

CONCURRENCE IN SENATE AMENDMENTS
AB 460 (Bigelow)
As Amended August 31, 2017
2/3 vote

ASSEMBLY: 76-0 (May 4, 2017) SENATE: 38-1 (September 5, 2017)

Original Committee Reference: **G.O.**

SUMMARY: Allows a fair who conducts live horse racing in the northern zone or a joint powers authority designated by a fair racing association to manage their race meet, to retain the additional 1% takeout from the wagering handle on fair races for deposit into the Fairs & Expositions Fund (F&E Fund) for the purpose of racetrack maintenance, safety at fairs, or other similar activities, as defined. In addition, authorizes a fair to contract with two or more fairs that are licensed to conduct thoroughbred meetings or simulcast wagering within the northern zone for the operation and management of a satellite wagering facility, as specified.

The Senate amendments:

- 1) Provide that the additional 1% deducted from the total amount handled by any fair racing association in its daily conventional and exotic pari-mutuel pools may be retained by a fair conducting a live racing meeting at a fair in the northern zone or a joint powers authority designated by a fair racing association in the northern zone involved in conducting live racing meetings at fairs in the northern zone for the purposes of improving a fair enclosure, racetrack maintenance, safety at fairs, or other similar activities if the following specified conditions are satisfied:
 - a) The administrative costs do not exceed 7.5% of the funds retained.
 - b) An annual audit of the funds is conducted by an independent third party to ensure compliance with the law and approved standards and policies that shall be filed with the California Department of Food and Agriculture (CDFA), the CHRB, and the Senate and Assembly Committees on Governmental Organization.
- 2) Provide this permissive authority to be retroactive to funds collected as of January 1, 2016.
- 3) Authorize a fair to contract for the operation and management of a satellite wagering facility with an individual racing association or a partnership, joint venture, or other affiliation of two or more racing associations or fairs that are licensed to simulcast wagering within the northern zone.
- 4) Make minor, non-substantive, technical changes.
- 5) Add Senator Glazer as a coauthor.

EXISTING LAW:

- 1) Authorizes the California Horse Racing Board (CHRB) to regulate the various forms of horse racing authorized in this state.

- 2) Grants CDFA the regulatory authority of ensuring the integrity of the Fair and Exposition (F&E) Fund, administering allocations from the fund to the network of California fairs, and providing oversight of activities carried out by each California fair.
- 3) Authorizes an association licensed to conduct a racing meeting to also operate a satellite wagering facility at its racetrack enclosure, under specified conditions that differ between the northern zone and the central and southern zones, and provides specific guidelines for the operation and location of these facilities.
- 4) Authorizes fairs to contract for the operation and management of not more than three satellite wagering facilities that are licensed jointly to the 1a District Agricultural Association and the 5th District Agricultural Association and that are located on the fairgrounds of the 1a District Agricultural Association or within the boundaries of the City and County of San Francisco with an individual racing association or a partnership, joint venture, or other affiliation of two or more racing associations that are licensed to conduct thoroughbred meetings within the northern zone.
- 5) Authorizes the CHRB to approve the establishment of 15 mini-satellite wagering sites in each zone (for a total of 45) and defines "mini-satellite wagering site" to mean a location where satellite wagering may be conducted, with the approval of the CHRB, provided that the wagering occurs in an area that is restricted to those who are 21 years of age or older. Requires the CHRB to issue a license to a mini-satellite facility for five years, and then review the operation and the size of the handle, and determine if it is in the best interest of horse racing to relicense the facility or, in the alternative, license another mini-satellite facility that might generate a greater handle.
- 6) Provides that if there are more than 15 applications for mini-satellite wagering facilities in any zone, the CHRB shall determine which facilities will generate the largest handle, and give priority to the approval of those facilities. Specifies that no mini-satellite site may be located within 20 miles of a racetrack, a satellite wagering facility, or a tribal casino that has a satellite wagering facility without the consent of each facility within that 20-mile radius.
- 7) Requires any fair racing association to deduct an additional 1% from the total amount handled in its daily conventional and exotic pari-mutuel pools, and provides for the deposit of the money in the F&E Fund for expenditure for the construction or operation of recreational and cultural facilities of general public interest at fairs throughout the state.

FISCAL EFFECT: According to the Senate Appropriations Committee, pursuant to Senate Rule 28.8, negligible state costs.

COMMENTS: This bill, as amended in the Senate is in consistent with Assembly actions.

Purpose of the bill. According to the author's office, this bill would streamline an existing takeout distribution (deposited in the F&E Fund) in Horse Racing Law, by allowing a live racing fair in the northern zone to retain the funds for the purpose of improving a fair racing enclosure, racetrack maintenance, safety at fairs, or other similar activities, as defined. This bill will provide greater safety at fair racetracks and benefit the entire horse racing industry. This bill provides that these provisions are retroactive to January 1, 2016.

The California Authority of Racing Fairs is the sponsor of this bill, and states that the "CDFA has expressed an interest in redirecting the additional 1% deduction from wagering on live fair racing to support the northern California fair racing circuit but lacks the clear statutory authority to allocate these monies back to a joint powers authority for the purpose of infrastructure improvement and safety maintenance. AB 460 remedies this situation."

Additionally, this bill makes a minor change to the state's Horse Racing Law regarding the licensing and location of satellite wagering facilities by clarifying that two fairs may enter into an agreement or partnership to establish a satellite facility within the northern zone.

The author's office states that there are a few locations in California where the 20-mile radius exclusion-zone of multiple fairs overlap. One such example is San Francisco, which falls within the exclusion zones of both the Alameda County Fair and the San Mateo County Fair. This means that these fairs would not be able to operate a satellite wagering facility within the exclusion zone without the approval of the other fair. The author's office has noted that the fairs would like to enter into a partnership. However, current law does not authorize two or more fairs to establish such a partnership for the management of a satellite facility.

This bill is intended to make it possible for Alameda County Fair and San Mateo County Fair to enter into such a joint venture agreement for the purpose of establishing a satellite facility in San Francisco.

Simulcasting and satellite wagering facilities. Simulcasting is the process of transmitting the audio and video signal of a live racing performance from one facility to a satellite for retransmission to other locations or venues where pari-mutuel wagering is permitted. Simulcasting provides racetracks with the opportunity to increase revenues by exporting their live racing content to as many satellite wagering locations as possible, such as other racetracks, fairs, and Indian casinos. Satellite wagering facilities accept wagers on races broadcast via simulcast from in-state and out-of-state racetracks. These locations in turn also receive a great deal of revenue from satellite wagering. In some cases, facilities are simulcast-only facilities that do not have live racing.

California has allowed off-track betting in satellite wagering facilities throughout the state for over 30 years. Satellite wagering was authorized at a time when California racetracks were beginning to experience declining attendance and handle figures. At the time, it was believed that making the product easier to access would expose and market horse racing to additional customers and make it more convenient for existing patrons to wager more often. Currently, there are 25 satellite-wagering facilities in California. In addition, since the mid-1990s, several state-designated or county fairs have received the statutory authority to locate additional satellite-wagering facilities off their respective fairgrounds but within the boundaries of the fair district. To date, only the Fresno County Fair has exercised this authority by leasing space in a card club in downtown Fresno.

This bill authorizes a fair to contract with other fairs, which are currently licensed to conduct thoroughbred meetings or simulcast wagering within the northern zone for the operation and management of a satellite wagering facility.

Network of California Fairs. Currently, CDFRA assigns its responsibility over fairs to its Division of F&E. The Division of F&E provides oversight of the state-supported fair system and manages the F&E Fund to ensure accountability and responsible distribution of state resources to

the fairs. The F&E Fund was established in part to help finance the construction, renovation, and repair of fair facilities, including the racing infrastructure and racetrack safety.

Existing law provides that, above and beyond the current takeout for conventional and exotic wagers at live horse racing fair meets, an additional 1% shall be deducted from live fair wagers and deposited into the F&E Fund. Rather than having CDFA go through a lengthy administrative process to issue the funds, this bill expedites revenue to fairs for strengthening infrastructure at racetracks and enclosures. In doing so, this bill provides greater safety at fair events and benefits the entire horse racing industry.

Horse Racing at California's fairs: For years, the fairs and racing industry have been tied. In 1933, the passage of Proposition 3 legalized pari-mutuel wagering on horse racing in California. Proposition 3 included a "commitment for the continuous funding of the fairs of California with an annual allotment of racing revenues to be used for health, safety and maintenance projects."

Horse racing in California is conducted year-round in a number of venues, including fairgrounds. The fairs that host horse racing meets include the Alameda County Fair, the State Fair, the Sonoma County Fair, the Humboldt County Fair, the Fresno County Fair, and the Los Angeles County Fair (held at Los Alamitos Race Course).

In support: According to the California Authority of Racing Fairs, "CDFA has expressed an interest in using Live Racing License Fees to support the fair racing circuit, but lacks the clear statutory authority to allocate these fees back to a JPA for the purpose of infrastructure improvement and racetrack safety. SB 274 remedies this situation."

Related legislation: SB 274 (Glazer) of the current legislative session authorizes the CDFA to remit funds collected from specified live racing fees and pari-mutuel pools, to a fair conducting a live racing meeting or to a joint powers authority involved in conducting a live racing meeting at a fair, for the purposes of improving a fair enclosure, racetrack maintenance, safety at fairs, or other similar activities.

SB 368 (McGuire) of the current legislative session specifies that any unallocated balance of revenues derived from satellite wagering license fees and the distribution of handle from live racing at fairs is continuously appropriated for allocation by CDFA to California fairs for specified purposes. Further, the bill specifies that all funds appropriated or designated for California fairs shall be deposited in the F&E Fund and be continuously appropriated as specified in Horse Racing Law.