

Date of Hearing: May 3, 2017

ASSEMBLY COMMITTEE ON GOVERNMENTAL ORGANIZATION

Adam Gray, Chair

AB 924 (Gray) – As Introduced February 16, 2017

SUBJECT: Horse racing: minisatellite wagering facilities

SUMMARY: Makes technical and clarifying changes to Horse Racing Law pertaining to the operation of mini-satellite wagering sites in California. Specifically, **this bill:**

1) Deletes an obsolete provision in law that states until January 1, 2013, if the proposed minisatellite wagering site is in the northern zone in a fair district where the fair has operated a satellite wagering facility for the previous five years, the approval of the fair must be obtained even if the proposed location is more than 20 miles from the existing satellite wagering facility operated by the fair.

2) Makes various technical and clarifying changes.

EXISTING LAW:

1) Provides for the California Horse Racing Board (CHRB) that regulates the various forms of horse racing authorized in this state.

2) Authorizes the CHRB to permit licensed racing associations and fairs to operate satellite-wagering facilities on their grounds, as specified.

3) Authorizes the CHRB to approve the establishment of 15 mini-satellite wagering sites in each zone (for a total of 45) and defines "minisatellite 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.

4) Requires the CHRB to issue a license to a mini-satellite facility for up to 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.

5) 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.

6) Provides that until January 1, 2013, if the proposed minisatellite wagering site is in the northern zone in a fair district where the fair has operated a satellite wagering facility for the previous 5 years, the approval of the fair must be obtained even if the proposed location is more than 20 miles from the existing satellite wagering facility operated by the fair.

7) 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.

FISCAL EFFECT: This bill is keyed non-fiscal by Legislative Counsel.

COMMENTS:

Brief history and background. California has allowed off-track betting in satellite wagering facilities located at fairs and racing associations 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 figure. The industry believed that making the product easier to access would expose and market horse racing to potential customers and also make it far more convenient for existing patrons to wager more often.

Currently, there are 28 satellite-wagering facilities in California of the traditional variety – three are located at privately operated racetracks, four at fairs that conduct live racing, one at a former racetrack that conducted live racing, fifteen at county fairs and district agricultural associations, and five on Indian lands. Simulcast-only facilities do not have live racing. Those facilities accept wagers on races broadcast via simulcast from in-state and out-of-state racetracks.

In 2007, AB 241 (Price) was enacted to authorize the creation of 15 "mini-satellites" in each racing zone for a total of 45. The stated intent of this legislation was to make the sport of horse racing even more accessible to potential California bettors and to increase the handle – the amount wagered on horse races.

Twelve mini-satellites are currently operating in California: Bankers Casino in Salinas, Commerce Casino in Commerce, Flat Sports Bar & Casino in Bonita, Firehouse Restaurant in Bakersfield, Lake Elsinore Hotel & Casino in Lake Elsinore, OC Tavern in San Clemente, Ocean's 11 in Oceanside, Roadhouse Grill in Santa Maria, Sammy's Restaurant and Bar in Mission Viejo, Santa Clarita Lanes in Santa Clarita, Striders in San Diego, and the Tilted Kilt in Thousand Oaks.

California's Horse Racing Law 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. If there are more than 15 applications for mini-satellite wagering facilities in any zone, the CHRB must determine which facilities will generate the largest handle, and give priority to the approval of those facilities.

California's Horse Racing Law makes it explicit 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 a 20-mile radius.

Purpose of this bill. According to the author's office, mini-satellites are an integral part of a broader plan to promote horse racing in California. There are over 22,000 California Lottery retailers, 90 card clubs and 62 tribal casinos where people can make a bet in California. However, there are only 40 brick-and-mortar outlets to wager on a horse race in the entire state. Limited distribution has placed California's horse racing industry at a competitive disadvantage with other forms of gambling in California and horse racing venues in other states that also benefit from casino type gaming.

The author states that unlike the bigger satellite wagering facilities, which are located in settings that cater to existing fans, it was envisioned that the minisatellites would be set-up within

establishments that serve a larger population of adult clientele. It was also hoped that locating minisatellites in existing bars, card clubs, casinos, etc. would help attract a new more casual bettor to the sport.

The author maintains that mini-satellites may not fix the fundamental problems within California horse racing, but they do have the capacity to create a source of much-needed revenue and attract a new variety of horse racing fan.

The author states that given horse racing's current financial condition, this bill is intended to induce a review and discussion pertaining to the overall satellite wagering network in California with the goal of furthering the industry's statewide presence, support jobs and increase purses and commissions.

Prior legislation. AB 270 (Perea), Chapter 393, Statutes of 2011. Allowed a fair satellite wagering facility to elect not to be subject to the requirements related to a "satellite facility supervisor" if the board of directors of the fair, after a public hearing, deems those requirements to be not economically feasible.

SB 305 (Ron Calderon), Chapter 334, Statutes of 2011. Directs the CHRB to license minisatellite facilities for up to five years.

SB 1439 (Price) of 2010. Would have decreased the exclusion zone in which a "minisatellite" horse racing wagering facility can be situated in proximity to an existing horse racing satellite wagering facility or live horse racing racetrack from a 20 to 15 mile radius. (Failed passage on the Senate Floor)

AB 2215 (Fuentes), Chapter 255, Statutes of 2010. Authorized a minisatellite wagering facility to enter into an agreement with an advance deposit wagering provider to accept and facilitate the placement of any wager at its facility that a California resident could make through that ADW provider.

AB 246 (Price), Chapter 226, Statutes of 2009, authorizes a quarter horse association and a harness racing association to deduct up to two percent more from the total amount wagered in the pari-mutuel pool for any type of wager, and, specified how the funds shall be distributed to eligible satellite wagering facilities, owners purses and racetrack commissions

AB 241 (Price), Chapter 594, Statutes of 2007, authorizes all fairs to operate a satellite wagering facility off of the fairgrounds, and authorizes the establishment of up to 45 mini-satellite wagering sites to be operated by private industry throughout California.

REGISTERED SUPPORT / OPPOSITION:

Support

None on file

Opposition

None on file

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