

AMENDED IN SENATE JUNE 7, 2001

CALIFORNIA LEGISLATURE—2001–02 REGULAR SESSION

**ASSEMBLY BILL**

**No. 471**

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**Introduced by Assembly Member Aroner—Members, Hertzberg,  
Wesson, and Aroner**  
(Coauthors: Senators Burton and Vincent)

February 21, 2001

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~~An act to amend Section 19611.5 of the Business and Professions Code, relating to horse racing.~~ *An act to amend Sections 19461, 19481.5, and 19556 of, to add Sections 19461.5, 19526, 19613.8, and 19641.2 to, to add Article 2.5 (commencing with Section 19455) to Chapter 4 of Division 8 of, to amend, repeal, and add Sections 19411, 19590, 19595, and 19613 to, and to add and repeal Section 19601 of, the Business and Professions Code, relating to horse racing.*

LEGISLATIVE COUNSEL'S DIGEST

AB 471, as amended, Aroner. ~~Horse racing: distribution of handle.~~

*(1) Existing law authorizes wagering on the result of live and simulcast horse races, subject to the regulation and oversight of the California Horse Racing Board, and requires the licensure of various persons and entities associated with this industry. Existing law also imposes specified requirements on the operation of race tracks, backstretch facilities, and stabling and vanning services, and establishes pension funds and welfare funds for the benefit of backstretch personnel and horsemen.*

*This bill would state findings and declarations of the Legislature regarding the employment rights of racetrack backstretch employees, and direct the California Horse Racing Board to oversee the conduct*

*of a union and multiemployer collective bargaining agent recognition procedure subject to specified conditions and procedures, provide for resultant labor agreements to be binding on the parties, and establish reasonable rules to regulate the time, place, and manner of representational meetings within the racetrack enclosure. This bill would also authorize individual trainers to opt out of the multiemployer bargaining process, subject to specified conditions, and require each trainer to keep accurate payroll records for all of his or her employees, subject to audit by the Labor Commissioner as specified, containing specified information and signed declarations made under penalty of perjury, which would be available for inspection by, or furnished to, the employee, his or her authorized representative, the board, the administrators of specified pension and health and welfare funds, or the Division of Labor Standards Enforcement of the Department of Industrial Relations. By requiring these declarations to be made under penalty of perjury, this bill would create a crime and thereby impose a state-mandated local program.*

*(2) Existing law provides that every license granted under the Horse Racing Law is subject to suspension or revocation in any case where the board has reason to believe that any condition regarding the license has not been complied with, or that any provision of law or any rule or regulation of the board affecting it has been broken or violated.*

*This bill would expand this suspension and revocation authority to expressly include violations of the Labor Code and regulations adopted thereunder. This bill would also provide that upon a finding by the Labor Commissioner that a violation of any provision of the Labor Code under his or her jurisdiction has been committed by a person licensed under the Horse Racing Law, that upon expiration of the applicable period for appeal he or she shall notify the board of that finding.*

*(3) Existing law provides that no license to conduct a horse racing meeting shall be issued unless the track has been inspected and approved by the board as to specified racetrack safety standards within 30 days prior to the date of application.*

*This bill would additionally provide that the board shall, within 120 days of the effective date of this act, adopt emergency regulations, as specified, to establish employee housing standards at licensed racetracks, which shall be replaced by final, permanent regulations with 18 months thereafter, which racing associations shall be in compliance with by January 1, 2004, and as of that date would require the board, in conjunction with the Department of Housing and*



*Community Development or a local housing authority in that jurisdiction, to annually inspect the living conditions of backstretch employee housing and submit these findings to the board. The bill would provide that no license to conduct a horse racing meeting shall be issued to a racing association unless the board has inspected the housing conditions that exist on that track's backstretch and determined them to be in compliance with these standards.*

*(4) Existing law permits any racing association in this state, with the approval of the California Horse Racing Board, to accept out-of-state wagers on a race or races conducted by or disseminated by that association and to transmit live audiovisual signals of the race or races to locations out of state. Existing federal law, the Federal Interstate Wire Act, generally prohibits the transmission in interstate commerce of wagers using a wire communication facility, but allows for the transmission of wagering information as specified.*

*This bill would state findings and declarations of the Legislature regarding online wagering and account wagering.*

*This bill would authorize any racing association or fair to accept advance deposit wagers, or to allow these wagers through a betting system or multijurisdictional wagering hub, during the calendar period of its live racing meeting upon approval by the board, and to form partnerships, joint ventures, or any other affiliation to further this purpose. The bill would provide that an advance deposit wager is a method of making a parimutuel wager in which a person in California or elsewhere establishes an account with a licensee, betting system, or multijurisdictional wagering hub, 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. The bill would provide that wagering instructions may be communicated by telephone call or through other electronic media, and that the entity holding the account shall ensure the identification of the account's owner by utilizing methods and technologies approved by the board. The bill would require entities holding advance wagering accounts to provide a full accounting of deposits and wagers, as specified, and after the payment of winning wagers and the deduction of contractual compensation and a host fee, where applicable, to pay the remaining amount to various racing entities in California, with specified percentages based on the amount handled on advance deposit wagers that originate in California for each race meeting to be dedicated to the Kenneth L. Maddy Fund for equine health, payment of*



*auditing costs incurred pursuant to (1), the augmentation of compulsive gambling prevention programs, and the augmentation of an existing welfare fund and existing pension plans benefiting backstretch personnel, with the remaining funds to be distributed as commissions, purses, and incentive awards, as specified. The bill would require the board to develop and adopt rules to regulate and license advance deposit wagering operations, security, and advertising, and would require that entities conducting advance deposit wagering conducted in California enter into contractual agreements with labor organizations, as specified. This bill would repeal these provision on January 1, 2008.*

*(5) Existing law defines “parimutuel wagering” as wagering where bettors purchase tickets, and provides that lawful parimutuel wagering shall only be conducted within the inclosure of a licensee.*

*This bill would provide that the term “parimutuel wagering” includes the issuance of wagering instructions leading to the placement of wagers, and that wagering instructions concerning funds held in an advance deposit wagering account shall be deemed to be issued within the licensee’s inclosure, in accordance with (1).*

*This bill would repeal this provision on January 1, 2008.*

*(6) Existing law requires each licensed racing association to designate a certain number of racing days to be conducted as charity days for the purpose of the distribution of the net proceeds therefrom to beneficiaries, and requires that at least 20% of the distributions therefrom to be made to charities associated with the horse racing industry.*

*This bill would increase this distribution requirement to 50%. This bill would also specify that an existing specified backstretch employee welfare fund shall be a health and welfare trust fund administered without prejudice for the benefit of every eligible person, that the fund and benefits shall be administered in accordance with specified standards established in federal law, subject to oversight and regulation of the board, and that the welfare fund board be expanded, by March 1, 2002, to include 2 additional groom and stable employee licenses, also would be replaced by designees of a labor union with 60 days of that union having been chosen as the exclusive collective bargaining agent of a statewide majority of backstretch workers.*

*(7) Existing law provides that racing associations and fairs shall pay, from the portion deducted for purses, an amount equal to 1% of that portion for a pension plan for backstretch personnel to be administered by the respective trainers’ organizations.*



*This bill would provide that within 60 days of a union having been chosen as the exclusive collective bargaining agent for a statewide majority of backstretch workers these funds shall instead be directed to a pension plan for backstretch personnel established by a plan submitted by trainers’ organizations as specified which shall be administered by a joint labor-management committee consistent with specified provisions of federal law.*

*(8) This bill would provide that its provisions are severable as specified.*

*(9) The California Constitution requires the state to reimburse local agencies and school districts for certain costs mandated by the state. Statutory provisions establish procedures for making that reimbursement.*

*This bill would provide that no reimbursement is required by this act for a specified reason.*

~~Existing law permits every association other than a fair that conducts a thoroughbred race meeting to deduct from the total amount handled in daily double, quinella, exacta, and other multiple wagering pools approved by the board up to 3% thereof to be distributed 50% as commissions and 50% as purses.~~

~~This bill would change the percentage to up to 4%.~~

Vote: majority. Appropriation: no. Fiscal committee: ~~no~~ yes. State-mandated local program: ~~no~~ yes.

*The people of the State of California do enact as follows:*

1 ~~SECTION 1.—Section 19611.5 of the Business and Professions~~

2 *SECTION 1. Section 19411 of the Business and Professions*

3 *Code is amended to read:*

4 19411. “Parimutuel wagering” is a form of wagering in  
5 which bettors *either* purchase tickets of various denominations, *or*  
6 *issue wagering instructions leading to the placement of wagers*, on  
7 the outcome of one or more horse races. When the outcome of the  
8 race or races has been declared official, the association distributes  
9 the total wagers comprising each pool, less the amounts retained  
10 for purposes specified in this chapter, to winning bettors.

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



1 SEC. 1.5. Section 19411 is added to the Business and  
2 Professions Code, to read:

3 19411. "Parimutuel wagering" is a form of wagering in  
4 which bettors either purchase tickets of various denominations on  
5 the outcome of one or more horse races. When the outcome of the  
6 race or races has been declared official, the association distributes  
7 the total wagers comprising each pool, less the amounts retained  
8 for purposes specified in this chapter, to winning bettors.

9 This section shall become operative on January 1, 2008.

10 SEC. 2. Article 2.5 (commencing with Section 19455) is  
11 added to Chapter 4 of Division 8 of the Business and Professions  
12 Code, to read:

13

14 Article 2.5. Backstretch Worker Labor Relations

15

16 19455. (a) The Legislature finds and declares that Section  
17 923 of the Labor Code recognizes that it is necessary that the  
18 individual worker have full freedom of association,  
19 self-organization, and designation of representatives of his or her  
20 own choosing, to negotiate the terms and conditions of his or her  
21 employment, and that he or she shall be free from the interference,  
22 restraint, or coercion of employers of labor, or their agents, in the  
23 designation of such representatives or in self-organization or in  
24 other concerted activities for the purpose of collective bargaining.

25 (b) The Legislature finds that the National Labor Relations  
26 Board has formally declined to assert jurisdiction over horse  
27 racing because of extensive state control over the industry, the  
28 dominant pattern of sporadic short-term employment which poses  
29 problems for the effective enforcement of the National Labor  
30 Relations Act, and a unique and special relationship that has  
31 developed between the states and the industry.

32 (c) It is the intent of the Legislature to establish an orderly  
33 procedure for backstretch employees to exercise their statutory  
34 rights to organize a labor union, in order to reduce the prospect of  
35 any strikes, disruptions, or economic action that would interfere  
36 with the operation of horse racing meetings in California.

37 (d) Except as provided in subdivision (e), the board shall  
38 oversee the conduct of a union recognition procedure for  
39 backstretch employees under the following conditions:



1     (1) *Employees shall have the right to join, or refuse to join, a*  
2 *labor organization for purposes of collective bargaining and*  
3 *mutual aid and protection. Existing state-recognized*  
4 *organizations of trainers or horsemen established pursuant to the*  
5 *Horse Racing Law shall not use funds derived or distributed from*  
6 *parimutuel wagering pursuant to state law to advocate or advance*  
7 *any position with respect to unionization of employees. Individual*  
8 *trainers and horsemen, and their agents, shall not coerce or*  
9 *threaten any employee of any trainer or horseman in the context*  
10 *of an effort to obtain or revoke an employee authorization card*  
11 *with respect to selection by any backstretch employee of any labor*  
12 *union or collective bargaining agent. No employee shall be*  
13 *discharged or discriminated against for expressing any opinion*  
14 *concerning the selection of a labor union or collective bargaining*  
15 *agent for employees under this article.*

16     (2) *The labor union and its representatives shall not coerce or*  
17 *threaten any employee of any trainer or horseman in the context*  
18 *of an effort to obtain or revoke authorization cards. The union and*  
19 *its representatives shall not interfere with the work of any*  
20 *employee, but shall have reasonable access to backstretch workers*  
21 *within the enclosure during working and nonworking hours, as*  
22 *determined by the board.*

23     (3) *Within 30 days of a request, the board shall provide the*  
24 *labor union with a list of all backstretch workers including the type*  
25 *of license they hold, their employer, the location at which they are*  
26 *employed, and their address and telephone number. The board may*  
27 *require of any licensee information in the licensee's possession*  
28 *necessary to comply with this requirement.*

29     (4) *The labor union may request board recognition as the*  
30 *exclusive bargaining agent for employees in any appropriate*  
31 *bargaining unit or of any employer, subject to the provisions and*  
32 *procedures described in paragraph (5). The Executive Director of*  
33 *the Board, or a disinterested neutral party selected by the*  
34 *Executive Director, shall have the authority to investigate and*  
35 *determine the validity of employee authorization cards submitted*  
36 *pursuant to this section, and shall conduct a review of cards*  
37 *submitted by a union in support of its claim to represent the*  
38 *majority of employees of an individual employer or the majority*  
39 *of employees within a bargaining unit approved by the board*  
40 *pursuant to paragraph (5). In the case of thoroughbred racing, a*



1 labor union may request recognition as the exclusive bargaining  
2 agent for backstretch employees by racetrack or by geographical  
3 zone, as defined in Section 19530.5; in the case of harness and  
4 quarter horse racing, a labor union may request recognition as the  
5 exclusive bargaining agent for backstretch employees by  
6 racetrack; in the case of fairs, a labor union may request  
7 recognition as the exclusive bargaining agent for backstretch  
8 employees by geographical zone, by fair, or by groups of fairs.  
9 “Appropriate bargaining unit” includes any community of interest  
10 of backstretch workers, including, but not limited to, geographic,  
11 occupational, and type of horse racing. “Backstretch employee”  
12 means a groom or stable employee licensed by the board pursuant  
13 to subdivision (c) of Section 1481 of Division 4 of Title 4 of the  
14 California Code of Regulations.

15 (5) The board, by regulation, shall establish procedures for the  
16 recognition of collective bargaining representatives for both  
17 backstretch workers and the employers of those workers. In all  
18 matters pertaining to the rights established pursuant to this article,  
19 the board, upon the complaint of a party, shall have the authority  
20 to fashion an appropriate remedy, including the issuance of a  
21 make-whole remedy in the event of persistent failure of a party to  
22 bargain in good faith. Nothing in this section shall prohibit the  
23 board from requiring the parties to any dispute to submit the issue  
24 to binding arbitration pursuant to paragraph (8). In addition, the  
25 board shall use the California State Mediation and Conciliation  
26 Service for all appropriate purposes, including operations related  
27 to the conduct of recognition procedures and elections.

28 (A) With respect to backstretch workers, a labor organization  
29 seeking recognition as the collective bargaining agent for these  
30 workers shall collect signed cards indicating individual worker’s  
31 intent to be represented by that organization for collective  
32 bargaining purposes and submit those cards to the board for  
33 review and validation by the executive director. A labor union is  
34 free to define the characteristics of a potential collective  
35 bargaining unit subject to approval by the board pursuant to  
36 paragraph (4). Upon submission, review, and validation of cards  
37 indicating that a majority of employees within a defined unit wish  
38 to be represented by that union, the board shall recognize that  
39 union as the exclusive collective bargaining agent for those  
40 workers, and issue an order to affected employers to begin good



1 *faith negotiations for approval of employment agreements*  
2 *pursuant to the procedures described in subparagraphs (B) and*  
3 *(C). Employee authorization cards collected for purposes of this*  
4 *paragraph shall be deposited with the board and shall remain*  
5 *valid for one year starting on the date that the submitting labor*  
6 *organization is granted permission by the board to begin*  
7 *organizing activities in a given location, facility, region, or unit.*  
8 *After the expiration of this period, no further organizing efforts*  
9 *may be conducted with respect to that location, facility, region, or*  
10 *unit for a period of one year. Employee authorization cards may*  
11 *be revoked by the employee at any time prior to final certification*  
12 *of the union as his or her exclusive collective bargaining agent*  
13 *with respect to his or her employer.*

14 *(B) Upon the recognition of a union as the exclusive collective*  
15 *bargaining agent for a given unit of backstretch workers, the*  
16 *Executive Director of the board shall identify the trainers and*  
17 *horsemen employing those workers, provide this information to the*  
18 *union, and may conduct an election among those employers for the*  
19 *selection of a designated agent or agents to represent the interests*  
20 *of participating employers in a multiemployer employment*  
21 *agreement with the union. Each voting employer shall be allotted*  
22 *one vote per employee within the collective bargaining unit, and*  
23 *the agent or agents receiving the largest plurality of votes shall be*  
24 *designated by the board as representing the participating*  
25 *employers. The agent or agents negotiating on behalf of the*  
26 *participating employers are expressly authorized to organize*  
27 *collective bargaining committees, approved by the board, that*  
28 *reflect the differences and circumstances of individual trainers,*  
29 *and are free to negotiate terms that provide varying wages and*  
30 *conditions of employment based on the economic circumstances of*  
31 *individual trainers. Any employer may opt out of these*  
32 *multiemployer bargaining procedures subject to the provisions of*  
33 *subparagraph (C).*

34 *(C) If an individual employer of backstretch workers declines*  
35 *to be represented in the multiemployer collective bargaining*  
36 *procedure described in subparagraph (B), and a majority of that*  
37 *particular employer's workers within the identified unit had*  
38 *submitted valid cards indicating their intent to be represented by*  
39 *the union, the board shall certify the union as the collective*  
40 *bargaining agent of those workers and shall issue an order to begin*



1 good faith negotiations for employment agreements on an  
2 individual employer basis. If less than a majority of the opting-out  
3 employer's workers within the identified unit had submitted valid  
4 cards indicating their intent to be represented by the union, that  
5 employer shall not be subject to a bargaining order issued by the  
6 board, but may voluntarily agree to negotiate collectively with the  
7 union if it so desires, and an organizing union may continue to seek  
8 and submit employee authorization cards on an individual  
9 employer basis for purposes of recognition and mandatory  
10 negotiation under this subparagraph until the expiration of the one  
11 year period identified in subparagraph (A). The board may  
12 provide mediation and conciliation services upon request of the  
13 parties at any time. If an employer is required under this  
14 subparagraph to collectively bargain with the union, and the  
15 parties do not reach an agreement within 90 days of the order, the  
16 board shall require the parties to participate in mandatory  
17 mediation and conciliation services for a period of 30 days. If no  
18 agreement results from this mediation, either or both parties may  
19 declare an impasse. Upon a party's declaration of an impasse, the  
20 Executive Director of the Board shall appoint an arbitrator from  
21 a panel of professional arbitrators with expertise in labor  
22 negotiations selected by the California State Mediation and  
23 Conciliation Service to determine the issues and issue a final and  
24 binding order establishing the terms of a collective bargaining  
25 agreement. The cost of this arbitration shall be shared equally by  
26 the union and employer.

27 (6) No labor agreement under this article shall apply to any  
28 trainer or horseman with respect to employment associated with  
29 fair meetings prior to January 1, 2003. After this date, employees  
30 shall be added by accretion into an existing contract where  
31 applicable. This section shall not apply to employers whose  
32 trainers, backstretch workers, or both, normally reside and work  
33 outside of California and who are engaged in racing in this state  
34 for a limited period of time not exceeding 90 racing days in any  
35 calendar year.

36 (7) At any time subsequent to the expiration of an agreement  
37 under paragraph (5), when the agreement is not in effect, the board  
38 may recognize a majority interest, obtained during this period in  
39 the same manner as union recognition of employees, within a unit  
40 who no longer desire to be represented by the union, and withdraw



1 *the recognition granted pursuant to this section from that union.*  
2 *An employer may inform his or her employees that a process for*  
3 *decertification exists and direct them to the board for information.*  
4 *However any card, signature, vote, or other indicator obtained for*  
5 *this purpose by means of coercion or threat or with the assistance*  
6 *or inducement of any employer shall be invalid.*

7 *(8) Disputes, other than disputes concerning the operation and*  
8 *application of ongoing contracts, disputes subject to binding*  
9 *interest arbitration pursuant to subparagraph (C) of paragraph*  
10 *(5), and economic disputes arising in the context of multiemployer*  
11 *bargaining pursuant to subparagraph (B) of paragraph (5), but*  
12 *including disputes concerning the rights established in*  
13 *paragraphs (1) and (2), upon complaint shall be adjudicated by*  
14 *the board, and the board may require the parties to submit the issue*  
15 *to binding arbitration subject to judicial review in the same*  
16 *manner as decisions of the board. Disputes subject to this*  
17 *paragraph include disputes involving any backstretch employee or*  
18 *group of employees, and any trainer or group of trainers. Upon*  
19 *submission of a complaint to binding arbitration, the board shall*  
20 *select an arbitrator who is mutually accepted by the affected*  
21 *parties, with hearing to be held within 72 hours of written notice*  
22 *to the parties. If the parties are unable to reach agreement prior*  
23 *to the commencement of arbitration, the board shall provide the*  
24 *parties with a list of qualified arbitrators, from which the parties*  
25 *shall alternately strike an equal number of names until one*  
26 *remains, who shall be the selected arbitrator. The selected*  
27 *arbitrator shall have the authority to order any remedy, including*  
28 *injunctive relief, damages, and attorney's fees. Either party may*  
29 *bring an action in state court to compel a party to go to arbitration*  
30 *or to enforce the decision of the arbitrator, and the board may take*  
31 *administrative action as necessary to ensure this paragraph is*  
32 *complied with. The board may delegate all or part of its authority*  
33 *under this paragraph to the executive director. Costs of arbitration*  
34 *shall be shared equally by the parties, and any party shall be*  
35 *entitled to recover any reasonable fees or costs incurred in*  
36 *securing compliance with or enforcement of an award or order of*  
37 *the arbitrator.*

38 *(e) Nothing in this section shall prevent a labor union and an*  
39 *individual trainer, or any group of trainers, from entering into a*  
40 *mutually acceptable agreement, which may substitute for the*



1 requirements of subdivision (d), for union organizing of employees  
2 of the horsemen or trainers. Nothing in this article shall be  
3 interpreted to require representative parties in negotiation to enter  
4 into any labor agreement, as long as each party is negotiating in  
5 a good faith effort to reach an agreement.

6 19455.2. (a) The board shall provide for labor agreements  
7 under this article to be binding upon every applicable licensee.

8 (b) No horseman or trainer who has a separate agreement with  
9 the exclusive representative labor union shall be required to be a  
10 party to a multiemployer collective bargaining agreement.

11 19455.4. The board may establish reasonable rules to  
12 regulate the time, place, and manner for representatives of labor  
13 unions to meet backstretch workers within the enclosure during  
14 working and nonworking hours. With the approval of the board,  
15 these regulations may be superceded by collective bargaining  
16 agreements between horsemen's organizations or trainers'  
17 organizations and labor organizations.

18 SEC. 3. Section 19461 of the Business and Professions Code  
19 is amended to read:

20 19461. Every license granted under this chapter is subject to  
21 suspension or revocation by the board in any case where the board  
22 has reason to believe that any condition regarding it has not been  
23 complied with, or that any law, including the Labor Code and the  
24 regulations adopted thereunder, or any rule or regulation of the  
25 board affecting it has been broken or violated.

26 All proceedings to revoke a license shall be conducted in  
27 accordance with Chapter 5 of Part 1 of Division 3 of Title 2 of the  
28 Government Code.

29 SEC. 4. Section 19461.5 is added to the Business and  
30 Professions Code, to read:

31 19461.5. Upon a finding by the Labor Commissioner that a  
32 violation of any provision of the Labor Code, within the  
33 jurisdiction of the Labor Commissioner, has been committed by a  
34 person licensed pursuant to this chapter in the course of such  
35 licensed activity, the Labor Commissioner shall, upon expiration  
36 of the applicable period for appeal, notify the board of that finding.

37 SEC. 5. Section 19481.5 of the Business and Professions Code  
38 is amended to read:

39 19481.5. (a) Notwithstanding any other provision of law, no  
40 license shall be issued to conduct a horse racing meeting upon a



1 track unless the track has been inspected by the board within 30  
2 days prior to the date of application for a license and the track has  
3 been approved by the board as conforming to the racetrack safety  
4 standards set forth in subdivision (a) of Section 19481, ~~and the~~  
5 ~~board determines that the proposed licensee is in substantial~~  
6 ~~compliance with all of the rules and regulations of the board and~~  
7 ~~the provisions of this chapter.~~

8 (b) *The board shall, within 120 days of the effective date of this*  
9 *subdivision, adopt emergency regulations in accordance with the*  
10 *Administrative Procedure Act (Chapter 3.5 (commencing with*  
11 *Section 11340) of Part 1 of Division 3 of Title 2 of the Government*  
12 *Code) to establish standards governing the employee housing*  
13 *provided to backstretch personnel at licensed racetracks. These*  
14 *regulations shall be deemed to be an emergency and necessary for*  
15 *the immediate preservation of the public peace, health and safety,*  
16 *or general welfare, shall be commensurate with the housing*  
17 *standards established in the Employee Housing Act (commencing*  
18 *with Section 17000 of Division 13 of the Health and Safety Code),*  
19 *and shall consider the following:*

20 (1) *The health and safety of the human and equine population*  
21 *and the necessity for humans and horses to live in close proximity.*

22 (2) *The housing needs of state or county facilities with live*  
23 *racing meeting of no more than 43 days in duration that do not*  
24 *operate as year-round training facilities. The board shall*  
25 *specifically consider the different needs of these facilities*  
26 *compared to permanent facilities or other state and county*  
27 *facilities that function on a year-round basis, including state and*  
28 *county fair facilities that operate as a year-round training*  
29 *facilities where horses are stabled and workers live.*

30 (3) *Compliance of facilities with racing meetings of 19 days or*  
31 *less to this subdivision shall be contingent on funding in the*  
32 *2002–03 Budget Act.*

33 *These emergency regulations shall be submitted to the Office of*  
34 *Administrative Law for filing with the Secretary of State and*  
35 *publication in the California Code of Regulations and shall be*  
36 *replaced by final, permanent regulations within 18 months of their*  
37 *adoption. Every racing association shall be in compliance with*  
38 *these housing standards by January 1, 2004.*

39 (c) *Commencing January 1, 2004, the board, in conjunction*  
40 *with the California Department of Housing and Community*



1 *Development or a local housing authority for the jurisdiction in*  
2 *which the race track is located, shall annually inspect the living*  
3 *conditions of backstretch employee housing to ensure compliance*  
4 *with the housing standards established by the board, the findings*  
5 *or results of which shall be submitted to the board. No license shall*  
6 *be issued to a racing association to conduct a horse race meeting*  
7 *unless the board has inspected the housing conditions that exist on*  
8 *the race track's backstretch and determined the living conditions*  
9 *to be in compliance with the standards established by the board in*  
10 *subdivision (b).*

11 *(d) The board may assess a reasonable fee upon racing*  
12 *associations to defray the costs associated with the inspections*  
13 *provided for in subdivision (c).*

14 *SEC. 6. Section 19526 is added to the Business and*  
15 *Professions Code, to read:*

16 *19526. (a) Each trainer shall keep accurate payroll records,*  
17 *showing the name, address, social security number, work*  
18 *classification, straight time and overtime hours worked each day*  
19 *and week, paid to each of his or her employees. Each payroll*  
20 *record shall contain both of the following signed declarations by*  
21 *the trainer, which shall be made under penalty of perjury:*

22 *(1) That the information contained in the payroll record is true*  
23 *and correct.*

24 *(2) That the employer has complied with the requirements of*  
25 *Labor Code and applicable wage orders of the Industrial Welfare*  
26 *Commission.*

27 *(b) The payroll records enumerated under subdivision (a) shall*  
28 *be certified and shall be available for inspection at all reasonable*  
29 *hours at the principal office of the trainer on the following basis:*

30 *(1) A certified copy of an employee's payroll record shall be*  
31 *made available for inspection or furnished to the employee or his*  
32 *or her authorized representative upon request.*

33 *(2) A certified copy of all payroll records enumerated in*  
34 *subdivision (a) shall be made available for inspection or furnished*  
35 *upon request to the board and the Division of Labor Standards*  
36 *Enforcement of the Department of Industrial Relations.*

37 *(3) On or before January 31 of each year, each trainer shall*  
38 *provide copies of federal W-2 and 1099 tax forms for his or her*  
39 *backstretch employees for the previous calendar year to the*  
40 *administrator of the pension fund for backstretch employees.*



1 (c) *The certified payroll records described in this section shall*  
2 *be on forms provided by the Division of Labor Standards*  
3 *Enforcement or shall contain the same information as the forms*  
4 *provided by the division.*

5 (d) *A trainer shall file a certified copy of the records*  
6 *enumerated in subdivision (a) to an employee or his or her*  
7 *authorized representative within 10 days after receipt of a written*  
8 *request.*

9 (e) *The trainer shall inform the board of the location of the*  
10 *records enumerated under subdivision (a), including the street*  
11 *address, city and county, and shall, within five working days,*  
12 *provide a notice of a change of location and address.*

13 (f) *In addition to any other penalty imposed by law, any trainer*  
14 *who fails to provide access to the records enumerated in*  
15 *subdivision (a) to the board, the employee or his or her authorized*  
16 *representative, the administrator of the pension or welfare funds,*  
17 *or to the Division of Labor Standards enforcement as required by*  
18 *law shall be subject to suspension of his or her license.*

19 (g) *Except for trainers covered by an operative collective*  
20 *bargaining agreement pursuant to Section 19613.7, the board*  
21 *shall require, as a condition of issuing or renewing a trainer's*  
22 *license, that the trainer annually submit a certified declaration*  
23 *that they have maintained true and correct payroll records and*  
24 *have complied with the requirements of the Labor Code and*  
25 *applicable wage orders of the Industrial Welfare Commission.*

26 (h) *The Labor Commissioner shall establish and maintain a*  
27 *program to audit the certified payroll records of trainers who are*  
28 *not parties to a collective bargaining agreement entered pursuant*  
29 *to Article 2.5 (commencing with Section 19455) and who operate*  
30 *in California for 90 or more racing days in a calendar year, in a*  
31 *manner to ensure that every subject licensee is audited at least*  
32 *once prior to January 1, 2006, and as necessary thereafter to*  
33 *ensure that at least 15 percent of subject trainers are audited each*  
34 *year as part of an ongoing program. Evidence of substantial*  
35 *noncompliance with the Labor Code and applicable wage orders*  
36 *of the Industrial Welfare Commission shall be referred by the board*  
37 *to the Labor Commissioner.*

38 SEC. 7. *Section 19556 of the Business and Professions Code*  
39 *is amended to read:*



1 19556. (a) The distribution shall be made by the distributing  
2 agent to beneficiaries qualified under this article. For the purposes  
3 of this article, a beneficiary shall be all of the following:

4 (1) A nonprofit corporation or organization entitled by law to  
5 receive a distribution made by a distributing agent.

6 (2) Exempt or entitled to an exemption from taxes measured by  
7 income imposed by this state and the United States.

8 (3) Engaged in charitable, benevolent, civic, religious,  
9 educational, or veterans' work similar to that of agencies  
10 recognized by an organized community chest in the State of  
11 California, except that the funds so distributed may be used by the  
12 beneficiary for capital expenditures.

13 (4) Approved by the board.

14 (b) At least ~~20~~ 50 percent of the distribution shall be made to  
15 charities associated with the horse racing industry. No beneficiary  
16 otherwise qualified under this section to receive charity day net  
17 proceeds shall be excluded on the basis that the beneficiary  
18 provides charitable benefits to persons connected with the care,  
19 training, and running of racehorses, except that type of beneficiary  
20 shall make an accounting to the board within one calendar year of  
21 the date of receipt of any distribution.

22 *SEC. 8. Section 19590 of the Business and Professions Code*  
23 *is amended to read:*

24 19590. The board shall adopt rules governing, permitting, and  
25 regulating *parimutuel* wagering on horse races under the system  
26 known as the parimutuel method of wagering. ~~Such~~ *Parimutuel*  
27 wagering shall be conducted only by a person licensed under this  
28 chapter to conduct a horse racing meeting, and only within the  
29 ~~inclosure~~ *enclosure* and on the dates for which horse racing has  
30 been authorized by the board. *Wagering instructions concerning*  
31 *funds held in an advance deposit wagering account shall be*  
32 *deemed to be issued within the licensee's enclosure.*

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

36 *SEC. 8.5. Section 19590 is added to the Business and*  
37 *Professions Code, to read:*

38 19590. The board shall adopt rules governing, permitting,  
39 and regulating wagering on horse races under the system known  
40 as the parimutel method of wagering. Such wagering shall be



1 *conducted only by a person licensed under this chapter to conduct*  
2 *a horse racing meeting, and only within the enclosure and on the*  
3 *dates for which horse racing has been authorized by the board.*  
4 *This section shall become operative on January 1, 2008.*

5 *SEC. 9. Section 19595 of the Business and Professions Code*  
6 *is amended to read:*

7 *19595. Any form of wagering or betting on the result of a*  
8 *horse race other than that permitted by this chapter is illegal. Also*  
9 *illegal is any wagering or betting on horse races outside an*  
10 *enclosure where the conduct of horse racing is licensed*  
11 *by the board. Wagering instructions concerning funds held in an*  
12 *advance deposit wagering account shall be deemed to be issued*  
13 *within the licensee's enclosure.*

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

17 *SEC. 9.5. Section 19595 is added to the Business and*  
18 *Professions Code, to read:*

19 *19595. Any form of wagering or betting on the result of a*  
20 *horse race other than that permitted by this chapter is illegal. Also*  
21 *illegal is any wagering or betting on horse races outside an*  
22 *enclosure where the conduct of horse racing is licensed by the*  
23 *board.*

24 *This section shall become operative on January 1, 2008.*

25 *SEC. 10. Section 19604 is added to the Business and*  
26 *Professions Code, to read:*

27 *19604. Notwithstanding any other provision of law, in*  
28 *addition to parimutuel wagering otherwise authorized by this*  
29 *chapter, advance deposit wagering may be conducted upon*  
30 *approval of the board. The board may authorize any racing*  
31 *association or fair, during the calendar period it is licensed by the*  
32 *board to conduct a live racing meeting in accordance with the*  
33 *provisions of Article 4 (commencing with Section 19480), to*  
34 *accept advance deposit wagers or to allow these wagers through*  
35 *a betting system or a multijurisdictional wagering hub in*  
36 *accordance with the following:*

37 *(a) Racing associations and racing fairs may form a*  
38 *partnership, joint venture, or any other affiliation in order to*  
39 *further the purposes of this section.*



1 (b) As used in this section, “advance deposit wagering” means  
2 a form of parimutuel wagering in which a person residing within  
3 California or outside of this state establishes an account with a  
4 licensee, a board-approved betting system, or a board-approved  
5 multijurisdictional wagering hub located within California or  
6 outside of this state, and subsequently issues wagering instructions  
7 concerning the funds in this account, thereby authorizing the entity  
8 holding the account to place wagers on the account owner’s  
9 behalf. An advance deposit wager may be made only by the entity  
10 holding the account pursuant to wagering instructions issued by  
11 the owner of the funds communicated by telephone call or through  
12 other electronic media. The licensee, a betting system, or a  
13 multijurisdictional wagering hub shall ensure the identification of  
14 the account’s owner by utilizing methods and technologies  
15 approved by the board. Further, at the request of the board, any  
16 licensee, betting system, or multijurisdictional wagering hub  
17 located in California, and any betting system or  
18 multijurisdictional wagering hub located outside of this state that  
19 accepts wagering instructions concerning races conducted in  
20 California or accepts wagering instructions from California  
21 residents, shall provide a full accounting and verification of the  
22 source of the wagers thereby made, including the zone and breed,  
23 in the form of a daily download of parimutuel data to a database  
24 designated by the board. Additionally, when the board approves a  
25 licensee, a betting system, or a multijurisdictional wagering hub,  
26 whether located within California or outside of this state, to accept  
27 advance deposit wagering instructions on any race or races from  
28 California residents, the licensee, betting system, or  
29 multijurisdictional wagering hub may be compensated pursuant to  
30 a contractual agreement with a California licensee, in an amount  
31 not to exceed 6.5 percent of the amount handled on a race or races  
32 conducted in California, and in the case of a race or races  
33 conducted in another jurisdiction, may be compensated in an  
34 amount not to exceed 6.5 percent, plus a fee to be paid to the host  
35 racing association not to exceed 3.5 percent, of the amount  
36 handled on that race or races. The amount remaining after the  
37 payment of winning wagers and after payment of the contractual  
38 compensation and host fee, if any, shall be distributed as a market  
39 access fee in accordance with subdivision (g). As used in this  
40 section, “market access fee” means the contractual fee paid by a



1 *betting system or multijurisdictional wagering hub to the*  
2 *California licensee for access to the California market for*  
3 *wagering purposes. As used in this section, “licensee” means any*  
4 *racing association or fair, or affiliation thereof authorized in*  
5 *subdivision (a).*

6 *(c) (1) The board shall develop and adopt rules to license and*  
7 *regulate all phases of operation of advance deposit wagering for*  
8 *licensees, betting systems, and multijurisdictional wagering hubs*  
9 *located in California. Betting systems and multijurisdictional*  
10 *wagering hubs located and operating in California shall be*  
11 *approved by the board prior to establishing advance deposit*  
12 *wagering accounts or accepting wagering instructions concerning*  
13 *those accounts and shall enter into a written contractual*  
14 *agreement with the bona fide labor organization that has*  
15 *historically represented the same or similar classifications of*  
16 *employees at the nearest horse racing meeting. Permanent state or*  
17 *county employees and nonprofit organizations that have*  
18 *historically performed certain services at county, state, or district*  
19 *fairs may continue to provide those services, notwithstanding this*  
20 *requirement.*

21 *(2) The board shall develop and adopt rules and regulations*  
22 *requiring betting systems and multijurisdictional wagering hubs*  
23 *to establish security access policies and safeguards, including, but*  
24 *not limited to, the following:*

25 *(A) The betting system or wagering hub shall utilize the*  
26 *services of a board-approved independent third party to perform*  
27 *identity, residence, and age verification services with respect to*  
28 *persons establishing an advance deposit wagering account.*

29 *(B) The betting system or wagering hub shall utilize personal*  
30 *identification numbers (PINs) and other technologies to assure*  
31 *that only the accountholder has access to the advance deposit*  
32 *wagering account.*

33 *(C) The betting system or wagering hub shall provide for*  
34 *withdrawals from the wagering account only by means of a check*  
35 *made payable to the accountholder and sent to the address of the*  
36 *accountholder or by means of an electronic transfer to an account*  
37 *held by the verified accountholder.*

38 *(D) The betting system or wagering hub shall allow the board*  
39 *access to its premises to visit, investigate, and place expert*  
40 *accountants and other persons it deems necessary for the purpose*



1 of ensuring that its rules and regulations concerning credit  
2 authorization, account access, and other security provisions are  
3 strictly complied with.

4 (3) The board shall prohibit advance deposit wagering  
5 advertising that it determines to be deceptive to the public. The  
6 board also require, by regulation, that every form of advertising  
7 contain a statement that minors are not allowed to open or have  
8 access to advance deposit wagering accounts.

9 (d) As used in this section, a “multijurisdictional wagering  
10 hub” is a business conducted in more than one jurisdiction that  
11 facilitates parimutuel wagering on races it simulcasts and other  
12 races it offers in its wagering menu.

13 (e) As used in this section, a “betting system” is a business  
14 conducted exclusively in this state that facilitates parimutuel  
15 wagering on races it simulcasts and other races it offers in its  
16 wagering menu.

17 (f) In order for a licensee, betting system, or multijurisdictional  
18 wagering hub to be approved by the board to conduct advance  
19 deposit wagering, it shall meet both of the following requirements:

20 (1) All wagers thereby made shall be included in the  
21 appropriate parimutuel pool of the host racing association or fair  
22 under a contractual agreement with the applicable California  
23 licensee, in accordance with the provisions of this chapter.

24 (2) The amounts deducted from advance deposit wagers shall  
25 be in accordance with the provisions of this chapter.

26 (g) The amount received as a market access fee from advance  
27 deposit wagers shall be distributed as follows:

28 (1) An amount equal to .0011 percent of the amount handled on  
29 advance deposit wagers originating in California for each race  
30 meeting shall be distributed to the Center for Equine Health to  
31 establish the Kenneth L. Maddy Fund for the benefit of the School  
32 of Veterinary Medicine at the University of California at Davis.

33 (2) An amount equal to .0003 percent of the amount handled on  
34 advance deposit wagers originating in California for each race  
35 meeting shall be distributed to the Department of Industrial  
36 Relations to cover costs associated with audits conducted  
37 pursuant to Section 19526, however, if that amount would exceed  
38 the costs of the Department of Industrial Relations, the amount  
39 distributed to the department shall be reduced, and that reduction  
40 shall be forwarded to an organization designated by the racing



1 association or fair described in subdivision (a) for the purpose of  
2 augmenting a compulsive gambling prevention program  
3 specifically addressing that problem.

4 (3) An amount equal to .00165 of the amount handled on  
5 advance deposit wagers that originate in California for each race  
6 meeting shall be distributed as follows:

7 (A) One-half of the amount shall be distributed to supplement  
8 the trainer-administered pension plans for backstretch personnel  
9 established pursuant to Section 19613. Moneys distributed  
10 pursuant to this subparagraph shall supplement, and not supplant,  
11 moneys distributed to that fund pursuant to Section 19613 or any  
12 other provision of law.

13 (B) One-half of the amount shall be distributed to the welfare  
14 fund established for the benefit of horsemen and backstretch  
15 personnel pursuant to subdivision (b) of Section 19641. Moneys  
16 distributed pursuant to this subparagraph shall supplement, and  
17 not supplant, moneys distributed to that fund pursuant to Section  
18 19641 or any other provision of law.

19 (4) With respect to wagers on each breed of racing that  
20 originate in California, an amount equal to 2 percent of the first  
21 two hundred fifty million dollars (\$250,000,000) of handle from all  
22 advance deposit wagers originating from within California  
23 annually, an amount equal to 1.5 percent of the next two hundred  
24 fifty million dollars (\$250,000,000) of handle from all advance  
25 deposit wagers originating from within California annually, and  
26 an amount equal to 1 percent of handle from all advance deposit  
27 wagers originating from within California in excess of five  
28 hundred million dollars (\$500,000,000) annually, shall be  
29 distributed as satellite wagering commissions. The satellite  
30 wagering facility commissions calculated in accordance with this  
31 subdivision shall be distributed to each satellite wagering facility  
32 and racing association or fair in the zone in which the wager  
33 originated in the same relative proportions that the satellite  
34 wagering facility or the racing association or fair generated  
35 satellite commissions during the previous calendar year. For  
36 purposes of this section, the purse funds distributed pursuant to  
37 Section 19605.72 shall be considered to be satellite wagering  
38 facility commissions attributable to thoroughbred races at the  
39 locations described in that section.



1 (5) With respect to wagers on each breed of racing that  
2 originate in California for each race meeting, after the payment of  
3 contractual obligations to the licensee, the betting system, or the  
4 multijurisdictional wagering hub, and the distribution of the  
5 amounts set forth in paragraphs (1) through (4), inclusive, the  
6 amount remaining shall be distributed to the racing association or  
7 fair that is conducting live racing on that breed during the  
8 calendar period in the zone in which the wager originated, and this  
9 amount shall be allocated to that racing association or fair as  
10 commissions, to horsemen participating in that racing meeting in  
11 the form of purses, and as incentive awards, in the same relative  
12 proportion as they were generated or earned during the prior  
13 calendar year at that racing association or fair on races conducted  
14 or imported by that racing association or fair after making all  
15 deductions required by applicable law. Purse funds generated  
16 pursuant to this section may be utilized to pay 50 percent of the  
17 total costs and fees incurred due to the implementation of advance  
18 deposit wagering. "Incentive awards" shall be those payments  
19 provided for in Sections 19617.2, 19617.7, 19617.8, 19617.9, and  
20 19619. The amount determined to be payable for incentive awards  
21 shall be payable to the applicable official registering agency and  
22 thereafter distributed as provided in this chapter. If the provisions  
23 of Section 19601.2 apply, then the amount distributed to the  
24 applicable racing associations or fairs from advance deposit  
25 wagering shall first be divided between those racing associations  
26 or fairs in direct proportion to the total amount wagered in the  
27 applicable zone on the live races conducted by the respective  
28 association or fair. Notwithstanding this requirement, when the  
29 provisions of subdivision (b) of Section 19607.5 apply to the 2nd  
30 District Agricultural Association in Stockton or the California  
31 Exposition and State Fair in Sacramento, then the total amount  
32 distributed to the applicable racing associations or fairs shall first  
33 be divided equally, with 50 percent distributed to applicable fairs  
34 and 50 percent distributed to applicable associations. For  
35 purposes of this subdivision, the zones of the state shall be as  
36 defined in Section 19530.5, except as modified by the provisions  
37 of subdivision (f) of Section 19601, and the combined central and  
38 southern zones shall be considered one zone.

39 Notwithstanding any provision of this section to the contrary,  
40 the distribution of the market access fee, other than the



1 *distributions specified in paragraph (1) or (2), may be altered*  
2 *upon the approval of the board, in accordance with an agreement*  
3 *signed by all parties receiving a distribution under paragraphs (4)*  
4 *and (5).*

5 *(h) Notwithstanding any provisions of this section to the*  
6 *contrary, all funds derived from advance deposit wagering that*  
7 *originate from California for each race meeting on out-of-state*  
8 *and out-of-country thoroughbred races conducted after 6 p.m.,*  
9 *Pacific Time, shall be distributed in accordance with this*  
10 *subdivision. With respect to these wagers, 50 percent of the amount*  
11 *remaining after the payment of contractual obligations to the*  
12 *multijurisdictional wagering hub, betting system, or licensee and*  
13 *the amounts set forth in paragraphs (1) through (5), inclusive, of*  
14 *subdivision (g) shall be distributed as commissions to*  
15 *thoroughbred associations and racing fairs, as thoroughbred and*  
16 *fair purses, and as incentive awards in accordance with*  
17 *subdivision (g), and the remaining 50 percent, together with all*  
18 *funds derived for each race meeting from advance deposit*  
19 *wagering originating from California out-of-state and*  
20 *out-of-country harness and quarter horse races conducted after 6*  
21 *p.m. Pacific Time shall be distributed as commissions on a pro rata*  
22 *basis to the applicable licensed quarter horse association and the*  
23 *applicable licensed harness association, based upon the amount*  
24 *handled instate, both on- and off-track, on each breed's own live*  
25 *races in the previous year by that association, or its predecessor*  
26 *association. One-half of the amount thereby received by each*  
27 *association shall be retained by that association as a commission,*  
28 *and the other half of the money received shall be distributed as*  
29 *purses to the horsemen participating in its current or*  
30 *next-scheduled licensed racing meeting.*

31 *(i) Notwithstanding any provisions of this section to the*  
32 *contrary, all funds derived from advance deposit wagering which*  
33 *originate from California for each race meeting on out-of-state*  
34 *and out-of-country nonthoroughbred races conducted before 6*  
35 *p.m., Pacific time, shall be distributed in accordance with this*  
36 *subdivision. With respect to these wagers, 50 percent of the amount*  
37 *remaining after the payment of contractual obligations to the*  
38 *multijurisdictional wagering hub, betting system, or licensee and*  
39 *the amounts set forth in paragraphs (1) through (5), inclusive, of*  
40 *subdivision (g) shall be distributed as commissions as provided in*



1 subdivision (h) for licensed quarter horse and harness  
2 associations, and the remaining 50 percent shall be distributed as  
3 commissions to the applicable thoroughbred associations or fairs,  
4 as thoroughbred and fair purses, and as incentive awards in  
5 accordance with subdivision (g).

6 (j) A racing association, a fair, or a satellite wagering facility  
7 may accept and facilitate the placement of any wager from a  
8 patron at its facility that a California resident could make through  
9 a betting system or multijurisdictional wagering hub duly offering  
10 advance deposit wagering in this state, and the facility accepting  
11 the wager shall receive a 2 percent commission on that wager in  
12 lieu of any distribution for satellite commissions pursuant to  
13 subdivision (g).

14 (k) Any disputes concerning the interpretation or application of  
15 this section shall be resolved by the board.

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

19 SEC. 11. Section 19613 of the Business and Professions Code  
20 is amended to read:

21 19613. (a) Except as provided in subdivisions (b), (c), (d),  
22 (e), and (f), the portion deducted for purses pursuant to this chapter  
23 shall be paid to or for the benefit of the horsemen at the racing  
24 meeting.

25 (b) Any association other than a fair that conducts a  
26 thoroughbred racing meeting shall pay to the owners' organization  
27 contracting with the association with respect to the conduct of  
28 racing meetings for administrative expenses and services rendered  
29 to owners, an amount not to exceed two-thirds of 1<sup>1</sup>/<sub>2</sub> percent of  
30 the portion, and to a trainers' organization for administrative  
31 expenses and services rendered to trainers and backstretch  
32 employees an amount equivalent to one-third of 1<sup>1</sup>/<sub>2</sub> percent of the  
33 portion. That association shall also pay an amount for a pension  
34 plan for backstretch personnel to be administered by the trainers'  
35 ~~organization~~ pursuant to Section 19613.8 equivalent to an  
36 additional 1 percent of the portion. The remainder of the portion  
37 shall be distributed as purses.

38 (c) Any other association may pay to the horsemen's  
39 organization contracting with the association with respect to the  
40 conduct of racing meetings for administrative expenses and



1 services rendered to horsemen an amount out of the portion as may  
2 be determined by the association by agreement or otherwise, but,  
3 in all events, shall include, relative to a thoroughbred horsemen's  
4 organization racing, 1 percent of the portion for a pension plan for  
5 backstretch personnel ~~to be administered by the trainers'~~  
6 ~~organization~~ pursuant to Section 19613.8. The remainder of the  
7 portion shall be distributed as purses.

8 (d) Notwithstanding subdivisions (b) and (c), any association  
9 conducting a fair racing meeting *or conducting a mixed breed*  
10 *racing meeting* shall pay to the horsemen's organizations  
11 contracting with the association with respect to the conduct of  
12 races for their respective breeds of horses at the meetings for  
13 administrative expenses and services rendered to their respective  
14 horsemen those amounts out of the portion as determined by the  
15 horsemen's organization for the respective breeds with the  
16 approval of the board.

17 Pursuant to this subdivision, amounts not to exceed 3 percent of  
18 the portion for the owners' and trainers' organizations shall be  
19 distributed to any thoroughbred owners' and trainers'  
20 organizations contracting with an association for a fair racing  
21 meeting or participating in mixed breed racing meetings as  
22 follows: two-thirds of 1 percent to the owners' organization and  
23 one-third of 1 percent to the trainers' organization for  
24 administrative expenses and services rendered to both owners and  
25 trainers, 1 percent for welfare funds, and 1 percent for a pension  
26 program for backstretch personnel, ~~to be administered by the~~  
27 ~~thoroughbred trainers' organization~~ pursuant to Section 19613.8.

28 (e) Any association other than a fair that conducts a quarter  
29 horse racing meeting, *except a mixed breed meeting*, shall pay to  
30 the horsemen's organization contracting with the association with  
31 respect to the conduct of racing meetings for administrative  
32 expenses and services rendered to horsemen, an amount not to  
33 exceed 3 percent of the portion. The remainder of the portion shall  
34 be distributed as purses.

35 (f) For racing meetings other than thoroughbred meetings, if no  
36 contract has been signed between the association conducting the  
37 racing meeting and the organization representing the horsemen by  
38 the time the racing meeting commences, the distribution of purses  
39 shall be governed by the following:



1 (1) If the association conducted a racing meeting within the  
2 past 15 months and a contract was in existence for that meeting  
3 with the horsemen's organization and the association is conducting  
4 a subsequent meeting for the same breed or mixed breeds, the  
5 amounts payable to the horsemen's organization under  
6 subdivision (c) shall be computed under the provisions of the last  
7 signed contract between the parties.

8 (2) This subdivision applies regardless of the cause of the  
9 failure to execute a contract, whether that failure is a result of  
10 inadvertence or otherwise.

11 (3) For racing meetings that do not come within paragraph (1),  
12 the board shall, within 15 days after the commencement of the  
13 racing meeting, determine the amounts payable to the horsemen's  
14 organization for administrative expenses and services, and provide  
15 for the direct payment of those amounts.

16 (g) Amounts distributed pursuant to this section are derived  
17 from owners' purses.

18 (h) For the purposes of this section, the following definitions  
19 shall apply:

20 (1) "Owner" means a person currently licensed by the board  
21 as an owner of a thoroughbred racehorse.

22 (2) "Trainer" means a person currently licensed by the board  
23 as an owner and trainer or as a trainer of a thoroughbred racehorse.

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

27 *SEC. 11.5. Section 19613 is added to the Business and*  
28 *Professions Code, to read:*

29 *19613. (a) Except as provided in subdivisions (b), (c), (d),*  
30 *(e), and (f), the portion deducted for purses pursuant to this*  
31 *chapter shall be paid to or for the benefit of the horsemen at the*  
32 *racing meeting.*

33 *(b) Any association other than a fair that conducts a*  
34 *thoroughbred racing meeting shall pay to the owners'*  
35 *organization contracting with the association with respect to the*  
36 *conduct of racing meetings for administrative expenses and*  
37 *services rendered to owners, an amount not to exceed two-thirds*  
38 *of 1½ percent of the portion, and to a trainers' organization for*  
39 *administrative expenses and services rendered to trainers and*  
40 *backstretch employees an amount equivalent to one-third of 1½*



1 *percent of the portion. That association shall also pay an amount*  
2 *for a pension plan for backstretch personnel to be administered by*  
3 *the trainers' organization equivalent to an additional 1 percent of*  
4 *the portion. The remainder of the portion shall be distributed as*  
5 *purses.*

6 *(c) Any other association may pay to the horsemen's*  
7 *organization contracting with the association with respect to the*  
8 *conduct of racing meetings for administrative expenses and*  
9 *services rendered to horsemen an amount out of the portion as may*  
10 *be determined by the association by agreement or otherwise, but,*  
11 *in all events, shall include, relative to a thoroughbred horsemen's*  
12 *organization racing, 1 percent of the portion for a pension plan the*  
13 *trainers' organization. The remainder of the portion shall be*  
14 *distributed as purses.*

15 *(d) Notwithstanding subdivisions (b) and (c), any association*  
16 *conducting a fair racing meeting shall pay to the horsemen's*  
17 *organizations contracting with the association with respect to the*  
18 *conduct of races for their respective breeds of horses at the*  
19 *meetings for administrative expenses and services rendered to*  
20 *their respective horsemen those amounts out of the portion as*  
21 *determined by the horsemen's organization for the respective*  
22 *breeds with the approval of the board. Pursuant to this subdivision,*  
23 *amounts not to exceed 3 percent of the portion for the owners' and*  
24 *trainers' organizations shall be distributed to any thoroughbred*  
25 *owners' and trainers' organizations contracting with an*  
26 *association for a fair racing meeting or participating in mixed*  
27 *breed racing meetings as follows: two-thirds of 1 percent to the*  
28 *owners organization and one-third of 1 percent to the trainers'*  
29 *organization for administrative expenses and services rendered to*  
30 *both owners and trainers, 1 percent for welfare funds, and 1*  
31 *percent for a pension program for backstretch personnel, to be*  
32 *administered by the thoroughbred trainers' organization.*

33 *(e) Any association other than a fair that conducts a quarter*  
34 *horse racing meeting shall pay to the horsemen's organization*  
35 *contracting with the association with respect to the conduct of*  
36 *racing meetings for administrative expenses and services rendered*  
37 *to horsemen, an amount not to exceed 3 percent of the portion. The*  
38 *remainder of the portion shall be distributed as purses.*

39 *(f) For racing meetings other than thoroughbred meetings, if*  
40 *no contract has been signed between the association conducting*



1 *the rating meeting and the organization representing the horsemen*  
2 *by the time the racing meeting commences, the distribution of*  
3 *purses shall be governed by the following:*

4 (1) *If the association conducted a racing meeting within the*  
5 *past 15 months and a contract was in existence, for that meeting*  
6 *with the horsemen's organization and the association is*  
7 *conducting a subsequent meeting for the same breed or mixed*  
8 *breeds, the amounts payable to the horsemen's organization under*  
9 *subdivision (c) shall be computed under the provisions of the last*  
10 *signed contract between the parties.*

11 (2) *This subdivision applies regardless of the cause of the*  
12 *failure to execute a contract, whether that failure is a result of*  
13 *inadvertence or otherwise.*

14 (3) *For racing meetings that do not come within paragraph (1),*  
15 *the board shall, within 15 days after the commencement of the*  
16 *racing meeting, determine the amounts payable to the horsemen's*  
17 *organization for administrative expenses and services, and*  
18 *provide for the direct payment of those amounts.*

19 (g) *Amounts distributed pursuant to this section are derived*  
20 *from owners' purses.*

21 (h) *For the purposes of this section, the following definitions*  
22 *shall apply:*

23 (1) *"Owner" means a person currently licensed by the board*  
24 *as an owner of a thoroughbred racehorse.*

25 (2) *"Trainer" means a person currently licensed by the board*  
26 *as an owner and trainer or as a trainer of a thoroughbred*  
27 *racehorse.*

28 (i) *This section shall become operative on January 1, 2008.*

29 *SEC. 12. Section 19613.8 is added to the Business and*  
30 *Professions Code, to read:*

31 *19613.8. Within 60 days of a statewide majority of backstretch*  
32 *workers having chosen to be represented by an exclusive collective*  
33 *bargaining agent pursuant to Article 2.5 (commencing with*  
34 *Section 19455) or any other law, the respective organization of*  
35 *horsemen, or in the case of the thoroughbred industry the*  
36 *organization of trainers, shall submit a plan to the board for the*  
37 *administration of the pension program by a joint*  
38 *labor-management committee, consistent with the standards*  
39 *established by Section 302 of the Taft-Hartley Act (29 U.S.C. Sec.*  
40 *5186). Notwithstanding Section 19613, upon approval by the*



1 board, a joint labor-management committee shall administer the  
2 pension program.

3 SEC. 13. Section 19641.2 is added to the Business and  
4 Professions Code, to read:

5 19641.2. (a) The nonprofit foundation authorized to receive  
6 funds pursuant to Section 19641 shall use those funds to  
7 administer a health and welfare trust fund without prejudice and  
8 for the benefit of every eligible person. The welfare fund and  
9 benefits shall be administered consistent with the standards  
10 established by the federal Employee Retirement Income Security  
11 Act of 1974 (29 U.S.C. Sec. 1001 and following) subject to the  
12 oversight and regulation of the board.

13 (b) Every employer of backstretch workers shall, upon request,  
14 submit or provide access to the administrator of the welfare  
15 program for backstretch workers any employment records  
16 necessary for prompt payment of benefits and proper  
17 administration of the program.

18 (c) On or before March 1, 2002, the welfare fund board shall  
19 be expanded to include two additional holders of groom or stable  
20 employee licenses who are currently employed in these  
21 occupations at a California horse racing facility. Within 60 days  
22 of a statewide majority of backstretch workers having chosen to be  
23 represented by an exclusive bargaining agent pursuant to Article  
24 2.5 (commencing with Section 19455) or any other law, that agent  
25 shall designate two representatives to replace the board members  
26 appointed pursuant to this subdivision.

27 (d) Nothing in this section is intended to affect the status of the  
28 welfare fund as a charity under Section 501(c)(3) of the federal  
29 Internal Revenue Code or its compliance with the Charitable  
30 Purposes Act (Article 7 (commencing with Section 12580) of  
31 Chapter 6 of Part 2 of Division 3 of Title 2 of the Government  
32 Code).

33 SEC. 14. The Legislature hereby finds and declares the  
34 following with respect to the addition of Section 19604 to the  
35 Business and Professions Code:

36 (a) There are currently over 1,200 websites on the Internet that  
37 provide for online gambling, including wagering on horse races,  
38 as well as other types of gambling.

39 (b) Online wagering activity occurs in a way which is  
40 unregulated and unlicensed by the California Horse Racing



1 Board, avoiding all of the legal and law enforcement protections  
2 administered by the California Horse Racing Board, including  
3 appropriate consumer protection measures and threatens the  
4 health, safety, economy, and welfare of the citizens and businesses  
5 in California.

6 (c) Unregulated gaming websites have a deleterious and very  
7 negative impact on horse racing in California because they result  
8 in a significantly reduced, lawful wagering activity at locations  
9 which are regulated and licensed by the California Horse Racing  
10 Board, including racetracks and satellite wagering facilities, and  
11 threaten the positive reputation of California horse racing.

12 (d) Unregulated gaming websites result in a revenue loss to the  
13 State of California, as well as California's horse racing industry.  
14 Those losses are estimated at over two hundred fifty million  
15 (\$250,000,000) in wagering handle and result in the loss of at least  
16 twelve million five hundred thousand dollars (\$12,500,000) in  
17 purses for California races.

18 (e) That California's horse racing industry provides over  
19 50,000 jobs in this state, as well as revenue to the General Fund  
20 which supports California's county fairs, as well as other  
21 important programs, and further, has operated under California  
22 law for over 60 years in a strictly regulated environment which  
23 protects California residents and provides for necessary oversight  
24 of its activities.

25 (f) Ten other states have authorized account wagering, further  
26 placing, California's horse racing industry at a competitive  
27 disadvantage relative to the industry in those states, and  
28 threatening the viability of the horse racing industry in California.

29 (g) It is the policy of this state to make every effort to regulate  
30 all wagering activity on California horse racing, and to assure that  
31 the horse racing industry in California is able to compete with  
32 other states, provide jobs to California residents, and help assure  
33 the overall health and viability of the industry in California.

34 (h) That it is the intent of the Legislature to ensure that the  
35 California Horse Racing Board has the authority necessary to  
36 regulate all wagering activity on horse racing in California, and  
37 to ensure all appropriate steps are taken to prohibit access of  
38 wagering to minors.

39 SEC. 15. The provisions of this act are severable. If any  
40 provision of this act or its application is held invalid, that



1 *invalidity shall not affect other provisions or applications that can*  
2 *be given effect without the invalid provision or application.*

3 *SEC. 16. No reimbursement is required by this act pursuant*  
4 *to Section 6 of Article XIII B of the California Constitution*  
5 *because the only costs that may be incurred by a local agency or*  
6 *school district will be incurred because this act creates a new crime*  
7 *or infraction, eliminates a crime or infraction, or changes the*  
8 *penalty for a crime or infraction, within the meaning of Section*  
9 *17556 of the Government Code, or changes the definition of a*  
10 *crime within the meaning of Section 6 of Article XIII B of the*  
11 *California Constitution.*

12 ~~Code is amended to read:~~

13 ~~19611.5.—(a) In addition to the amounts otherwise deducted~~  
14 ~~pursuant to this chapter, every association other than a fair that~~  
15 ~~conducts a thoroughbred race meeting may deduct from the total~~  
16 ~~amount handled in daily double, quinella, exacta, and other~~  
17 ~~multiple wagering pools approved by the board up to 4 percent~~  
18 ~~thereof to be distributed 50 percent as commissions and 50 percent~~  
19 ~~as purses. From the amount distributed as purses, a sum equal to~~  
20 ~~0.07 percent of the total handle shall be held by the association to~~  
21 ~~be deposited with the official registering agency pursuant to~~  
22 ~~subdivision (a) of Section 19617.2, and shall thereafter be~~  
23 ~~distributed in accordance with subdivisions (b), (c), and (d) of~~  
24 ~~Section 19617.2.~~

25 ~~(b) At least 30 days prior to the commencement of its meeting,~~  
26 ~~the association shall file with the board a statement of the~~  
27 ~~additional deduction to be made pursuant to subdivision (a).~~  
28 ~~Except with the consent of the board, the amount of the deduction~~  
29 ~~shall not be changed during the course of the meeting.~~

