

AMENDED IN ASSEMBLY FEBRUARY 25, 2014

AMENDED IN ASSEMBLY FEBRUARY 4, 2014

AMENDED IN SENATE MAY 29, 2013

AMENDED IN SENATE MAY 28, 2013

AMENDED IN SENATE MAY 15, 2013

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AMENDED IN SENATE APRIL 15, 2013

SENATE BILL

No. 777

Introduced by Senator Hernandez
(Coauthors: Senators Calderon, Cannella, Correa, Evans, Galgiani,
Hancock, and Vidak)
(Coauthor: Assembly Member Chesbro)

February 22, 2013

An act to amend Section 19605.75 of, and to add Sections 19605.76, 19605.77, and 19605.78 to, the Business and Professions Code, relating to horse racing, *and declaring the urgency thereof, to take effect immediately.*

LEGISLATIVE COUNSEL'S DIGEST

SB 777, as amended, Hernandez. Horse racing: workers' compensation.

Until January 1, 2014, the provisions of the Horse Racing Law required a thoroughbred racing association and fair that conducts a racing meeting to deduct a percentage of the total amount handled in

exotic parimutuel pools of thoroughbred racing, to be distributed to a specified organization for the purpose of defraying costs of workers' compensation insurance in connection with thoroughbred horse racing. Until January 1, 2014, provisions of the Horse Racing Law authorized similar deductions from the total amount handled for races for quarter horses and other breeds, and for harness races, to be distributed to specified organizations for defraying workers' compensation for trainers and owners in connection with those races.

This bill would reestablish those provisions requiring the deduction specified above to be made by a thoroughbred racing association, and would reestablish those provisions authorizing the deductions to be made for races for quarter horses and other breeds, and for harness races. Because a violation of the Horse Racing Law is generally a misdemeanor, the bill would create new crimes, thereby imposing a state-mandated local program.

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.

This bill would declare that it is to take effect immediately as an urgency statute.

Vote: ~~majority~~^{2/3}. Appropriation: no. Fiscal committee: yes. State-mandated local program: yes.

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

1 SECTION 1. Section 19605.75 of the Business and Professions
 2 Code is amended to read:
 3 19605.75. (a) The Legislature finds and declares that the
 4 existence of high caliber thoroughbred racing in California is
 5 important to this state's agricultural economy. The California horse
 6 racing industry is being threatened by the escalating costs of doing
 7 business in California, including, but not limited to, workers'
 8 compensation insurance costs, in that these costs are not only
 9 causing thoroughbred horses and trainers to leave this state, but
 10 are also discouraging owners and trainers from bringing horses
 11 into this state to compete. It is the intent of the Legislature to
 12 provide some relief from these escalating costs through the
 13 redistribution of the parimutuel handle on exotic wagers.

1 (b) Notwithstanding Section 19610, every thoroughbred
2 association and fair that conducts a racing meet shall deduct an
3 additional 0.5 percent of the total amount handled in exotic
4 parimutuel pools of thoroughbred races.

5 (c) The funds collected pursuant to subdivision (b) from exotic
6 parimutuel pools on thoroughbred races within the inclosure of a
7 thoroughbred association or fair conducting a race meeting, at
8 satellite wagering facilities within this state, and through advance
9 deposit wagering by residents of this state, shall be distributed to
10 the organization described in subdivision (f) to be used in
11 accordance with subdivision (e).

12 (d) Any thoroughbred association or fair that authorizes a betting
13 system located outside of this state to accept exotic wagers on its
14 races and to combine those wagers in the association's or fair's
15 exotic parimutuel pools, including, but not limited to, a
16 multijurisdictional wagering hub as to exotic wagers made by
17 residents other than those of this state, shall deduct the amount
18 specified in subdivision (b) in addition to any other applicable
19 deductions specified in law. The amount deducted pursuant to this
20 subdivision shall be distributed to the organization described in
21 subdivision (f) to be used in accordance with subdivision (e). This
22 additional deduction shall not be included in the amount on which
23 license fees are determined pursuant to Section 19602.

24 (e) The amounts distributed to the organization described in
25 subdivision (f) shall be deposited by that organization in a separate
26 account to defray the costs of workers' compensation insurance
27 incurred in connection with thoroughbred horses that race in this
28 state at thoroughbred associations and racing fairs through the
29 payment of supplemental premiums that reduce rates, payment to
30 or for the benefit of trainers and owners of such thoroughbreds,
31 based on the number of such thoroughbreds they start, in order to
32 reimburse them for the costs of workers' compensation insurance
33 directly or indirectly incurred by them, and other appropriate
34 payments. Any funds that are not used for the purposes set forth
35 in this subdivision shall, after an affirmative vote of at least 25 of
36 the voting interests of the organization described in subdivision
37 (f), either be carried forward to the subsequent year, or be used to
38 reimburse racing associations for the actual cost of health and
39 safety programs, research or safety equipment, or making capital
40 improvements that are designed to prevent workplace accidents

1 and increase the safety of jockeys, exercise riders, backstretch
2 employees, and other racetrack personnel. Those capital
3 improvements shall include, but not be limited to, safety
4 improvements to racing and training surfaces. All requests for
5 reimbursements shall be approved by the board. In developing
6 proposals for approval by the board, the association shall confer
7 with their horsemen's organizations and all affected labor
8 organizations or associations.

9 (f) The thoroughbred racing associations and the owners'
10 organization described in subdivision (b) of Section 19613 shall
11 form an organization to which funds shall be distributed pursuant
12 to subdivisions (c) and (d). This organization shall have a total of
13 34 voting interests, of which 16 shall be allocated to the
14 organization representing thoroughbred owners pursuant to Section
15 19613, one shall be allocated to the official registering agency for
16 thoroughbreds in California, and one shall be allocated to the
17 organization representing thoroughbred trainers pursuant to Section
18 19613. The remaining 16 votes shall be allocated among the
19 licensed racing associations and racing fairs in the state. Each
20 racing association and fair shall receive the portion of these
21 remaining votes represented by the sum of exotic wagering on its
22 races divided by the statewide total of exotic wagering in the
23 preceding calendar year, excluding Breeders' Cup races. Fractional
24 voting shall be permitted. Any decision of this organization with
25 respect to the allocation of funds pursuant to subdivisions (c) and
26 (d) shall require the affirmative vote of 25 of these voting interests.
27 In the event that the required number of affirmative votes cannot
28 be obtained, the matter shall be submitted to the board for a
29 decision consistent with subdivision (e), and the decision of the
30 board shall be final.

31 (g) The organization formed pursuant to this section shall
32 account annually to the board with respect to the expenditure and
33 distribution of funds received by the organization pursuant to
34 subdivisions (c) and (d), and shall obtain an independent audit of
35 fund generation and distribution. A copy of the completed audit
36 shall be forwarded to the board within 45 days of its receipt by the
37 organization.

38 SEC. 2. Section 19605.76 is added to the Business and
39 Professions Code, to read:

1 19605.76. (a) Notwithstanding Section 19610, a quarter horse
2 racing association may deduct an additional 0.5 percent of the total
3 amount handled in its exotic parimutuel pools. This additional
4 deduction shall only be permitted with the approval of the
5 organization representing quarter *horse* horsemen and horsewomen
6 at the applicable racing association meet.

7 (b) Any funds collected pursuant to subdivision (a) from exotic
8 parimutuel pools on races within the inclosure of a racetrack, at
9 satellite wagering facilities within this state, and through advance
10 deposit wagering by residents of this state, shall be distributed to
11 the organization described in subdivision (e) to be used in
12 accordance with subdivision (d).

13 (c) Any quarter horse racing association that authorizes a betting
14 system located outside of this state to accept exotic wagers on its
15 races and to combine those wagers in the association's exotic
16 parimutuel pools, including, but not limited to, a multijurisdictional
17 wagering hub as to exotic wagers made by residents other than
18 those of this state, may deduct the amount specified in subdivision
19 (a) in addition to any other applicable deductions specified in law.
20 Any amount deducted pursuant to this subdivision shall be
21 distributed to the organization described in subdivision (e) to be
22 used in accordance with the provisions of subdivision (d). This
23 additional deduction shall not be included in the amount on which
24 license fees are determined pursuant to Section 19602.

25 (d) The amounts distributed to the organization described in
26 subdivision (e) shall be deposited by that organization in a separate
27 account to defray workers' compensation insurance costs for
28 trainers and owners who are racing horses at the applicable quarter
29 horse racing association meet. Any funds not expended for this
30 purpose in the calendar year in which they are collected may either
31 be used for the following year's workers' compensation costs, as
32 specified above, or to benefit the purse pools at the track where
33 the funds are generated. Funds to benefit purse pools shall be
34 allocated by breed, in the same proportions as each breed generated
35 in deductions under this section at the track in the year the funds
36 were collected.

37 (e) The quarter horse racing association and the organization
38 representing quarter *horse* horsemen and horsewomen shall form
39 an organization to which any funds deducted pursuant to
40 subdivisions (b) and (c) shall be distributed. The quarter horse

1 associations collectively shall have representation equal to that of
2 the organization representing quarter *horse* horsemen and
3 horsewomen on the governing board of the organization formed
4 pursuant to this subdivision.

5 (f) If the quarter horse racing association and the organization
6 representing quarter *horse* horsemen and horsewomen cannot agree
7 on the manner for distributing these funds to defray the costs of
8 workers' compensation insurance, the matter shall be submitted
9 to the board for a decision consistent with subdivision (d), and the
10 decision of the board shall be final.

11 SEC. 3. Section 19605.77 is added to the Business and
12 Professions Code, to read:

13 19605.77. (a) Notwithstanding Section 19610, a harness racing
14 association may deduct an additional 1 percent of the total amount
15 handled in conventional parimutuel pools of harness races. This
16 additional deduction shall only be permitted with the approval of
17 the organization representing harness horsemen and horsewomen
18 at the applicable racing association meeting.

19 (b) Any funds collected pursuant to subdivision (a) from
20 conventional parimutuel pools on harness races within the inclosure
21 of a racetrack, at satellite wagering facilities within this state, and
22 through advance deposit wagering by residents of this state, shall
23 be distributed to the organization described in subdivision (e) to
24 be used in accordance with subdivision (d).

25 (c) Any harness racing association that authorizes a betting
26 system located outside of this state to accept conventional wagers
27 on its races and to combine those wagers in the association's
28 conventional parimutuel pools, including, but not limited to, a
29 multijurisdictional wagering hub as to conventional wagers made
30 by residents other than those of this state, may deduct the amount
31 specified in subdivision (a) in addition to any other applicable
32 deductions specified in law. Any amount deducted pursuant to this
33 subdivision shall be distributed to the organization described in
34 subdivision (e) to be used in accordance with the provisions of
35 subdivision (d). This additional deduction shall not be included in
36 the amount on which license fees are determined pursuant to
37 Section 19602.

38 (d) The amounts distributed to the organization described in
39 subdivision (e) shall be deposited by that organization in a separate
40 account and used to reduce the workers' compensation insurance

1 costs for trainers who are racing horses at the applicable harness
2 racing association meet. Any funds not expended for this purpose
3 in the calendar year in which they are collected may either be used
4 for the following year's workers' compensation costs, as specified
5 above, or to benefit the harness purse pool at the track where the
6 funds are generated.

7 (e) The harness racing association and the organization
8 representing harness horsemen and horsewomen shall form an
9 organization to which any funds deducted pursuant to subdivisions
10 (b) and (c) shall be distributed. The harness associations
11 collectively shall have representation equal to that of the
12 organization representing harness horsemen and horsewomen on
13 the governing board of the organization formed pursuant to this
14 subdivision.

15 (f) If the harness racing association and the organization
16 representing harness horsemen and horsewomen cannot agree on
17 the manner for distributing these funds to defray the costs of
18 workers' compensation insurance, the matter shall be submitted
19 to the board for a decision consistent with subdivision (d), and the
20 decision of the board shall be final.

21 SEC. 4. Section 19605.78 is added to the Business and
22 Professions Code, to read:

23 19605.78. (a) Notwithstanding Section 19610 and in addition
24 to the deduction specified in subdivision (b) of Section 19605.75,
25 a fair may deduct an additional 0.5 percent of the total amount
26 handled in exotic parimutuel pools of races for any breed, other
27 than races solely for thoroughbreds. This additional deduction
28 shall only be permitted for a breed's races with the approval of the
29 organization representing the horsemen and horsewomen of that
30 breed at the fair.

31 (b) Any funds collected pursuant to subdivision (a) from exotic
32 parimutuel pools on races within the inclosure of a racetrack, at
33 satellite wagering facilities within this state, and through advance
34 deposit wagering by residents of this state, shall be distributed to
35 the organization described in subdivision (e) to be used in
36 accordance with subdivision (d).

37 (c) Any fair that authorizes a betting system located outside of
38 this state to accept exotic wagers on its races and to combine those
39 wagers in the association's exotic parimutuel pools, including, but
40 not limited to, a multijurisdictional wagering hub as to exotic

1 wagers made by residents other than those of this state, may deduct
2 the amount specified in subdivision (a) in addition to any other
3 applicable deductions specified in law. Any amount deducted
4 pursuant to this subdivision shall be distributed to the organization
5 described in subdivision (e) to be used in accordance with the
6 provisions of subdivision (d). This additional deduction shall not
7 be included in the amount on which license fees are determined
8 pursuant to Section 19602.

9 (d) The amounts distributed to the organization described in
10 subdivision (e) shall be deposited by that organization in a separate
11 account to defray workers' compensation insurance costs for
12 trainers and owners who are racing breeds other than thoroughbreds
13 at the applicable fair. Any funds not expended for this purpose in
14 the calendar year in which they are collected may either be used
15 for the following year's workers' compensation costs, as specified
16 above, or to benefit the purse pool of each breed at the particular
17 fair where the funds are generated in the same proportions as each
18 breed generated at that fair in the year the funds are collected.

19 (e) The fairs and the organizations representing the horsemen
20 and horsewomen of each breed for which deductions have been
21 approved under subdivision (a) shall form an organization to which
22 any funds deducted pursuant to subdivisions (b) and (c) shall be
23 distributed. The fairs collectively shall have representation equal
24 to the collective representation of the organizations representing
25 horsemen and horsewomen on the governing board of the
26 organization formed pursuant to this subdivision.

27 (f) If the fairs and the organizations representing horsemen and
28 horsewomen cannot agree on the manner for distributing these
29 funds to defray the costs of workers' compensation insurance, the
30 matter shall be submitted to the board for a decision consistent
31 with subdivision (d), and the decision of the board shall be final.

32 SEC. 5. No reimbursement is required by this act pursuant to
33 Section 6 of Article XIII B of the California Constitution because
34 the only costs that may be incurred by a local agency or school
35 district will be incurred because this act creates a new crime or
36 infraction, eliminates a crime or infraction, or changes the penalty
37 for a crime or infraction, within the meaning of Section 17556 of
38 the Government Code, or changes the definition of a crime within
39 the meaning of Section 6 of Article XIII B of the California
40 Constitution.

1 *SEC. 6. This act is an urgency statute necessary for the*
2 *immediate preservation of the public peace, health, or safety within*
3 *the meaning of Article IV of the Constitution and shall go into*
4 *immediate effect. The facts constituting the necessity are:*

5 *In order to ensure that trainers and owners of certain horse*
6 *racing breeds receive assistance in defraying workers'*
7 *compensation insurance costs, it is necessary that this bill take*
8 *immediate effect.*

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