

AMENDED IN SENATE AUGUST 27, 2015

AMENDED IN ASSEMBLY APRIL 30, 2015

CALIFORNIA LEGISLATURE—2015–16 REGULAR SESSION

ASSEMBLY BILL

No. 364

Introduced by Assembly Member Gipson

February 17, 2015

An act to amend Section ~~19596.2~~ 19604 of the Business and Professions Code, relating to ~~gambling~~ horse racing.

LEGISLATIVE COUNSEL'S DIGEST

AB 364, as amended, Gipson. Horse racing: ~~out-of-state thoroughbred races: Belmont Derby Invitational~~ advance deposit wagering.

The Horse Racing Law authorizes advance deposit wagering to be conducted, with the approval of the California Horse Racing Board. That law requires the board to develop and adopt rules to license and regulate all phases of operation of advance deposit wagering for advance deposit wagering providers operating in California and authorizes a racing association, a fair, a satellite wagering facility, or a minisatellite wagering facility to enter into an agreement with an advance deposit wagering provider to accept and facilitate the placement of any wager at its facility that a California resident could make through that advance deposit wagering provider.

The Horse Racing Law also requires that amounts distributed under these advance deposit wagering provisions be proportionally reduced by an amount equal to 0.00295 multiplied by the amount handled on advance deposit wagers originating in California for each racing meeting, except for harness racing meetings, provided that the amount of this reduction not exceed \$2,000,000. That law requires that 50% of

the amount of this reduction be distributed to the board to establish and to administer a defined contribution retirement plan for California-licensed jockeys who retired from racing on or after January 1, 2009.

This bill would provide that a person becomes a participant in the retirement plan when he or she is licensed as a jockey in California.

~~The Horse Racing Law authorizes a thoroughbred racing association or fair to distribute the audiovisual signal and accept wagers on the results of out-of-state thoroughbred races conducted in the United States during the calendar period the association or fair is conducting a race meeting, including days on which there is no live racing being conducted by the association or fair, without the consent of the organization that represents horsemen and horsewomen participating in the race meeting and without regard to the amount of purses. Under that law, the total number of thoroughbred races imported by associations or fairs on a statewide basis under these provisions are required to not exceed 50 per day on days when live thoroughbred or fair racing is being conducted in the state, with the exception of prescribed races, including races imported that are part of the race card of the Kentucky Derby, the Kentucky Oaks, the Preakness Stakes, the Belmont Stakes, the Jockey Club Gold Cup, the Travers Stakes, the Arlington Million, the Breeders' Cup, the Dubai World Cup, the Arkansas Derby, the Apple Blossom Handicap, or the Haskell Invitational.~~

~~This bill would also exempt from the 50 imported race-per-day limitation, races imported that are part of the race card of the Belmont Derby Invitational.~~

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

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

- 1 SECTION 1. Section 19604 of the Business and Professions
- 2 Code is amended to read:
- 3 19604. The board may authorize ~~any~~ a racing association,
- 4 racing fair, betting system, or multijurisdictional wagering hub to
- 5 conduct advance deposit wagering in accordance with this section.
- 6 Racing associations, racing fairs, and their respective horsemen's
- 7 organizations may form a partnership, joint venture, or any other
- 8 affiliation in order to further the purposes of this section.
- 9 (a) As used in this section, the following definitions apply:

1 (1) “Advance deposit wagering” (ADW) means a form of
2 parimutuel wagering in which a person residing within California
3 or outside of this state establishes an account with an ADW
4 provider, and subsequently issues wagering instructions concerning
5 the funds in this account, thereby authorizing the ADW provider
6 holding the account to place wagers on the account owner’s behalf.

7 (2) “ADW provider” means a licensee, betting system, or
8 multijurisdictional wagering hub, located within California or
9 outside this state, that is authorized to conduct advance deposit
10 wagering pursuant to this section.

11 (3) “Betting system” means a business conducted exclusively
12 in this state that facilitates parimutuel wagering on races it
13 simulcasts and other races it offers in its wagering menu.

14 (4) “Breed of racing” means as follows:

15 (A) With respect to associations and fairs licensed by the board
16 to conduct thoroughbred, fair, or mixed breed race meetings, “breed
17 of racing” shall mean thoroughbred.

18 (B) With respect to associations licensed by the board to conduct
19 quarter horse race meetings, “breed of racing” shall mean quarter
20 horse.

21 (C) With respect to associations and fairs licensed by the board
22 to conduct standardbred race meetings, “breed of racing” shall
23 mean standardbred.

24 (5) “Contractual compensation” means the amount paid to an
25 ADW provider from advance deposit wagers originating in this
26 state. Contractual compensation includes, but is not limited to, hub
27 fee payments, and may include host fee payments, if any, for
28 out-of-state and out-of-country races. Contractual compensation
29 is subject to the following requirements:

30 (A) Excluding contractual compensation for host fee payments,
31 contractual compensation shall not exceed 6.5 percent of the
32 amount wagered.

33 (B) The host fee payments included within contractual
34 compensation shall not exceed 3.5 percent of the amount wagered.
35 Notwithstanding this provision, the host fee payment with respect
36 to wagers on the Kentucky Derby, Preakness Stakes, Belmont
37 Stakes, and selected Breeders’ Cup Championship races may be
38 negotiated by the ADW provider, the racing associations accepting
39 wagers on those races pursuant to Section 19596.2, and the
40 horsemen’s organization.

1 (C) In order to ensure fair and consistent market access fee
2 distributions to associations, fairs, horsemen, and breeders, for
3 each breed of racing, the percentage of wagers paid as contractual
4 compensation to an ADW provider pursuant to the terms of a hub
5 agreement with a racing association or fair when that racing
6 association or fair is conducting live racing shall be the same as
7 the percentage of wagers paid as contractual compensation to that
8 ADW provider when that racing association or fair is not
9 conducting live racing.

10 (6) “Horsemen’s organization” means, with respect to a
11 particular racing meeting, the organization recognized by the board
12 as responsible for negotiating purse agreements on behalf of
13 horsemen participating in that racing meeting.

14 (7) “Hub agreement” means a written agreement providing for
15 contractual compensation paid with respect to advance deposit
16 wagers placed by California residents on a particular breed of
17 racing conducted outside of California. In the event a hub
18 agreement exceeds a term of two years, then an ADW provider,
19 one or more racing associations or fairs that together conduct no
20 fewer than five weeks of live racing for the breed covered by the
21 hub agreement, and the horsemen’s organization responsible for
22 negotiating purse agreements for the breed covered by the hub
23 agreement shall be signatories to the hub agreement. A hub
24 agreement is required for an ADW provider to receive contractual
25 compensation for races conducted outside of California.

26 (8) “Hub agreement arbitration” means an arbitration proceeding
27 pursuant to which the disputed provisions of the hub agreement
28 pertaining to the hub or host fees from wagers on races conducted
29 outside of California provided pursuant to paragraph (2) of
30 subdivision (b) are determined in accordance with the provisions
31 of this paragraph. If a hub agreement arbitration is requested, all
32 of the following shall apply:

33 (A) The ADW provider shall be permitted to accept advance
34 deposit wagers from California residents.

35 (B) The contractual compensation received by the ADW
36 provider shall be the contractual compensation specified in the
37 hub agreement that is the subject of the hub agreement arbitration.

38 (C) The difference between the contractual compensation
39 specified in subparagraph (B) and the contractual compensation
40 determined to be payable at the conclusion of the hub agreement

1 arbitration shall be calculated and paid within 15 days following
2 the arbitrator's decision and order. The hub agreement arbitration
3 shall be held as promptly as possible, but in no event more than
4 60 days following the demand for that arbitration. The arbitrator
5 shall issue a decision no later than 15 days following the conclusion
6 of the arbitration. A single arbitrator jointly selected by the ADW
7 provider and the party requesting a hub agreement arbitration shall
8 conduct the hub agreement arbitration. However, if the parties
9 cannot agree on the arbitrator within seven days of issuance of the
10 written demand for arbitration, then the arbitrator shall be selected
11 pursuant to the Streamlined Arbitration Rules and Procedures of
12 the Judicial Arbitration and Mediation Services, or pursuant to the
13 applicable rules of its successor organization. In making the hub
14 agreement arbitration determination, the arbitrator shall be required
15 to choose between the contractual compensation of the hub
16 agreement agreed to by the ADW provider or whatever different
17 terms for the hub agreement were proposed by the party requesting
18 the hub agreement arbitration. The arbitrator shall not be permitted
19 to impose new, different, or compromised terms to the hub
20 agreement. The arbitrator's decision shall be final and binding on
21 the parties. If an arbitration is requested, either party may bring
22 an action in state court to compel a party to go into arbitration or
23 to enforce the decision of the arbitrator. The cost of the hub
24 agreement arbitration, including the cost of the arbitrator, shall be
25 borne in equal shares by the parties to the hub agreement and the
26 party or parties requesting a hub agreement arbitration. The hub
27 agreement arbitration shall be administered by the Judicial
28 Arbitration and Mediation Services pursuant to its Streamlined
29 Arbitration Rules and Procedures or its successor organization.

30 (9) "Incentive awards" means those payments provided for in
31 Sections 19617.2, 19617.7, 19617.8, 19617.9, and 19619. The
32 amount determined to be payable for incentive awards under this
33 section shall be payable to the applicable official registering agency
34 and thereafter distributed as provided in this chapter.

35 (10) "Licensee" means ~~any~~ a racing association or fair licensed
36 to conduct a live racing meet in this state, or affiliation thereof,
37 authorized under this section.

38 (11) "Market access fee" means the amount of advance deposit
39 wagering handle remaining after the payment of winning wagers,
40 and after the payment of contractual compensation, if any, to an

1 ADW provider. Market access fees shall be distributed in
2 accordance with subdivision (f).

3 (12) “Multijurisdictional wagering hub” means a business
4 conducted in more than one jurisdiction that facilitates parimutuel
5 wagering on races it simulcasts and other races it offers in its
6 wagering menu.

7 (13) “Racing fair” means a fair authorized by the board to
8 conduct live racing.

9 (14) “Zone” means the zone of the state, as defined in Section
10 19530.5, except as modified by the provisions of subdivision (f)
11 of Section 19601. For these purposes, the central and southern
12 zones shall together be considered one zone.

13 (b) Wagers shall be accepted according to the procedures set
14 forth in this subdivision.

15 (1) No ADW provider shall accept wagers or wagering
16 instructions on races conducted in California from a resident of
17 California unless all of the following conditions are met:

18 (A) The ADW provider is licensed by the board.

19 (B) A written agreement allowing those wagers exists with the
20 racing association or fair conducting the races on which the wagers
21 are made.

22 (C) The agreement referenced in subparagraph (B) shall have
23 been approved in writing by the horsemen’s organization
24 responsible for negotiating purse agreements for the breed on
25 which the wagers are made in accordance with the Interstate
26 Horseracing Act (15 U.S.C. Sec. 3001 et seq.), regardless of the
27 location of the ADW provider, whether in California or otherwise,
28 including, without limitation, any and all requirements contained
29 therein with respect to written consents and required written
30 agreements of horsemen’s groups to the terms and conditions of
31 the acceptance of those wagers and any arrangements as to the
32 exclusivity between the host racing association or fair and the
33 ADW provider. For purposes of this subdivision, the substantive
34 provisions of the Interstate Horseracing Act shall be taken into
35 account without regard to whether, by its own terms, that act is
36 applicable to advance deposit wagering on races conducted in
37 California accepted from residents of California.

38 (2) No ADW provider shall accept wagers or wagering
39 instructions on races conducted outside of California from a

1 resident of California unless all of the following conditions are
2 met:

3 (A) The ADW provider is licensed by the board.

4 (B) There is a hub agreement between the ADW provider and
5 one or both of (i) one or more racing associations or fairs that
6 together conduct no fewer than five weeks of live racing on the
7 breed on which wagering is conducted during the calendar year
8 during which the wager is placed, and (ii) the horsemen's
9 organization responsible for negotiating purse agreements for the
10 breed on which wagering is conducted.

11 (C) If the parties referenced in clauses (i) and (ii) of
12 subparagraph (B) are both signatories to the hub agreement, then
13 no party shall have the right to request a hub agreement arbitration.

14 (D) If only the party or parties referenced in clause (i) of
15 subparagraph (B) is a signatory to the hub agreement, then the
16 signatories to the hub agreement shall, within five days of
17 execution of the hub agreement, provide a copy of the hub
18 agreement to the horsemen's organization responsible for
19 negotiating purse agreements for the breed on which wagering is
20 conducted for each race conducted outside of California on which
21 California residents may place advance deposit wagers. Before
22 receipt of the hub agreement, the horsemen's organization shall
23 sign a nondisclosure agreement with the ADW provider agreeing
24 to hold confidential all terms of the hub agreement. If the
25 horsemen's organization wants to request a hub agreement
26 arbitration, it shall send written notice of its election to the
27 signatories to the hub agreement within 10 days after receipt of
28 the copy of the hub agreement, and shall provide its alternate
29 proposal to the hub and host fees specified in the hub agreement
30 with that written notice. If the horsemen's organization does not
31 provide that written notice within the 10-day period, then no party
32 shall have the right to request a hub agreement arbitration. If the
33 horsemen's organization does provide that written notice within
34 the 10-day period, then the ADW provider shall have 10 days to
35 elect in writing to do one of the following:

36 (i) Abandon the hub agreement.

37 (ii) Accept the alternate proposal submitted by the horsemen's
38 organization.

39 (iii) Proceed with a hub agreement arbitration.

1 (E) If only the party referenced in clause (ii) of subparagraph
2 (B) is a signatory to the hub agreement, then the signatories to the
3 hub agreement shall, within five days of execution of the hub
4 agreement, provide written notice of the host and hub fees
5 applicable pursuant to the hub agreement for each race conducted
6 outside of California on which California residents may place
7 advance deposit wagers, which notice shall be provided to all
8 racing associations and fairs conducting live racing of the same
9 breed covered by the hub agreement. If any racing association or
10 fair wants to request a hub agreement arbitration, it shall send
11 written notice of its election to the signatories to the hub agreement
12 within 10 days after receipt of the notice of host and hub fees. It
13 shall also provide its alternate proposal to the hub and host fees
14 specified in the hub agreement with the notice of its election. If
15 more than one racing association or fair provides notice of their
16 request for hub agreement arbitration, those racing associations or
17 fairs, or both, shall have a period of five days to jointly agree upon
18 which of their alternate proposals shall be the official proposal for
19 purposes of the hub agreement arbitration. If one or more racing
20 associations or fairs that together conduct no fewer than five weeks
21 of live racing on the breed on which wagering is conducted during
22 the calendar year during which the wager is placed does not provide
23 written notice of their election to arbitrate within the 10-day period,
24 then no party shall have the right to request a hub agreement
25 arbitration. If a valid hub agreement arbitration request is made,
26 then the ADW provider shall have 10 days to elect in writing to
27 do one of the following:

- 28 (i) Abandon the hub agreement.
- 29 (ii) Accept the alternate proposal submitted by the racing
30 associations or fairs.
- 31 (iii) Proceed with a hub agreement arbitration.

32 The results of ~~any~~ a hub agreement arbitration elected pursuant
33 to this subdivision shall be binding on all other associations and
34 fairs conducting live racing on that breed.

35 (F) The acceptance thereof is in compliance with the provisions
36 of the Interstate Horseracing Act (15 U.S.C. Sec. 3001 et seq.),
37 regardless of the location of the ADW provider, whether in
38 California or otherwise, including, without limitation, any and all
39 requirements contained therein with respect to written consents
40 and required written agreements of horsemen's groups to the terms

1 and conditions of the acceptance of the wagers and any
2 arrangements as to the exclusivity between the host racing
3 association or fair and the ADW provider.

4 (c) An advance deposit wager may be made only by the ADW
5 provider holding the account pursuant to wagering instructions
6 issued by the owner of the funds communicated by telephone call
7 or through other electronic media. The ADW provider shall ensure
8 the identification of the account's owner by using methods and
9 technologies approved by the board. ~~Any~~ *An* ADW provider that
10 accepts wagering instructions concerning races conducted in
11 California, or accepts wagering instructions originating in
12 California, shall provide a full accounting and verification of the
13 source of the wagers thereby made, including the postal ZIP Code
14 and breed of the source of the wagers, in the form of a daily
15 download of parimutuel data to a database designated by the board.
16 The daily download shall be delivered in a timely basis using file
17 formats specified by the database designated by the board, and
18 shall include any and all data necessary to calculate and distribute
19 moneys according to the rules and regulations governing California
20 parimutuel wagering. ~~Any and all~~ *All* reasonable costs associated
21 with the creation, provision, and transfer of this data shall be borne
22 by the ADW provider.

23 (d) (1) (A) The board shall develop and adopt rules to license
24 and regulate all phases of operation of advance deposit wagering
25 for ADW providers operating in California, including advance
26 deposit wagering activity that takes place within a minisatellite
27 wagering facility. The board may recover ~~any~~ costs associated
28 with the licensing or regulation of advance deposit wagering
29 activities in a minisatellite wagering facility either directly from
30 the ADW provider or through an appropriate increase in the
31 funding formula devised by the board pursuant to paragraph (1)
32 of subdivision (a) of Section 19616.51.

33 (B) The board shall not approve an application for an original
34 or renewal license as an ADW provider unless the entity, if
35 requested in writing by a bona fide labor organization no later than
36 90 days before licensing, has entered into a contractual agreement
37 with that labor organization that provides all of the following:

38 (i) The labor organization has historically represented employees
39 who accept or process any form of wagering at the nearest horse
40 racing meeting located in California.

1 (ii) The agreement establishes the method by which the ADW
2 provider will agree to recognize and bargain in good faith with a
3 labor organization that has demonstrated majority status by
4 submitting authorization cards signed by those employees who
5 accept or process any form of wagering for which a California
6 ADW license is required.

7 (iii) The agreement requires the ADW provider to maintain its
8 neutrality concerning the choice of those employees who accept
9 or process any form of wagering for which a California ADW
10 license is required whether or not to authorize the labor
11 organization to represent them with regard to wages, hours, and
12 other terms and conditions of employment.

13 (iv) The agreement applies to those classifications of employees
14 who accept or process wagers for which a California ADW license
15 is required whether the facility is located within or outside of
16 California.

17 (C) (i) The agreement required by subparagraph (B) shall not
18 be conditioned by either party upon the other party agreeing to
19 matters outside the requirements of subparagraph (B).

20 (ii) The requirement in subparagraph (B) shall not apply to an
21 ADW provider that has entered into a collective bargaining
22 agreement with a bona fide labor organization that is the exclusive
23 bargaining representative of employees who accept or process
24 parimutuel wagers on races for which an ADW license is required
25 whether the facility is located within or outside of California.

26 (D) Permanent state or county employees and nonprofit
27 organizations that have historically performed certain services at
28 county, state, or district fairs may continue to provide those
29 services.

30 (E) Parimutuel clerks employed by racing associations or fairs
31 or employees of ADW providers who accept or process any form
32 of wagers who are laid off due to lack of work shall have
33 preferential hiring rights for new positions with their employer in
34 occupations whose duties include accepting or processing any
35 form of wagers, or the operation, repair, service, or maintenance
36 of equipment that accepts or processes any form of wagering at a
37 racetrack, satellite wagering facility, or ADW provider licensed
38 by the board. The preferential hiring rights established by this
39 subdivision shall be conditioned upon the employee meeting the
40 minimum qualification requirements of the new job.

1 (2) The board shall develop and adopt rules and regulations
2 requiring ADW providers to establish security access policies and
3 safeguards, including, but not limited to, the following:

4 (A) The ADW provider shall use board-approved methods to
5 perform location and age verification confirmation with respect
6 to persons establishing an advance deposit wagering account.

7 (B) The ADW provider shall use personal identification numbers
8 (PINs) or other technologies to assure that only the accountholder
9 has access to the advance deposit wagering account.

10 (C) The ADW provider shall provide for withdrawals from the
11 wagering account only by means of a check made payable to the
12 accountholder and sent to the address of the accountholder or by
13 means of an electronic transfer to an account held by the verified
14 accountholder or the accountholder may withdraw funds from the
15 wagering account at a facility approved by the board by presenting
16 verifiable account identification information.

17 (D) The ADW provider shall allow the board access to its
18 premises to visit, investigate, audit, and place expert accountants
19 and other persons it deems necessary for the purpose of ensuring
20 that its rules and regulations concerning credit authorization,
21 account access, and other security provisions are strictly complied
22 with. To ensure that the amounts retained from the parimutuel
23 handle are distributed under law, rules, or agreements, any ADW
24 provider that accepts wagering instructions concerning races
25 conducted in California or accepts wagering instructions originating
26 in California shall provide an independent “agreed-upon
27 procedures” audit for each California racing meeting, within 60
28 days of the conclusion of the race meeting. The auditing firm to
29 be used and the content and scope of the audit, including host fee
30 obligations, shall be set forth in the applicable agreement. The
31 ADW provider shall provide the board, horsemen’s organizations,
32 and the host racing association with an annual parimutuel audit of
33 the financial transactions of the ADW provider with respect to
34 wagers authorized pursuant to this section, prepared in accordance
35 with generally accepted auditing standards and the requirements
36 of the board. Any and all reasonable costs associated with those
37 audits shall be borne by the ADW provider.

38 (3) The board shall prohibit advance deposit wagering
39 advertising that it determines to be deceptive to the public. The
40 board shall also require, by regulation, that every form of

1 advertising contain a statement that minors are not allowed to open
2 or have access to advance deposit wagering accounts.

3 (e) In order for a licensee, betting system, or multijurisdictional
4 wagering hub to be approved by the board as an ADW provider,
5 it shall meet both of the following requirements:

6 (1) All wagers thereby made shall be included in the appropriate
7 parimutuel pool under a contractual agreement with the applicable
8 host track.

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

11 (f) After the payment of contractual compensation, the amounts
12 received as market access fees from advance deposit wagers, which
13 shall not be considered for purposes of Section 19616.51, shall be
14 distributed as follows:

15 (1) An amount equal to 0.0011 multiplied by the amount handled
16 on advance deposit wagers originating in California for each racing
17 meeting shall be distributed to the Center for Equine Health to
18 establish the Kenneth L. Maddy Fund for the benefit of the School
19 of Veterinary Medicine at the University of California at Davis.

20 (2) An amount equal to 0.0003 multiplied by the amount handled
21 on advance deposit wagers originating in California for each racing
22 meeting shall be distributed to the Public Employment Relations
23 Board to cover costs associated with audits conducted pursuant to
24 Section 19526 and for purposes of reimbursing the State Mediation
25 and Conciliation Service for costs incurred pursuant to this section.
26 However, if that amount would exceed the costs of the Public
27 Employment Relations Board, the amount distributed to that board
28 shall be reduced, and that reduction shall be forwarded to an
29 organization designated by the racing association or fair described
30 in subdivision (a) for the purpose of augmenting a compulsive
31 gambling prevention program specifically addressing that problem.

32 (3) An amount equal to 0.00165 multiplied by the amount
33 handled on advance deposit wagers that originate in California for
34 each racing meeting shall be distributed as follows:

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

1 (B) One-half of the amount shall be distributed to the welfare
2 fund established for the benefit of horsemen and backstretch
3 personnel pursuant to subdivision (b) of Section 19641. Moneys
4 distributed pursuant to this subparagraph shall supplement, and
5 not supplant, moneys distributed to that fund pursuant to Section
6 19641 or any other provision of law.

7 (4) With respect to wagers on each breed of racing that originate
8 in California, an amount equal to 2 percent of the first two hundred
9 fifty million dollars (\$250,000,000) of handle from all advance
10 deposit wagers originating from within California annually, an
11 amount equal to 1.5 percent of the next two hundred fifty million
12 dollars (\$250,000,000) of handle from all advance deposit wagers
13 originating from within California annually, an amount equal to
14 1 percent of the next two hundred fifty million dollars
15 (\$250,000,000) of handle from all advance deposit wagers
16 originating from within California annually, and an amount equal
17 to 0.50 percent of handle from all advance deposit wagers
18 originating from within California in excess of seven hundred fifty
19 million dollars (\$750,000,000) annually, shall be distributed as
20 satellite wagering commissions. Satellite wagering facilities that
21 were not operational in 2001, other than one each in the Cities of
22 Inglewood and San Mateo, and two additional facilities each
23 operated by the Alameda County Fair and the Los Angeles County
24 Fair and their partners and other than existing facilities that are
25 relocated, are not eligible for satellite wagering commission
26 distributions under this section. The satellite wagering facility
27 commissions calculated in accordance with this subdivision shall
28 be distributed to each satellite wagering facility and racing
29 association or fair in the zone in which the wager originated in the
30 same relative proportions that the satellite wagering facility or the
31 racing association or fair generated satellite commissions during
32 the previous calendar year. If there is a reduction in the satellite
33 wagering commissions pursuant to this section, the benefits
34 therefrom shall be distributed equitably as purses and commissions
35 to all associations and racing fairs generating advance deposit
36 wagers in proportion to the handle generated by those associations
37 and racing fairs. If a satellite wagering facility is permanently
38 closed other than for renovation or remodeling, or if a satellite
39 wagering facility is unwilling or unable to accept all of the signals
40 that are available to that facility, the commissions otherwise

1 provided for in this subdivision that would be payable to that
2 facility shall be proportionately reduced to take into account the
3 time that satellite wagering is no longer conducted by that facility,
4 or the payment of those commissions shall be eliminated entirely
5 if the facility is permanently closed, and, in either case, the satellite
6 wagering commissions not paid shall be proportionately
7 redistributed to the other eligible satellite wagering facilities. For
8 purposes of this section, the purse funds distributed pursuant to
9 Section 19605.72 shall be considered to be satellite wagering
10 facility commissions attributable to thoroughbred races at the
11 locations described in that section.

12 (5) After the distribution of the amounts set forth in paragraphs
13 (1) to (4), inclusive, the remaining market access fees from advance
14 deposit wagers originating in California shall be as follows:

15 (A) With respect to wagers on each breed of racing, the amount
16 remaining shall be distributed to the racing association or fair that
17 is conducting live racing on that breed during the calendar period
18 in the zone in which the wager originated. That amount shall be
19 allocated to that racing association or fair as commissions, to
20 horsemen participating in that racing meeting in the form of purses,
21 and as incentive awards, in the same relative proportion as they
22 were generated or earned during the prior calendar year at that
23 racing association or fair on races conducted or imported by that
24 racing association or fair after making all deductions required by
25 applicable law. Notwithstanding any other law, the distributions
26 with respect to each breed of racing set forth in this subparagraph
27 may be altered upon the approval of the board, in accordance with
28 an agreement signed by the respective associations, fairs,
29 horsemen's organizations, and breeders organizations receiving
30 those distributions.

31 (B) If the provisions of Section 19601.2 apply, then the amount
32 distributed to the applicable racing associations or fairs shall first
33 be divided between those racing associations or fairs in direct
34 proportion to the total amount wagered in the applicable zone on
35 the live races conducted by the respective association or fair.
36 Notwithstanding this requirement, when the provisions of
37 subdivision (b) of Section 19607.5 apply to the 2nd District
38 Agricultural Association in Stockton or the California Exposition
39 and State Fair in Sacramento, then the total amount distributed to
40 the applicable racing associations or fairs shall first be divided

1 equally, with 50 percent distributed to applicable fairs and 50
2 percent distributed to applicable associations.

3 (C) Notwithstanding any provisions of this section to the
4 contrary, with respect to wagers on out-of-state and out-of-country
5 thoroughbred races conducted after 6 p.m., Pacific *standard* time,
6 50 percent of the amount remaining shall be distributed as
7 commissions to thoroughbred associations and racing fairs, as
8 thoroughbred and fair purses, and as incentive awards in
9 accordance with subparagraph (A), and the remaining 50 percent,
10 together with the total amount remaining from advance deposit
11 wagering originating from California out-of-state and
12 out-of-country harness and quarter horse races conducted after 6
13 p.m., Pacific *standard* time, shall be distributed as commissions
14 on a pro rata basis to the applicable licensed quarter horse
15 association and the applicable licensed harness association, based
16 upon the amount handled in state, both on- and off-track, on each
17 breed's own live races in the previous year by that association, or
18 its predecessor association. One-half of the amount thereby
19 received by each association shall be retained by that association
20 as a commission, and the other ~~half~~ *one-half* of the money received
21 shall be distributed as purses to the horsemen participating in its
22 current or next scheduled licensed racing meeting.

23 (D) Notwithstanding any provisions of this section to the
24 contrary, with respect to wagers on out-of-state and out-of-country
25 nonthoroughbred races conducted before 6 p.m., Pacific *standard*
26 time, 50 percent of the amount remaining shall be distributed as
27 commissions as provided in subparagraph (C) for licensed quarter
28 horse and harness associations, and the remaining 50 percent shall
29 be distributed as commissions to the applicable thoroughbred
30 associations or fairs, as thoroughbred and fair purses, and as
31 incentive awards in accordance with subparagraph (A).

32 (E) Notwithstanding any provision of this section to the contrary,
33 the distribution of market access fees pursuant to this subparagraph
34 may be altered upon the approval of the board, in accordance with
35 an agreement signed by all parties whose distributions would be
36 affected.

37 (g) A racing association, a fair, a satellite wagering facility, or
38 a minisatellite wagering facility may enter into an agreement with
39 an ADW provider to accept and facilitate the placement of any
40 wager from a patron at its facility that a California resident could

1 make through that ADW provider. Deductions from wagers made
2 pursuant to ~~the~~ *this* agreement shall be distributed in accordance
3 with the provisions of this chapter governing wagers placed at that
4 facility, except that the board may authorize alternative
5 distributions as agreed to by the ADW provider, the operator of
6 the facility accepting the wager, the association or fair conducting
7 that breed of racing in the zone where the wager is placed, and the
8 respective horsemen's organization.

9 (h) Any ~~issues~~ *issue* concerning the interpretation or application
10 of this section shall be resolved by the board.

11 (i) Amounts distributed under this section shall be proportionally
12 reduced by an amount equal to 0.00295 multiplied by the amount
13 handled on advance deposit wagers originating in California for
14 each racing meeting, except for harness racing meetings, provided
15 that the amount of this reduction shall not exceed two million
16 dollars (\$2,000,000). The method used to calculate the reduction
17 in proportionate share shall be approved by the board. The amount
18 deducted shall be distributed as follows:

19 (1) (A) Fifty percent of the money to the board to ~~establish~~
20 *establish*, and to administer jointly with the organization certified
21 as the majority representative of California-licensed jockeys
22 pursuant to Section 19612.9, a defined contribution retirement
23 plan for California-licensed jockeys who retired from racing on
24 or after January 1, 2009.

25 (B) *A person becomes a participant in the retirement plan when*
26 *he or she is licensed as a jockey in California.*

27 (2) The remaining 50 percent of the money shall be distributed
28 as follows:

29 (A) Seventy percent shall be distributed to supplement the
30 trainer-administered pension plans for backstretch personnel
31 established pursuant to Section 19613. Moneys distributed pursuant
32 to this subparagraph shall supplement, and not supplant, moneys
33 distributed to that fund pursuant to Section 19613 or any other
34 provision of law.

35 (B) Thirty percent shall be distributed to the welfare fund
36 established for the benefit of horsemen and backstretch personnel
37 pursuant to subdivision (b) of Section 19641. Moneys distributed
38 pursuant to this subparagraph shall supplement, and not supplant,
39 moneys distributed to that fund pursuant to Section 19641 or any
40 other provision of law.

1 (j) Amounts distributed under this section shall be proportionally
2 reduced by an amount equal to 0.00295 multiplied by the amount
3 handled on advance deposit wagers originating in California for
4 each harness racing meeting, provided that the amount of this
5 reduction shall not exceed five hundred thousand dollars
6 (\$500,000). The method used to calculate the reduction in
7 proportionate share shall be approved by the board. The amount
8 deducted shall be distributed as follows:

9 (1) First to the welfare fund established for the benefit of
10 horsemen and backstretch personnel, pursuant to subdivision (b)
11 of Section 19641, and administered by the organization
12 representing the horsemen participating in the race meeting, in the
13 amount requested by the welfare fund. Moneys distributed pursuant
14 to this paragraph shall supplement, and not supplant, moneys
15 distributed to that fund pursuant to Section 19641 or any other
16 provision of law.

17 (2) The amount remaining, if any, shall be utilized for the benefit
18 of the horsemen as specified in a written agreement between the
19 racing association that conducts the live harness race meeting and
20 the organization representing the horsemen participating in the
21 race meeting.

22 (k) Notwithstanding subdivision (j), amounts generated that
23 were deducted from amounts handled on advance deposit wagering
24 for harness racing meetings pursuant to subdivision (i), as that
25 section read before the enactment of subdivision (j), that have been
26 held in trust by the California Exposition and State Fair shall be
27 distributed as follows:

28 (1) Fifty percent to the harness racing horsemen who participated
29 in the racing meeting that concluded June 16, 2012, in the form
30 of purses.

31 (2) Fifty percent to the California Exposition and State Fair in
32 the form of commissions.

33 ~~SECTION 1. Section 19596.2 of the Business and Professions~~
34 ~~Code is amended to read:~~

35 ~~19596.2. (a) Notwithstanding any other law and except as~~
36 ~~provided in Section 19596.4, a thoroughbred racing association~~
37 ~~or fair may distribute the audiovisual signal and accept wagers on~~
38 ~~the results of out-of-state thoroughbred races conducted in the~~
39 ~~United States during the calendar period the association or fair is~~
40 ~~conducting a race meeting, including days on which there is no~~

1 live racing being conducted by the association or fair, without the
 2 consent of the organization that represents horsemen and
 3 horsewomen participating in the race meeting and without regard
 4 to the amount of purses. Further, the total number of thoroughbred
 5 races imported by associations or fairs on a statewide basis under
 6 this section shall not exceed 50 per day on days when live
 7 thoroughbred or fair racing is being conducted in the state. The
 8 limitation of 50 imported races per day does not apply to any of
 9 the following:

10 (1) Races imported for wagering purposes pursuant to
 11 subdivision (c):

12 (2) Races imported that are part of the race card of the Kentucky
 13 Derby, the Kentucky Oaks, the Preakness Stakes, the Belmont
 14 Stakes, the Jockey Club Gold Cup, the Travers Stakes, the
 15 Arlington Million, the Breeders' Cup, the Dubai World Cup, the
 16 Arkansas Derby, the Apple Blossom Handicap, the Belmont Derby
 17 Invitational, or the Haskell Invitational:

18 (3) Races imported into the northern zone when there is no live
 19 thoroughbred or fair racing being conducted in the northern zone.

20 (4) Races imported into the combined central and southern zones
 21 when there is no live thoroughbred or fair racing being conducted
 22 in the combined central and southern zones.

23 (b) Any thoroughbred association or fair accepting wagers
 24 pursuant to subdivision (a) shall conduct the wagering in
 25 accordance with the applicable provisions of Sections 19601,
 26 19616, 19616.1, and 19616.2:

27 (c) No thoroughbred association or fair may accept wagers
 28 pursuant to this section on out-of-state races commencing after 7
 29 p.m., Pacific standard time, without the consent of the harness or
 30 quarter horse racing association that is then conducting a live racing
 31 meeting in Orange County or Sacramento County.