

Assembly Bill No. 471

CHAPTER 198

An act to amend Sections 19461 and 19481.5 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.

[Approved by Governor August 12, 2001. Filed with
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LEGISLATIVE COUNSEL'S DIGEST

AB 471, Hertzberg. Horse racing.

(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 racetracks, 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 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.

(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), reimbursement of the State Mediation and Conciliation Service for costs incurred pursuant to this act 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 enclosure 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 enclosure, 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 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 committee that shall include 2 representatives designated by the bargaining agent.

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

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

SECTION 1. Section 19411 of the Business and Professions Code is amended to read:

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

This section shall remain in effect only until 2008, and as of that date is repealed, unless a later enacted statute, that is enacted before January 1, 2008, deletes or extends that date.

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



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

This section shall become operative on January 1, 2008.

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

Article 2.5. Backstretch Worker Labor Relations

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

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

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

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

(1) Employees shall have the right to join, or refuse to join, a labor organization for purposes of collective bargaining and mutual aid and protection. Existing state-recognized organizations of trainers or horsemen established pursuant to the Horse Racing Law shall not use funds derived or distributed from parimutuel wagering pursuant to state law to advocate or advance any position with respect to unionization of employees. Individual trainers and horsemen, and their agents, shall not coerce or threaten any employee of any trainer or horseman because of



the exercise of rights pursuant to this article. No employee shall be discharged or discriminated against for expressing any opinion concerning the selection of a labor union or collective bargaining agent for employees under this article. No trainer or horseman, or group of trainers or horsemen, shall dominate or interfere with the formation or administration of any labor organization established under this article nor contribute financial or other support to it.

(2) The labor union and its representatives shall not coerce or threaten any employee of any trainer or horseman because of the exercise of rights pursuant to this article.

(3) Notwithstanding any other provision of law, within 30 days of a request by a bona fide labor organization representing workers in the horse racing industry in California, accompanied by a petition of 125 licensed backstretch workers, the board shall provide the labor organization with a list of all backstretch workers including the type of licenses they hold, their employer, the location at which they are employed, and their address and telephone number. The board may require of any trainer licensee information in the licensee's possession necessary to comply with this requirement. The labor union shall use this list solely for the purposes of this article, and maintain it in a manner, as the board may require, to preserve the integrity of horse racing. The board may impose an appropriate penalty for any other use.

(4) Every licensed trainer who employs backstretch employees shall file with the board, not later than February 1, 2002, and, within seven days of the commencement of each race meeting thereafter, a complete and accurate list of the names of its backstretch workers. In addition, every trainer shall file with the board a complete, accurate, and updated list within seven days of any changes which occur to the most recently filed list. The lists described in this section, together with any updates thereto, shall be provided within 72 hours after receipt by the board, to any bona fide labor organization which has requested copies thereof and submitted a petition containing the names of 125 backstretch workers pursuant to paragraph (3). Any such request need only be made one time and the board shall thereafter be required to provide these lists and any updates thereto in accordance with the provisions of this section so long as a bona fide labor organization seeks to represent licensed backstretch workers.

(5) The labor union may obtain board recognition as the exclusive bargaining agent for employees of employers pursuant to provisions and procedures described in paragraph (8).

(6) For the purposes of this article:



(A) “Backstretch employee” or “backstretch worker” means a person licensed by the board pursuant to subdivision (c) of Section 1481 of Division 4 of Title 4 of the California Code of Regulations.

(B) “Multiemployer bargaining unit” means any bargaining unit created and recognized pursuant to the terms of clause (iii) of subparagraph (A) of paragraph (8).

(c) “Approved election unit” means any election unit created and recognized pursuant to paragraph (7).

(7) There are four election units created and recognized pursuant to this section, as follows:

(A) Backstretch employees working for trainers of thoroughbred horses stabled at licensed racetracks, including fairs and approved auxiliary training facilities in the combined central and southern zones.

(B) Backstretch employees working for trainers of thoroughbred horses stabled at licensed racetracks, including fairs and approved auxiliary training facilities in the northern zone.

(C) Backstretch employees working for trainers of quarter horses stabled at licensed racetracks and approved auxiliary training facilities in the combined central and southern zones.

(D) Backstretch employees working for trainers of harness horses stabled at licensed racetracks, including fairs and approved auxiliary training facilities in the northern zone.

The board shall use the California State Mediation and Conciliation Service for all appropriate purposes of this act, including operations related to the conduct of recognition procedures and elections.

(8) (A) With respect to backstretch workers, a labor organization seeking recognition as the collective bargaining agent for these workers shall collect signed cards indicating individual worker’s intent to be represented by that organization for collective bargaining purposes and submit those cards to the California State Mediation and Conciliation Service for review and validation. When the labor organization is in receipt of cards signed by workers equaling at least 30 percent of the employees in an election unit described in paragraph (4), the California State Mediation and Conciliation Service shall conduct a secret ballot election with respect to the election unit as soon as is practicable thereafter, but in no event more than 30 calendar days after validation by the service of the cards.

Those backstretch employees entitled to vote in the election shall be those who appear on the licensed trainer’s most recent list described in paragraph (3). However, each employer may update his or her list not more than 72 hours prior to the election. If it is determined by the stewards pursuant to the provisions in paragraph (11), that the employer filed an inaccurate or erroneous list with a willful intention to manipulate



the results of an election, and that the inaccuracy or error may have affected the outcome of the election, the stewards shall decree that the employer lost the election, regardless of the actual outcome thereof, and the stewards shall issue an order to the trainer to negotiate with the union.

(i) Any election shall be conducted by the California State Mediation and Conciliation Service under rules established by the Service consistent with standard practice. The rules shall be established no more than 60 days after the effective date of this section, shall be made available to the bona fide labor union and employers of backstretch employees, and shall be exempt from the Administrative Procedure Act. The rules shall provide for a secret ballot system for the conduct of the election pursuant to which ballots cast by backstretch employees of individual employers shall be cast by insertion into envelopes appropriately identified with respect to each employer. The envelopes shall be collected and tabulated in secret by the service, subject to observation by one representative designated by the bona fide labor organization and one representative designated by the organization representing trainers pursuant to subdivision (a) of Section 19613.2. Upon completion of the tabulation, the service shall issue a report certifying those employers, the majority of whose employees who participated in the election voted in favor of representation by the union. Those employers so certified shall be required to bargain with the labor union pursuant to this subdivision. All other employers shall not be required to negotiate with the union and there shall not be another election with respect to those employers for at least one year from the date of the prior election. The service shall not make public the numerical tabulation of votes by employer.

(ii) Protests over challenged ballots shall be resolved by the service in a consolidated hearing commencing no later than three business days after the election.

(iii) Within 45 days of the certification of the results of the election by the service to the board, those trainers who are required to bargain pursuant to this subparagraph may form multiple employer bargaining units in accordance with the provisions of this subdivision. Further, the organization representing trainers pursuant to subdivision (a) of Section 19613.2 shall conduct a meeting regarding the formulation of multiple employer bargaining units within five days of the certification of the results of the election. For licensed trainers described in subparagraph (A) paragraph (7) the minimum number of backstretch employees employed by licensed trainers comprising the multiple employer bargaining unit as of the date of the election shall be 100 employees or 10 percent of the total employees subject to bargaining. For licensed trainers described in subparagraphs (B), (C), and (D), of paragraph (7),



the minimum number of backstretch employees employed by licensed trainers comprising the multiple employer bargaining unit as of the date of the election shall be 50 employees or 10 percent of the total employees subject to bargaining. The minimum number of backstretch employees employed by licensed trainers in order to qualify as a multiple employer bargaining unit pursuant to this subdivision may, with the consent of the recognized labor union, be reduced. On or before the 45th day following the certification of the results of the election, each representative of a multiple employer bargaining unit formed pursuant to this subdivision shall notify the board and the exclusive collective bargaining agent, in writing, that a unit has been formed, disclose the names of the licensed trainers which comprise the unit, and indicate the number and names of the backstretch employees which are employed by the licensed trainers comprising the unit. Except to join another multiple employer bargaining unit, without the consent of the bona fide labor organization, a trainer who has elected to join a multiple employer bargaining unit may not thereafter elect to resign from the unit except within a 30-day period prior to the date of the expiration of the collective bargaining agreement resulting from the negotiations. The employees of a licensed trainer who has resigned from a multiple employer bargaining unit and has not joined another unit, shall not be entitled to petition to decertify the union for a period of one year from the date of the expiration of the collective bargaining agreement which resulted from the negotiation between the union and the multiple employer bargaining unit of which he or she was formerly a member and which was in effect at the time of the trainer's resignation. Upon completion and certification of the election results the union shall be recognized as the exclusive collective bargaining agent for those workers whose employers are required to bargain, and the executive director of the board shall issue an order to affected employers to begin good faith negotiations for approval of employment agreements pursuant to the procedures set forth in this section.

(B) If an individual employer of backstretch workers declines to be represented in the multiemployer collective bargaining procedure described in clause (iii), the board shall issue an order to begin good faith negotiations for employment agreements on an individual employer basis. The board may provide mediation and conciliation services upon request of the parties at any time. If an employer is required under this subparagraph to collectively bargain with the union, and the parties do not reach an agreement within 90 days of the order, the board shall require the parties to participate in mandatory mediation and conciliation services for a period of 30 days. If no agreement results from this mediation, either or both parties may declare an impasse. Upon a party's declaration of an impasse, the Executive Director of the Board



shall appoint an arbitrator in the manner described in paragraph (11) to determine the issues and issue a final and binding order establishing the terms of a collective bargaining agreement.

(9) No labor agreement under this article shall apply to any trainer or horseman with respect to employment associated with fair meetings prior to January 1, 2003. After this date, employees shall be added by accretion into an existing contract where applicable. For racing meetings conducted in the central and southern zones during the first three months of any calendar year and for fair racing meetings, this section shall not apply to trainers who normally reside and work outside of California and who are engaged in racing in this state for a limited period of time, not exceeding 90 racing days in any calendar year. For all other race meeting conducted during any calendar year, this section shall not apply to trainers, backstretch workers, or both who normally reside and work outside of California and without are engaged in racing in this state for a limited period of time, not exceeding 50 racing days in any calendar year.

(10) Except as provided in subparagraph (A) of paragraph (8), at any time subsequent to the expiration of an agreement under paragraph (8), when the agreement is not in effect, the board may recognize a majority interest, obtained during this period in the same manner as union recognition of employees, within a multiple employer bargaining unit who no longer desire to be represented by the union, and withdraw the recognition granted pursuant to this section from that union. An employer may inform his or her employees that a process for decertification exists and direct them to the board for information. However any card, signature, vote, or other indicator obtained for this purpose by means of coercion or threat or with the assistance or inducement of any employer shall be invalid.

(11) Disputes, other than disputes concerning the operation and application of ongoing contracts, disputes subject to binding interest arbitration pursuant to subparagraph (B) of paragraph (8), and economic disputes arising in the context of multiemployer bargaining pursuant to subparagraph (A) of paragraph (8), but including disputes concerning the rights established in paragraphs (1) and (2), upon complaint shall be adjudicated the stewards. The stewards shall have the authority to order any remedy, including reinstatement of employment, injunctive relief, damages, and attorney's fees. The board is authorized to contract with the Agricultural Labor Relations Board for the services of investigators or counsel to investigate, make findings of fact, and issue recommendations to the stewards with respect to disputes and any alleged unfair labor practices. An investigation and adjudication by the stewards shall be concluded as expeditiously as possible, consistent with



applicable standards of due process. In addition the board may require the parties to submit the issue to binding arbitration subject to judicial review in the same manner as decisions of the board. Disputes subject to this paragraph include disputes involving any backstretch employee or group of employees, and any trainer or group of trainers.

(12) Upon submission of a complaint to binding arbitration under any provision of this article, the executive director of the board shall select an arbitrator from a panel of professional arbitrators with expertise in labor negotiations selected by the California State Mediation and Conciliation Service or from a panel identified in collective bargaining agreements between labor organizations and employers in the horse racing industry in California, who shall hold a hearing within 72 hours of written notice to all the parties. In all matters pertaining to the rights established by this article, an arbitrator shall have the authority to fashion an appropriate remedy, including reinstatement of employment, injunctive relief, damages, and attorney's fees, and issuance of a make-whole remedy in the event of a persistent failure of a party to bargain in good faith. The board may take any administrative action within its authority to ensure compliance with decisions of arbitrators authorized by this section. Either party may also bring an action in state court to compel a party to go into arbitration or to enforce the decision of an arbitrator. Costs of arbitration shall be shared equally by the parties, and any party shall be entitled to recover any reasonable fees or costs incurred in securing compliance with or enforcement of an award or order of the arbitrator.

(e) Nothing in this section shall prevent a labor union and an individual trainer, or any group of trainers, from entering into a mutually acceptable agreement, which may substitute for the requirements of subdivision (d), for union organizing of employees of the horsemen or trainers. Nothing in this article shall be interpreted to require representative parties in negotiation to enter into any labor agreement, as long as each party is negotiating in a good faith effort to reach an agreement.

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

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

19455.4. The board may establish reasonable rules to regulate the time, place, and manner for representatives of labor unions to meet backstretch workers within the enclosure during working and nonworking hours. Those rules shall provide that the union and its representatives shall not interfere with the work of any employee, but



shall have reasonable access to backstretch employees within the enclosure during working hours and nonworking hours, as determined by the board. With the approval of the board, these regulations may be superseded by collective bargaining agreements between horsemen's organizations or trainers' organizations and labor organizations.

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

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

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

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

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

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

19481.5. (a) Notwithstanding any other provision of law, no license shall be issued to conduct a horse racing meeting upon a track unless the track has been inspected by the board within 30 days prior to the date of application for a license and the track has been approved by the board as conforming to the racetrack safety standards set forth in subdivision (a) of Section 19481.

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



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

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

(3) Compliance of facilities with racing meetings of 19 days or less, even if they operate as a year-round training facility, with this subdivision shall be contingent on funding in the 2002–03 Budget Act.

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

(c) Commencing January 1, 2004, the board, with assistance from the California Department of Housing and Community Development or a local housing authority for the jurisdiction in which the racetrack is located, shall annually inspect the living conditions of backstretch employee housing to ensure compliance with the housing standards established by the board, the findings or results of which shall be submitted to the board. No license shall be issued to a racing association to conduct a horse race meeting unless the board has inspected the housing conditions that exist on the racetrack's backstretch and determined the living conditions to be in compliance with the standards established by the board in subdivision (b).

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

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

19526. (a) Each trainer shall keep accurate payroll records, showing the name, address, social security number, work classification, straight time and overtime hours worked each day and week, paid to each of his or her employees.

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



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

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

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

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

(d) A trainer shall make the records enumerated in subdivision (a) available to an employee or his or her authorized representative within 10 days after receipt of a written request.

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

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

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

(h) The Labor Commissioner shall establish and maintain a program to audit the payroll records of trainers who are not parties to a collective bargaining agreement entered pursuant to Article 2.5 (commencing with Section 19455) and who operate in California for 90 or more racing days in a calendar year, in a manner to ensure that every subject licensee is audited at least once prior to January 1, 2006. Evidence of substantial noncompliance with the Labor Code and applicable wage orders of the Industrial Welfare Commission shall be referred by the board to the Labor Commissioner.



SEC. 7. Section 19590 of the Business and Professions Code is amended to read:

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

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

SEC. 8. Section 19590 is added to the Business and Professions Code, to read:

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

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

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

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

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

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

This section shall become operative on January 1, 2008.

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



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 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 shall be distributed as follows:

(1) An amount equal to .0011 percent of the amount handled on advance deposit wagers originating in California for each race 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 .0003 percent of the amount handled on advance deposit wagers originating in California for each race 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 .00165 of the amount handled on advance deposit wagers that originate in California for each race meeting shall be distributed as follows:

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

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

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

(5) With respect to wagers on each breed of racing that originate in California for each race meeting, after the payment of contractual obligations to the licensee, the betting system, or the multijurisdictional wagering hub, and the distribution of the amounts set forth in paragraphs (1) through (4), inclusive, the amount remaining shall be distributed to the racing association or fair that is conducting live racing on that breed during the calendar period in the zone in which the wager originated, and this amount shall be allocated to that racing association or fair as commissions, to horsemen participating in that racing meeting in the form of purses, and as incentive awards, in the same relative proportion



as they were generated or earned during the prior calendar year at that racing association or fair on races conducted or imported by that racing association or fair after making all deductions required by applicable law. Purse funds generated pursuant to this section may be utilized to pay 50 percent of the total costs and fees incurred due to the implementation of advance deposit wagering. “Incentive awards” shall be those payments provided for in Sections 19617.2, 19617.7, 19617.8, 19617.9, and 19619. The amount determined to be payable for incentive awards shall be payable to the applicable official registering agency and thereafter distributed as provided in this chapter. If the provisions of Section 19601.2 apply, then the amount distributed to the applicable racing associations or fairs from advance deposit wagering shall first be divided between those racing associations or fairs in direct proportion to the total amount wagered in the applicable zone on the live races conducted by the respective association or fair. Notwithstanding this requirement, when the provisions of subdivision (b) of Section 19607.5 apply to the 2nd District Agricultural Association in Stockton or the California Exposition and State Fair in Sacramento, then the total amount distributed to the applicable racing associations or fairs shall first be divided equally, with 50 percent distributed to applicable fairs and 50 percent distributed to applicable associations. For purposes of this subdivision, the zones of the state shall be as defined in Section 19530.5, except as modified by the provisions of subdivision (f) of Section 19601, and the combined central and southern zones shall be considered one zone.

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

(h) Notwithstanding any provisions of this section to the contrary, all funds derived from advance deposit wagering that originate from California for each race meeting on out-of-state and out-of-country thoroughbred races conducted after 6 p.m., Pacific time, shall be distributed in accordance with this subdivision. With respect to these wagers, 50 percent of the amount remaining after the payment of contractual obligations to the multijurisdictional wagering hub, betting system, or licensee and the amounts set forth in paragraphs (1) through (5), inclusive, of subdivision (g) shall be distributed as commissions to thoroughbred associations and racing fairs, as thoroughbred and fair purses, and as incentive awards in accordance with subdivision (g), and the remaining 50 percent, together with all funds derived for each race meeting from advance deposit wagering originating from California



out-of-state and out-of-country harness and quarter horse races conducted after 6 p.m. Pacific time shall be distributed as commissions on a pro rata basis to the applicable licensed quarter horse association and the applicable licensed harness association, based upon the amount handled instate, both on- and off-track, on each breed's own live races in the previous year by that association, or its predecessor association. One-half of the amount thereby received by each association shall be retained by that association as a commission, and the other half of the money received shall be distributed as purses to the horsemen participating in its current or next scheduled licensed racing meeting.

(i) Notwithstanding any provisions of this section to the contrary, all funds derived from advance deposit wagering which originate from California for each race meeting on out-of-state and out-of-country nonthoroughbred races conducted before 6 p.m., Pacific time, shall be distributed in accordance with this subdivision. With respect to these wagers, 50 percent of the amount remaining after the payment of contractual obligations to the multijurisdictional wagering hub, betting system, or licensee and the amounts set forth in paragraphs (1) through (5), inclusive, of subdivision (g) shall be distributed as commissions as provided in subdivision (h) for licensed quarter horse and harness associations, and the remaining 50 percent shall be distributed as commissions to the applicable thoroughbred associations or fairs, as thoroughbred and fair purses, and as incentive awards in accordance with subdivision (g).

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

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

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

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

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

(b) Any association other than a fair that conducts a thoroughbred racing meeting shall pay to the owners' organization contracting with the



association with respect to the conduct of racing meetings for administrative expenses and services rendered to owners, an amount not to exceed two-thirds of 1¹/₂ percent of the portion, and to a trainers' organization for administrative expenses and services rendered to trainers and backstretch employees an amount equivalent to one-third of 1¹/₂ percent of the portion. That association shall also pay an amount for a pension plan for backstretch personnel to be administered pursuant to Section 19613.8 equivalent to an additional 1 percent of the portion. The remainder of the portion shall be distributed as purses.

(c) Any other association may pay to the horsemen's organization contracting with the association with respect to the conduct of racing meetings for administrative expenses and services rendered to horsemen an amount out of the portion as may be determined by the association by agreement or otherwise, but, in all events, shall include, relative to a thoroughbred horsemen's organization racing, 1 percent of the portion for a pension plan for backstretch personnel pursuant to Section 19613.8. The remainder of the portion shall be distributed as purses.

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

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

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

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



meeting and the organization representing the horsemen by the time the racing meeting commences, the distribution of purses shall be governed by the following:

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

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

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

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

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

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

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

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

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

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

(b) Any association other than a fair that conducts a thoroughbred racing meeting shall pay to the owners' organization contracting with the association with respect to the conduct of racing meetings for administrative expenses and services rendered to owners, an amount not to exceed two-thirds of 1¹/₂ percent of the portion, and to a trainers' organization for administrative expenses and services rendered to trainers and backstretch employees an amount equivalent to one-third of 1¹/₂ percent of the portion. That association shall also pay an amount for a pension plan for backstretch personnel to be administered by the



trainers' organization equivalent to an additional 1 percent of the portion. The remainder of the portion shall be distributed as purses.

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

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

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

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

(1) If the association conducted a racing meeting within the past 15 months and a contract was in existence, for that meeting with the horsemen's organization and the association is conducting a subsequent meeting for the same breed or mixed breeds, the amounts payable to the



horsemen's organization under subdivision (c) shall be computed under the provisions of the last signed contract between the parties.

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

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

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

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

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

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

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

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

19613.8. Within 60 days of a statewide majority of backstretch workers having chosen to be represented by an exclusive collective bargaining agent pursuant to Article 2.5 (commencing with Section 19455) or any other law, and so long as a majority continues to be represented by the agent, that agent shall designate two representatives to replace two of the members if the CHBPA Pension Administrative Committee and the plan document shall be amended to provide for this representation.

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

19641.2. (a) The nonprofit foundation authorized to receive funds pursuant to Section 19641 shall use those funds to administer a health and welfare trust fund without prejudice and for the benefit of every eligible person. The officers and directors of the health and welfare trust fund shall have a fiduciary responsibility to manage the fund for the benefit of the beneficiaries.

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

(c) At least one member of the health and welfare fund board shall be a member without financial interest in the horse racing industry



appointed from a list of nominees submitted jointly by the California State Council of the Service Employees International Union, the Jockey's Guild, and the California Teamsters Public Affairs Council.

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

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

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

(b) Online wagering activity occurs in a way which is unregulated and unlicensed by the California Horse Racing Board, avoiding all of the legal and law enforcement protections administered by the California Horse Racing Board, including appropriate consumer protection measures and threatens the health, safety, economy, and welfare of the citizens and businesses in California.

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

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

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

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

(g) It is the policy of this state to make every effort to regulate all wagering activity on California horse racing, and to assure that the horse



racetrack industry in California is able to compete with other states, provide jobs to California residents, and help assure the overall health and viability of the industry in California.

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

SEC. 15. The provisions of this act are severable. If any provision of this act or its application is held invalid, that invalidity shall not affect other provisions or applications that can be given effect without the invalid provision or application.

