

Date of Hearing: April 6, 2016

ASSEMBLY COMMITTEE ON GOVERNMENTAL ORGANIZATION

Adam Gray, Chair

AB 2011 (Cooper) – As Introduced February 16, 2016

SUBJECT: Horse racing: thoroughbred racing: northern zone: auxiliary offsite stabling, training, and vanning

SUMMARY: Recasts and restructures the Stabling and Vanning Fund (S&V Fund), which exists in Horse Racing Law to help horsemen and horsewomen in northern California defray the costs of having to transport and stable their races horses at auxiliary training facilities.

Specifically, **this bill:**

- 1) Increases the amount that is required to be deducted by a racing association or racing fair in the northern zone for the S&V Fund from an amount not to exceed 1.25 to 2% of the total amount handled by satellite wagering facilities, as defined.
- 2) A vote of the organization representing thoroughbred horsemen and horsewomen shall constitute 50 percent of all voting interests on the board of the organization formed and operated to administer the fund. The other 50 percent of all voting interests shall be allocated among thoroughbred racing associations and fairs conducting thoroughbred racing in a manner that provides meaningful representation on the governing board of the organization for thoroughbred racing associations and fairs conducting thoroughbred racing, as specified.
- 3) The funds distributed to the organization shall be used to pay the organization's expenses and compensate the provider of a board-approved auxiliary offsite facility for stabling, training, and vanning of thoroughbred horses in the northern zone.
- 4) The organization administering the auxiliary offsite stabling and training facility and vanning program shall submit its proposed financial and operational plans for the upcoming calendar year to the board for review no later than November 1 of the preceding year.
- 5) Provides the funds shall also be used to cover all or part of the cost of vanning thoroughbred horses from a board-approved auxiliary offsite stabling and training facility to the track to start in a thoroughbred race at a thoroughbred or fair racing meeting in the northern zone. The organization shall determine the extent of and manner in which compensation will be paid for thoroughbred horses that are vanned from the auxiliary facility to the track or the fair conducting the thoroughbred or fair racing meeting.
- 6) Provides the auxiliary offsite stabling and training facilities and the amenities provided for offsite stabling and training purposes shall be substantially equivalent in character to those provided by the thoroughbred racing association or fair conducting the racing meeting.
- 7) Requires that the funds be used to cover all or part of the cost of vanning thoroughbred horses in the northern zone from a board-approved auxiliary offsite stabling and training facility and would authorize the organization to enter into multiyear contracts for auxiliary facilities in the northern zone subject to specified conditions.

- 8) Provides that at the request of the CHRB, the organization shall submit a report detailing all of its receipts and expenditures over the prior two fiscal years and, upon request of any party within the organization, those receipts and expenditures shall be audited by CHRB.
- 9) States in addition to the uses of the funds, as described, the organization may use the funds for both of the following:
 - a) Maintain a reserve fund of up to 10 percent of the total estimated annual vanning and auxiliary offsite stabling and training facility costs. In addition to the reserve fund, if the funds generated for the auxiliary offsite stabling and training facilities and vanning are insufficient to fully cover the expenses incurred, the organization may, in the future, accumulate sufficient funds to fully cover those expenses.
 - b) Pay back commissions, purses, and owners' premiums to the extent the deductions made, as defined, exceed in any year the amount of funds necessary to achieve the objectives of the organization.
- 10) Authorizes the organization to use the funds to pay back commissions, purses, and owners' premiums to the extent that the deductions made exceed in any year the amount of the funds necessary to achieve the objectives of the organization. The bill would also authorize a thoroughbred racing association or fair in the northern zone to opt out of the auxiliary offsite stabling and training facility and vanning program, as specified.
- 11) Provides the amount initially deducted and distributed to the organization may be adjusted by CHRB, in its discretion. However, the adjusted amount may not exceed 2 percent of the total amount handled by satellite wagering facilities. The amount deducted and distributed to the organization as adjusted by the board may be a different percentage of the handle for different associations and fairs conducting thoroughbred racing meetings in the northern zone, but only if all the associations and fairs agree to the differing percentages.
- 12) Authorizes a thoroughbred racing association or fair in the northern zone to opt out of the auxiliary offsite stabling and training facility and vanning program, as specified. Provides that any thoroughbred racing association or fair in the northern zone that opts out of the auxiliary offsite stabling and training facility and vanning program shall not have any voting interest therein until the association or fair opts back into the program, as defined.
- 13) Provides that the CHRB shall reserve the right to adjudicate any disputes that arise regarding costs, or other matters, relating to the furnishing of offsite stabling, training, or vanning, as specified.

EXISTING LAW:

- 1) Provides, under existing law, Article IV, Section 19(b) of the Constitution of the State of California, which the Legislature may provide for the regulation of horse races and horse race meetings and wagering on the results.
- 2) Authorizes the CHRB to regulate the various forms of horse racing authorized in this state.
- 3) Defines "pari-mutuel wagering" as a form of wagering in which bettors purchase tickets of various denominations on the outcome of one or more horse races.

- 4) Requires racing associations to deduct a specified percentage of the total amount wagered on each race and type of wager, for the purpose of distributing the amount collected for purses, commissions, and other mandated distributions as specified.
- 5) Requires, when satellite wagering is conducted on thoroughbred races at associations or fairs in the northern zone, that an amount not to exceed 1.25% of the total amount handled by all of those satellite wagering facilities be deducted from the funds otherwise allocated for distribution as commissions, purses, and owners' premiums.
- 6) Requires an organization representing thoroughbred horsemen, to administer a fund to provide reimbursement for off-site stabling at CHRB approved auxiliary training facilities for additional stalls beyond the number of usable stalls the association or fair is required to make available and maintain, and for the vanning of starters from these additional stalls on racing days for thoroughbred horses.
- 7) Divides the state into three geographical zones for regulating horse racing (northern zone, central zone and southern zone) and with respect to racing meetings conducted in the northern zone, requires the association or fair conducting the meeting to provide all stabling required by the CHRB without cost to participating horsemen.

FISCAL EFFECT: Unknown

COMMENTS:

Purpose of the bill: According to the author's office, northern California's Stabling and Vanning Fund (S&V Fund) will continue to operate in the red if it is not restructured. Consequently, two licensed auxiliary off-site stabling facilities in northern California, the Alameda County Fair and Golden Gate Fields are operating with deficient balances. In 2014, the Alameda County Fair lost approximately \$300,000 from off-track stabling operations.

The S&V Fund exists to help horsemen and horsewomen defray the costs of having to transport and stable their races horses at auxiliary training facilities. According to the author, the racing industry wants to ensure solvency of the S&V Fund by diverting monies from generated purses, commissions and owners' premiums.

Existing statute dates back to late 1980s and early 1990s when wagering at satellite facilities located on fairgrounds and racetracks was the only form of off-track pari-mutuel wagering available. The S&V Fund was funded exclusively from revenue generated at California such satellite wagering facilities. With the advent of advance deposit wagering (ADW) in 1999, pari-mutuel handle began to migrate from satellite wagering facilities to on-line ADW sources. The subsequent decline in handle at satellite facilities has resulted in a significant depletion of revenue to the S&V Fund. Current statutory language limits available funding and decision-making flexibility.

According to the author, this bill is intended to allow for greater flexibility in the use of the S&V Fund to help streamline operations in light of current financial constraints. Without these changes, the S&V Fund will continue to operate in the red. Therefore, the two licensed auxiliary offsite stabling facilities in Northern California, Alameda County Fair and Golden Gate Fields, will continue to lose money.

Background: The Horse Racing Law establishes the amount that may be deducted (the takeout) from the pari-mutuel wagering pools of horse races in California. The takeout is the amount deducted from wagers before winnings are paid out to bettors. Currently, California's takeout rate on Thoroughbred races is 15.43 percent for win, place, and show wagers, and 20.18% for other types of wagers (i.e., Exacta, Trifecta, and Pick-6). The takeout may be used for specific purposes, as defined by law, such as license fees, enforcement fees, owners purses, racing association commissions, marketing, workers' compensation, and vanning and stabling, among others.

For more than a decade, horse racing has been a declining industry. Some argue that the decline stems from increased competition from expanded gaming in California to the inability of the industry to attract new fans. Further exasperating the problem is the downturn in the economy, which has significantly impacted the amount, wagered (the handle).

Prior legislation: SB 766 (Negrete McLeod), Chapter 616, Statutes of 2009. Authorized the CHRB to shift money around from various funds dedicated for specific purposes within horse racing that are in surplus, such as the promotions fund and workers' compensation fund, to others that are in deficit, such as the S&V Fund.

SB 1805 (Florez), Chapter 883, Statutes of 2006. Provides that any funds that are not used to defray the cost of workers' compensation insurance from the supplemental "takeout" may be used for reimbursing racing organizations for safety improvements to racing and training surfaces.

AB 701 (Horton), Chapter 40, Statutes of 2004. Provided a framework for the deduction from pari-mutuel pools in order to address increased costs in workers compensation insurance in the horse racing industry. Required Thoroughbred racing associations to deduct an additional one-half percent of the total amount handled in exotic pari-mutuel pools to be used to defray workers' compensation costs in the horse racing industry.

AB 2931 (Horton), Chapter 922, Statutes of 2002. Authorized racing associations to use existing industry funds (stabling and vanning and promotion funds) for use in developing a program to offset workers' compensation rates for horse trainers in the state.

REGISTERED SUPPORT / OPPOSITION:

Support

California Authority of Racing Fairs

Opposition

None on file

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