

INITIAL STATEMENT OF REASONS

RULE 1467. PAYMASTER OF PURSES

SPECIFIC PURPOSE OF THE REGULATION

The proposed amendment to Rule 1467, Paymaster of Purses, will require that the paymaster of purses deduct from the purses of both jockeys and trainers 0.3 percent to be deposited into a charitable trust fund maintained by the not-for-profit organization California Retirement Management Account (CARMA). A trainer or jockey may elect not to have the 0.3 percent deducted from their purses by filing with the paymaster a Notification of Exclusion of CARMA Contribution, form CHRB-206 (Rev. 06/18), available at the office of the paymaster. The proposed amendment will also require that CARMA file an audited financial statement with the California Horse Racing Board annually within 90 days of the end of CARMA's fiscal year.

PROBLEM

Rule 1467 requires the paymaster of purses to deduct from a horse owner's account 0.3 percent of the net purse earned by any thoroughbred horse at a thoroughbred racing association or fair meeting. Rule 1467 directs that these deductions be deposited into the California Retirement Management Account (CARMA) for distribution by the horsemen's organization representing the thoroughbred owners, to California thoroughbred retirement and rehabilitation facilities, which provide livestock care and services to retired thoroughbred horses that competed in thoroughbred races in California. Thoroughbred horse owners may elect not to have the 0.3 percent deducted from their net purses by filing with the paymaster of purses Notification of Exclusion of CARMA Contribution, form CHRB-206, which is available at the office of the paymaster at any race meeting. The proposed amendment to Rule 1467 is meant to further the goal of providing funding to thoroughbred retirement and rehabilitation facilities. These retirement and rehabilitation facilities rely on volunteers and donations as well as income earned from selling rehabilitated racehorses for non-racing purposes. However, there is no sustainable and predictable source of funding for such programs. This has been a long-term industry concern, as the majority of thoroughbred owners do not have the financial resources to maintain injured or retired racehorses. The proposed amendment to Rule 1467 would similarly deduct 0.3 percent from jockeys' and trainers' purses to be deposited into the CARMA account for distribution by CARMA to California thoroughbred retirement and rehabilitation facilities, which provide livestock care and services to retired thoroughbred horses that competed in thoroughbred races in California. Similarly, a jockey or trainer may elect not to have the 0.3 percent deducted from their purse by filing with the paymaster a Notification of Exclusion of CARMA Contribution, form CHRB-206 (Rev. 06/18), which is available at the office of the paymaster at all race meetings.

NECESSITY

Rule 1467 describes the duties of the paymaster of purses. Currently, Rule 1467 requires the paymaster of purses to deduct from a horse owner's account, 0.3 percent of the net purse earned by any thoroughbred horse at a thoroughbred racing association or fair meeting. Rule 1467

further directs that these deductions be deposited into the California Retirement Management Account (CARMA) for distribution by the horsemen's organization representing the thoroughbred owners to California thoroughbred retirement and rehabilitation facilities, which provide livestock care and services to retired thoroughbred horses that competed in thoroughbred races in California. Thoroughbred horse owners may elect not to have the 0.3 percent deducted from their net purses by filing with the paymaster of purses Notification of Exclusion of CARMA Contribution, form CHRB-206, which is available at the office of the paymaster at any race meeting. The proposed amendment will expand the duties of the paymaster by requiring the deduction of 0.3 percent from jockeys' and trainers' purses as well. The proposed amendment further provides that the funds be deposited into the CARMA account for distribution by CARMA to California thoroughbred retirement and rehabilitation facilities. The proposed amendment similarly allows a jockey or trainer to elect not to have the 0.3 percent deducted from their purse by filing with the paymaster a Notification of Exclusion of CARMA Contribution, form CHRB-206 (Rev. 06/18), which is available at the office of the paymaster at all race meetings. These duties were added at the request of CARMA to address concerns regarding the fate of retired California thoroughbred racehorses. There are a number of nonprofit institutions in California that accept retired and injured racehorses to rehabilitate and use as private pleasure horses, or a number of other functions such as show jumping. These retirement and rehabilitation facilities rely on volunteers and donations as well as income earned from selling rehabilitated racehorses for non-racing purposes. However, there is no sustainable and predictable source of funding for such programs. This has been a long-term industry concern, as the majority of thoroughbred owners do not have the financial resources to maintain injured or retired racehorses.

The proposed amendment to Rule 1467 amends subsection (e). The amended subsection requires the paymaster of purses deduct from the purses of both jockeys and trainers 0.3 percent to be deposited into a charitable trust fund maintained by the not-for-profit organization CARMA. The addition of jockeys and trainers will assist in generating funds for nonprofit retirement and rehabilitation facilities in California that provide livestock care and services to retired thoroughbred horses that competed in thoroughbred races in California.

The proposed amendment also amends subsection (e) by requiring CARMA, instead of a horseman's organization, to maintain the funds deposited into the account for later distribution. Historically, CARMA has been the organization that receives these funds on behalf of the horseman. This proposed amendment codifies current industry practices. CARMA is a not-for-profit organization that manages a grant request process and since 2008 has awarded more than 3.2 million dollars to qualified retirement facilities which care for thoroughbreds.

Subparagraph (e)(1) allows jockeys and trainers to elect not to have the 0.3 percent deducted from their purse by completing a Notification of Exclusion of CARMA Contribution, form CHRB-206 (Rev. 06/18), available at the office of the paymaster. This form is necessary to ensure proper distributions are made. This form was amended to include the license number of the jockey or trainer. This amendment to the form was necessary for easier identification of the licensee. The form was also amended to include a distribution to CARMA instead of the Thoroughbred Owners of California (TOC). This amendment was made to conform to the proposed amendment and ensure proper distribution of the completed form. The form directs the

paymaster to refrain from deducting 0.3 percent of the purse earned by the jockey or trainer from any thoroughbred race. The form is valid only at the track where it is submitted, as the same paymaster might not work at a subsequent race meeting.

Subparagraph (e)(2) requires that funds deposited in the CARMA trust account be distributed at least on an annual basis to retirement or rehabilitation facilities as determined by the CARMA not-for-profit organization. This amendment ensures that the funds reach the retirement and rehabilitation facilities annually. This change is consistent with the amendment to subsection (e) which also directs the CARMA to manage the funds deposited into the account.

Subparagraph (e)(3) requires the not-for-profit organization CARMA to file with the California Horse Racing Board (Board) annually within 90 days of the close of CARMA's fiscal year an audited financial statement of the CARMA trust fund account. This amendment allows the Board to oversee and audit the distributions made by the CARMA organization.

BENEFITS ANTICIPATED FROM THE REGULATORY ACTION.

The proposed amendment to Rule 1467 promotes the safety and welfare of horses after their career has ended. The amendment provides funding for retired race horses to include rehabilitation and veterinary services, housing, and retraining. It is anticipated that the additional funding will allow for these services to continue. Organizations such as CARMA, ensure the lasting health and safety of the racehorse, while also establishing trust with the public that race horses are not forgotten once they retire.

TECHNICAL, THEORETICAL, AND/OR EMPIRICAL STUDY, REPORTS OR DOCUMENTS.

The Board did not rely on any technical, theoretical, and/or empirical study, reports or documents in proposing the amendments to Rule 1467.

RESULTS OF ECONOMIC IMPACT ASSESSMENT.

The results of the Board's Economic Impact Assessment as required by Government Code Section 11346.3(b) are as follows:

- The proposed regulation will not impact the creation or elimination of jobs within the State of California.
- The proposed amendment to Rule 1467 will not impact the creation of new business or eliminate existing business in California.
- Rule 1467 will not impact the expansion of business currently doing business in California.
- The proposed regulation will not benefit the health and welfare of California residents or benefit the State's environment.

The Board has made an initial determination that the proposed amendment to Rules 1467, will not have a significant statewide adverse economic impact directly affecting business including

the ability of California businesses to compete with businesses in other states. The proposed amendment to Rules 1467 requires the paymaster of purses to deduct from the jockey's and trainer's accounts 0.3 percent of the purse money they earn from any race conducted at a thoroughbred racing association or fair meeting. Such deductions shall be deposited into the California Retirement Management Account (CARMA) a charitable trust fund managed by CARMA, a not-for-profit organization. Jockeys and trainers may elect not to have the 0.3 percent deducted from their purses by filing with the paymaster of purses the Notification of Exclusion of CARMA Contribution, form CHRB-206 (Rev. 06/18) which is available at the office of the paymaster.

PURPOSE

The proposed amendment to Rule 1467, Paymaster of Purses, will require that the paymaster of purses deduct from the purses of both jockeys and trainers 0.3 percent to be deposited into a charitable trust fund maintained by the not-for-profit organization CARMA. A trainer or jockey may elect not to have the 0.3 percent deducted from their purses by filing with the paymaster a Notification of Exclusion of CARMA Contribution, form CHRB-206 (Rev. 06/18), available at the office of the paymaster. The proposed amendment will also require that CARMA file an audited financial statement with the California Horse Racing Board annually within 90 days of the end of CARMA's fiscal year. The proposed amendment is meant to further the goal of providing funding to thoroughbred retirement and rehabilitation facilities.

CREATION OR ELIMINATION OF JOBS WITHIN THE STATE OF CALIFORNIA

The proposed amendment to Rule 1467, will require that the paymaster of purses deduct from the purses of both jockeys and trainers 0.3 percent to be deposited into a charitable trust fund maintained by the not-for-profit organization CARMA. A trainer or jockey may elect not to have the 0.3 percent deducted from their purses by filing with the paymaster a Notification of Exclusion of CARMA Contribution, form CHRB-206 (Rev. 06/18), available at the office of the paymaster. The proposed amendment will also require that CARMA file an audited financial statement with the California Horse Racing Board annually within 90 days of the end of CARMA's fiscal year. The proposed amendment will not affect the creation or elimination of jobs within the State of California, as it deals with requiring jockeys and trainers to contribute 0.3 percent of purses earned to the not-for-profit organization CARMA.

CREATION OF NEW OR ELIMINATION OF EXISTING BUSINESSES WITHIN THE STATE OF CALIFORNIA.

The proposed amendment to Rule 1467, will require that the paymaster of purses deduct from the purses of both jockeys and trainers 0.3 percent to be deposited into a charitable trust fund maintained by the not-for-profit organization CARMA. A trainer or jockey may elect not to have the 0.3 percent deducted from their purses by filing with the paymaster a Notification of Exclusion of CARMA Contribution, form CHRB-206 (Rev. 06/18), available at the office of the paymaster. The proposed amendment will also require that CARMA file an audited financial statement with the California Horse Racing Board annually within 90 days of the end of

CARMA's fiscal year. The proposed amendment will not affect the creation of new or elimination of existing businesses within the State of California, as it deals with requiring jockeys and trainers to contribute 0.3 percent of purses earned to the not-for-profit organization CARMA.

EXPANSION OF BUSINESSES WITHIN THE STATE OF CALIFORNIA

The proposed amendment to Rule 1467, will require that the paymaster of purses deduct from the purses of both jockeys and trainers 0.3 percent to be deposited into a charitable trust fund maintained by the not-for-profit organization CARMA. A trainer or jockey may elect not to have the 0.3 percent deducted from their purses by filing with the paymaster a Notification of Exclusion of CARMA Contribution, form CHRB-206 (Rev. 06/18), available at the office of the paymaster. The proposed amendment will also require that CARMA file an audited financial statement with the California Horse Racing Board annually within 90 days of the end of CARMA's fiscal year. The proposed amendment will not affect the expansion of businesses within the State of California, as it deals with requiring jockeys and trainers to contribute 0.3 percent of purses earned to the not-for-profit organization CARMA.

BENEFITS OF THE REGULATION TO THE HEALTH AND WELFARE OF CALIFORNIA RESIDENTS, WORKER SAFETY, AND THE STATE'S ENVIRONMENT

The proposed amendment to Rule 1467, will require that the paymaster of purses deduct from the purses of both jockeys and trainers 0.3 percent to be deposited into a charitable trust fund maintained by the not-for-profit organization CARMA. A trainer or jockey may elect not to have the 0.3 percent deducted from their purses by filing with the paymaster a Notification of Exclusion of CARMA Contribution, form CHRB-206 (Rev. 06/18), available at the office of the paymaster. The proposed amendment will also require that CARMA file an audited financial statement with the California Horse Racing Board within 90 days of the end of their fiscal year. The proposed amendment is meant to further the goal of providing funding to thoroughbred retirement and rehabilitation facilities.

The proposed regulation will not benefit the health and welfare of California residents. The proposed regulation will not benefit the state's environment.

INITIAL DETERMINATION

The Board has made an initial determination that the proposed amendment to Rule 1467 will not have a significant statewide adverse economic impact directly affecting business including the ability of California businesses to compete with businesses in other states. The proposed amendment to Rule 1467, will require that the paymaster of purses deduct from the purses of both jockeys and trainers 0.3 percent to be deposited into a charitable trust fund maintained by the not-for-profit organization CARMA. However, a trainer or jockey may elect not to have the 0.3 percent deducted from their purses by filing with the paymaster a Notification of Exclusion of CARMA Contribution, form CHRB-206 (Rev. 06/18), available at the office of the paymaster. The proposed amendment will also require that CARMA file an audited financial statement with the California Horse Racing Board annually within 90 days of the end of CARMA's fiscal year.

ALTERNATIVE TO THE PROPOSED REGULATORY ACTION THAT WOULD LESSEN ANY ADVERSE IMPACT ON AFFECTED PRIVATE PERSONS OR BUSINESSES.

The Board has determined that there were no alternatives considered which would be more effective in carrying out the purposes of the proposed regulation or would be more effective and less burdensome to affected private persons or businesses than the proposed regulation.

REASONABLE ALTERNATIVES TO THE PROPOSED REGULATORY ACTION.

The proposed amendment to Rule 1467 was discussed at the December 14, 2017 Regular Board Meeting. The Board voted to instruct staff to prepare a Notice of Proposed Action. No subsequent alternative recommendations were made prior to the notice. The Board invites any interested party to submit comments which offer any alternative proposal.

California Horse Racing Board
September 7, 2018