1672	9	1342	0	0	321

Racing Regulation

Drug/Alcohol Abuse Investigations

The Department of Racing is authorized to require persons licensed to submit to testing when there is reason to believe they may be under the influence of or unlawfully in possession of any prohibited substance regulated by Title 13, Chapter 34, or has consumed alcohol in violation of A.A.C. R19-2-112(8) or (10) or R19-2-311(9).

<u>Testing Summary</u>	<u>FY 2004</u>	<u>FY 2005</u>	<u>FY 2006</u>
Human Drug Tests	41	41	50
Positive Drug Tests	9	11	13
Licensee Refused to Test	11	4	7
Percent Positive	21%	27%	26%
Breath/Alcohol Tests	1	0	8
Positive Breath/Alcohol Tests	1	0	8
Percent Positive	100%	0%	100%

Equine & Canine Drug Testing

The Department contracts with independent laboratories for the analysis of equine urine and blood samples and canine urine samples. This analysis is required to enforce the rules of racing that prohibit animals from racing while under the influence of foreign substances.

<u>Testing Summary</u>	<u>FY 2004</u>	<u>FY 2005</u>	<u>FY 2006</u>
Equine Drug Testing			
Number positive equine drug tests	44	37	48
Percent positive equine drug tests	1.4%	1.3%	1.8%
Canine Drug Testing			
Number positive canine tests	1	5	0
Percent positive canine tests	.02%	.10%	.00%
Totals			
Total Positive tests	45	42	48
Percent Total positive tests	0.55%	0.53%	0.63%

Investigation File Backlog

In mid-2005, the Department found several investigation files that were not properly processed from the prior licensing cycle. Since that time the Department has reviewed each file, obtained FBI fingerprint reports, contacted the licensee to request an explanation, and prepared the cases for hearing. The following is a status of the cases:

<u>File Status</u>	<u>Number of Cases</u>
Cleared by FBI Report	155
No longer licensees	120
License Revoked after Hearing	112
Resolved with submission of legal documentation	75
License Suspended/Suspension Stayed/Probation Imposed	48
Case Dismissed after Hearing	21
Total	531

Hearings were conducted on October 19, 2005 and January 26, 2006 exclusively for these matters. Several matters were continued to allow the Special Investigators to gather additional information and were interspersed with scheduled hearings as the additional information was received. The criminal histories included drug offenses, assaults, theft/burglary, and other serious offenses. All of the respondents were properly noticed of their situation and requested to provide information to the Department. In addition, the list of licensees was sent to industry organizations and permittees so they could contact any of the individuals who were their employees or members to encourage them to comply with the Department's Notice of Hearing.

The project required about 3,186 hours at a personnel value of over \$70,000 to the Department.

Fingerprint Backlog

In May 2006, the Department identified 58 licensees who failed to submit fingerprints in order to complete the required background investigation. Most of these licensees submitted fingerprints that were reported to be “unclassifiable,” which means the prints were unclear and could not be read by the F.B.I. In addition, some of these individuals claimed an invalid “reciprocity.” The Department participates in fingerprint reciprocity with racing jurisdictions that process through the F.B.I. Reciprocity is acceptable for owners only, and the prints must have been taken in the past three years. The Department had been unable to complete the required background investigation for these individuals.

A letter was sent to all of these licensees to inform them of their responsibility to submit fingerprint cards that would allow the Department to complete the license application background investigation. They were provided 20 days to do so. Licensees who failed to respond were scheduled for hearing regarding the fingerprint submission and non-compliance which constitutes grounds for imposition of a civil penalty, and suspension or revocation of a racing license.

The following chart shows the results of this effort to rectify the situation:

<u>Licensee Response</u>	<u>Department Action</u>	<u>Licensees</u>
Failed to Appear at Hearing	License Suspended	39
Submitted New Fingerprints	Conducting New Review	13
Relinquished License	File Closed	6
	Total	58

The Department has also incorporated new steps in the licensing process that provide for referral for fingerprint non-compliance and possible disciplinary action that may include fine, suspension, or license revocation.

The problem occurred as a result of the prior practice to require one fingerprint card per applicant. The Department introduced a new procedure which requires two per applicant, and this should eliminate the problem.

LICENSE BY CATEGORY

CATEGORY	HORSE					GREYHOUNDS					GRAND TOTAL
	TURF PARADISE	YAVAPAI DOWNS	COUNTY FAIR	RILLITO PARK	TOTAL	PHOENIX	APACHE	TUCSON	RBO	TOTAL	
1 YR CONCESSION	0	0	0	0	0	0	0	0	0	0	0
1 YR MUTUEL	0	0	0	0	0	0	0	0	0	0	0
1 YR PEACE OFFICER	0	0	3	0	3	0	0	0	0	0	3
3 YR COOLOUT	0	0	0	0	0	13	23	0	0	36	36
3 YR MUTUEL	51	27	48	8	134	58	39	0	0	97	231
3 YR PEACE OFFICER	0	0	1	1	2	0	0	0	0	2	2
APPRENTICE JOCKEY	11	2	1	0	14	0	0	0	0	14	14
ASSISTANT STARTER	5	5	1	0	11	0	0	0	0	11	11
ASSISTANT TRAINER	9	1	1	0	11	8	5	0	0	13	24
AUTH. AGENT-FULL	1	1	0	0	2	3	0	0	0	5	5
AUTH. AGENT-PARTIAL	103	4	0	1	108	5	4	0	0	9	117
BREED FARM/OTHER OP	0	0	0	0	0	0	0	0	2	2	2
COMBINATION OPER	0	0	0	0	0	0	0	0	0	0	0
DUPLICATE/NO FEE	0	0	0	0	0	0	0	0	0	0	0
EXERCISE RIDER	70	8	3	1	82	0	0	0	0	82	82
FACILITY MGR/AGENT	0	0	0	0	0	0	0	0	0	0	0
GROOM	186	26	38	17	267	0	0	0	0	267	267
INELIGIBLE	7	1	0	1	9	2	0	0	0	2	11
JOCKEY	24	10	7	5	46	0	0	0	0	46	46
JOCKEY AGENT	4	3	1	1	9	0	0	0	0	9	9
KENNEL-NEW	0	0	0	0	0	4	4	0	0	8	8
KENNEL-RENEWAL	0	0	0	0	0	1	0	0	0	1	1
OCCUPATIONAL	247	67	61	49	424	69	44	0	0	113	537
OCCUPATIONAL-BRDR	0	0	0	0	0	0	0	0	0	0	0
OFFICIAL	8	7	2	2	19	5	7	0	0	12	31
OTB	34	8	4	0	46	18	16	0	0	36	82
OUTRIDER	108	2	0	1	111	0	0	0	0	1	111
OWNER	593	82	83	53	811	65	37	0	0	102	913
OWNER-TRAINER	39	5	7	8	59	0	0	0	0	0	59
PADDOCK EMPLOYEE	0	0	0	0	0	34	59	0	0	93	93
PERMITTEE DIR/BD MBR	0	1	3	0	4	0	0	0	0	0	4
PLATER	4	1	2	2	9	0	0	0	0	0	9
PONY RIDER	32	9	10	8	59	0	0	0	0	0	59
RACING KENNEL	0	0	0	0	0	0	0	0	0	0	0
SECURITY	23	11	16	6	56	7	8	0	0	15	71
STABLE-NEW	50	3	0	0	53	0	0	0	0	0	53
STABLE-RENEWAL	14	0	0	0	14	0	0	0	0	0	14
TEMP. CLAIM	22	2	0	0	24	0	0	0	0	0	24
TEMP. OWNER	13	0	0	0	13	0	0	0	0	0	13
TEMP. STABLE	5	0	0	0	5	0	0	0	0	0	5
TRAINER	58	8	9	8	83	8	12	0	0	20	103
VENDOR-BUSINESS	12	1	10	2	25	0	0	0	0	0	25
VENDOR-EMPLOYEE	27	3	13	5	48	3	0	0	0	3	51
VETERINARIAN	1	0	1	0	2	0	0	0	0	0	2
VOIDS	0	0	0	0	0	0	0	0	0	0	0
LICENSES ISSUED	1,761	298	325	179	2,563	300	260	0	8	568	3,131
FINGERPRINTS TAKEN	911	186	186	110	1,393	215	150	0	0	365	1,758
LICENSING FEES	35,418	4,873	4,295	2,906	47,492	5,898	4,810	0	550	11,258	58,750
FINGERPRINT FEES	26,414	5,394	5,463	3,190	40,461	6,293	4,350	0	0	10,643	51,104
TOTAL FEES	\$61,832	\$10,267	\$9,758	\$6,096	\$87,953	\$12,191	\$9,160	\$0	\$550	\$21,901	\$109,854

Boxing Regulation

The Boxing Commission regulates and supervises all boxing events conducted in Arizona to protect the participants in these events and to ensure compliance with the Boxing laws and regulations. The events include traditional boxing, kickboxing, tough man contests, and mixed martial arts.

In 1992, the Arizona Department of Racing assumed responsibility for the financial administration of the Arizona State Boxing Commission. In this capacity, the Department collects and deposits State receipts associated with boxing.

The Department collects a fee of four percent of the gross receipts after deduction of any federal, state, and local taxes generated from boxing matches. In FY 2006, the Department collected \$39,948 in taxes generated from 35 boxing events in the State.

The State Boxing Commission issued 792 licenses, and the Department collected a total of \$10,980 in license fees from these applicants.

Additionally, the State Boxing Commission entered into intergovernmental agreements with Tribal organizations to supervise Boxing events conducted on Tribal land. The Arizona State Boxing Commission receives an average of \$3,000 per event subject to these agreements. During FY 2006, the Boxing Commission regulated eight of these events and collected \$24,000 for their regulation. All Boxing Commission revenues are deposited into the General Fund.

Sanctioned Events

The Boxing Commission ensures that all events under Commission jurisdiction held in the State are sanctioned by the Arizona State Boxing Commission and that all participants are duly licensed.

<u>Performance Measures</u>	<u>FY 2004</u>	<u>FY 2005</u>	<u>FY 2006</u>
Percent of bouts without serious injury to contestants	100%	100%	100%
Number of events sanctioned	40	40	35
Number of bouts	200	200	280

Licensing

The Boxing Commission issues licenses to participate in Boxing to those who are qualified and eligible. Licenses are denied for those who are undesirable or statutorily prohibited from participating.

<u>Performance Measures</u>	<u>FY 2004</u>	<u>FY 2005</u>	<u>FY 2006</u>
Number of licenses issued	784	651	792
Percent of licenses issued for all applications	99%	98%	99%
<u>Revenue Summary</u>			
Taxes	\$21,929	\$62,822	\$39,948
License Fees	12,855	10,080	10,980
Fines	0	1,700	1,400
Other (Tribal Agreements)	9,000	21,000	24,000
Total Revenue Collected	\$43,784	\$95,602	\$76,328

Boxing Regulation

Investigations

The Boxing Commission investigates all allegations of statutory and rule violations that may harm the athlete or the public.

Performance Measures

	<u>FY 2004</u>	<u>FY 2005</u>	<u>FY 2006</u>
Number of investigations conducted	0	6	13
Percent of investigations resulting in disciplinary action	N/A	33%	98%

Financial Issues

Department Of Racing Budget

The Department of Racing's expenditures for the last three fiscal years, the appropriated funds for FY 2006 and FY 2007, including a summary of full-time and seasonal positions are included below.

Additional funds are necessary to enable the Department to provide the services required to regulate and support the racing industry in Arizona. Several administrative changes and modernization of the Department's rules, policies, and procedures have been implemented or are being developed to allow the Department to provide better services to its customers, but appropriate regulation to maintain the integrity of the racing industry requires additional resources.

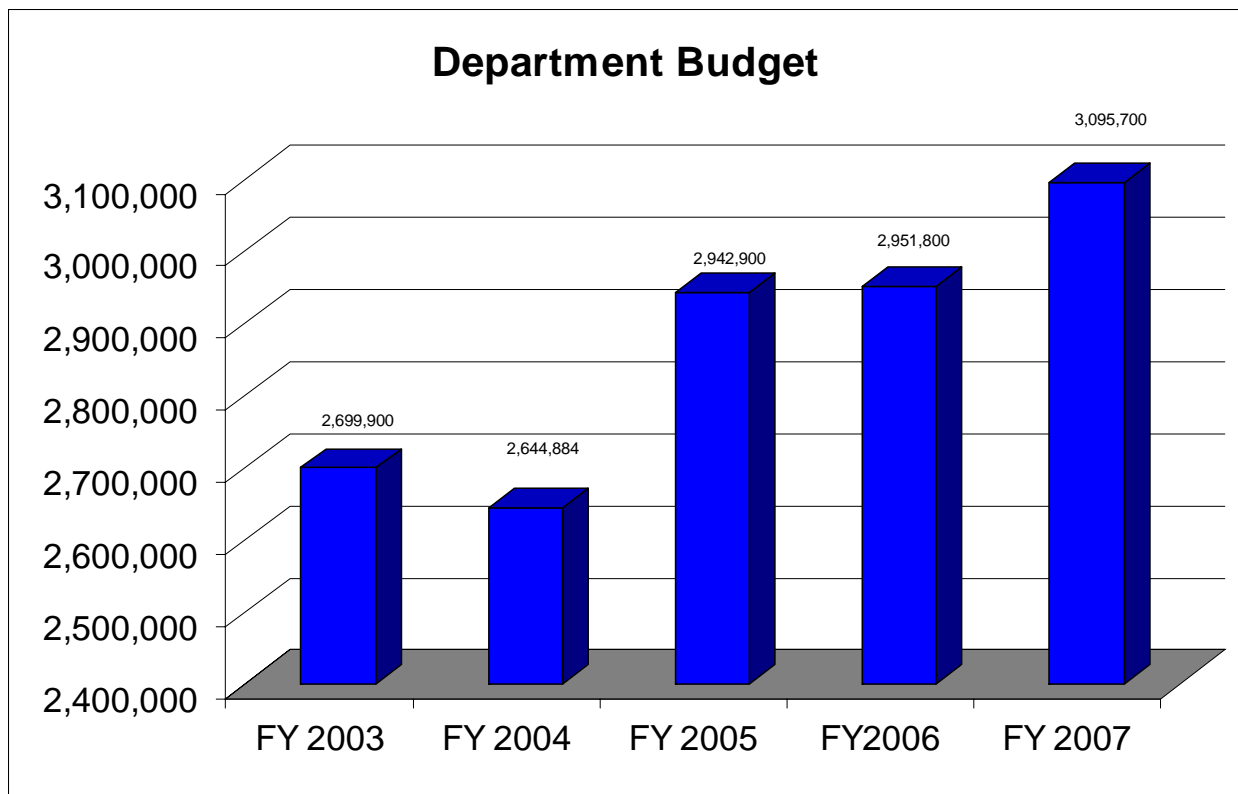
The total Department of Racing budget for FY 2006 was \$2,951,800. This was a reduction of \$1,600, or 0.06%, from the prior budget period, including general salary adjustments. It was necessary to reduce the County Fair Racing fund and the Administration fund appropriations to the respective revenue caps to reflect the correct amount of funds available. Nearly 88.3% of the Department's FY 2006 budget was appropriated from the State General Fund.

OPERATING BUDGET

	Actual Exp FY 2003	Actual Exp FY 2004	Actual Exp FY 2005	Actual Exp FY 2006	Appropriation FY 2007
Full Time Equivalent Positions (FTE)	46.5	46.5	46.5	46.5	46.5
Full Time	33.0	33.0	33.0	33.0	33.0
Seasonal	13.5	13.5	13.5	13.5	13.5
Personal Services	\$1,611,000	\$1,494,585	\$1,686,092	\$1,768,713	\$1,899,800
Employee Related Expenses (ERE)	394,500	357,095	418,555	471,583	599,900
Professional & Outside Services	323,500	278,767	330,557	239,900	201,700
Travel - In State	150,700	153,743	165,147	156,863	115,500
Travel - Out of State	3,200	4,983	3,851	5,424	4,100
Other Operating	214,300	246,668	246,096	292,896	274,700
Equipment	2,700	109,043	92,602	16,421	-
AGENCY TOTAL	\$2,699,900	\$2,644,884	\$2,942,900	\$2,951,800	\$3,095,700

FUND SOURCES

General Fund	\$2,366,400	\$2,294,645	\$2,504,796	\$2,606,800	\$2,750,700
<u>Other Appropriated Funds</u>					
County Fair Racing Fund	295,300	300,683	360,969	300,000	300,000
Administration of Betterment & Breeders' Awards Fund	38,200	52,556	77,135	45,000	45,000
<i>SUBTOTAL</i>	333,500	353,239	438,104	345,000	345,000
AGENCY TOTAL	\$2,699,900	\$2,644,884	\$2,942,900	\$2,951,800	\$3,095,700



Department Of Racing Revenues

The Department of Racing collects pari-mutuel taxes, license fees and fines that are deposited into eight separate funds, the State General Fund and the Greyhound and Retired Race Horse Adoption Fund. Pari-mutuel taxes and license fees collected are deposited into eight separate funds as described below. Fines are deposited directly into the State General Fund, license fees collected from dog breeders and racing kennels are deposited into the Greyhound Adoption fund and revenues collected from the 5% Retired Race Horse surcharge added to each horse racing-related fine are deposited into the Retired Race Horse Adoption fund. See tables and charts on page 37.

Distribution of Revenues to the Eight Separate Funds and Maximum Dollars Allowed

Fund	Distribution	Annual Maximum
County Fairs Livestock & Agriculture Promotion	33%	\$1,200,000
County Fairs Racing Betterment	22%	800,000
Breeders' Award	22%	800,000
Exposition and State Fair	11%	400,000
County Fair Racing	9%	300,000
Stallion Award	1%	40,000
Administration of Betterment & Breeders Awards	1%	45,000
Agricultural Consulting and Training	1%	N/A
Total Maximum Funding Allowed	100%	\$3,585,000

Revenues from pari-mutuel taxes increased slightly in FY 2006. They increased 9.1% or \$43,959 when compared to FY 2005. Several tax breaks have been provided to the racing industry since 1995. The tax breaks listed below contribute, in part, to the reduction in pari-mutuel tax revenues experienced from the racing industry when compared to revenues received a few years ago.

- Tax reductions for greyhound tracks.
- Exemption from State tax on dollars wagered on simulcast.
- Hardship tax credit for tracks, which have suffered a decline in business.
- Capital improvement program tax reduction.

Additional funds are received from the Arizona Department of Revenue transfer of unclaimed property funds to the Department of Racing. During FY 2006, the transfer was for \$9.45 million. These dollars are distributed among the eight separate funds and enables the Department of Racing to reach the statutorily authorized levels for each fund. The dollars remaining are deposited into the General Fund, which received \$6.23 million, from the Department of Racing's portion of unclaimed property dollars in FY 2006.

As the pari-mutuel tax revenues decline, the contributions from the unclaimed property fund to each of the eight funds increase. This in turn, reduces the funds available for the State's General Fund. Therefore, the unclaimed property funds become increasingly more important to the continuation of the programs supported by these eight funds and the State's General Fund. See tables and charts on page 38.

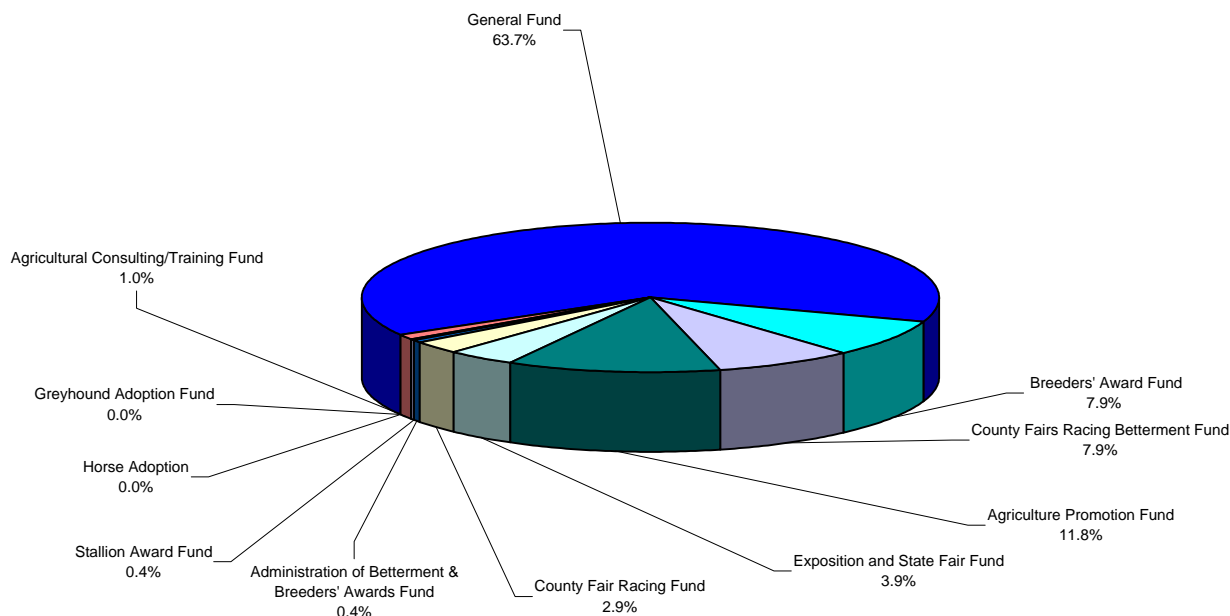
The seven funds summarized on page 39 are the funds administered by the Department of Racing for various programs. The County Fairs Livestock & Agriculture Promotion Fund, the Exposition and State Fair Fund, and the Agricultural Consulting and Training Fund are administered by other State programs, as described below.

- County Fairs Livestock & Agriculture Promotion FundGovernor's Office
- Exposition and State Fair FundArizona Exposition and State Fair
- Agricultural Consulting and Training FundArizona Department of Agriculture

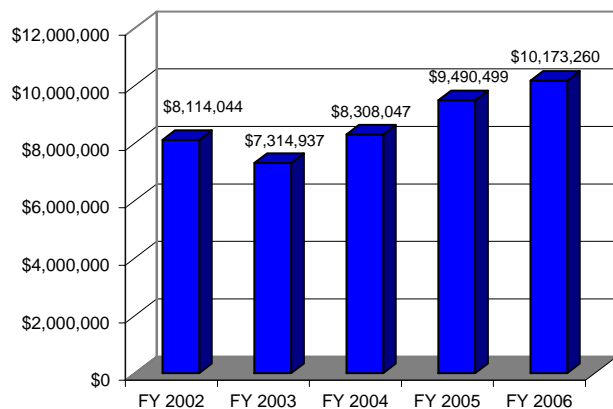
Distribution of Department of Racing Revenues

	FY 2002	FY 2003	FY 2004	FY 2005	FY 2006
General Fund	\$4,444,693	\$3,657,354	\$4,640,891	\$5,807,008	\$6,485,360
Breeders' Award	800,000	800,000	800,000	800,000	800,000
County Fairs Racing Betterment	800,000	800,000	800,000	800,000	800,000
Agriculture Promotion	1,200,000	1,200,000	1,200,000	1,200,000	1,200,000
Exposition and State Fair	400,000	400,000	400,000	400,000	400,000
County Fair Racing	300,000	300,000	300,000	300,000	300,000
Administration of Betterment and Breeders' Award	45,000	45,000	45,000	45,000	45,000
Stallion Award	40,000	40,000	40,000	40,000	40,000
Agricultural Consulting/Training	80,951	72,508	82,006	94,480	100,800
Horse Adoption	N/A	N/A	N/A	1,186	1,800
Greyhound Adoption	3,400	75	150	2,825	300
Total Distribution	\$8,114,044	\$7,314,937	\$8,308,047	\$9,490,499	\$10,173,260

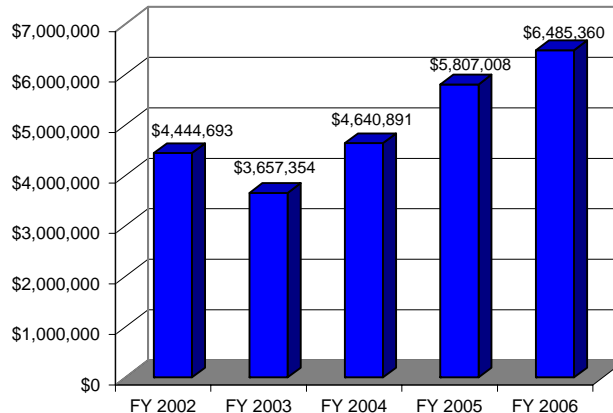
Distribution of Department of Racing Revenues FY 2006



Total Department Revenues by Fiscal Year



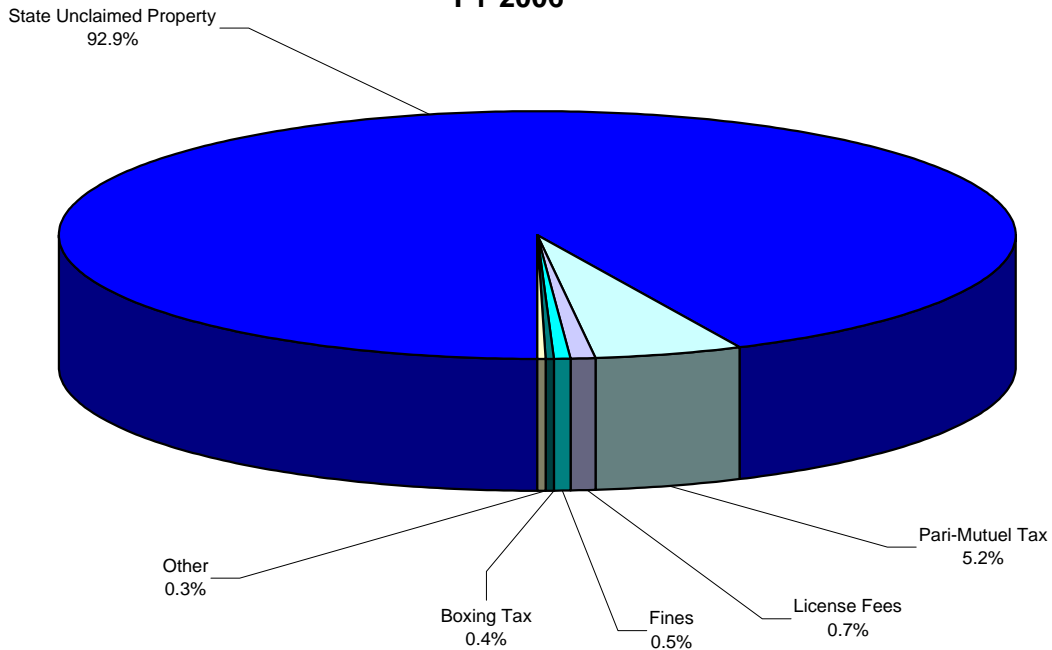
General Fund Revenues by Fiscal Year



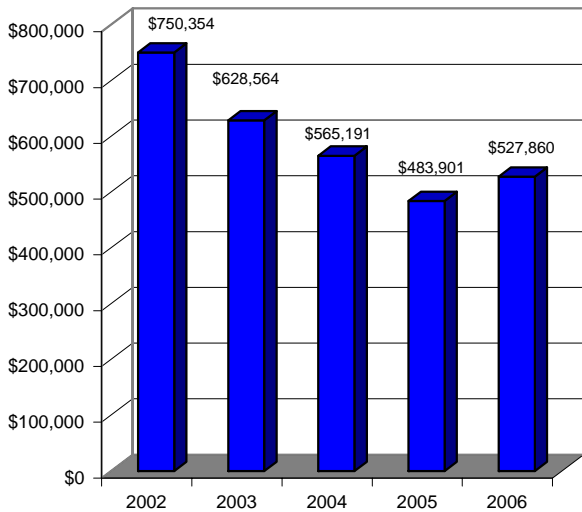
Department of Racing Revenues by Category

	FY 2002	FY 2003	FY 2004	FY 2005	FY 2006
State Unclaimed Property	\$7,186,030	\$6,527,513	\$7,530,279	\$8,706,424	\$9,453,500
Pari-Mutuel Tax	750,354	628,564	565,191	483,901	527,860
License Fees	158,988	111,750	130,900	193,974	74,500
Fines	53,315	50,748	50,748	58,073	49,000
Boxing Tax	13,929	21,531	21,929	29,116	39,900
Other	(37,643)	(25,169)	9,000	19,011	28,500
Total	\$8,124,973	\$7,314,937	\$8,308,047	\$9,490,499	\$10,173,260

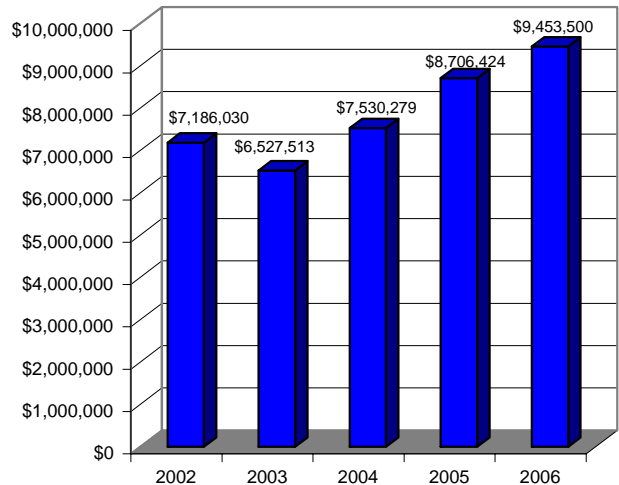
Department of Racing Revenues by Category FY 2006



**Pari-Mutuel Tax Revenue
by Fiscal Year**



**State Unclaimed Property
Transfers by Fiscal Year**



FY 2006 Appropriated and Non-Appropriated Funds

<u>DESCRIPTION OF FUNDS</u>	<u>FY 2005</u>	<u>FY 2006</u>
<p>County Fair Racing (RCA2170 / A.R.S. 5-113) <i>APPROPRIATED</i> <u>Source of Revenue:</u> Receives 9% of revenue derived from pari-mutuel receipts, license fees, and unclaimed property (maximum of \$300,000). <u>Purpose of Fund:</u> For the administration of county fair racing.</p> <p style="text-align: center;">FUNDS SPENT</p>	\$360,969	\$299,875
<p>Administration of County Fair Racing & Breeders Awards Fund (RCA2018 / A.R.S. 5-113) <i>APPROPRIATED</i> <u>Source of Revenue:</u> Receives 1% of revenue derived from pari-mutuel receipts, license fees, and unclaimed property (maximum of \$45,000). <u>Purpose of Fund:</u> To administer the Arizona County Fairs Racing Betterment Fund, the Arizona Breeders' Award Fund, the Arizona Stallion Award Fund, and the Greyhound Adoption Fund.</p> <p style="text-align: center;">FUNDS SPENT</p>	\$77,135	\$44,996
<p>Arizona Breeders Award (RCA2206 / A.R.S. 5-113) <i>NON-APPROPRIATED</i> <u>Source of Revenue:</u> Receives 22% of revenue derived from pari-mutuel receipts, license fees, and unclaimed property (maximum of \$800,000). <u>Purpose of Fund:</u> To award the breeder of every winning horse or greyhound foaled or whelped in this state.</p> <p style="text-align: center;">FUNDS SPENT</p>	\$797,403	\$808,389
<p>County Fair Racing Betterment (RCA2207 / A.R.S. 5-113) <i>NON-APPROPRIATED</i> <u>Source of Revenue:</u> Receives 22% of revenue derived from pari-mutuel receipts, license fees, and unclaimed property (maximum of \$800,000). <u>Purpose of Fund:</u> To provide a grant to each eligible county fair association conducting a county fair racing meeting.</p> <p style="text-align: center;">FUNDS SPENT</p>	\$861,025	\$826,561
<p>Greyhound Adoption (RCA2015 / A.R.S. 5-113) <i>NON-APPROPRIATED</i> <u>Source of Revenue:</u> License fees collected from dog breeders, racing kennels, and other operations where greyhounds are raised for dog racing. <u>Purpose of Fund:</u> To provide grants to non-profit organizations to promote the adoption of retired racing greyhounds as domestic pets.</p> <p style="text-align: center;">FUNDS SPENT</p>	\$3,143	\$1,534
<p>Retired Horse Adoption (RCA2015 / A.R.S. 5-113) <i>NON-APPROPRIATED</i> <u>Source of Revenue:</u> A 5% Retired Race Horse Surcharge is levied against each horse racing-related fine <u>Purpose of Fund:</u> To provide grants to non-profit organizations to promote the adoption of retired racing horses.</p> <p style="text-align: center;">FUNDS SPENT</p>	\$0	\$0
<p>Stallion Award (RCA2315 / A.R.S. 5-113) <i>NON-APPROPRIATED</i> <u>Source of Revenue:</u> Receives 1% of revenue derived from pari-mutuel receipts, license fees, and unclaimed property (maximum of \$40,000). <u>Purpose of Fund:</u> To award owners or lessees of stallions that bred winning horses in this state.</p> <p style="text-align: center;">FUNDS SPENT</p>	\$39,992	\$37,374

Department of Racing Pari-Mutuel Tax and Hardship Tax Credit Projections

The revenue projections developed by the Department of Racing and included in the tables below are based on historical levels and industry trends and assume the continued operation of each of Arizona's commercial race tracks. These tables indicate anticipated State pari-mutuel taxes from dollars wagered over the next three fiscal years. The tables also provide actual and estimated amounts for the Hardship Tax Credit during the next three fiscal years.

FY 2008 Estimated Pari-Mutuel Tax and Hardship Tax Credit

TRACK	BASE YEAR	BASE YEAR AMOUNT	ESTIMATED	ESTIMATED	ESTIMATED	TAX DUE	ESTIMATED	CARRYOVER FROM FY 2007	FY 2008 TAX CREDIT WITH FY 2007 CARRYOVER
			FY 2007 AMOUNT WAGERED	FY 2007 % DECREASE	PARI-MUTUEL TAX DUE	BASED ON % DECREASE	FY 2008 HARDSHIP CREDIT		
HORSE TRACKS:									
Fort Tuthill Downs	FY 1994	\$798,671	\$0	-100.00%	\$0	\$0	\$0	\$7,320	\$7,320
Rillito Park	FY 1990	3,887,981	883,292	-77.28%	24,448	18,894	56,682	173,342	230,024
Turf Paradise	FY 1994	101,467,993	153,307,784	51.09%	647,502	0	0	0	0
Yavapai Downs	FY 1994	17,490,826	34,527,884	97.41%	113,123	0	0	0	0
GREYHOUND TRACKS:									
Apache Greyhound Park	FY 1990	\$12,262,396	\$4,306,193	-71.57%	\$0	\$0	\$0	\$360,850	\$360,850
Phoenix Greyhound Park	FY 1990	49,391,582	63,290,895	-39.72%	2,362,454	799,853	2,399,560	1,416,969	3,816,529
	FY 1994	46,293,967							
Tucson Greyhound Park	FY 1990	38,110,346	20,140,550	-45.62%	434,394	204,812	614,437	1,805,580	2,420,017

FY 2009 Estimated Pari-Mutuel Tax and Hardship Tax Credit

TRACK	BASE YEAR	BASE YEAR AMOUNT	ESTIMATED	ESTIMATED	ESTIMATED	TAX DUE	ESTIMATED	CARRYOVER FROM FY 2008	FY 2009 TAX CREDIT WITH FY 2008 CARRYOVER
			FY 2008 AMOUNT WAGERED	FY 2008 % DECREASE	PARI-MUTUEL TAX DUE	BASED ON % DECREASE	FY 2009 HARDSHIP CREDIT		
HORSE TRACKS:									
Fort Tuthill Downs	FY 1994	\$798,671	\$0	-100.00%	\$0	\$0	\$0	\$7,320	\$7,320
Rillito Park	FY 1990	3,887,981	927,456	-76.15%	25,671	19,547	58,641	204,354	262,995
Turf Paradise	FY 1994	101,467,993	160,973,173	58.64%	679,878	0	0	0	0
Yavapai Downs	FY 1994	17,490,826	36,254,278	107.28%	118,779	0	0	0	0
GREYHOUND TRACKS:									
Apache Greyhound Park	FY 1990	\$12,262,396	\$4,521,502	-63.13%	\$0	\$0	\$0	\$360,850	\$360,850
Phoenix Greyhound Park	FY 1990	49,391,582	66,455,440	-30.55%	2,480,576	757,806	2,273,417	1,335,952	3,609,370
	FY 1994	46,293,967							
Tucson Greyhound Park	FY 1990	38,110,346	19,737,739	-48.21%	425,706	205,215	615,646	1,994,311	2,609,958

FY 2010 Estimated Pari-Mutuel Tax and Hardship Tax Credit

TRACK	BASE YEAR	BASE YEAR AMOUNT	ESTIMATED	ESTIMATED	ESTIMATED	TAX DUE	ESTIMATED	CARRYOVER FROM FY 2009	FY 2010 TAX CREDIT WITH FY 2009 CARRYOVER
			FY 2009 AMOUNT WAGERED	FY 2009 % DECREASE	PARI-MUTUEL TAX DUE	BASED ON % DECREASE	FY 2010 HARDSHIP CREDIT		
HORSE TRACKS:									
Fort Tuthill Downs	FY 1994	\$798,671	\$0	-100.00%	\$0	\$0	\$0	\$7,320	\$7,320
Rillito Park	FY 1990	3,887,981	973,829	-74.95%	26,954	20,203	60,609	236,041	296,649
Turf Paradise	FY 1994	101,467,993	169,021,831	66.58%	713,871	0	0	0	0
Yavapai Downs	FY 1994	17,490,826	38,066,992	117.64%	124,718	0	0	0	0
GREYHOUND TRACKS:									
Apache Greyhound Park	FY 1990	\$12,262,396	\$4,747,578	-61.28%	\$0	\$0	\$0	\$360,850	\$360,850
Phoenix Greyhound Park	FY 1990	49,391,582	69,778,212	-27.08%	2,604,605	705,247	2,115,740	1,004,764	3,120,505
	FY 1994	46,293,967							
Tucson Greyhound Park	FY 1990	38,110,346	19,342,985	-49.24%	417,192	205,432	616,297	2,192,766	2,809,063

Hardship Tax Credit

The Department of Racing determines the amount, if any, of a Hardship Tax Credit available to the commercial horse and greyhound permittees. This credit supports the pari-mutuel industry by responding to the reduction in wagering that has occurred and offsetting the tax due the State.

Determination of the FY 2007 Hardship Tax Credit Based on the FY 2006 Dollars Wagered

TRACK	BASE YEAR	BASE YEAR AMOUNT	FY 2006 AMOUNT WAGERED	FY 2006 % DECREASE	FY 2006 PARI-MUTUEL TAX DUE	TAX DUE BASED ON % DECREASE	FY 2007 HARDSHIP TAX CREDIT	CARRYOVER FROM FY 2006 HARDSHIP TAX CREDIT	FY 2007 TAX CREDIT WITH FY 2006 CARRYOVER
HORSE TRACKS:									
Fort Tuthill Downs	FY 1994	\$798,671	\$0	-100.00%	\$0	\$0	\$0	\$7,320	\$7,320
Rillito Park	FY 1990	3,887,981	841,230	-78.36%	23,284	18,246	54,738	165,088	219,826
Turf Paradise	FY 1994	101,467,993	146,007,413	43.90%	616,669	0	0	0	0
Yavapai Downs	FY 1994	17,490,826	32,883,699	88.01%	107,736	0	0	0	0
GREYHOUND TRACKS:									
Apache Greyhound Park	FY 1990	\$12,262,396	\$4,101,136	-66.56%	\$0	\$0	\$0	\$360,850	\$360,850
Phoenix Greyhound Park	FY 1990	49,391,582	60,277,043	-37.01%	2,249,956	832,598	2,497,793	1,349,494	3,847,287
Tucson Greyhound Park	FY 1994	46,293,967							
Tucson Greyhound Park	FY 1990	38,110,346	20,551,582	-46.07%	443,259	204,225	612,675	1,719,600	2,332,275

Department of Racing Pari-Mutuel Tax Revenue - FY 2006

TRACK	ALLOWABLE HARDSHIP CREDITS IN FY 2006	FY 2006 HANDLE	FY 2006 PARI-MUTUEL TAX DUE	FY 2006 CAPITAL IMPROVEMENT WITHHOLDINGS	FY 2006 HARDSHIP TAX CREDIT	FY 2006 COUNTY FAIR TCREDITS	FY 2006 CHARITY DAYS	FY 2006 PARI-MUTUEL TAX REVENUE
HORSE TRACKS:								
Rillito Park	\$142,107	\$841,230	\$23,284	\$0	\$16,825	\$6,460	\$0	\$0
Turf Paradise	0	146,007,413	616,669	0	0	73,397	15,413	527,860
Yavapai Downs	0	32,883,669	107,736	89,991	0	17,746	0	0
Subtotal Horse Tracks	\$142,107	\$179,732,342	\$747,689	\$89,991	\$16,825	\$97,603	\$15,413	\$527,860
GREYHOUND TRACKS:								
Apache Greyhound Park	\$296,317	\$4,101,136	\$0	\$0	\$0	\$0	\$0	\$0
Phoenix Greyhound Park	3,029,834	60,277,043	2,249,956	0	2,193,905	0	56,052	0
Tucson Greyhound Park	1,969,067	20,551,582	443,259	0	443,259	0	0	0
Subtotal Greyhound Tracks	\$5,359,751	\$84,929,761	\$2,693,215	\$0	\$2,637,164	\$0	\$56,052	\$0
GRAND TOTAL	\$5,501,858	\$264,662,103	\$3,440,904	\$89,991	\$2,653,989	\$97,603	\$71,464	\$527,860

Track Capital Improvements

The Department was authorized by statute to encourage the improvement of racing facilities by reducing the pari-mutuel tax due the State. The percentages paid the State by the permittee was reduced by 1% of the total amount wagered in counties with a population over 500,000 and 27% in all other counties. This program continues to benefit the racing industry and the public by supporting completed capital improvement projects, which should result in increased revenue from pari-mutuel wagering.

Prior approval of the Racing Commission for the capital improvement proposed was required to qualify for the reduction. This provision expired on June 30, 1992 for counties with populations of 500,000 or more and on June 30, 1999 for counties with populations of less than 500,000 according to the previous United States decennial census. The capital improvement dollars for projects approved before the expiration date may continue to be deducted from the pari-mutuel tax due until exhausted. The following table show dollars deducted by all racetracks during FY 2006. The only racetrack which has not exhausted the dollars approved is Yavapai Downs.

Permittee	Project Description	Improvement Dollars Approved	Dollars Deducted FY 2006	Cumulative Dollars Deducted	Remaining Dollars Approved
Prescott Downs (Yavapai Downs)	Grandstand & Clubhouse Structure, etc.	\$52,196,636	\$89,991	\$475,400	\$51,721,236
Other Permittees		\$0	\$0	\$0	\$0

This table excludes permittees that have used all approved capital improvements dollars.