

CALIFORNIA HORSE RACING BOARD

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MINI-SATELLITE WAGERING **TASK FORCE** **COMMITTEE MEETING**

of the **California Horse Racing Board** will be held on **Friday, August 23, 2013**, commencing at **9:30 a.m.**, at the **Del Mar Surfside Race Place, (Downstairs General Admission Area) 2260 Jimmy Durante Blvd., Del Mar, California**. Non-committee Board members attending the committee meeting may not participate in the public discussion, official committee vote, or committee closed session.

AGENDA

Agenda Items

1. Discussion and action regarding the impact of the **mini-satellite wagering facility 20-mile radius restriction, pursuant to Business and Professions Code section 19605.25, has on the development of future mini-satellite wagering facilities in California and the feasibility of modifying this restriction.**
2. Discussion and action on the report from **Southern California Off Track Wagering, Inc. (SCOTWINC) regarding how it determines potential mini-satellite wagering locations, to include facility compensation, cost analysis of clerks, equipment security, etc, gaining local city approval, and other issues that could impact the development of a potential location.**
3. Discussion and action on the report from **Southern California Off Track Wagering, Inc. (SCOTWINC) and Northern California Off Track Wagering Inc. (NCOTWINC) regarding the status of future potential mini-satellite wagering facility locations.**
4. Discussion and action on the report from **Southern California Off Track Wagering, Inc. (SCOTWINC) on the status of the currently licensed mini-satellite wagering facilities.**
5. Discussion and action regarding **proposed procedures for the filing and review of future mini-satellite wagering applications.**
6. **General Business:** Communications, reports, requests for future actions of the Committee.

Additional information regarding this meeting may be obtained from Mike Marten at the CHRB Office at Los Alamitos Race Course, 4961 E. Katella Avenue, Los Alamitos, CA, 90720; telephone (714) 820-2748; cell (714) 240-1870; fax (714) 821-6232. 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 requires aids or services in order to participate in this public meeting, should contact Mike Marten.

MINI-SATELLITE WAGERING
TASK FORCE COMMITTEE

Commissioner George Krikorian, Chairman
Commissioner Steve Beneto, Member
Jacqueline Wagner, Assistant Executive Director

STAFF ANALYSIS
DISCUSSION AND ACTION REGARDING THE IMPACT OF THE MINI-SATELLITE
WAGERING FACILITY 20-MILE-RADIUS RESTRICTION, PURSUANT TO BUSINESS
AND PROFESSIONS CODE SECTION 19605.25, HAS ON THE DEVELOPMENT OF
FUTURE MINI-SATELLITE WAGERING FACILITIES IN CALIFORNIA AND
THE FEASIBILITY OF MODIFYING THIS RESTRICTION

Mini-Satellite Wagering Task Force Committee Meeting
August 23, 2013

BACKGROUND

Business and Professions Code section 19605.25 provides that the Board may approve up to 15 mini-satellite wagering sites in each of the "three geographical zones in California: (a) the "southern zone," which shall consist of the Counties of Imperial, Orange, Riverside, and San Diego; (b) the "central zone," which shall consist of the Counties of Kern, Los Angeles, San Bernardino, San Luis Obispo, Santa Barbara, and Ventura; and (c) the "northern zone," which shall consist of the remaining counties in the state." There are currently five mini-satellites operating in California and the Board has approved two other applications for facilities that are expected to open this year, as follow:

Northern Zone

Bankers Casino in Salinas

Central Zone

Roadhouse Grill in Santa Maria
Santa Clarita Lanes in Santa Clarita
Mermaid Tavern in Thousand Oaks (due to open September 6)
Commerce Club in Commerce

Southern Zone

Sammy's Restaurant in Lake Forest (yet to open)
OC Tavern

Section 19605.5 states that if a proposed site is located within a 20-mile radius of a racetrack or satellite wagering facility, including any tribal casino that has a satellite wagering facility, then the consent of each facility within the 20-mile radius of the proposed facility must be given before the new application can be approved by the Board. Two mini-satellites currently are operating within the 20-mile radius. Banker's Casino in Salinas obtained consent from the Monterey County Fair. The Commerce Club in Commerce obtained consent from Santa Anita Park, Hollywood Park, and Los Alamitos Race Course.

ANALYSIS

SB 1439 (Price) was introduced in 2010 with the support of most of the California horse racing industry to reduce the 20-mile radius to 15 miles. The California Authority of Racing Fairs and

San Mateo Events Center opposed that bill, which was defeated, but indicated at the time that their opposition was to elements within that particular piece of legislation and they might support other legislation that satisfactorily addressed their concerns.

The Board has continued to express concern that the 20-mile radius restriction may impede the development of additional mini-satellite wagering facilities. Accordingly, the Board's Pari-Mutuel, ADW, and Simulcast Committee held a public meeting June 19 at which this matter was discussed. The Committee received correspondence and heard testimony from approximately half of the existing satellite facility operators, which all favored retention of the 20-mile radius protection, while many indicated they might be willing to give their consent for mini-satellites within the 20-mile radius under certain conditions. When the PMO Committee report was given to the full Board the next day, some racing commissioners as well as representatives of Sportech, which is considering investing heavily in mini-satellites, indicated they would like to see a reduction in the 20-mile radius.

RECOMMENDATION

This item is presented for committee discussion and action.

Assembly Bill No. 241

CHAPTER 594

An act to amend Sections 19410 and 19605.51 of, and to add Sections 19410.7, 19605.25, and 19605.54 to, the Business and Professions Code, relating to horse racing, and making an appropriation therefor.

[Approved by Governor October 13, 2007. Filed with
Secretary of State October 13, 2007.]

LEGISLATIVE COUNSEL'S DIGEST

AB 241, Price. Horse racing: satellite wagering.

Existing law generally regulates horse racing, including satellite wagering on horse races. Existing law authorizes the California Horse Racing Board to authorize certain fairs and racing associations to operate satellite wagering facilities.

This bill would authorize an additional 15 minisatellite wagering sites, as defined, in each zone under certain conditions. The bill would apply a specified provision requiring, as a condition of operating a minisatellite facility, the entity operating the facility must enter into a written contractual agreement with a bona fide labor organization, as defined. The bill would also require the board to adopt emergency regulations to implement the new facilities by April 1, 2008. The bill would authorize satellite wagering to continue to be conducted at certain racetracks that have closed, under certain conditions.

Existing law generally regulates horse racing and defines "inclosure" for purposes of wagering as all areas of the racing association's or fair's grounds and locations, as designated by the racing association or fair licensed to conduct a live racing meeting and approved by the board, excluding the public parking lot.

This bill would delete the parking lot exclusion from that definition.

Existing law authorizes any fair in San Joaquin, San Bernardino, Humboldt, or Fresno Counties, subject to certain conditions, to operate a satellite wagering facility, as specified.

This bill would remove the specified counties listed in that provision, so as to authorize any county to operate a satellite wagering facility under those conditions.

By expanding wagering on horse racing by authorizing additional satellite wagering facilities, this bill would increase the amount of continuously appropriated license fees, thereby making an appropriation.

Appropriation: yes.

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

SECTION 1. The Legislature finds and declares the following:

(a) Although there are over 18,000 lottery outlets, more than 90 gambling establishments, and more than 60 tribal casinos, there are only 33 places to make a wager on a horse race in the State of California. Yet horse racing employs over 45,000 people in the state.

(b) With a population of over 35,000,000 people, the horse racing industry needs many more wagering sites to adequately serve the people of the state.

(c) It is the intent of the Legislature, in enacting this measure, to make the sport of horse racing more accessible to the citizens of this state.

SEC. 2. Section 19410 of the Business and Professions Code is amended to read:

19410. "Inclosure" means all areas of the racing association's or fair's grounds and locations, as designated by the racing association or fair licensed to conduct a live racing meeting and approved by the board.

SEC. 3. Section 19410.7 is added to the Business and Professions Code, to read:

19410.7. "Minisatellite wagering site" means a location where satellite wagering may be conducted, with the approval of the board, provided that the wagering occurs in an area that is restricted to those who are 21 years of age or older.

SEC. 4. Section 19605.25 is added to the Business and Professions Code, to read:

19605.25. (a) The California Horse Racing Board may approve an additional 15 minisatellite wagering sites in each zone, if all of the following conditions are met:

(1) No site is within 20 miles of a racetrack, a satellite wagering facility, or a tribal casino that has a satellite wagering facility. If the proposed facility is within 20 miles of one of the above-referenced satellite facilities, then the consent of each facility within a 20-mile radius must be given before the proposed facility may be approved by the board.

(2) An agreement in accordance with subdivision (a) of Section 19605.3 has been executed and approved by the board. In addition to the requirements set forth in that provision, the agreement shall specify which components of its racing program, including live, out-of-zone, out-of-state, and out-of-country races, an association or fair will make available to the site. The terms and condition of the agreement, including all fees payable pursuant to paragraph (3) of that provision, a portion of which may be paid to horsemen in the form of purses, shall be subject to the approval of the horsemen's organization responsible for negotiating purse agreements with the association or fair.

(3) The site is approved by the board.

(4) The wagers are accepted in an area that is accessible only to those who are at least 21 years of age.

(5) The board has approved the accommodation, equipment used in conducting wagering at the site, communications system, technology, and

method used by the site to accept wagers and transmit odds, results, and other data related to wagering.

(b) Parimutuel clerks shall be available to service the self-service tote machines at these locations, and to cash wagering vouchers on a regularly scheduled basis.

(c) Until January 1, 2013, if the proposed minisatellite wagering site is in the northern zone in a fair district where the fair has operated a satellite wagering facility for the previous five years, the approval of the fair must be obtained even if the proposed location is more than 20 miles from the existing satellite wagering facility operated by the fair.

(d) For purposes of commissions, deductions, and distribution of handle, wagers placed at minisatellite sites shall be treated as if they were placed at satellite wagering facilities authorized under Section 19605, 19605.1, or 19605.2. Section 19608.4 shall apply to minisatellite wagering facilities.

(e) The written consent of the San Mateo County Fair shall be obtained prior to the approval of any minisatellite wagering site located within a 20-mile radius of its fairground.

(f) Minisatellite wagering facilities created pursuant to this section are not eligible for satellite wagering commission distributions pursuant to Section 19604.

(g) The board shall adopt emergency regulations to implement these new facilities on or before April 1, 2008. The board, in adopting these regulations, shall minimize the expense to both the operator of the minisatellite facility and the host racetrack.

(h) If there are more than 15 applications for minisatellite wagering facilities in any zone, the board shall determine which facilities will generate the largest handle, and give priority to the approval of those facilities. The board shall license a minisatellite facility for two years, and then review the operation and the size of the handle, and determine if it is in the best interest of horse racing to relicense the facility or, in the alternative, license another minisatellite facility that might generate a greater handle.

(i) Except as may be provided in the agreement required pursuant to paragraph (2) of subdivision (a), no association or fair shall be required to make all or part of its racing program available to a minisatellite wagering facility. Notwithstanding subdivision (e) of Section 19608.2, all costs incurred by the organization executing that agreement in excess of the amounts distributable to the organization from wagers placed at the site on that racing program, shall be borne by the minisatellite wagering facility.

SEC. 5. Section 19605.51 of the Business and Professions Code is amended to read:

19605.51. Notwithstanding subdivision (a) of Section 19605, and Section 19605.1, any fair that operated a satellite wagering facility on July 1, 2007, may, with the approval of the Department of Food and Agriculture and the authorization of the board, subject to the conditions specified in Section 19605.3, operate a satellite wagering facility on leased premises within the boundaries of that fair. Any fair that did not operate a satellite wagering facility on July 1, 2007, may, subject to Sections 19605 and 19605.1, operate

one satellite wagering facility either on the property of the fairgrounds, or on leased premises.

SEC. 6. Section 19605.54 is added to the Business and Professions Code, to read:

19605.54. Any racetrack in the central zone that conducted racing in 2007 but that has since closed may continue to conduct satellite wagering. If the racetrack site is no longer available for use as a satellite wagering facility, then the owner of the racetrack may conduct satellite racing at another location within that city, subject to approval by the board. If the owners of the racetrack which last conducted racing at that facility determine that they do not wish to operate a satellite wagering facility, then any other racetrack conducting racing in that zone may instead be authorized to open a satellite wagering facility. If there is no other racing association that wishes to operate a satellite wagering facility in that city, then any other person or entity may seek the approval of the board to operate a satellite wagering facility in that city. The board, prior to granting its approval, shall conduct a hearing on the issue, and afford parties the opportunity to be heard.

STAFF ANALYSIS
DISCUSSION AND ACTION REGARDING THE REPORT FROM SOUTHERN
CALIFORNIA OFF-TRACK WAGERING, INC. (SCOTWINC) REGARDING
HOW IT DETERMINES POTENTIAL MINISATELLITE WAGERING
LOCATIONS, TO INCLUDE FACILITY COMPENSATION, COST ANALYSIS
OF CLERKS, EQUIPMENT SECURITY, ETC, GAINING LOCAL CITY
APPROVAL, AND OTHER ISSUES THAT COULD IMPACT
THE DEVELOPMENT OF A POTENTIAL LOCATION

Mini-Satellite Wagering Task Force Committee Meeting
August 23, 2013

BACKGROUND

Business and Professions Code section 19608 requires an association other than a fair that conducts a horseracing meeting with an average daily handle of \$1,500,000 or more to produce a live audiovisual signal of its racing program, and to make this signal available, in accordance to the law, to any satellite wagering facility authorized to conduct wagering. Business and Professions Code section 19608.1 allows any fair or any association with an average daily handle of less than \$1,500,000 to produce a live audiovisual signal of its racing program. If the fair or association chooses to produce a signal of its program, the signal shall be made available, in accordance with the law, to any satellite wagering facility authorized to conduct wagering.

Business and Professions Code section 19608.2 authorizes associations and fairs providing audiovisual signals pursuant to Section 19608 or 19608.1 to form an organization to operate, under Board supervision, the audiovisual signal system. The organization may consist of any combination of associations and fairs and it must provide horsemen's organizations contracting with associations and fairs for racing meetings, and non-racing fairs operating satellite wagering facilities, meaningful representation on its governing board. Any organization formed is responsible for administering the audiovisual signal and pari-mutuel operations at satellite wagering facilities and must bear the costs of operating the audiovisual signal system. These costs include:

1. Leasing or purchasing, and operation of equipment for transmission and decoding of audiovisual signals and wagering data.
2. Totalisator equipment, mutual department labor and equipment charges.
3. The organization administering the satellite wagering program, including labor, and overhead.

The primary funding of a simulcast organization's operational expenses changed with the signing of Assembly Bill 1575 (Chapter 650), Statutes of 2009. Prior to this bill Business and Professions Code sections 19605.7 and 19605.71 provided that for thoroughbred meetings, *2.5 percent or the amount of actual operating expenses*, as determined by the Board, whichever is less, shall be distributed to a simulcast organization. The amended law allows the simulcast organization the flexibility to petition the Board to increase the amount distributed for operating

expenses to an amount not to exceed 4 percent of the amount handled by satellite wagering facilities on conventional and exotic wagers. An increase in the amount distributed would require the mutual consent of the racing association, the organization representing the horsemen participating in the meeting, and the Board – and may only occur between January 1, 2010, and December 31, 2013. Any amount greater than the current amount deducted, but not exceeding 4 percent, must be approved by the Board for no more than 12 months at a time, and only upon a determination by the Board that the greater amount is in the economic interest of thoroughbred racing.

Southern California Off-Track Wagering, Inc. (SCOTWINC) was formed as a California limited partnership in 1988, pursuant to California Business and Professions Code section 19608.2, for the purpose of administering simultaneous broadcasts, via satellite, of horse racing meets to satellite wagering facilities.

RECOMMENDATION

Representatives of SCOTWINC are prepared to make a presentation to the Committee explaining how they determine potential mini-satellite wagering locations, including facility compensation, cost analysis of clerks, equipment, security, etc., and how they go about gaining city approval, as well as other issues that could impact the development of a potential location.

STAFF ANALYSIS

DISCUSSION AND ACTION ON THE REPORT FROM SOUTHERN CALIFORNIA OFF-TRACK WAGERING, INC. (SCOTWINC) AND NORTHERN CALIFORNIA OFF-TRACK WAGERING INC. (NCOTWINC) REGARDING THE STATUS OF FUTURE POTENTIAL MINI-SATELLITE WAGERING FACILITY LOCATIONS

Mini-Satellite Wagering Task Force Committee Meeting
August 23, 2013

BACKGROUND

Assembly Bill (AB) 241 (Price), Chapter 594, Statutes of 2007, added Business and Professions Code sections 19410.7, 19605.25 and 19605.54 to provide that the Board may authorize up to 15 minisatellite wagering sites in each of the three zones (total 45) under certain conditions. Board Rule 2066, Application for License to Operate a Minisatellite Wagering Facility, sets forth the application process and provides the criteria for persons or entities who wish to operate a mini-satellite wagering facility. To date, only nine mini-satellite wagering locations have been approved, two of which failed to open for reasons beyond the Board's control. The remaining seven are:

Northern Zone

Bankers Casino in Salinas

Central Zone

Roadhouse Grill in Santa Maria
Santa Clarita Lanes in Santa Clarita
Mermaid Tavern in Thousand Oaks (due to open September 6)
Commerce Club in Commerce

Southern Zone

Sammy's Restaurant in Lake Forest (yet to open)
OC Tavern

Representatives of SCOTWINC and NCOTWINC are prepared to update the Committee on current discussions and plans for the opening of additional mini-satellites.

STAFF ANALYSIS
DISCUSSION AND ACTION REGARDING THE REPORT FROM SOUTHERN
CALIFORNIA OFF-TRACK WAGERING, INC. (SCOTWINC) REGARDING THE STATUS
OF CURRENTLY OPERATING MINI-SATELLITE WAGERING FACILITIES

Mini-Satellite Wagering Task Force Committee Meeting
August 23, 2013

BACKGROUND

Assembly Bill (AB) 241 (Price), Chapter 594, Statutes of 2007, added Business and Professions Code sections 19410.7, 19605.25 and 19605.54 to provide that the Board may authorize up to 15 mini-satellite wagering sites in each of the three zones (total 45) under certain conditions. Board Rule 2066, Application for License to Operate a Minisatellite Wagering Facility, sets forth the application process and provides the criteria for persons or entities who wish to operate a mini-satellite wagering facility. To date, five mini-satellite locations have opened in California, four of them in Southern California (central and southern zones). Those are the Roadhouse Grill in Santa Maria, Santa Clarita Lanes in Santa Clarita, the Commerce Club in Commerce, and OC Tavern in San Clemente.

Representatives of SCOTWINC are prepared to provide the Committee with information on the current operations of those facilities, including average daily attendance and handle, whether SCOTWINC is losing or making money on those locations and how much, the numbers of clerks at those locations, any promotions they have tried or have planned to increase attendance, and general descriptions of each facility, such as the number of televisions devoted to horse racing, seating capacity, and any amenities provided to patrons.

STAFF ANALYSIS
DISCUSSION AND ACTION REGARDING PROPOSED PROCEDURES FOR THE FILING
AND REVIEW OF FUTURE MINI-SATELLITE WAGERING APPLICATIONS

Mini-Satellite Wagering Task Force Committee Meeting
August 23, 2013

BACKGROUND

Assembly Bill (AB) 241 (Price), Chapter 594, Statutes of 2007, added Business and Professions Code sections 19410.7, 19605.25 and 19605.54 to provide that the Board may authorize up to 15 minisatellite wagering sites in each of the three zones (total 45) under certain conditions. Board Rule 2066, Application for License to Operate a Minisatellite Wagering Facility, sets forth the application process and provides the criteria for persons or entities who wish to operate a mini-satellite wagering facility.

At the July 2013 regular meeting of the Board, Chairman Israel formed the Mini-Satellite Wagering Task Force Committee to review mini-satellite wagering applicants prior to making a recommendation to the full Board.

ANALYSIS

Under the new procedures, an applicant for license must:

- File an Application for License to Operate a Minisatellite Wagering Facility CHRB-228 (New 11/08) not later than 90 days in advance of the scheduled start date of operation (per Rule 2066).
- The application must be complete with all approvals in place.
- Staff will vet the application prior to the Ad-Hoc Committee meeting to ensure completeness.
- The application shall be considered by the this Committee (initial review)
- The Committee will present its recommendations to the full Board.

RECOMMENDATION

This item is presented for Committee discussion and action.