

Senate Bill No. 16

Passed the Senate February 19, 2009

Secretary of the Senate

Passed the Assembly February 19, 2009

Chief Clerk of the Assembly

This bill was received by the Governor this _____ day
of _____, 2009, at _____ o'clock ____M.

Private Secretary of the Governor

CHAPTER _____

An act to amend Sections 19606.1, 19606.3, and 19620.1 of, to add Section 19620.2 to, and to repeal and add Section 19616.51 of, the Business and Professions Code, relating to horse racing, and making an appropriation therefor.

LEGISLATIVE COUNSEL'S DIGEST

SB 16, Ashburn. Horse racing: license fees.

Existing law, the Horse Racing Law, provides that if the total amount paid to the state as license fees by racing associations and fairs is less than \$40,000,000 in any calendar year, all associations and fairs that conducted live racing during the year of the shortfall shall remit to the state, on a pro rata basis according to the amount paid as license fees by each association or fair, the amount necessary to bring the total amount paid to the state as license fees to \$40,000,000.

This bill would delete those provisions and instead provide that, notwithstanding any other provision of law and in lieu of any license fee payable to the state prescribed for or referred to in specified provisions of the Horse Racing Law, any association or fair that conducts a racing meeting shall pay a license fee to fund the California Horse Racing Board and the equine drug testing program in accordance with a formula devised by the board in consultation with the industry, as provided. The bill would provide that the license fee reductions resulting from these provisions, after payments to fund the board and the equine drug testing program, shall be distributed as specified for thoroughbred racing, quarter horse racing, harness racing, and all other breeds.

Existing law provides that revenues from satellite wagering are deposited in a separate account in the Fair and Exposition Fund and that, if those revenues exceed \$11,000,000 in a fiscal year, 98 percent of the excess is transferred to the Fair and Exposition Fund for specified allocations. Existing law also provides that, after the Fair and Exposition Fund receives more than \$13,000,000 in a fiscal year, half of the excess is transferred to the General Fund.

This bill would require, on July 1, 2009, and each July 1 thereafter, the transfer of \$32,000,000 from the General Fund to

be paid into the State Treasury to the credit of the separate account of the Fair and Exposition Fund created for satellite wagering revenues, and would continuously appropriate those moneys for allocation for the financial support of the network of California fairs. The bill would require that all of the amount in excess of \$11,000,000 be transferred to the Fair and Exposition Fund for allocation as specified in existing law, except that no part of this transferred money would be further transferred to the General Fund.

Existing law requires the first \$1,100,000 of all revenues distributed to racing associations for payment to the state as license fees to be deposited in a special account in the Fair and Exposition Fund and continuously appropriated to the Department of Food and Agriculture for supplementing purses at fair meetings to achieve certain specified purposes.

This bill would instead require the first \$1,100,000 of all funds for distribution as purses generated at satellite wagering facilities statewide from wagering on thoroughbred horse racing to be deposited in that special account for those purposes.

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

Because this bill would require that General Fund moneys be deposited into, and distributed from, that fund, the bill would make an appropriation.

This bill would become effective on July 1, 2009.

Appropriation: yes.

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

SECTION 1. Section 19606.1 of the Business and Professions Code is amended to read:

19606.1. (a) All revenues transferred pursuant to Section 19620.2 shall be deposited in a separate account in the fund and, notwithstanding Section 13340 of the Government Code, are continuously appropriated from that account to the Department of Food and Agriculture, for allocation by the Secretary of Food and Agriculture, at his or her discretion, for the purposes set forth in

paragraphs (1) to (6), inclusive. The concurrence of the Director of Finance shall be required for allocations pursuant to paragraphs (1) and (2). Allocations pursuant to paragraphs (3) to (6), inclusive, shall be made with the concurrence of the Joint Committee on Fairs Allocation and Classification.

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

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

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

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

(5) For health and safety repair projects at fairs, which includes fire and life safety improvement projects, California Code of Regulations compliance projects, and long-term deferred maintenance projects.

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

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

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

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

(1) The annual budget act is enacted.

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

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

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

(g) Except as otherwise provided in subdivision (f), when the revenues deposited in the separate account exceed eleven million dollars (\$11,000,000) in any fiscal year, the amount in excess of

eleven million dollars (\$11,000,000) shall be transferred to the Fair and Exposition Fund for allocation in accordance with Sections 19620.1 and 19630.

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

SEC. 2. Section 19606.3 of the Business and Professions Code is amended to read:

19606.3. The first one million one hundred thousand dollars (\$1,100,000) of all funds for distribution as purses generated at satellite wagering facilities statewide from wagering on thoroughbred horse racing shall be deposited in a special account in the fund and, notwithstanding Section 13340 of the Government Code, are hereby continuously appropriated to the Department of Food and Agriculture for supplementing purses at fair meetings to achieve the purposes of Section 19606.4.

SEC. 3. Section 19616.51 of the Business and Professions Code is repealed.

SEC. 4. Section 19616.51 is added to the Business and Professions Code, to read:

19616.51. (a) Notwithstanding any other provision of law, and in lieu of any license fee payable to the state prescribed for or referred to in Section 19491, 19491.5, 19596.3, 19601, 19601.2, 19602, 19603, 19604, 19605.25, 19605.35, 19605.45, 19605.6, 19605.7, 19605.71, 19606.5, 19606.6, 19610.8, 19611, 19612, 19614, 19616, 19616.1, 19616.2, or 19641, any association or fair that conducts a racing meeting shall only pay a license fee to the state to fund the board and the equine drug testing program as follows:

(1) All racing associations and fairs including all breeds of racing shall participate in the funding of the board in accordance with a formula devised by the board in consultation with the industry.

(2) The baseline funding for the board and equine drug testing program in the first fiscal year after the enactment of this section shall be the amount approved in the 2008–09 Budget Act.

(3) Adjustments to the funding in subsequent budget years may only be made by an act of the Legislature.

(b) The license fee reductions resulting from subdivision (a), after payments to fund the board and the equine drug testing program, shall be distributed as follows:

(1) For thoroughbred racing only, 3 percent of the amount of the reduction shall be deposited with the official registering agency pursuant to subdivision (a) of Section 19617.2, and shall thereafter be distributed in accordance with subdivisions (b), (c), and (d) of Section 19617.2. The remaining amount shall be distributed to the association that conducts the racing meeting and to horsemen participating in that racing meeting as follows:

- (A) Fifty percent to the association as commissions.
- (B) Fifty percent to the horsemen as purses.

(2) For quarter horse racing, 2.5 percent of the amount of the reduction shall be deposited with the official registering agency pursuant to subdivision (b) of Section 19617.7, and shall thereafter be distributed in accordance with subdivisions (c), (d), (e), and (f) of Section 19617.7, the remaining amount shall be distributed to the association that conducts the racing meeting and to horsemen participating in that racing meeting as follows:

- (A) Fifty percent to the association as commissions.
- (B) Fifty percent to the horsemen as purses.

(3) For harness racing, 6 percent of the amount of the reduction shall be distributed as specified in Section 19617.6, the remaining amount shall be distributed to the association that conducts the racing meeting and to horsemen participating in that racing meeting as follows:

- (A) Fifty percent to the association as commissions.
- (B) Fifty percent to the horsemen as purses.

(4) For all other breeds, the remaining amount shall be distributed to the association that conducts the racing meeting and to horsemen participating in that racing meeting as follows:

- (A) Fifty percent to the association as commissions.
- (B) Fifty percent to the horsemen as purses.

SEC. 5. Section 19620.1 of the Business and Professions Code is amended to read:

19620.1. (a) From the total revenue received by the board, including revenues transferred from the Satellite Wagering Account pursuant to subdivision (g) of Section 19606.1, but excluding money received pursuant to Sections 19640 and 19641, the sum of two hundred sixty-five thousand dollars (\$265,000) plus an

amount equal to $\frac{63}{100}$ of 1 percent of the gross amount of money handled in the annual parimutuel pool generated within this state, or the maximum amount received by the state from the parimutuel pool of a racing meeting held in this state, whichever is less, shall be paid into the State Treasury to the credit of the Fair and Exposition Fund.

(b) From the total revenue received by the board, exclusive of money received pursuant to Sections 19640 and 19641, and in addition to the funds paid into the State Treasury to the credit of the Fair and Exposition Fund as specified in subdivision (a), the Legislature shall annually appropriate and the board shall deposit to the credit of the Fair and Exposition Fund, such sums as it deems necessary for the following purposes:

(1) For the support of the board, including any costs and expenses incurred by the Attorney General in the enforcement of this chapter as shall be authorized by the board, including, compensation including any fringe benefits paid to stewards and to the official veterinarian, and an amount not less than the amount expended in the 1994–95 fiscal year for the costs of laboratory testing related to horse racing pursuant to Section 19580.

(2) To the Department of Food and Agriculture for the oversight of the network of California fairs receiving money from the fund.

(3) To the Department of Food and Agriculture for the contributions, or the cost of benefits in lieu of contributions, payable to the Unemployment Fund by the network of California fairs receiving funds pursuant to this article, as a result of unemployment insurance coverage pursuant to Section 605 of the Unemployment Insurance Code.

(4) To the Department of Food and Agriculture for the auditing of all district agricultural association fairs, county fairs, and citrus fruit fairs.

SEC. 6. Section 19620.2 is added to the Business and Professions Code, to read:

19620.2. Notwithstanding any other provision of law, on July 1, 2009, and on each July 1 thereafter, 32 million dollars (\$32,000,000) shall be transferred from the General Fund and paid into the State Treasury to the credit of the separate account of the Fair and Exposition Fund specified in Section 19606.1 and shall be continuously appropriated for allocation as specified in that

section and Section 19620.1 only for the financial support of the network of California fairs.

SEC. 7. This act shall become effective on July 1, 2009.

Approved _____, 2009

Governor