CALIFORNIA HORSE RACING BOARD
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LEGISLATIVE, LEGAL AND REGULATIONS COMMITTEE MEETING

of the **California Horse Racing Board** will be held on **Wednesday, February 24, 2016**, commencing at **2:00 p.m.**, in the **Baldwin Terrace Room** at the **Santa Anita Park Race Track, 285 West Huntington Drive, Arcadia,** California. Non-committee Board members attending the committee meeting may not participate in the public discussion, official committee vote, or committee closed session.

Agenda

Action Items

1. Discussion regarding **an update on the status of the micro-chip pilot project.**

2. Discussion and action regarding **the proposed addition of and amendment to CHRB rules to require micro-chipping of all registered racing horses in California.**

3. Report and discussion **concerning unauthorized match racing in California.**

4. Report and discussion regarding **2016 horse racing legislation.**

5. **General Business:** Communications, reports, requests for future actions of the Committee.

Additional information regarding this meeting may be obtained from Jacqueline Wagner at the CHRB Administrative Office, 1010 Hurley Way, Suite 300, Sacramento, CA 95825; telephone (916) 263-6000; fax (916) 263-6042. A copy of this notice can be located on the CHRB website at www.chrb.ca.gov. *Information for requesting disability related accommodation for persons with a disability who require aids or services in order to participate in this public meeting, should contact Jacqueline Wagner.

LEGISLATIVE, LEGAL AND REGULATIONS COMMITTEE
Commissioner Jesse H. Choper, Chairman
Vice Chairman Richard Rosenberg, Member
Rick Baedeker, Executive Director
Jacqueline Wagner, Assistant Executive Director

STAFF ANALYSIS

MICROCHIP PILOT PROJECT STATUS

Committee Meeting
February 24, 2016

BACKGROUND

In late 2014, the CHRB announced the initiation of the Microchip Pilot Project. The objectives of the project are to enhance racehorse identification with state-of-the-art microchip technology and to develop an accurate process for regular inventory reporting and horse movement tracking at all licensed racetrack and training facilities.

The CHRB is collaborating with The Jockey Club's InCompass Solutions and the California Department of Food and Agriculture (CDFA) on the Microchip Pilot project. InCompass has developed a microchip module for its Racetrack Operations (RTO) software. The CDFA is participating because it is responsible for Equine Disease Control Response and Management in California.

Radio-frequency Identification (RFID) Microchips contain a passive transponder programmed with a unique ISO-compliant number. A veterinarian implants the microchip using a specially designed single-use syringe. Once in place, these microchips can be read by any ISO-compliant scanner. The scanner is passed over the neck of the horse and reads the microchip. The scanner transmits the information to a hand-held tablet computer that is connected via the internet to the InCompass Solutions software. The information is automatically uploaded to InCompass in less than one minute, eliminating the need for labor-intensive paperwork. Subsequently, the data can be analyzed by the racing office for a single facility or to track movement specific to a particular horse. Implementation of this system approach will ensure consistent and accurate identification, inventory assessment and movement tracking at all of our racing and training facilities.

ANALYSIS

InCompass Solutions has completed development of the microchip module for the Racetrack Operations software. The CHRB has acquired scanner and tablet computer hardware that is necessary to transmit the microchip data to InCompass Solutions. The CHRB has tested the software and uploaded microchip records to the InCompass software.

The CHRB has initiated Pilot Project operations at the Golden Gate Fields and Alameda County Fairgrounds racetracks. This approach is being taken for three reasons. First, these two racetracks are located in Northern California close to CHRB headquarters in Sacramento. Second, there are relatively small horse populations at these two tracks that make it more cost effective to fully implement and test the new operating system. Lastly, these two racetracks have significant back-and-forth shipping that will be used to verify the utility and accuracy of the horse movement tracking process. Both racetracks have been instrumental in defining operating requirements and have provided consistent support for the pilot project.

The CHRB has purchased 1200 microchips for use at Golden Gate Fields and 500 microchips for use at the Alameda County Fairgrounds. The CHRB has micro-chipped 369 horses to date and there are zero reports of complications. It is the CHRB's goal to microchip all of the horses at these two facilities. Pilot demonstration of the InCompass software will be initiated before the end of 2015. The outcomes and lessons learned from the pilot project will resolve how to best implement a statewide microchip requirement.

In August of this year, The Jockey Club announced that, starting in 2017, microchips will become a requirement for the registration of all foals. A microchip will be provided by The Jockey Club with all registration application kits. Additionally, in 2016 owners will have the option to request free microchips with registration application kits when they report the birth of a live foal. As a result, some 2016 foals with microchips will arrive at California racing and training facilities as soon as 2018.

Staff has performed an analysis of the project timeline that would be required to have a fully functioning microchip program in place prior to 2018. A tested and verified system would allow the seamless inclusion of the 2018 two-year olds into the microchip operating system. The critical schedule gates are summarized below:

-Complete the Pilot Program by mid 2016.

-Micro-chip regulation in place by the beginning of 2017.

-All horses in training micro-chipped by the end of 2017.

-Hardware implementation and software training complete at all facilities by the end of 2017.

A draft set of regulations has been prepared by staff counsel and is submitted to the committee for discussion.

RECOMMENDATION

This item is presented to the Committee for discussion and action.

STAFF ANALYSIS
DISCUSSION AND ACTION REGARDING THE PROPOSED ADDITION OF AND AMENDMENT TO CHRB RULES TO REQUIRE MICRO-CHIPPING OF ALL REGISTERED RACING HORSES IN CALIFORNIA

Legislative, Legal, and Regulations Committee Meeting
February 24, 2016

BACKGROUND

Since 2014, the CHRB has been operating a Microchip Pilot Project in Northern California at the Golden Gate Fields and Alameda County Fairgrounds racetracks. The purpose of the Pilot Project has been to test all operational aspects of a horse identification system that utilizes state-of-the-art microchip technology to implement an accurate process for regular inventory reporting and horse movement tracking at all licensed racetrack and training facilities in California. As the Pilot Project nears completion, the next step in the initiative is for the Board to enact regulations that require all racing horses in California be implanted with an identifying microchip. The major goals of such an initiative are to track horse movement in and out of licensed California Horse Racing Board (CHRB) inclosures, improve identification capabilities, and prevent breakouts of infectious diseases.

Concurrent to this initiative, The Jockey Club has recently announced that, beginning in 2017, microchips will be required for the registration of all thoroughbred foals. Starting in 2016, however, owners will already have the option to request free microchips with registration application kits when they report the birth of a live foal. Accordingly, this means that some 2016 foals with microchips will arrive at California racing and training facilities as early as 2018.

Business and Professions Code section 19440 provides that the California Horse Racing Board shall have all powers necessary and proper to enable it to carry out the purposes of this Chapter, which includes adopting rules and regulations for the protection of the public and the control of horse racing and parimutuel wagering. Rule 1597, Association to Maintain Records of Horses on Its Grounds, requires that all licensed associations maintain a record of horses admitted into their inclosure, and that each entry and exit by a horse be recorded within 48 hours of said occurrence. Rule 1853, Examination Required, states that the horse identifier shall examine each horse to identify such horse from the Board's identification record and the photographs, record of pedigree, tattoo or brand number and such other points of identification as may be available.

ANALYSIS

With the Pilot Project well under way, and the fast approaching arrival of The Jockey Club's first microchipped thoroughbreds, staff has determined that it is an appropriate time to commence the rulemaking process if the Board wishes to enact regulations that will require microchips in all horses racing in California by the end of 2017. Accordingly, staff has prepared a series of proposed rule additions and amendments that it believes would adequately carry out such a requirement.

The first regulation that will need to be amended is Rule 1554, Duties of Horse Identifier.

Because one of the major goals of a microchip requirement is to advance horse identification capabilities, revision of the Horse Identifier's duties is an essential component of this effort. Essentially, the amendment would require that the Horse Identifier supervise the microchipping implantation process in the same way he or she does the tattooing process. It also would require that the Horse Identifier be responsible for verifying the microchip number that is assigned to the horse, and finally, that they scan all horses about to race to verify their identities prior to departure for the post.

The next regulation that will need to be amended is Rule 1588, Horse Ineligible to Start in a Race. This amendment would make any horse that does not carry a microchip, or has not received a valid waiver from the Board of Stewards, ineligible to start in a race. Ultimately, this amendment is necessary to carry out the enforcement component of the microchip requirement. By making a validly implanted microchip a requirement for eligibility to start in a race, the CHRB can assure that no horse is able to evade other aspects of the microchip requirements and still run in a race.

Next, Rule 1597, Association to Maintain Records of Horses on Its Grounds, will also need to be amended. Specifically, the amendment would require that records maintained of each horse include microchip numbers, and that accurate inventories of all horses on the grounds of each inclosure be maintained by the racing secretary in a manner prescribed by the Board.

The cornerstone of these regulatory changes will be the addition of Rule 1597.5, Microchips Required for All Horses on Grounds. This rule would require that all horses present within the inclosure carry an identifying microchip, unless they are granted a waiver by the Board of Stewards to participate in a single stakes race at that racetrack. For horses not yet microchipped and not granted a waiver, the rule would also create a process for bringing such horses into the inclosure and having them implanted with an identifying microchip within 72 hours of their arrival, and under the supervision of the Board of Stewards. The rule would further require that no horse be entered into a race without an identifying microchip or valid waiver, and that any entered horse found not to have a microchip or waiver be scratched.

Finally, there will be the addition of Rule 1597.6, Tampering with Microchips. This rule simply states that "No person shall tamper with, remove, or replace a microchip implanted in a horse without approval from the Board." The rule is intended as a safeguard against unauthorized changes to a horse's assigned microchip so that inventory and identification functions are not corrupted by such tampering. Accordingly, the Board would be able to fine and/or suspend any licensee that violates the rule.

Please note that these proposed regulations are only meant to serve as an initial draft for discussion and consideration. CHRB staff welcomes committee and stakeholder input for enhancing these proposed regulations to best serve the goals of the microchip program.

RECOMMENDATION

This item is presented to the Committee for discussion and action.

1554. Duties of Horse Identifier.

The horse identifier shall make an inspection of each horse prior to its departure for the post, and scan each horse to verify the horse's microchip number. He or she shall immediately report to the stewards and the paddock judge any horse which is not properly identified, or has any irregularities from the official identification record of the Board, or does not carry a microchip as required by Rule 1597.5. The horse identifier shall inspect, identify, and prepare identification records and photographs of all horses within the inclosure not previously identified in California, as well as verify the microchip number assigned to a horse under the provisions of Rule 1597.5. He or she shall inspect documents of ownership, eligibility, registration, or breeding, as may be necessary to insure proper identification of each horse eligible to compete at the race meeting. He or she shall supervise and verify the tattooing, microchipping or branding for identification of any horse within the inclosure.

1581.1. Entries.

No person shall enter or attempt to enter a horse for a race unless such entry is a bonafide entry made with the intention that such horse is to compete in the race for which entry is made.

(a) No horse having been drawn for a post position for any race to be run shall be entered for any subsequent race, other than for a stakes race, until or unless excused by the stewards from the race in which drawn for valid reason or until the race in which it has drawn has been run.

(b) No person shall attempt to enter or enter any horse for a race unless such person is authorized to do so in accordance with the rules.

(c) Every horse drawn in for a post position in a race shall have a jockey or driver named to ride or to drive such horse before the draw is finalized and no jockey or driver shall be named to ride or to drive more than one such drawn horse in each race.

(d) No horse shall be entered for a race that does not carry a microchip, or has not received a waiver from the stewards, in compliance with Rule 1597.5.

1588. Horse Ineligible to Start in a Race.

In addition to any other valid ground or reason, a horse is ineligible to start in any race:

(a) if such horse is not registered by the Jockey Club if a thoroughbred, the United States Trotting Association if a standardbred, the American Quarter Horse Association if a quarter horse, the Appaloosa Horse Club if an appaloosa horse, the Arabian Horse Registry of America if an Arabian horse, or the American Paint Horse Association if a paint horse;

(b) if the parentage verification to both the sire and the dam of all horses foaled in 1992 and thereafter has not been certified by the Jockey Club if a thoroughbred, the United States Trotting Association if a standardbred, the American Quarter Horse Association if a quarter horse, the Appaloosa Horse Club if an appaloosa horse, the Arabian Horse Registry of America if an Arabian horse, or the American Paint Horse Association if a paint horse;

(c) if, unless the stewards permit otherwise, the certificate of foal registration, eligibility papers, or other registration issued by the official registry for such horse is not on file with the racing secretary at the time of entry;

(d) if such horse has been entered or raced at any recognized race meeting under any name or designation other than the name or designation duly assigned by and registered with the official registry;

(e) if the certificate of foal registration, eligibility papers or other registration issued by the official registry has been altered, erased, or forged;

(f) if the identification markings of the horse do not agree with the identification markings as set forth in the registration of such horse;

(g) unless he is eligible to enter said race and is duly entered for such race;

(h) when such horse is owned in whole or in part by an unlicensed person or is in the care of an unlicensed trainer;

(i) when such horse is on the Steward's List, the Starter's List or the Veterinarian's List;

(j) when, except with prior approval of the stewards for good cause, such horse is on the Veterinarian's List in another racing jurisdiction. Good cause includes:

(1) unforeseen administrative issues in removing the horse from the Veterinarian's List of another racing jurisdiction;

(2) the location of the horse prevents it from being evaluated by the official veterinarian of another racing jurisdiction and cleared from that jurisdiction's Veterinarian's List, and the horse is approved to race by a California official veterinarian; or

(3) any other unforeseen event or reason that would prevent a horse that would otherwise not be on a Veterinarian's List from being cleared from the Veterinarian's List of another racing jurisdiction.

(k) when, except with prior approval of the stewards, such horse has not been on the grounds of the association or its approved auxiliary stable area for at least 24 hours prior to the time the race is to be run.

(l) when such horse does not carry a microchip or has not received a waiver from the stewards in accordance with Rule 1597.5.

1597. Association to Maintain Records of Horses on Its Grounds.

The association, fair, or authorized training facility shall maintain a ~~list or~~ current record, in a manner authorized by the Board, of all horses admitted to its grounds ~~for racing~~ by name and by microchip number in compliance with Rule 1597.5, and such ~~list or~~ record shall also contain the

name of the owner or owners of such horses, and the name of the trainers having care of such horses. The racing secretary shall maintain these records in a manner authorized by the Board and record the entry to and exit from the inclosure of every horse within 48 hours of each occurrence. The racing secretary shall utilize these records to accurately report the horse inventory for the associations, fairs, or training centers that they oversee when requested by the stewards or the Board. ~~Such list or record shall be available for inspection by the stewards or the Board. Additions and deletions of horses entering or leaving the grounds shall be made to such list or records within 48 hours of the entering or leaving of a horse.~~

1597.5. Microchips Required for All Horses on Grounds

All horses present within the inclosure of a licensed association, fair, or training facility shall carry an identifying microchip that has been implanted as directed or approved by the Board. For purposes of this section, an "identifying microchip" is any passive radio-frequency identification device whose make and model has been approved by the Board.

(a) The trainer and/or owner of a horse that comes into the inclosure of a licensed association, fair, or training facility without a microchip shall:

(1) Immediately notify the stable superintendant and the racing secretary of the association that the horse does not carry a microchip;

(2) Complete CHRB Form XX, Microchip Request (New 01/16), and submit to the official veterinarian and/or the Board of Stewards;

(3) Post CHRB Form XX, Horse Not Microchipped (new 01/16), on the individual stall that the horse is stabled in until the horse has successfully been implanted with an identifying microchip;

(4) Have the horse implanted with an identifying microchip within 72 hours of arriving on the association, fair, or training facility grounds in accordance with subsection (d);

(5) If the horse has not received a microchip after 72 hours from the time of arrival, remove the horse from the grounds of the association, fair, or training facility unless an extension is granted by the Board of Stewards.

(b) A trainer may apply to the Board of Stewards for a waiver from the microchip requirements in this section when shipping a horse in from another racing jurisdiction for the purpose of the horse's participation in a single stakes race. The request for a waiver shall be made on CHRB Form XX, and should be submitted to the stewards at least 24 hours before the horse is to arrive on the grounds. If a waiver is granted, the trainer shall post CHRB Form XX, Horse Not Microchipped (new 01/16), on the individual stall that the horse is stabled in until the horse is removed from the grounds of the association, fair, or training facility. All waivers will expire 72 hours after the running of a race.

(c) A horse that has not been implanted with an identifying microchip as directed and approved by the Board, or has not been granted a waiver in accordance with subsection (b), shall not be eligible to enter a race or participate in a race.

(1) The racing secretary shall not accept an entry to any race if it cannot be verified that the horse carries a microchip and that the horse's location is accurately assigned in the records he or she maintains as authorized by the Board.

(2) Prior to every race, the horse identifier shall, in addition to all other duties, scan each entered horse and verify the horse's microchip number. If the horse does not have a microchip number and there is no approved waiver in the racing office, the horse shall be scratched.

(d) Anytime a horse is implanted with an identifying microchip while in the inclosure of a licensed association, fair, or training facility, the following procedures shall be followed:

(1) The Board of Stewards will assign the microchip number for each horse to be implanted.

(2) The microchip shall be implanted by a licensed veterinarian or veterinary technician authorized by the official veterinarian while under the supervision of the horse identifier and a steward.

(3) The licensed owner of the horse shall be responsible for any veterinary service fees for implantation of the microchip.

(4) The horse identifier, in collaboration with the Board of Stewards, shall verify the individual microchip identification number assigned to the horse. The Board of Stewards will record the individual horse microchip identification number in a format that is authorized by the Board. Records of the microchip identification numbers shall be maintained by the racing secretary in a manner prescribed by the Board.

1597.6. Tampering with Microchips

No person shall tamper with, remove, or replace a microchip implanted in a horse without approval from the Board.

STAFF ANALYSIS
REPORT AND DISCUSSION CONCERNING
UNAUTHORIZED MATCH RACING IN CALIFORNIA

Legislative, Legal, and Regulations Committee Meeting
February 24, 2016

ISSUE

For several years now, the California Horse Racing Board (CHRB) has been aware of unlicensed horse races being carried out at private ranches throughout the state. While it is not unlawful to race horses privately and without a CHRB license, it is illegal to accept or facilitate wagers on such races. Known commonly as "match racing," CHRB staff believes and understands that such unlawful horse races are being held regularly throughout California.

BACKGROUND

Business & Professions Code section 19660 states that it is a misdemeanor to directly or indirectly hold or conduct an unlicensed horse race meeting where there is any form of wagering on the results. Business & Professions Code section 19560 further mandates that "No person shall, without complying with this chapter, hold or conduct, or assist, aid, or abet in holding or conducting, any meeting in this State where there is horse racing with wagering on its results." Though similar to 19660, 19560 has broader application in that it reaches any person who assists, aids, or abets an unlicensed/illegal horse race. Therefore, any jockeys, trainers, or other persons who are somehow helping carry out an unlawful horse race are breaking this law. Business and Professions Code section 19661 explains that any violation of any provision of the Horse Racing Law that does not carry an explicit penalty shall be a misdemeanor, and additionally, the Board may impose up to a $100,000 fine. Finally, subsection (j) of Rule 1489, Grounds for Denial or Refusal of License, states that the Board may deny (or revoke or suspend via Rule 1900) a license to anyone who violates, aides, abets or conspires to violate any provision of the Horse Racing Law.

ANALYSIS

For several years now, the California Horse Racing Board (CHRB) has been aware of unlicensed horse races being carried out at private ranches throughout the state. While it is not unlawful to race horses privately and without a CHRB license, it is illegal to accept or facilitate wagers on such races. Through various rumors, tips, and reports from local law enforcement agencies, the CHRB is aware of at least two ranches in southern California that regularly host private horse races with wagering on their results in violation of the Business & Professions Code.

One of these ranches is known as Mirage Downs, and is located in El Mirage, CA. The other is called Rancho Los Alamos, and is located in Hesperia, CA. CHRB staff has also heard of numerous other unlawful horse races being conducted in California's Central Valley, but specific locations are not known at this time. Local law enforcement agencies that have investigated

several of these operations have received numerous complaints about criminal activity at these locations, and some are rumored to have various cartel connections.

Despite having this information, the CHRB has had little opportunity for recourse against these operations due to the lack of support from local law enforcement agencies. Because violations of the Horse Racing Law amount to only a misdemeanor, most law enforcement agencies and District Attorneys Offices have shown little interest in pursuing such violations.

Nevertheless, our enforcement staff is aware that a number of participants in these illegal horse races are CHRB licensees. At Los Alamitos alone, CHRB investigators have identified approximately thirty jockeys, trainers, and owners that are known to participate in the unlicensed race meetings. While any amount of actual participation amounts to a violation of the Horse Racing Law and Regulations, the major impediment in prosecuting these individuals administratively has been proving that betting was conducted on the results of the unlicensed race.

Essentially, in order to prove a violation of the Horse Racing Law, the CHRB would need to establish the following:

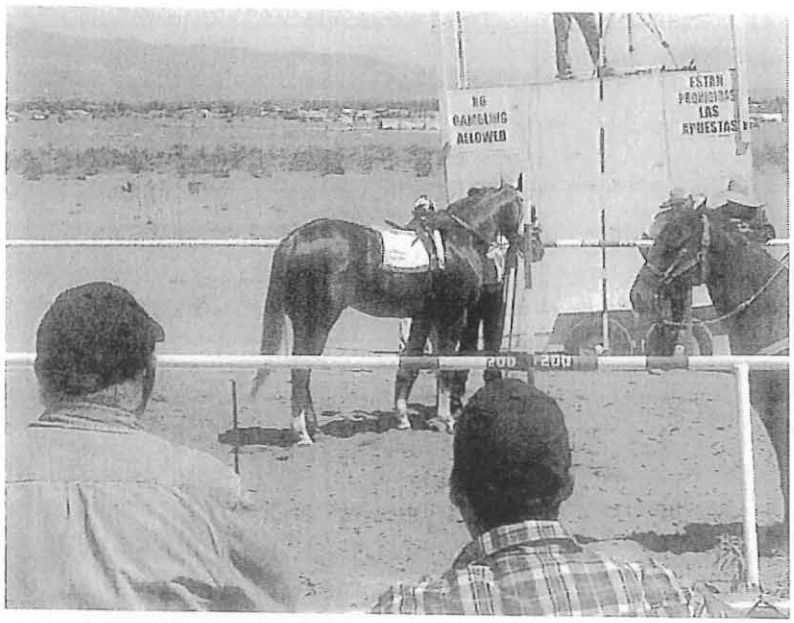
1. The horse race did not comply with Horse Racing Law (best proven by showing no license was given to hold a meet);
2. Wagering was being conducted on the results of the race; and
3. The licensee somehow assisted with carrying out the race.

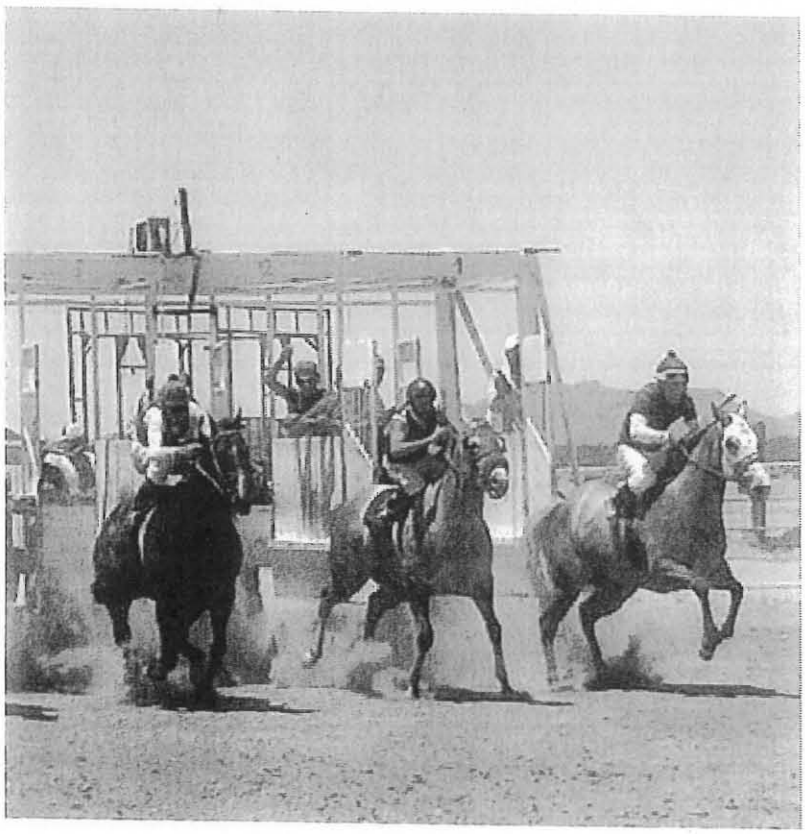
Due to the fact that enforcement staff does not have the ability to personally investigate these unlawful race meets, it has been difficult to gather sufficient evidence to file Complaints against any participating licensees. Nevertheless, the CHRB continues to monitor these individuals, and will not hesitate to prosecute any licensees proven to have assisted in carrying out these unlawful horse races.

RECOMMENDATION

This item is presented to the Committee for discussion.

Mirage Downs June 20, 2015





STAFF ANALYSIS
REPORT AND DISCUSSION REGARDING 2016 HORSE RACING LEGISLATION.

Legislative, Legal, and Regulations Committee Meeting
February 24, 2016

CURRENT LEGISLATION

AB 364 (Gipson) advance deposit wagering.

- The Horse Racing Law requires that specified amounts distributed under advance deposit wagering provisions be proportionally reduced by an amount equal to 0.00295 multiplied by the amount handled on advance deposit wagers originating in California for each racing meeting, except for harness racing meetings, provided that the amount of this reduction not exceed $2,000,000. That law requires that 50% of the amount of this reduction be distributed to the California Horse Racing Board to establish and to administer a defined contribution retirement plan for California-licensed jockeys. 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.
- This bill is presently before the Senate Committee on Governmental Organization.

AB 558 (Low) Horse racing: nonthoroughbred races.

- The Horse Racing Law generally requires that any license granted to an association other than a fair is only for one type of racing, thoroughbred, harness, or quarter horse racing, as the case may be, except that the California Horse Racing Board may authorize the entering of thoroughbred and Appaloosa horses in quarter horse races at a distance not exceeding 5 furlongs at quarter horse meetings, mixed breed meetings, and fair meetings under specified conditions. That law, notwithstanding these provisions, empowers the board to authorize mixed breed racing that sanctions, among other things, either an association to conduct a quarter horse meeting to include Appaloosa races and Arabian races with the consent of the quarter horse horsemen's organization or a race between a quarter horse and a thoroughbred horse at a thoroughbred meeting with the consent of the thoroughbred horsemen's organization, if each contracts with the association with respect to the conduct of the racing meeting. This bill would empower the board to authorize an association licensed to conduct a thoroughbred race meeting to include up to 6 nonthoroughbred races per calendar year with the consent of the organization representing thoroughbred horsemen and horsewomen, provided, however, that a nonthoroughbred race shall not be held when a fair in the northern zone is conducting a race meeting without that fair's consent. Amounts deducted and distributed pursuant to the Horse Racing Law from wagering on nonthoroughbred races authorized pursuant to these provisions would be required to be deducted and distributed as if the wagers were placed on a thoroughbred race.
- This bill was amended to its current form on February 10, 2016, and has been re-referred to the Senate Rule Committee.

AB 650 (Perea) Horse racing: thoroughbred racing: northern zone: auxiliary offsite stabling, training, and vanning.

- The Horse Racing Law requires, when satellite wagering is conducted on thoroughbred races at associations or fairs in the northern zone, that an amount not to exceed 1.25% of the total amount handled by all of those satellite wagering facilities be deducted from the funds otherwise allocated for distribution as commissions, purses, and owners' premiums and instead distributed to an organization formed and operated by thoroughbred racing associations, fairs conducting thoroughbred racing, and the organization representing thoroughbred horsemen, to administer a fund to provide reimbursement for offsite stabling at California Horse Racing Board-approved auxiliary training facilities for additional stalls beyond the number of usable stalls the association or fair is required to make available and maintain, and for the vanning of starters from these additional stalls on racing days for thoroughbred horses. This bill would increase the amount that is required to be deducted to an amount not to exceed 2% and would provide that this amount, if adjusted by the board, may be a different percentage of the handle for different associations and fairs but only if all the associations and fairs agree to the differing percentages. The bill would establish an auxiliary offsite stabling and training facility and vanning program for thoroughbred races in the northern zone. The bill would revise and recast the provisions governing the organization formed and operated to administer the fund to include, among other things, a 50-50 percentage allocation of specified voting interests on the board of the organization, the use of funds to pay the organization's expenses and compensate the provider of a board-approved auxiliary facility for offsite stabling and training of thoroughbred horses in the northern zone, and the requirement that the organization submit its proposed financial and operational plans for the upcoming calendar year to the board for review no later than November 1 of the preceding year.
- This bill has been re-referred to the Senate Rules Committee.
- This bill is being supported by California Authority of Racing Fairs.

AB 1437 (Gray) Gambling: Internet Fantasy Sports Game Protection Act.

- This bill would enact the Internet Fantasy Sports Games Consumer Protection Act, which would require a person or entity to apply for, and receive, a license from the Department of Justice prior to offering an Internet fantasy sports game for play in California. The bill would require the department to issue a license to a person or entity that applies for a license if the person or entity satisfies specified requirements, including, among others, that the applicant is of good character, honesty, and integrity. The bill would also require a person to register with a "licensed operator" prior to participating in an "Internet fantasy sports game" on an "authorized Internet Web site," as those terms are defined.
- This bill is presently before the Senate Rules Committee.
- Staff has identified several concerns with this bill. Specifically, there is concern that as currently drafted, this bill would permit "licensed operators" to offer fantasy horse racing games without requiring such operators to be licensed by the CHRB.

AB 1573 (Gray) Gambling: sports wagering.

- This bill would enact the California Interactive Sports Wagering Consumer Protection Act, which would authorize the owner or operator of a card room that holds a state gambling license, a racing association or racing fair with a current license, or a federally

recognized California Indian tribe that operates a gaming facility pursuant to a facility license issued in accordance with a tribal gaming ordinance, to accept and facilitate wagering on a sports event, as defined, by any legal system or method of wagering, including, but not limited to, exchange wagering, parlays, over-under, moneyline, and straight bets, by applying to the Department of Justice for a license and authorization to conduct sports wagering, as defined.

- This bill is presently before the Assembly Committee on Governmental Organization.

AB 1786 (Cooley) Horse racing: the California Standardbred Sires Stakes Program.

- This bill was just introduced on February 4, 2016, and would expand eligibility for the California Standardbred Sires Stakes Program to include the offspring of registered standardbred stallions standing in Iowa, Wisconsin, Minnesota, Michigan, or Maine, or the Province of Alberta, Canada, as opposed to only those from California. The bill would also remove the requirements that races be divided into colt and filly divisions, and would standardize the purse distribution for races in the program regardless of the number of starters.
- This bill may be heard in its first committee starting March 6, 2016.

SB 905 (Berryhill) Horse racing: California Horse Racing Board.

- The Horse Racing Law provides that no member of the California Horse Racing Board is disqualified from receiving a share of any purse awarded him as the result of any horse race as an owner of a horse or as a breeder of a California-bred horse. This bill would make nonsubstantive changes to that provision.
- This is a spot bill that is presently before the Senate Rules Committee.

AMENDED IN SENATE AUGUST 27, 2015

AMENDED IN ASSEMBLY APRIL 30, 2015

CALIFORNIA LEGISLATURE—2015–16 REGULAR SESSION

ASSEMBLY BILL No. 364

Introduced by Assembly Member Gipson

February 17, 2015

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

LEGISLATIVE COUNSEL'S DIGEST

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

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

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

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

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

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

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

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

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

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

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

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

(i) Amounts distributed under this section shall 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 shall not exceed two million dollars ($2,000,000). The method used to calculate the reduction in proportionate share shall be approved by the board. The amount deducted shall be distributed as follows:

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

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

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

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

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

AMENDED IN SENATE FEBRUARY 10, 2016

AMENDED IN ASSEMBLY MARCH 26, 2015

CALIFORNIA LEGISLATURE—2015–16 REGULAR SESSION

ASSEMBLY BILL No. 558

Introduced by Assembly Member Low

February 23, 2015

~~An act to amend Sections 12102.2, 12104, and 12104.5 of the Public Contract Code, relating to public contracts.~~ *An act to amend Section 19533.5 of the Business and Professions Code, relating to horse racing, and declaring the urgency thereof, to take effect immediately.*

LEGISLATIVE COUNSEL'S DIGEST

AB 558, as amended, Low. ~~Public contracts: state contracts: information technology goods and services.~~ *Horse racing: nonthoroughbred races.*

(1) The Horse Racing Law generally requires that any license granted to an association other than a fair is only for one type of racing, thoroughbred, harness, or quarter horse racing, as the case may be, except that the California Horse Racing Board may authorize the entering of thoroughbred and Appaloosa horses in quarter horse races at a distance not exceeding 5 furlongs at quarter horse meetings, mixed breed meetings, and fair meetings under specified conditions. That law, notwithstanding these provisions, empowers the board to authorize mixed breed racing that sanctions, among other things, either an association to conduct a quarter horse meeting to include Appaloosa races and Arabian races with the consent of the quarter horse horsemen's organization or a race between a quarter horse and a thoroughbred horse at a thoroughbred meeting with the consent of the

thoroughbred horsemen's organization, if each contracts with the association with respect to the conduct of the racing meeting.

This bill would empower the board to authorize an association licensed to conduct a thoroughbred race meeting to include up to 6 nonthoroughbred races per calendar year with the consent of the organization representing thoroughbred horsemen and horsewomen, provided, however, that a nonthoroughbred race shall not be held when a fair in the northern zone is conducting a race meeting without that fair's consent. Amounts deducted and distributed pursuant to the Horse Racing Law from wagering on nonthoroughbred races authorized pursuant to these provisions would be required to be deducted and distributed as if the wagers were placed on a thoroughbred race. By expanding the provisions of the Horse Racing Law, a violation of which is a crime, the bill would create new crimes and would thereby impose a state-mandated local program.

(2) The California Constitution requires the state to reimburse local agencies and school districts for certain costs mandated by the state. Statutory provisions establish procedures for making that reimbursement.

This bill would provide that no reimbursement is required by this act for a specified reason.

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

~~Existing law authorizes the Department of General Services and the Department of Technology to adopt rules and regulations as are necessary to govern the acquisition and disposal of information technology goods and services. Existing law requires contract awards for all large-scale systems integration projects to be based on the proposal that provides the most value-effective solutions to the state's requirements, as specified, and requires evaluation criteria for the acquisition of information technology goods and services, including systems integration, to provide for the selection of a contractor on an objective basis not limited to cost alone. Existing law requires the Department of Technology to invite active participation, review, advice, comment, and assistance from the private sector and state agencies in developing procedures to streamline and make the acquisition process more efficient, and requires solicitations for acquisitions based on evaluation criteria other than cost alone to provide that sealed cost proposals be submitted.~~

~~This bill would require the Department of Technology, in developing procedures to streamline and make the acquisition process more efficient, to require the acquisition methodology to use electronic means, whenever possible, to reduce paper submissions and allow for electronic submission of bids and proposals. This bill would also require solicitations for acquisitions based on evaluation criteria other than cost alone to provide that electronic cost proposals be submitted whenever possible.~~

~~Existing law requires the Department of General Services and the Department of Technology to develop, implement, and maintain standardized methods for the development of all information technology requests for proposals.~~

~~This bill would require the standardized methods to include, whenever possible, electronic formats for electronic bid solicitation and electronic receipt of bid proposals.~~

~~Existing law requires all rules and requirements and any changes to the rules and requirements governing an information technology acquisition, for which the Department of General Services or the Department of Technology determines that a request for proposal is appropriate, to be communicated in writing to all vendors that have expressed an intent to bid and to be posted in a public location.~~

~~This bill would require all rules and requirements and any changes to the rules and requirements to be communicated electronically and to be posted on the Internet Web site of the Department of General Services and the Department of Technology whenever possible.~~

Vote: ~~majority~~ $^2/_3$. Appropriation: no. Fiscal committee: yes. State-mandated local program: ~~no~~ *yes*.

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

1 *SECTION 1. Section 19533.5 of the Business and Professions*
2 *Code is amended to read:*
3 19533.5. (a) Notwithstanding Section 19533, the board may
4 authorize the following mixed breed racing:
5 (1) An association licensed to conduct a quarter horse meeting
6 to include Appaloosa races and Arabian races with the consent of
7 the quarter horse horsemen's organization contracting with the
8 association with respect to the conduct of the racing meeting.
9 (2) A race between a quarter horse and a thoroughbred horse at
10 a thoroughbred meeting with the consent of the thoroughbred

horsemen's organization contracting with the association with respect to the conduct of the racing meeting.

(b) Notwithstanding Section 19533, an association licensed to conduct quarter horse racing or a fair may conduct races that include paint horses racing with quarter horses or Appaloosa horses in the same race. When paint horses race with quarter horses, the consent of the organization that represents quarter horse horsemen and horsewomen shall first be obtained. A quarter horse association may write a race for paint horses only to replace an Appaloosa or Arabian race without increasing the average number of races run per race day with the consent of the organization representing the quarter ~~horse men~~ *horsemen* and ~~women.~~ *horsewomen.*

(c) A quarter horse race with seven or more entries shall not be replaced by a race that includes paint horses, without the consent of the organization that represents quarter horse horsemen and horsewomen.

(d) Notwithstanding any other ~~provision of~~ law, ~~any~~ *a* quarter horse racing association or fair conducting barrel racing, paint horse racing, show jump racing, or steeplechase racing shall pay to the quarter horsemen's organization the amount specified in Section 19613 for purposes of representing the horsemen and horsewomen conducting these races.

(e) Notwithstanding Section 19533, the board may authorize an association licensed to conduct a thoroughbred race meeting to include up to six nonthoroughbred races per calendar year with the consent of the organization representing thoroughbred horsemen and horsewomen, provided, however, that a nonthoroughbred race shall not be held when a fair in the northern zone is conducting a race meeting without that fair's consent. Amounts deducted and distributed pursuant to this chapter from wagering on nonthoroughbred races authorized pursuant to this section shall be deducted and distributed as if the wagers were placed on a thoroughbred race.

SEC. 2. No reimbursement is required by this act pursuant to Section 6 of Article XIII B of the California Constitution because the only costs that may be incurred by a local agency or school district will be incurred because this act creates a new crime or infraction, eliminates a crime or infraction, or changes the penalty for a crime or infraction, within the meaning of Section 17556 of the Government Code, or changes the definition of a crime within

the meaning of Section 6 of Article XIII B of the California Constitution.

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

In order to ensure that the horse racing industry may continue to offer the highest level of racing possible and promote horse racing in California, it is necessary that this act take effect immediately.

~~SECTION 1. Section 12102.2 of the Public Contract Code is amended to read:~~

~~12102.2. (a) Contract awards for all large-scale systems integration projects shall be based on the proposal that provides the most value-effective solution to the state's requirements, as determined by the evaluation criteria contained in the solicitation document. Evaluation criteria for the acquisition of information technology goods and services, including systems integration, shall provide for the selection of a contractor on an objective basis not limited to cost alone.~~

~~(1) The Department of Technology shall invite active participation, review, advice, comment, and assistance from the private sector and state agencies in developing procedures to streamline and to make the acquisition process more efficient, including, but not limited to, consideration of comprehensive statements in the request for proposals of the business needs and governmental functions, access to studies, planning documents, feasibility study reports and draft requests for proposals applicable to solicitations, minimizing the time and cost of the proposal submittal and selection process, and development of a procedure for submission and evaluation of a single proposal rather than multiple proposals. The acquisition methodology shall use electronic means, whenever possible, to reduce paper submissions and allow for electronic submission of bids and proposals.~~

~~(2) Solicitations for acquisitions based on evaluation criteria other than cost alone shall provide that sealed cost proposals or, whenever possible, electronic cost proposals, shall be submitted and that they shall be opened at a time and place designated in the solicitation for bids and proposals. Evaluation of all criteria, other than cost, shall be completed prior to the time designated for public~~

AMENDED IN SENATE SEPTEMBER 4, 2015

CALIFORNIA LEGISLATURE—2015–16 REGULAR SESSION

ASSEMBLY BILL No. 650

Introduced by Assembly Member Perea

February 24, 2015

An act to amend ~~Section 19596.2~~ *Sections 19607.2 and 19607.3* of the Business and Professions Code, relating to horse ~~racing.~~ *racing, and declaring the urgency thereof, to take effect immediately.*

LEGISLATIVE COUNSEL'S DIGEST

AB 650, as amended, Perea. ~~Horse racing: out-of-state thoroughbred races: Blue Grass Stakes.~~ *Horse racing: thoroughbred racing: northern zone: auxiliary offsite stabling, training, and vanning.*

(1) The Horse Racing Law requires, when satellite wagering is conducted on thoroughbred races at associations or fairs in the northern zone, that an amount not to exceed 1.25% of the total amount handled by all of those satellite wagering facilities be deducted from the funds otherwise allocated for distribution as commissions, purses, and owners' premiums and instead distributed to an organization formed and operated by thoroughbred racing associations, fairs conducting thoroughbred racing, and the organization representing thoroughbred horsemen, to administer a fund to provide reimbursement for offsite stabling at California Horse Racing Board-approved auxiliary training facilities for additional stalls beyond the number of usable stalls the association or fair is required to make available and maintain, and for the vanning of starters from these additional stalls on racing days for thoroughbred horses.

This bill would increase the amount that is required to be deducted to an amount not to exceed 2% and would provide that this amount, if

adjusted by the board, may be a different percentage of the handle for different associations and fairs but only if all the associations and fairs agree to the differing percentages. The bill would establish an auxiliary offsite stabling and training facility and vanning program for thoroughbred races in the northern zone. The bill would revise and recast the provisions governing the organization formed and operated to administer the fund to include, among other things, a 50-50 percentage allocation of specified voting interests on the board of the organization, the use of funds to pay the organization's expenses and compensate the provider of a board-approved auxiliary facility for offsite stabling and training of thoroughbred horses in the northern zone, and the requirement that the organization submit its proposed financial and operational plans for the upcoming calendar year to the board for review no later than November 1 of the preceding year.

The bill would also require that the funds be used to cover all or part of the cost of vanning thoroughbred horses in the northern zone from a board-approved auxiliary offsite stabling and training facility and would authorize the organization to enter into multiyear contracts for auxiliary facilities in the northern zone subject to specified conditions. The bill would authorize the organization to use the funds to pay back commissions, purses, and owners' premiums to the extent that the deductions made exceed in any year the amount of the funds necessary to achieve the objectives of the organization. The bill would also authorize a thoroughbred racing association or fair in the northern zone to opt out of the auxiliary offsite stabling and training facility and vanning program, as specified. The bill would provide that the board shall reserve the right to adjudicate any disputes that arise regarding costs, or other matters, relating to the furnishing of offsite stabling, training, or vanning, as specified.

(2) By expanding the provisions of the Horse Racing Law, a violation of which is a crime, the bill would create new crimes and would thereby impose a state-mandated local program.

(3) The California Constitution requires the state to reimburse local agencies and school districts for certain costs mandated by the state. Statutory provisions establish procedures for making that reimbursement.

This bill would provide that no reimbursement is required by this act for a specified reason.

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

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

~~This bill would exempt from the 50 imported race per day limitation, races imported that are part of the race card of the Blue Grass Stakes.~~

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

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

SECTION 1. Section 19607.2 of the Business and Professions Code is amended to read:

19607.2. Notwithstanding Section 19605.8, when satellite wagering is conducted on thoroughbred races at associations or fairs in the northern zone, an amount not to exceed ~~1.25~~ *2* percent of the total amount handled by all of those satellite wagering facilities, shall be deducted from the funds otherwise allocated for distribution as commissions, purses, and owners' premiums and instead distributed to an organization formed and operated by thoroughbred racing associations, fairs conducting thoroughbred racing, and the organization representing thoroughbred ~~horsemen, with each party having meaningful representation~~ *horsemen and horsewomen, for use pursuant to Section 19607.3. A vote of the organization representing thoroughbred horsemen and horsewomen shall constitute 50 percent of all voting interests* on the board of the ~~organization, to administer, pursuant~~ *organization*

formed and operated to ~~supervision of~~ *administer* the ~~board, a fund to provide reimbursement for offsite stabling at board-approved auxiliary training facilities of~~ *fund. The other 50 percent of all voting interests shall be allocated among thoroughbred* racing associations ~~or~~ *and* fairs ~~for additional stalls beyond the number of usable stalls the association is required to make available and maintain pursuant to Section 19535,~~ *conducting thoroughbred racing in a manner that provides meaningful representation on the governing board of the organization* for ~~starter fees~~ *thoroughbred racing associations* and ~~for the vanning of starters from these additional stalls on race days for thoroughbred horses.~~ *fairs conducting thoroughbred racing, except as provided in subdivision (h) of Section 19607.3.*

SEC. 2. Section 19607.3 of the Business and Professions Code is amended to read:

19607.3. (a) ~~The~~ *Notwithstanding Section 19535, the* funds distributed to the organization formed pursuant to Section 19607.2 shall be used to ~~reimburse racing associations that are operating offsite stabling providing additional stalls~~ *pay the organization's expenses and compensate the provider of a board-approved auxiliary offsite facility for stabling, training, and vanning of thoroughbred horses in the northern zone. The organization administering the auxiliary offsite stabling and training facility and vanning program shall submit its proposed financial and operational plans* for the ~~incremental increase in operating costs directly resulting from providing the stabling.~~ *upcoming calendar year to the board for review no later than November 1 of the preceding year.* Neither the organization administering the *auxiliary* offsite stabling and *training facility and* vanning program nor any of the entities forming and operating the organization, except the entity operating the *auxiliary* offsite stabling *and training* facility where the injury occurred, shall be liable for any injury to any jockey, exercise person, owner, trainer, or any employee or agent thereof, or any horse occurring at any *auxiliary* offsite stabling *and training* facility.

(b) The funds shall also be used to ~~reimburse horsemen for~~ *cover all or part of* the cost of vanning ~~starting~~ *thoroughbred* horses from a board-approved auxiliary ~~training facility operated by a racing association or fair~~ *offsite stabling and training facility* to the track ~~conducting the racing meeting. Horsemen may use carriers~~

~~of their own choice, except that~~ *to start in a thoroughbred race at a thoroughbred or fair racing meeting in* the ~~amount~~ *northern zone. The organization shall determine the extent* of ~~reimbursement to horsemen is limited to the amount~~ *and manner in which compensation will be paid for thoroughbred horses* that ~~the organization determines is generally charged by carriers for vanning~~ *are vanned* from the auxiliary ~~training~~ facility to the track *or the fair* conducting the *thoroughbred or fair* racing meeting. Neither the organization administering the *auxiliary* offsite stabling *and training facility* and vanning program nor any of the entities forming and operating the organization, except ~~the~~ *an* entity actually engaged in vanning horses, is liable for any injury occurring to any individual or horse during vanning from an offsite stabling *and training* facility.

(c) The ~~training~~ *auxiliary offsite stabling and training* facilities and *the* amenities provided for offsite stabling and training purposes shall be *substantially* equivalent in character to those provided ~~during~~ *by the thoroughbred* racing ~~meetings of~~ *association or fair conducting* the ~~association.~~ *racing meeting.*

(d) In order to ensure the long-term availability of facilities for offsite stabling and training, the organization may enter into multiyear contracts for auxiliary facilities in the northern zone. The organization shall submit to the board for its approval the multiyear contracts that it enters into with providers of auxiliary facilities for offsite stabling and training. Contracts not disapproved by the board within 60 days of submittal to the board shall be deemed to have been approved by the board.

(e) At the request of the board, the organization shall submit a report detailing all of its receipts and expenditures over the prior two fiscal years and, upon request of any party within the organization, those receipts and expenditures shall be audited by the board.

~~(d) Upon the request of any party within the organization, the board shall adjudicate any dispute regarding costs, or other matters relating~~

(f) In addition to the ~~furnishing~~ *uses* of ~~offsite stabling or vanning. The board may, if necessary, appoint an independent auditor to assist~~ *the funds described* in ~~the resolution of disputes. The auditor shall be reimbursed from the~~ *subdivisions (a) and (b),*

the organization may use the funds *for both* of the ~~organization.~~ *following:*

~~(e) The organization may maintain~~

(1) Maintain a reserve fund of up to 10 percent of the total estimated annual vanning and *auxiliary offsite* stabling *and training facility* costs. In addition to the reserve fund, if the funds generated for *the auxiliary* offsite stabling and *training facilities and* vanning are insufficient to fully ~~reimburse racing associations or fairs for expenses incurred during~~ *cover* the ~~offsite vanning and stabling program,~~ *expenses incurred,* the organization ~~may~~ *may, in the future,* accumulate sufficient funds to fully ~~reimburse~~ *cover* those ~~associations or fairs for those~~ expenses.

(2) Pay back commissions, purses, and owners' premiums to the extent the deductions made pursuant to Section 19607.2 exceed in any year the amount of funds necessary to achieve the objectives of the organization.

~~(f)~~

(g) The amount initially deducted and distributed to the organization ~~shall be 0.5 percent of the total amount handled by satellite wagering facilities authorized under this article in the northern zone on thoroughbred racing, but that allocation may~~ *pursuant to Section 19607.2 may, at the request of the organization,* be adjusted by the board, in its discretion. However, the adjusted amount may not exceed ~~1.25~~ *2* percent of the total amount handled by satellite wagering ~~facilities,~~ *facilities. The amount deducted and distributed* to ~~pay expenses~~ *the organization as adjusted by the board may be a different percentage of the handle for different associations* and ~~maintain~~ *fairs conducting thoroughbred racing meetings in* the ~~reserve fund for~~ *northern zone, but only if all* the ~~continuing support of~~ *associations and fairs agree to* the ~~program.~~ *differing percentages.*

(h) A thoroughbred racing association or fair in the northern zone that is able to provide the minimum number of stalls required by its racing meeting license without the use of any auxiliary offsite stabling and training facility and vanning program may opt out of that program, in which case the deduction described in Section 19607.2 shall not apply during the live racing meeting conducted by the association or fair until such time as the association or fair opts back into the auxiliary offsite stabling and training facility and vanning program. Any thoroughbred racing association or

fair in the northern zone that opts out of the auxiliary offsite stabling and training facility and vanning program shall not have any voting interest therein until such time as the association or fair opts back into the program. The organization shall establish reasonable procedures and timelines for the giving of notice to the organization by a thoroughbred racing association or fair that elects to opt out of the auxiliary offsite stabling and training facility and vanning program.

(i) The board shall reserve the right to adjudicate any disputes that arise regarding costs, or other matters, relating to the furnishing of offsite stabling, training, or vanning. Notwithstanding any other law, the board shall maintain all powers necessary and proper to ensure that offsite stabling, training, and vanning, as provided for in this article, is conducted in a manner that protects the public and serves the best interests of horse racing.

SEC. 3. No reimbursement is required by this act pursuant to Section 6 of Article XIII B of the California Constitution because the only costs that may be incurred by a local agency or school district will be incurred because this act creates a new crime or infraction, eliminates a crime or infraction, or changes the penalty for a crime or infraction, within the meaning of Section 17556 of the Government Code, or changes the definition of a crime within the meaning of Section 6 of Article XIII B of the California Constitution.

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

At current levels, there are insufficient funds to maintain an auxiliary offsite stabling and training facility and vanning program at racing meetings of thoroughbred horses conducted by thoroughbred racing associations or fairs. Therefore, in order to raise sufficient funds before the winter thoroughbred horse racing season begins, it is necessary that this act take effect immediately.

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

~~19596.2. (a) Notwithstanding any other law and except as provided in Section 19596.4, a thoroughbred racing association or fair may 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. Further, the total number of thoroughbred races imported by associations or fairs on a statewide basis under this section shall not exceed 50 per day on days when live thoroughbred or fair racing is being conducted in the state. The limitation of 50 imported races per day does not apply to any of the following:~~

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

~~(2) Races imported that are part of the race card of the Kentucky Derby, the Kentucky Oaks, the Preakness Stakes, the Belmont Stakes, the Jockey Club Gold Cup, the Travers Stakes, the Arlington Million, the Breeders' Cup, the Dubai Cup, the Arkansas Derby, the Apple Blossom Handicap, the Blue Grass Stakes, or the Haskell Invitational.~~

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

~~(4) 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.~~

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

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

O

AMENDED IN ASSEMBLY JANUARY 12, 2016

AMENDED IN ASSEMBLY SEPTEMBER 10, 2015

CALIFORNIA LEGISLATURE—2015–16 REGULAR SESSION

ASSEMBLY BILL No. 1437

Introduced by Assembly Member Gray
(Coauthors: Assembly Members Brown and Jones-Sawyer)

February 27, 2015

An act to add Chapter 4.7 (commencing with Section 19750) to Division 8 of the Business and Professions Code, and to amend Section 337a of the Penal Code, relating to gambling, and making an appropriation therefor.

LEGISLATIVE COUNSEL'S DIGEST

AB 1437, as amended, Gray. Gambling: Internet Fantasy Sports Game Protection Act.

Existing law, the Gambling Control Act, provides for the licensure and regulation of various legalized gambling activities and establishments by the California Gambling Control Commission and the investigation and enforcement of those activities and establishments by the Department of Justice. Existing law prohibits a person, whether or not for gain, hire, or reward, from making a betting pool or placing a bet or wager on the result of any contest or event, including a sporting event, as specified.

This bill would enact the Internet Fantasy Sports Games Consumer Protection Act, which would require a person or entity to apply for, and receive, a license from the department prior to offering an Internet fantasy sports game for play in California. The bill would require the department to issue a license to a person or entity that applies for a

license if the person or entity satisfies specified requirements, including, among others, that the applicant is of good character, honesty, and integrity. The bill would also require a person to register with a "licensed operator" prior to participating in an "Internet fantasy sports game" on an "authorized Internet Web site," as those terms are defined.

The bill would require a licensed operator, among other things, to ensure that a registered player is eligible to play on an authorized Internet Web site, and to implement appropriate data security standards to prevent access by a person whose age and location have not been verified. The bill would authorize the department to assess a civil penalty against a licensed operator that violates these provisions according to a specified schedule depending on the number of violations. The bill would require the department to develop an online self-exclusion form on or before July 1, 2017, and to deliver that form to each licensed operator, and would require each licensed operator to make that form available to its registered players. *The bill would also require a licensed operator to, among other things, hold the funds in a registered player's account in trust for that registered player . The bill would prohibit a licensed operator from engaging in certain activities, including, among other things, from allowing a registered player to establish more than one account or user name on its authorized Internet Web site, from issuing credit to a registered player, from advertising in publications or other media that are aimed exclusively or primarily at persons under 21 years of age, and from depicting persons under 21 years of age, students, or school or college settings in its advertisements. The bill would also prohibit an officer, director, principal, employee, or contractor of a licensed operator from engaging in certain activities, including, among other things, from playing an Internet fantasy sports game offered by a licensed operator.*

The bill would require a licensed operator to pay an annual regulatory fee, for deposit into the Fantasy Sports Fund, which the bill would establish in the State Treasury. The bill would continuously appropriate the Fantasy Sports Fund to the department for the reasonable costs of license oversight, consumer protection, state regulation, and other purposes related to the bill. The bill would require each licensed operator to pay a one-time license fee into the General Fund in an unspecified amount. The license fee would be credited against quarterly fees equivalent to an unspecified percentage of the licensed operator's gross income that is attributable to the operation of an authorized Internet Web site in California.

The bill would make proprietary information provided by a licensed operator confidential in order to protect the licensed operator and to protect the security of an authorized Internet Web site. The bill would also prohibit a city, county, or city and county from regulating, taxing, or entering into a contract with respect to, any matter governed to the bill's provisions, and would make conforming changes.

Existing constitutional provisions require that a statute that limits the right of access to the meetings of public bodies or the writings of public officials and agencies be adopted with findings demonstrating the interest protected by the limitation and the need for protecting that interest.

This bill would make legislative findings to that effect.

This bill would include a change in state statute that would result in a taxpayer paying a higher tax within the meaning of Section 3 of Article XIII A of the California Constitution, and thus would require for passage the approval of ⅔ of the membership of each house of the Legislature.

Vote: ⅔. Appropriation: yes. Fiscal committee: yes. State-mandated local program: no.

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

1 SECTION 1. Chapter 4.7 (commencing with Section 19750)
2 is added to Division 8 of the Business and Professions Code, to
3 read:
4
5 CHAPTER 4.7. THE INTERNET FANTASY SPORTS GAMES
6 CONSUMER PROTECTION ACT
7
8 Article 1. Preliminary Provisions
9
10 19750. This chapter shall be known and may be cited as the
11 Internet Fantasy Sports Games Consumer Protection Act.
12 19752. The Legislature finds and declares all of the following:
13 (a) The Internet is an integral tool in the everyday lives of
14 Californians. Commerce, communication, and entertainment are
15 just some of the areas in which this technological aid thrives.
16 (b) Participating in Internet fantasy sports games, including
17 those of the daily variety, is a very popular activity in California,
18 and with the Internet as a technological aid, participation in these
19 games can be conducted in a virtual environment and played from

the privacy of one's own computer or mobile device. Despite a lack of regulation, participation in Internet fantasy sports games still remains popular with California residents.

(c) Californians participate in Internet fantasy sports games on a daily basis on unregulated Internet Web sites. Neither federal nor California laws provide any consumer protections for California players. California players assume all risks, any negative social or financial impacts are borne by the citizens of California, and the revenues generated from these games are being realized by unlicensed operators and do not provide any benefits to the citizens of California.

(d) To better protect the people of California from potential risks from, and to maintain oversight of the systems used to carry out, Internet fantasy sports games, the Legislature finds it to be in the interest of the people to establish a regulatory framework by which entities, as authorized by the Department of Justice, may facilitate Internet fantasy sports games to players within California.

(e) State authorization to operate Internet fantasy sports games consistent with federal law, and heightened regulation and enforcement regarding this activity, will provide California with the means to protect its citizens and consumers under certain conditions by providing a framework to ensure that, among other things, the state is not subject to an unnecessary and unprecedented expansion of gambling, minors are prevented from gambling, residents participating in these games are protected, and the state is not deprived of revenues to which it would otherwise be entitled from these activities.

19754. It is the intent of the Legislature to create a licensing and regulatory framework and enforcement mechanisms for Internet fantasy sports games to do all of the following:

(a) Ensure that Internet fantasy sports games of any duration are offered for play only in a manner that is consistent with federal and state law.

(b) Ensure the state possesses sufficient resources to enforce prohibitions of illegal gambling activity, in part, by establishing a regulatory enforcement fund.

(c) Ensure that the state is able to collect income tax revenues from registered players participating in authorized Internet fantasy sports games in the state.

(d) Create systems to protect each registered player's private information and prevent fraud and identity theft.

(e) Ensure that a registered player is able to have his or her financial transactions processed in a secure, timely, and transparent fashion.

(f) Require that each licensed operator's Internet Web site contains information relating to problem gambling, including a telephone number that an individual may call to seek information and assistance for a potential gambling addiction.

(g) Ensure that each licensed operator maintains responsibility for the Internet fantasy sports games business and is not serving as a facade for an entity not eligible to be a licensed operator, and that each Internet fantasy sports games Web site identifies who is the actual licensed operator to ensure protection of players.

(h) Deposit regulatory fees collected by the state from each licensed operator into the Fantasy Sports Fund, as established in Section 19780.

Article 2. Definitions

19760. For purposes of this chapter, all of the following definitions apply:

(a) "Authorized Internet Web site" means an Internet Web site operated by a licensed operator.

(b) "Department" means the Department of Justice.

(c) "Fund" means the Fantasy Sports Fund established by Section 19780.

(d) "Internet fantasy sports game" means a game of any duration conducted on the Internet in which a registered player does all of the following:

(1) Competes against other registered players or a target score as the owner or manager of an imaginary or simulated team of athletes in an imaginary or simulated game.

(2) Uses the statistics accumulated by the athletes in real-world sporting events to determine the scores of the imaginary or simulated game.

(3) Plays for a predetermined prize.

(4) Pays a charge to the licensed operator providing the game in order to participate.

(e) "Licensed operator" means a person or entity licensed pursuant to this chapter to offer Internet fantasy sports games for play on an authorized Internet Web site.

(f) "Registered player" means a person registered pursuant to this chapter to participate in an Internet fantasy sports game on an authorized Internet Web site.

Article 3. Licensed Operators and Registered Players

19770. (a) A person or entity shall apply for and receive a license from the department prior to offering an Internet fantasy sports game for play in California.

(b) The department shall issue a license to a person or entity to operate an authorized Internet Web site if the applicant satisfies all of the following:

(1) The applicant is of good character, honesty, and integrity.

(2) The applicant's prior activities, criminal record, if any, reputation, habits, and associations do not pose a threat to the public interest of the state, or to the effective regulation and control of Internet fantasy sports games, or create or enhance the dangers of unsuitable, unfair, or illegal practices, methods, and activities in the conduct of Internet fantasy sports games or in the carrying on of the business and financial arrangements incidental to those games.

(3) The applicant is in all other respects qualified to be licensed as provided in this chapter, including, but not limited to, providing documentation establishing that the applicant is capable of paying the one-time license fee described in Section 19782 through its own net position or through credit directly available to the applicant.

(c) The department may promulgate regulations to implement this section.

19772. (a) In order to ensure the protection of registered players, an authorized Internet Web site shall identify the person or entity that is the licensed operator.

(b) A licensed operator shall ensure that an Internet fantasy sports game on its authorized Internet Web site complies with all of the following:

(1) An imaginary or simulated sports team in the game shall not be based on the current membership of an actual team that is a member of an amateur or professional sports organization.

(2) A prize or award offered to the winning registered player or players shall be established and made known to the participating registered players in advance of the contest.

(3) The value of a prize or award offered to the winning registered player or players shall not be determined by the number of participating registered players or the amount of any charges paid by those participating registered players to the licensed operator.

(4) The winning outcome of the game shall not be either of the following:

(A) Based on the score, point spread, or performance of any single real-world team or any combination of real-world teams.

(B) Based solely on the single performance of an individual athlete in a single real-world sporting event.

(c) (1) A licensed operator shall hold the funds of a registered player in a registered player's account in trust for that registered player.

(2) A licensed operator shall implement, and prominently display on its authorized Internet Web site, procedures that accomplish all of the following:

(A) Prevent unauthorized withdrawals from registered player accounts, including, but not limited to, withdrawals by the licensed operator and other individuals.

(B) Prevent commingling of funds in a registered player's account with other funds, including, but not limited to, the licensed operator's funds.

(C) Establish procedures for a registered player to report complaints to the licensed operator regarding whether his or her account has been misallocated, compromised, or otherwise mishandled, and a procedure for the licensed operator to respond to those complaints.

(d) A licensed operator shall not issue credit to a registered player.

(e) A licensed operator shall not allow a registered player to establish more than one account or user name on its authorized Internet Web site.

(f) (1) A licensed operator shall not advertise in publications or other media that are aimed exclusively or primarily at persons under 21 years of age. A licensed operator's advertisement shall not depict persons under 21 years of age, students, or school or college settings.

(2) A licensed operator shall not advertise an Internet fantasy sports game to an individual by phone, email, or any other form of individually targeted advertisement or marketing material, if the individual has self-excluded himself or herself pursuant to Section 19774 or if the individual is otherwise barred from participating in that Internet fantasy sports game.

19774. (a) A person shall register with a licensed operator prior to participating in an Internet fantasy sports game on an authorized Internet Web site.

(b) A licensed operator shall ensure that a registered player is eligible to play on an authorized Internet Web site, and implement appropriate data security standards to prevent access by a person whose age and location have not been verified in accordance with this chapter.

(c) A licensed operator shall ensure that a registered player is physically located within the State of California at the time of participating in an Internet fantasy sports game on an authorized Internet Web site.

(d) A licensed operator shall ensure that a registered player is at least 21 years of age.

(e) (1) Each licensed operator shall, prior to registering and permitting a person to participate in an Internet fantasy sports game on an authorized Internet Web site, verify that the person is 21 years of age or older by doing both of the following:

(A) Attempting to match the name, address, and date of birth provided by the person to information contained in records in a database of individuals who have been verified to be 21 years of age or older by reference to an appropriate database of government records.

(B) Verifying that the name and physical billing address on the check or credit card offered for payment by the person seeking to be a registered player matches the name and address listed in the database described in subparagraph (A).

(2) If the licensed operator is unable to verify that the person is 21 years of age or older pursuant to paragraph (1), the licensed

operator shall require the person to submit age-verification documents consisting of an attestation signed by the person that he or she is 21 years of age or older and a copy of a valid form of government identification, either electronically or by mail. For the purposes of this paragraph, a valid form of government identification includes a driver's license, state identification card, passport, official naturalization or immigration document, including an alien registration receipt card or an immigrant visa, or United States military identification. The licensed operator shall verify that the physical billing address on the check or credit card provided by the person matches the address listed on his or her government identification.

(3) A licensed operator is not in violation of this section if the operator complies with the requirements of paragraphs (1) and (2), and a person under 21 years of age participates in an Internet fantasy sports game on the operator's authorized Internet Web site.

(f) The department may assess a civil penalty against a licensed operator that violates this section according to the following schedule:

(1) Not less than one thousand dollars ($1,000), and not more than two thousand dollars ($2,000), for the first violation.

(2) Not less than two thousand five hundred dollars ($2,500), and not more than three thousand five hundred dollars ($3,500), for the second violation.

(3) Not less than four thousand dollars ($4,000), and not more than five thousand dollars ($5,000), for the third violation.

(4) Not less than five thousand five hundred dollars ($5,500), and not more than six thousand five hundred dollars ($6,500), for the fourth violation.

(5) Ten thousand dollars ($10,000) for a fifth or subsequent violation.

(g) (1) The department shall, by regulation, provide a process for a licensed operator to exclude from play any person who has filled out an online self-exclusion form.

(2) The department shall develop an online self-exclusion form on or before July 1, 2017.

(3) The department shall deliver the form described in paragraph (2) to each licensed operator.

(4) A licensed operator shall prominently display a link to the department's Responsible Gambling Internet Web page and the online self-exclusion form described in paragraph (2) when either of the following occurs:

(A) A person registers as a registered player.

(B) Each time a registered player accesses the authorized Internet Web site prior to playing.

(5) A licensed operator shall retain each online self-exclusion form submitted to it by a registered player to identify persons who want to be excluded from play. A licensed operator shall exclude those persons from play.

(6) A licensed operator that has made commercially reasonable efforts to comply with this subdivision is not in violation of this section if a person who has filled out an online self-exclusion form thereafter participates in an Internet fantasy sports game on the operator's authorized Internet Web site.

19776. (a) (1) This subdivision applies to all of the following persons:

(A) An officer of a licensed operator.

(B) A director of a licensed operator.

(C) A principal of a licensed operator.

(D) An employee of a licensed operator.

(E) A contractor of a licensed operator.

(2) A person listed in paragraph (1) shall not play an Internet fantasy sports game offered by a licensed operator.

(3) A person listed in paragraph (1) shall not play an Internet fantasy sports game offered by a licensed operator through another person as a proxy.

(4) A person listed in paragraph (1) shall not disclose proprietary or nonpublic information that may affect the play of an Internet fantasy sports game to any individual authorized to play that Internet fantasy sports game.

(5) A licensed operator shall make the prohibitions in this subdivision known to all affected individuals and corporate entities.

(b) (1) A licensed operator shall identify a highly experienced registered player using a symbol attached to that registered player's account or username, or by other means easily identifiable by other registered players.

(2) A licensed operator shall develop and offer at least one Internet fantasy sports game in which a highly experienced player

cannot participate either directly or through another person as a proxy.

~~19776.~~

19778. (a) A licensed operator shall facilitate the collection by the Franchise Tax Board of personal income taxes from registered players and shall be responsible for providing current and accurate documentation on a timely basis to all state agencies.

(b) The state and its agencies shall treat the proprietary information provided by a licensed operator as confidential in order to protect the licensed operator and to protect the security of an authorized Internet Web site.

(c) Proprietary information supplied by a licensed operator to a state agency is exempt from public disclosure, consistent with subdivision (b) of Section 6253 of the Government Code.

Article 4. Fees and Financial Provisions

19780. (a) The Fantasy Sports Fund is hereby created in the State Treasury, to be administered by the department. Notwithstanding Section 13340 of the Government Code, all moneys in the fund are continuously appropriated to the department, without regard to fiscal years, in the amounts necessary for the department to perform its duties under this chapter.

(b) Each licensed operator shall pay an annual regulatory fee, to be deposited in the Fantasy Sports Fund, in an amount to be determined by the department, for the reasonable costs of license oversight, consumer protection, state regulation, problem gambling programs, and other regulatory purposes related to this chapter, including, but not limited to, enforcement efforts related to illegal Internet gambling activities.

19782. (a) Prior to operating its authorized Internet Web site, a licensed operator shall remit to the Treasurer a one-time license fee in the amount of ____ ($____), to be deposited into the General Fund and credited against charges imposed pursuant to subdivision (b). Upon depletion of the license fee balance, the department shall notify the licensed operator to commence quarterly payments to the state in accordance with subdivision (b).

(b) In consideration of the substantial value of each license, a licensed operator shall remit to the Treasurer on a quarterly basis for deposit in the General Fund an amount equal to ____ percent

of its gross income that is attributable to the operation of an authorized Internet Web site in California.

(1) Each quarterly payment shall be due on the 10th day of the month following the end of each quarter.

(2) A licensed operator shall make all electronic and written financial records available to the Treasurer and the department on an electronic basis.

Article 5. Preemption of Local Regulation

19790. A city, county, or city and county shall not regulate, tax, or enter into a contract with respect to any matter governed by this chapter. This section does not prohibit or limit the investigation and prosecution of any violation of this chapter.

SEC. 2. Section 337a of the Penal Code is amended to read:

337a. (a) Except as provided in Section 336.9 and as authorized pursuant to Chapter 4.7 (commencing with Section 19750) of Division 8 of the Business and Professions Code, every person who engages in one of the following offenses shall be punished for a first offense by imprisonment in a county jail for a period of not more than one year or in the state prison, or by a fine not to exceed five thousand dollars ($5,000), or by both imprisonment and fine:

(1) Pool selling or bookmaking, with or without writing, at any time or place.

(2) Whether for gain, hire, reward, or gratuitously, or otherwise, keeps or occupies, for any period of time whatsoever, any room, shed, tenement, tent, booth, building, float, vessel, place, stand or enclosure, of any kind, or any part thereof, with a book or books, paper or papers, apparatus, device or paraphernalia, for the purpose of recording or registering any bet or bets, any purported bet or bets, wager or wagers, any purported wager or wagers, selling pools, or purported pools, upon the result, or purported result, of any trial, purported trial, contest, or purported contest, of skill, speed or power of endurance of person or animal, or between persons, animals, or mechanical apparatus, or upon the result, or purported result, of any lot, chance, casualty, unknown or contingent event whatsoever.

(3) Whether for gain, hire, reward, or gratuitously, or otherwise, receives, holds, or forwards, or purports or pretends to receive,

hold, or forward, in any manner whatsoever, any money, thing or consideration of value, or the equivalent or memorandum thereof, staked, pledged, bet or wagered, or to be staked, pledged, bet or wagered, or offered for the purpose of being staked, pledged, bet or wagered, upon the result, or purported result, of any trial, or purported trial, or contest, or purported contest, of skill, speed, or power of endurance of person or animal, or between persons, animals, or mechanical apparatus, or upon the result, or purported result, of any lot, chance, casualty, unknown or contingent event whatsoever.

(4) Whether for gain, hire, reward, or gratuitously, or otherwise, at any time or place, records, or registers any bet or bets, wager or wagers, upon the result, or purported result, of any trial, or purported trial, or contest, or purported contest, of skill, speed, or power of endurance of person or animal, or between persons, animals, or mechanical apparatus, or upon the result, or purported result, of any lot, chance, casualty, unknown or contingent event whatsoever.

(5) Being the owner, lessee or occupant of any room, shed, tenement, tent, booth, building, float, vessel, place, stand, enclosure or grounds, or any part thereof, whether for gain, hire, reward, or gratuitously, or otherwise, permits that space to be used or occupied for any purpose, or in any manner prohibited by paragraph (1), (2), (3), or (4).

(6) Lays, makes, offers or accepts any bet or bets, or wager or wagers, upon the result, or purported result, of any trial, or purported trial, or contest, or purported contest, of skill, speed or power of endurance of person or animal, or between persons, animals, or mechanical apparatus.

(b) In any accusatory pleading charging a violation of this section, if the defendant has been once previously convicted of a violation of any subdivision of this section, the previous conviction shall be charged in the accusatory pleading, and, if the previous conviction is found to be true by the jury, upon a jury trial, or by the court, upon a court trial, or is admitted by the defendant, the defendant shall, if he or she is not imprisoned in the state prison, be imprisoned in the county jail for a period of not more than one year and pay a fine of not less than one thousand dollars ($1,000) and not to exceed ten thousand dollars ($10,000). Nothing in this paragraph shall prohibit a court from placing a person subject to

this subdivision on probation. However, that person shall be required to pay a fine of not less than one thousand dollars ($1,000) nor more than ten thousand dollars ($10,000) or be imprisoned in the county jail for a period of not more than one year, as a condition thereof. In no event does the court have the power to absolve a person convicted pursuant to this subdivision from either being imprisoned or from paying a fine of not less than one thousand dollars ($1,000) and not more than ten thousand dollars ($10,000).

(c) In any accusatory pleading charging a violation of this section, if the defendant has been previously convicted two or more times of a violation of any subdivision of this section, each previous conviction shall be charged in the accusatory pleadings. If two or more of the previous convictions are found to be true by the jury, upon a jury trial, or by the court, upon a court trial, or are admitted by the defendant, the defendant shall, if he or she is not imprisoned in the state prison, be imprisoned in the county jail for a period of not more than one year or pay a fine of not less than one thousand dollars ($1,000) nor more than fifteen thousand dollars ($15,000), or be punished by both imprisonment and fine. Nothing in this paragraph shall prohibit a court from placing a person subject to this subdivision on probation. However, that person shall be required to pay a fine of not less than one thousand dollars ($1,000) nor more than fifteen thousand dollars ($15,000), or be imprisoned in the county jail for a period of not more than one year as a condition thereof. In no event does the court have the power to absolve a person convicted and subject to this subdivision from either being imprisoned or from paying a fine of not more than fifteen thousand dollars ($15,000).

(d) Except where the existence of a previous conviction of any subdivision of this section was not admitted or not found to be true pursuant to this section, or the court finds that a prior conviction was invalid, the court shall not strike or dismiss any prior convictions alleged in the information or indictment.

(e) This section applies not only to persons who commit any of the acts designated in paragraphs (1) to (6), inclusive, of subdivision (a), as a business or occupation, but also applies to every person who in a single instance engages in any one of the acts specified in paragraphs (1) to (6), inclusive, of subdivision (a).

1 SEC. 3. The Legislature finds and declares that Section 1 of
2 this act, which adds Section 19776 to the Business and Professions
3 Code, imposes a limitation on the public's right of access to the
4 meetings of public bodies or the writings of public officials and
5 agencies within the meaning of Section 3 of Article I of the
6 California Constitution. Pursuant to that constitutional provision,
7 the Legislature makes the following findings to demonstrate the
8 interest protected by this limitation and the need for protecting
9 that interest:
10 The limitations on the people's right of access set forth in this
11 ~~chapter~~ *act* are necessary to protect the privacy and integrity of
12 information submitted by registered players as well as the
13 proprietary information of the license applicants and licensed
14 operators.

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CALIFORNIA LEGISLATURE—2015–16 REGULAR SESSION

ASSEMBLY BILL No. 1573

Introduced by Assembly Member Gray

January 4, 2016

An act to add Chapter 4.6 (commencing with Section 19720) to Division 8 of the Business and Professions Code, and to amend Sections 336.9 and 337a of the Penal Code, relating to gambling, and declaring the urgency thereof, to take effect immediately.

LEGISLATIVE COUNSEL'S DIGEST

AB 1573, as introduced, Gray. Gambling: sports wagering.

The California Constitution prohibits various gaming activities within the state, including casino-style gaming, but authorizes the Governor, subject to ratification by the Legislature, to negotiate and conclude compacts for the operation of slot machines and the conduct of lottery games and banking and percentage card games by federally recognized Indian tribes on Indian lands in California in accordance with federal law. The California Constitution also authorizes the Legislature to provide for the regulation of horse racing, charitable bingo games, the California State Lottery, and charitable raffles.

Existing federal law, referred to as the Professional and Amateur Sports Protection Act, prohibits a governmental entity or a person from conducting a lottery, sweepstakes, or other betting, gambling, or wagering scheme based, directly or indirectly, on competitive games or performances in which amateur or professional athletes participate.

Existing law prohibits a person, whether or not for gain, hire, or reward, from placing a bet or wager on the result of any contest of skill, speed, or power of endurance of person, as specified, and prohibits a person from pool selling or bookmaking.

The Gambling Control Act provides for the licensure of certain individuals and establishments that conduct controlled games, as defined, and for the regulation of these gambling activities by the California Gambling Control Commission. Existing law provides for the enforcement of those regulations by the Department of Justice. Any willful violation of these provisions for which a punishment is not expressly provided, is punishable as a misdemeanor.

The Horse Racing Law provides for the licensure of every person who participates in, or has anything to do with, the racing of horses, and every employee of a parimutuel department by the California Horse Racing Board. The board is responsible for adopting rules and regulations for the protection of the public, the control of horse racing, and parimutuel wagering, as well as enforcing all laws, rules, and regulations dealing with horse racing and parimutuel wagering. The law permits the board to authorize an association licensed to conduct a racing meeting to also operate a satellite wagering facility at its racetrack inclosure, and for fairs to locate a satellite wagering facility at their fairgrounds, under specified conditions. Any violation of these provisions is punishable as a misdemeanor.

This bill would enact the California Interactive Sports Wagering Consumer Protection Act, which would authorize the owner or operator of a card room that holds a state gambling license, a racing association or racing fair with a current license, or a federally recognized California Indian tribe that operates a gaming facility pursuant to a facility license issued in accordance with a tribal gaming ordinance, to accept and facilitate wagering on a sports event, as defined, by any legal system or method of wagering, including, but not limited to, exchange wagering, parlays, over-under, moneyline, and straight bets, by applying to the Department of Justice for a license and authorization to conduct sports wagering, as defined. The bill would require sports wagering to be accepted and executed only using telephone, computer, or another method of electronic wagering communication. The bill would require the department to adopt regulations to implement these provisions, including authority to adopt regulations establishing fees in a reasonable amount necessary to recover the costs incurred by the department relating to the administration of these provisions.

This bill would require the department to, among other things, monitor the conduct of all licensed operators. The bill would prohibit a licensed operator from, among other things, accepting a wager from any person who is under 21 years of age or whose name appears on a self-exclusion

list. Any willful violation of these provisions would be punishable as a misdemeanor. By creating a new crime, this bill would impose a state-mandated local program.

This bill would provide that its provisions would become operative only if the federal Professional and Amateur Sports Protection Act is amended or repealed to allow sports wagering in California and a state constitutional amendment to authorize sports wagering has been approved by the voters.

The California Constitution requires the state to reimburse local agencies and school districts for certain costs mandated by the state. Statutory provisions establish procedures for making that reimbursement.

This bill would provide that no reimbursement is required by this act for a specified reason.

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

Vote: ⅔. Appropriation: no. Fiscal committee: yes. State-mandated local program: yes.

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

1 SECTION 1. (a) Since January 1, 1993, the federal
2 Professional and Amateur Sports Protection Act (28 U.S.C. Sec.
3 3701 et seq.), known as PASPA, has prohibited most states and
4 local governments from authorizing sports wagering.
5 (b) Under PASPA, Nevada is the only state where full-scale
6 sports wagering is currently legally conducted, and this activity
7 has resulted in great direct and indirect revenues to that state's
8 economy.
9 (c) It has been reported that more than 30 million people visit
10 Nevada every year and place a sports bet. Betting on sporting
11 events rose 7.7 percent to $3.9 billion in 2014, and revenue hit a
12 record, jumping 11.8 percent to $227 million, according to the
13 Nevada Gaming Control Board.
14 (d) There is no solid data on the volume of illegal sports betting
15 activity occurring in the United States, but some estimate that
16 nearly $400 billion is illegally wagered on sports each year.
17 (e) In January 2015, the American Gaming Association
18 estimated that Americans were expected to make $3.8 billion worth
19 of illegal bets on the 2015 Super Bowl between the New England
20 Patriots and the Seattle Seahawks. That figure stands in stark

contrast to the approximately $100 million bet legally on the Super Bowl each year. In fact, the illegal market is 38 times greater than the legal market for sports wagering.

(f) If the federal sports wagering ban is changed to allow sports wagering across the country, state gaming enforcement agencies would be required to properly regulate and enforce this activity.

(g) If the federal sports wagering ban is ever lifted, it is in the best interests of this State that legalized sports wagering be authorized to be conducted by licensed card rooms, licensed horse racing associations, and federally recognized Indian tribes, under regulation and control by the Department of Justice.

SEC. 2. Chapter 4.6 (commencing with Section 19720) is added to Division 8 of the Business and Professions Code, to read:

CHAPTER 4.6. CALIFORNIA INTERACTIVE SPORTS WAGERING CONSUMER PROTECTION ACT

19720. This chapter shall be known, and may be cited, as the California Interactive Sports Wagering Consumer Protection Act.

19721. (a) Subject to a state constitutional amendment that has been approved by the voters and a change in federal law, the following entities may be licensed by the department to accept and facilitate wagering on sports events as authorized pursuant to this chapter:

(1) A card room that operates pursuant to Chapter 5 (commencing with Section 19800) whose owner or owners have been authorized, subject to oversight by, and are in good standing with, the applicable state regulatory authorities.

(2) A racing association or racing fair, with a current license issued by the California Horse Racing Board pursuant to Chapter 4 (commencing with Section 19400). A licensed racing association or licensed racing fair may conduct sports wagering only if it has an agreement in place with the organization recognized by the board that is responsible for negotiating purse agreements, satellite wagering agreements, and all other business agreements on behalf of horsemen and horsewomen participating in a racing meeting.

(3) A federally recognized California Indian tribe that operates a gaming facility pursuant to a facility license issued in accordance with a tribal gaming ordinance approved by the Chair of the National Indian Gaming Commission.

(b) The entities listed in subdivision (a) that are eligible for licensure pursuant to this chapter may form a partnership, joint venture, or any other affiliation in order to further the purposes of this chapter.

19722. As used in this chapter, the following definitions shall apply:

(a) "Board" means the California Horse Racing Board.

(b) "Card room" means a gambling enterprise, as defined in subdivision (m) of Section 19805.

(c) "Department" means the Department of Justice.

(d) "Licensed operator" means any of the entities listed in subdivision (a) of Section 19721 that are authorized pursuant to this chapter to conduct sports wagering.

(e) "Prohibited sports event" means any collegiate sport or athletic event that takes place in California, or a sports event in which any California college team participates, regardless of where the event takes place.

(f) "Sports event" shall include any professional sports or athletic event, and any collegiate sports or athletic event, except a prohibited sports event.

(g) "Sports wagering" means the business of accepting wagers on a sports event by any legal system or method of wagering, including, but not limited to, exchange wagering, parlays, over-under, moneyline, and straight bets.

(h) "Internet" means the international computer network of both federal and nonfederal interoperable packet-switched data networks.

(i) "Licensed service provider" means a person who is licensed pursuant to this chapter to provide goods or services to a licensed operator for use in the operation of an authorized sports wagering Internet Web site.

19723. (a) An entity listed in subdivision (a) of Section 19721 that is seeking to conduct sports wagering shall apply to the department for authorization to conduct sports wagering.

(b) (1) The department shall hear and decide, and in reasonable order, all applications to conduct sports wagering from licensed card rooms, licensed racing associations or racing fairs, federally recognized Indian tribes, and service providers.

(2) Authorization to conduct sports wagering shall not be unreasonably withheld from any applicant that is in good standing

and has a current license issued pursuant to Chapter 4 (commencing with Section 19400) or Chapter 5 (commencing with Section 19800).

(c) Each licensed operator shall pay an annual fee of _____ ($_____) to the State Department of Public Health for deposit in the Gambling Addiction Program Fund.

(d) In consideration of the substantial value of each license, each licensed operator shall remit to the Treasurer on a quarterly basis for deposit in the _____ Fund an amount equal to _____ from the total win amount from the facilitation of a sports event wager.

19724. Within 270 days after the operative date of this chapter, the department shall adopt regulations for the administration of this chapter and may adopt regulations establishing fees in a reasonable amount necessary to recover the costs incurred by the department relating to the administration of this chapter.

19725. The regulations adopted by the department shall do both of the following:

(a) Provide for the approval of wagering rules and equipment by the department to ensure fairness to the public and compliance with state law, including, but not limited to, all of the following:

(1) Acceptance of wagers on a series of sports events.

(2) Types of wagering tickets that may be used.

(3) The method of issuing tickets.

(b) Govern all of the following:

(1) The extension of credit.

(2) The cashing, deposit, and redemption of checks or other negotiable instruments.

(3) The amount of cash reserves to be maintained by licensed operators to cover winning wagers.

(4) The provision of reliable records, accounts, and reports of transactions, operations, and events, the method of accounting to be used by licensed operators, and the types of records required to be maintained.

19726. The sports wagering authorized pursuant to this chapter shall be accepted and executed only using telephone, computer, or another method of electronic wagering communication.

19727. A licensed operator shall not do any of the following:

(a) Accept a wager from a person who is under 21 years of age.

(b) Accept a sports wager unless the transmission of a wager is initiated from within the State of California.

(c) Accept a wager from any person whose name appears on any self-exclusion list.

19728. Each licensed operator's sports wagering Internet Web site shall contain information relating to problem gambling, including a telephone number that an individual may call to seek information and assistance for a potential gambling addiction.

19729. A licensed operator shall establish the odds it will pay on wagers placed on sports events.

19730. (a) A licensed operator shall not conduct any sports wagering in violation of this chapter, any regulation adopted pursuant to this chapter, or any governing local ordinance.

(b) Any person who willfully violates this chapter is guilty of a misdemeanor.

19731. (a) The department shall have all of the following responsibilities:

(1) To monitor the conduct of all licensed operators and other persons having a material involvement, directly or indirectly, with a sports wagering operation.

(2) To investigate suspected violations of this chapter.

(3) To investigate complaints that are lodged against licensed operators, or other persons associated with a sports wagering operation, by members of the public.

(4) To initiate, when appropriate, disciplinary actions. In connection with any disciplinary action pursuant to this chapter, the department may seek restriction, limitation, suspension, or revocation of any license, permit, authorization, or approval pursuant to this chapter, Chapter 4 (commencing with Section 19400), or Chapter 5 (commencing with Section 19800), or the imposition of a fine upon a person licensed, permitted, authorized, or approved pursuant to those chapters.

(5) To adopt regulations related to its functions and duties as specified in this chapter.

(6) To adopt regulations establishing fees in a reasonable amount necessary to recover the costs incurred by the department relating to the enforcement of this chapter.

(b) The department has all powers necessary and proper to enable it to carry out fully and effectually its duties and responsibilities as specified in this chapter.

19732. (a) The department shall make appropriate investigations as follows:

(1) To determine whether there has been any violation of this chapter or of any regulation adopted under this chapter.

(2) To determine any facts, conditions, practices, or matters that it may deem necessary or proper to aid in the enforcement of this chapter or of any regulation adopted under this chapter.

(3) To aid in adopting regulations.

(b) If, after any investigation pursuant to this chapter, the department is satisfied that a license, permit, authorization, or approval issued pursuant to this chapter, Chapter 4 (commencing with Section 19400), or Chapter 5 (commencing with Section 19800) should be suspended or revoked, it shall file an accusation in accordance with Chapter 5 (commencing with Section 11500) of Part 1 of Division 3 of Title 2 of the Government Code.

(c) In addition to any action that it may take against a license, permit, finding of suitability, or approval, the department may also require the payment of fines or penalties. However, any fine imposed shall not exceed twenty thousand dollars ($20,000) for each separate violation of this chapter or of any regulation adopted under this chapter.

19733. The department shall have the authority to regulate sports wagering to the same extent that the department currently regulates other legal gambling in this state, including the ability to audit the books and records of a licensed operator.

19734. (a) This chapter shall become operative only if both of the following occur:

(1) The federal Professional and Amateur Sports Protection Act (28 U.S.C. Sec. 3701 et seq.) is amended or repealed to allow sports wagering in California.

(2) A state constitutional amendment to authorize sports wagering has been approved by the voters.

(b) This chapter shall become operative on the date that the Attorney General executes a declaration, which shall be retained by the Attorney General, stating that both of the events described in subdivision (a) have occurred.

(c) In addition to the requirements specified in subdivision (b), the Attorney General shall post the declaration on the department's Internet Web site and the Attorney General shall send the

declaration to the appropriate policy committees of the Legislature and to the Legislative Counsel.

SEC. 3. Section 336.9 of the Penal Code is amended to read:

336.9. (a) Notwithstanding Section 337a, and except as provided in subdivision (b), any person who, not for gain, hire, or reward other than that at stake under conditions available to every participant, knowingly participates in any of the ways specified in paragraph (2), (3), (4), (5), or (6) of subdivision (a) of Section 337a in any bet, bets, wager, wagers, or betting pool or pools made between the person and any other person or group of persons who are not acting for gain, hire, or reward, other than that at stake under conditions available to every participant, upon the result of any lawful trial, or purported trial, or contest, or purported contest, of skill, speed, or power of endurance of person or animal, or between persons, animals, or mechanical apparatus, is guilty of an infraction, punishable by a fine not to exceed two hundred fifty dollars ($250).

(b) Subdivision (a) does not apply to ~~either~~ *any* of the following situations:

(1) Any bet, bets, wager, wagers, or betting pool or pools made online.

(2) Betting pools with more than two thousand five hundred dollars ($2,500) at stake.

(3) Any sports wagering authorized pursuant to Chapter 4.6 (commencing with Section 19720) of Division 8 of the Business and Professions Code.

SEC. 4. Section 337a of the Penal Code is amended to read:

337a. (a) Except as provided in Section 336.9, *and as authorized pursuant to Chapter 4.6 (commencing with Section 19720) of Division 8 of the Business and Professions Code,* every person who engages in one of the following ~~offenses,~~ *offenses* shall be punished for a first offense by imprisonment in a county jail for a period of not more than one year or in the state prison, or by a fine not to exceed five thousand dollars ($5,000), or by both imprisonment and fine:

(1) Pool selling or bookmaking, with or without writing, at any time or place.

(2) Whether for gain, hire, reward, or gratuitously, or otherwise, keeps or occupies, for any period of time whatsoever, any room, shed, tenement, tent, booth, building, float, vessel, place, stand or

enclosure, of any kind, or any part thereof, with a book or books, paper or papers, apparatus, device or paraphernalia, for the purpose of recording or registering any bet or bets, any purported bet or bets, wager or wagers, any purported wager or wagers, selling pools, or purported pools, upon the result, or purported result, of any trial, purported trial, contest, or purported contest, of skill, ~~speed~~ *speed,* or power of endurance of person or animal, or between persons, animals, or mechanical apparatus, or upon the result, or purported result, of any lot, chance, casualty, *or* unknown or contingent event whatsoever.

(3) Whether for gain, hire, reward, or gratuitously, or otherwise, receives, holds, or forwards, or purports or pretends to receive, hold, or forward, in any manner whatsoever, any money, thing or consideration of value, or the equivalent or memorandum thereof, staked, pledged, bet or wagered, or to be staked, pledged, bet or wagered, or offered for the purpose of being staked, pledged, bet or wagered, upon the result, or purported result, of any trial, or purported trial, or contest, or purported contest, of skill, ~~speed~~ *speed,* or power of endurance of person or animal, or between persons, animals, or mechanical apparatus, or upon the result, or purported result, of any lot, chance, casualty, *or* unknown or contingent event whatsoever.

(4) Whether for gain, hire, reward, or gratuitously, or otherwise, at any time or place, records, or registers any bet or bets, wager or wagers, upon the result, or purported result, of any trial, or purported trial, or contest, or purported contest, of skill, ~~speed~~ *speed,* or power of endurance of person or animal, or between persons, animals, or mechanical apparatus, or upon the result, or purported result, of any lot, chance, casualty, *or* unknown or contingent event whatsoever.

(5) Being the owner, lessee or occupant of any room, shed, tenement, tent, booth, building, float, vessel, place, stand, enclosure or grounds, or any part thereof, whether for gain, hire, reward, or gratuitously, or otherwise, permits that space to be used or occupied for any purpose, or in any manner prohibited by paragraph (1), (2), (3), or (4).

(6) Lays, makes, offers or accepts any bet or bets, or wager or wagers, upon the result, or purported result, of any trial, or purported trial, or contest, or purported contest, of skill, speed or

power of endurance of person or animal, or between persons, animals, or mechanical apparatus.

(b) In any accusatory pleading charging a violation of this section, if the defendant has been once previously convicted of a violation of any subdivision of this section, the previous conviction shall be charged in the accusatory pleading, and, if the previous conviction is found to be true by the jury, upon a jury trial, or by the court, upon a court trial, or is admitted by the defendant, the defendant shall, if he or she is not imprisoned in the state prison, be imprisoned in the county jail for a period of not more than one year and pay a fine of not less than one thousand dollars ($1,000) and not to exceed ten thousand dollars ($10,000). Nothing in this paragraph shall prohibit a court from placing a person subject to this subdivision on probation. However, that person shall be required to pay a fine of not less than one thousand dollars ($1,000) nor more than ten thousand dollars ($10,000) or be imprisoned in the county jail for a period of not more than one year, as a condition thereof. In no event does the court have the power to absolve a person convicted pursuant to this subdivision from either being imprisoned or from paying a fine of not less than one thousand dollars ($1,000) and not more than ten thousand dollars ($10,000).

(c) In any accusatory pleading charging a violation of this section, if the defendant has been previously convicted two or more times of a violation of any subdivision of this section, each previous conviction shall be charged in the accusatory pleadings. If two or more of the previous convictions are found to be true by the jury, upon a jury trial, or by the court, upon a court trial, or are admitted by the defendant, the defendant shall, if he or she is not imprisoned in the state prison, be imprisoned in ~~the~~ *a* county jail for a period of not more than one year or pay a fine of not less than one thousand dollars ($1,000) nor more than fifteen thousand dollars ($15,000), or be punished by both imprisonment and fine. Nothing in this paragraph shall prohibit a court from placing a person subject to this subdivision on probation. However, that person shall be required to pay a fine of not less than one thousand dollars ($1,000) nor more than fifteen thousand dollars ($15,000), or be imprisoned in ~~the~~ *a* county jail for a period of not more than one year as a condition thereof. In no event does the court have the power to absolve a person convicted and subject to this

subdivision from either being imprisoned or from paying a fine of not more than fifteen thousand dollars ($15,000).

(d) Except where the existence of a previous conviction of any subdivision of this section was not admitted or not found to be true pursuant to this section, or the court finds that a prior conviction was invalid, the court shall not strike or dismiss any prior convictions alleged in the information or indictment.

(e) This section applies not only to persons who commit any of the acts designated in paragraphs (1) to (6), inclusive, of subdivision (a), as a business or occupation, but also applies to every person who in a single instance engages in any one of the acts specified in paragraphs (1) to (6), inclusive, of subdivision (a).

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

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

In order to give California, at the earliest possible time, a competitive advantage to license and regulate sports betting if the federal law is changed to allow it, it is necessary that this bill take effect immediately.

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CALIFORNIA LEGISLATURE—2015–16 REGULAR SESSION

ASSEMBLY BILL No. 1786

Introduced by Assembly Member Cooley

February 4, 2016

An act to amend Section 19619 of the Business and Professions Code, relating to horse racing.

LEGISLATIVE COUNSEL'S DIGEST

AB 1786, as introduced, Cooley. Horse racing: the California Standardbred Sires Stakes Program.

(1) The Horse Racing Law establishes the California Standardbred Sires Stakes Program for standardbred horses bred in California, and provides that an offspring of a registered California standardbred stallion standing in California during an entire breeding season is eligible to race in the program.

This bill would expand eligibility to race in the program to include the offspring of registered standardbred stallions standing in Iowa, Wisconsin, Minnesota, Michigan, or Maine, or the Province of Alberta, Canada.

(2) The Horse Racing Law requires the California Horse Racing Board to set a schedule of races for the program in accordance with specified requirements, including, among other things, that races be scheduled by the California Standardbred Sires Stakes Committee, at its discretion, for two-year-old and three-year-old trotters, as specified, and that two- and three-year-old races be divided into colt and filly divisions.

This bill would instead require that races be scheduled for two-year-old or three-year-old trotters and would delete the requirement that two- and three-year-old races be divided into colt and filly divisions.

(3) The Horse Racing Law also establishes the manner of dividing the purse in California standardbred sires stakes races, and sets forth the percentages to be allocated for horses placing in the race based on the number of participating starters in a race.

This bill would establish the percentages to be allocated for horses finishing in first through fifth place, inclusive, regardless of the number of starters in the race.

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

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

1 SECTION 1. Section 19619 of the Business and Professions
2 Code is amended to read:
3 19619. (a) Since the purpose of this chapter is to encourage
4 agriculture and the breeding of horses in this state, a California
5 Standardbred Sires Stakes Program is hereby established for
6 standardbred horses bred in the State of California.
7 (b) Horses eligible to race in the California Standardbred Sires
8 Stakes Program shall be the offspring of ~~any~~ *a* registered California
9 standardbred stallion standing in California during an entire
10 breeding ~~season.~~ *season, or the offspring of a registered*
11 *standardbred stallion standing in Iowa, Wisconsin, Minnesota,*
12 *Michigan, or Maine, or the Province of Alberta, Canada.*
13 (c) (1) Responsibility for the California Standardbred Sires
14 Stakes Program is with the board. Administration of the California
15 Standardbred Sires Stakes Program is the responsibility of the
16 California Standardbred Sires Stakes Committee. The committee
17 shall consist of five members and one alternate selected from and
18 by the California Harness ~~Horse Owners and Breeders~~ *Horsemen's*
19 Association.
20 (2) Administrative expenses of the committee in any given year
21 shall not exceed 4 percent of that year's income to the California
22 Standardbred Sires Stakes Program, and all expenses shall be
23 approved by the board.
24 (d) The board may do all that is necessary to ensure that the
25 California Standardbred Sires Stakes Program is appropriately
26 administered and shall prepare, issue, and adopt rules and
27 regulations providing for all of the following:

(1) Classes and divisions of races, eligibility of horses and owners therefor, and prizes and awards to be awarded.

(2) Nominating, sustaining, and entry fees for horses and races.

(3) Registration and certification of California stallions, mares bred to those stallions, and foals produced thereby.

(4) Any other matter that is considered to be necessary and appropriate for the proper administration and implementation of the California Standardbred Sires Stakes Program.

(e) The funds for the California Standardbred Sires Stakes Program made available pursuant to Section 19491.7 and the nominating, sustaining, and entry fees provided for in this section shall be deposited with the California Standardbred Sires Stakes Committee. The committee shall distribute the funds deposited with it in accordance with this section for the purposes of the program in the manner approved by the board.

(f) Pursuant to Section 19491.7, the breakage used to fund the California Standardbred Sires Stakes Program and to increase purses shall be divided in accordance with the following criteria:

	California Standardbred Sires Stakes Program	Purses
1977	10%	90%
1978	20%	80%
1979	25%	75%
1980	50%	50%
January 1 to June 30, 1981	75%	25%
July 1, 1981, and thereafter	100%	0%

(g) An amount equal to 10 percent of the total purses raced for in the California sires stakes races shall be awarded to the standardbred breeders of the horses that earned purse money in the California standardbred sires stakes races in proportion to the amount of purse money earned by each horse.

(h) An amount equal to 2 percent of the total purses raced for in the California sires stakes races shall be awarded to the owners of the registered California standardbred stallions that sired horses that earned purse money in the California standardbred sires stakes races in proportion to the amount of purse money earned by each horse so sired.

(i) Notwithstanding subdivision (b), the board may establish a series of races for two-year-old and three-year-old fillies that are wholly owned by a California resident on the first day of January of the year that they become two years old and are wholly owned by a California resident on the day of the race.

(j) The balance of the remaining funds, including nominating, sustaining, and entry fees, and after the expenditures described in subdivisions (e), (g), (h), and (i) have been made, shall be allocated to purses for races comprising the California Standardbred Sires Stakes Program.

(k) The schedule of races that shall comprise the California Standardbred Sires Stakes Program during each year shall be set by the board in accordance with the following criteria:

(1) California standardbred sires stakes races shall be scheduled for two-year-old ~~and~~ *or* three-year-old trotters and two-year-old and three-year-old pacers at the discretion of the California Standardbred Sires Stakes Committee, except that no two-year-old races shall be held ~~prior to~~ *before* the first day of June of any year. Races for four-year-old or aged trotters and four-year-old or aged pacers may also be scheduled.

~~(2) Two- and three-year-old races shall be divided into colt and filly divisions.~~

~~(3)~~

(2) Base purses for each set of races conducted during any given year at any race meeting shall be determined by the committee. ~~As used in this section, a set of races means one final race for each eligible age, sex, and gait, as scheduled by the committee.~~

~~(4)~~

(3) In each division of each race in the California standardbred sires stakes races, the purse shall be divided in the following manner:

~~(i) Five or more starters~~

1st	50%
2nd	25%
3rd	12%
4th	8%
5th	5%

~~(ii) Four starters~~

~~1st~~	~~55%~~

~~2nd ..... 25%~~
~~3rd ..... 12%~~
~~4th ..... 8%~~
~~(iii) Three starters~~
~~1st ..... 55%~~
~~2nd ..... 30%~~
~~3rd ..... 15%~~
~~(iv) Two starters~~
~~1st ..... 65%~~
~~2nd ..... 35%~~
~~(v) One starter~~
~~1st ..... 100%~~

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SENATE BILL No. 905

Introduced by Senator Berryhill

January 25, 2016

An act to amend Section 19424 of the Business and Professions Code, relating to horse racing.

LEGISLATIVE COUNSEL'S DIGEST

SB 905, as introduced, Berryhill. Horse racing: California Horse Racing Board.

The Horse Racing Law provides that no member of the California Horse Racing Board is disqualified from receiving a share of any purse awarded him as the result of any horse race as an owner of a horse or as a breeder of a California-bred horse.

This bill would make nonsubstantive changes to that provision.

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

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

1 SECTION 1. Section 19424 of the Business and Professions
2 Code is amended to read:
3 19424. ~~No~~ *A* board member is *not* disqualified from receiving
4 a share of ~~any~~ *a* purse awarded him *or her* as the result of ~~any~~ *a*
5 horse race as an owner of a horse or as a breeder of a
6 California-bred horse.

O