



a California joint powers agency

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AGENDA
CALIFORNIA AUTHORITY OF RACING FAIRS
BOARD OF DIRECTORS &
LIVE RACING COMMITTEE
JOE BARKETT, CHAIR
12:30 P.M., WEDNESDAY, MARCH 7, 2007

Notice is hereby given that a meeting of the California Authority of Racing Fairs' Live Racing Committee will convene at 12:30 P.M. Wednesday, March 7, 2007. The meeting will be held at CARF Conference Room located at 1776 Tribute Road, Sacramento, California 95815.

AGENDA

- I. Confirm date of next meeting
- II. Adoption of Audit Report
- III. Approval of minutes
- IV. Discussion and action, if any, of Racing Dates
- V. Discussion and action, if any, of Legislative Issues
- VI. Report from Finance Committee
- VII. Discussion and action, if any, on F&E Expenditure Plan Funding Allocation Recommendations
- VIII. Discussion and action, if any, on Strategic Planning
- IX. Discussion and action, if any, on Racetrack Development in Dixon



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- X. Discussion and action, if any, on Recruitment Budget
- XI. Discussion and action, if any, on Summer Stabling Program and Stall Applications
- XII. Discussion and action, if any, on Supplemental Purses for 2007
- XIII. Discussion and action, if any, on Report on Discussions with TOC
- XIV. Discussion and action, if any, on Condition Book Schedule
- XV. Executive Director's Report

**CA Authority of Racing Fairs
2/23/2007**

AB 91 (Garcia) Tribal-state gaming compacts: revenue sharing. (I-12/18/2006 [html](#) [pdf](#))

Introduced: 12/18/2006

Status: 01/03/2007-Read first time.

Dead/2YR	1st Desk	1st Policy	1st Fiscal	1st Floor	2nd Desk	2nd Policy	2nd Fiscal	2nd Floor	Conf./Conc.	Enrolled	Vetoed	Chaptered
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Summary: Would make technical, nonsubstantive changes to these provisions. This bill contains other existing laws.

Organization: CARF

AB 107 (Smyth) Public contracts: prospective bidders: unauthorized aliens. (I-01/04/2007 [html](#) [pdf](#))

Introduced: 01/04/2007

Status: 02/20/2007-Referred to Coms. on B. & P. and JUD.

Dead/2YR	1st Desk	1st Policy	1st Fiscal	1st Floor	2nd Desk	2nd Policy	2nd Fiscal	2nd Floor	Conf./Conc.	Enrolled	Vetoed	Chaptered
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Summary: Would require any questionnaire used pursuant to these provisions to require each prospective bidder to certify under penalty of perjury, that none of the prospective bidder's employees are unauthorized aliens, as defined. This bill contains other related provisions and other existing laws.

Organization: CARF

AB 132 (Garcia) Tribal gaming: Indian Gaming Special Distribution Fund. (I-01/12/2007 [html](#) [pdf](#))

Introduced: 01/12/2007

Status: 01/13/2007-From printer. May be heard in committee February 12.

Dead/2YR	1st Desk	1st Policy	1st Fiscal	1st Floor	2nd Desk	2nd Policy	2nd Fiscal	2nd Floor	Conf./Conc.	Enrolled	Vetoed	Chaptered
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Summary: Would make a technical, nonsubstantive change to these provisions.

Organization: CARF

Subject: Fund,

AB 133 (Garcia) Tribal gaming: compact ratification: CEQA. (I-01/12/2007 [html](#) [pdf](#))

Introduced: 01/12/2007

Status: 01/13/2007-From printer. May be heard in committee February 12.

Dead/2YR	1st Desk	1st Policy	1st Fiscal	1st Floor	2nd Desk	2nd Policy	2nd Fiscal	2nd Floor	Conf./Conc.	Enrolled	Vetoed	Chaptered
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Summary: Would make a technical, nonsubstantive change to these provisions.

Organization: CARF

Subject: MISCELLANEOUS,

AB 147 (Wolk) Discrimination: persons with disabilities. (I-01/17/2007 [html](#) [pdf](#))

Introduced: 01/17/2007

Status: 01/18/2007-From printer. May be heard in committee February 17.

Dead/2YR	1st Desk	1st Policy	1st Fiscal	1st Floor	2nd Desk	2nd Policy	2nd Fiscal	2nd Floor	Conf./Conc.	Enrolled	Vetoed	Chaptered
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Summary: Would state the intent of the Legislature to enact legislation that would assist with the implementation and enforcement of the Americans with Disabilities Act of 1990.

Organization: CARF

Subject: ADA (Americans w/Disabilities Act),

AB 169 (Levine) Joint powers authorities: Indian tribes. (I-01/23/2007 [html](#) [pdf](#))

Introduced: 01/23/2007

Status: 01/24/2007-From printer. May be heard in committee February 23.

Dead/2YR	1st	1st	1st	1st	2nd	2nd	2nd	2nd	Conf./Conc.	Enrolled	Vetoed	Chaptered
	Desk	Policy	Fiscal	Floor	Desk	Policy	Fiscal	Floor				

Summary: Would provide that 16 federally recognized Indian tribal governments may participate in the Southern California Association of Governments, a joint powers authority, for specified purposes and subject to specified conditions in the 6-county region of the Southern California Association of Governments.

Organization: CARF

AB 230

(Berg) Tribal gaming: compact ratification. (I-01/29/2007 [html](#) [pdf](#))

Introduced: 01/29/2007

Status: 01/30/2007-From printer. May be heard in committee March 1.

Dead/2YR	1st	1st	1st	1st	2nd	2nd	2nd	2nd	Conf./Conc.	Enrolled	Vetoed	Chaptered
	Desk	Policy	Fiscal	Floor	Desk	Policy	Fiscal	Floor				

Summary: Would ratify the tribal-state gaming compact entered into on August 29, 2006 between the State of California and the Yurok Tribe of the Yurok Reservation. The bill would require that related revenue contributions be deposited into the General Fund and would also specify that, in deference to tribal sovereignty, certain actions may not be deemed projects for purposes of the California Environmental Quality Act.

Organization: CARF

Subject: Tribal Gaming,

AB 234

(Eng) State property: inventory. (I-01/30/2007 [html](#) [pdf](#))

Introduced: 01/30/2007

Status: 01/31/2007-From printer. May be heard in committee March 2.

Dead/2YR	1st	1st	1st	1st	2nd	2nd	2nd	2nd	Conf./Conc.	Enrolled	Vetoed	Chaptered
	Desk	Policy	Fiscal	Floor	Desk	Policy	Fiscal	Floor				

Summary: Would require that this inventory be completed and updated by January 1 of each year.

Organization: CARF

Subject: Land/Real Property,

AB 236

(Lieu) Public resources: state and local motor vehicle fleets. (I-01/31/2007 [html](#) [pdf](#))

Introduced: 01/31/2007

Status: 02/01/2007-From printer. May be heard in committee March 3.

Dead/2YR	1st	1st	1st	1st	2nd	2nd	2nd	2nd	Conf./Conc.	Enrolled	Vetoed	Chaptered
	Desk	Policy	Fiscal	Floor	Desk	Policy	Fiscal	Floor				

Summary: Would require each state office, agency, and department that has flex fuel vehicles in its fleet to use the respective alternative fuel in those vehicles to the maximum extent possible. The bill would require the Director of General Services to compile and maintain the number of alternative fuel vehicles in the vehicle fleet that use the respective alternative fuel in those vehicles and the number that use petroleum. The bill would require the Director of General Services to report annually to the Legislature and the Governor the information on the nature of vehicles that are owned or leased by the state. This bill contains other related provisions and other existing laws.

Organization: CARF

Subject: Fuel,

AB 240

(Eng) State surplus personal property: centralized sale. (I-01/31/2007 [html](#) [pdf](#))

Introduced: 01/31/2007

Status: 02/01/2007-From printer. May be heard in committee March 3.

Dead/2YR	1st	1st	1st	1st	2nd	2nd	2nd	2nd	Conf./Conc.	Enrolled	Vetoed	Chaptered
	Desk	Policy	Fiscal	Floor	Desk	Policy	Fiscal	Floor				

Summary: Would require the department to establish a program to centralize the sale of state surplus personal property using the best available technology, including, but not limited to, the Internet. This bill would also require the department to impose an additional charge on each item of state surplus personal property that is sold to recover its costs in establishing the program.

Organization: CARF

Subject: Land/Real Property,

AB 266

(Calderon, Charles) Tribal gaming: compact ratification. (I-02/05/2007 [html](#) [pdf](#))

Introduced: 02/05/2007

Status: 02/06/2007-From printer. May be heard in committee March 8.

Dead/2YR	1st	1st	1st	1st	2nd	2nd	2nd	2nd	Conf./Conc.	Enrolled	Vetoed	Chaptered
	Desk	Policy	Fiscal	Floor	Desk	Policy	Fiscal	Floor				

Summary: Would ratify an amendment to a tribal-state gaming compact entered into between the State of California and the Morongo Band of Mission Indians, executed on August 29, 2006. The bill would require that related revenue contributions be deposited into the General Fund and would also specify that, in deference to tribal sovereignty, certain actions may not be deemed projects for purposes of the California Environmental Quality Act.

Organization: CARF

Subject: Tribal Gaming,

AB 356

(Mendoza) Gambling control. (I-02/14/2007 [html](#) [pdf](#))

Introduced: 02/14/2007

Status: 02/22/2007-Referred to Com. on G.O.

Dead/2YR	1st	1st	1st	1st	2nd	2nd	2nd	2nd	Conf./Conc.	Enrolled	Vetoed	Chaptered
	Desk	Policy	Fiscal	Floor	Desk	Policy	Fiscal	Floor				

Summary: Would authorize the commission to delegate to staff the approval of articles of incorporation, statements of limited partnership, and other entity filings that are required to specifically state that gambling is one of the purposes for which the business entity is formed. This bill contains other related provisions and other existing laws.

Organization: CARF

AB 397

(Adams) Local agencies: membership dues. (I-02/15/2007 [html](#) [pdf](#))

Introduced: 02/15/2007

Status: 02/16/2007-From printer. May be heard in committee March 18.

Dead/2YR	1st	1st	1st	1st	2nd	2nd	2nd	2nd	Conf./Conc.	Enrolled	Vetoed	Chaptered
	Desk	Policy	Fiscal	Floor	Desk	Policy	Fiscal	Floor				

Summary: Would prohibit any local agency from paying dues to an organization of which it is a member that makes monetary contributions to a political campaign.

Organization: CARF

Subject: Dues,

AB 532

(Wolk) State property: solar energy. (I-02/21/2007 [html](#) [pdf](#))

Introduced: 02/21/2007

Status: 02/22/2007-From printer. May be heard in committee March 24.

Dead/2YR	1st	1st	1st	1st	2nd	2nd	2nd	2nd	Conf./Conc.	Enrolled	Vetoed	Chaptered
	Desk	Policy	Fiscal	Floor	Desk	Policy	Fiscal	Floor				

Summary: Would require the department to ensure that solar energy equipment is installed no later than January 1, 2009, on these buildings and facilities, as well as state-operated swimming pools that are heated with fossil fuels or electricity, where feasible. This bill contains other related provisions and other existing laws.

Organization: CARF

Subject: Property,

AB 608

(De La Torre) State contracting: small business preference. (I-02/21/2007 [html](#) [pdf](#))

Introduced: 02/21/2007

Status: 02/22/2007-From printer. May be heard in committee March 24.

Dead/2YR	1st	1st	1st	1st	2nd	2nd	2nd	2nd	Conf./Conc.	Enrolled	Vetoed	Chaptered
	Desk	Policy	Fiscal	Floor	Desk	Policy	Fiscal	Floor				

Summary: Would increase the dollar amount of these limits to \$500,000 and \$1,000,000, respectively.

Organization: CARF

Subject: Contracting,

AB 617

(Torrico) State contracts: information technology goods and services: progress payments. (I-02/21/2007 [html](#) [pdf](#))

Introduced: 02/21/2007

Status: 02/22/2007-From printer. May be heard in committee March 24.

Dead/2YR	1st	1st	1st	1st	2nd	2nd	2nd	2nd	Conf./Conc.	Enrolled	Vetoed	Chaptered
	Desk	Policy	Fiscal	Floor	Desk	Policy	Fiscal	Floor				

Summary: Would define "progress payments" for purposes of those contracts, as payments contractually required to be made to the contractor, for the purpose of financing that contractor's cost of delivering a good or service, prior to the actual delivery of that good or service, as provided.

Organization: CARF

Subject: Contracting,

AB 649

(Ma) Horse racing: jockeys. (I-02/21/2007 [html](#) [pdf](#))

Introduced: 02/21/2007

Status: 02/22/2007-From printer. May be heard in committee March 24.

Dead/2YR	1st	1st	1st	1st	2nd	2nd	2nd	2nd	Conf./Conc.	Enrolled	Vetoed	Chaptered
	Desk	Policy	Fiscal	Floor	Desk	Policy	Fiscal	Floor				

Summary: Would require the riding fee to be increased as of January 1, 2008, as specified, and thereafter when the state minimum wage is increased, as specified. The bill would provide that the new fees are minimum riding fees, as specified. This bill contains other related provisions and other existing laws.

Organization: CARF

Subject: Horse Racing,

AB 688

(Portantino) Horse racing. (I-02/21/2007 [html](#) [pdf](#))

Introduced: 02/21/2007

Status: 02/22/2007-From printer. May be heard in committee March 24.

Dead/2YR	1st	1st	1st	1st	2nd	2nd	2nd	2nd	Conf./Conc.	Enrolled	Vetoed	Chaptered
	Desk	Policy	Fiscal	Floor	Desk	Policy	Fiscal	Floor				

Summary: Would add provisions to do all of the above, except that those funds directed to the Department of Industrial Relations under current law would be directed to the Gambling Addiction Program Fund, as specified.

Organization: CARF

Subject: Horse Racing,

SB 62

(Florez) Tribal gaming. (I-01/16/2007 [html](#) [pdf](#))

Introduced: 01/16/2007

Status: 01/25/2007-To Com. on G.O.

Dead/2YR	1st	1st	1st	1st	2nd	2nd	2nd	2nd	Conf./Conc.	Enrolled	Vetoed	Chaptered
	Desk	Policy	Fiscal	Floor	Desk	Policy	Fiscal	Floor				

Summary: Would provide that if there are insufficient funds in the Indian Gaming Special Distribution Fund to fully fund payments to eligible recipient tribes from the Indian Gaming Revenue Sharing Trust Fund, money from payments by tribes to the General Fund pursuant to any tribal-state compact shall be transferred to the Indian Gaming Revenue Sharing Trust Fund in an amount equal to the deficiency, in order to supplement the payments to be made from the Indian Gaming Special Distribution Fund to the Indian Gaming Revenue Sharing Trust Fund.

Organization: CARF

Subject: Tribal Gaming,

SB 106

(Wiggins) Tribal gaming: compact ratification. (I-01/17/2007 [html](#) [pdf](#))

Introduced: 01/17/2007

Status: 01/18/2007-From print. May be acted upon on or after February 17.

Dead/2YR	1st	1st	1st	1st	2nd	2nd	2nd	2nd	Conf./Conc.	Enrolled	Vetoed	Chaptered
	Desk	Policy	Fiscal	Floor	Desk	Policy	Fiscal	Floor				

Summary: Would ratify the tribal-state gaming compact entered into in 2006 between the State of California and the Yurok Tribe of the Yurok Reservation. The bill would require that related revenue contributions be deposited into the General Fund and would also specify that, in deference to tribal sovereignty, certain actions may not be deemed projects for purposes of the California Environmental Quality Act.

Organization: CARF

Subject: Tribal Gaming,

SB 125

(Harman) Horse racing. (I-01/23/2007 [html](#) [pdf](#))

Introduced: 01/23/2007

03/02/2007

Status: 02/01/2007-To Com. on G.O.

Dead/2YR	1st Desk	1st Policy	1st Fiscal	1st Floor	2nd Desk	2nd Policy	2nd Fiscal	2nd Floor	Conf./Conc.	Enrolled	Vetoed	Chaptered

Summary: Would expand the distribution schedule described above for the additional 5% of the amount wagered on satellite races received to each racing association by deleting the reference to harness racing associations. This bill contains other related provisions.

Organization: CARF

SB 152

(Florez) Gambling: local gambling ordinances. (I-01/29/2007 [html](#) [pdf](#))

Introduced: 01/29/2007

Status: 02/15/2007-To Com. on G.O.

Dead/2YR	1st Desk	1st Policy	1st Fiscal	1st Floor	2nd Desk	2nd Policy	2nd Fiscal	2nd Floor	Conf./Conc.	Enrolled	Vetoed	Chaptered

Summary: Would further permit, without voter approval, a city, county, or city and county to amend an ordinance to increase the number of gambling tables that may be operated in a gambling establishment by a change that results in an increase not to exceed 35% when compared to the ordinance in effect on January 1, 2007, if the ordinance in effect on January 1, 2007, prohibits more than 10 gambling tables that may be operated in a gambling establishment.

Organization: CARF

Subject: Ordinances,

SB 157

(Wiggins) Tribal gaming: compact ratification. (I-01/30/2007 [html](#) [pdf](#))

Introduced: 01/30/2007

Status: 01/31/2007-From print. May be acted upon on or after March 2.

Dead/2YR	1st Desk	1st Policy	1st Fiscal	1st Floor	2nd Desk	2nd Policy	2nd Fiscal	2nd Floor	Conf./Conc.	Enrolled	Vetoed	Chaptered

Summary: Would ratify tribal-state gaming compacts entered into on September 9, 2005, between the State of California and the Big Lagoon Rancheria, and between the State of California and the Los Coyotes Band of Cahuilla and Cupeno Indians. The bill would require that related revenue contributions be deposited into the General Fund and would also specify that, in deference to tribal sovereignty, certain actions may not be deemed projects for purposes of the California Environmental Quality Act.

Organization: CARF

Subject: Tribal Gaming,

SB 174

(Ducheny) Tribal gaming: revenue sharing. (I-02/05/2007 [html](#) [pdf](#))

Introduced: 02/05/2007

Status: 02/15/2007-To Com. on RLS.

Dead/2YR	1st Desk	1st Policy	1st Fiscal	1st Floor	2nd Desk	2nd Policy	2nd Fiscal	2nd Floor	Conf./Conc.	Enrolled	Vetoed	Chaptered

Summary: Would make technical, nonsubstantive changes to these provisions.

Organization: CARF

Subject: Tribal Gaming,

SB 175

(Ducheny) Tribal gaming: revenue sharing. (I-02/05/2007 [html](#) [pdf](#))

Introduced: 02/05/2007

Status: 02/15/2007-To Com. on RLS.

Dead/2YR	1st Desk	1st Policy	1st Fiscal	1st Floor	2nd Desk	2nd Policy	2nd Fiscal	2nd Floor	Conf./Conc.	Enrolled	Vetoed	Chaptered

Summary: Would make a technical, nonsubstantive change to these provisions.

Organization: CARF

Subject: Tribal Gaming,

SB 249

(Negrete McLeod) Horser racing: unauthorized payments. (I-02/14/2007 [html](#) [pdf](#))

Introduced: 02/14/2007

Status: 02/22/2007-To Com. on G.O.

Dead/2YR	1st Desk	1st Policy	1st Fiscal	1st Floor	2nd Desk	2nd Policy	2nd Fiscal	2nd Floor	Conf./Conc.	Enrolled	Vetoed	Chaptered
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Summary: Would provide that this prohibition does not apply to any payment by a licensed thoroughbred racing association in connection with funds contributed or authorized by the horsemen's organization responsible for negotiating purse agreements on behalf of the horsemen participating in the racing meeting, including purse supplements, sponsorship contributions, or promotional funds.

Organization: CARF

Subject: Horse Racing,

SB 281

(Maldonado) District agricultural associations: goods and property. (I-02/15/2007 [html](#) [pdf](#))

Introduced: 02/15/2007

Status: 02/22/2007-To Coms. on AGRI. and G.O.

Dead/2YR	1st Desk	1st Policy	1st Fiscal	1st Floor	2nd Desk	2nd Policy	2nd Fiscal	2nd Floor	Conf./Conc.	Enrolled	Vetoed	Chaptered
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Summary: Would require the Department of Food and Agriculture and the Department of General Services to develop criteria to be used for the purchase of goods and the disposal of property by a district agricultural association and the California Exposition and State Fair.

Organization: CARF

Subject: Property,

SB 282

(Cox) State Fair Leasing Authority. (I-02/15/2007 [html](#) [pdf](#))

Introduced: 02/15/2007

Status: 02/22/2007-To Com. on G.O.

Dead/2YR	1st Desk	1st Policy	1st Fiscal	1st Floor	2nd Desk	2nd Policy	2nd Fiscal	2nd Floor	Conf./Conc.	Enrolled	Vetoed	Chaptered
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Summary: Would authorize the formation of a joint powers entity, the State Fair Leasing Authority, to be composed of the Department of Food and Agriculture, the Department of Finance, the Department of General Services, and the California Exposition and State Fair. The authority would be authorized to enter into leases or other agreements for the use of the State Fair Race Track or any other property owned or controlled by the California Exposition and State Fair. The bill would require the authority to prepare a master plan for the long-range comprehensive development and improvement of the property of the California Exposition and State Fair.

Organization: CARF

Subject: Fairs,

SB 289

(Vincent) Gambling Control Act: licenses. (I-02/15/2007 [html](#) [pdf](#))

Introduced: 02/15/2007

Status: 02/22/2007-To Com. on G.O.

Dead/2YR	1st Desk	1st Policy	1st Fiscal	1st Floor	2nd Desk	2nd Policy	2nd Fiscal	2nd Floor	Conf./Conc.	Enrolled	Vetoed	Chaptered
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Summary: Would revise that provision by authorizing the commission to deem an applicant or licensee suitable to hold a state gambling license even if the applicant or licensee has a financial interest in another business conducting lawful gambling outside of California that, if conducted within the state, would violate California law, unless the applicant or licensee owns more than a 1% interest in, or has control of, that business. This bill contains other related provisions.

Organization: CARF

Subject: License/Permits,

SB 317

(Denham) Horse racing: official veterinarians. (I-02/16/2007 [html](#) [pdf](#))

Introduced: 02/16/2007

Status: 02/20/2007-From print. May be acted upon on or after March 22.

Dead/2YR	1st Desk	1st Policy	1st Fiscal	1st Floor	2nd Desk	2nd Policy	2nd Fiscal	2nd Floor	Conf./Conc.	Enrolled	Vetoed	Chaptered
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Summary: Would require applicants for license as an official veterinarian to pass both a written and oral exam, and would establish qualifications for persons to be admitted to the official veterinarian exam.

Organization: CARF

Subject: Horse Racing,

SB 379 (Denham) Horse racing: out-of-country thoroughbred races. (I-02/21/2007 [html](#) [pdf](#))
Introduced: 02/21/2007
Status: 02/22/2007-From print. May be acted upon on or after March 24.

Dead/2YR	1st	1st	1st	1st	2nd	2nd	2nd	2nd	Conf./Conc.	Enrolled	Vetoed	Chaptered
	Desk	Policy	Fiscal	Floor	Desk	Policy	Fiscal	Floor				

Summary: Would add the Dubai Cup to the list of imported races not subject to the limitation of 23 races per day. This bill contains other related provisions and other existing laws.

Organization: CARF

Subject: Horse Racing,

SB 397 (Denham) California Horse Racing Board. (I-02/21/2007 [html](#) [pdf](#))
Introduced: 02/21/2007
Status: 02/22/2007-From print. May be acted upon on or after March 24.

Dead/2YR	1st	1st	1st	1st	2nd	2nd	2nd	2nd	Conf./Conc.	Enrolled	Vetoed	Chaptered
	Desk	Policy	Fiscal	Floor	Desk	Policy	Fiscal	Floor				

Summary: Would also require the board to adopt dates for horse races.

Organization: CARF

Subject: Horse Racing,

SB 398 (Denham) State government: Department of General Services. (I-02/21/2007 [html](#) [pdf](#))
Introduced: 02/21/2007
Status: 02/22/2007-From print. May be acted upon on or after March 24.

Dead/2YR	1st	1st	1st	1st	2nd	2nd	2nd	2nd	Conf./Conc.	Enrolled	Vetoed	Chaptered
	Desk	Policy	Fiscal	Floor	Desk	Policy	Fiscal	Floor				

Summary: Would make technical, nonsubstantive changes to this provision.

Organization: CARF

Subject: Government,

SB 401 (Battin) Tribal gaming: Indian Gaming Special Distribution Fund. (I-02/21/2007 [html](#) [pdf](#))
Introduced: 02/21/2007
Status: 02/22/2007-From print. May be acted upon on or after March 24.

Dead/2YR	1st	1st	1st	1st	2nd	2nd	2nd	2nd	Conf./Conc.	Enrolled	Vetoed	Chaptered
	Desk	Policy	Fiscal	Floor	Desk	Policy	Fiscal	Floor				

Summary: Would make a technical, nonsubstantive change to these provisions.

Organization: CARF

Subject: Tribal Gaming,

SB 436 (Vincent) Horse racing: satellite wagering. (I-02/21/2007 [html](#) [pdf](#))
Introduced: 02/21/2007
Status: 02/22/2007-From print. May be acted upon on or after March 24.

Dead/2YR	1st	1st	1st	1st	2nd	2nd	2nd	2nd	Conf./Conc.	Enrolled	Vetoed	Chaptered
	Desk	Policy	Fiscal	Floor	Desk	Policy	Fiscal	Floor				

Summary: Would apply that distribution provision to both types of racing associations.

Organization: CARF

Subject: Horse Racing,

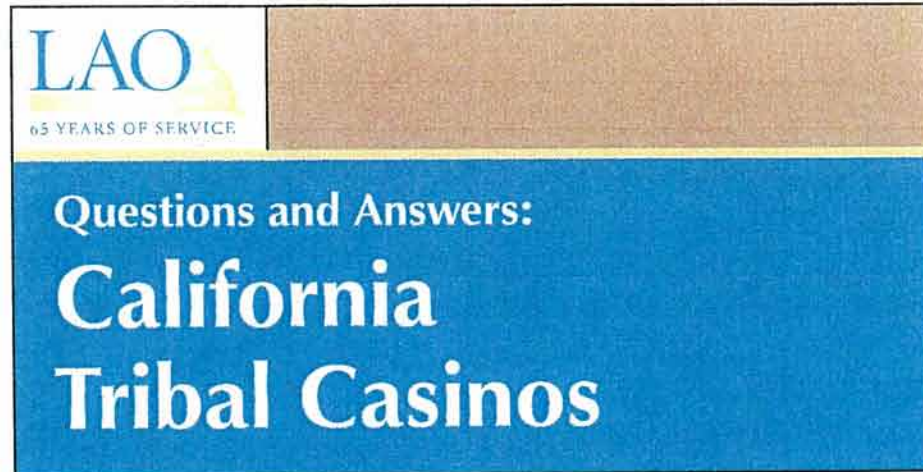
SB 441 (Torlakson) State property: vending machines. (I-02/21/2007 [html](#) [pdf](#))
Introduced: 02/21/2007
Status: 02/22/2007-From print. May be acted upon on or after March 24.

Dead/2YR	1st	1st	1st	1st	2nd	2nd	2nd	2nd	Conf./Conc.	Enrolled	Vetoed	Chaptered
	Desk	Policy	Fiscal	Floor	Desk	Policy	Fiscal	Floor				

Summary: Would require each vendor that operates or maintains vending machines on designated state property to satisfy a specified phased-in requirement that at least 25% of the food and beverages offered in the vending machine meet accepted nutritional guidelines, as defined, by December 31, 2008, and 50% by December 31, 2009, or under specified conditions, by December 31, 2011, and to provide to users, upon request, information about the nutritional value of food and beverages offered in the vending machine and procedures for requesting a change in vending

machine offerings.
Organization: CARF
Subject: Property,

Total rows: 36



ELIZABETH G. HILL • LEGISLATIVE ANALYST

In 1987, a U.S. Supreme Court decision involving two California tribes set in motion a series of federal and state actions that dramatically expanded tribal casinos here and in other states. Now, California's casino industry outranks all but Nevada's in size. In this report, we answer key questions about tribal casinos in California and their payments to state and local governments. ■

AN LAO REPORT

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INTRODUCTION

On February 25, 1987, the U.S. Supreme Court decided that neither the State of California nor Riverside County could regulate the bingo and card game operations of the Cabazon Band of Mission Indians and the Morongo Band of Ca- huilla Mission Indians. This court ruling, known as the *Cabazon* decision, set in motion a series of federal and state actions—including two ballot propositions—that dramatically expanded tribal casino operations in California and other states. In 2006, industry estimates suggest that tribal

casinos in California took in around \$7 billion of annual revenues—about as much as all other legalized gambling sectors in the state combined. Only Nevada now has a larger casino industry.

In this report, we answer key questions related to (1) the history of tribal casino expansion in California and (2) payments from the casinos to state and local governments. We also discuss proposed amendments to several tribal-state compacts that—collectively—would expand the industry significantly in Southern California.

STATE-TRIBAL RELATIONS

What Is Tribal Sovereignty?

Indian tribes possess a special status under U.S. law. In 1787, the new U.S. Constitution reserved for the federal government the power to “regulate commerce” with foreign nations, among states, and with Indian tribes. In 1831 and 1832, two U.S. Supreme Court decisions determined that tribes in the U.S. were “independent political communities” with “original natural rights” that preceded European colonization. Certain jurisdictional rights were declared to be ones with which no state could interfere. In the last century, judicial rulings began to recognize tribes’ sovereign immunity from lawsuits as one aspect of this sovereignty. As a result of these laws, a state’s regulation of tribal activities—including casinos—generally is limited to what is authorized under (1) federal law and (2) federally approved agreements between tribes and a state.

What Is the Federal Authority for Tribal Gambling Operations?

The *Cabazon* decision relied heavily on the principles underlying tribal sovereignty. In its ruling, the U.S. Supreme Court rejected California’s attempts to regulate tribal gambling enterprises in the absence of congressional authorization. In a response to the *Cabazon* decision, the Congress passed the Indian Gaming Regulatory Act (IGRA) in 1988. The act provides a statutory structure for tribal gambling operations and declares that Congress seeks to advance three principal goals in authorizing tribal casinos:

- Tribal economic development.
- Tribal self-sufficiency.
- Strong tribal governments.

What Are IGRA’s Key Provisions?

Under IGRA, gambling operations are divided into three categories with varying levels of tribal, state, or federal regulation, as shown

in the nearby box. Balancing state and tribal interests, IGRA generally requires that states and tribes enter into compacts to authorize the types of gambling commonly associated with tribal casinos today—such as slot machines—when state law permits similar gambling operations in any other context. The act permits casino operations on Indian lands, which it defines as (1) reservation lands, (2) lands held in trust by the U.S. for benefit of an Indian tribe or individual, or (3) certain

specified lands over which an Indian tribe exercises governmental power. The act requires states to negotiate with tribes that request the opportunity to enter into a compact. The IGRA establishes the National Indian Gaming Commission within the U.S. Department of the Interior (DOI) as a body to limit organized crime and corruption, ensure that tribes benefit from gambling revenues, and enforce the honesty and fairness of certain tribal gambling operations.

TYPES OF GAMBLING UNDER IGRA

The Indian Gaming Regulatory Act (IGRA) divides tribal gambling operations into three categories, or “classes.”

Class I Games. Class I games are (1) social games for prizes of minimal value or (2) traditional Indian games related to tribal ceremonies or celebrations.

- **Who Regulates?** These games are subject only to regulation by the tribes themselves.

Class II. Class II includes several games, such as bingo (either with or without electronic game devices), lotto, and “non-banked” card games like poker. Class II games involve players competing against each other and not the “house” (although this is sometimes a difficult distinction to make given the similarity of modern Class II and Class III electronic devices).

- **Who Regulates?** The IGRA provides for regulation of Class II games by both tribes and the National Indian Gaming Commission (NIGC). In states allowing Class II games, like California, there are no limits on the number of Class II games that a tribe may operate.

Class III. Class III games (sometimes called Nevada-style games) include all other types of gambling. These include slot machines, electronic games of chance, and many banked card games like blackjack. (According to the California Department of Justice, certain craps, roulette, and dice games are prohibited under the State Constitution and laws.)

- **Who Regulates?** Tribes and states regulate Class III games pursuant to tribal ordinances and tribal-state compacts approved by the U.S. Department of the Interior. In California, the principal state regulatory agencies are the California Gambling Control Commission and the Division of Gambling Control in the Department of Justice. The NIGC has asserted its authority to regulate and audit tribes’ Class III operations, but in October 2006, a federal appeals court affirmed a lower court decision that no such authority exists under IGRA.

What Does the State Constitution Say About Tribal Casinos and Other Types of Gambling?

California outlawed many forms of gambling soon after statehood. (Cardrooms, or poker clubs, however, have been common throughout the state's history.) Voters have authorized specific forms of gambling:

- 1933—wagering on horse races.
- 1976—bingo games for charitable purposes.
- 1984—the California Lottery (Proposition 37).

Proposition 37 also amended the State Constitution to prohibit “casinos of the type currently operating in Nevada and New Jersey.” Following a court’s determination that a 1998 statutory initiative authorizing tribal casinos (Proposition 5) was unconstitutional, the Legislature placed Proposition 1A on the ballot in March 2000. Proposition 1A amended the Constitution to allow the Governor to negotiate compacts—subject to ratification by the Legislature—with federally recognized Indian tribes to operate certain types of gambling on Indian lands. Games allowed by the amendment include slot machines, lottery games, and banked and percentage card games.

How Many Tribal-State Compacts Have Been Ratified by the Legislature?

The Legislature has ratified 66 tribal-state compacts. In September 1999, anticipating the passage of Proposition 1A, the Governor negotiated and the Legislature ratified compacts with 57 of the state’s 108 federally recognized tribes. (California also has dozens of tribes which are not

federally recognized.) These are known as the “1999 compacts.” (Eventually, 61 tribes agreed to the terms of the 1999 compacts.) Compacts with five additional tribes were ratified in 2003 and 2004. Several amendments to these compacts also have been ratified by the Legislature. Most notably, the 2004 amendments to compacts with five tribes substantially altered the original financial framework of the 1999 compacts. These five amended compacts sometimes are called the “2004 compacts.” Currently, nine compacts or compact amendments proposed since 2004 have not received legislative ratification.

What Are the Differences Between the 1999 Compacts and the 2004 Compacts?

Key differences between the 1999 compacts and the 2004 compacts are summarized in Figure 1 (see next page). The 2004 compacts allowed five tribes—two in Northern California (the Rumsey Band of Wintun Indians and the United Auburn Indian Community) and three in Southern California (the Pala Band of Mission Indians, the Pauma Band of Luiseño Indians, and the Viejas Band of Kumeyaay Indians)—to operate an unlimited number of Class III slot machines in exchange for payments to the state General Fund for machines added after ratification of the compacts. By contrast, tribes could operate no more than 2,000 machines under the 1999 compacts. Unlike the 1999 compacts, the 2004 compacts require payments to the General Fund, as well as payments expected to be used to support a bond that will repay loans made by a state transportation account to the General Fund in 2001-02 and 2002-03. The 2004 compacts also require that tribes negotiate with local governments concerning enforceable memoranda of understanding to address environmental, public safety, infrastructure, and other demands related to casinos.

TRIBAL CASINOS IN CALIFORNIA

How Many Casinos Currently Operate in California?

As of March 2006, 53 tribes operated 54 casinos with Class III machines in California. (The Agua Caliente Band of Cahuilla Indians operates two facilities—in Rancho Mirage and Palm Springs—as allowed under the 1999 compacts.) One additional casino (the Lytton Rancheria of California's casino in Contra Costa County) operated only Class II devices, which does not require a compact with the state. There are some tribes with ratified compacts that do not have a casino, and other tribes have had casinos in development since March 2006.

Where Are Casinos Concentrated, and What Are Some of the Largest?

As illustrated in Figure 2, tribal casinos are heavily concentrated in Riverside and San Diego Counties, where 17 of the state's 54 casinos (and 45 percent of licensed slot machines) are located. Southern California casinos also operate in Imperial, San

Bernardino, and Santa Barbara Counties. Nevertheless, the two largest facilities in the state (as measured by the number of Class III devices) are both operated in Northern California pursuant to the 2004 compacts: the United Auburn Indian Community's Thunder Valley Casino in Placer County and the Rumsey Band of Wintun Indians' Cache Creek Casino Resort in Yolo County.

Figure 1

Differences Between 1999 Compacts and 2004 Compacts

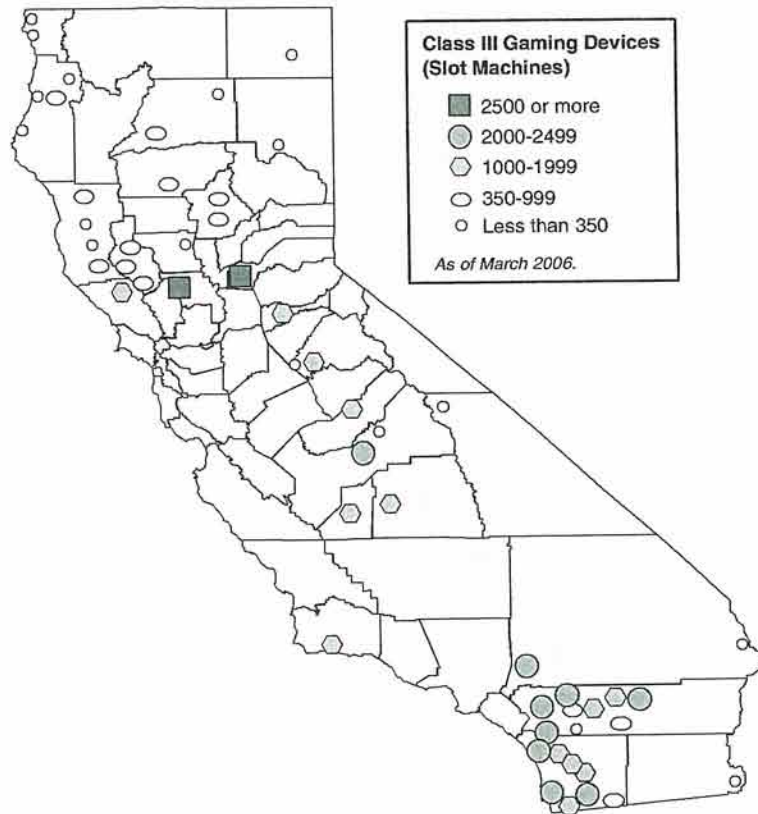
1999 Compacts	2004 Compacts
How many Class III slot machines are authorized?	
<ul style="list-style-type: none"> Up to 2,000. Total number of machines statewide limited to 61,957. 	<ul style="list-style-type: none"> Unlimited number of machines.
Which state funds receive tribal compact moneys?	
<ul style="list-style-type: none"> Revenue Sharing Trust Fund (RSTF): Payments on a per machine basis. Special Distribution Fund (SDF): Payments based on percentage of revenue from machines operated as of September 1999. 	<ul style="list-style-type: none"> RSTF: Payments of \$2 million annually per tribe to maintain licenses for machines operating prior to 2004 compacts. SDF: No payments. General Fund: Payments of \$8,000-\$25,000 per machine added after the 2004 compacts. Designated account for transportation bond: Payments from all of the tribes equal to about \$100 million a year for 18 years.
What support is provided for local governments affected by casinos?	
<ul style="list-style-type: none"> SDF provides grants to these local governments. 	<ul style="list-style-type: none"> Tribes must negotiate with local governments on agreements (including potential payments) to address infrastructure, safety, and other issues.
What ability do state regulators have to inspect casino facilities and machines?	
<ul style="list-style-type: none"> General compact language concerning inspections of public and nonpublic areas and access to records and equipment. 	<ul style="list-style-type: none"> More specific compact language concerning testing of machines. Regulators may inspect a certain number of machines up to four times per year.
When do the compacts expire?	
<ul style="list-style-type: none"> December 31, 2020. 	<ul style="list-style-type: none"> December 31, 2030.

Industry estimates indicate that Thunder Valley Casino is one of the highest revenue-generating casinos in the country and the highest-ranked facility by this measure in California.

How Many Slot Machines Are Operating at Tribal Casinos?

The number of slot machines and similar devices at California's casinos has grown rapidly since passage of Proposition 1A. Prior to passage of the measure, tribes operated an estimated 20,000 slot machines at about 40 casinos, despite the unclear legal environment of the time. As of March 2006, tribes operated over 58,000 Class III devices. Continued expansion is likely, even if the Legislature does not ratify several compacts agreed to by the Governor and tribes in 2006. (These compacts would allow Southern Cali-

Figure 2
Tribal Casinos Concentrated in Riverside and San Diego Counties



Note: Does not include Lytton Rancheria's Casino San Pablo in Contra Costa County, which operates only Class II gaming devices. Some facilities may operate Class II gaming devices in addition to Class III gaming devices.

fornia tribes to operate up to 22,500 additional Class III devices.) In addition to Class III devices, Class II devices—which are not governed by the tribal-state compacts—are at some casinos.

TRIBAL PAYMENTS TO STATE AND LOCAL GOVERNMENTS

How Much Do Tribes Pay to California Governments?

State Government Funds: Compact Revenues. Tribes make payments to several state government accounts under the terms of the tribal-state compacts. Figure 3 shows that state revenues related to the tribal-state compacts (including state interest earnings, if applicable) totaled about \$301 million in 2005-06. In that fiscal year, most payments (\$173 million) were made to two special funds, the primary uses of which are to disburse grants to non-compact tribes and local governments affected by tribal casinos. (Under the 1999 compacts, non-compact tribes are those federally recognized tribes operating 350 or fewer Class III gaming devices.) Only \$27 million was paid directly to the General Fund. In addition, \$101 million was deposited to a designated account expected to be used to repay state transportation funds for loans made to the General Fund in prior years. These moneys help relieve the General Fund of a potential cost to repay the transportation funds. Combined, these two revenue sources equaled just

over 0.1 percent of General Fund revenues in 2005-06. Unless the Legislature ratifies additional compacts or amendments early in 2007, state revenues in 2006-07 will grow slightly above the 2005-06 levels.

State Government Funds: Taxes. In addition to funds paid pursuant to the compacts, tribes and their members pay certain state taxes. The laws surrounding the taxability of tribes, tribal members, and related enterprises are complex. Tribes and their members are not subject to several types of taxation due to the lack of authority granted to states for this purpose under federal law. Tribal members living on reservations, for

Figure 3
Payment by Tribes to State Accounts Pursuant to Tribal-State Compacts

(In Millions)

Fund	2005-06 Revenues	Fund Purpose
General Fund	\$27	<ul style="list-style-type: none"> Any state activity.
Indian Gaming Revenue Sharing Trust Fund (RSTF)	33	<ul style="list-style-type: none"> Pay \$1.1 million per year to each "non-compact" tribe.
Indian Gaming Special Distribution Fund	140	<ul style="list-style-type: none"> Fund RSTF shortfalls. Gambling addiction programs. Regulatory costs. Grants to local governments affected by tribal casinos. Other purposes allowed by law.
Designated Account for Transportation Bond	101	<ul style="list-style-type: none"> Repay state transportation accounts for loans made to benefit the General Fund in prior years. Loan repayments may occur either through (1) the sale of bonds secured by these annual tribal payments or (2) direct repayment of transportation accounts from this fund.

example, are not subject to state income tax, and tribal casinos do not pay the corporate income tax. Regarding the sales and use tax, tribes are generally expected to collect taxes on purchases made by nontribal members for consumption or use off of reservations.

Local Government Funds: Compact-Related Revenues. Local governments receive compact-related revenue through (1) funds appropriated from the Indian Gaming Special Distribution Fund (SDF) to mitigate casinos' effects on local communities and (2) agreements with individual tribes—like those established under the 2004 compacts—to mitigate these effects. Recently, the Legislature has appropriated between \$30 million and \$50 million per year for mitigation from the SDF for distribution among local governments pursuant to Chapter 858, Statutes of 2003 (SB 621, Battin). Chapter 858, which sunsets on January 1, 2009, provides that priority for distribution of SDF grant moneys be given to localities with one of the tribes that contributes to the SDF (currently, 25 tribes statewide). A few local governments receive significant funds directly from tribes under mitigation agreements reached with tribes for such things as traffic and law enforcement costs. The Rumsey Band of Wintun Indians, for example, pays Yolo County several million dollars per year to address off-reservation impacts of the tribe's casino.

Local Government Funds: Taxes. In addition to the funds described above, local governments also receive some revenue from the taxation of certain tribal activities and transactions. As in the case of the state, local government has only a limited ability to tax such enterprises. Property taxes and hotel occupancy taxes, for example, do not apply to reservations.

What Is the Revenue Sharing Trust Fund (RSTF)?

Purpose of the RSTF. In addition to ratifying the 1999 compacts, Chapter 874, Statutes of 1999 (AB 1385, Battin), established the RSTF. Under the various tribal-state compacts, tribes make payments to the RSTF in exchange for licenses to operate up to 2,000 slot machines. Chapter 874 provides that the RSTF (upon appropriation by the Legislature) fund distributions to non-compact tribes pursuant to the provisions of the 1999 compacts and subsequent compacts. The 1999 compacts were among the first in the country to share casino revenues with tribes that do not have compacts. Each non-compact tribe receives (1) \$1.1 million per year or (2) an equal share of moneys available to the RSTF if funds are not sufficient to make the full \$1.1 million payment.

Payments Into the RSTF. Figure 4 shows the payments that 1999 compact tribes make into the RSTF. These payments are based on the number of slot machines that the tribes operate. Subsequent compacts and amendments have specified other levels of payments. The 2004 compacts, for example, specify that each tribe must pay a flat \$2 million to the RSTF annually to maintain existing slot machine licenses.

Figure 4
Payments Into Revenue Sharing Trust Fund Under 1999 Compacts

Number of Slot Machines	Annual Payment Per Machine
1-350	—
351-750	\$900
751-1,250	1,950
1,251-2,000	4,350

Addressing RSTF Payment Shortfalls.

Through 2002, RSTF funds were insufficient to fund the full annual payment to each non-compact tribe. (The tribes received on average less than one-half of the \$1.1 million payment annually.) Chapter 210, Statutes of 2003 (AB 673, J. Horton), provides that (1) SDF funds are available for appropriation to cover shortfalls in the RSTF and (2) covering the shortfalls is the “priority use” for SDF funds. The Legislature has transferred SDF moneys to fund the RSTF shortfall each year since 2002-03. In recent years, these transfers have been around \$50 million.

What Is the Special Distribution Fund?

Purpose of the SDF. Chapter 874 also establishes the SDF. Current state law provides that the SDF’s priority use is to cover shortfalls of the RSTF. The law ranks other allowable uses of the SDF in descending order after this priority use, as follows:

- Appropriations to the Department of Alcohol and Drug Programs (DADP) for its Office of Problem Gambling.
- Funding for state regulation by the California Gambling Control Commission (CGCC) and the Division of Gambling Control in the Department of Justice.
- Grants to local governments affected by tribal casinos.

In addition, the law permits SDF disbursements to implement the terms of labor relations provisions of the 1999 compacts and for “any other purpose specified by law.” (Several years ago, a court ruled that this provision allowed SDF funding only for gambling-related activities.)

Payments Into the SDF. Figure 5 shows the payments that 1999 compact tribes make into the SDF. These payments are a percentage of the average slot machine net win (a measure of slot machine revenues) on machines operated by the tribe on September 1, 1999. Most recent compacts or amendments have not required tribal payments into the SDF.

Figure 5

Payments Into Special Distribution Fund Under 1999 Compacts

Slot Machines Operated By Tribe (9/1/99)	Net Win Per Machine
1-200	—
201-500	7%
501-1000	10
1,001 or More	13

SDF Fund Condition. Over the last several years, the SDF has collected more revenues each year than the Legislature has spent out of the fund. As a result, the SDF’s fund balance is projected to grow to \$132 million by the end of 2006-07. (We discuss the potential effects on the SDF of compacts pending before the Legislature later in this report.)

What Are the Tribal Transportation Bonds?

Background. The 2004 compacts provide for tribes to make fixed annual payments of about \$100 million to the state over 18 years—an annual amount that was reportedly equal to at least 10 percent of the tribes’ net win from slot machines at the time of the amendments. Chapter 91, Statutes of 2004 (AB 687, Nuñez), which ratifies the compacts, authorizes the California Infrastructure and Economic Development Bank

(I-Bank) to sell the \$100 million annual revenue stream from the five tribes to a special purpose trust. The trust may issue bonds and provide the state with a one-time payment from the bond proceeds in exchange for the state's sale of the revenue stream. Chapter 91 authorizes the I-Bank to administer a sale of bonds for an amount originally estimated to be \$1.2 billion and directs that the bond proceeds be deposited into various transportation accounts to repay loans made from the Traffic Congestion Relief Fund (TCRF) to the General Fund in 2001-02 and 2002-03.

Bond Sale Has Been Delayed and Amount of Bond Proceeds Uncertain. According to the State Treasurer's Office, two lawsuits filed by tribes, one lawsuit filed by an owner of a card room, and one lawsuit filed by interests related to several horse racing tracks have delayed sale of the transportation bond by the I-Bank. It is not known when or if the bonds will be sold. Since ratification of the 2004 compacts, various sources also have indicated that the proceeds of the bonds were not likely to equal the \$1.2 billion that was originally anticipated in 2004-05. In a letter to the Governor dated December 23, 2004, the Treasurer indicated that the bond proceeds would likely total only about \$800 million. In the absence of the bond sale, the \$100 mil-

lion in annual payments have been deposited to a designated state account.

Compact Funds Transferred to State Highway Account (SHA). Under current law, the administration may use the annual payments to (1) repay the transportation loans or (2) support the planned bond issue that would repay the transportation loans. (The Legislature, however, may amend the law and direct that the funds be used for any other purpose.) At the end of 2005-06, the full balance in the designated account—\$151 million—was transferred to SHA to repay General Fund loans—making the funds no longer available for the bond sale. As a result, the amount of bond proceeds to be generated from the sale are likely even lower than previously estimated. The 2006-07 Budget Act assumes that proceeds of the bonds will be sufficient to repay \$827 million plus interest to the TCRF. Trailer bill language also modified the allocation of future bond sale revenues, providing that they would fund projects under the Traffic Congestion Relief Program. Given the uncertainty about the bond sale, however, the 2007-08 Governor's Budget proposes that compact funds from the designated account in 2006-07 and 2007-08—\$200 million—be used to repay the transportation loans. This action would further reduce the amount of any future bond.

PROPOSED COMPACTS

Which Tribes Have Proposed Compacts Or Amendments That Have Not Been Ratified By the Legislature?

Nine proposed Class III casino compacts or amendments have not been ratified by the Legislature, as listed in Figure 6 (see next page). In this section, we will focus principally on the five

proposed compact amendments that we refer to as the 2006 compacts, given that they recently have generated the most discussion among legislators and the public. The 2006 compacts are those with the Agua Caliente Band of Cahuilla Indians, the Morongo Band of Mission Indians, the Pechanga Band of Luiseño Indians, the San

Manuel Band of Mission Indians, and the Sycuan Band of the Kumeyaay Nation.

What Are the Key Provisions Of the 2006 Compacts?

How Are They Similar to the 2004 Compacts? Earlier in this report, we compared the 1999 compacts and the 2004 compacts. The 2006 compacts are similar in many respects to the 2004 compacts. Like the 2004 compacts, the 2006 compacts would allow tribes to operate more than 2,000 slot machines. The tribes would be able to operate the machines at one, two, or three gambling facilities on Indian lands (depending on the tribe and the compact amendment involved) after negotiating with local government officials on measures to mitigate effects of casino development. The agreements contain similar language allowing state regulators to inspect casino facilities and machines. As was the case for the 2004 compacts, tribes covered by the 2006 compacts would make contributions to the state's General Fund for the first time. While their contributions to the RSTF would increase, their payments to the SDF would end.

How Are They Different From the 2004 Compacts? Figure 7 lists some key differences between the 2004 compacts and the 2006 compacts. While the 2004 compacts allow tribes to operate an unlimited number of slot machines in exchange for certain payments to the state, the 2006 compacts allow tribes to operate up to 5,000 or 7,500 machines (depending on the compact). Legislation implementing the 2004 compacts directed a large portion of the revenues that these tribes pay to the state to repay state transportation loans. The minimum annual payments

Figure 6
Tribal-State Compacts That Have Not Been Ratified by the Legislature

Tribes	County	Number of Class III Machines Allowed	Date Proposed By Governor	New Compact or Amendment
Lytton Rancheria of California	Contra Costa	2,500	8/23/2004	New Compact
Big Lagoon Rancheria	Humboldt ^a	2,250	9/9/2005	New Compact
Los Coyotes Band of Cahuilla and Cupeno Indians	San Diego ^a	2,250	9/9/2005	New Compact
Agua Caliente Band of Cahuilla Indians ^b	Riverside	5,000	8/8/2006	Amendment
Pechanga Band of Luiseño Indians ^b	Riverside	7,500	8/29/2006	Amendment
San Manuel Band of Mission Indians ^b	San Bernardino	7,500	8/29/2006	Amendment
Morongo Band of Mission Indians ^b	Riverside	7,500	8/30/2006	Amendment
Sycuan Band of the Kumeyaay Nation ^b	San Diego	5,000	8/30/2006	Amendment
Yurok Tribe of the Yurok Reservation	Del Norte and Humboldt	99	8/30/2006	New Compact ^c

^a The proposed compacts involve two adjacent proposed casino facilities in Barstow (San Bernardino County).

^b Due to the similarities between these compacts with tribes operating large casinos, we refer to them collectively as the "2006 compacts."

^c This proposed compact replaces the prior proposed compact with the tribe, which was negotiated with the Governor in June 2005.

under the 2006 compacts, by contrast, would go to the General Fund. This would increase the General Fund's share of tribal-state compact revenues substantially above current levels.

Financial Health of SDF Would Be Affected by Proposed Compacts. Should the Legislature ratify all of the proposed 2006 compacts, SDF revenues likely would drop substantially as several tribes with large casinos would cease making payments into the SDF. Because tribal financial information is confidential, we are unable to estimate the amount of the decline with specificity, but we suspect that revenues would

decline by over 50 percent. Under the terms of several of the proposed compacts, RSTF shortfalls then would be offset by tribal revenues that otherwise would be paid to the General Fund.

In this scenario, the SDF's large fund balance may be depleted within one to three years. Therefore, if the Legislature ratifies the proposed compacts, it may need to consider the current funding priorities of the SDF in statute, as well as the appropriation amounts for various purposes included in the annual budget act.

Are the Administration's Near-Term Revenue Estimates Realistic?

General Fund Revenue Projections Overstated. The Governor's budget assumes that annual General Fund revenues related to tribal-state compacts grow from \$33 million in 2006-07 to \$539 million in 2007-08 due to ratification of the 2006 compacts by the Legislature in early 2007. This projection is not realistic. If the Legislature adopted all of the 2006 compacts on an urgency basis, gross General Fund revenues from all tribal-state compacts probably would increase to at least \$200 million in the first full fiscal year in which the compacts were effective, consider-

Figure 7
Differences Between 2004 Compacts and 2006 Compacts

2004 Compacts	2006 Compacts
How many Class III slot machines are authorized?	
<ul style="list-style-type: none"> Unlimited number of devices. 	<ul style="list-style-type: none"> 5,000-7,500 per tribe, depending on the compact.
Which state funds receive tribal compact moneys?	
<ul style="list-style-type: none"> Revenue Sharing Trust Fund (RSTF): Payments of \$2 million annually per tribe for licenses for machines operating prior to 2004 compacts. Special Distribution Fund (SDF): No payments. Designated account for transportation bond: Payments of about \$100 million for all of the tribes combined for 18 years. General Fund: Payments of \$8,000-\$25,000 per machine added after the 2004 compacts. Estimated to average 15 percent of added machines revenue as of 2004. 	<ul style="list-style-type: none"> RSTF: Payments of \$2 million annually (for all but one tribe) for licenses for machines operating prior to 2006 compacts. \$3 million annually for Sycuan Band. SDF: No payments. General Fund: Minimum payments of \$168 million for the five tribes combined (about 10 percent of existing machines' current revenues). General Fund: Added payments of 15 percent of revenues from machines 2,001-5,000 and 25 percent from machines 5,001-7,500.
What are some key compact provisions concerning labor relations?	
<ul style="list-style-type: none"> Signed authorization cards from 50 percent of employees certifies union as exclusive bargaining representative. Tribal neutrality required during organization process. 	<ul style="list-style-type: none"> Signed authorization cards from 30 percent of employees triggers secret ballot election to determine if majority wish to certify the union. Tribal neutrality not required.
When do the compacts expire?	
<ul style="list-style-type: none"> December 31, 2030. 	<ul style="list-style-type: none"> December 31, 2030.

ing the minimum payment levels established in the compacts. Additional expansion of General Fund revenues would depend largely on how fast the tribes with 2004 and 2006 compacts bring new slot machines online. Given the pace at which the 2004 compact tribes have expanded and the economics of the casino industry, we expect that expansion of casino operations would be gradual, rather than sudden and dramatic. To reach the level of revenues assumed by the Governor's budget, we estimate that the five tribes with 2006 compacts would all have to double their number of slot machines by July 1, 2007. Over the next three to ten years, we believe that gross annual General Fund revenues from the compacts *could* increase to the level projected in the Governor's budget. Such an increase in only a few months, however, is very unlikely. Even in the longer term, tribes may not opt for aggressive business expansion strategies, and it is possible that some tribes will find that it is not in their best interests to expand to the maximum number of slot machines allowed under the 2006 compacts. (Other businesses, for example, may offer a greater rate of return for some tribes and a chance for them to diversify their portfolios.)

Addressing RSTF and SDF Shortfalls Will Reduce General Fund Benefits. Offsetting the growth of General Fund revenues would be the requirement in the 2006 compacts that the state use some of the new revenues to address shortfalls in the RSTF. This requirement could increase General Fund costs in the tens of millions of dollars annually. In addition, as a result of declining SDF revenues, the Legislature could face funding shortfalls for gambling addiction, regulatory, and local government programs.

Will the Compacts Produce Billions of New Revenues to Help Eliminate the State's Structural Deficit?

Recently proposed compacts would increase state revenues and help the state's financial situation. In press releases announcing major compact agreements, the Governor's office has asserted that the compacts will produce billions of dollars of new state revenues over the life of the compact. The actual *annual* effects on state funds from new compacts, however, tend to be in the tens of millions of dollars per year for each tribe's compact. The billions of dollars are only possible if one sums decades worth of annual payments. As a result, while proposed new compacts would generate revenues to help lawmakers address the state's structural deficit, these revenues will not eliminate a substantial portion of that deficit, which totals in the billions of dollars *each* year. Even assuming that all of the 2006 compacts are ratified and a few more similar compacts are ratified in the future, we expect that compact-related sources will provide the General Fund with less than 0.5 percent of its annual revenues for the foreseeable future.

What Are the Key Issues Involving Union Organization in the Tribes' Casinos?

The compacts' labor relations provisions have generated significant controversy. Employees of at least six tribal casinos are unionized. Organizing efforts have occurred at some other California casinos. In this section, we discuss the labor relations provisions of the 1999, 2004, and 2006 compacts.

1999 Compacts. Tribes with 250 or more persons employed in Class III casinos or related activities are required to adopt a "model tribal labor relations ordinance (TLRO)," as speci-

fied in the 1999 compacts. Unions are granted access to eligible employees to discuss organization and representation issues. Upon receipt of signed authorization cards from 30 percent or more of eligible employees, a secret ballot election is called to determine if a union will be certified as the exclusive collective bargaining representative of a bargaining unit of employees. The union must win a majority of those eligible employees voting in the secret ballot election. Should such a union win certification, it would then bargain collectively for employees in its bargaining unit.

2004 Compacts. The 2004 compact tribes without existing collective bargaining relationships with a union agreed to adopt an amended TLRO. Under the required amendments, a union

has the option of offering a tribe that it will not strike or picket tribal facilities and will submit all issues to binding arbitration. If so, the tribe thereafter must remain neutral with regard to that union's organization efforts. The union then may obtain signed authorization cards from 50 percent or more of eligible employees and be certified as the exclusive collective bargaining representative of the employees. In contrast to the provisions of the 1999 compacts, there are no secret ballot election requirements. This process may make it easier for unions to be certified as the exclusive representative of employees of tribal casinos and related facilities.

2006 Compacts. The compact amendments do not propose to change the tribes' TLROs under the 1999 compacts.

OTHER ISSUES

Can Tribes Establish Casinos in Urban Areas or Outside of Their Tribal Lands?

Federal Law. The IGRA permits casino operations on Indian lands, which it defines as (1) reservation lands, (2) lands held in trust by the U.S. for benefit of an Indian tribe or individual, or (3) certain specified lands over which an Indian tribe exercises governmental power. (The State Constitution also provides that tribal casinos in California must be on Indian lands "in accordance with federal law.") Historically, ancestral lands of many tribes have been taken from them by policy or force. Tribes, therefore, may seek to rebuild a land base by having the federal government acquire lands in trust for their use through a lengthy, complex process. In some cases, this can mean that tribes seek to establish a land base in areas (such as urban or suburban areas) not associated with the tribes in recent

history. Throughout the nation and in California, conflicts occasionally have arisen between tribes wishing to establish a casino (particularly on recently acquired trust lands) and nearby communities resisting such development.

Recent Trends. The rules governing where tribes may operate casinos are extraordinarily complex. In recent years, however, the general trend seems to have been for federal and state policymakers to make it more difficult for tribes to open casinos on recently acquired trust lands. The U.S. DOI has not approved many pending requests of tribes to acquire trust lands for the purpose of establishing casinos and has established rules requiring environmental reviews and support from nearby community leaders before approval will be granted. In 2005, the Governor released his policy for tribal gambling compacts, which declared his general opposition to

(1) “proposals for the federal acquisition of lands within any urbanized area where the lands sought to be acquired in trust are to be used to conduct or facilitate gaming activities” and (2) “compacts where the Indian tribe does not have Indian lands eligible for Class III gaming.” Opponents have criticized several proposed compacts with California tribes for their provisions to establish casinos on these types of lands. Such criticisms have been one reason why the Legislature has not yet ratified some proposed compacts.

What Powers Does the State Have to Ensure That Tribes Meet Their Obligations Under the Compacts?

Compacts Limit CGCC’s Powers. The compacts limit CGCC’s authority to monitor and audit tribal operations. The compacts, for example, limit CGCC’s abilities to inspect slot machines—in several compacts, to no more than four times per year, with notice to the tribe prior to the inspection. In the commission’s budget request for additional staffing for 2006-07, CGCC officials described several other ways that the compacts and existing practices limit regulators’ monitoring of tribal financial operations, as summarized below:

- Limited access to tribal financial reports and information related to internal controls over slot machines and machine revenues.
- Lack of periodic casino financial reports prepared by independent certified public accountants (CPAs) to evaluate and perform risk assessments.

- Lack of internal control reports prepared by both independent CPAs and casino internal audit departments.
- Inability to conduct interim walk-through audits (as Nevada regulators do).
- Inability to have audit personnel at each casino 24 hours a day, 7 days a week (as in New Jersey), in order to test devices and report on changes to internal controls.
- Differing sets of requirements for different tribes, as opposed to Nevada and New Jersey’s uniform legal authorities and regulations.

Legislature Expanded CGCC in 2006-07.

The CGCC administers the RSTF and SDF and has the principal responsibility for monitoring and auditing Class III casino activities. In 2006, the Legislature approved an expansion of CGCC’s divisions that license casino employees and suppliers and test slot machines to ensure compliance with compact provisions and regulations. The CGCC’s authorized number of staff positions increased from 42 to 63 as a result of the Legislature’s actions (with many of the new positions approved on a limited-term basis to evaluate the effects of the expansion). The commission’s operations budget increased from \$6.7 million in 2005-06 to \$10.5 million in 2006-07 principally due to this expansion of staff. (This entire budget currently is supported by the SDF and a special fund supported by fees from the state’s cardrooms, which CGCC also regulates.) The Governor’s budget for 2007-08 proposes no additional expansions in CGCC’s staff.

How Much Does the State Provide to Prevent and Treat Problem Gambling?

SDF Expenditures. The bulk of state funding for problem gambling prevention activities comes through annual appropriations from the SDF to DADP's Office of Problem Gambling. In 2006-07, this appropriation totals \$3 million. To date, much of this funding has been used to provide grants to problem gambling telephone services (including publicity for these lines) and to fund research activities related to problem gambling in the state. In some cases, local mitigation agreements or local SDF grants are also used to fund efforts to prevent gambling addiction.

New Funding for Treatment. Chapter 854, Statutes of 2006 (AB 1973, Bermúdez), requires cardrooms in the state to pay an additional \$100 per licensed table, which will be available to be appropriated to community-based organizations that provide gambling addiction treatment. This new fee is expected to generate \$150,000 per year. The Governor's budget, however, does not include an appropriation for these funds in 2007-08.

Have the Socioeconomic Conditions of California Tribes Improved?

Background. As described earlier, improvement of tribal living conditions was the principal purpose for the enactment of IGRA by Congress. The socioeconomic gaps between Ameri-

can Indians living on reservations and the rest of the national population remained significant, as of the 2000 U.S. Census. Per capita income at that time was less than one-half of the U.S. level, and family poverty was three times that of the rest of the country.

For Some Tribes, Conditions Have Improved. While Census and other authoritative demographic data focused on tribal members is limited, it is clear that the expansion of tribal casinos has dramatically improved socioeconomic conditions for some tribal members in California. These positive economic effects seem to be concentrated among members of tribes with some of the largest casinos. Added together, all of the casino tribes represent just 9 percent of California's residents identified as American Indians by the 2000 Census, according to the California Research Bureau.

For Most Tribal Members, Unclear That Casinos Have Helped Much. The majority of California tribal members do not benefit directly from a casino. While federally recognized tribes receive at least \$1.1 million annually through the RSTF, this amount has eroded by inflation by roughly 20 percent since 1999. In addition, particularly for large tribes (sometimes with hundreds or thousands of members and large geographic territories), the amount may have a limited effect on the socioeconomic conditions of most members.

CONCLUSION

Previously approved tribal-state compacts bind the state for the coming decades. As the Legislature considers several proposed compact amendments in 2007 (as well as any future proposed compacts), however, it faces several key fiscal and policy issues, including:

- How much more should the tribal casino industry expand in California? How many more slot machines and casinos should be authorized?

- What payments should tribes make to the state and local governments?
- What should compacts require with regard to labor relations at tribal casinos?
- Do compacts provide for effective state regulation to ensure that tribes meet their financial obligations to state and local governments?
- Should the statutory method of allocating funds from the SDF be changed in the future?
- Are the tribal-state compacts effective in meeting IGRA's goals to strengthen tribal governments and improve economic opportunities for tribal members?



CONFIDENTIAL MEMORANDUM

TO: CA TB RACING ADW STAKEHOLDERS

FROM: DREW & WILSON

RE: PROPOSED REVISIONS TO CALIFORNIA ADW LAWS

DATE: FEBRUARY 22, 2007

BOARD CHAIR
ALAN LANDSBERG

PRESIDENT
DREW J. COUTO

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As you know, this year is the industry's opportunity to reorganize and revise California Horse Racing Law provisions relating to advance deposit wagering ("ADW"); primarily, Business & Professions Code section 19604.

In "reorganizing" this section of law, TOC sought to retain the existing statute's basic contractual and revenue distribution models and, where possible, its specific language. Accordingly, we feel the attached represents relatively minor, but necessary revisions for satellite wagering facilities, and deleted, revised, and added provisions that should more clearly delineate elements that proved to be ambiguous and contentious in the original statute.

In addition to section 19604, we believe three other related sections of law should be revised; B & P sections 19411, 19590, and 19595. Each of those sections pertains to prohibitions against wagering outside "the inclosure." However, and as you know, ADW activities self-evidently are not limited to "the inclosure," which is by definition a piece of identified real estate. Therefore the proposed revisions clarify the prohibitions on all forms of horse race wagering other than as authorized by the CHRB, whether (a) within the inclosure, or (b) through licensed ADW providers.

For ease of reference, along with this summary of proposed revisions, we are providing three versions of pertinent law, and a draft Master Hub Agreement, as exhibits:

- A. "Clean" (page 4);
- B. Redlined (page 10);
- C. Existing (page 17); and,
- D. Master Hub Agreement (page 22).

Changes to B & P Section 19604

Proposed changes in the statute's import are:

1. Existing law permits ADW licensees to accept wagers from California account-holders in accord with a contract with an operating association, while requiring distribution of revenues by breed of racing and zone of wager to other, non-contracting stakeholders. However, statute, regulation, and practice did not definitively set forth the role of horsemen's organizations in these contractual relationships, despite the clarity of related state and federal laws relating to other non-ADW forms of wagering. The resulting disjunction among operating contracts, revenue recipients, and horsemen's organizations proved ambiguous and contentious.

This proposal rectifies the oversight by requiring – as a condition of accepting wagers – that ADW providers have a Hub Agreement with both the association or fair conducting a race meeting of the same “breed of racing” in the zone where the wagers are accepted, **and** its corresponding horsemen’s organization.

2. Unexpectedly, California’s current ADW law was arguably found to be ambiguous as to whether providers were required to “contract” with a licensed association or fair in order to conduct advance deposit wagering on certain types of races, or whether an ADW provider operated independently, on its own behalf.

By clarifying that the contractual compensation paid to an ADW provider is that set forth in the Hub Agreement, this law will be consistent with and preserves the underlying premise of facility-based wagering. Specifically, current California law deems revenue from all wagers in a given zone to belong to the association or fair conducting live racing in that zone on that breed of racing, not to the agency that accepts the wagers; e.g., satellite wagering facilities.

3. Existing statute permits two separate, limited payments to ADW providers: “contractual compensation” – more commonly known as the “hub fee – was capped at 6.50%; and, “host fees” which are paid to out-of-state interests for imported races, capped at 3.50%.

For numerous reasons, we have removed those limits, believing it more appropriate to provide all parties more flexibility to negotiate these matters in the required Hub Agreements, rather than be bound by statute.

4. Existing California law regulating off-track wagering in-state permits California bettors to wager – at any licensed wagering outlet – on any race conducted in this state. Accordingly, no California licensee may deny another California licensee the ability to offer wagering on California races to their customers. The existing ADW statute however fails expressly to accord California bettors the same accessibility that is required of all other forms of pari-mutuel wagering conducted by California licensees.

This proposal seeks to apply longstanding California off-track wagering statutory policy to ADW licensees, by enabling every California licensed ADW provider to accept wagers from California account-holders on any race conducted in this state, providing certain conditions are met. Please note that this expressly applies to wagering, not necessarily to the broadcast use of the audio-visual signal.

5. Location Fee rates have been “reduced” by one-quarter percent of handle, by breed, in order to fund necessary contributions to the CHRB, declining stabling/vanning funds, and the ever present need to assist equine retirement facilities.

The proposed reduction is structured in such a way as to exempt from revenue loss those facilities that are operated by associations or fairs that conduct at least 15 racing days per year.

6. Existing law permits the statutorily-prescribed distribution of market access fees to be revised, subject to the approval of the CHRB, upon agreement of certain parties, including all facilities receiving a Location Fee distribution.

We have revised the provision such that the prescribed distribution of that portion of the market access fee that is to be divided solely among tracks, breeders, and purses, may be altered by agreement of only those three parties, subject to CHRB approval.

7. Existing statute permits a racing or satellite wagering facility to “accept and facilitate” ADW betting and receive a 2% commission. To our knowledge, since enactment of this law in 2002, no California racing association or fair has facilitated such a wager.

Nonetheless, we propose to revise this language so as to clarify that revenue from any such “facilitated” wager would be distributed as if the wager had been accepted by that facility, under non-ADW provisions of law; that is, as if it were a regular on-track or satellite facility wager.

8. Existing law treats “licensees” – racing associations and fairs or their “affiliations” that conduct ADW – differently than it treats “betting systems” and “multijurisdictional hubs.” Therefore, TOC proposes to add a provision that enables the CHRB to adopt regulations for “licensees” to create and manage temporary or daily “accounts” that allow individual bettors to wager without having to establish permanent ADW accounts for themselves.

Our intention is for “licensees” to be able to conduct CHRB-approved wagering through these accounts at locations outside the inclosure, such as sports bars.

9. Existing law permits associations and fairs to form affiliations “to further the purposes of this section.” We propose to extend the language so as to permit “their respective horsemen’s organizations” to be part of such affiliations, as we currently are for nearly all other industry-affiliated business entities and programs.

10. Definitions: Existing law defines the terms used in the section in various places throughout the section. We propose to consolidate those definitions in one of the first subdivisions, and adds several more defined terms that have become essential nomenclature over the past 5 years, in an effort clarify how the section should be interpreted and applied.

EXHIBIT A

Clean Version

Note: New provisions appear in bold, with revisions in italicized fonts.

19411. "Parimutuel wagering" is a form of wagering in which bettors either purchase tickets of various denominations, *or issue wagering instructions leading to the placement of wagers*, on the outcome of one or more horse races. When the outcome of the race or races has been declared official, the association distributes the total wagers comprising each pool, less the amounts retained for purposes specified in this chapter, to winning bettors.

19590. The board shall adopt rules governing, permitting, and regulating parimutuel wagering on horse races under the system known as the parimutuel method of wagering. *Parimutuel wagering shall be conducted only by a person or persons licensed under this chapter to conduct a horse racing meeting or authorized by the board to conduct advance deposit wagering.*

This section shall remain in effect only until January 1, 2008, and as of that date is repealed, unless a later enacted statute, that is enacted before January 1, 2008, deletes or extends that date.

19595. Any form of wagering or betting on the result of a horse race other than that permitted by this chapter is illegal

19604. The board may authorize any racing association, *racing fair*, betting system, or multijurisdictional wagering hub *to conduct advance deposit wagering*. Racing associations, racing fairs, *and their respective horsemen's organizations* may form a partnership, joint venture, or any other affiliation in order to further the purposes of this section.

(a) As used in this section, the following definitions shall apply:

- (1) "Advance deposit wagering" means a form of parimutuel wagering in which a person residing within California or outside of this state establishes an account with a licensee, a board-approved betting system, or a board-approved multijurisdictional wagering hub located within California or outside of this state, and subsequently issues wagering instructions concerning the funds in this account, thereby authorizing the entity holding the account to place wagers on the account owner's behalf.
- (2) "ADW provider" means a licensee, betting system, or multijurisdictional hub authorized under this section.
- (3) "Betting system" *means is* a business conducted exclusively in this state that facilitates parimutuel wagering on races it simulcasts and other races it offers in its wagering menu.
- (4) "Contractual compensation" means the amount paid to an ADW provider from advance deposit wagers originating in this state, as specified in a Hub Agreement. Contractual compensation includes, but is not limited to, Host Fee payments, if any, for out-of-state and out-of-country races, as specified in a Hub Agreement.
- (5) "Horsemen's organization" means the organization recognized by the board as responsible for negotiating purse agreements on behalf of horsemen participating in the respective racing meeting.
- (6) "Hub Agreement" means a written agreement with respect to advance deposit wagers originating in California on each breed of racing, among an ADW provider accepting those wagers, the racing association or fair that is conducting live racing on that breed during the calendar period in the

zone in which the wager originated, and the horsemen's organization responsible for negotiating purse agreements with that racing association and fair. A Hub Agreement is required for the licensee, betting system, or multijurisdictional hub to receive contractual compensation.

- (7) "Multijurisdictional wagering hub" ~~means is~~ a business conducted in more than one jurisdiction that facilitates parimutuel wagering on races it simulcasts and other races it offers in its wagering menu.
 - (8) "Incentive awards" means those payments provided for in Sections 19617.2, 19617.7, 19617.8, 19617.9, and 19619. The amount determined to be payable for incentive awards under this section shall be payable to the applicable official registering agency and thereafter distributed as provided in this chapter.
 - (9) "Licensee" means any racing association or fair, or affiliation thereof authorized under this section.
 - (10) "Market access fee" means the amount of advance deposit wagering handle remaining after the payment of winning wagers, and after the payment of contractual compensation, *if any*, to an ADW provider. ***Market access fees shall be distributed in accord with subdivision (f) of this section.***
 - (11) "Zone" means the zone of the state as defined in Section 19530.5, except as modified by the provisions of subdivision (f) of Section 19601, and the combined central and southern zones shall be considered one zone.
- (b) An advance deposit wager may be made only by the entity holding the account pursuant to wagering instructions issued by the owner of the funds communicated by telephone call or through other electronic media. The licensee, a betting system, or a multijurisdictional wagering hub shall ensure the identification of the account's owner by utilizing methods and technologies approved by the board. Further, at the request of the board, any licensee, betting system, or multijurisdictional wagering hub located in California, and any betting system or multijurisdictional wagering hub located outside of this state that accepts wagering instructions concerning races conducted in California or accepts wagering instructions from California residents, shall provide a full accounting and verification of the source of the wagers thereby made, including the zone and breed, in the form of a daily download of parimutuel data to a database designated by the board.
- (c) (1) The board shall develop and adopt rules to license and regulate all phases of operation of advance deposit wagering for licensees, betting systems, and multijurisdictional wagering hubs located in California. Betting systems and multijurisdictional wagering hubs located and operating in California shall be approved by the board prior to establishing advance deposit wagering accounts or accepting wagering instructions concerning those accounts and shall enter into a written contractual agreement with the bona fide labor organization that has historically represented the same or similar classifications of employees at the nearest horse racing meeting. Permanent state or county employees and nonprofit organizations that have historically performed certain services at county, state, or district fairs may continue to provide those services, notwithstanding this requirement.
- (2) The board shall develop and adopt rules and regulations requiring betting systems and multijurisdictional wagering hubs to establish security access policies and safeguards, including, but not limited to, the following:
- (A) The betting system or wagering hub shall utilize the services of a board-approved independent third party to perform identity, residence, and age verification services with respect to persons establishing an advance deposit wagering account.
 - (B) The betting system or wagering hub shall utilize personal identification numbers (PINs) and other technologies to assure that only the account holder has access to the advance deposit wagering account.

- (C) The betting system or wagering hub shall provide for withdrawals from the wagering account only by means of a check made payable to the accountholder and sent to the address of the accountholder or by means of an electronic transfer to an account held by the verified accountholder or the accountholder may withdraw funds from the wagering account at a facility approved by the board by presenting verifiable personal and account identification information.
- (D) The betting system or wagering hub shall allow the board access to its premises to visit, investigate, and place expert accountants and other persons it deems necessary for the purpose of ensuring that its rules and regulations concerning credit authorization, account access, and other security provisions are strictly complied with.
- (3) The board shall prohibit advance deposit wagering advertising that it determines to be deceptive to the public. The board shall also require, by regulation, that every form of advertising contain a statement that minors are not allowed to open or have access to advance deposit wagering accounts.
- (4) Notwithstanding any other provision of law, the board may adopt rules and regulations authorizing licensees to create and administer wagering accounts through which persons may deposit cash funds or vouchers, issue wagering instructions, and withdraw cash funds or vouchers.**
- (d) In order for a licensee, betting system, or multijurisdictional wagering hub to be approved by the board to conduct advance deposit wagering, it shall meet both of the following requirements:
- (1) All wagers thereby made shall be included in the appropriate parimutuel pool of the host racing association or fair under a contractual agreement with the applicable California licensee, in accordance with the provisions of this chapter.
 - (2) The amounts deducted from advance deposit wagers shall be in accordance with the provisions of this chapter.
- (e) **(1) An ADW provider may accept advance deposit wagers originating in this state on any race conducted in this state, if all of the following requirements are met:**
- (A) The association or fair that conducts the racing meeting and the organization that is responsible for negotiating purse agreements on behalf of horsemen participating in that racing meeting consent to the acceptance of wagers. However, if consent is withheld, any of the three parties may appeal the withholding of consent to the board, which may determine that consent is not required.**
 - (B) The ADW provider has executed a Hub Agreement with the racing association or fair that is conducting live racing on that breed of racing during the calendar period in the zone in which the wager originated, and the horsemen's organization responsible for negotiating purse agreements with that racing association or fair.**
- (2) An ADW provider may accept advance deposit wagers originating in this state on races conducted outside of this state if it has executed a Hub Agreement with the racing association or fair that is conducting live racing on that breed of racing during the calendar period in the zone in which the wager originated, and the horsemen's organization responsible for negotiating purse agreements with that racing association or fair.**
- (3) For the purposes of this section, the breed of racing of all races conducted by associations and fairs licensed to conduct thoroughbred, fair, or mixed breed race meetings shall be thoroughbred, the breed of racing of all races conducted by associations and fairs licensed to conduct Quarter Horse race meetings shall be Quarter Horse, and the breed of racing of all races conducted by associations and fairs licensed to conduct Standardbred race meetings shall be Standardbred.**

- (f) After the payment of contractual compensation, if any, the amounts received as a market access fees from advance deposit wagers, which shall not be considered for purposes of Section 19616.51, shall be distributed as follows:
- (1) An amount equal to 0.0011 multiplied by the amount handled on advance deposit wagers originating in California for each racing meeting shall be distributed to the Center for Equine Health to establish the Kenneth L. Maddy Fund for the benefit of the School of Veterinary Medicine at the University of California at Davis.
 - (2) An amount equal to 0.0003 multiplied by the amount handled on advance deposit wagers originating in California for each racing meeting shall be distributed to the Department of Industrial Relations to cover costs associated with audits conducted pursuant to Section 19526 and for the purposes of reimbursing the State Mediation and Conciliation Service for costs incurred pursuant to this bill. However, if that amount would exceed the costs of the Department of Industrial Relations, the amount distributed to the department shall be reduced, and that reduction shall be forwarded to an organization designated by the racing association or fair described in subdivision (a) for the purpose of augmenting a compulsive gambling prevention program specifically addressing that problem.
 - (3) An amount equal to 0.00165 multiplied by the amount handled on advance deposit wagers that originate in California for each racing meeting shall be distributed as follows:
 - (A) One-half of the amount shall be distributed to supplement the trainer-administered pension plans for backstretch personnel established pursuant to Section 19613. Moneys distributed pursuant to this subparagraph shall supplement, and not supplant, moneys distributed to that fund pursuant to Section 19613 or any other provision of law.
 - (B) One-half of the amount shall be distributed to the welfare fund established for the benefit of horsemen and backstretch personnel pursuant to subdivision (b) of Section 19641. Moneys distributed pursuant to this subparagraph shall supplement, and not supplant, moneys distributed to that fund pursuant to Section 19641 or any other provision of law.
 - (4) ***An amount equal to 0.00125 multiplied by the amount handled on advance deposit wagers originating in California shall be distributed to the California Horse Racing Board shall be allocated to the CHRB for the purpose of protecting the integrity of the industry, including but not limited to medication testing of racehorses, security and surveillance of facilities or licensees, special investigations, or outside professional services.***
 - (5) ***An amount equal to 0.0008 multiplied by the amount handled on advance deposit wagers originating in the corresponding zone shall be distributed to the organization responsible for the distribution of off-track stabling and vanning funds for the exclusive purpose of subsidizing stabling and vanning expenditures.***
 - (6) ***An amount equal to 0.00045 multiplied by the amount handled on advance deposit wagers originating in California on thoroughbred races shall be distributed to the horsemen's organization responsible for negotiating purse agreements on behalf of horsemen participating in thoroughbred race meetings, to be used exclusively for charitable donations to equine retirement and rehabilitation facilities.***
 - (7) With respect to wagers on each breed of racing that originate in California, an amount equal to ***1.75*** 2 percent of the first two hundred fifty million dollars (\$250,000,000) of handle from all advance deposit wagers originating from within California annually, an amount equal to ***1.25*** 4-5 percent of the next two hundred fifty million dollars (\$250,000,000) of handle from all advance deposit wagers originating from within California annually, and an amount equal to 1 percent of handle from all advance deposit wagers originating from within California in excess of five hundred million dollars (\$500,000,000) annually, shall be distributed as satellite wagering commissions. ***Of the amounts distributed as satellite wagering commissions, thirty percent (30%) shall be allocated exclusively to satellite facilities operated by***

associations and fairs that conduct racing meetings of at least fifteen racing days per year. The remainder shall be allocated among all satellite facilities. The satellite wagering facility commissions calculated in accordance with this subdivision shall be distributed to each satellite wagering facility and racing association or fair in the zone in which the wager originated in the same relative proportions that the satellite wagering facility or the racing association or fair generated satellite commissions during the previous calendar year. In the event of a reduction in the satellite wagering commissions, pursuant to this section, the benefits therefrom shall be distributed equitably as purses and commissions to all associations and racing fairs generating advance deposit wagers in proportion to the handle generated by those associations and racing fairs. For purposes of this section, the purse funds distributed pursuant to Section 19605.72 shall be considered to be satellite wagering facility commissions attributable to thoroughbred races at the locations described in that section.

- (8) After the distribution of the amounts set forth in paragraphs (1) through (7), inclusive, the remaining market access fee from wagers originating in California shall be as follows:
- (A) With respect to wagers on each breed of racing, the amount remaining shall be distributed to the racing association or fair that is conducting live racing on that breed of racing during the calendar period in the zone in which the wager originated, and this amount shall be allocated to that racing association or fair as commissions, to horsemen participating in that racing meeting in the form of purses, and as incentive awards, in the same relative proportion as they were generated or earned during the prior calendar year at that racing association or fair on races conducted or imported by that racing association or fair after making all deductions required by applicable law. **Notwithstanding any other provision of law, the distributions with respect to each breed of racing set forth in this paragraph (A) may be altered upon the approval of the board, in accordance with an agreement signed by the respective associations, fairs, horsemen's organizations, and breeders organizations receiving those distributions.**
 - (B) If the provisions of Section 19601.2 apply, then the amount distributed to the applicable racing associations or fairs shall first be divided between those racing associations or fairs in direct proportion to the total amount wagered in the applicable zone on the live races conducted by the respective association or fair. Notwithstanding this requirement, when the provisions of subdivision (b) of Section 19607.5 apply to the 2nd District Agricultural Association in Stockton or the California Exposition and State Fair in Sacramento, then the total amount distributed to the applicable racing associations or fairs shall first be divided equally, with 50 percent distributed to applicable fairs and 50 percent distributed to applicable associations.
 - (C) Notwithstanding any provisions of this section to the contrary, with respect to wagers on out-of-state and out-of-country thoroughbred races conducted after 6 p.m., Pacific time, 50 percent of the amount remaining shall be distributed as commissions to thoroughbred associations and racing fairs, as thoroughbred and fair purses, and as incentive awards in accordance with paragraph (A), and the remaining 50 percent, together with **the total amount remaining** from advance deposit wagering originating from California **on** out-of-state and out-of-country harness and quarter horse races conducted after 6 p.m., Pacific time, shall be distributed as commissions on a pro rata basis to the applicable licensed quarter horse association and the applicable licensed harness association, based upon the amount handled instate, both on- and off-track, on each breed's own live races in the previous year by that association, or its predecessor association. One-half of the amount thereby received by each association shall be retained by that association as a commission, and the other half of the money received shall be distributed as purses to the horsemen participating in its current or next scheduled licensed racing meeting.
 - (D) Notwithstanding any provisions of this section to the contrary, with respect to wagers on out-of-state and out-of-country non-thoroughbred races conducted before 6 p.m., Pacific

time, 50 percent of the amount remaining shall be distributed as commissions as provided in ***paragraph (C)*** for licensed quarter horse and harness associations, and the remaining 50 percent shall be distributed as commissions to the applicable thoroughbred associations or fairs, as thoroughbred and fair purses, and as incentive awards—in accordance with ***paragraph (A)***.

- (9) Notwithstanding any provision of this section to the contrary, the distribution of the market access fee, other than the distributions specified in paragraph (1) or (2), may be altered upon the approval of the board, in accordance with an agreement signed by all parties receiving a distribution under paragraphs (6) and (7).
- (f) A racing association, a fair, or a satellite wagering facility may accept and facilitate the placement of any wager from a patron at its facility that a California resident could make through a betting system or multijurisdictional wagering hub duly offering advance deposit wagering in this state, and the facility accepting the wager shall ***treat such wager as if it were a wager placed at that facility.***
- (g) Any disputes concerning the interpretation or application of this section shall be resolved by the board.

EXHIBIT B

Redlined Version

19411. "Parimutuel wagering" is a form of wagering in which bettors either purchase tickets of various denominations, *or issue wagering instructions leading to the placement of wagers*, on the outcome of one or more horse races. When the outcome of the race or races has been declared official, the association distributes the total wagers comprising each pool, less the amounts retained for purposes specified in this chapter, to winning bettors.

~~This section shall remain in effect only until 2008, and as of that date is repealed, unless a later enacted statute, that is enacted before January 1, 2008, deletes or extends that date.~~

~~**19411.** "Parimutuel wagering" is a form of wagering in which bettors either purchase tickets of various denominations on the outcome of one or more horse races. When the outcome of the race or races has been declared official, the association distributes the total wagers comprising each pool, less the amounts retained for purposes specified in this chapter, to winning bettors.~~

~~—This section shall become operative on January 1, 2008.~~

19590. The board shall adopt rules governing, permitting, and regulating parimutuel wagering on horse races under the system known as the parimutuel method of wagering. *Parimutuel wagering* shall be conducted only by a person or persons licensed under this chapter to conduct a horse racing meeting *or authorized by the board to conduct advance deposit wagering*, and only within the enclosure and on the dates for which horse racing has been authorized by the board. ~~Wagering instructions concerning funds held in an advance deposit wagering account shall be deemed to be issued within the licensee's enclosure.~~

~~This section shall remain in effect only until January 1, 2008, and as of that date is repealed, unless a later enacted statute, that is enacted before January 1, 2008, deletes or extends that date.~~

~~**19590.** The board shall adopt rules governing, permitting, and regulating wagering on horse races under the system known as the parimutuel method of wagering. Such wagering shall be conducted only by a person licensed under this chapter to conduct a horse racing meeting, and only within the enclosure and on the dates for which horse racing has been authorized by the board. This section shall become operative on January 1, 2008.~~

19595. Any form of wagering or betting on the result of a horse race other than that permitted by this chapter is illegal. ~~Also illegal is any wagering or betting on horse races outside an enclosure where the conduct of horse racing is licensed by the board. Wagering instructions concerning funds held in an advance deposit wagering account shall be deemed to be issued within the licensee's enclosure.~~

~~—This section shall remain in effect only until January 1, 2008, and as of that date is repealed, unless a later enacted statute, that is enacted before January 1, 2008, deletes or extends that date.~~

~~**19595.** Any form of wagering or betting on the result of a horse race other than that permitted by this chapter is illegal. Also illegal is any wagering or betting on horse races outside an enclosure where the conduct of horse racing is licensed by the board.~~

~~—This section shall become operative on January 1, 2008.~~

19604. ~~Notwithstanding any other provision of law, in addition to parimutuel wagering otherwise authorized by this chapter, advance deposit wagering may be conducted upon approval of the board. The board may~~

authorize any racing association, racing fair, betting system, or multijurisdictional wagering hub to conduct advance deposit wagering. Racing associations, racing fairs, and their respective horsemen's organizations may form a partnership, joint venture, or any other affiliation in order to further the purposes of this section.

(a) As used in this section, the following definitions shall apply:

- (12) "Advance deposit wagering" means a form of parimutuel wagering in which a person residing within California or outside of this state establishes an account with a licensee, a board-approved betting system, or a board-approved multijurisdictional wagering hub located within California or outside of this state, and subsequently issues wagering instructions concerning the funds in this account, thereby authorizing the entity holding the account to place wagers on the account owner's behalf.
- (13) "ADW provider" means a licensee, betting system, or multijurisdictional hub authorized under this section.
- (14) "Betting system" means is—a business conducted exclusively in this state that facilitates parimutuel wagering on races it simulcasts and other races it offers in its wagering menu.
- (15) "Contractual compensation" means the amount paid to an ADW provider from advance deposit wagers originating in this state, as specified in a Hub Agreement. Contractual compensation includes, but is not limited to, Host Fee payments, if any, for out-of-state and out-of-country races, as specified in a Hub Agreement.
- (16) "Horsemen's organization" means the organization recognized by the board as responsible for negotiating purse agreements on behalf of horsemen participating in the respective racing meeting.
- (17) "Hub Agreement" means a written agreement with respect to advance deposit wagers originating in California on each breed of racing, among an ADW provider accepting those wagers, the racing association or fair that is conducting live racing on that breed during the calendar period in the zone in which the wager originated, and the horsemen's organization responsible for negotiating purse agreements with that racing association and fair. A Hub Agreement is required for the licensee, betting system, or multijurisdictional hub to receive contractual compensation.
- (18) "Multijurisdictional wagering hub" means is—a business conducted in more than one jurisdiction that facilitates parimutuel wagering on races it simulcasts and other races it offers in its wagering menu.
- (19) "Incentive awards" means those payments provided for in Sections 19617.2, 19617.7, 19617.8, 19617.9, and 19619. The amount determined to be payable for incentive awards under this section shall be payable to the applicable official registering agency and thereafter distributed as provided in this chapter.
- (20) "Licensee" means any racing association or fair, or affiliation thereof authorized under this section in subdivision (a).
- (21) "Market access fee" means the amount of advance deposit wagering handle remaining after the payment of winning advance deposit wagers, and after the payment of contractual compensation, if any, and host fee contractual fee paid by to an ADW provider to the California licensee for access to the California market for wagering purposes. **Market access fees shall be distributed in accord with subdivision (f) of this section.**
- (22) "Zone" means the zone of the state as defined in Section 19530.5, except as modified by the provisions of subdivision (f) of Section 19601, and the combined central and southern zones shall be considered one zone.

- (b) An advance deposit wager may be made only by the entity holding the account pursuant to wagering instructions issued by the owner of the funds communicated by telephone call or through other electronic media. The licensee, a betting system, or a multijurisdictional wagering hub shall ensure the identification of the account's owner by utilizing methods and technologies approved by the board. Further, at the request of the board, any licensee, betting system, or multijurisdictional wagering hub

located in California, and any betting system or multijurisdictional wagering hub located outside of this state that accepts wagering instructions concerning races conducted in California or accepts wagering instructions from California residents, shall provide a full accounting and verification of the source of the wagers thereby made, including the zone and breed, in the form of a daily download of parimutuel data to a database designated by the board. ~~Additionally, when the board approves a licensee, a betting system, or a multijurisdictional wagering hub, whether located within California or outside of this state, to accept advance deposit wagering instructions on any race or races from California residents, the licensee, betting system, or multijurisdictional wagering hub may be compensated pursuant to a contractual agreement with a California licensee, in an amount not to exceed 6.5 percent of the amount handled on a race or races conducted in California, and in the case of a race or races conducted in another jurisdiction, may be compensated in an amount not to exceed 6.5 percent, plus a fee to be paid to the host racing association not to exceed 3.5 percent, of the amount handled on that race or races. The amount remaining after the payment of winning wagers and after payment of the contractual compensation and host fee, if any, shall be distributed as a market access fee in accordance with subdivision (g). As used in this section,~~ As used in this section,:

- (c) (1) The board shall develop and adopt rules to license and regulate all phases of operation of advance deposit wagering for licensees, betting systems, and multijurisdictional wagering hubs located in California. Betting systems and multijurisdictional wagering hubs located and operating in California shall be approved by the board prior to establishing advance deposit wagering accounts or accepting wagering instructions concerning those accounts and shall enter into a written contractual agreement with the bona fide labor organization that has historically represented the same or similar classifications of employees at the nearest horse racing meeting. Permanent state or county employees and nonprofit organizations that have historically performed certain services at county, state, or district fairs may continue to provide those services, notwithstanding this requirement.
- (2) The board shall develop and adopt rules and regulations requiring betting systems and multijurisdictional wagering hubs to establish security access policies and safeguards, including, but not limited to, the following:
 - (A) The betting system or wagering hub shall utilize the services of a board-approved independent third party to perform identity, residence, and age verification services with respect to persons establishing an advance deposit wagering account.
 - (B) The betting system or wagering hub shall utilize personal identification numbers (PINs) and other technologies to assure that only the accountholder has access to the advance deposit wagering account.
 - (C) The betting system or wagering hub shall provide for withdrawals from the wagering account only by means of a check made payable to the accountholder and sent to the address of the accountholder or by means of an electronic transfer to an account held by the verified accountholder or the accountholder may withdraw funds from the wagering account at a facility approved by the board by presenting verifiable personal and account identification information.
 - (D) The betting system or wagering hub shall allow the board access to its premises to visit, investigate, and place expert accountants and other persons it deems necessary for the purpose of ensuring that its rules and regulations concerning credit authorization, account access, and other security provisions are strictly complied with.
- (3) The board shall prohibit advance deposit wagering advertising that it determines to be deceptive to the public. The board shall also require, by regulation, that every form of advertising contain a statement that minors are not allowed to open or have access to advance deposit wagering accounts.
- (4) Notwithstanding any other provision of law, the board may adopt rules and regulations authorizing licensees to create and administer wagering accounts through***

which persons may deposit cash funds or vouchers, issue wagering instructions, and withdraw cash funds or vouchers.

- (d) In order for a licensee, betting system, or multijurisdictional wagering hub to be approved by the board to conduct advance deposit wagering, it shall meet both of the following requirements:
- (1) All wagers thereby made shall be included in the appropriate parimutuel pool of the host racing association or fair under a contractual agreement with the applicable California licensee, in accordance with the provisions of this chapter.
 - (2) The amounts deducted from advance deposit wagers shall be in accordance with the provisions of this chapter.
- (f) ***(1) An ADW provider may accept advance deposit wagers originating in this state on any race conducted in this state, if all of the following requirements are met:***
- (A) The association or fair that conducts the racing meeting and the organization that is responsible for negotiating purse agreements on behalf of horsemen participating in that racing meeting consent to the acceptance of wagers. However, if consent is withheld, any of the three parties may appeal the withholding of consent to the board, which may determine that consent is not required.***
 - (B) The ADW provider has executed a Hub Agreement with the racing association or fair that is conducting live racing on that breed of racing during the calendar period in the zone in which the wager originated, and the horsemen's organization responsible for negotiating purse agreements with that racing association or fair.***
- (2) An ADW provider may accept advance deposit wagers originating in this state on races conducted outside of this state if it has executed a Hub Agreement with the racing association or fair that is conducting live racing on that breed of racing during the calendar period in the zone in which the wager originated, and the horsemen's organization responsible for negotiating purse agreements with that racing association or fair.***
- (3) For the purposes of this section, the breed of racing of all races conducted by associations and fairs licensed to conduct thoroughbred, fair, or mixed breed race meetings shall be thoroughbred, the breed of racing of all races conducted by associations and fairs licensed to conduct Quarter Horse race meetings shall be Quarter Horse, and the breed of racing of all races conducted by associations and fairs licensed to conduct Standardbred race meetings shall be Standardbred.***
- (f) After the payment of contractual compensation, if any, the amounts received as a market access fees from advance deposit wagers, which shall not be considered for purposes of Section 19616.51, shall be distributed as follows:
- (1) An amount equal to 0.0011 multiplied by the amount handled on advance deposit wagers originating in California for each racing meeting shall be distributed to the Center for Equine Health to establish the Kenneth L. Maddy Fund for the benefit of the School of Veterinary Medicine at the University of California at Davis.
 - (2) An amount equal to 0.0003 multiplied by the amount handled on advance deposit wagers originating in California for each racing meeting shall be distributed to the Department of Industrial Relations to cover costs associated with audits conducted pursuant to Section 19526 and for the purposes of reimbursing the State Mediation and Conciliation Service for costs incurred pursuant to this bill. However, if that amount would exceed the costs of the Department of Industrial Relations, the amount distributed to the department shall be reduced, and that reduction shall be forwarded to an organization designated by the racing

- association or fair described in subdivision (a) for the purpose of augmenting a compulsive gambling prevention program specifically addressing that problem.
- (3) An amount equal to 0.00165 multiplied by the amount handled on advance deposit wagers that originate in California for each racing meeting shall be distributed as follows:
 - (A) One-half of the amount shall be distributed to supplement the trainer-administered pension plans for backstretch personnel established pursuant to Section 19613. Moneys distributed pursuant to this subparagraph shall supplement, and not supplant, moneys distributed to that fund pursuant to Section 19613 or any other provision of law.
 - (B) One-half of the amount shall be distributed to the welfare fund established for the benefit of horsemen and backstretch personnel pursuant to subdivision (b) of Section 19641. Moneys distributed pursuant to this subparagraph shall supplement, and not supplant, moneys distributed to that fund pursuant to Section 19641 or any other provision of law.
 - (4) ***An amount equal to 0.00125 multiplied by the amount handled on advance deposit wagers originating in California shall be distributed to the California Horse Racing Board shall be allocated to the CHRB for the purpose of protecting the integrity of the industry, including but not limited to medication testing of racehorses, security and surveillance of facilities or licensees, special investigations, or outside professional services.***
 - (5) ***An amount equal to 0.0008 multiplied by the amount handled on advance deposit wagers originating in the corresponding zone shall be distributed to the organization responsible for the distribution of off-track stabling and vanning funds for the exclusive purpose of subsidizing stabling and vanning expenditures.***
 - (6) ***An amount equal to 0.00045 multiplied by the amount handled on advance deposit wagers originating in California on thoroughbred races shall be distributed to the horsemen's organization responsible for negotiating purse agreements on behalf of horsemen participating in thoroughbred race meetings, to be used exclusively for charitable donations to equine retirement and rehabilitation facilities.***
 - (7) With respect to wagers on each breed of racing that originate in California, an amount equal to 1.75 percent of the first two hundred fifty million dollars (\$250,000,000) of handle from all advance deposit wagers originating from within California annually, an amount equal to 1.25 percent of the next two hundred fifty million dollars (\$250,000,000) of handle from all advance deposit wagers originating from within California annually, and an amount equal to 1 percent of handle from all advance deposit wagers originating from within California in excess of five hundred million dollars (\$500,000,000) annually, shall be distributed as satellite wagering commissions. ***Of the amounts distributed as satellite wagering commissions, thirty percent (30%) shall be allocated exclusively to satellite facilities operated by associations and fairs that conduct racing meetings of at least fifteen racing days per year. The remainder shall be allocated among all satellite facilities.*** The satellite wagering facility commissions calculated in accordance with this subdivision shall be distributed to each satellite wagering facility and racing association or fair in the zone in which the wager originated in the same relative proportions that the satellite wagering facility or the racing association or fair generated satellite commissions during the previous calendar year. In the event of a reduction in the satellite wagering commissions, pursuant to this section, the benefits therefrom shall be distributed equitably as purses and commissions to all associations and racing fairs generating advance deposit wagers in proportion to the handle generated by those associations and racing fairs. For purposes of this section, the purse funds distributed pursuant to Section 19605.72 shall be considered to be satellite wagering facility commissions attributable to thoroughbred races at the locations described in that section.
 - (8) After the distribution of the amounts set forth in paragraphs (1) through (7), inclusive, the remaining market access fee from wagers originating in California shall be as follows:

- (A) ~~With respect to wagers on each breed of racing that originate in California for each racing meeting, after the payment of contractual obligations the licensee, the betting system, or the multijurisdictional wagering hub, and the distribution of the amounts set forth in paragraphs (1) through (7), inclusive, the amount remaining shall be distributed to the racing association or fair that is conducting live racing on that breed of racing during the calendar period in the zone in which the wager originated, and this amount shall be allocated to that racing association or fair as commissions, to horsemen participating in that racing meeting in the form of purses, and as incentive awards, in the same relative proportion as they were generated or earned during the prior calendar year at that racing association or fair on races conducted or imported by that racing association or fair after making all deductions required by applicable law. Purse funds generated pursuant to this section may be utilized to pay 50 percent of the total costs and fees incurred due to the implementation of advance deposit wagering. The amount determined to be payable for incentive awards shall be payable to the applicable official registering agency and thereafter distributed as provided in this chapter.~~ **Notwithstanding any other provision of law, the distributions with respect to each breed of racing set forth in this paragraph (A) may be altered upon the approval of the board, in accordance with an agreement signed by the respective associations, fairs, horsemen's organizations, and breeders organizations receiving those distributions.**
- (B) If the provisions of Section 19601.2 apply, then the amount distributed to the applicable racing associations or fairs ~~from advance deposit wagering shall first be divided between those racing associations or fairs in direct proportion to the total amount wagered in the applicable zone on the live races conducted by the respective association or fair. Notwithstanding this requirement, when the provisions of subdivision (b) of Section 19607.5 apply to the 2nd District Agricultural Association in Stockton or the California Exposition and State Fair in Sacramento, then the total amount distributed to the applicable racing associations or fairs shall first be divided equally, with 50 percent distributed to applicable fairs and 50 percent distributed to applicable associations. For purposes of this subdivision, the zones of the state shall be as defined in Section 19530.5, except as modified by the provisions of subdivision (f) of Section 19601, and the combined central and southern zones shall be considered one zone.~~
- (C) ~~Notwithstanding any provisions of this section to the contrary, all funds derived from advance deposit wagering that originate from California for each racing meeting with respect to wagers on out-of-state and out-of-country thoroughbred races conducted after 6 p.m., Pacific time, 50 percent of the amount remaining after the payment of contractual obligations to the multijurisdictional wagering hub, betting system, or licensee and the amounts set forth in paragraphs (1) through (6), inclusive, of subdivision (e) shall be distributed as commissions to thoroughbred associations and racing fairs, as thoroughbred and fair purses, and as incentive awards in accordance with paragraph (A), and the remaining 50 percent, together with all funds derived for each racing meeting~~ **the total amount remaining** ~~from advance deposit wagering originating from California~~ **on** ~~out-of-state and out-of-country harness and quarter horse races conducted after 6 p.m., Pacific time, shall be distributed as commissions on a pro rata basis to the applicable licensed quarter horse association and the applicable licensed harness association, based upon the amount handled instate, both on- and off-track, on each breed's own live races in the previous year by that association, or its predecessor association. One-half of the amount thereby received by each association shall be retained by that association as a commission, and the other half of the money received shall be distributed as purses to the horsemen participating in its current or next scheduled licensed racing meeting.~~
- (D) ~~Notwithstanding any provisions of this section to the contrary, all funds derived from advance deposit wagering which originate from California for each racing meeting with~~

respect to wagers on out-of-state and out-of-country non-thoroughbred races conducted before 6 p.m., Pacific time, ~~shall be distributed in accordance with this subdivision. With respect to these wagers, 50 percent of the amount remaining after the payment of contractual obligations to the multijurisdictional wagering hub, betting system, or licensee and the amounts distributions set forth in paragraphs (1) through (6), inclusive, of subdivision (e) shall be distributed as commissions as provided in **paragraph (C)** subdivision (h) for licensed quarter horse and harness associations, and the remaining 50 percent shall be distributed as commissions to the applicable thoroughbred associations or fairs, as thoroughbred and fair purses, and as incentive awards in accordance with **paragraph (A)** subdivision (g).~~

- (9) Notwithstanding any provision of this section to the contrary, the distribution of the market access fee, other than the distributions specified in paragraph (1) or (2), may be altered upon the approval of the board, in accordance with an agreement signed by all parties receiving a distribution under paragraphs (6) and (7).

- (f) A racing association, a fair, or a satellite wagering facility may accept and facilitate the placement of any wager from a patron at its facility that a California resident could make through a betting system or multijurisdictional wagering hub duly offering advance deposit wagering in this state, and the facility accepting the wager shall ***treat such wager as if it were a wager placed at that facility*** ~~receive a 2 percent commission on that wager in lieu of any distribution for satellite commissions pursuant to subdivision (e).~~

- (g) Any disputes concerning the interpretation or application of this section shall be resolved by the board.

~~This section shall remain in effect only until January 1, 2008, and as of that date is repealed, unless a later enacted statute, that is enacted before January 1, 2008, deletes or extends that date.~~

EXHIBIT C

Existing Law

19411. "Parimutuel wagering" is a form of wagering in which bettors either purchase tickets of various denominations, or issue wagering instructions leading to the placement of wagers, on the outcome of one or more horse races. When the outcome of the race or races has been declared official, the association distributes the total wagers comprising each pool, less the amounts retained for purposes specified in this chapter, to winning bettors.

This section shall remain in effect only until 2008, and as of that date is repealed, unless a later enacted statute, that is enacted before January 1, 2008, deletes or extends that date.

19411. "Parimutuel wagering" is a form of wagering in which bettors either purchase tickets of various denominations on the outcome of one or more horse races. When the outcome of the race or races has been declared official, the association distributes the total wagers comprising each pool, less the amounts retained for purposes specified in this chapter, to winning bettors.

This section shall become operative on January 1, 2008.

19590. The board shall adopt rules governing, permitting, and regulating parimutuel wagering on horse races under the system known as the parimutuel method of wagering. Parimutuel wagering shall be conducted only by a person or persons licensed under this chapter to conduct a horse racing meeting, and only within the enclosure and on the dates for which horse racing has been authorized by the board. Wagering instructions concerning funds held in an advance deposit wagering account shall be deemed to be issued within the licensee's enclosure.

This section shall remain in effect only until January 1, 2008, and as of that date is repealed, unless a later enacted statute, that is enacted before January 1, 2008, deletes or extends that date.

19590. The board shall adopt rules governing, permitting, and regulating wagering on horse races under the system known as the parimutuel method of wagering. Such wagering shall be conducted only by a person licensed under this chapter to conduct a horse racing meeting, and only within the enclosure and on the dates for which horse racing has been authorized by the board. This section shall become operative on January 1, 2008.

19595. Any form of wagering or betting on the result of a horse race other than that permitted by this chapter is illegal. Also illegal is any wagering or betting on horse races outside an enclosure where the conduct of horse racing is licensed by the board. Wagering instructions concerning funds held in an advance deposit wagering account shall be deemed to be issued within the licensee's enclosure.

This section shall remain in effect only until January 1, 2008, and as of that date is repealed, unless a later enacted statute, that is enacted before January 1, 2008, deletes or extends that date.

19595. Any form of wagering or betting on the result of a horse race other than that permitted by this chapter is illegal. Also illegal is any wagering or betting on horse races outside an enclosure where the conduct of horse racing is licensed by the board.

This section shall become operative on January 1, 2008.

19604. Notwithstanding any other provision of law, in addition to parimutuel wagering otherwise authorized by this chapter, advance deposit wagering may be conducted upon approval of the board. The board may authorize any racing association or fair, during the calendar period it is licensed by the board to conduct a live

racing meeting in accordance with the provisions of Article 4 (commencing with Section 19480), to accept advance deposit wagers or to allow these wagers through a betting system or a multijurisdictional wagering hub in accordance with the following:

- (a) Racing associations and racing fairs may form a partnership, joint venture, or any other affiliation in order to further the purposes of this section.
- (b) As used in this section, "advance deposit wagering" means a form of parimutuel wagering in which a person residing within California or outside of this state establishes an account with a licensee, a board-approved betting system, or a board-approved multijurisdictional wagering hub located within California or outside of this state, and subsequently issues wagering instructions concerning the funds in this account, thereby authorizing the entity holding the account to place wagers on the account owner's behalf. An advance deposit wager may be made only by the entity holding the account pursuant to wagering instructions issued by the owner of the funds communicated by telephone call or through other electronic media. The licensee, a betting system, or a multijurisdictional wagering hub shall ensure the identification of the account's owner by utilizing methods and technologies approved by the board. Further, at the request of the board, any licensee, betting system, or multijurisdictional wagering hub located in California, and any betting system or multijurisdictional wagering hub located outside of this state that accepts wagering instructions concerning races conducted in California or accepts wagering instructions from California residents, shall provide a full accounting and verification of the source of the wagers thereby made, including the zone and breed, in the form of a daily download of parimutuel data to a database designated by the board. Additionally, when the board approves a licensee, a betting system, or a multijurisdictional wagering hub, whether located within California or outside of this state, to accept advance deposit wagering instructions on any race or races from California residents, the licensee, betting system, or multijurisdictional wagering hub may be compensated pursuant to a contractual agreement with a California licensee, in an amount not to exceed 6.5 percent of the amount handled on a race or races conducted in California, and in the case of a race or races conducted in another jurisdiction, may be compensated in an amount not to exceed 6.5 percent, plus a fee to be paid to the host racing association not to exceed 3.5 percent, of the amount handled on that race or races. The amount remaining after the payment of winning wagers and after payment of the contractual compensation and host fee, if any, shall be distributed as a market access fee in accordance with subdivision (g). As used in this section, "market access fee" means the contractual fee paid by a betting system or multijurisdictional wagering hub to the California licensee for access to the California market for wagering purposes. As used in this section, "licensee" means any racing association or fair, or affiliation thereof authorized in subdivision (a).
- (c)
 - (1) The board shall develop and adopt rules to license and regulate all phases of operation of advance deposit wagering for licensees, betting systems, and multijurisdictional wagering hubs located in California. Betting systems and multijurisdictional wagering hubs located and operating in California shall be approved by the board prior to establishing advance deposit wagering accounts or accepting wagering instructions concerning those accounts and shall enter into a written contractual agreement with the bona fide labor organization that has historically represented the same or similar classifications of employees at the nearest horse racing meeting. Permanent state or county employees and nonprofit organizations that have historically performed certain services at county, state, or district fairs may continue to provide those services, notwithstanding this requirement.
 - (2) The board shall develop and adopt rules and regulations requiring betting systems and multijurisdictional wagering hubs to establish security access policies and safeguards, including, but not limited to, the following:
 - (A) The betting system or wagering hub shall utilize the services of a board-approved independent third party to perform identity, residence, and age verification services with respect to persons establishing an advance deposit wagering account.

- (B) The betting system or wagering hub shall utilize personal identification numbers (PINs) and other technologies to assure that only the accountholder has access to the advance deposit wagering account.
- (C) The betting system or wagering hub shall provide for withdrawals from the wagering account only by means of a check made payable to the accountholder and sent to the address of the accountholder or by means of an electronic transfer to an account held by the verified accountholder or the accountholder may withdraw funds from the wagering account at a facility approved by the board by presenting verifiable personal and account identification information.
- (D) The betting system or wagering hub shall allow the board access to its premises to visit, investigate, and place expert accountants and other persons it deems necessary for the purpose of ensuring that its rules and regulations concerning credit authorization, account access, and other security provisions are strictly complied with.
- (3) The board shall prohibit advance deposit wagering advertising that it determines to be deceptive to the public. The board shall also require, by regulation, that every form of advertising contain a statement that minors are not allowed to open or have access to advance deposit wagering accounts.
- (d) As used in this section, a "multijurisdictional wagering hub" is a business conducted in more than one jurisdiction that facilitates parimutuel wagering on races it simulcasts and other races it offers in its wagering menu.
- (e) As used in this section, a "betting system" is a business conducted exclusively in this state that facilitates parimutuel wagering on races it simulcasts and other races it offers in its wagering menu.
- (f) In order for a licensee, betting system, or multijurisdictional wagering hub to be approved by the board to conduct advance deposit wagering, it shall meet both of the following requirements:
 - (1) All wagers thereby made shall be included in the appropriate parimutuel pool of the host racing association or fair under a contractual agreement with the applicable California licensee, in accordance with the provisions of this chapter.
 - (2) The amounts deducted from advance deposit wagers shall be in accordance with the provisions of this chapter.
- (g) The amount received as a market access fee from advance deposit wagers, which shall not be considered for purposes of Section 19616.51, shall be distributed as follows:
 - (1) An amount equal to 0.0011 multiplied by the amount handled on advance deposit wagers originating in California for each racing meeting shall be distributed to the Center for Equine Health to establish the Kenneth L. Maddy Fund for the benefit of the School of Veterinary Medicine at the University of California at Davis.
 - (2) An amount equal to 0.0003 multiplied by the amount handled on advance deposit wagers originating in California for each racing meeting shall be distributed to the Department of Industrial Relations to cover costs associated with audits conducted pursuant to Section 19526 and for the purposes of reimbursing the State Mediation and Conciliation Service for costs incurred pursuant to this bill. However, if that amount would exceed the costs of the Department of Industrial Relations, the amount distributed to the department shall be reduced, and that reduction shall be forwarded to an organization designated by the racing association or fair described in subdivision (a) for the purpose of augmenting a compulsive gambling prevention program specifically addressing that problem.
 - (3) An amount equal to 0.00165 multiplied by the amount handled on advance deposit wagers that originate in California for each racing meeting shall be distributed as follows:
 - (A) One-half of the amount shall be distributed to supplement the trainer-administered pension plans for backstretch personnel established pursuant to Section 19613. Moneys distributed pursuant to this subparagraph shall supplement, and not supplant, moneys distributed to that fund pursuant to Section 19613 or any other provision of law.

- (B) One-half of the amount shall be distributed to the welfare fund established for the benefit of horsemen and backstretch personnel pursuant to subdivision (b) of Section 19641. Moneys distributed pursuant to this subparagraph shall supplement, and not supplant, moneys distributed to that fund pursuant to Section 19641 or any other provision of law.
- (4) With respect to wagers on each breed of racing that originate in California, an amount equal to 2 percent of the first two hundred fifty million dollars (\$250,000,000) of handle from all advance deposit wagers originating from within California annually, an amount equal to 1.5 percent of the next two hundred fifty million dollars (\$250,000,000) of handle from all advance deposit wagers originating from within California annually, and an amount equal to 1 percent of handle from all advance deposit wagers originating from within California in excess of five hundred million dollars (\$500,000,000) annually, shall be distributed as satellite wagering commissions. The satellite wagering facility commissions calculated in accordance with this subdivision shall be distributed to each satellite wagering facility and racing association or fair in the zone in which the wager originated in the same relative proportions that the satellite wagering facility or the racing association or fair generated satellite commissions during the previous calendar year. In the event of a reduction in the satellite wagering commissions, pursuant to this section, the benefits therefrom shall be distributed equitably as purses and commissions to all associations and racing fairs generating advance deposit wagers in proportion to the handle generated by those associations and racing fairs. For purposes of this section, the purse funds distributed pursuant to Section 19605.72 shall be considered to be satellite wagering facility commissions attributable to thoroughbred races at the locations described in that section.
- (5) With respect to wagers on each breed of racing that originate in California for each racing meeting, after the payment of contractual obligations to the licensee, the betting system, or the multijurisdictional wagering hub, and the distribution of the amounts set forth in paragraphs (1) through (4), inclusive, the amount remaining shall be distributed to the racing association or fair that is conducting live racing on that breed during the calendar period in the zone in which the wager originated, and this amount shall be allocated to that racing association or fair as commissions, to horsemen participating in that racing meeting in the form of purses, and as incentive awards, in the same relative proportion as they were generated or earned during the prior calendar year at that racing association or fair on races conducted or imported by that racing association or fair after making all deductions required by applicable law. Purse funds generated pursuant to this section may be utilized to pay 50 percent of the total costs and fees incurred due to the implementation of advance deposit wagering. "Incentive awards" shall be those payments provided for in Sections 19617.2, 19617.7, 19617.8, 19617.9, and 19619. The amount determined to be payable for incentive awards shall be payable to the applicable official registering agency and thereafter distributed as provided in this chapter. If the provisions of Section 19601.2 apply, then the amount distributed to the applicable racing associations or fairs from advance deposit wagering shall first be divided between those racing associations or fairs in direct proportion to the total amount wagered in the applicable zone on the live races conducted by the respective association or fair. Notwithstanding this requirement, when the provisions of subdivision (b) of Section 19607.5 apply to the 2nd District Agricultural Association in Stockton or the California Exposition and State Fair in Sacramento, then the total amount distributed to the applicable racing associations or fairs shall first be divided equally, with 50 percent distributed to applicable fairs and 50 percent distributed to applicable associations. For purposes of this subdivision, the zones of the state shall be as defined in Section 19530.5, except as modified by the provisions of subdivision (f) of Section 19601, and the combined central and southern zones shall be considered one zone.

Notwithstanding any provision of this section to the contrary, the distribution of the market access fee, other than the distributions specified in paragraph (1) or (2), may be altered upon the approval of the board, in accordance with an agreement signed by all parties receiving a distribution under paragraphs (4) and (5).

- (h) Notwithstanding any provisions of this section to the contrary, all funds derived from advance deposit wagering that originate from California for each racing meeting on out-of-state and out-of-country thoroughbred races conducted after 6 p.m., Pacific time, shall be distributed in accordance with this subdivision. With respect to these wagers, 50 percent of the amount remaining after the payment of contractual obligations to the multijurisdictional wagering hub, betting system, or licensee and the amounts set forth in paragraphs (1) through (5), inclusive, of subdivision (g) shall be distributed as commissions to thoroughbred associations and racing fairs, as thoroughbred and fair purses, and as incentive awards in accordance with subdivision (g), and the remaining 50 percent, together with all funds derived for each racing meeting from advance deposit wagering originating from California out-of-state and out-of-country harness and quarter horse races conducted after 6 p.m., Pacific time, shall be distributed as commissions on a pro rata basis to the applicable licensed quarter horse association and the applicable licensed harness association, based upon the amount handled instate, both on- and off-track, on each breed's own live races in the previous year by that association, or its predecessor association. One-half of the amount thereby received by each association shall be retained by that association as a commission, and the other half of the money received shall be distributed as purses to the horsemen participating in its current or next scheduled licensed racing meeting.
- (i) Notwithstanding any provisions of this section to the contrary, all funds derived from advance deposit wagering which originate from California for each racing meeting on out-of-state and out-of-country nonthoroughbred races conducted before 6 p.m., Pacific time, shall be distributed in accordance with this subdivision. With respect to these wagers, 50 percent of the amount remaining after the payment of contractual obligations to the multijurisdictional wagering hub, betting system, or licensee and the amounts set forth in paragraphs (1) through (5), inclusive, of subdivision (g) shall be distributed as commissions as provided in subdivision (h) for licensed quarter horse and harness associations, and the remaining 50 percent shall be distributed as commissions to the applicable thoroughbred associations or fairs, as thoroughbred and fair purses, and as incentive awards in accordance with subdivision (g).
- (j) A racing association, a fair, or a satellite wagering facility may accept and facilitate the placement of any wager from a patron at its facility that a California resident could make through a betting system or multijurisdictional wagering hub duly offering advance deposit wagering in this state, and the facility accepting the wager shall receive a 2-percent commission on that wager in lieu of any distribution for satellite commissions pursuant to subdivision (g).
- (k) Any disputes concerning the interpretation or application of this section shall be resolved by the board.

This section shall remain in effect only until January 1, 2008, and as of that date is repealed, unless a later enacted statute, that is enacted before January 1, 2008, deletes or extends that date.

EXHIBIT D

Draft Master Hub Agreement

200_ MASTER HUB AGREEMENT

THIS MASTER HUB AGREEMENT is entered into by and between _____[ADW provider], _____[Southern California Thoroughbred Tracks], _____[Northern California Thoroughbred Tracks], and the Thoroughbred Owners of California pursuant to the provisions of California Business Code Section 19604, and shall relate and pertain to all wagers accepted by _____[ADW provider] from California account-holders in the respective zones, and during the respective calendar periods, in which _____[Southern California Thoroughbred Tracks], _____[Northern California Thoroughbred Tracks], conduct racing meetings from December 26, 200_ through December 25, 200_, as follows:

1. _____[ADW provider] may retain a Hub Fee of no more than ____% (____ percent) of the total amount wagered by California account-holders on races conducted by California Thoroughbred associations and Fairs, and may retain a Hub Fee of no more than ____% (____ percent) of the total amount wagered by California account-holders on Thoroughbred races conducted at racetracks outside the state of California ("Imported Races").
2. With respect to wagers placed by California account-holders on Thoroughbred races conducted at racetracks outside the state of California ("Imported Races"), _____[ADW provider] may also retain an amount for payment of Host Fees to the Host racing associations conducting those races. Amounts deducted for Host Fee payments, which shall not exceed ____% (____ percent) of the total amount wagered, shall otherwise be either the amount required by _____[ADW provider] agreements with the respective racing associations conducting those races or the percentage paid by _____[Southern California Thoroughbred Tracks] and _____[Northern California Thoroughbred Track] for the same races, whichever is less.
3. These terms shall also apply with respect to wagers placed on races conducted by _____[ADW provider]-Exclusive racetracks by California account-holders and accepted by any other wagering company authorized by agreement of the parties hereto, to accept wagers from California account-holders on races conducted by _____[ADW provider]-Exclusive racetracks (Exhibit A).
4. The remainder of the takeout shall be distributed in accord with California law and its Market Access Fee provisions. (Section 19604 et. seq.).

This list of _____[ADW provider]-Exclusive Tracks may be expanded, as additional racetracks enter into exclusive contracts; conversely, some listed Tracks may lose their exclusive designations if it is found that exclusivity is no longer applicable.

By: _____
[ADW provider]

By: _____
Southern Track

By: _____
Northern Track

By: _____
TOC

Dixon

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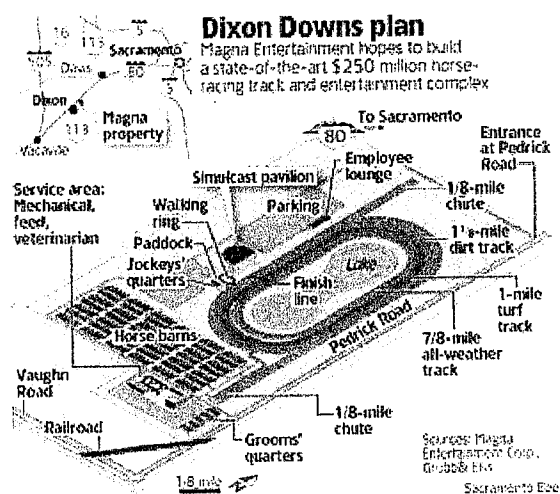
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Racetrack firm aims to sweeten deal

But Dixon foes reject proposed amendments to \$250 million plan.

By Erika Chavez - Bee Staff Writer

Published 12:00 am PST Wednesday, February 28, 2007
 Story appeared in MAIN NEWS section, Page A1



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The contentious project was approved by the City Council last fall, but concerned residents gathered enough signatures to force an April 17 referendum on the matter.

Dennis Mills, vice chairman of the Canada-based Magna Entertainment Corp., has been living out of a small Dixon hotel for the past eight weeks and talking to as many residents as possible, he said.



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It's a good-faith effort to right some wrongs, he said.

From door-to-door visits to coffee shop chats, Mills said he has been speaking to people "in a constructive way about areas in the project where they feel Magna made terrible mistakes."

The result of those talks are proposed "development covenants," which would amend the original racetrack plan approved by the Dixon City Council in October. But residents will be voting on the original proposal when they go to the polls in April.

The covenants would address:

- Slot machines -- The new development agreement would stipulate that there will never be slots or casino-style gambling at the site, even if ownership changes hands or state laws change to allow slot machines outside of Indian casinos.
- Traffic and noise impact -- Magna originally received approval for up to 25 "tier 2 events," which would draw 6,800 to 15,000 people, and one "tier 3" event, which would draw as many as 50,000 spectators. Under the proposed covenant, Magna would eliminate the larger tier 3 event as well as 15 non-racing tier 2 events, such as concerts. They also are willing to reduce tier 2 events to 10,000 people.
- Concerns at Campbell Soup -- The company, which has a plant near the proposed racetrack site, has legally challenged the project, saying the effect on its business has not been adequately studied. Magna has offered not to hold any racing events during canning season, July 1 through Sept. 30, so as not to interfere with Campbell's business operations.
- Local business concerns -- Some residents have expressed fear that the racetrack project, which will include a hotel, conference center and retail space, will affect local businesses. Magna said it will provide free advertising for Dixon businesses, sponsor an annual stakes race benefiting the Dixon Chamber of Commerce, and give existing local businesses priority spaces in future racetrack development.

The company also has established the Dixon Downs Charitable Foundation and plans to designate 10,000 square feet near the track for use by local social service agencies and nonprofit organizations.

Racetrack project supporters praised the proposed concessions, saying the Canadian conglomerate went above and beyond in its efforts. "I think they really care about this town and listened to what people had to say," said Jill Orr, a lifelong resident and Realtor who serves as vice president of the Chamber of Commerce. "I think Dixon has been given an incredible gift, and we should not turn our backs on it."

Racetrack opponents say these last-minute changes will only confuse voters.

Gail Preston, who helped push a referendum as a member of Dixon Citizens For Quality Growth, said the new "development covenants" won't change the fact that a racetrack is a bad fit for the rural town of 17,000.

"This project isn't good for Dixon. It's bad for Dixon, and any tweaks they make won't change that," Preston said.

Despite Magna's pledge to make slots forever verboten at Dixon Downs, Preston and his fellow opponents remain skeptical.

"Their promise not to ever have gambling there is simply not credible when you consider the industry and the company that it's coming from," he said.

Mills said that while the company operates slot machines at other racetracks, it won't happen in California.

"The compacts that the Indians have with the state are supreme," he said. And even if state laws were to change, "it will be embedded in the deed: there will never be slots on this property."

Preston faulted Magna for the late changes, saying they could have been made much sooner.

"It should have happened much earlier," Mills said. "There was not enough sensitivity on our part" when it came to certain aspects of the plan.

Mills also said Magna failed early on to correctly gauge the depth of community opposition.

"We're in 25 countries and 285 municipalities, and this is the first-ever referendum we're facing," he said. "We're trying very hard to rebuild the trust in this community with those that don't trust us."

Preston said he doesn't expect new "pie-in-the-sky" promises from Magna to change the election's outcome. "We think the people will reject the track, whether it's the big project or the new, slightly reduced project."

Officials with the Campbell Soup Co. had not yet seen the proposed changes, Mills said. Magna officials hope to discuss the pending lawsuit with them soon.

The city of Davis also filed suit against Dixon for approving the project, saying Interstate 80 would be choked by gridlock. Magna officials said the proposed reduction of large-scale events should mitigate many concerns over traffic.

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Racetrack campaign brings out big gun

Parts tycoon Frank Stronach lobbies in Dixon for project.

By Andy Furillo - Bee Capitol Bureau

Published 12:00 am PST Tuesday, February 20, 2007

Auto parts and horse racing magnate Frank Stronach stopped in Dixon on Monday to tout his proposed new racetrack to a gathering of friendly volunteers, and he plans on making another stop in Los Angeles today to bring up the topic in a breakfast meeting with an audience of one: Gov. Arnold Schwarzenegger.

Stronach promised international celebrity to Dixon if the town goes along with plans promulgated by his Magna Entertainment Corp. to build a state-of-the-art equine oval northeast of downtown on Pedrick Road.

"We could showcase Dixon all over the world," Stronach told the throng of friendlies at Bud's Pub and Grill.

Today, Stronach said in an interview, he'll be dropping in on the California governor -- a fellow native of Austria -- to talk about assorted undisclosed topics. One of them, in all likelihood, will be Dixon Downs.

"I might bring it up," the Toronto-based Stronach said with a smile, after saying that his conversation with Schwarzenegger would mostly focus on Austria and schnitzels.

Asked to characterize his relationship with Schwarzenegger, Stronach said, "We speak the same slang."

"I have great respect for him," Stronach said of the governor. "He wants to do the right thing."

Stronach's appearance in Dixon was his first in town since about 1,800 city residents last month petitioned a City Council action last October that approved the location of his track northeast of downtown. The matter is now set for a public vote April 17.

In his half-hour talk at Bud's, Stronach downplayed opponents' fears that the track would generate waves of crime and traffic.

As for crime, Stronach said the track would be responsible for "none." "We want families, we want (to be) small-town oriented," Stronach said.

As for traffic, he said it won't be "that bad" because he anticipates patrons coming and going throughout a day's racing card, not arriving at and leaving the track en masse as they might at a football game.

"It's very staggered," Stronach said of traffic patterns at racetracks.

Opponents did not agree with his assessment.

"The project really is not a good fit for Dixon, and the people of Dixon don't want it," said Gail Preston of the group called Dixon Citizens for Quality Growth. "That's what it boils down to. Traffic engineers have studied the project and they came up with gridlock, and we think it will be worse than what their study said. And we think it's going to have a destructive effect on families and young people."

Preston said he is impressed with Stronach's personal story, about a young man who emigrated from Austria with less than \$200 in his pocket to build a multibillion-dollar worldwide conglomerate that now employs more than 85,000 people.

"I'm not surprised he felt he could do himself some good by coming down here," Preston said. "I have the utmost respect for him in that way. But he is not going to be doing auto parts here, which we would welcome. He's bringing in a horse racetrack, and people don't want it.

"Most of the people here did not move here in hopes of having a racetrack. We're fighting to defend this little town."

Stronach's corporation owns Santa Anita Race Track in the Los Angeles suburb of Arcadia, as well as Golden Gate Fields on the shore of San Francisco Bay in Albany. It also operates major horse racing facilities in Texas and Florida, as well as Pimlico, outside Baltimore, the site of the Preakness Stakes.

Magna has spent the better part of a decade trying to push the 260-acre track toward approval in Dixon, and it is now positioned for an up-or-down vote on the facility in the forms of Measures M, N, O and P.

The company has retained a prominent Democratic Party-linked campaign operative, Erin Lehane, to run the "Yes" campaign.

She is the sister of Chris Lehane, a consultant who has worked for former President Clinton and Vice President Al Gore. Lehane herself has run Indian gambling campaigns on the East Coast and, more recently, in California, where she helped a Colusa tribe stop a rival band from locating another casino on its turf in the upper Sacramento Valley.

Lehane declined to be interviewed Monday.

Donnie Huffman, the spokesman for the track proponents' campaign committee, Don't Let Dixon Down, said he anticipates that "it's going to take some dough" to get out his side's message and that "I'm sure the budget is going to be high."

"We're going to tell the citizens of Dixon the facts, and the facts are this is a good project for Dixon," Huffman said.

Magna's Los Angeles Turf Club and the affiliated Pacific Racing Association had \$178,000 on hand at the beginning of the year, according to the California Secretary of State's Office.

Stronach said he plans to make at least one more appearance in the region before votes are cast.

"We've tried to state our case," he said. "I believe the people here are smart enough to come to their own conclusions."

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Supplemental Purse Funds												
	2004	2004			2005	2005			2006	2006		
	Allocations	Supplementl	Performance	Total	Allocations	Supplementl	Performance	Total	Allocations	Supplementl	Performance	Total
	Budgeted	Paid	Paid	Paid	Budgeted	Paid	Paid	Paid	Budgeted	Paid	Paid	Paid
Stockton	105,600	61,597	61,115	122,712	105,600	42,147	70,220	112,367	105,600	78,115	89,740	167,855
Pleasanton			71,560	71,560			84,160	84,160			116,000	116,000
Vallejo			76,790	76,790			87,930	87,930			118,900	118,900
Santa Rosa			78,045	78,045			93,760	93,760			133,550	133,550
San Mateo			55,895	55,895			77,300	77,300			107,760	107,760
Ferndale	192,000	179,494	28,740	208,234	192,000	176,173	41,960	218,133	192,000	199,895	57,800	257,695
Sacramento	134,400	99,748	73,110	172,858	0	0	0	0	0	0	0	0
Fresno	288,000	224,188	64,420	288,608	288,000	274,630	62,790	337,420	288,000	316,818	102,190	419,008
Funds Used	720,000	565,027	509,675	1,074,702	585,600	492,950	518,120	1,011,070	585,600	594,828	725,940	1,320,768
CARF Admin Fee			22,000				22,000				22,000	
Interest Earned			16,884				28,882				63,790	
Funds Received			1,100,000				1,100,000				1,100,000	
Funds Available			161,055				256,867				77,889	
Performance Purse Per Runner-TB			\$85				\$100				\$150	
Performance Purse Per Runner-Mixed Breeds			\$55				\$70				\$80	
For Internal Use Only												

Bay Meadows Overnight Purse Structure - Spring 2007

Category	Claiming Price	Conditions	Proposed BM Spring Meet
Allowance		Open	\$ 38,000
Allowance		NWx1	\$ 31,000
Allowance/Optional Claiming	\$ 40,000	NWx1	\$ 31,000
Allowance/Optional Claiming	\$ 50,000	NWx2	\$ 34,000
Allowance/Optional Claiming	\$ 80,000	NWx3	\$ 35,000
Claiming	\$ 4,000	NWx2	\$ 8,000
Claiming	\$ 4,000	NW date	\$ 8,500
Claiming	\$ 4,000	NWx3	\$ 8,500
Claiming	\$ 4,000	Open	\$ 9,500
Claiming	\$ 5,000	Open	\$ 10,000
Claiming	\$ 6,250	NWx2 Lifetime	\$ 9,000
Claiming	\$ 6,250	NWx3 Lifetime	\$ 9,500
Claiming	\$ 6,250	Open	\$ 11,000
Claiming	\$ 8,000	Open	\$ 12,000
Claiming	\$ 10,000	Open	\$ 12,500
Claiming	\$ 12,500	NWx2 Lifetime	\$ 10,000
Claiming	\$ 12,500	Open	\$ 14,000
Claiming	\$ 16,000	Open	\$ 19,000
Claiming	\$ 20,000	Open	\$ 22,000
Claiming	\$ 25,000	Open	\$ 25,000
Claiming	\$ 32,000	Open	\$ 27,000
Claiming	\$ 40,000	Open	\$ 30,000
Maiden Claiming	\$ 8,000		\$ 8,000
Maiden Claiming	\$ 12,500		\$ 10,000
Maiden Claiming	\$ 20,000		\$ 12,000
Maiden Claiming	\$ 32,000		\$ 17,000
Maiden Claiming	\$ 50,000		\$ 20,000
Maiden Special Weights			\$ 30,000
Maiden Special Weights		2 Year Olds (2 furlongs)	\$ 22,000
Overnight Stakes			\$ 50,000
Starter Allowance	\$ 6,250		\$ 12,500
Starter Allowance	\$ 12,500		\$ 16,000
Starter Allowance	\$ 40,000		\$ 18,000

DRAFT

2007 California Authority of Racing Fairs Purses

Category	Conditions	Purse							
		Stockton	Pleasanton	Vallejo	Santa Rosa	Ferndale	San Mateo	Fresno	BM 07
MC6250						4,000			
MC8000		8,000	8,000	8,000	8,000	4,000	8,000	8,000	8,000
MC12500		10,000	10,000	10,000	10,000		10,000	10,000	10,000
MC16000		11,000	11,000	11,000	11,000		11,000	11,000	11,000
MC20000		12,000	12,000	12,000	12,000		12,000	12,000	12,000
MC25000		14,000	14,000	14,000	14,000		14,000	14,000	14,000
MC32000		17,000	17,000	17,000	17,000		17,000	17,000	17,000
MC50000		20,000	20,000	20,000	20,000		20,000	20,000	20,000
MSW		30,000	30,000	30,000	30,000		30,000	30,000	30,000
SA4000	Starter Series	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000
SA5000						4,500			9,000
SA6250		12,500	12,500	12,500	12,500		12,500	12,500	12,500
SA12500		16,000	16,000	16,000	16,000		16,000	16,000	16,000
SA16000		17,000	17,000	17,000	17,000		17,000	17,000	17,000
SA40000		18,000	18,000	18,000	18,000		18,000	18,000	18,000
CL2500		7,500	7,500	7,500	7,500	3,750	7,500	7,500	7,500
CL3200	NW DATE	7,500	7,500	7,500	7,500	3,750	7,500	7,500	7,500
CL3200	NW 2X	7,500	7,500	7,500	7,500	3,750	7,500	7,500	7,500
CL3200	OPEN					3,750			
CL4000	NW 2X	8,000	8,000	8,000	8,000	4,000	8,000	8,000	8,000
CL4000	NW 3X	8,500	8,500	8,500	8,500	4,250	8,500	8,500	8,500
CL4000	NW DATE	8,500	8,500	8,500	8,500	4,250	8,500	8,500	8,500
CL4000	OPEN	9,500	9,500	9,500	9,500		9,500	9,500	9,500
CL5000	CLAUSE	9,500	9,500	9,500	9,500		9,500	9,500	9,500
CL5000	OPEN	10,000	10,000	10,000	10,000	5,000	10,000	10,000	10,000
CL6250	NW2	9,500	9,500	9,500	9,500	4,750	9,500	9,500	9,500
CL6250	CLAUSE	10,500	10,500	10,500	10,500	5,250	10,500	10,500	10,500
CL6250	OPEN	11,000	11,000	11,000	11,000		11,000	11,000	11,000
CL8000	OPEN	12,000	12,000	12,000	12,000		12,000	12,000	12,000
CL10000	OPEN	12,500	12,500	12,500	12,500		12,500	12,500	12,500
CL12500	NW 2 LIFETIME	11,000	11,000	11,000	11,000		11,000	11,000	11,000
CL12500	NW 2 CLAUSE	10,000	10,000	10,000	10,000		10,000	10,000	10,000
CL12500	OPEN	14,000	14,000	14,000	14,000	7,000	14,000	14,000	14,000
CL16000	OPEN	19,000	19,000	19,000	19,000		19,000	19,000	19,000
CL20000	OPEN	22,000	22,000	22,000	22,000		22,000	22,000	22,000
CL 25000	NW2 CLAUSE	25,000	25,000	25,000	25,000		25,000	25,000	25,000
CL25000	OPEN	25,000	25,000	25,000	25,000		25,000	25,000	25,000
CL32000	OPEN	27,000	27,000	27,000	27,000		27,000	27,000	27,000
CL40000	OPEN	30,000	30,000	30,000	30,000		30,000	30,000	30,000
ALW OPEN		38,000	38,000	38,000	38,000		38,000	38,000	38,000
ALW	NW1X	31,000	31,000	31,000	31,000		31,000	31,000	31,000
ALW/OPC40000	NW1X	31,000	31,000	31,000	31,000		31,000	31,000	31,000
ALW/OPC50000	NW2X	34,000	34,000	34,000	34,000		34,000	34,000	34,000
ALW/OPC80000	NW3X	35,000	35,000	35,000	35,000	72,000	35,000	35,000	35,000

Purses subject to approval by Thoroughbred Owners of California and CARF Live Racing Committee

Emerging Breeds 2007/2006 Comparison Report

	2006	2007		2006	2007
APPALOOSA	Purses STK/Pln	Purses Val	QUARTER HORSE	Purses Stk/SR	Purses Val
MC5000	\$4,400	4000	MC5000	\$4,400	4400
MA	\$4,800	4500	MC8000	\$4,500	4500
CL2500	\$4,000	4000	MA	\$4,800	4800
CL3200	\$4,200	4000	CL2500	\$4,000	4000
CL5000	\$5,000	4800	CL4000	\$4,400	4200
SA2500	\$4,300	4300	CL5000	\$5,000	5000
SA3200	\$4,800	4800	CL6250	\$5,200	5200
SA5000	\$6,200	6200	CL8000	\$5,700	5700
ALW NW1X	\$6,500	6500	CL10000	\$6,700	6700
ALW NW2X	\$7,000	7000	SA2500	\$4,300	4300
ALW NW3X	\$7,400	7400	SA3200	\$4,800	4800
OPEN ALW	\$9,400	9400	SA5000	\$6,200	6200
			OPEN ALW	\$9,400	9400
ARABIAN	PURSES				
MC8000	\$4,000	4000	MULES	PURSES	
MA	\$4,300	4300	MA	\$4,800	4000
CL3200	\$4,000	4000	CL3200	\$5,000	4200
CL4000	\$4,400	4400	CL4000	\$5,400	4600
CL5000	\$4,600	4600	CL5000	\$5,600	4800
CL6250	\$4,800	4800	ALW INDEX 61 & UNDER	\$4,800	4000
CL8000	\$5,000	5000	ALW INDEX 69 & UNDER	\$5,400	4200
ALW NW1-2X DATE	\$5,000	5000	ALW INDEX 77 & UNDER	\$5,600	4400
OPEN ALW	\$6,500	6500	ALW INDEX 85 & UNDER	\$5,800	4600
			ALW INDEX 96 & UNDER	\$6,000	4800
			3 & 4 YO NW2	\$5,000	4200
			OPEN	\$6,600	4500
			CAL BRED ALW	\$4,800	4250

Comparison of Fairs 2006 purses to BM 2007 Purses

1/23/2007													
Category	Conditions	Purse	No Ran 06	Pur Red	Purse	No Ran 06	Pur Red	Purse	No Ran 06	Add Cost SR	BM 06	BM 07	Dif SR 06
		Pin			Vallejo			Santa Rosa					
MC8000		\$9,000	12	-12000	\$9,000	20	-20000	\$10,000	14	\$14,000	\$9,000	8,000	\$28,000
MC12500		\$10,000	6	0	\$10,000	5	0	\$11,000	6	\$6,000	\$10,000	10,000	\$6,000
MC16000		\$11,000			\$11,000	1	0	\$10,500			\$11,000	11,000	
MC20000		\$12,000			\$12,000	1	0	\$13,000	3	\$3,000	\$12,000	12,000	\$3,000
MC25000		\$14,000	6	0	\$14,000	4	0	\$15,000	2	\$2,000	\$14,000	14,000	\$2,000
MC32000		\$17,000	1	0	\$17,000			\$18,000	5	\$5,000	\$17,000	17,000	\$5,000
MC50000		\$19,000			\$19,000			\$19,000			\$20,000	20,000	
MSW		\$26,500	4	14000	\$26,500	1	3500	\$27,500	5	\$5,000	\$29,000	30,000	\$10,000
SA4000	Regular	\$9,000			\$9,000						\$9,000	9,000	
SA4000	Str Series	\$10,000			\$10,000	1	0	\$10,000	1	\$0	\$10,000	10,000	\$0
SA5000		\$10,000			\$10,000			\$10,500					
SA6250		\$12,500	1	0	\$12,500	2	0	\$11,000			\$12,500	12,500	
SA8000		\$13,000			\$13,000			\$11,500					
SA12500		\$15,000	2	2000	\$15,000	1	-1000	\$15,000	1	\$0	\$16,500	16,000	\$0
SA16000											\$18,000	17,000	
SA40000		\$18,000	3	0	\$18,000	2	0	\$19,000	4	\$4,000	\$21,000	18,000	\$4,000
CL2500		\$8,000			\$8,000			\$8,000	2	\$0	\$8,000	7,500	\$1,000
CL3200	NW DATE	\$8,000			\$8,000			\$9,000	4	\$4,000	\$8,000	7,500	\$6,000
CL3200	NW 2X	\$8,000			\$8,000			\$9,000	2	\$2,000	\$8,000	7,500	\$3,000
CL3200	OPEN	\$8,000	5	-2500	\$8,000	8	-4000	\$9,000	1	\$1,000	\$8,000	7,500	\$1,500
CL4000	NW 2X	\$9,000	8	-8000	\$9,000	13	-13000	\$10,000	7	\$7,000	\$9,000	8,000	\$21,000
CL4000	NW 3X	\$9,500			\$9,500			\$8,500			\$9,500	8,500	
CL4000	NW DATE	\$9,000			\$9,000			\$10,000	3	\$3,000	\$10,000	8,500	\$4,500
CL4000	OPEN	\$10,000			\$10,000			\$11,000	1	\$1,000	\$10,000	9,500	\$1,500
CL5000	CLAUSE	\$9,500	2	0	\$9,500	3	0	\$9,000			\$9,500	9,500	
CL5000	OPEN	\$10,400			\$10,400			\$9,500			\$11,000	10,000	

Comparison of Fairs 2006 purses to BM 2007 Purses

CL6250	NW2X	\$9,500	10	-5000	\$9,500	9	0	\$10,500	5	\$5,000	\$9,500	9,000	\$7,500
CL6250	NW3X	\$10,500			\$10,500			\$10,000			\$9,500	9,500	
CL6250	NW DATE	\$10,500			\$10,500			\$11,500	1	\$1,000	\$11,000	10,000	\$1,500
CL6250	OPEN	\$11,000			\$11,000			\$12,000	4	\$4,000	\$12,000	11,000	\$4,000
CL8000	NW2 CLAUSE	\$11,000	3	1500	\$11,000	3	-1500	\$11,500	2	\$1,000	\$12,000	11,500	\$0
CL8000	OPEN	\$11,500			\$11,500			\$12,500	1	\$1,000	\$12,500	12,000	\$500
CL10000	OPEN	\$12,000			\$12,000			\$11,500			\$13,000	12,500	
CL12500	NW 2 LIFETIME	\$11,000			11000			13000	3	\$6,000	\$11,000	10,000	9000
CL12500	NW 2 CLAUSE	\$12,000	10	-20000	12000	7	-14000	12500	3	\$1,500	\$12,000	10,000	7500
CL12500	OPEN	\$14,000			14000			15000	7	\$7,000	\$16,000	14,000	7000
CL16000	OPEN	\$19,000	1	0	19000	2	0	19000			\$20,000	19,000	
CL20000	OPEN	\$22,000	1	0	22000			23000	3	\$3,000	\$23,000	22,000	3000
CL 25000	NW2 CLAUSE		3	0	22000	2	0	24000	2	\$4,000	\$25,000	25,000	-2000
CL25000	OPEN	\$25,000			25000			25000			\$26,000	25,000	
CL32000	OPEN	\$26,900	1	0	26000			28000	1	\$2,000	\$27,000	27,000	-1000
CL40000	OPEN	\$28,500			28500			29500	1	\$1,000	\$30,000	30,000	-500
ALW OPEN		\$38,000			38000			38000			\$40,000	38,000	
ALW	NW1X	\$30,000	6	6000	30000	1	1000	31000	3	\$3,000	\$31,000	31,000	0
ALW/OPC25000	NW2X	\$30,000			30000			31000	1	\$1,000	\$30,000	30,000	1000
ALW/OPC40000	NW1X	\$30,000	1	1000	30000	2	2000	31000	1	\$1,000	\$31,000	31,000	0
ALW/OPC50000	NW2X	\$33,000			33000	2	2000	33000			\$34,500	34000	
ALW/OPC80000	NW3X	\$34,000			34000			34000			\$36,000	35000	
Prepared by Larry Swartzlander				-23000			-45000			-98,500			-134000
											772,000	745,000	