

ASSEMBLY BILL

No. 734

Introduced by Assembly Member Hill

February 26, 2009

An act to amend Sections 19604, 19605.7, and 19605.71 of the Business and Professions Code, relating to horse racing.

LEGISLATIVE COUNSEL'S DIGEST

AB 734, as introduced, Hill. Horse racing: satellite wagering facilities.

Existing law authorizes advance deposit wagering to be conducted, with the approval of the California Horse Racing Board. Existing law specifies how the amount received as a market access fee from advance deposit wagers shall be distributed, including the distribution of specified amounts as satellite wagering commissions to each satellite wagering facility and racing association or fair in the zone in which the wager originated, as provided.

This bill would increase by 1% the percentages that are used to determine the amount to be distributed as satellite wagering commissions.

Existing law requires that the total percentage deducted from wagers at satellite wagering facilities in the northern zone, and in the central and southern zone, be the same as deductions for wagers at the racetrack where the racing meeting is being conducted and be distributed as specified.

This bill would instead require that the amount deducted from wagers at satellite wagering facilities in the northern zone, and in the central and southern zone, be an unspecified percentage of the total amount of those wagers, and be distributed as specified.

Existing law provides that, for thoroughbred meetings and for harness and certain other race meetings, 2% of the amount handled by the satellite wagering shall be distributed to the satellite wagering facility as a commission for the right to do business, as a franchise.

This bill would increase that percentage to 3%.

This bill would also make various clarifying and technical changes.

Vote: majority. Appropriation: no. Fiscal committee: no.

State-mandated local program: no.

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

SECTION 1. Section 19604 of the Business and Professions Code is amended to read:

19604. The board may authorize any racing association, racing fair, betting system, or multijurisdictional wagering hub to conduct advance deposit wagering in accordance with this section. Racing associations, racing fairs, and their respective horsemen's organizations may form a partnership, joint venture, or any other affiliation in order to further the purposes of this section.

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

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

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

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

(4) "Breed of racing" means as follows:

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

(B) With respect to associations licensed by the board to conduct quarter horse race meetings, "breed of racing" shall mean quarter horse.

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

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

10 (A) Excluding contractual compensation for host fee payments,
11 contractual compensation shall not exceed 6.5 percent of the
12 amount wagered.

13 (B) The host fee payments included within contractual
14 compensation shall not exceed 3.5 percent of the amount wagered.
15 Notwithstanding this provision, the host fee payment with respect
16 to wagers on the Kentucky Derby, Preakness Stakes, Belmont
17 Stakes, and selected Breeders’ Cup Championship races may be
18 negotiated by the ADW provider, the racing associations accepting
19 wagers on those races pursuant to Section 19596.2, and the
20 horsemen’s organization.

21 (C) In order to ensure fair and consistent market access fee
22 distributions to associations, fairs, horsemen, and breeders, for
23 each breed of racing, the percentage of wagers paid as contractual
24 compensation to an ADW provider pursuant to the terms of a hub
25 agreement with a racing association or fair when that racing
26 association or fair is conducting live racing shall be the same as
27 the percentage of wagers paid as contractual compensation to that
28 ADW provider when that racing association or fair is not
29 conducting live racing.

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

34 (7) “Hub agreement” means a written agreement providing for
35 contractual compensation paid with respect to advance deposit
36 wagers placed by California residents on a particular breed of
37 racing conducted outside of California. In the event a hub
38 agreement exceeds a term of two years, then an ADW provider,
39 one or more racing associations or fairs that together conduct no
40 fewer than five weeks of live racing for the breed covered by the

1 hub agreement, and the horsemen's organization responsible for
2 negotiating purse agreements for the breed covered by the hub
3 agreement shall be signatories to the hub agreement. A hub
4 agreement is required for an ADW provider to receive contractual
5 compensation for races conducted outside of California.

6 (8) "Hub agreement arbitration" means an arbitration proceeding
7 pursuant to which the disputed provisions of the hub agreement
8 pertaining to the hub or host fees from wagers on races conducted
9 outside of California provided pursuant to paragraph (2) of
10 subdivision (b) are determined in accordance with the provisions
11 of this paragraph. If a hub agreement arbitration is requested, all
12 of the following shall apply:

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

15 (B) The contractual compensation received by the ADW
16 provider shall be the contractual compensation specified in the
17 hub agreement that is the subject of the hub agreement arbitration.

18 (C) The difference between the contractual compensation
19 specified in subparagraph (B) and the contractual compensation
20 determined to be payable at the conclusion of the hub agreement
21 arbitration shall be calculated and paid within 15 days following
22 the arbitrator's decision and order. The hub agreement arbitration
23 shall be held as promptly as possible, but in no event more than
24 60 days following the demand for that arbitration. The arbitrator
25 shall issue a decision no later than 15 days following the conclusion
26 of the arbitration. A single arbitrator jointly selected by the ADW
27 provider and the party requesting a hub agreement arbitration shall
28 conduct the hub agreement arbitration. However, if the parties
29 cannot agree on the arbitrator within seven days of issuance of the
30 written demand for arbitration, then the arbitrator shall be selected
31 pursuant to the Streamlined Arbitration Rules and Procedures of
32 the Judicial Arbitration and Mediation Services, or pursuant to the
33 applicable rules of its successor organization. In making the hub
34 agreement arbitration determination, the arbitrator shall be required
35 to choose between the contractual compensation of the hub
36 agreement agreed to by the ADW provider or whatever different
37 terms for the hub agreement were proposed by the party requesting
38 the hub agreement arbitration. The arbitrator shall not be permitted
39 to impose new, different, or compromised terms to the hub
40 agreement. The arbitrator's decision shall be final and binding on

1 the parties. If an arbitration is requested, either party may bring
2 an action in state court to compel a party to go into arbitration or
3 to enforce the decision of the arbitrator. The cost of the hub
4 agreement arbitration, including the cost of the arbitrator, shall be
5 borne in equal shares by the parties to the hub agreement and the
6 party or parties requesting a hub agreement arbitration. The hub
7 agreement arbitration shall be administered by the Judicial
8 Arbitration and Mediation Services pursuant to its Streamlined
9 Arbitration Rules and Procedures or its successor organization.

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

15 (10) "Licensee" means any racing association or fair licensed
16 to conduct a live racing meet in this state, or affiliation thereof,
17 authorized under this section.

18 (11) "Market access fee" means the amount of advance deposit
19 wagering handle remaining after the payment of winning wagers,
20 and after the payment of contractual compensation, if any, to an
21 ADW provider. Market access fees shall be distributed in
22 accordance with subdivision (f).

23 (12) "Multijurisdictional wagering hub" means a business
24 conducted in more than one jurisdiction that facilitates parimutuel
25 wagering on races it simulcasts and other races it offers in its
26 wagering menu.

27 (13) "Racing fair" means a fair authorized by the board to
28 conduct live racing.

29 (14) "Zone" means the zone of the state, as defined in Section
30 19530.5, except as modified by the provisions of subdivision (f)
31 of Section 19601. For these purposes, the central and southern
32 zones shall together be considered one zone.

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

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

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

1 (B) A written agreement allowing those wagers exists with the
2 racing association or fair conducting the races on which the wagers
3 are made.

4 (C) The agreement referenced in subparagraph (B) shall have
5 been approved in writing by the horsemen's organization
6 responsible for negotiating purse agreements for the breed on
7 which the wagers are made in accordance with the Interstate
8 Horseracing Act (15 U.S.C. Sec. 3001, et seq.), regardless of the
9 location of the ADW provider, whether in California or otherwise,
10 including, without limitation, any and all requirements contained
11 therein with respect to written consents and required written
12 agreements of horsemen's groups to the terms and conditions of
13 the acceptance of those wagers and any arrangements as to the
14 exclusivity between the host racing association or fair and the
15 ADW provider. For purposes of this subdivision, the substantive
16 provisions of the Interstate Horseracing Act shall be taken into
17 account without regard to whether, by its own terms, that act is
18 applicable to advance deposit wagering on races conducted in
19 California accepted from residents of California.

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

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

25 (B) There is a hub agreement between the ADW provider and
26 one or both of (i) one or more racing associations or fairs that
27 together conduct no fewer than five weeks of live racing on the
28 breed on which wagering is conducted during the calendar year
29 during which the wager is placed, and (ii) the horsemen's
30 organization responsible for negotiating purse agreements for the
31 breed on which wagering is conducted.

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

35 (D) If only the party or parties referenced in clause (i) of
36 subdivision (B) is a signatory to the hub agreement, then the
37 signatories to the hub agreement shall, within five days of
38 execution of the hub agreement, provide a copy of the hub
39 agreement to the horsemen's organization responsible for
40 negotiating purse agreements for the breed on which wagering is

1 conducted for each race conducted outside of California on which
2 California residents may place advance deposit wagers. Prior to
3 receipt of the hub agreement, the horsemen's organization shall
4 sign a nondisclosure agreement with the ADW provider agreeing
5 to hold confidential all terms of the hub agreement. If the
6 horsemen's organization wants to request a hub agreement
7 arbitration, it shall send written notice of its election to the
8 signatories to the hub agreement within 10 days after receipt of
9 the copy of the hub agreement, and shall provide its alternate
10 proposal to the hub and host fees specified in the hub agreement
11 with that written notice. If the horsemen's organization does not
12 provide that written notice within the 10-day period, then no party
13 shall have the right to request a hub agreement arbitration. If the
14 horsemen's organization does provide that written notice within
15 the 10-day period, then the ADW provider shall have 10 days to
16 elect in writing to do one of the following:

- 17 (i) Abandon the hub agreement.
 - 18 (ii) Accept the alternate proposal submitted by the horsemen's
19 organization.
 - 20 (iii) Proceed with a hub agreement arbitration.
- 21 (E) If only the party referenced in clause (ii) of subdivision (B)
22 is a signatory to the hub agreement, then the signatories to the hub
23 agreement shall, within five days of execution of the hub
24 agreement, provide written notice of the host and hub fees
25 applicable pursuant to the hub agreement for each race conducted
26 outside of California on which California residents may place
27 advance deposit wagers, which notice shall be provided to all
28 racing associations and fairs conducting live racing of the same
29 breed covered by the hub agreement. If any racing association or
30 fair wants to request a hub agreement arbitration, it shall send
31 written notice of its election to the signatories to the hub agreement
32 within 10 days after receipt of the notice of host and hub fees. It
33 shall also provide its alternate proposal to the hub and host fees
34 specified in the hub agreement with the notice of its election. If
35 more than one racing association or fair provides notice of their
36 request for hub agreement arbitration, those racing associations or
37 fairs, or both, shall have a period of five days to jointly agree upon
38 which of their alternate proposals shall be the official proposal for
39 purposes of the hub agreement arbitration. If one or more racing
40 associations or fairs that together conduct no fewer than five weeks

1 of live racing on the breed on which wagering is conducted during
2 the calendar year during which the wager is placed does not provide
3 written notice of their election to arbitrate within the 10-day period,
4 then no party shall have the right to request a hub agreement
5 arbitration. If a valid hub agreement arbitration request is made,
6 then the ADW provider shall have 10 days to elect in writing to
7 do one of the following:

8 (i) Abandon the hub agreement.

9 (ii) Accept the alternate proposal submitted by the racing
10 associations or fairs.

11 (iii) Proceed with a hub agreement arbitration.

12 The results of any hub agreement arbitration elected pursuant
13 to this subdivision shall be binding on all other associations and
14 fairs conducting live racing on that breed.

15 (F) The acceptance thereof is in compliance with the provisions
16 of the Interstate Horseracing Act (15 U.S.C. Sec. 3001, et seq.),
17 regardless of the location of the ADW provider, whether in
18 California or otherwise, including, without limitation, any and all
19 requirements contained therein with respect to written consents
20 and required written agreements of horsemen's groups to the terms
21 and conditions of the acceptance of such wagers and any
22 arrangements as to the exclusivity between the host racing
23 association or fair and the ADW provider.

24 (c) An advance deposit wager may be made only by the ADW
25 provider holding the account pursuant to wagering instructions
26 issued by the owner of the funds communicated by telephone call
27 or through other electronic media. The ADW provider shall ensure
28 the identification of the account's owner by using methods and
29 technologies approved by the board. Any ADW provider that
30 accepts wagering instructions concerning races conducted in
31 California, or accepts wagering instructions originating in
32 California, shall provide a full accounting and verification of the
33 source of the wagers thereby made, including the postal ZIP Code
34 and breed of the source of the wagers, in the form of a daily
35 download of parimutuel data to a database designated by the board.
36 The daily download shall be delivered in a timely basis using file
37 formats specified by the database designated by the board, and
38 shall include any and all data necessary to calculate and distribute
39 moneys according to the rules and regulations governing California
40 parimutuel wagering. Any and all reasonable costs associated with

1 the creation, provision, and transfer of this data shall be borne by
2 the ADW provider.

3 (d) (1) (A) The board shall develop and adopt rules to license
4 and regulate all phases of operation of advance deposit wagering
5 for ADW providers operating in California.

6 (B) The board shall not approve an application for an original
7 or renewal license as an ADW provider unless the entity, if
8 requested in writing by a bona fide labor organization no later than
9 ninety days prior to licensing, has entered into a contractual
10 agreement with that labor organization that provides all of the
11 following:

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

15 (ii) The agreement establishes the method by which the ADW
16 provider will agree to recognize and bargain in good faith with a
17 labor organization which has demonstrated majority status by
18 submitting authorization cards signed by those employees who
19 accept or process any form of wagering for which a California
20 ADW license is required.

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

27 (iv) The agreement applies to those classifications of employees
28 who accept or process wagers for which a California ADW license
29 is required whether the facility is located within or outside of
30 California.

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

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

1 (D) Permanent state or county employees and nonprofit
2 organizations that have historically performed certain services at
3 county, state, or district fairs may continue to provide those
4 services.

5 (E) Parimutuel clerks employed by racing associations or fairs
6 or employees of ADW providers who accept or process any form
7 of wagers who are laid off due to lack of work shall have
8 preferential hiring rights for new positions with their employer in
9 occupations whose duties include accepting or processing any
10 form of wagers, or the operation, repair, service, or maintenance
11 of equipment that accepts or processes any form of wagering at a
12 racetrack, satellite wagering facility, or ADW provider licensed
13 by the board. The preferential hiring rights established by this
14 subdivision shall be conditioned upon the employee meeting the
15 minimum qualification requirements of the new job.

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

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

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

25 (C) The ADW provider shall provide for withdrawals from the
26 wagering account only by means of a check made payable to the
27 accountholder and sent to the address of the accountholder or by
28 means of an electronic transfer to an account held by the verified
29 accountholder or the accountholder may withdraw funds from the
30 wagering account at a facility approved by the board by presenting
31 verifiable account identification information.

32 (D) The ADW provider shall allow the board access to its
33 premises to visit, investigate, audit and place expert accountants
34 and other persons it deems necessary for the purpose of ensuring
35 that its rules and regulations concerning credit authorization,
36 account access, and other security provisions are strictly complied
37 with. To ensure that the amounts retained from the parimutuel
38 handle are distributed under law, rules, or agreements, any ADW
39 provider that accepts wagering instructions concerning races
40 conducted in California or accepts wagering instructions originating

1 in California shall provide an independent “agreed upon
2 procedures” audit for each California racing meeting, within 60
3 days of the conclusion of the race meeting. The auditing firm to
4 be used and the content and scope of the audit, including host fee
5 obligations, shall be set forth in the applicable agreement. The
6 ADW provider shall provide the board, horsemen’s organizations,
7 and the host racing association with an annual parimutuel audit of
8 the financial transactions of the ADW provider with respect to
9 wagers authorized pursuant to this section, prepared in accordance
10 with generally accepted auditing standards and the requirements
11 of the board. Any and all reasonable costs associated with those
12 audits shall be borne by the ADW provider.

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

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

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

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

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

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

35 (2) An amount equal to 0.0003 multiplied by the amount handled
36 on advance deposit wagers originating in California for each racing
37 meeting shall be distributed to the Department of Industrial
38 Relations to cover costs associated with audits conducted pursuant
39 to Section 19526 and for the purposes of reimbursing the State
40 Mediation and Conciliation Service for costs incurred pursuant to

1 this ~~bill~~ *section*. However, if that amount would exceed the costs
2 of the Department of Industrial Relations, the amount distributed
3 to the department shall be reduced, and that reduction shall be
4 forwarded to an organization designated by the racing association
5 or fair described in subdivision (a) for the purpose of augmenting
6 a compulsive gambling prevention program specifically addressing
7 that problem.

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

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

17 (B) One-half of the amount shall be distributed to the welfare
18 fund established for the benefit of horsemen and backstretch
19 personnel pursuant to subdivision (b) of Section 19641. Moneys
20 distributed pursuant to this subparagraph shall supplement, and
21 not supplant, moneys distributed to that fund pursuant to Section
22 19641 or any other provision of law.

23 (4) With respect to wagers on each breed of racing that originate
24 in California, an amount equal to ~~two~~ 3 percent of the first two
25 hundred fifty million dollars (\$250,000,000) of handle from all
26 advance deposit wagers originating from within California
27 annually, an amount equal to ~~1.5~~ 2.5 percent of the next two
28 hundred fifty million dollars (\$250,000,000) of handle from all
29 advance deposit wagers originating from within California
30 annually, an amount equal to ~~one~~ 2 percent of the next two hundred
31 fifty million dollars (\$250,000,000) of handle from all advance
32 deposit wagers originating from within California annually, and
33 an amount equal to ~~0.50~~ 1.5 percent of handle from all advance
34 deposit wagers originating from within California in excess of
35 seven hundred fifty million dollars (\$750,000,000) annually, shall
36 be distributed as satellite wagering commissions. Satellite facilities
37 that were not operational in 2001, other than one each in the cities
38 of Inglewood and San Mateo, and two additional facilities each
39 operated by the Alameda County Fair and the Los Angeles County
40 Fair and their partners and other than existing facilities which are

1 relocated, are not eligible for satellite wagering commission
2 distributions under this section. The satellite wagering facility
3 commissions calculated in accordance with this subdivision shall
4 be distributed to each satellite wagering facility and racing
5 association or fair in the zone in which the wager originated in the
6 same relative proportions that the satellite wagering facility or the
7 racing association or fair generated satellite commissions during
8 the previous calendar year. If there is a reduction in the satellite
9 wagering commissions pursuant to this section, the benefits
10 therefrom shall be distributed equitably as purses and commissions
11 to all associations and racing fairs generating advance deposit
12 wagers in proportion to the handle generated by those associations
13 and racing fairs. For purposes of this section, the purse funds
14 distributed pursuant to Section 19605.72 shall be considered to be
15 satellite wagering facility commissions attributable to thoroughbred
16 races at the locations described in that section.

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

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

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

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

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

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

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

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

13 (h) Any issues concerning the interpretation or application of
14 this section shall be resolved by the board.

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

22 (1) Fifty percent of the money to the California Horse Racing
23 Board to establish and to administer jointly with the organization
24 certified as the majority representative of California licensed
25 jockeys pursuant to Section 19612.9, a defined contribution
26 retirement plan for California licensed jockeys who retired from
27 racing on or after January 1, 2009, and who, as of the date of their
28 retirement, had ridden in a minimum of 1,250 parimutuel races
29 conducted in California.

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

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

38 (B) Thirty percent shall be distributed to the welfare fund
39 established for the benefit of horsemen and backstretch personnel
40 pursuant to subdivision (b) of Section 19641. Moneys distributed

1 pursuant to this subparagraph shall supplement, and not supplant,
2 moneys distributed to that fund pursuant to Section 19641 or any
3 other provision of law.

4 SEC. 2. Section 19605.7 of the Business and Professions Code
5 is amended to read:

6 19605.7. The ~~total percentage~~ *amount* deducted from wagers
7 at satellite wagering facilities in the northern zone shall be ~~the~~
8 ~~same as the deductions for wagers at the racetrack where the racing~~
9 ~~meeting is being conducted and ____ percent of the total amount~~
10 ~~of those wagers and shall be distributed as set forth in this section.~~
11 ~~Amounts deducted under this section shall be distributed as~~
12 ~~follows:~~

13 (a) For thoroughbred meetings, 1.3 percent of the amount
14 handled by the satellite wagering facility on conventional and
15 exotic wagers shall be distributed to the racing association for
16 payment to the state as a license fee, 2 3 percent shall be distributed
17 to the satellite wagering facility as a commission for the right to
18 do business, as a franchise, and this commission is not for the use
19 of any real property, 2.5 percent or the amount of actual operating
20 expenses, as determined by the board, whichever is less, shall be
21 distributed to an organization described in Section 19608.2, ~~and~~
22 0.54 percent shall be deposited with the official registering agency
23 pursuant to subdivision (a) of Section 19617.2 and shall thereafter
24 be distributed in accordance with subdivisions (b), (c) and (d) of
25 Section 19617.2, ~~and~~ 0.033 percent *shall be* distributed to the
26 Center for Equine Health, and 0.067 percent *shall be* distributed
27 to the California Animal Health and Food Safety Laboratory,
28 School of Veterinary Medicine, University of California at Davis.
29 It is the intent of the Legislature that the 0.033 percent of funds
30 distributed to the Center for Equine Health shall supplement, and
31 not supplant, other funding sources.

32 (b) For harness, quarter horse, Appaloosa, Arabian, or mixed
33 breed meetings, 0.4 percent of the amount handled by the satellite
34 wagering facility on conventional and exotic wagers shall be
35 distributed to the racing association for payment to the state as a
36 license fee, for fair meetings, 1 percent of the amount handled by
37 the satellite wagering facility on conventional and exotic wagers
38 shall be distributed to the fair association for payment to the state
39 as a license fee, 2 3 percent shall be distributed to the satellite
40 wagering facility as a commission for the right to do business, as

1 a franchise, and this commission is not for the use of any real
2 property, and 6 percent of the amount handled by the satellite
3 wagering facility or the amount of actual operating expenses, as
4 determined by the board, whichever is less, shall be distributed to
5 an organization described in Section 19608.2. In addition, in the
6 case of quarter horses, 0.4 percent shall be deposited with the
7 official registering agency pursuant to subdivision (b) of Section
8 19617.7 and shall thereafter be distributed in accordance with
9 subdivisions (c), (d), and (e) of Section 19617.7; in the case of
10 Appaloosas, 0.4 percent shall be deposited with the official
11 registering agency pursuant to subdivision (b) of Section 19617.9
12 and shall thereafter be distributed in accordance with subdivisions
13 (c), (d), and (e) of Section 19617.9; in the case of Arabians, 0.4
14 percent shall be held by the association to be deposited with the
15 official registering agency pursuant to Section 19617.8, and shall
16 thereafter be distributed in accordance with Section 19617.8; in
17 the case of standardbreds, 0.4 percent shall be distributed for the
18 California Standardbred Sires Stakes Program pursuant to Section
19 19619; in the case of thoroughbreds, 0.48 percent shall be deposited
20 with the official registering agency pursuant to subdivision (a) of
21 Section 19617.2 and shall thereafter be distributed in accordance
22 with subdivisions (b), (c), and (d) of Section 19617.2; ~~and 0.033~~
23 ~~percent shall be distributed to the Center for Equine Health; and~~
24 ~~0.067 percent shall be distributed to the California Animal Health~~
25 ~~and Food Safety Laboratory, School of Veterinary Medicine,~~
26 ~~University of California at Davis. It is the intent of the Legislature~~
27 ~~that the 0.033 percent of funds distributed to the Center for Equine~~
28 ~~Health shall supplement, and not supplant, other funding sources.~~
29 (c) In addition to the distributions specified in subdivision (a)
30 and (b), for mixed breed meetings, 1 percent of the total amount
31 handled by each satellite wagering facility shall be distributed to
32 an organization described in Section 19608.2 for promotion of the
33 program at satellite wagering facilities. For harness meetings, 0.5
34 percent of the total amount handled by each satellite wagering
35 facility shall be distributed to an organization described in Section
36 19608.2 for the promotion of the program at satellite wagering
37 facilities, and 0.5 percent of the total amount handled by each
38 satellite wagering facility shall be distributed according to a written
39 agreement for each race meeting between the licensed racing
40 association and the organization representing the horsemen

1 participating in the meeting. If, with respect to harness meetings,
2 there are funds unexpended from this 1 percent, these funds may
3 be expended for other purposes with the consent of the horsemen
4 and the racing association to benefit the horsemen, or the racing
5 association, or both, pursuant to their agreement. For quarter horse
6 meetings, 0.5 percent of the total amount handled by each satellite
7 wagering facility on races run in California shall be distributed to
8 an organization described in Section 19608.2 for the promotion
9 of the program at satellite wagering facilities, 0.5 percent of the
10 total amount handled by each satellite wagering facility on
11 out-of-state and out-of-country imported races shall be distributed
12 to the official quarter horse registering agency for the purposes of
13 Section 19617.75, and 0.5 percent of the total amount handled by
14 each satellite wagering facility on all races shall be distributed
15 according to a written agreement for each race meeting between
16 the licensed racing association and the organization representing
17 the horsemen participating in the meeting.

18 (d) Additionally, for thoroughbred, harness, quarter horse, mixed
19 breed, and fair meetings, 0.33 percent of the total amount handled
20 by each satellite wagering facility shall be paid to the city or county
21 in which the satellite wagering facility is located pursuant to
22 Section 19610.3 or 19610.4.

23 (e) Notwithstanding any other provision of law, a racing
24 association is responsible for the payment of the state license fee
25 as required by this section.

26 SEC. 3. Section 19605.71 of the Business and Professions
27 Code is amended to read:

28 19605.71. ~~The total percentage amount~~ deducted from wagers
29 at satellite wagering facilities in the central and southern zone shall
30 ~~be the same as the percentage deducted from wagers at the~~
31 ~~racetrack where the racing meeting is being conducted and _____~~
32 ~~percent of the total amount of those wagers and~~ shall be distributed
33 ~~as set forth in this section. Amounts deducted by a satellite~~
34 ~~wagering facility under this section shall be distributed as follows:~~

35 (a) For thoroughbred meetings, 2 percent of the amount handled
36 by the satellite wagering facility on conventional and exotic wagers
37 shall be distributed to the racing association for payment to the
38 state as a license fee, ~~2~~ 3 percent shall be distributed to the satellite
39 wagering facility as a commission for the right to do business, as
40 a franchise, and this commission is not for the use of any real

1 property, 2.5 percent or the amount of actual operating expenses,
 2 as determined by the board, whichever is less, shall be distributed
 3 to an organization described in Section 19608.2, ~~and~~ 0.54 percent
 4 shall be deposited with the official registering agency pursuant to
 5 subdivision (a) of Section 19617.2 and shall thereafter be
 6 distributed in accordance with subdivisions (b), (c), and (d) of
 7 Section 19617.2, ~~and~~ 0.033 percent shall be distributed to the
 8 Center for Equine Health, and 0.067 percent shall be distributed
 9 to the California Animal Health and Food Safety Laboratory,
 10 School of Veterinary Medicine, University of California at Davis.
 11 It is the intent of the Legislature that the 0.033 percent of funds
 12 distributed to the Center for Equine Health shall supplement, and
 13 not supplant, other funding sources.

14 (b) For harness, quarter horse, Appaloosa, Arabian, or mixed
 15 breed meetings, 0.4 percent of the amount handled by the satellite
 16 wagering facility on conventional and exotic wagers shall be
 17 distributed to the racing association for payment to the state as a
 18 license fee, for fair meetings, 1 percent of the amount handled by
 19 the satellite wagering facility on conventional and exotic wagers
 20 shall be distributed to the racing association for payment to the
 21 state as a license fee, ~~2.3~~ 3 percent shall be distributed to the satellite
 22 wagering facility as a commission for the right to do business, as
 23 a franchise, and this commission is not for the use of any real
 24 property, and 6 percent of the amount handled by the satellite
 25 wagering facility or the amount of actual operating expenses, as
 26 determined by the board, whichever is less, *shall be* distributed to
 27 an organization described in Section 19608.2. In addition, in the
 28 case of quarter horses, 0.4 percent shall be deposited with the
 29 official registering agency pursuant to subdivision (b) of Section
 30 19617.7 and shall thereafter be distributed in accordance with
 31 subdivisions (c), (d), and (e) of Section 19617.7; in the case of
 32 Appaloosas, 0.4 percent shall be deposited with the official
 33 registering agency pursuant to subdivision (b) of Section 19617.9
 34 and shall thereafter be distributed in accordance with subdivisions
 35 (c), (d), and (e) of Section 19617.9; in the case of Arabians, 0.4
 36 percent shall be held by the association to be deposited with the
 37 official registering agency, pursuant to Section 19617.8, and
 38 thereafter shall be distributed in accordance with Section 19617.8;
 39 in the case of standardbreds, 0.4 percent shall be distributed for
 40 the California Standardbred Sires Stakes Program pursuant to

1 Section 19619; in the case of thoroughbreds, 0.48 percent shall be
2 deposited with the official registering agency pursuant to
3 subdivision (a) of Section 19617.2 and shall thereafter be
4 distributed in accordance with subdivisions (b), (c), and (d) of
5 Section 19617.2; ~~and~~ 0.033 percent shall be distributed to the
6 Center for Equine Health; and 0.067 percent shall be distributed
7 to the California Animal Health and Food Safety Laboratory,
8 School of Veterinary Medicine, University of California at Davis.
9 It is the intent of the Legislature that the 0.033 percent of funds
10 distributed to the Center for Equine Health shall supplement, and
11 not supplant, other funding sources.

12 (c) In addition, for Appaloosa and mixed breed meetings, 1
13 percent shall be distributed to an organization described in Section
14 19608.2 for promotion of the program at satellite wagering
15 facilities. Notwithstanding any other provision of law, on wagers
16 made in the Counties of Orange and Los Angeles on thoroughbred
17 races conducted in the County of Orange or Los Angeles, or both,
18 excluding the 50th District Agricultural Association, the amount
19 deducted for promotion of the satellite wagering program at
20 satellite wagering facilities shall be 0.5 percent. Any of the
21 promotion funds that are not distributed in the year in which they
22 are collected may be distributed in the following year. If promotion
23 funds distributed in any year exceed the amount collected for that
24 year, the funds distributed in the following year shall be reduced
25 by the excess amount. For harness meetings, 0.5 percent of the
26 total amount handled by each satellite wagering facility shall be
27 distributed to an organization described in Section 19608.2 for the
28 promotion of the program at satellite wagering facilities, and 0.5
29 percent of the total amount handled by each satellite wagering
30 facility shall be distributed according to a written agreement for
31 each race meeting between the licensed racing association and the
32 organization representing the horsemen participating in the
33 meeting. For quarter horse meetings, 0.5 percent of the total amount
34 handled by satellite wagering facility on races run in California
35 shall be distributed to an organization described in Section 19608.2
36 for the promotion of the program at satellite wagering facilities,
37 0.5 percent of the total amount handled by each satellite wagering
38 facility on out-of-state and out-of-country imported races shall be
39 distributed to the official quarter horse registering agency for the
40 purposes of Section 19617.75, and 0.5 percent of the total amount

1 handled by each satellite wagering facility on all races shall be
2 distributed according to a written agreement for each race meeting
3 between the licensed racing association and the organization
4 representing the horseman participating in the meeting.

5 (d) Additionally, for thoroughbred, harness, quarter horse, mixed
6 breed, and fair meetings, 0.33 percent of the total amount handled
7 by the satellite wagering facility shall be paid to the city or county
8 in which the satellite wagering facility is located pursuant to
9 Section 19610.3 or 19610.4.

10 (e) Notwithstanding any other provision of law, a racing
11 association is responsible for the payment of the state license fee
12 as required by this section.

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