

AMENDED IN SENATE JUNE 30, 2015

CALIFORNIA LEGISLATURE—2015–16 REGULAR SESSION

**ASSEMBLY BILL**

**No. 1295**

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**Introduced by Assembly Member Gray**

February 27, 2015

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

LEGISLATIVE COUNSEL'S DIGEST

AB 1295, as amended, Gray. Horse racing: out-of-state thoroughbred races: ~~limitation exception~~. *advance deposit wagering*.

The

(1) *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 into the combined central and southern zones when there is no live thoroughbred or fair racing being conducted in the combined central and southern zones.

This bill would additionally provide that the limitation of 50 imported races per day does not apply to races imported into the combined central

and southern zones when there is live thoroughbred or fair racing being conducted in those zones but no live thoroughbred or fair racing is being conducted in the northern zone.

*(2) 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 the method used to calculate the reduction in proportionate share be approved by the board and deducted and distributed in specified amounts, including 50% of the money to the board to establish and to administer jointly with the organization certified as the majority representative of California-licensed jockeys, 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.*

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 19596.2 of the Business and Professions
- 2 Code is amended to read:
- 3 19596.2. (a) Notwithstanding any other law and except as
- 4 provided in Section 19596.4, a thoroughbred racing association
- 5 or fair may distribute the audiovisual signal and accept wagers on
- 6 the results of out-of-state thoroughbred races conducted in the
- 7 United States during the calendar period the association or fair is

1 conducting a race meeting, including days on which there is no  
2 live racing being conducted by the association or fair, without the  
3 consent of the organization that represents horsemen and  
4 horsewomen participating in the race meeting and without regard  
5 to the amount of purses. Further, the total number of thoroughbred  
6 races imported by associations or fairs on a statewide basis under  
7 this section shall not exceed 50 per day on days when live  
8 thoroughbred or fair racing is being conducted in the state. The  
9 limitation of 50 imported races per day does not apply to any of  
10 the following:

11 (1) Races imported for wagering purposes pursuant to  
12 subdivision (c).

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

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

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

24 (5) Races imported into the combined central and southern zones  
25 when there is live thoroughbred or fair racing being conducted in  
26 those zones but no live thoroughbred or fair racing is being  
27 conducted in the northern zone.

28 (b) Any thoroughbred association or fair accepting wagers  
29 pursuant to subdivision (a) shall conduct the wagering in  
30 accordance with the applicable provisions of Sections 19601,  
31 19616, 19616.1, and 19616.2.

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

37 *SEC. 2. Section 19604 of the Business and Professions Code*  
38 *is amended to read:*

39 19604. The board may authorize ~~any~~ a racing association,  
40 racing fair, betting system, or multijurisdictional wagering hub to

1 conduct advance deposit wagering in accordance with this section.  
2 Racing associations, racing fairs, and their respective horsemen’s  
3 organizations may form a partnership, joint venture, or any other  
4 affiliation in order to further the purposes of this section.

5 (a) As used in this section, the following definitions apply:

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

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

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

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

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

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

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

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

35 (A) Excluding contractual compensation for host fee payments,  
36 contractual compensation shall not exceed 6.5 percent of the  
37 amount wagered.

38 (B) The host fee payments included within contractual  
39 compensation shall not exceed 3.5 percent of the amount wagered.  
40 Notwithstanding this provision, the host fee payment with respect

1 to wagers on the Kentucky Derby, Preakness Stakes, Belmont  
2 Stakes, and selected Breeders' Cup Championship races may be  
3 negotiated by the ADW provider, the racing associations accepting  
4 wagers on those races pursuant to Section 19596.2, and the  
5 horsemen's organization.

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

15 (6) "Horsemen's organization" means, with respect to a  
16 particular racing meeting, the organization recognized by the board  
17 as responsible for negotiating purse agreements on behalf of  
18 horsemen participating in that racing meeting.

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

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

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

1 (B) The contractual compensation received by the ADW  
2 provider shall be the contractual compensation specified in the  
3 hub agreement that is the subject of the hub agreement arbitration.

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

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

1 (10) “Licensee” means ~~any~~ a racing association or fair licensed  
2 to conduct a live racing meet in this state, or affiliation thereof,  
3 authorized under this section.

4 (11) “Market access fee” means the amount of advance deposit  
5 wagering handle remaining after the payment of winning wagers,  
6 and after the payment of contractual compensation, if any, to an  
7 ADW provider. Market access fees shall be distributed in  
8 accordance with subdivision (f).

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

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

15 (14) “Zone” means the zone of the state, as defined in Section  
16 19530.5, except as modified by the provisions of subdivision (f)  
17 of Section 19601. For these purposes, the central and southern  
18 zones shall together be considered one zone.

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

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

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

25 (B) A written agreement allowing those wagers exists with the  
26 racing association or fair conducting the races on which the wagers  
27 are made.

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

1 account without regard to whether, by its own terms, that act is  
2 applicable to advance deposit wagering on races conducted in  
3 California accepted from residents of California.

4 (2) No ADW provider shall accept wagers or wagering  
5 instructions on races conducted outside of California from a  
6 resident of California unless all of the following conditions are  
7 met:

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

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

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

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

- 1 (i) Abandon the hub agreement.
- 2 (ii) Accept the alternate proposal submitted by the horsemen's  
3 organization.
- 4 (iii) Proceed with a hub agreement arbitration.
- 5 (E) If only the party referenced in clause (ii) of subparagraph  
6 (B) is a signatory to the hub agreement, then the signatories to the  
7 hub agreement shall, within five days of execution of the hub  
8 agreement, provide written notice of the host and hub fees  
9 applicable pursuant to the hub agreement for each race conducted  
10 outside of California on which California residents may place  
11 advance deposit wagers, which notice shall be provided to all  
12 racing associations and fairs conducting live racing of the same  
13 breed covered by the hub agreement. If any racing association or  
14 fair wants to request a hub agreement arbitration, it shall send  
15 written notice of its election to the signatories to the hub agreement  
16 within 10 days after receipt of the notice of host and hub fees. It  
17 shall also provide its alternate proposal to the hub and host fees  
18 specified in the hub agreement with the notice of its election. If  
19 more than one racing association or fair provides notice of their  
20 request for hub agreement arbitration, those racing associations or  
21 fairs, or both, shall have a period of five days to jointly agree upon  
22 which of their alternate proposals shall be the official proposal for  
23 purposes of the hub agreement arbitration. If one or more racing  
24 associations or fairs that together conduct no fewer than five weeks  
25 of live racing on the breed on which wagering is conducted during  
26 the calendar year during which the wager is placed does not provide  
27 written notice of their election to arbitrate within the 10-day period,  
28 then no party shall have the right to request a hub agreement  
29 arbitration. If a valid hub agreement arbitration request is made,  
30 then the ADW provider shall have 10 days to elect in writing to  
31 do one of the following:
  - 32 (i) Abandon the hub agreement.
  - 33 (ii) Accept the alternate proposal submitted by the racing  
34 associations or fairs.
  - 35 (iii) Proceed with a hub agreement arbitration.
- 36 The results of ~~any~~ a hub agreement arbitration elected pursuant  
37 to this subdivision shall be binding on all other associations and  
38 fairs conducting live racing on that breed.
- 39 (F) The acceptance thereof is in compliance with the provisions  
40 of the Interstate Horseracing Act (15 U.S.C. Sec. 3001 et seq.),

1 regardless of the location of the ADW provider, whether in  
 2 California or otherwise, including, without limitation, any and all  
 3 requirements contained therein with respect to written consents  
 4 and required written agreements of horsemen’s groups to the terms  
 5 and conditions of the acceptance of the wagers and any  
 6 arrangements as to the exclusivity between the host racing  
 7 association or fair and the ADW provider.

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

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

37 (B) The board shall not approve an application for an original  
 38 or renewal license as an ADW provider unless the entity, if  
 39 requested in writing by a bona fide labor organization no later than

1 90 days before licensing, has entered into a contractual agreement  
2 with that labor organization that provides all of the following:

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

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

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

18 (iv) The agreement applies to those classifications of employees  
19 who accept or process wagers for which a California ADW license  
20 is required whether the facility is located within or outside of  
21 California.

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

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

31 (D) Permanent state or county employees and nonprofit  
32 organizations that have historically performed certain services at  
33 county, state, or district fairs may continue to provide those  
34 services.

35 (E) Parimutuel clerks employed by racing associations or fairs  
36 or employees of ADW providers who accept or process any form  
37 of wagers who are laid off due to lack of work shall have  
38 preferential hiring rights for new positions with their employer in  
39 occupations whose duties include accepting or processing any  
40 form of wagers, or the operation, repair, service, or maintenance

1 of equipment that accepts or processes any form of wagering at a  
2 racetrack, satellite wagering facility, or ADW provider licensed  
3 by the board. The preferential hiring rights established by this  
4 subdivision shall be conditioned upon the employee meeting the  
5 minimum qualification requirements of the new job.

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

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

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

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

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

1 of the board. Any and all reasonable costs associated with those  
2 audits shall be borne by the ADW provider.

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

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

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

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

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

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

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

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

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

7 (B) One-half of the amount shall be distributed to the welfare  
8 fund established for the benefit of horsemen and backstretch  
9 personnel pursuant to subdivision (b) of Section 19641. Moneys  
10 distributed pursuant to this subparagraph shall supplement, and  
11 not supplant, moneys distributed to that fund pursuant to Section  
12 19641 or any other provision of law.

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

1 to all associations and racing fairs generating advance deposit  
2 wagers in proportion to the handle generated by those associations  
3 and racing fairs. If a satellite wagering facility is permanently  
4 closed other than for renovation or remodeling, or if a satellite  
5 wagering facility is unwilling or unable to accept all of the signals  
6 that are available to that facility, the commissions otherwise  
7 provided for in this subdivision that would be payable to that  
8 facility shall be proportionately reduced to take into account the  
9 time that satellite wagering is no longer conducted by that facility,  
10 or the payment of those commissions shall be eliminated entirely  
11 if the facility is permanently closed, and, in either case, the satellite  
12 wagering commissions not paid shall be proportionately  
13 redistributed to the other eligible satellite wagering facilities. For  
14 purposes of this section, the purse funds distributed pursuant to  
15 Section 19605.72 shall be considered to be satellite wagering  
16 facility commissions attributable to thoroughbred races at the  
17 locations described in that section.

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

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

37 (B) If the provisions of Section 19601.2 apply, then the amount  
38 distributed to the applicable racing associations or fairs shall first  
39 be divided between those racing associations or fairs in direct  
40 proportion to the total amount wagered in the applicable zone on

1 the live races conducted by the respective association or fair.  
2 Notwithstanding this requirement, when the provisions of  
3 subdivision (b) of Section 19607.5 apply to the 2nd District  
4 Agricultural Association in Stockton or the California Exposition  
5 and State Fair in Sacramento, then the total amount distributed to  
6 the applicable racing associations or fairs shall first be divided  
7 equally, with 50 percent distributed to applicable fairs and 50  
8 percent distributed to applicable associations.

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

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

38 (E) Notwithstanding any provision of this section to the contrary,  
39 the distribution of market access fees pursuant to this subparagraph  
40 may be altered upon the approval of the board, in accordance with

1 an agreement signed by all parties whose distributions would be  
2 affected.

3 (g) A racing association, a fair, a satellite wagering facility, or  
4 a minisatellite wagering facility may enter into an agreement with  
5 an ADW provider to accept and facilitate the placement of any  
6 wager from a patron at its facility that a California resident could  
7 make through that ADW provider. Deductions from wagers made  
8 pursuant to ~~the~~ *this* agreement shall be distributed in accordance  
9 with the provisions of this chapter governing wagers placed at that  
10 facility, except that the board may authorize alternative  
11 distributions as agreed to by the ADW provider, the operator of  
12 the facility accepting the wager, the association or fair conducting  
13 that breed of racing in the zone where the wager is placed, and the  
14 respective horsemen's organization.

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

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

25 (1) (A) Fifty percent of the money to the board to establish and  
26 to administer jointly with the organization certified as the majority  
27 representative of California-licensed jockeys pursuant to Section  
28 19612.9, a defined contribution retirement plan for  
29 California-licensed jockeys who retired from racing on or after  
30 January 1, 2009.

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

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

35 (A) Seventy percent shall be distributed to supplement the  
36 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) Thirty percent shall be distributed to the welfare fund  
 2 established for the benefit of horsemen and backstretch personnel  
 3 pursuant to subdivision (b) of Section 19641. Moneys distributed  
 4 pursuant to this subparagraph shall supplement, and not supplant,  
 5 moneys distributed to that fund pursuant to Section 19641 or any  
 6 other provision of law.

7 (j) Amounts distributed under this section shall be proportionally  
 8 reduced by an amount equal to 0.00295 multiplied by the amount  
 9 handled on advance deposit wagers originating in California for  
 10 each harness racing meeting, provided that the amount of this  
 11 reduction shall not exceed five hundred thousand dollars  
 12 (\$500,000). The method used to calculate the reduction in  
 13 proportionate share shall be approved by the board. The amount  
 14 deducted shall be distributed as follows:

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

23 (2) The amount remaining, if any, shall be utilized for the benefit  
 24 of the horsemen as specified in a written agreement between the  
 25 racing association that conducts the live harness race meeting and  
 26 the organization representing the horsemen participating in the  
 27 race meeting.

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

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

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

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