

Date of Hearing: April 6, 2016

ASSEMBLY COMMITTEE ON GOVERNMENTAL ORGANIZATION

Adam Gray, Chair

AB 2226 (Bigelow) – As Introduced February 18, 2016

**SUBJECT:** Horse racing: satellite wagering facilities: fairs

**SUMMARY:** Authorizes a fair to contract with 2 or more fairs that are licensed to conduct thoroughbred meetings within the northern zone for the operation and management of a satellite wagering facility. Specifically, **this bill:**

- 1) Provides the fairs may 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 conduct thoroughbred meetings within the northern zone 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.
- 2) Makes technical changes.

**EXISTING LAW:**

- 1) Authorizes the California Horse Racing Board (CHRB) to regulate the various forms of horse racing authorized in this state.
- 2) Authorizes an association licensed to conduct a racing meeting to also operate a satellite wagering facility at its racetrack inclosure, 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.
- 3) 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 2 or more racing associations that are licensed to conduct thoroughbred meetings within the northern zone.
- 4) 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.
- 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. 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:** Unknown

**COMMENTS:**

Purpose of the bill. According to the sponsor, the California Authority of Racing Fairs this bill would allow two county fairs to enter into a partnership or joint venture with one another to open a mini-satellite within the area they share. Currently, there are a few locations in the state where the 20-mile radius of multiple fairs overlap, i.e. San Francisco. With the passage of AB 2226, the Alameda County Fair and the San Mateo County Fair could enter into a partnership or joint venture with one another to open a mini-satellite within the area they share.

California's off-track wagering system: California has allowed off-track betting in satellite wagering facilities located at fairs and racing associations throughout the state for 30 years. It was authorized at a time when California racetracks were beginning to experience declining attendance and handle figures. The industry believed that making the product easier to access would not only expose and market horse racing to potential customers, but also would make it more convenient for the existing patrons to wager more often.

Currently, there are 28 satellite-wagering facilities in California. Five of the facilities are at privately operated racetracks, five at fairs that conduct live racing, fourteen at county fairs and district agricultural associations, and four 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), Chapter 594, Statutes of 2007, was enacted to authorize the creation of 15 additional "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. To date, ten mini-satellites have been opened statewide.

Current law states that if a proposed site is located within a 20-mile radius of a racetrack or satellite wagering facility, including any tribal casino that has a satellite wagering facility, then the consent of each facility within the 20-mile radius of the proposed facility must be given before the new application can be approved by the CHRB. Currently, two mini-satellites are operating within the 20-mile radius. The operator of a mini-satellite receives 2% from all wagers made at the facility from those patrons in attendance.

In the past, the CHRB has expressed their concern that the 20-mile radius restriction may impede the development of additional mini-satellite wagering facilities in California.

In addition, since the mid-1990s, seven state-designated or county fairs have received the statutory authority to locate additional satellite-wagering facilities off the 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.

Simulcasting wagering: 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 wagering locations as possible, such as other racetracks, fair satellite facilities and Indian casinos. Revenues are increased because simulcasting provides racetracks that export their live content with additional customers in multiple locations who would not have otherwise been able to place wagers on the live racing event.

Attendance declines: There has been a general decline in the number of people attending and wagering at live horse racetracks in California due to a number of factors, including increased competition from other forms of gaming, unwillingness of customers to travel a significant distance to racetracks and the availability of off-track wagering. The declining attendance at live horse racing events has prompted racetracks to rely on revenues from in-state and out-of-state satellite wagering and account wagering.

Prior legislation: AB 270 (Perea), Chapter 393, Statutes of 2011. Created an exception in law by authorizing a satellite wagering facility, located on a fairground, 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. (Pending on the Senate Floor)

SB 305 (Ron Calderon), Chapter 334, Statutes of 2011. Modified a provision that required the CHRB to license mini-satellite facilities for two years and instead directs the board to license such facilities for up to five years.

SB 1439 (Price) of 2010. Would have decreased the exclusion zone in which a "mini-satellite" 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 Senate Floor)

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

AB 241 (Price), Chapter 594, Statutes of 2007. Increased up to 45 mini-satellite wagering sites throughout the State, as defined, that would be able to offer wagering on horse racing via satellite wagering in the northern, central and southern racing zones, as specified. This bill authorized any fair to operate a satellite wagering facility on leased premises within the boundaries of that fair, as specified.

## **REGISTERED SUPPORT / OPPOSITION:**

### **Support**

California Authority of Racing Fairs

### **Opposition**

None on file

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