

STAFF ANALYSIS

DISCUSSION AND ACTION BY THE BOARD REGARDING THE REQUEST FROM THE NORTHERN CALIFORNIA OFF TRACK WAGERING INC. (NCOTWINC) ON THE AGREEMENT TO USE MARKET ACCESS FEES FOR SIMULCAST EXPENSES NOT COVERED BY STATUTORY DEDUCTION.

Board Meeting
May 13, 2026

ISSUE:

Northern California Off-Track Wagering, Inc. (NCOTWINC) requests that the Board review and approve the 2026 Northern California Expense Fund Agreement (Agreement) for the period of July 1, 2026 through June 30, 2027. The purpose of the Agreement is to authorize an additional 1.60% deduction from ADW wagers placed in the Northern Zone to help offset simulcast expenses not fully covered by existing statutory deductions.

ANALYSIS:

The proposed “Fiscal Year 2026/2027 Northern California Expense Fund Agreement” specifies the terms under which this deduction will be applied to ADW wagers in the Northern Zone. The funds collected through this mechanism will be used exclusively to cover the portion of simulcast expenses not met by the 2.5% statutory deduction. If approved, the Agreement will bring the total ADW Market Access Fee Deduction to 1.60% for ADW wagers placed in the Northern Zone.

NCOTWINC operates satellite wagering facilities in the Northern Zone pursuant to Business and Professions Code (BPC) Section 19608.2. Under BPC Section 19605.7(a)(2)(B), the NCOTWINC is authorized to deduct 2.5% from pari-mutuel wagers to fund simulcast-related expenses. However, this amount has proven insufficient to cover the full cost of simulcast operations.

BPC Section 19531(d)(3) provides a funding mechanism for simulcast operations in the Northern Zone during periods when Southern Zone associations serve as the host. In addition, BPC Section 19604(f)(5)(E) authorizes a deduction from ADW wagers—commonly referred to as the ADW Market Access Fee Deduction—which may be used to supplement funding for simulcast expenses.

APPLICABLE LAW:

BPC Section 19604(f)(5)(E) provides that notwithstanding any provision of this section to

the contrary, the distribution of market access fees pursuant to this subparagraph may be altered upon the approval of the Board, in accordance with an agreement signed by all parties whose distributions would be affected.

BPC Section 19605.7(a)(2)(B), provides that commencing January 1, 2017, an amount not to exceed the amount of actual operating expenses, as determined by the board, or 2.5 percent of the amount handled by the satellite wagering facility on conventional and exotic wagers, whichever is less, shall be distributed to an organization described in Section 19608.2.

BPC Section 19608.2, in part, permits associations providing audiovisual signals the ability to form an organization to operate, pursuant to board supervision, the audiovisual signal system and establishes that such an organization operating under board supervision may consist of any combination of associations and fairs.

RECOMMENDATION:

This item is presented for Board discussion and action.

Fiscal Year 2026/2027 Northern California Expense Fund Agreement

This Agreement is entered into as of this 1st day of May, 2026 by and between the undersigned racing associations (“the Signatory Racing Associations”) and the Thoroughbred Owners of California (“TOC”).

IT IS HEREBY AGREED AS FOLLOWS:

1. The distribution of Market Access fees from Advanced Deposit Wagering, (“ADW”) placed on races deemed to be hosted by the Signatory Racing Associations, excluding ADW on races conducted at racetracks whose blended takeout is less than 15% for any calendar month, shall be altered by the creation of an additional deduction for a distribution therefrom based upon 1.60% of ADW in the Northern Zone that would otherwise be distributable as thoroughbred purses and commissions, and such deduction from ADW in the Northern Zone shall be payable to Northern California Off-track Wagering Inc.
2. The parties shall immediately file this Agreement with the CHRB for the purposes of securing its approval of the deduction contemplated from market access fees placed on races hosted by the Signatory Racing Associations.
3. Subject to the requisite approval of the CHRB, the deduction from ADW set forth in #1 above shall be effective July 1, 2026 through June 30, 2027.

Thoroughbred Owners of California

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William A. Nader
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Los Alamitos Racing Association

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Cathy Allred
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Del Mar Thoroughbred Club

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Josh Rubinstein
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Los Angeles Turf Club

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Los Angeles County Fair

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