

STAFF ANALYSIS

DISCUSSION AND ACTION BY THE BOARD ON THE APPROVAL OF THE FORMULA AND AGREEMENT TO PROVIDE FUNDING FOR THE CHRB FOR FISCAL YEAR 2025-2026

Regular Board Meeting
June 19, 2025

ISSUE:

In order to fund the budget of the California Horse Racing Board (“Board”) for fiscal year 2025-26, the Board must either develop a formula or approve an industry developed formula prior to July 1, 2025. For fiscal year 2025-26, stakeholders agreed on the attached funding formula for Board consideration.

BACKGROUND:

Pursuant to Business and Professions Code (BPC) section 19616.51 (see below), each year the Board approves a funding formula by which all associations and fairs participate in the funding of the Board. BPC section 19612.8 requires that each association or fair, at a minimum, cover the costs directly associated with Board contractors – Stewards and Official Veterinarians – appointed for racing meet and for laboratory testing costs.

Historically, stakeholders agreed upon the formula and presented it to the Board for approval, however, in FY 2024-25, stakeholders could not agree, and the Board was tasked with determining the method by which the Board’s budget was funded once each association was assigned their direct costs.

AUTHORITY:

BPC §19616.51. License Fee Reductions; Horse Racing Fund; Distributions (in part):

(a) Notwithstanding any other law, and in lieu of any license fee payable to the state prescribed for or referred to in Section 19491, 19491.5, 19596.3, 19601, 19601.2, 19602, 19603, 19604, 19605.25, 19605.35, 19605.45, 19605.6, 19605.7, 19605.71, 19606.5, 19606.6, 19610.8, 19611, 19612, 19614, 19616, 19616.1, 19616.2, or 19641, any association or fair that conducts a racing meeting shall only pay its proportional amount, as determined by the formula devised pursuant to paragraph (1), as a license fee to the state, to be deposited into the Horse Racing Fund, which is hereby established, to fund the board and the equine drug testing program as follows:

(1) All racing associations and fairs including all breeds of racing shall participate in the funding of the board in accordance with a formula devised by the board in

consultation with the industry.

BPC §19612.8. Associations Conducting Racing Meetings; Payment of Costs

Notwithstanding any other provision of law, any association conducting a racing meeting shall pay not less than the actual amount necessary to cover the costs for compensation, including any fringe benefits, to stewards and official veterinarians and to cover the costs for that racing meeting, as provided by the board under Section 19581.

RECOMMENDATION:

This item is presented for Board discussion and action.

Agreement for CHRB Support Fiscal Year 2025-2026

This will serve to memorialize agreement among the undersigned with respect to funding of the California Horse Racing Board, ("CHRB"). The undersigned hereby agree among themselves that each will make the following payments:

Recitals

Section 19616.51 of the Business and Professions Code was amended by ABX4 12, and now stipulates:

(a) Notwithstanding any other law, and in lieu of any license fee payable to the state prescribed for or referred to in Section 19491, 19491.5, 19596.3, 19601, 19601.2, 19602, 19603, 19604, 19605.25, 19605.35, 19605.45, 19605.6, 19605.7, 19605.71, 19606.5, 19606.6, 19610.8, 19611, 19612, 19614, 19616, 19616.1, 19616.2, or 19641, any association or fair that conducts a racing meeting shall only pay its proportional amount, as determined by the formula devised pursuant to paragraph (1), as a license fee to the state, to be deposited into the Horse Racing Fund, which is hereby established, to fund the board and the equine drug testing program as follows:

(1) All racing associations and fairs including all breeds of racing shall participate in the funding of the board in accordance with a formula devised by the board in consultation with the industry.

For the 2025-2026 fiscal year, in accordance with Section 19616.51 and the Budget Act of 2025, the CHRB operational budget is \$17,400,000 plus any augmentations appropriated in the Act pursuant to Control Section 3.60, Employer Retirement Contribution and Item 9800, Employee Compensation Adjustments. Thus, the undersigned are responsible for the funding of the CHRB's annual operating budget by depositing the necessary funds in the California Horse Racing Fund.

1. Payment of CHRB Support.

- a. In order to fund of the CHRB's annual operating budget, the undersigned shall distribute to the CHRB:
 - i. 55.50 percent of the License Fee that would have otherwise been payable by the undersigned in the absence of the enactment of SB 16XX ("Pre-SB 16XX License Fee"), plus
 - ii. 0.96% of its market access fees generated by California resident Advanced Deposit Wagering ("ADW") which would have otherwise been distributed to track and purse commissions. Distributions from ADW are allowed per Section 19604 (f) (5) (E).
 - iii. In accordance with Section 19531(d), the funds generated for purses and commissions as described in Section 19531(d) (3) shall be used to pay the board support requirement that thoroughbred racing associations and the racing fair in the central or southern zone ("AB 1074 hosts") are required to make under subsections (i) and (ii) above. AB 1074 hosts will distribute 4.25 percent of handle generated in the Northern zone during their respective race meets to the CHRB, subject to modification by the CHRB should fair or thoroughbred association racing in the northern zone occur during the 2025-2026 fiscal year.
- b. By the CHRB's approval of this Agreement, the CHRB shall be deemed to have approved the alternate distributions of market access fees as required per Section 19604 (f) (5) (E).
- c. The undersigned shall remit the respective amounts they owe no later than Friday for amounts generated during the prior week (Monday through Sunday) for wagers placed at brick and mortar sites within California. For amounts generated by wagering outside the State of California on races conducted in California ("export wagering") and California resident wagers facilitated through California licensed ADW providers, the

Agreement for CHRB Support Fiscal Year 2025-2026

undersigned will remit the respective amounts they owe within ten business days of the receipt of host fees and market access fees.

- d. It is contemplated funds generated pursuant to the enactment of AB 1974 will supplement the board support funding generated via commingled handle.
- e. Final excesses or shortfalls in funding shall be determined after the end of the fiscal year. Should a shortfall occur, the payments required by the undersigned shall be determined by calculating the percentage of each entity's contribution to the total funding generated in the current fiscal year and then applying such percentage to the shortfall. The CHRB will notify the undersigned of their shortfall amounts, and the undersigned will remit payments within ten business days of such notification. Should an excess in generated funding occur, payments to the CHRB shall cease once board support payments have reached \$17,400,000. The excess in generated funding shall be deposited into a trust account maintained by the Del Mar Thoroughbred Club to be distributed to each entity utilizing the same calculation methodology as for shortfalls.
- f. It is agreed that the CHRB shall evaluate payments received during the fiscal year and may require that it receive pre-payments in order to ensure that its operations are funded timely and sufficiently throughout the fiscal year. The undersigned will fund such pre-payments within ten business days of notification.

2. The CHRB is a third party beneficiary of the payments to be made by the undersigned pursuant to paragraph 1 hereof, therefore, the CHRB has a right to bring an action against any of the undersigned who fail to make the prescribed payments in paragraph 1 hereof. Payments to be made by the undersigned are the sole responsibility of that entity; therefore, there is no joint and several liability among the undersigned for the failure of anyone to make the prescribed payments.

3. This Agreement may be signed in counterparts.

4. California Horse Racing Industry Organizations which have agreed to participate in the funding described above include: Del Mar Thoroughbred Club, Los Angeles County Fair Association, Los Alamitos Racing Association, Los Alamitos Quarter Horse Racing Association, Los Angeles Turf Club, Watchandwager.com LLC, California Harness Horsemen's Association, California Thoroughbred Breeders Association, Pacific Coast Quarter Horse Racing Association, and Thoroughbred Owners of California.

[Signatures follow]

Agreement for CHRB Support Fiscal Year 2025-2026

Del Mar Thoroughbred Club

DocuSigned by:
Josh Rubinstein
By _____
03A7459DCBE14DC...

Los Alamitos Racing Association

DocuSigned by:
Rick English
By _____
9F115712B6A9474...

Los Alamitos Quarter Horse Racing Association

DocuSigned by:
Rick English
By _____
9F115712B6A9474...

Los Angeles County Fair Association

DocuSigned by:
Rick English
By _____
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Los Angeles Turf Club

DocuSigned by:
Nate Newby
By _____
154C9657C7A9454...

Watchandwager.com LLC

Signed by:
Ben Kenney
By _____
023D03949B0B416...

Thoroughbred Owners of California

DocuSigned by:
William A. Nader
By _____
20CE9094162E418...

Pacific Coast Quarter Horse Racing Association

Signed by:
DINO PEREZ
By _____
E94E21E0C17248C...

California Harness Horsemen's Association

By _____

California Thoroughbred Breeders Association

DocuSigned by:
[Signature]
By _____
B67E69712ACD46B...

Agreed and Accepted:

DocuSigned by:
C. Paul Chang
By _____
AB2F0737137045A...
California Horse Racing Board

Agreement for CHRB Support Fiscal Year 2025-2026

Del Mar Thoroughbred Club

By _____

Los Alamitos Quarter Horse Racing Association

By _____

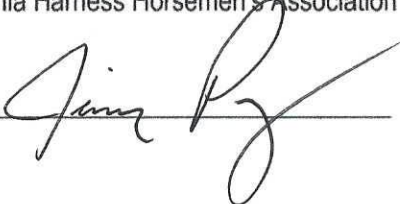
Los Angeles Turf Club

By _____

Thoroughbred Owners of California

By _____

California Harness Horsemen's Association

By  _____

Agreed and Accepted:

By _____
California Horse Racing Board


Los Alamitos Racing Association

By _____

Los Angeles County Fair Association

By _____

Watchandwager.com LLC

By  _____

Pacific Coast Quarter Horse Racing Association

By _____

California Thoroughbred Breeders Association

By _____

