



a California joint powers agency

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**AGENDA
CALIFORNIA AUTHORITY OF RACING FAIRS
LIVE RACING COMMITTEE MEETING
11:00 A.M., TUESDAY, FEBRUARY 3, 2009
VIA TELECONFERENCE**

Notice is hereby given that a teleconference meeting of the Live Racing Committee will commence at 11:00 A.M., Tuesday, February 3, 2009. The meeting will be held at the CARF Conference Room located at 1776 Tribute Road, Sacramento, California 95815.

AGENDA

- I. Determination of Date, Time, and Location of Next Meeting.
- II. Approval of Minutes.
- III. Discussion and action, if any, on Legislative Matters.
- IV. Discussion and action, if any, on Application to CHRB for Implementation of AB 765 1% Increase in Take-Out for 2009.
- V. Report and Update on Racing Dates at Solano County Fair.
- VI. Update, discussion and action, if any, on Racing-Related Contracts and Services.
- VII. Report on Planning for 2009 Summer Racing Program.
- VIII. Executive Director's Report.

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The Public and members of the Live Racing Committee may participate from the following locations:

Alameda County Fair
4501 Pleasanton Ave.
Pleasanton, CA 94566

Humboldt County Fair
1250 5th Street
Ferndale, CA 95536

Solano County Fair
900 Fairgrounds Drive
Vallejo, CA 94589

The Big Fresno Fair
1121 S. Chance Avenue
Fresno, CA 93702

San Joaquin Fair
1658 S. Airport Way
Stockton, CA 95206

Sonoma County Fair
1350 Bennett Valley Road
Santa Rosa, CA 95404

California State Fair
1600 Exposition Blvd.
Sacramento, CA 95815

San Mateo County Fair
2495 South Delaware Street
San Mateo, CA 94403

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CALIFORNIA AUTHORITY OF RACING FAIRS

Live Racing Committee
Thursday, October 9, 2008

Minutes

A special meeting of the California Authority of Racing Fairs Live Racing Committee was held at 1:30 P.M., Thursday, October 9, 2008. The teleconference meeting was conducted at the CARF Offices located at 1776 Tribute Road, Suite 205, Sacramento, California 95815.

Live Racing Committee members joining by conference call: John Alkire, Chris Carpenter, Joe Barkett, Rick Pickering, Stuart Titus, Tawny Tesconi and Forrest White.

Staff and Guests attending: Christopher Korby, Norb Bartosik, Debbie Cook, Kate Phariss and Margot Wilson.

Agenda Item I – Discussion and Action, if any, on Racing Dates for 2009 and Beyond. Mr. Korby reported on a follow-up to an item discussed in a prior meeting. In speaking with Louis Brown yesterday, Mr. Brown informed Mr. Korby he received some calls from racing association lobbyists through the course of yesterday afternoon. Apparently the Chairman of the Horseracing Board called a number of key racetrack managers and told them that the Board Staff was recommending that they send invoices out for past due license fees totaling \$30 million. In other words, as reported second-hand to Mr. Korby, the Fairs had taken advantage of the situation and the bill was more than had been represented. Mr. Korby stated that the Fairs had never asked for, requested, or demanded anything more than clarifying that situation on a go-forward basis. Mr. Korby reported that he, Stephen Chambers, Mike Treacy, and Louis Brown will have a conference call at 4:00 P.M. this afternoon, the objective is that out of that come an agreement about written clarification as to what the Fairs' intention was with respect to AB 2258, what the Fairs' expectations are, and what has been represented to the Board so far. Mr. Korby said this was a work in progress and wanted to inform the committee about these developments. That concluded the ad hoc report.

Tawny Tesconi and Chris Carpenter joined the meeting by teleconference at 1:41 P.M.

Norb Bartosik reported if Cal Expo moves off of their dates and moves into the dates that the TOC is suggesting, not only does Golden Gate get the Kentucky Derby, the Breeder's Cup, the Belmont, the Arlington Million – they also pick up the Travers and the Pacific Classic. Mr. Bartosik continued by saying that if Cal Expo got shifted into the dates that the TOC was proposing, Cal Expo would be down because of imports and ADW and losing the Pacific Classic. Mr. Bartosik would hope that, based on his brief overview of numbers, the Fairs stand together and tell the TOC we're not going to accept it and we'll take our chances with the Racing Board. Mr. Barkett asked Mr. White for his opinion. Mr. White thought it was ironic that he was defending, or at least explaining, why Stockton is moving to September and now, all of sudden, according to the TOC, Stockton is back to June. The only other alternative Mr. White sees is if the TOC wants Stockton to go back to June and Golden Gate wants to run the three weeks on top of Pomona. Mr. Bartosik suggested that this might be the compromise position and emphasized that the proposal give them only the three weeks after and not the two weeks before. Mr. Bartosik stated that, although he hadn't done this yet, he has a letter ready to go to Mr. Shapiro and Mr. Harris at the CHRB, requesting fourteen un-overlapped days on their traditional

fair dates of August 21-September 7, as they feel that for 2009 this represents what is best for Cal Expo. Mr. Bartosik asked that the group discuss his proposed letter before it was sent out. Mr. White stated that he wanted to make it very clear to Mr. Harris and others, that Stockton “cannot be a ping-pong ball” and be moved around every year because of where they think they need Stockton to go as they will need two to three years to reestablish those dates. The bigger issue, Mr. Barkett pointed out, and Mr. White agreed, is that Stockton didn’t do well and the TOC is going to go after the dates. Mr. Barkett agreed with Mr. White’s assessment and continued by saying he felt two things were going on: 1) there is this “grand vision” that they have for eliminating as much as they can from Fairs and focusing in on one fairground’s facility and, 2) they are in some sort of a panic mode – it’s not just handle, it’s also sale prices and breeding and all kinds of things.

Mr. Korby referred to a note he took during the meeting yesterday when TOC representatives were discussing how dire the economic circumstances are and that racing is on the ropes. Although Mr. Korby doesn’t entirely disagree with that, the point he made is that, though the purse revenue is critical, it’s just as critical to fairs as the revenue they derive from racing for their survival. Mr. Korby didn’t think that the fact that they think that racing is in dire economic straits and that owners are threatened, trumps the fact that if racing is in dire economic straits then Fairs are also just as concerned. Mr. Barkett stated that the Horsemen are taking the position they can’t be concerned about individual fairs having financial problems because there isn’t going to be any product if we don’t start doing what they want us to do right now. Mr. Korby stated that there won’t be any product if the racetracks go away either; if Golden Gate Fields is sold and developed we’re going to be in serious trouble.

Mr. Pickering asked for strategic clarification from Mr. Bartosik regarding his race dates – whether Mr. Bartosik was asking for the three weeks he requested at the last CARF Board meeting on October 6th. Mr. Bartosik replied that he was, but he was willing to back off of that and now suggest that Cal Expo will support the CARF program. Mr. Pickering proposed that the Fairs present a united, unanimous front with regards to race dates, to wit, a three/three or a four/two, then two weeks at Golden Gate, two weeks at State Fair, three weeks at Stockton – with a shortened weekend schedule, and then two weeks at Fresno. Mr. Pickering confirmed that is the position and that is what was voted on by a six-to-two vote and that is what was presented to the TOC. Mr. Bartosik, although he voted against it at the time, now supports that position for 2009. Mr. Korby stated that he felt that CARF had a good proposal on the table – most of the group agreed to it and now Mr. Bartosik agrees to it – it’s sensible, defensible, and takes care of most of the issues and we should stand by that. The group discussed other scenarios and implications regarding the inclusion of Golden Gate Fields into the mix of race dates and tactics in dealing with the TOC, bearing in mind that time was growing short and the Fairs needed to know when the fair dates are and what the race dates are as other events were being booked. Mr. Barkett stated that he felt that if the Fairs continued to try and tweak the CARF proposal to meet two or three needs that they was going to lose control pretty quickly. Mr. White said that he felt the key was Cal Expo; if Mr. Bartosik sends the proposed letter, the line in the sand is being drawn. Mr. Bartosik reiterated that he was going to send the letter saying Cal Expo wants fourteen days but that they are willing to support the CARF proposal if that’s what is in everybody’s best interest. Mr. Korby proposed they approach the CHRB by saying there was a split vote at CARF in support of the plan and now it’s a unanimous vote in support of the CARF plan and we’re sticking by it; if we remain resolute, our position is stronger. Ms. Tesconi stated that she would support the plan for 2009 only. Mr. Korby said that he felt that we could have the support of Golden Gate – if not the support, at least neutrality on it.

Mr. Titus made the motion to adopt Mr. Korby's proposal. Mr. Pickering called for Mr. Bartosik and Ms. Tesconi to respond if this is going to be a unanimous proposal. Mr. Bartosik responded that he would support the CARF proposal for 2009 under the premise that he gets a commitment from CARF that CARF will work diligently with them to expand their racing program and make them part of that until they are no longer in racing, if that ever comes about. Mr. Korby then asked Ms. Tesconi if she could support the proposal for 2009. Ms. Tesconi answered by saying she supports Santa Rosa doing three weeks of racing but she doesn't know that they can support being the one allowing the transition – bearing in mind they have a turf track depreciation and a turf track loan payment. Mr. Korby responded that there are still negotiations to be conducted on what the financial package would look like. Mr. White asked for re-clarification of the motion - the plan we agreed to for 2009 on Monday that was a 6-2 vote is now an 8-0 vote and this is what we stick to as it is a defensible plan and there has to be a commitment from the CHRB. The Group then discussed what the agenda of the CHRB was going to be, if it was going to be a discussion only or if there was going to be action taken on the matter and if it was going to be held in a Racing Dates Committee meeting or not.

A vote was taken on the motion and was unanimously approved. This vote differs from the vote which took place on October 6, 2008 in that today's vote is only for 2009, whereas the vote taken on October 6, 2008 was for a 2009-2010 plan. Mr. Korby emphasized that this means the Fairs won't negotiate, this just means that our response to the TOC's proposal is that we've come back with a unanimous support for the CARF plan that was presented yesterday. Mr. Bartosik requested that he wanted Mr. Korby to add, that although Cal Expo wants more dates, and Vallejo would like to remain in racing at their own facility, and we support the expansion of the Pleasanton program, we realize we have to work together to make all that happen and we're willing to take what we're proposing as opposed to what we'd like to keep the ball rolling and to continue to work with the TOC and the Horseracing Board to make this happen.

Mr. Pickering left the meeting at 2:30 P.M.

Mr. White stated that he felt that part of the issue is some of the Horsemen now are having real concerns about seven weeks of racing in the Valley and what are they going to do to train and get ready in May, when the horses start to come in, because Pleasanton and Golden Gate are full. Mr. Bartosik asked if Mr. Barkett and Mr. Korby if they were going to vet CARF's plan with Mr. Shapiro ahead of time so that he knows what to expect. Mr. Korby responded by saying that after the CARF meeting on October 6, he did talk with Mr. Shapiro and gave him a copy of the proposal, informing him that it was a document that CARF is taking forward to the Northern California Group and Mr. Korby wanted him to have it as background and so he has seen it. The group discussed tactics on how to handle the issue. Mr. Korby asked Mr. Bartosik, with respect to the Cal Expo letter now that the vote has been taken, if he would include something along the lines of what was said before – that Cal Expo wants fourteen days of racing over three weeks and that for 2009 they will support the CARF plan and have voted to do so. Mr. Bartosik agreed and stated that he would supply Mr. Korby a copy of the letter which he could then distribute to the Live Racing Committee members.

At 2:37 P.M., with no further business before the committee, the meeting was adjourned.

Respectfully submitted.
Margot Wilson

CALIFORNIA AUTHORITY OF RACING FAIRS

Live Racing Committee
Monday, October 6, 2008

Minutes

A meeting of the California Authority of Racing Fairs Live Racing Committee was held at 1:00 P.M., Monday, October 6, 2008. The teleconference meeting was conducted at the CARF Conference Room located at 1776 Tribute Road, Sacramento, California 95815.

Live Racing Committee Members attending: Joe Barkett, Rick Pickering, Chris Carpenter, Tawny Tesconi and Forrest White. Joining by conference call: John Alkire, and Stuart Titus.

Staff and Guests attending: Christopher Korby, Larry Swartzlander, Heather Haviland, Debbie Cook, Norb Bartosik, Richard Lewis, Kate Phariss and Margot Wilson. Joining by conference call: Kelly Baldwin, Dan Jacobs, Linda Jenkins, Scott Grieve and Tom Doutrich.

Agenda Item I – Determination of Date, Time, and Location of Next Meeting. The next CARF Board & Live Racing Committee meetings are tentatively scheduled for 6:00 p.m. on Tuesday, November 11, 2008 in Sacramento.

Agenda Item II – Discussion and action, if any, on Racing Dates for 2009 and Beyond. [Discussion of this Agenda item pending to take place after Agenda Item III.]

Agenda Item III – Report and Discussion Regarding 2008 and 2009 Legislative Session. Mr. Barkett summarized the two actions taken by the CARF Board during their session earlier in the day. The first action is to pursue possible legislation next year for increasing the satellite wagering fees from 2% to 3%. The second action is to pursue additional take-out from exotic wagers in Northern California limited to Northern California to be used for improvements to Fair racing facilities. CARF will explore legislation to accomplish both of those things. Mr. Barkett continued by saying there was also some discussion on AB 2258 (Evans) that was signed by the Governor into law. The issue there is how the CHRB is going to interpret the retroactivity of that law. To reiterate, Mr. Pickering had made the motion to direct Mr. Korby to coordinate with F&E and WFA regarding a collective position of recommendation to the CHRB, which was unanimously approved.

Agenda Item II – Discussion and action, if any, on Racing Dates for 2009 and Beyond. Mr. Barkett noted that when the Live Racing Committee last met, Mr. Korby put forward a proposal for the 2009 calendar. Racing Fair Managers and CARF Staff are scheduled to meet on Wednesday, October 8th, at Pleasanton with other racing industry partners – the TOC, Thoroughbred trainers and Magna. Mr. Barkett expressed his hope that the Fairs will take a strong position to what they want to see happen in 2009 and beyond with respect to that block of dates that are being called the Fair Racing Dates.

Mr. Barkett suggested that the best place to start is to use Mr. Korby's recommendation. Mr. Barkett began the discussion by saying that one of the key components of that proposal would be to have the two weeks of racing currently at the Solano County Fair in Vallejo be raced at other facilities; Mr. Korby's proposal suggested one week at Pleasanton and one week at Santa Rosa. Mr. Barkett thought, although eliminating racing at the Solano County Fair is much exaggerated in terms of what is it's going to do for the overall racing industry in Northern California, he does understand that there are arguably some benefits to horse racing from doing this. One of the benefits would be that the horsemen would have one less two-week stop to make on their annual Fair circuit. Another benefit would be the on-track attendance and handle that could be generated at Santa Rosa or Pleasanton would be better than the on-track attendance and handle currently generated at the Solano County Fair meet. Going back for several years, the statistics show the off-track wagering for the race meet at Vallejo is fairly comparable to the off-track wagering at Pleasanton and Santa Rosa. Needless to say, the revenues generated from fair horse racing at Vallejo are a significant part of the revenues of the Solano County Fair. Consequently it will be extremely difficult for people in that community to voluntarily want to give up something that's been that important to that fair and that community for sixty years. There is no secret that the County of Solano has been interested and continues to express interest in the possible redevelopment of the fairgrounds someday and if the fairgrounds are redeveloped, it is almost certain that 40% of that property which is now dedicated to the horse racing facility would become part of that development. The issue of re-development is more of an issue of when it is going to happen and less of an issue of whether it is going to happen. If it is an issue of when it is going to happen, then a case can be made for doing it now; that would give an enormous psychological benefit to the collective Fairs if they can go in with a plan that does that. Mr. Barkett felt it is critical in order for this kind of plan to go forward and be accepted, provided that the fair board, the Board of Supervisors and others to accept it, that there be a transition period and that that transition period would involve generating revenues from the two weeks of horse racing that have traditionally been run at Vallejo to Vallejo for a period of time that would give the County enough time to transition to something else as was recommended in Mr. Korby's proposal. Mr. Barkett continued by saying that he is putting forward a concept, that just might be taken up by the collective group, to provide a guarantee of revenues to the Solano County Fair for a five year period with that guarantee to drop off to zero in eight years; five to eight years would give the Solano County Fair and Solano County enough time to put together a plan to do something else with that property. There is a certain amount of risk and one of things discussed between himself, Mr. Korby, Ms. Tesconi and Mr. Pickering, is perhaps that all of this risk not necessarily be borne by the individual fair that's taking on the race week but maybe it would be more of a collective effort by all the Fairs in the context of the entire plan going forward, which is another element which needs to be talked about.

Mr. White commented that the Vallejo plan sounds like criteria that could be adapted to other facilities down the road. It is Mr. White's position, and hopefully will be his board's position after Wednesday's board meeting, to stay in those dates in September. There are some hurdles but it does have some long term potential.

Mr. Barkett continued the discussion by saying that another major component is the Humboldt County Fair racing concurrently with a Fair meeting at Golden Gate Fields. Mr. Titus responded by saying that they are open to the idea generally as proposed; it would require some additional supplemental funds to allow them some parity with similar races run at other fairs for specific classifications. Just as important, rather than being tied to a flat amount of additional monies on the commission side, they instead would like to consider it from a percentage of the gross - speaking primarily of shared post fees. Some of those revenues would be going to San Mateo to accelerate their debt payment. Mr. Carpenter responded that they were certainly interested in remaining in racing in 2009 and beyond and there were several ways that an arrangement with Humboldt could be worked out similar to the one San Mateo had in the past with Bay Meadows. Mr. Carpenter emphasized that San Mateo plans on aggressively paying off their three loans before deriving any income. Mr. Korby pointed out that there is a repayment agreement that is fundamental on how the loans structured; Mr. Carpenter agreed. Mr. Carpenter continued by saying they were still in a temporary facility and they are dealing with that as best they can, but they have spent down their reserves to 3%, so it will take a little time to build up the reserves and aggressively pay back the loans.

Mr. Barkett noted that Dave Elliott with CalExpo has expressed some concerns about this issue. Mr. Bartosik said that Mr. Elliott made a good point in his proposal and it needed to be said - that any race meet at Golden Gate, in the middle of the summer, will essentially hurt fairs - it will hurt Santa Rosa, Ferndale and CalExpo - horses simply won't come. CalExpo has taken the position that while they are open, they should maximize their racing dates. The group discussed the option of giving CalExpo an additional week of racing which would be an additional three days and would fall in with their limitation of fourteen racing days.

Mr. Barkett asked Ms. Tesconi for her opinion. Mr. Tesconi responded by saying that her fair was probably the least impacted as far as gate attendance. The biggest question is the additional third week. They have a little different challenge at their facility as they have a turf track loan that they will be paying on for a number of years. Maintenance on the turf track is more intensive than a dirt track and with the highest paid employees in all of the live racing fairs their profit margin is probably a little bit thinner than most. As a consequence, her board is not enthusiastic about a joint venture between Santa Rosa and Vallejo. As far as the overall plan goes, in Ms. Tesconi's opinion, no one has shown her the benefit of having a race meet at Golden Gate during their dates. If it is a Fair benefit meet, that the discussion of how those monies are going to be used should be left to a committee and not automatically go to San Mateo or Pleasanton.

Mr. White asked Mr. Pickering if he could run three weeks and four days. Mr. Pickering quoted Richard Shapiro, Chairman of the CHRB, "...The Fairgrounds could save money if it applies for and receives a waiver for the requirement of a synthetic racing surface required of tracks which race more than thirty days of racing per year since it is a rule and not a law." Mr. White asked since Santa Rosa seems to reluctant to go the 3-3, could Pleasanton go a 4-2? Mr. Barkett said that the group had discussed that and the synthetic track requirements for four weeks before, based on that quote. Mr. Pickering felt he didn't see the dilution factor as much in Pleasanton as he would a track further outside the Bay area. There seems to be a demand for horse racing in the

Peninsula area at this time in addition to the satellites. If the CHRFB went with the waiver, they would short-term that waiver, to try keep pressure on the Fairs and the industry to put in a synthetic surface or maybe turf as a fall-back. Mr. Pickering said that he could see it working there; it might adjust their fair dates. Mr. Pickering continued by saying that he felt that CalExpo should have more dates in the future; his reservation is more of what 2009 looks like than 2010 but he doesn't understand what CalExpo's plan is. Mr. Bartosik responded to the question what the future of horse racing is at CalExpo, saying CalExpo is in racing until they're not. As long as the industry supports them and they are being told to apply for more racing dates they want to do that in the most cautious way that works with the industry but to have the dates go somewhere other than to a fair does not make a lot of sense to him or his staff. He does know that there would be strong support for more dates at CalExpo. Racing is important to CalExpo, they will continue to push it, they are talking about ways to enhance it, and Mr. Bartosik even suggested at some point that if it is important for the Fairs to have more turf, they would entertain some kind of a expense sharing where they put a turf course in and, if they race shorter than the time where they thought there would be a return on the investment, the NBA, or whoever, would buy it out. The only thing that stopped them from putting a turf course in was the uncertainty of getting race dates, whether or not they would be back in Thoroughbred racing, and if Thoroughbred racing would do OK. Now they're back and they know and they can look to the future and investment in a turf course for CalExpo, even short term, may make some sense for the longevity of the industry if the industry is willing to support it. Mr. Bartosik wanted to reiterate their position so now everyone knows where they're coming from and why they are pushing for a solidified calendar. Mr. Barkett asked if Mr. Bartosik knew whether or not there was going to be an NBA deal. Mr. Bartosik responded by saying they have ongoing discussions, with the six-month negotiation period coming up November 21st, and he speculated that their Real Estate Committee would entertain a request from the NBA that the negotiations be extended and they will continue to explore how they do, what they do, the best.

Mr. Pickering expressed his thoughts on Golden Gate Fields. He wished CalExpo and Pleasanton both had turf and the group didn't have to think about a Golden Gate Fields plan, that San Mateo could run their dates at Pleasanton's facilities. He has faith in a joint Racing Secretary concept so that the herd that runs at Golden Gate Fields is better managed. Having a joint Racing Secretary and a CARF functioning meet at Golden Gate Fields sets a very positive precedence for horse racing. Mr. Pickering agreed with Mr. Bartosik's comment that if Golden Gate Fields is allowed to go out and do what the big tracks have always done to the fairs, they will run down the herd in order to fill their races. On the other hand, this is a wonderful opportunity to have a joint Racing Secretary set precedent, in coordinating the purse structure and the type of races run at Golden Gate Fields so that they are focused more on the turf horse. Another benefit Mr. Pickering sees for Golden Gate Fields to be in the mix for 2009 is they've been very willing to talk about a solid revenue sharing plan that the fairs can benefit from. He would like to see a future of more dates at CalExpo. The calendar in front of the group has got to compensate the San Mateo Fair, one way or another. If that happens though, it would cause problems with our membership by appearing to take away from one fair and awarding to another. Mr. Pickering doesn't know if there's enough money in running that extra week at CalExpo that CalExpo can share it with Ferndale and anybody else. Mr. Pickering has represented to his twenty-six member board that the racing industry

has to be supported as a whole or there won't be anything left to support. Mr. Barkett and Mr. Pickering have been discussing revenue sharing being tied to off-track, meaning only those revenues generated by the computers with no expenses applied against it. Long term, Fresno has a great market place - if they could roll-back that overlap further that would be wonderful - and we have been able to get rid of the current overlap with CalExpo; part of that had to do with Bay Meadows closing. We were able to get rid of the overlap with Stockton. So some good progress has been made, but there is still more progress to be made. Mr. Alkire reported on Fresno's meet and the impact the economy has made to the wagering. Mr. Alkire would have liked to hear that Santa Rosa come to the table a little more on that third week but he respects their position; perhaps that opens the scenario for CalExpo to pick up some extra days, which he is in favor of. Mr. Barkett pointed out with regards to the proposal on the table that Fresno would significantly benefit from the elimination of the overlap. Mr. Titus requested that Mr. Bartosik articulate what their extra week or the full fourteen days in 2009 would look like. Mr. Bartosik explained that when the fair traditionally opens on that Friday, rather than waiting for the middle of the next week to open on a Wednesday they would start racing on Friday and pick up Friday, Saturday and Sunday, then be dark on Monday and Tuesday, and start back up on Wednesday - basically they would be picking up three days. Mr. Titus stated that those three days would be on Humboldt's traditional closing weekend. Mr. Bartosik responded by saying that he understood that and that was the only thing that prevented him from wanting to do that. However, if the calendar changed where Fresno moved earlier and took the six days and just went the week, then that was something worth discussing. Mr. Titus said that from discussions at previous meetings he is a lot more skeptical they could put something together that would attract enough horsemen for just six days. Mr. Korby stated that one other element has not been discussed and that has not been addressed as specifically a racing issue is the impact on satellite handle; he felt it was an important consideration. The proposal that's on the table, as it is stated, maintaining two weeks of Fair racing in the middle of August but run at Golden Gate Fields concurrent with Humboldt, is looking at keeping the same level of satellite network handle as in the past, which over those two weeks would be about \$31 million. If those two weeks were to be divided, it would definitely have an impact on satellite handle. Mr. Barkett asked the group if anyone believed that racing those two weeks any place else, be it CalExpo or Humboldt un-overlapped or Santa Rosa would generate more support from the horsemen or more betting; it's fair to say that the reason for the proposal of the two weeks at Golden Gate is because that proposal would generate the most handle and make the horsemen the happiest, at least while Pleasanton was being improved. Ms. Cook asked, if the Golden Gate meet came out in the satellite, how would it be advertised? Mr. Barkett responded by saying that it would probably say something to the effect of 'A Fair meet held at Golden Gate Fields', much like the 'San Mateo meet at Bay Meadows.' Mr. White stated that from 2010 and beyond it would seem to him that if the long-term goal is to minimize moves and maximize fair facilities, it would be the easiest way to go but the burden falls on Santa Rosa to run a third week. The group discussed a Fair meet managed by CARF at Golden Gate Fields. Mr. Barkett summarized the situation by saying we are possibly in a position of going one of two ways: one alternative is the two weeks at Golden Gate for a year or so; the other alternative, a two week meet at Golden Gate following Santa Rosa, if Santa Rosa would be willing to take a third week, and work with Ferndale and CalExpo to extend their race meets.

Mr. White proposed the Fairs, in 2009, run two weeks at Golden Gate Fields and in 2010 Golden Gate goes away and the Fairs run an extra week each at Santa Rosa and CalExpo. Mr. Titus stated that he couldn't support the additional week at CalExpo.

Mr. Bartosik asked Mr. Korby if he had the numbers for them to look at from Golden Gate Fields. Mr. Korby said that Robert Hartman from Golden Gate had supplied him with some financial information. Mr. Korby proceeded to share what he had been told so far by Mr. Hartman regarding two options by Golden Gate Fields. The first concept is, if the rest of the calendar is such that their corporate expectations of revenue at Golden Gate Fields is met, they will provide Golden Gate Fields to the Fairs for those summer dates, at their cost, and CARF could review and audit those costs. The other concept is that Golden Gate Fields would look at more active management of the operational side and that Fairs would have some guaranteed level of compensation per day so it would be structured in a similar manner as what has been discussed with Vallejo. Mr. Carpenter asked Mr. Korby if he thought that by presenting the same three-year deal his fair negotiated with Bay Meadows and subsequently put on the table with Golden Gate and was verbally accepted, a commitment could be obtained from Robert Hartman. That three-year plan was comparable with what is currently being discussed for 2009 – it was almost during the exact same term and the exact same amount of race days. Mr. Carpenter explained it was an open contract which entailed a \$350,000 guarantee versus 50%, whichever is greater, for eleven days of racing; this plan could be used as a starting point for current negotiations. Mr. Bartosik said he didn't see any benefit for CalExpo other than the way that it works to keep the dates in play for CARF, but the benefits should be for the betterment of racing fairs and not just for San Mateo. Mr. Barkett said that if the expectation of the San Mateo County Fair was, under the scenario that Mr. Korby put forward, for some portion of \$350,000 to offset satellite wagering facility debt, it could possibly work with a week at Santa Rosa and an extra week at CalExpo and Humboldt.

Mr. White made the motion that CARF take forth a program that will run two weeks at Golden Gate, for the benefit of California Racing Fairs, and that in 2010 will run three weeks at Santa Rosa and three weeks at CalExpo. Mr. Titus seconded. Mr. Alkire questioned which of the two scenarios presented would generate more handle. Mr. Barkett responded by saying that what Mr. White's motion includes would be more handle generated for racing in 2009. Mr. Korby agreed that the 2009 scenario would generate more handle but he thinks the more developed answer is that until other fairs besides Santa Rosa make the improvements in Fair racing facilities.

Mr. Barkett called for a vote on Mr. White's proposal. Mr. Bartosik and Ms. Tesconi voted no; Mr. Pickering, Mr. White, Mr. Carpenter, Mr. Alkire, Mr. Titus and Mr. Barkett voted yes. Mr. Barkett commented that this was not the unanimous result they wanted. Mr. Pickering asked the two fairs that had voted no if there was an alternate motion they would like to present. Both Mr. Bartosik and Ms. Tesconi declined with Mr. Bartosik stating that the Committee voted for what they didn't want and he couldn't support voting for something they didn't want anyway. Mr. Bartosik explained that CalExpo only wants what is in the best interest of racing and Mr. Bartosik felt that wasn't being approached in the best way.

Mr. Barkett asked Mr. Titus if there anything that Humboldt could do to make the situation better, that it was Mr. Barkett's understanding that unless Golden Gate Fields is in the mix, it would be bad as far as Humboldt is concerned. Mr. Barkett then asked Mr. Titus if he trusted the group to work something out in 2010, would he trust them to work something out in 2009. Mr. Titus responded by emphatically saying no. The group discussed a number of scenarios, including changing Humboldt County Fair dates in 2009 to June and working with Redwood Acres in switching fair dates with them. If Humboldt could race in June, just before Pleasanton, and overlap with Golden Gate, that be a stronger time for Humboldt because they would then be the first Fair meet of the season and they would have first crack at the horses.

Mr. Barkett looked to Mr. Bartosik and Ms. Tesconi to see if there was any way to go into Wednesday's meeting more unified than the vote reflected. Mr. Bartosik suggested giving them the reason CalExpo voted in opposition - that CalExpo was not opposed to the overall concept but they just want the dates to start in 2009 rather than 2010. Mr. Pickering requested that the Live Racing Committee minutes reflect CalExpo's position so that when they present it at Wednesday's meeting, the group would not be speaking on behalf of CalExpo or Santa Rosa at Wednesday's meeting, but that the minutes say that.

Mr. Barkett pointed out that one of the issues that hasn't really been worked out yet is whether this was going to be a deal just between Vallejo and Pleasanton or whether it's going to be part of the whole package, since there are so many fairs now having an interest in some of these things. In fairness to Pleasanton, the fairs may want to have this be part of some bigger package. Mr. Barkett asked if it would be better for him to tell his board that this was an agreement with all of the Racing Fairs in Northern California, that everybody is part of this in some way and this was a deal that was worked out with everybody in mind so that if the fair board changes dramatically at Pleasanton or if Mr. Pickering goes somewhere else, this was a collective agreement. Mr. Pickering agreed, assuming Santa Rosa would be negotiating with Vallejo to help for one week and Pleasanton was asked to step up for one week. Mr. Pickering supported, with his key board members the concept that Mr. Barkett has put forth to the group about a minimum guarantee of some sort over five years and in years six, seven and eight it would decline slightly scaled down to zero so that they would have revenue stability; supported the concept that we tie it to off-track generation and even if there were greater off-track generation, that Vallejo would participate up to 20% of any growth, should there be growth.

Mr. Barkett speculated that one of the questions that they will asked during Wednesday's meeting is if the group was still supporting the concept of a collective 14 or 15 week Fair race meet including Golden Gate Fields. Mr. Bartosik said that he felt that concept will be challenged.

Mr. Titus asked if an item, for discussion only, appearing on the October 15th CHRB Agenda, was a surprise. The response from the group was if the item was for discussion only the CHRB was not going to make a decision regarding a date allocation during that meeting.

Mr. Korby announced that he heard there may be a Dates Committee meeting in Arcadia on the 14th of October, prior to the CHRB Board meeting on October 15.

Mr. Bartosik leaves the meeting at 2:59 pm.

At 3:01 pm, with no further business before the committee, the meeting was adjourned.

Respectfully submitted,

Margot Wilson

CALIFORNIA AUTHORITY OF RACING FAIRS

Live Racing Committee

Tuesday, September 23, 2008

Minutes

A meeting of the California Authority of Racing Fairs Live Racing Committee was held at 2:00 P.M., Tuesday, September 23, 2008. The meeting was conducted at the California Authority of Racing Fairs Office, located at 1776 Tribute Road, Sacramento, California, 95815.

Live Racing Committee Members attending: Joe Barkett, Norb Bartosik, Rick Pickering and Tawny Tesconi. Joining by conference call: John Alkire, Chris Carpenter, Stuart Titus and Forrest White.

Staff and Guests attending: Christopher Korby, Larry Swartzlander, Heather Haviland, Margot Wilson, Richard Lewis, Dave Elliott and Tom Doutrich. Joining by conference call: Debbie Cook.

Agenda Item 1 – Determination of Date, Time and Location of Next Meeting. The next CARF Board & Live Racing Committee meeting is tentatively scheduled for 11:30 a.m. on Thursday, October 9, 2008 at the Big Fresno Fair.

Agenda Item 2 – Discussion and Action, if any, on Racing Dates for 2009 and Beyond. Mr. Korby reported that due to issues surrounding the allocation of the Fair block of dates, Staff has created a proposal with concrete elements to start the discussion and create anchor points for the planning process. The premise of the proposal is that racing in Northern California is in an increasingly fragile state and Fairs need to do their part to keep the racing industry viable.

The goals of the proposal are:

1. Strengthen Northern California Summer racing through reducing the number of race dates by eliminating Monday racing (excluding Labor Day) and extending Stockton's 9-day meet over three weekends, eliminating part of a week that had previously been run at Golden Gate Fields.
2. Provide more Turf racing by running 3 weeks and Santa Rosa and 2 weeks at Golden Gate Fields for a total of 5 weeks of Turf racing during the summer.
3. Create better racing opportunities for all classifications of Thoroughbreds.
4. Carefully manage Emerging Breed program to eliminate overpayments.

The proposal also offers objectives to create a core racing program for Fairs, retain better Northern California Thoroughbreds, create opportunities for Southern California Thoroughbreds, manage the inventory of lower classifications of Thoroughbreds to maximize field size, offer an expanded program for two-year-olds and judiciously manage Supplemental Purses.

Mr. Korby walked the group through the proposed calendar and date allocation (see below motion for specific date allocation). Mr. White stated the San Joaquin Fair would not support a program that included a Fair running in Stockton's traditional June dates. Mr. White

also expressed industry concern regarding an 8 week stretch in the block that lacks racing in the Bay Area. If Stockton is placed back into their traditional dates, an opportunity would exist to break up that 8 week block.

Mr. Korby introduced the "June Option" of the proposal showing a spring and fall block of dates that will ultimately be run at Pleasanton. Mr. Korby also addressed the measures that would be taken to insure that the horse population is carefully managed to protect Ferndale.

Mr. Barkett stated that the Solano County Fair could not move forward with consolidating their race dates without some assurance that funding will be provided for eight years on a sliding scale.

Mr. White moved to direct staff to establish current revenues, quantify prospective options and assess the potential financial impact of moving forward with Mr. Korby's proposal titled *Restructuring the Northern California Fairs Summer Racing Program in 2009* (three weeks at Pleasanton, three weeks at Santa Rosa, two weeks at Ferndale to run concurrent with a CARF meet held at GGF, two weeks at Sacramento including Labor Day, three 3-day weekends at Stockton and two weeks at Fresno including Labor Day. Fairs would not run Mondays, excluding Holidays). Seconded by Mr. Bartosik. Mr. Alkire, Mr. Barkett, Mr. Carpenter, Mr. Pickering, Ms. Tesconi, Mr. Titus and Mr. White approved. Mr. Bartosik abstained.

Respectfully submitted,

Heather Haviland

CALIFORNIA AUTHORITY OF RACING FAIRS

Special Live Racing Committee Meeting

Monday, November 3, 2008

Minutes

A meeting of the California Authority of Racing Fairs Live Racing Committee was held at 11:00 A.M., Monday, November 3, 2008. The meeting was conducted by conference call from the California Authority of Racing Fairs Conference Room located at 1776 Tribute Road, Suite 205, Sacramento, California, 95815.

Live Racing Committee Members attending: Joe Barkett. Joining by conference call: John Alkire, Norb Bartosik, Chris Carpenter, Debbie Cook, Rick Pickering, Tawny Tesconi and Stuart Titus.

Staff and Guests attending: Christopher Korby, Heather Haviland, Margot Wilson, and Richard Lewis. Joining by conference call: Dave Elliott and Bruce Lim.

Agenda Item 1 – Discussion and Action, if any, on a Combined Fair Meeting in 2009 and Beyond. Mr. Barkett requested that Mr. Korby walk the Committee through the three 2009 dates calendars included in the meeting packet.

Mr. Korby started with the calendar titled “2009 NorCal Dates – CARF Plan for Summer Dates Adopted Sept.23 and Again Unanimously Oct. 13” which was introduced in text form and adopted at the Sept. 23, 2008 CARF Live Racing Committee meeting. Ms. Cook expressed concern that on the Oct. 13, 2008 CARF Live Racing Committee vote, it was Stockton’s intent to move back to its traditional June dates.

The second calendar, titled “2009 DRAFT 10-14-2008,” was proposed to the CHRB Board by the TOC and reduces the Pleasanton/Golden Gate Fields bock by 30 days, provides for two weeks of racing at Stockton in June, three weeks at Pleasanton, three weeks at Santa Rosa, three to four weeks at Golden Gate Fields overlapping with Ferndale, three to four weeks at Sacramento (removed from the California State Fair), two weeks at Fresno and the balance of dates at Golden Gate Fields. This calendar significantly reduces the number of race days in Northern California, creates a longer Christmas break and substantially reduces Wednesday racing. This proposal was not reviewed or supported by CARF prior to its presentation.

The third calendar, titled “DRAFT - Modified CARF Plan – NorCal 2009 – Stockton in June – CalX during State Fair – GGF Sept. – Dated Oct. 30, 2008,” was created by CARF Staff and represent a hybrid of the above two calendars, thereby creating a sensible and defensible 2009 racing calendar. The calendar offers two weeks of racing at Stockton in June, three weeks at Pleasanton, one week at Vallejo, two weeks at Santa Rosa, two weeks at Golden Gate Fields/Ferndale, two weeks at Sacramento during the California State Fair, another four weeks at Golden Gate Fields and two weeks at Fresno ending Oct. 18, 2009. In this calendar, Mondays during Del Mar would become simulcast only days, overall Northern California race days would be reduced, a block of spring and fall dates would be held for Pleasanton and a longer Christmas break would be created.

Mr. Korby noted that the third calendar inadvertently cut the fall Pleasanton/Golden Gate Fields meet off at Nov. 1, 2009 and should show the meet running through Nov. 8, 2009.

Mr. Alkire moved to approve the calendar titled "DRAFT - Modified CARF Plan - NorCal 2009 - Stockton in June - CalX during State Fair - GGF Sept. - Dated Oct. 30, 2008" as presented. Mr. Bartosik seconded for discussion.

Mr. Elliott expressed concern that running Golden Gate Fields dates in the middle of the summer block would negatively affect Santa Rosa and Sacramento. A reasonable solution from the viewpoint of Sacramento would be to use Stabling and Vanning Fund monies to pay for shipping/shuttling costs during mid-summer and to compensate Sacramento for its traditional \$40,000 trainers' contest. Sacramento would also like to propose running an extra three to four days after Labor Day to lengthen the period between the dates run at Golden Gate Fields.

Mr. Alkire amended the motion to approve the calendar as presented with the caveat that Sacramento be allowed to run an additional three to four days after Labor Day assuming the concept did not receive opposition from racing industry principals. Unanimously approved.

Mr. Korby asked the CARF Board to support the position that if the 35 days held for Pleasanton outside the Summer block were to be reduced, the industry would provide Pleasanton with a comparable revenue source to fund facility improvements. Mr. Barkett moved to support the position for potential negotiation as stated. Mr. Bartosik seconded, unanimously approved.

Agenda Item 2 - Discussion and Action, if any, on Racing Dates for 2009 and Beyond. Mr. Korby made the group aware that moving forward in a lease agreement with Golden Gate Fields would require the mechanism for a combined Fair meet to be developed. Dates run at a leased facility will need to be licensed under a Fair umbrella. Mr. Korby asked which Fairs would be interested in running as a combined Fair meet in 2009.

Ms. Cook expressed concern regarding how details such as payroll would be affected in a consolidated meet. Mr. Korby responded that individual aspects of the consolidation, such as payroll, will be at the discretion of each Fair contractually based on the 2007 Vallejo/Santa Rosa model.

Ms. Cook and Mr. Titus asked what the benefits would be for consolidation beyond securing and protecting the Fair block of dates and what the structure would look like. Mr. Korby responded that the structure would look much like it had in the past, just defined differently.

Mr. Pickering asked for a roll call of Fairs interested in proceeding with the combined Fair meet concept in 2009. Pleasanton, Vallejo, San Mateo and Fresno stated they would join in two combined Fair meetings.

Mr. Barkett directed staff to move forward with supplying more detail regarding the philosophy and structure a combined meet.

Agenda Item 3 – Executive Directors Report. Mr. Korby reported that the Thoroughbred Owners of California (TOC) has expressed concern to CARF regarding individual interests meeting to discuss racing dates outside the entire group, despite the fact that those meetings were requested by principals. Mr. Bartosik informed the group that the TOC had requested a meeting with CalExpo that was intended to be a multi-dimensional conversation and not a discussion based solely on the feasibility of running four weeks in September at CalExpo. Mr. Bartosik agreed to proceed with the meeting with the intent of sharing the discussion with the Committee.

Respectfully submitted,

Heather Haviland

PROPOSED LEGISLATION

INCREASE SATELLITE WAGERING COMMISSION FROM 2% TO 3%

BACKGROUND

The California Fairs' satellite wagering network was created by a series of legislative actions in the mid- to late-1980's. The purpose for its creation was three-fold: 1) increase horse-racing license fee revenue to the state; 2) create new revenues and growth for the horse racing industry; and, 3) create a new revenue source to support local Fairs through commissions paid on Fair satellite wagering facility operations.

In the intervening years, several factors have combined to negatively impact attendance and revenues at Fair satellite facilities. First of all, *tribal gaming* has grown explosively from virtual non-existence in the 1980's to a multi-billion dollar activity that now rivals gaming in Nevada. Tribal gaming has had a significant negative impact particularly on smaller Fair satellite facilities in more rural markets, where most tribal casinos are located. Secondly, *advanced deposit wagering* (on-line betting on horse races) has eroded attendance at Fair brick-and-mortar satellites; patrons no longer must attend a satellite facility or race track to make a wager on a horse race. Thirdly, *recent declines in the economy* have contributed to a further downturn in the level of business at Fair satellites. The combination of these factors has negatively impacted revenues at all Fair satellite facilities and has driven a number of smaller facilities to the brink of closure.

Fairs facing the decision to close or reduce operations at their satellite facilities include Fairs in Anderson, Eureka, Lake Perris, Santa Maria, Santa Barbara, Tulare and Victorville. Even after initiating cost cutting steps, Fairs in Santa Barbara, Santa Maria, Tulare and Victorville have decided to close night operations. This has impacted jobs at those facilities along with revenues to Fairs, to the state and to racing associations which conduct harness racing at Cal Expo and quarter horse racing at Los Alamitos. Horse owners, trainers and employees at the racing associations will also be impacted by these closures unless we can reverse this trend.

We have worked with each of the Fairs noted above in an effort to reduce operating costs in order to maintain operations. Several Fairs, notably those at Eureka and Santa Barbara, have agreed to continue operating at or near break-even in the hope that our legislative efforts to increase revenues will be successful and they will be able to stay open in the future. If our effort to increase commissions is not successful, they will be forced to close down operations.

Horse racing represents a \$3 billion component of California's agricultural economy. It employs over 20,000 Californians. Agricultural land dedicated to horse breeding activities helps keep California green. Parimutuel wagering on horse racing is the engine that pulls this economic train. We need this adjustment to our business model to help keep this economic sector strong.

DRAFT FOR INTERNAL USE ONLY

Two Percent Satellite Commission Raised to Three Percent

NOTE: This language adjusts the commission paid to satellite wagering facilities (also know as "location fees") from two percent to three percent, both for traditional totalisator wagers and for ADW wagers. It deletes the language that maintains the same take-out off-track and on-track.

19605.7. The total percentage deducted from wagers at satellite wagering facilities in the northern zone shall be distributed as set forth in this section. Amounts deducted under this section shall be distributed as follows:

(a) For thoroughbred meetings, 1.3 percent of the amount handled by the satellite wagering facility on conventional and exotic wagers shall be distributed to the racing association for payment to the state as a license fee, 3 percent shall be distributed to the satellite wagering facility as a commission for the right to do business, as a franchise, and this commission is not for the use of any real property, 2.5 percent or the amount of actual operating expenses, as determined by the board, whichever is less, shall be distributed to an organization described in Section 19608.2, and 0.54 percent shall be deposited with the official registering agency pursuant to subdivision (a) of Section 19617.2 and shall thereafter be distributed in accordance with subdivisions (b), (c) and (d) of Section 19617.2, and 0.033 percent distributed to the Center for Equine Health and 0.067 percent distributed to the California Animal Health and Food Safety Laboratory, School of Veterinary Medicine, University of California at Davis. It is the intent of the Legislature that the 0.033 percent of funds distributed to the Center for Equine Health shall supplement, and not supplant, other funding sources.

(b) For harness, quarter horse, Appaloosa, Arabian, or mixed breed meetings, 0.4 percent of the amount handled by the satellite wagering facility on conventional and exotic wagers shall be distributed to the racing association for payment to the state as a license fee, for fair meetings, 1 percent of the amount handled by the satellite wagering facility on conventional and exotic wagers shall be distributed to the fair association for payment to the state as a license fee, 3 percent shall be distributed to the satellite wagering facility as a commission for the right to do business, as a franchise, and this commission is not for the use of any real property, and 6 percent of the amount handled by the satellite wagering facility or the amount of actual operating expenses, as determined by the board, whichever is less, shall be distributed to an organization described in Section 19608.2. In addition, in the case of quarter horses, 0.4 percent shall be deposited with the

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official registering agency pursuant to subdivision (b) of Section 19617.7 and shall thereafter be distributed in accordance with subdivisions (c), (d), and (e) of Section 19617.7; in the case of Appaloosas, 0.4 percent shall be deposited with the official registering agency pursuant to subdivision (b) of Section 19617.9 and shall thereafter be distributed in accordance with subdivisions (c), (d), and (e) of Section 19617.9; in the case of Arabians, 0.4 percent shall be held by the association to be deposited with the official registering agency pursuant to Section 19617.8, and shall thereafter be distributed in accordance with Section 19617.8; in the case of standardbreds, 0.4 percent shall be distributed for the California Standardbred Sires Stakes Program pursuant to Section 19619; in the case of thoroughbreds, 0.48 percent shall be deposited with the official registering agency pursuant to subdivision (a) of Section 19617.2 and shall thereafter be distributed in accordance with subdivisions (b), (c), and (d) of Section 19617.2; and 0.033 percent shall be distributed to the Center for Equine Health and 0.067 percent shall be distributed to the California Animal Health and Food Safety Laboratory, School of Veterinary Medicine, University of California at Davis. It is the intent of the Legislature that the 0.033 percent of funds distributed to the Center for Equine Health shall supplement, and not supplant, other funding sources.

(c) In addition to the distributions specified in subdivision (a) and (b), for mixed breed meetings, 1 percent of the total amount handled by each satellite wagering facility shall be distributed to an organization described in Section 19608.2 for promotion of the program at satellite wagering facilities. For harness meetings, 0.5 percent of the total amount handled by each satellite wagering facility shall be distributed to an organization described in Section 19608.2 for the promotion of the program at satellite wagering facilities, and 0.5 percent of the total amount handled by each satellite wagering facility shall be distributed according to a written agreement for each race meeting between the licensed racing association and the organization representing the horsemen participating in the meeting. For quarter horse meetings 0.5 percent of the total amount handled by satellite wagering facility on races run in California shall be distributed to an organization described in Section 19608.2 for the promotion of the program at satellite wagering facilities, 0.5 percent of the total amount handled by each satellite wagering facility on out-of-state and out-of-country imported races shall be distributed to the official quarter horse registering agency for the purposes of Section 19617.75, and 0.5 percent of the total amount handled by each satellite wagering facility on all races shall be distributed according to a written agreement for each race meeting between the licensed racing association and the organization representing the horseman participating in the meeting.

(d) Additionally, for thoroughbred, harness, quarter horse, mixed breed, and fair meetings, 0.33 percent of the total amount handled by each satellite wagering facility shall be paid to the city or county in which the satellite wagering facility is located pursuant to Section 19610.3 or 19610.4.

(e) Notwithstanding any other provision of law, a racing association is responsible for the payment of the state license fee as required by this section.

19605.71. The total percentage deducted from wagers at satellite wagering facilities in the central and southern zone shall be distributed as set

forth in this section. Amounts deducted by a satellite wagering facility under this section shall be distributed as follows:

(a) For thoroughbred meetings, 2 percent of the amount handled by the satellite wagering facility on conventional and exotic wagers shall be distributed to the racing association for payment to the state as a license fee, 3 percent shall be distributed to the satellite wagering facility as a commission for the right to do business, as a franchise, and this commission is not for the use of any real property, 2.5 percent or the amount of actual operating expenses, as determined by the board, whichever is less, shall be distributed to an organization described in Section 19608.2, and 0.54 percent shall be deposited with the official registering agency pursuant to subdivision (a) of Section 19617.2 and shall thereafter be distributed in accordance with subdivisions (b), (c), and (d) of Section 19617.2, and 0.033 percent shall be distributed to the Center for Equine Health and 0.067 percent shall be distributed to the California Animal Health and Food Safety Laboratory, School of Veterinary Medicine, University of California at Davis. It is the intent of the Legislature that the 0.033 percent of funds distributed to the Center for Equine Health shall supplement, and not supplant, other funding sources.

(b) For harness, quarter horse, Appaloosa, Arabian, or mixed breed meetings, 0.4 percent of the amount handled by the satellite wagering facility on conventional and exotic wagers shall be distributed to the racing association for payment to the state as a license fee, for fair meetings, 1 percent of the amount handled by the satellite wagering facility on conventional and exotic wagers shall be distributed to the racing association for payment to the state as a license fee, 3 percent shall be distributed to the satellite wagering facility as a commission for the right to do business, as a franchise, and this commission is not for the use of any real property, and 6 percent of the amount handled by the satellite wagering facility or the amount of actual operating expenses, as determined by the board, whichever is less, distributed to an organization described in Section 19608.2. In addition, in the case of quarter horses, 0.4 percent shall be deposited with the official registering agency pursuant to subdivision (b) of Section 19617.7 and shall thereafter be distributed in accordance with subdivisions (c), (d), and (e) of Section 19617.7; in the case of Appaloosas, 0.4 percent shall be deposited with the official registering agency pursuant to subdivision (b) of Section 19617.9 and shall thereafter be distributed in accordance with subdivisions (c), (d), and (e) of Section 19617.9; in the case of Arabians, 0.4 percent shall be held by the association to be deposited with the official registering agency, pursuant to Section 19617.8, and thereafter shall be distributed in accordance with Section 19617.8; in the case of standardbreds, 0.4 percent shall be distributed for the California Standardbred Sires Stakes Program pursuant to Section 19619; in the case of thoroughbreds, 0.48 percent shall be deposited with the official registering agency pursuant to subdivision (a) of Section 19617.2 and shall thereafter be distributed in accordance with subdivisions (b), (c), and (d) of Section 19617.2; and 0.033 percent shall be distributed to the Center for Equine Health and

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0.067 percent shall be distributed to the California Animal Health and Food Safety Laboratory, School of Veterinary Medicine, University of California at Davis. It is the intent of the Legislature that the 0.033 percent of funds distributed to the Center for Equine Health shall supplement, and not supplant, other funding sources.

(c) In addition, for Appaloosa and mixed breed meetings, 1 percent shall be distributed to an organization described in Section 19608.2 for promotion of the program at satellite wagering facilities. Notwithstanding any other provision of law, on wagers made in the Counties of Orange and Los Angeles on thoroughbred races conducted in the County of Orange or Los Angeles, or both, excluding the 50th District Agricultural Association, the amount deducted for promotion of the satellite wagering program at satellite wagering facilities shall be 0.5 percent. Any of the promotion funds that are not distributed in the year in which they are collected may be distributed in the following year. If promotion funds distributed in any year exceed the amount collected for that year, the funds distributed in the following year shall be reduced by the excess amount. For harness meetings, 0.5 percent of the total amount handled by each satellite wagering facility shall be distributed to an organization described in Section 19608.2 for the promotion of the program at satellite wagering facilities, and 0.5 percent of the total amount handled by each satellite wagering facility shall be distributed according to a written agreement for each race meeting between the licensed racing association and the organization representing the horsemen participating in the meeting. For quarter horse meetings 0.5 percent of the total amount handled by satellite wagering facility on races run in California shall be distributed to an organization described in Section 19608.2 for the promotion of the program at satellite wagering facilities, 0.5 percent of the total amount handled by each satellite wagering facility on out-of-state and out-of-country imported races shall be distributed to the official quarter horse registering agency for the purposes of Section 19617.75, and 0.5 percent of the total amount handled by each satellite wagering facility on all races shall be distributed according to a written agreement for each race meeting between the licensed racing association and the organization representing the horseman participating in the meeting.

(d) Additionally, for thoroughbred, harness, quarter horse, mixed breed, and fair meetings, 0.33 percent of the total amount handled by the satellite wagering facility shall be paid to the city or county in which the satellite wagering facility is located pursuant to Section 19610.3 or 19610.4.

(e) Notwithstanding any other provision of law, a racing association is responsible for the payment of the state license fee as required by this section.

ADW 2% LOCATION FEES ALSO ADJUSTED TO 3%

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 3 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 2.5 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 2 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

Deleted: 2

Deleted: 1.5

Deleted: 1

19605.72 shall be considered to be satellite wagering facility
commissions attributable to thoroughbred races at the locations
described in that section.

Korby
January 16, 2009

DRAFT-For Internal Use Only
Korby—January 16, 2009

THE PEOPLE OF THE STATE OF CALIFORNIA DO ENACT AS FOLLOWS:
Section 19605.74 is hereby added to the Business and Professions Code:

19605.74 (a) The Legislature finds and declares that the existence of high caliber thoroughbred racing in California is important to this state's agricultural economy and a source of employment for thousands of Californians. The California horse racing industry is being threatened by the potential closure of one or more thoroughbred racing venues with a consequent shortage of facilities at which thoroughbred race horses can race, stable and train. It is the intent of the Legislature to establish a fund to be utilized for the financing of capital improvements, for the acquisition of real property and for the development of infrastructure required for the racing, stabling and training of thoroughbred race horses in Northern California through the redistribution of the parimutuel handle on all exotic wagers made on thoroughbred races and emerging breed races run in the Northern Zone. This section shall be known as the California Racing Infrastructure Development and Economic Stimulus Act of 2009.

(b) Notwithstanding Section 19610, every thoroughbred association or fair that conducts a racing meet in the Northern Zone shall deduct an additional amount not to exceed two percent of the total amount handled in all parimutuel pools of exotic wagers on thoroughbred races or on emerging breed races at fairs to be used for the purposes set out in subdivision (a). The amount initially deducted and distributed pursuant to this section shall be two percent of the total amount handled in all parimutuel pools of exotic wagers on thoroughbred races or emerging breed races at Fairs run in the Northern Zone, but that allocation may be adjusted by the board, except that any adjustment by the board shall ensure funds sufficient to meet the intent of subdivisions (f)(3) and (f)(4) herein. In any event, however, the adjusted amount may not exceed two percent of the amount handled in all parimutuel pools of exotic wagers on thoroughbred races or emerging breed races run in the Northern zone, to finance capital improvements, to acquire real property or to develop infrastructure required for the racing, stabling and training of thoroughbred race horses in the Northern Zone.

(c) The funds collected pursuant to subdivision (b) from all parimutuel pools on exotic wagers on thoroughbred races or emerging breed races at fairs arising out of wagering activities within the inclosure of a thoroughbred association or fair conducting a race meeting, at all satellite wagering facilities within this state, and through advance deposit wagering by residents of this state, shall be distributed to the organization described in subdivision (e) to be used in accordance with subdivision (f).

(d) Any thoroughbred association or fair that authorizes a betting system located outside of this state to accept wagers on its races and to combine those wagers in the association's or fair's exotic wagers parimutuel pools, including, but not limited to, a multijurisdictional wagering hub as to wagers made by residents other than those of this state, shall deduct the amount specified in subdivision (b) in addition to any other

applicable deductions specified in law. The amount deducted pursuant to this subdivision shall be distributed to the organization described in subdivision (e) to be used in accordance with subdivision (f). This additional deduction shall not be included in the amount on which license fees are determined pursuant to Section 19602 or Section 19616.51.

(e) The organization shall be the California Authority of Racing Fairs, or its successor, a joint powers agency formed pursuant to Chapter 5 of Division 7 of Title 1 of the Government Code. The organization shall account annually to the California Horse Racing Board with respect to the expenditure and distribution of funds received by the organization pursuant to subdivisions (c) and (d), and shall obtain an independent audit of fund generation and distribution. A copy of the completed audit shall be forwarded to the California Horse Racing Board within 45 days of its receipt by the organization.

(f) (1) The amount distributed to the organization described in subdivision (e) shall be deposited by that organization in separate accounts and such funds and any interest thereon shall be expended for the financing of such capital improvements as are deemed necessary and appropriate in the Northern zone by the organization described in Section 19607.2 to provide adequate stabling training and related facilities for thoroughbred horse racing in the Northern zone

(f) (2) Any financing plan or proposal shall be submitted to and approved by the organization described in subdivision (e) prior to any expenditure of funds, pursuant to this subsection. However, such approval may be withheld solely on the basis that funds generated pursuant to subdivision (b) are not sufficient for repayment of debt to finance the improvements determined by the joint resolution described in this subdivision.

(f) (3) Such approval by such organization may provide for the payment of such amounts to one or more joint powers agencies for the repayment of the principal of, interest on, and costs of issuance of, and as security, including any coverage factor, pledged to the payment of, bonds issued or to be issued by such joint powers agency or other debt service or expense, including repayment of any advances made or security required by any provider of credit enhancement or liquidity for those bonds or other indebtedness or expenses of maintaining that credit enhancement or liquidity, incurred for the purpose of constructing or acquiring improvements or the purchase of real property to provide adequate facilities for racing, stabling and training thoroughbred race horses at fairgrounds in the Northern Zone or for the purpose of refunding bonds or other indebtedness incurred for those purposes.

(f) (4) As used in this subsection (f) "coverage factor" means revenues in excess of the amount necessary to pay debt service on the bonds or other indebtedness, up to an amount equal to 100 per cent more than the amount of that debt service, which such joint powers agency, pursuant to the resolution of indenture under which the bonds or other indebtedness are or will be issued, pledges as additional security for the payment of that debt service or as is required to have or maintain as a condition to the issuance of additional bonds or other indebtedness.

(g) It is the intent of the Legislature in enacting this section to provide the revenues necessary for the financing by one or more joint powers agencies of the facilities and improvements described in subparagraph (f)(1) and (f)(3) of this section all of which shall be deemed to be public capital improvements within the meaning of Article 4 (commencing with section 6584) of Chapter 5 of Division 7 of Title 1 of the Government Code. Payments described in paragraph (f)(1) of this section shall continue through whatever period of time is necessary to repay any borrowings of joint powers funding mechanism, including, but not limited to, retirement of bonded indebtedness, loan repayments, and monthly payments involving lease-purchase programs made by a joint powers agency to finance the improvements referenced in subparagraph (f)(1) of this section.

(h) The State of California does hereby pledge to the holders of any bonds or other indebtedness, and with those joint powers agencies which may enter into agreements with fairs or other third parties or authorize bonds or other indebtedness to be issued, in reliance on the allocations set forth in this section, that the State will not alter or change the structure of funding and deposits set forth in, or the pledge of funds for debt service, security, including any coverage factors, and expenses, pursuant to this section until the bonds and other indebtedness are fully paid or discharged. However nothing precludes any alteration or change, if and when, adequate provision has been made by law for the payment of debt service on the bonds and other indebtedness, and the right to so alter or change is hereby reserved. Joint powers agencies may include this pledge and undertaking of the State in the bonds or agreements evidencing other indebtedness.

(i) The approval described in (f)(3) shall provide for the disbursement to the organization described in Section 19607.2 of any funds over and above those necessary to accomplish the financing of improvements referred to subsection (f)(1) and (f)(3) including any required coverage factor and reserves. The organization described in Section 19607.2 shall thereafter annually disburse the total amount so received solely for any or all of the following purposes: the amount, if any, required to insure that stabling and vanning funds provided for in section 19607.1 of this code are sufficient to cover the expenses of vanning and stabling in the northern zone; and alternatively or additionally; to pay down the principal on any bonded indebtedness incurred to provide and maintain adequate racing, stabling and training facilities, including the purchase of real property, in the northern zone, and, additionally or alternately, to supplement thoroughbred purses paid in the northern zone; to promote and market thoroughbred racing in the northern zone, which purpose may include supplemental additions to parimutuel pools in order to promote racing events in the northern zone.

Section 19606.1 is amended as follows:

19606.1. (a) Except as otherwise provided in Section 19606.3, all revenues distributed to the state as license fees from satellite wagering facilities shall be deposited in a separate account in the fund and, notwithstanding Section 13340 of the Government Code, are continuously appropriated from that account to the Department of Food

and Agriculture, for allocation by the Secretary of Food and Agriculture, at his or her discretion, for the purposes set forth in paragraphs (1) to (6), inclusive. The concurrence of the Director of Finance shall be required for allocations pursuant to paragraphs (1) and (2). Allocations pursuant to paragraphs (3) to (6), inclusive, shall be made with the concurrence of the Joint Committee on Fairs Allocation and Classification.

(1) For the repayment of the principal of, interest on, and costs of issuance of, and as security, including any coverage factor, pledged to the payment of, bonds issued or to be issued by a joint powers agency or other debt service or expense, including repayment of any advances made or security required by any provider of credit enhancement or liquidity for those bonds or other indebtedness or expenses of maintaining that credit enhancement or liquidity, incurred for the purpose of constructing or acquiring improvements at a fair's racetrack inclosure, *a fair's race track grandstand, a fair's race track surface, a fair's race track barn and stable area*, satellite wagering facilities at fairs, health and safety repair projects, or handicapped access compliance projects at fairs or for the purpose of refunding bonds or other indebtedness incurred for those purposes. As used in this paragraph, "coverage factor" means revenues in excess of the amount necessary to pay debt service on the bonds or other indebtedness, up to an amount equal to 100 percent more than the amount of that debt service, which a joint powers agency, pursuant to the resolution or indenture under which the bonds or other indebtedness are or will be issued, pledges as additional security for the payment of that debt service or is required to have or maintain as a condition to the issuance of additional bonds or other indebtedness. Notwithstanding any other provision of law, the department may also commit any funds available for allocation under Article 10 (commencing with Section 19620) to complete projects funded under this paragraph in the priority described in this paragraph.

(2) For payment to the State Race Track Leasing Commission to be pledged for the repayment of debt necessary to construct a racetrack grandstand at the 22nd District Agricultural Association fairgrounds. This payment shall be made only if the Secretary of Food and Agriculture determines, annually, that all other pledged revenues have been applied to the repayment of that debt and have been determined by the secretary to be inadequate for that purpose.

(3) For the payment of expenses incurred in establishing and operating satellite wagering facilities at fairs.

(4) For the support of an equipment and operating fund to produce and display a consolidated California signal at satellite wagering facilities and fairs.

(5) For health and safety repair projects at fairs, which includes fire and life safety improvement projects, California Code of

Regulations compliance projects, and long-term deferred maintenance projects.

(6) For the development and payment of revenue generating projects, the establishment of pilot projects to restructure the current fair system, and for projects realizing a cost savings for more efficient utilization of existing fair resources.

(b) The Secretary of Food and Agriculture may not make an allocation for purposes of paragraphs (2) to (6), inclusive, of subdivision (a) until the payments required in any fiscal year pursuant to paragraph (1) of subdivision (a) have been funded.

(c) Pursuant to subdivision (a), the Joint Committee on Fairs Allocation and Classification shall review and concur, or not concur, with the secretary's determination of the allocations to be made pursuant to paragraphs (3) to (6), inclusive, of subdivision (a) in total, and the committee may not add to, or delete projects or line items from, the proposed allocations.

(d) Approval of the Joint Committee on Fairs Allocation and Classification is deemed complete when one of the following conditions is met:

(1) The annual budget act is enacted.

(2) If the secretary's recommendations are received by the Joint Committee on Fairs Allocation and Classification after the enactment of the annual budget act, the recommendations shall be deemed approved 30 days after they are received unless they are rejected by the committee.

(e) If the Joint Committee on Fairs Allocation and Classification does not concur with the secretary's recommendations, the secretary may submit another set of recommendations to the committee pursuant to this section.

(f) The payments required in any fiscal year for the purposes of paragraphs (1) to (3), inclusive, of subdivision (a) shall be made before any transfer is made pursuant to subdivision (g).

(g) Except as otherwise provided in subdivision (f), when the revenues deposited in the separate account exceed eleven million dollars (\$11,000,000) in any fiscal year, 98 percent of the amount in excess of eleven million dollars (\$11,000,000) shall be transferred to the Fair and Exposition Fund for allocation in accordance with Sections 19620.1 and 19630.

(h) All of the costs of administering the accounts created by subdivision (a) and Section 19606.3 shall be charged to the respective accounts.

California Authority of Racing Fairs

Legislative Report - Last 10 Days 1/23/2009

AB 136 (Silva) Horse racing: harness or quarter horse races: imported races. (I-01/20/2009 [html](#) [pdf](#))
Status: 01/21/2009-From printer. May be heard in committee February 20.
Current Location: 01/20/2009-A PRINT

Digest: Under existing law, the California Horse Racing Board is authorized to permit a harness or quarter horse association conducting a race meeting to accept wagers on the results of out-of-state or out-of-country harness or quarter horse races, and certain other designated harness or quarter horse races, if specified conditions are met. One of these conditions is that, if only one breed is being raced on a given day, the racing association conducting live racing may import those races that would otherwise be simulcast by the association which is not racing, subject to the limitation that the total number of harness or quarter horse races imported in a calendar year does not exceed the number of night races imported in 1998 after 5:30 p.m.

This bill would delete that limitation regarding the total number of harness or quarter horse races imported in a calendar year.

Under existing law, revenues distributed to the state as license fees from horse racing are required to be deposited in the Fair and Exposition Fund and are continuously appropriated to the Department of Food and Agriculture for various regulatory and general governmental purposes.

By deleting a limitation on imported races, this bill would authorize additional wagering, and would increase the amount of continuously appropriated license fees, thereby making an appropriation.

Vote: 2/3. **Appropriation:** yes. **Fiscal committee:** yes. **State-mandated local program:** no.

Laws: An act to amend Section 19596.1 of the Business and Professions Code, relating to horse racing, and making an appropriation therefor.

History:

Jan. 21 From printer. May be heard in committee February 20.

Jan. 20 Read first time. To print.

Organization

CARF

**AB 765
EXCERPTS**

BILL NUMBER: AB 765 CHAPTERED
BILL TEXT

CHAPTER 613
FILED WITH SECRETARY OF STATE OCTOBER 13, 2007
APPROVED BY GOVERNOR OCTOBER 13, 2007
PASSED THE SENATE SEPTEMBER 11, 2007
PASSED THE ASSEMBLY SEPTEMBER 12, 2007
AMENDED IN SENATE SEPTEMBER 7, 2007
AMENDED IN SENATE AUGUST 28, 2007
AMENDED IN ASSEMBLY JUNE 4, 2007
AMENDED IN ASSEMBLY MAY 23, 2007
AMENDED IN ASSEMBLY APRIL 11, 2007

INTRODUCED BY Assembly Member Evans
 (Coauthors: Assembly Members Ma, Plescia, Portantino, Price, and
Torricco)
 (Coauthors: Senators Denham, Florez, Negrere McLeod, Wyland, and
Yee)

FEBRUARY 22, 2007

An act to amend Section 19605.72 of, to amend and repeal Sections 19411, 19590, and 19595 of, and to add Sections 19601.4 and 19604 to, the Business and Professions Code, relating to horse racing, and making an appropriation therefor.

LEGISLATIVE COUNSEL'S DIGEST

AB 765, Evans. Horse racing.

Existing law requires fairs and racing associations to pay a certain percentage of the handle from races to the state as license fees, and to pay other portions of the handle out for other purposes, as specified.

This bill would authorize certain fairs or associations, or combined entities, to contribute 1% of the total amount handled daily in conventional and exotic pools for maintenance and improvements at a fair's racetrack inclosure, for those fairs that contribute. The money raised would be deposited into the Inclosure Facilities Improvement Fund, which would be created as a special fund in the State Treasury, and that money would be available upon appropriation by the Legislature in the annual Budget Act. The bill would direct the Secretary of Food and Agriculture to appoint a committee to advise on the administration of the funds raised pursuant to the

provisions of the bill, and would require the secretary to report any allocations made pursuant to those provisions of the bill, as specified...

... Under existing law, revenues distributed to the state as license fees from horse racing are required to be deposited in the Fair and Exposition Fund and are continuously appropriated to the Department of Food and Agriculture for various regulatory and general governmental purposes.

Because this bill would revise the amount of money deposited into, and distributed from, that fund, it would make an appropriation.

Appropriation: yes.

... 19601.4. (a) Notwithstanding any other provision of law, a fair, combination of fairs, or an association conducting racing at a fair, may, after approval from the board, deduct an additional 1 percent from the total amount handled daily in its conventional and exotic pools. The additional 1 percent shall be deposited into the Inclosure Facilities Improvement Fund, which is hereby created as a special fund in the State Treasury, the moneys of which are available upon appropriation by the Legislature in the annual Budget Act. Any moneys deducted from the handle pursuant to this section shall be used solely for the purpose of facilities maintenance and improvements at a fair's racetrack inclosure for those fairs that contribute to, or for those fairs where an association conducting racing at that fair contributes to, the Inclosure Facilities Improvement Fund.

(b) The secretary shall appoint a committee of not more than five and no fewer than three individuals with expertise in financing, constructing, and managing horse racing facilities, to advise in the administration of the funds. The secretary shall have oversight over the committee. The secretary shall adhere to the same oversight responsibilities as outlined in Section 19620 when administering the funds contributed and disbursed pursuant to this section.

(c) The secretary shall include in the annual expenditure plan required pursuant to Section 19621 any allocations made pursuant to this section.

(d) For purposes of this section, "secretary" means the Secretary of Food and Agriculture.



a California joint powers agency

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Sacramento, CA 95815
Office: 916.927.7223 Fax: 916.263.3341
www.calairs.com

May 5, 2008

The Honorable Richard Shapiro, Chairman
California Horse Racing Board
1010 Hurley Way, Suite 300
Sacramento, CA 95825

Dear Chairman Shapiro:

AB 765, introduced by Assembly Member Noreen Evans in the 2007 legislative session and signed by Governor Schwarzenegger, authorized Fairs to contribute 1% of the total amount handled daily in conventional and exotic pools into the Inclosure Facilities Improvement Fund, held at the California Department of Food and Agriculture. The purpose of the fund is to pool money from racing Fairs for the improvement of Fair racing facilities. The bill (now B&P Code 19601.4) requires that a Fair notify the California Horse Racing Board of its decision to utilize this program.

The Fairs listed on the attached page indicate their Fairs' participation in this program and will include this letter in their respective license applications.

Thank you for your consideration. Please contact me if you have any questions.

Respectfully submitted,

Christopher Korby
Executive Director


Cc: Kirk Breed, California Horse Racing Board
Assembly Member Noreen Evans
Cynthia Bryant, Office of Governor Schwarzenegger
Michael Treacy, California Department of Food and Agriculture

FAIRS SIGNING LETTER TO
CALIFORNIA HORSE RACING BOARD
IN SUPPORT OF
IMPLEMENTING AB 765 (EVANS)

X 
ALAMEDA COUNTY FAIR
RICK PICKERING


X 
FRESNO DISTRICT FAIR
JOHN ALKIRE

X 
HUMBOLDT COUNTY FAIR
STUART TITUS

X 
SAN JOAQUIN FAIR
FORREST WHITE

X 
SAN MATEO COUNTY FAIR
CHRIS CARPENTER

X 
SOLANO COUNTY FAIR
JOE BARKETT

X 
SONOMA COUNTY FAIR
TAWNY TESCONI

**PRESENTATION TO CALIFORNIA HORSE RACING BOARD
IMPLEMENTATION OF AB 765**

Due to the current economic climate facing the racing industry, particularly the increasing value of real estate under existing privately-owned tracks, we believe that the future of racing in California will increasingly move to publicly-owned facilities at Fairgrounds. In order for us to prepare for this future, Fairs need to invest significant resources to upgrade current facilities. Unfortunately, no one Fair can accomplish this task on its own. Implementation of AB 765 will allow those Fairs that choose to participate to increase the take out from horse racing by one percent. This money will be placed in a fund at the Department of Food and Agriculture and will be distributed for projects that will improve racing in California.

The announced closure of Bay Meadows at the end of 2008, accelerates the need to improve California's fair racetracks. Fair racing facilities are in need of maintenance and improvement to their facilities in order to provide a high quality product for its racing fans and participants.

Fairs which conduct racing in California have invested in the improvement of its facilities. However, time has proven that no one fair can adequately raise the money necessary to replace, build, or maintain the facilities needed for a state of the art race meet. Implementation of AB 765 will improve racing at California's fairs and improve California racing by upgrading fair tracks in California so that they can host prominent races and entertain today's horseracing enthusiasts.

AB 765, sponsored by Assembly Member Noreen Evans and signed by Governor Schwarzenegger in 2007, provides that a fair, combination of fairs, or an association conducting racing at a fair, may, with California Horse Racing Board (CHRB) approval, deduct an additional 1% from its handle to be used for maintenance and improvements at a fair's racetrack inclosure. Specifically, this bill, as chaptered in Business and Professions Code Section, 19601.4, provides that:

1. The additional deduction on its conventional and exotic wagers shall be deposited in the Inclosure Facilities Improvement Account created for this purpose at the Department of Food and Agriculture.
2. Funds derived pursuant to this section shall be used solely for the purpose of facilities maintenance and improvements at a fair's racetrack inclosure.
3. The Secretary of the California Department Food and Agriculture (CDFA) shall appoint a committee of 3-to-5 individuals with expertise in financing, constructing, and managing horse racing facilities to advise in the administration of the funds. The Secretary shall have oversight over the committee.
4. The Secretary shall include in the annual expenditure plan any allocations made pursuant to B&P Section 19601.4.

According to its author, the purpose of AB 765 was to allow racing fairs in California, which choose to participate, to increase the takeout on live wagers by 1%. The revenue generated from this action will be held by CDFA and will be strategically distributed to fairs who conduct live racing in California for capital improvements.

We urge the Board to authorize its implementation.

Christopher Korby-May 20, 2008

COORDINATION OF THE NORTHERN CALIFORNIA RACING PROGRAM
MAY-OCTOBER 2009

CONSIDERATIONS

- Coordinate stakes schedule for two year olds.
- Coordinate stakes schedule complementing the south.
- Limit the number of races per weekday and weekend day.
- Maximize the starter purse.
- Incentives for southern California horses.
- Coordinate race conditions at GGF and the Fairs which complement one other from the Spring meet at GGF, through the Fairs and into the GGF Fall meet, May through November.
- Move selected stakes races to Friday.
- Offer races with conditions complementing low-level Southern California conditions (i.e. 10,000 claimer and mdn clm 28,000) in the north on weekends.
- Coordinate race conditions between the big fairs (i.e. Pleasanton, Vallejo, Santa Rosa and Fairs at GG) with the smaller Fairs (i.e. California State Fair, Stockton, Humboldt and Fresno) to ensure better entries and larger fields.
- Structure use of Supplemental Purses to help achieve the objectives above.



Meeting Handouts

CALIFORNIA HORSE RACING BOARD
1010 HURLEY WAY, SUITE 300
SACRAMENTO, CA 95825
(916) 263-6000
FAX (916) 263-6042



January 26, 2007

Bernie Thurman, General Manager
Bay Meadows Racing Association
P. O. Box 5050
San Mateo, CA 94402

SUBJECT: SHORTFALL TO STATE OF CALIFORNIA

Dear Bernie,

This letter is in regard to the mandate of Section 19616.51 of the Business and Professions Code. The Department of Food and Agriculture, Division of Fairs and Expositions (F & E) has notified the California Horse Racing Board (CHRB) that cash receipts to the State of California have fallen short of the \$40,000,000 level referenced in Section 19616.51 by \$1,528,187. A copy of the letter from F & E (dated today), is attached for your reference, along with a chart of the \$40,000,000 Guarantee Analysis showing the shortfall in cash receipts for 2005 and 2006. As such, and in accordance with the code's mandate, each racing association and fair is required to submit to the CHRB its pro rata share of the shortfall by March 1, 2007.

A chart is attached with a listing of racing associations and fairs indicating the pro rated percentage of the balance due, along with the amount your organization owes. Please direct your payment to CHRB headquarters by March 1, 2007. If you have any questions about this matter, please contact Assistant Executive Director Bon Smith at CHRB headquarters in Sacramento at (916) 263-6000.

Sincerely,

Ingrid J. Fermin
Executive Director

cc: Richard "Bon" Smith
Mike Treacy

Attachments (3)



CALIFORNIA DEPARTMENT OF
FOOD & AGRICULTURE

A. G. Fawcett, Secretary

January 26, 2007

Ingrid Fermin, Executive Director
California Horse Racing Board
1010 Hurley Way, Ste. 300
Sacramento, CA 95825

Dear Ms. Fermin:

Thank you for taking the time to meet with me recently to discuss the on-going fiscal challenges faced by the Fair and Exposition Fund (F&E Fund), which in part supports California's network of 78 active fairs. Total license fee revenue from horse racing continues to decrease annually and since fiscal year 2004/2005 has been inadequate to meet F&E Fund revenue expectations to the extent allowed by law. The unprecedented revenue shortfalls in 2004/2005 and 2005/2006, were \$2.8 million and \$2.6 million, respectively.

Business and Professions (B&P) Code Section 19616.51 states the following:

Notwithstanding any other provision of law, if the total amount paid to the state by racing associations and fairs pursuant to this chapter is less than forty million dollars (\$40,000,000) in any calendar year, beginning January 1, 2001, and thereafter, all associations and fairs that conducted live racing during the year of shortfall shall remit to the state, on a pro rata basis according to the amount handled in-state by each association or fair, the amount necessary to bring the total amount paid to the state to forty million dollars' (\$40,000,000). The amounts due under this section, if any, shall be paid from the amount available for commissions, purses, and breeder awards, and shall be paid to the board prior to March 1 of the year following the year of the shortfall.

Based on the calendar year formula pursuant to B&P 19616.51, calendar year 2005 and 2006 ended with a \$560,765 and \$967,422 revenue shortfall below the \$40 million threshold, respectively, for a total loss of \$1,528,187.

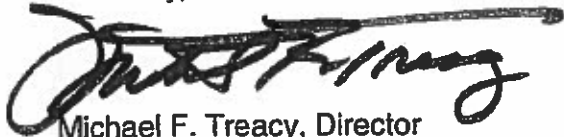


Ingrid Fermin, January 25, 2007
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In accordance with the law, we respectfully request that the California Horse Racing Board pursue collection of the \$1,528,187 revenue shortfall immediately.

If you have any questions, please do not hesitate to contact me at (916) 263-2952, or via email at mtreacy@cdfa.ca.gov.

Sincerely,



Michael F. Treacy, Director
Division of Fairs & Expositions

- cc: Bruce Lim, Assistant Director, F&E
- John Reagan, Senior Management Auditor, CHRB
- ✓ Richard "Bon" Smith, Assistant Executive Director, CHRB

Division of Fairs & Expositions
 \$40 Million Guarantee Analysis
 F&E Fund, Satellite Wagering Account and Equine Research
 Total Cash Receipts by Calendar Year and
 YTD thru December 31

	2001 YTD	2002 YTD	2003 YTD	2004 YTD	2005 YTD	2006 YTD
	Cash Receipts	Cash Receipts	Cash Receipts	Cash Receipts	Cash Receipts	Cash Receipts
FUND 191						
.63 License Fees	\$12,869,805	\$12,136,552	\$12,893,061	\$12,616,666	\$10,263,568	\$9,578,998
Lump Sum	265,000	265,000	0	530,000	265,000	\$265,000
1% Handle	1,687,314	1,455,609	1,406,959	1,351,099	1,247,901	\$1,147,121
CHRB Support	7,416,500	8,766,086	8,963,500	8,051,000	7,837,250	\$9,031,500
CDFA Support	2,484,832	3,163,951	3,409,516	3,556,478	3,537,027	\$3,640,223
Unemployment Ins	940,168	946,213	981,234	936,522	897,223	\$929,527
Total 191 Fund	25,663,619	26,733,411	27,654,270	27,041,765	24,047,969	24,592,369
FUND 192						
License Fees	11,236,592	10,649,367	11,122,851	9,697,244	11,597,575	\$10,600,021
Northern Purses	1,100,000	1,100,000	1,100,000	1,100,000	1,100,000	\$1,100,000
Southern Purses	329,405	295,816	276,243	304,557	269,187	\$238,502
Total 192 Fund	12,665,997	12,045,183	12,499,094	11,101,801	12,966,762	11,938,523
FUND 881						
Vet Diagnostic Lab & Equine Research	2,435,186	2,320,764	2,544,260	2,482,430	2,424,504	\$2,501,685
Total All Funds	\$40,764,802	\$41,099,358	\$42,697,624	\$40,625,996	\$39,439,235	\$39,032,578
Guarantee (SB 1825)	\$40,000,000	\$40,000,000	\$40,000,000	\$40,000,000	\$40,000,000	\$40,000,000
Over/(Under) Variance	\$764,802	\$1,099,358	\$2,697,624	\$625,996	(\$560,765)	(\$967,422)

SHORTFALL TO STATE OF CALIFORNIA
Per Business and Professions Code Section 19616.51
2005 and 2006

ASSOCIATION	2005		2006		Total Due
	Pro. Rate	Amount Due	Pro. Rate	Amount Due	
Los Angeles Turf Club, Inc.	20.17%	\$113,085	21.76%	\$210,546	\$323,631
Bay Meadows Racing Association	10.79%	\$60,503	9.18%	\$88,883	\$149,386
Pacific Racing Association	9.05%	\$50,723	10.07%	\$97,483	\$148,186
Hollywood Park Racing Association - Spring	15.06%	\$84,436	14.10%	\$196,480	\$220,866
Hollywood Park Racing Association - Fall	5.24%	\$29,385	7.33%	\$70,891	\$100,276
Del Mar Thoroughbred Club	12.45%	\$69,824	12.06%	\$116,715	\$186,539
Oak Tree Racing Association	6.68%	\$37,482	5.35%	\$51,748	\$89,230
Los Alamitos Quarter Horse Racing Association	7.52%	\$42,186	7.23%	\$69,926	\$112,112
Capitol Racing, LLC	3.25%	\$18,240	DNRace	\$0	\$18,240
Sacramento Harness Association, Inc.	1.53%	\$8,573	5.65%	\$54,663	\$63,236
San Joaquin Fair	0.54%	\$3,008	0.48%	\$4,641	\$7,649
Alameda County Agricultural Fair Association	1.16%	\$6,526	1.04%	\$10,957	\$16,583
Solano County Fair Association	0.95%	\$5,312	0.87%	\$8,460	\$13,772
Sonoma County Fair and Exposition, Inc.	1.21%	\$6,782	1.11%	\$10,769	\$17,551
San Mateo County Exposition and Fair Association	1.03%	\$5,780	0.92%	\$8,984	\$14,714
Humboldt County Fair Association	0.09%	\$526	0.08%	\$815	\$1,341
California Exposition and State Fair (Harness)	0.59%	\$3,293	DNRace	\$0	\$3,293
Los Angeles County Fair Association	2.43%	\$13,604	2.46%	\$23,845	\$37,449
21st District Agricultural Association - The Big Fresno Fair	0.27%	\$1,497	0.28%	\$2,686	\$4,183
TOTALS	100%	\$560,765	100%	\$967,422	\$1,528,187



2009 CALIFORNIA FAIR STAKES SCHEDULE – ARABIAN

<u>DATES</u>	<u>FAIR</u>	<u>STAKE</u>	<u>DISTANCE</u>
6/18-7/01/09	Stockton	¹ Stockton Arabian Hdcp.	5 ½ Furlongs
7/01-7/19/09	Pleasanton	Pleasanton Arabian Distaff Pleasanton Arabian Hdcp.	6 Furlongs 6 Furlongs
7/22-7/26/09	Vallejo	Vallejo Arabian Distaff	6 Furlongs
7/219-8/09/09	Santa Rosa	² Hazel Lucas Memorial Santa Rosa Distaff	1 Mile 7 Furlong
8/13-8/23/09	Ferndale	The Ferndale Arabian Victorian Village Distaff	7 6/8 Furlongs 5 Furlongs
8/26-9/07/09	Cal-Expo	³ California Classic Derby California Classic Oaks	6 Furlongs 6 Furlongs
10/07-10//18/09	Fresno	Fresno Golden Queen Distaff K Cuch Jedan Stake	6 Furlongs 1 1/16 Mile

Stake conditions should add weights to horses who have won races as opposed to trying to take weight off. The weights will go up by 2 pounds to a maximum added of 4 pounds and also down 2 pounds to a maximum of 4 pounds. This will give a spread of 8 pounds. Also point out that the starting weights vary from track to track and should be uniform. Suggest:

3 year olds 119
4 year olds 122
older 124

Since most of the jockeys can't make weight to begin with, starting too low would serve no purpose as far as handicapping is concerned. This system though would max out the high weight at 128 which isn't overly high for our horses. (P¹ Town & Santa Rosa al-ready use this system)

¹ Revert to 2007 stakes schedule dates.

² Moved from Santa Rosa in 2008 to accommodate change in fair schedule.

³ Moved to Los Alamitos in 2008. Originally held at Cal-Expo.