

ASSEMBLY BILL

No. 1423

Introduced by Committee on Governmental Organization (Hall (Chair), Nestande (Vice Chair), Chesbro, Cooley, Gray, Hagman, Jones, Jones-Sawyer, Levine, Perea, V. Manuel Pérez, Salas, Torres, and Waldron)

March 21, 2013

An act to amend Sections 19604 and 19604.5 of the Business and Professions Code, relating to horse racing.

LEGISLATIVE COUNSEL'S DIGEST

AB 1423, as introduced, Committee on Governmental Organization. Horse racing: advance deposit wagering and exchange wagering deductions.

Existing law authorizes advance deposit wagering to be conducted, with the approval of the California Horse Racing Board, in accordance with specified provisions of law. Existing law requires a certain percentage of the amounts distributed for advance deposit wagering for racing meetings, except for harness racing meetings, to be deducted and distributed for the establishment and administration of a defined contribution retirement plan for California-licensed jockeys who retire on or after January 1, 2009, to supplement trainer-administered pension plans for backstretch personnel, and for distribution to a welfare fund established for horsemen and backstretch personnel, as specified. Existing law also requires a certain percentage of amounts distributed on advance deposit wagers for harness racing meetings to be deducted and distributed to a welfare fund established for the benefit of horsemen and backstretch personnel, and for any amounts remaining to be utilized for the benefit of horsemen pursuant to a written agreement between

the racing association that conducts the live harness race meeting and the organization representing the horsemen, as specified.

This bill would require certain amounts generated at harness race meetings that are held in trust by the California Exposition and State Fair to be distributed to the harness racing horsemen who participated in a certain racing meeting, and to the California Exposition and State Fair, in accordance with specified percentages and requirements.

Existing law authorizes exchange wagering, as defined, by an entity licensed by the board, in accordance with specified provisions of law. Existing law, until January 1, 2021, on an annual basis, requires a certain amount of exchange revenues collected by exchange wagering licensees to be distributed to provide health and welfare benefits to jockeys and their dependents.

This bill would instead repeal those provisions on January 1 following the year in which the 10th annual distribution of those funds is made.

By imposing new requirements on licensees under the Horse Racing Law, a violation of which would be a crime, the bill would impose a state-mandated local program.

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.

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

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 racing association, racing
- 4 fair, betting system, or multijurisdictional wagering hub to conduct
- 5 advance deposit wagering in accordance with this section. Racing
- 6 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:
- 10 (1) "Advance deposit wagering" (ADW) means a form of
- 11 parimutuel wagering in which a person residing within California
- 12 or outside of this state establishes an account with an ADW

1 provider, and subsequently issues wagering instructions concerning
2 the funds in this account, thereby authorizing the ADW provider
3 holding the account to place wagers on the account owner’s behalf.

4 (2) “ADW provider” means a licensee, betting system, or
5 multijurisdictional wagering hub, located within California or
6 outside this state, that is authorized to conduct advance deposit
7 wagering pursuant to this section.

8 (3) “Betting system” means a business conducted exclusively
9 in this state that facilitates parimutuel wagering on races it
10 simulcasts and other races it offers in its wagering menu.

11 (4) “Breed of racing” means as follows:

12 (A) With respect to associations and fairs licensed by the board
13 to conduct thoroughbred, fair, or mixed breed race meetings, “breed
14 of racing” shall mean thoroughbred.

15 (B) With respect to associations licensed by the board to conduct
16 quarter horse race meetings, “breed of racing” shall mean quarter
17 horse.

18 (C) With respect to associations and fairs licensed by the board
19 to conduct standardbred race meetings, “breed of racing” shall
20 mean standardbred.

21 (5) “Contractual compensation” means the amount paid to an
22 ADW provider from advance deposit wagers originating in this
23 state. Contractual compensation includes, but is not limited to, hub
24 fee payments, and may include host fee payments, if any, for
25 out-of-state and out-of-country races. Contractual compensation
26 is subject to the following requirements:

27 (A) Excluding contractual compensation for host fee payments,
28 contractual compensation shall not exceed 6.5 percent of the
29 amount wagered.

30 (B) The host fee payments included within contractual
31 compensation shall not exceed 3.5 percent of the amount wagered.
32 Notwithstanding this provision, the host fee payment with respect
33 to wagers on the Kentucky Derby, Preakness Stakes, Belmont
34 Stakes, and selected Breeders’ Cup Championship races may be
35 negotiated by the ADW provider, the racing associations accepting
36 wagers on those races pursuant to Section 19596.2, and the
37 horsemen’s organization.

38 (C) In order to ensure fair and consistent market access fee
39 distributions to associations, fairs, horsemen, and breeders, for
40 each breed of racing, the percentage of wagers paid as contractual

1 compensation to an ADW provider pursuant to the terms of a hub
2 agreement with a racing association or fair when that racing
3 association or fair is conducting live racing shall be the same as
4 the percentage of wagers paid as contractual compensation to that
5 ADW provider when that racing association or fair is not
6 conducting live racing.

7 (6) “Horsemen’s organization” means, with respect to a
8 particular racing meeting, the organization recognized by the board
9 as responsible for negotiating purse agreements on behalf of
10 horsemen participating in that racing meeting.

11 (7) “Hub agreement” means a written agreement providing for
12 contractual compensation paid with respect to advance deposit
13 wagers placed by California residents on a particular breed of
14 racing conducted outside of California. In the event a hub
15 agreement exceeds a term of two years, then an ADW provider,
16 one or more racing associations or fairs that together conduct no
17 fewer than five weeks of live racing for the breed covered by the
18 hub agreement, and the horsemen’s organization responsible for
19 negotiating purse agreements for the breed covered by the hub
20 agreement shall be signatories to the hub agreement. A hub
21 agreement is required for an ADW provider to receive contractual
22 compensation for races conducted outside of California.

23 (8) “Hub agreement arbitration” means an arbitration proceeding
24 pursuant to which the disputed provisions of the hub agreement
25 pertaining to the hub or host fees from wagers on races conducted
26 outside of California provided pursuant to paragraph (2) of
27 subdivision (b) are determined in accordance with the provisions
28 of this paragraph. If a hub agreement arbitration is requested, all
29 of the following shall apply:

30 (A) The ADW provider shall be permitted to accept advance
31 deposit wagers from California residents.

32 (B) The contractual compensation received by the ADW
33 provider shall be the contractual compensation specified in the
34 hub agreement that is the subject of the hub agreement arbitration.

35 (C) The difference between the contractual compensation
36 specified in subparagraph (B) and the contractual compensation
37 determined to be payable at the conclusion of the hub agreement
38 arbitration shall be calculated and paid within 15 days following
39 the arbitrator’s decision and order. The hub agreement arbitration
40 shall be held as promptly as possible, but in no event more than

1 60 days following the demand for that arbitration. The arbitrator
2 shall issue a decision no later than 15 days following the conclusion
3 of the arbitration. A single arbitrator jointly selected by the ADW
4 provider and the party requesting a hub agreement arbitration shall
5 conduct the hub agreement arbitration. However, if the parties
6 cannot agree on the arbitrator within seven days of issuance of the
7 written demand for arbitration, then the arbitrator shall be selected
8 pursuant to the Streamlined Arbitration Rules and Procedures of
9 the Judicial Arbitration and Mediation Services, or pursuant to the
10 applicable rules of its successor organization. In making the hub
11 agreement arbitration determination, the arbitrator shall be required
12 to choose between the contractual compensation of the hub
13 agreement agreed to by the ADW provider or whatever different
14 terms for the hub agreement were proposed by the party requesting
15 the hub agreement arbitration. The arbitrator shall not be permitted
16 to impose new, different, or compromised terms to the hub
17 agreement. The arbitrator's decision shall be final and binding on
18 the parties. If an arbitration is requested, either party may bring
19 an action in state court to compel a party to go into arbitration or
20 to enforce the decision of the arbitrator. The cost of the hub
21 agreement arbitration, including the cost of the arbitrator, shall be
22 borne in equal shares by the parties to the hub agreement and the
23 party or parties requesting a hub agreement arbitration. The hub
24 agreement arbitration shall be administered by the Judicial
25 Arbitration and Mediation Services pursuant to its Streamlined
26 Arbitration Rules and Procedures or its successor organization.

27 (9) "Incentive awards" means those payments provided for in
28 Sections 19617.2, 19617.7, 19617.8, 19617.9, and 19619. The
29 amount determined to be payable for incentive awards under this
30 section shall be payable to the applicable official registering agency
31 and thereafter distributed as provided in this chapter.

32 (10) "Licensee" means any racing association or fair licensed
33 to conduct a live racing meet in this state, or affiliation thereof,
34 authorized under this section.

35 (11) "Market access fee" means the amount of advance deposit
36 wagering handle remaining after the payment of winning wagers,
37 and after the payment of contractual compensation, if any, to an
38 ADW provider. Market access fees shall be distributed in
39 accordance with subdivision (f).

1 (12) “Multijurisdictional wagering hub” means a business
2 conducted in more than one jurisdiction that facilitates parimutuel
3 wagering on races it simulcasts and other races it offers in its
4 wagering menu.

5 (13) “Racing fair” means a fair authorized by the board to
6 conduct live racing.

7 (14) “Zone” means the zone of the state, as defined in Section
8 19530.5, except as modified by the provisions of subdivision (f)
9 of Section 19601. For these purposes, the central and southern
10 zones shall together be considered one zone.

11 (b) Wagers shall be accepted according to the procedures set
12 forth in this subdivision.

13 (1) No ADW provider shall accept wagers or wagering
14 instructions on races conducted in California from a resident of
15 California unless all of the following conditions are met:

16 (A) The ADW provider is licensed by the board.

17 (B) A written agreement allowing those wagers exists with the
18 racing association or fair conducting the races on which the wagers
19 are made.

20 (C) The agreement referenced in subparagraph (B) shall have
21 been approved in writing by the horsemen’s organization
22 responsible for negotiating purse agreements for the breed on
23 which the wagers are made in accordance with the Interstate
24 Horseracing Act (15 U.S.C. Sec. 3001 et seq.), regardless of the
25 location of the ADW provider, whether in California or otherwise,
26 including, without limitation, any and all requirements contained
27 therein with respect to written consents and required written
28 agreements of horsemen’s groups to the terms and conditions of
29 the acceptance of those wagers and any arrangements as to the
30 exclusivity between the host racing association or fair and the
31 ADW provider. For purposes of this subdivision, the substantive
32 provisions of the Interstate Horseracing Act shall be taken into
33 account without regard to whether, by its own terms, that act is
34 applicable to advance deposit wagering on races conducted in
35 California accepted from residents of California.

36 (2) No ADW provider shall accept wagers or wagering
37 instructions on races conducted outside of California from a
38 resident of California unless all of the following conditions are
39 met:

40 (A) The ADW provider is licensed by the board.

1 (B) There is a hub agreement between the ADW provider and
2 one or both of (i) one or more racing associations or fairs that
3 together conduct no fewer than five weeks of live racing on the
4 breed on which wagering is conducted during the calendar year
5 during which the wager is placed, and (ii) the horsemen's
6 organization responsible for negotiating purse agreements for the
7 breed on which wagering is conducted.

8 (C) If the parties referenced in clauses (i) and (ii) of
9 subparagraph (B) are both signatories to the hub agreement, then
10 no party shall have the right to request a hub agreement arbitration.

11 (D) If only the party or parties referenced in clause (i) of
12 subparagraph (B) is a signatory to the hub agreement, then the
13 signatories to the hub agreement shall, within five days of
14 execution of the hub agreement, provide a copy of the hub
15 agreement to the horsemen's organization responsible for
16 negotiating purse agreements for the breed on which wagering is
17 conducted for each race conducted outside of California on which
18 California residents may place advance deposit wagers. ~~Prior to~~
19 *Before* receipt of the hub agreement, the horsemen's organization
20 shall sign a nondisclosure agreement with the ADW provider
21 agreeing to hold confidential all terms of the hub agreement. If the
22 horsemen's organization wants to request a hub agreement
23 arbitration, it shall send written notice of its election to the
24 signatories to the hub agreement within 10 days after receipt of
25 the copy of the hub agreement, and shall provide its alternate
26 proposal to the hub and host fees specified in the hub agreement
27 with that written notice. If the horsemen's organization does not
28 provide that written notice within the 10-day period, then no party
29 shall have the right to request a hub agreement arbitration. If the
30 horsemen's organization does provide that written notice within
31 the 10-day period, then the ADW provider shall have 10 days to
32 elect in writing to do one of the following:

33 (i) Abandon the hub agreement.

34 (ii) Accept the alternate proposal submitted by the horsemen's
35 organization.

36 (iii) Proceed with a hub agreement arbitration.

37 (E) If only the party referenced in clause (ii) of subparagraph
38 (B) is a signatory to the hub agreement, then the signatories to the
39 hub agreement shall, within five days of execution of the hub
40 agreement, provide written notice of the host and hub fees

1 applicable pursuant to the hub agreement for each race conducted
2 outside of California on which California residents may place
3 advance deposit wagers, which notice shall be provided to all
4 racing associations and fairs conducting live racing of the same
5 breed covered by the hub agreement. If any racing association or
6 fair wants to request a hub agreement arbitration, it shall send
7 written notice of its election to the signatories to the hub agreement
8 within 10 days after receipt of the notice of host and hub fees. It
9 shall also provide its alternate proposal to the hub and host fees
10 specified in the hub agreement with the notice of its election. If
11 more than one racing association or fair provides notice of their
12 request for hub agreement arbitration, those racing associations or
13 fairs, or both, shall have a period of five days to jointly agree upon
14 which of their alternate proposals shall be the official proposal for
15 purposes of the hub agreement arbitration. If one or more racing
16 associations or fairs that together conduct no fewer than five weeks
17 of live racing on the breed on which wagering is conducted during
18 the calendar year during which the wager is placed does not provide
19 written notice of their election to arbitrate within the 10-day period,
20 then no party shall have the right to request a hub agreement
21 arbitration. If a valid hub agreement arbitration request is made,
22 then the ADW provider shall have 10 days to elect in writing to
23 do one of the following:

- 24 (i) Abandon the hub agreement.
- 25 (ii) Accept the alternate proposal submitted by the racing
26 associations or fairs.
- 27 (iii) Proceed with a hub agreement arbitration.

28 The results of any hub agreement arbitration elected pursuant
29 to this subdivision shall be binding on all other associations and
30 fairs conducting live racing on that breed.

31 (F) The acceptance thereof is in compliance with the provisions
32 of the Interstate Horseracing Act (15 U.S.C. Sec. 3001 et seq.),
33 regardless of the location of the ADW provider, whether in
34 California or otherwise, including, without limitation, any and all
35 requirements contained therein with respect to written consents
36 and required written agreements of horsemen's groups to the terms
37 and conditions of the acceptance of the wagers and any
38 arrangements as to the exclusivity between the host racing
39 association or fair and the ADW provider.

1 (c) An advance deposit wager may be made only by the ADW
2 provider holding the account pursuant to wagering instructions
3 issued by the owner of the funds communicated by telephone call
4 or through other electronic media. The ADW provider shall ensure
5 the identification of the account's owner by using methods and
6 technologies approved by the board. Any ADW provider that
7 accepts wagering instructions concerning races conducted in
8 California, or accepts wagering instructions originating in
9 California, shall provide a full accounting and verification of the
10 source of the wagers thereby made, including the postal ZIP Code
11 and breed of the source of the wagers, in the form of a daily
12 download of parimutuel data to a database designated by the board.
13 The daily download shall be delivered in a timely basis using file
14 formats specified by the database designated by the board, and
15 shall include any and all data necessary to calculate and distribute
16 moneys according to the rules and regulations governing California
17 parimutuel wagering. Any and all reasonable costs associated with
18 the creation, provision, and transfer of this data shall be borne by
19 the ADW provider.

20 (d) (1) (A) The board shall develop and adopt rules to license
21 and regulate all phases of operation of advance deposit wagering
22 for ADW providers operating in California, including advance
23 deposit wagering activity that takes place within a minisatellite
24 wagering facility. The board may recover any costs associated
25 with the licensing or regulation of advance deposit wagering
26 activities in a minisatellite wagering facility either directly from
27 the ADW provider or through an appropriate increase in the
28 funding formula devised by the board pursuant to paragraph (1)
29 of subdivision (a) of Section 19616.51.

30 (B) The board shall not approve an application for an original
31 or renewal license as an ADW provider unless the entity, if
32 requested in writing by a bona fide labor organization no later than
33 90 days ~~prior to~~ *before* licensing, has entered into a contractual
34 agreement with that labor organization that provides all of the
35 following:

36 (i) The labor organization has historically represented employees
37 who accept or process any form of wagering at the nearest horse
38 racing meeting located in California.

39 (ii) The agreement establishes the method by which the ADW
40 provider will agree to recognize and bargain in good faith with a

1 labor organization ~~which~~ *that* has demonstrated majority status by
2 submitting authorization cards signed by those employees who
3 accept or process any form of wagering for which a California
4 ADW license is required.

5 (iii) The agreement requires the ADW provider to maintain its
6 neutrality concerning the choice of those employees who accept
7 or process any form of wagering for which a California ADW
8 license is required whether or not to authorize the labor
9 organization to represent them with regard to wages, hours, and
10 other terms and conditions of employment.

11 (iv) The agreement applies to those classifications of employees
12 who accept or process wagers for which a California ADW license
13 is required whether the facility is located within or outside of
14 California.

15 (C) (i) The agreement required by subparagraph (B) shall not
16 be conditioned by either party upon the other party agreeing to
17 matters outside the requirements of subparagraph (B).

18 (ii) The requirement in subparagraph (B) shall not apply to an
19 ADW provider ~~which~~ *that* has entered into a collective bargaining
20 agreement with a bona fide labor organization that is the exclusive
21 bargaining representative of employees who accept or process
22 parimutuel wagers on races for which an ADW license is required
23 whether the facility is located within or outside of California.

24 (D) Permanent state or county employees and nonprofit
25 organizations that have historically performed certain services at
26 county, state, or district fairs may continue to provide those
27 services.

28 (E) Parimutuel clerks employed by racing associations or fairs
29 or employees of ADW providers who accept or process any form
30 of wagers who are laid off due to lack of work shall have
31 preferential hiring rights for new positions with their employer in
32 occupations whose duties include accepting or processing any
33 form of wagers, or the operation, repair, service, or maintenance
34 of equipment that accepts or processes any form of wagering at a
35 racetrack, satellite wagering facility, or ADW provider licensed
36 by the board. The preferential hiring rights established by this
37 subdivision shall be conditioned upon the employee meeting the
38 minimum qualification requirements of the new job.

1 (2) The board shall develop and adopt rules and regulations
2 requiring ADW providers to establish security access policies and
3 safeguards, including, but not limited to, the following:

4 (A) The ADW provider shall use board-approved methods to
5 perform location and age verification confirmation with respect
6 to persons establishing an advance deposit wagering account.

7 (B) The ADW provider shall use personal identification numbers
8 (PINs) or other technologies to assure that only the accountholder
9 has access to the advance deposit wagering account.

10 (C) The ADW provider shall provide for withdrawals from the
11 wagering account only by means of a check made payable to the
12 accountholder and sent to the address of the accountholder or by
13 means of an electronic transfer to an account held by the verified
14 accountholder or the accountholder may withdraw funds from the
15 wagering account at a facility approved by the board by presenting
16 verifiable account identification information.

17 (D) The ADW provider shall allow the board access to its
18 premises to visit, investigate, audit, and place expert accountants
19 and other persons it deems necessary for the purpose of ensuring
20 that its rules and regulations concerning credit authorization,
21 account access, and other security provisions are strictly complied
22 with. To ensure that the amounts retained from the parimutuel
23 handle are distributed under law, rules, or agreements, any ADW
24 provider that accepts wagering instructions concerning races
25 conducted in California or accepts wagering instructions originating
26 in California shall provide an independent “agreed-upon
27 procedures” audit for each California racing meeting, within 60
28 days of the conclusion of the race meeting. The auditing firm to
29 be used and the content and scope of the audit, including host fee
30 obligations, shall be set forth in the applicable agreement. The
31 ADW provider shall provide the board, horsemen’s organizations,
32 and the host racing association with an annual parimutuel audit of
33 the financial transactions of the ADW provider with respect to
34 wagers authorized pursuant to this section, prepared in accordance
35 with generally accepted auditing standards and the requirements
36 of the board. Any and all reasonable costs associated with those
37 audits shall be borne by the ADW provider.

38 (3) The board shall prohibit advance deposit wagering
39 advertising that it determines to be deceptive to the public. The
40 board shall also require, by regulation, that every form of

1 advertising contain a statement that minors are not allowed to open
2 or have access to advance deposit wagering accounts.

3 (e) In order for a licensee, betting system, or multijurisdictional
4 wagering hub to be approved by the board as an ADW provider,
5 it shall meet both of the following requirements:

6 (1) All wagers thereby made shall be included in the appropriate
7 parimutuel pool under a contractual agreement with the applicable
8 host track.

9 (2) The amounts deducted from advance deposit wagers shall
10 be in accordance with the provisions of this chapter.

11 (f) After the payment of contractual compensation, the amounts
12 received as market access fees from advance deposit wagers, which
13 shall not be considered for purposes of Section 19616.51, shall be
14 distributed as follows:

15 (1) An amount equal to 0.0011 multiplied by the amount handled
16 on advance deposit wagers originating in California for each racing
17 meeting shall be distributed to the Center for Equine Health to
18 establish the Kenneth L. Maddy Fund for the benefit of the School
19 of Veterinary Medicine at the University of California at Davis.

20 (2) An amount equal to 0.0003 multiplied by the amount handled
21 on advance deposit wagers originating in California for each racing
22 meeting shall be distributed to the Public Employment Relations
23 Board to cover costs associated with audits conducted pursuant to
24 Section 19526 and for ~~the~~ purposes of reimbursing the State
25 Mediation and Conciliation Service for costs incurred pursuant to
26 this section. However, if that amount would exceed the costs of
27 the Public Employment Relations Board, the amount distributed
28 to that board shall be reduced, and that reduction shall be forwarded
29 to an organization designated by the racing association or fair
30 described in subdivision (a) for the purpose of augmenting a
31 compulsive gambling prevention program specifically addressing
32 that problem.

33 (3) An amount equal to 0.00165 multiplied by the amount
34 handled on advance deposit wagers that originate in California for
35 each racing meeting shall be distributed as follows:

36 (A) One-half of the amount shall be distributed to supplement
37 the trainer-administered pension plans for backstretch personnel
38 established pursuant to Section 19613. Moneys distributed pursuant
39 to this subparagraph shall supplement, and not supplant, moneys

1 distributed to that fund pursuant to Section 19613 or any other
2 provision of law.

3 (B) One-half of the amount shall be distributed to the welfare
4 fund established for the benefit of horsemen and backstretch
5 personnel pursuant to subdivision (b) of Section 19641. Moneys
6 distributed pursuant to this subparagraph shall supplement, and
7 not supplant, moneys distributed to that fund pursuant to Section
8 19641 or any other provision of law.

9 (4) With respect to wagers on each breed of racing that originate
10 in California, an amount equal to 2 percent of the first two hundred
11 fifty million dollars (\$250,000,000) of handle from all advance
12 deposit wagers originating from within California annually, an
13 amount equal to 1.5 percent of the next two hundred fifty million
14 dollars (\$250,000,000) of handle from all advance deposit wagers
15 originating from within California annually, an amount equal to
16 1 percent of the next two hundred fifty million dollars
17 (\$250,000,000) of handle from all advance deposit wagers
18 originating from within California annually, and an amount equal
19 to 0.50 percent of handle from all advance deposit wagers
20 originating from within California in excess of seven hundred fifty
21 million dollars (\$750,000,000) annually, shall be distributed as
22 satellite wagering commissions. Satellite wagering facilities that
23 were not operational in 2001, other than one each in the Cities of
24 Inglewood and San Mateo, and two additional facilities each
25 operated by the Alameda County Fair and the Los Angeles County
26 Fair and their partners and other than existing facilities ~~which~~ *that*
27 are relocated, are not eligible for satellite wagering commission
28 distributions under this section. The satellite wagering facility
29 commissions calculated in accordance with this subdivision shall
30 be distributed to each satellite wagering facility and racing
31 association or fair in the zone in which the wager originated in the
32 same relative proportions that the satellite wagering facility or the
33 racing association or fair generated satellite commissions during
34 the previous calendar year. If there is a reduction in the satellite
35 wagering commissions pursuant to this section, the benefits
36 therefrom shall be distributed equitably as purses and commissions
37 to all associations and racing fairs generating advance deposit
38 wagers in proportion to the handle generated by those associations
39 and racing fairs. If a satellite wagering facility is permanently
40 closed other than for renovation or remodeling, or if a satellite

1 wagering facility is unwilling or unable to accept all of the signals
2 that are available to that facility, the commissions otherwise
3 provided for in this subdivision that would be payable to that
4 facility shall be proportionately reduced to take into account the
5 time that satellite wagering is no longer conducted by that facility,
6 or the payment of those commissions shall be eliminated entirely
7 if the facility is permanently closed, and, in either case, the satellite
8 wagering commissions not paid shall be proportionately
9 redistributed to the other eligible satellite wagering facilities. For
10 purposes of this section, the purse funds distributed pursuant to
11 Section 19605.72 shall be considered to be satellite wagering
12 facility commissions attributable to thoroughbred races at the
13 locations described in that section.

14 (5) After the distribution of the amounts set forth in paragraphs
15 (1) to (4), inclusive, the remaining market access fees from advance
16 deposit wagers originating in California shall be as follows:

17 (A) With respect to wagers on each breed of racing, the amount
18 remaining shall be distributed to the racing association or fair that
19 is conducting live racing on that breed during the calendar period
20 in the zone in which the wager originated. That amount shall be
21 allocated to that racing association or fair as commissions, to
22 horsemen participating in that racing meeting in the form of purses,
23 and as incentive awards, in the same relative proportion as they
24 were generated or earned during the prior calendar year at that
25 racing association or fair on races conducted or imported by that
26 racing association or fair after making all deductions required by
27 applicable law. Notwithstanding any other ~~provision of~~ law, the
28 distributions with respect to each breed of racing set forth in this
29 subparagraph may be altered upon the approval of the board, in
30 accordance with an agreement signed by the respective
31 associations, fairs, horsemen’s organizations, and breeders
32 organizations receiving those distributions.

33 (B) If the provisions of Section 19601.2 apply, then the amount
34 distributed to the applicable racing associations or fairs shall first
35 be divided between those racing associations or fairs in direct
36 proportion to the total amount wagered in the applicable zone on
37 the live races conducted by the respective association or fair.
38 Notwithstanding this requirement, when the provisions of
39 subdivision (b) of Section 19607.5 apply to the 2nd District
40 Agricultural Association in Stockton or the California Exposition

1 and State Fair in Sacramento, then the total amount distributed to
2 the applicable racing associations or fairs shall first be divided
3 equally, with 50 percent distributed to applicable fairs and 50
4 percent distributed to applicable associations.

5 (C) Notwithstanding any provisions of this section to the
6 contrary, with respect to wagers on out-of-state and out-of-country
7 thoroughbred races conducted after 6 p.m., Pacific time, 50 percent
8 of the amount remaining shall be distributed as commissions to
9 thoroughbred associations and racing fairs, as thoroughbred and
10 fair purses, and as incentive awards in accordance with
11 subparagraph (A), and the remaining 50 percent, together with the
12 total amount remaining from advance deposit wagering originating
13 from California out-of-state and out-of-country harness and quarter
14 horse races conducted after 6 p.m., Pacific time, shall be distributed
15 as commissions on a pro rata basis to the applicable licensed
16 quarter horse association and the applicable licensed harness
17 association, based upon the amount handled in state, both on- and
18 off-track, on each breed's own live races in the previous year by
19 that association, or its predecessor association. One-half of the
20 amount thereby received by each association shall be retained by
21 that association as a commission, and the other half of the money
22 received shall be distributed as purses to the horsemen participating
23 in its current or next scheduled licensed racing meeting.

24 (D) Notwithstanding any provisions of this section to the
25 contrary, with respect to wagers on out-of-state and out-of-country
26 nonthoroughbred races conducted before 6 p.m., Pacific time, 50
27 percent of the amount remaining shall be distributed as
28 commissions as provided in subparagraph (C) for licensed quarter
29 horse and harness associations, and the remaining 50 percent shall
30 be distributed as commissions to the applicable thoroughbred
31 associations or fairs, as thoroughbred and fair purses, and as
32 incentive awards in accordance with subparagraph (A).

33 (E) Notwithstanding any provision of this section to the contrary,
34 the distribution of market access fees pursuant to this subparagraph
35 may be altered upon the approval of the board, in accordance with
36 an agreement signed by all parties whose distributions would be
37 affected.

38 (g) A racing association, a fair, a satellite wagering facility, or
39 a minisatellite wagering facility may enter into an agreement with
40 an ADW provider to accept and facilitate the placement of any

1 wager from a patron at its facility that a California resident could
2 make through that ADW provider. Deductions from wagers made
3 pursuant to the agreement shall be distributed in accordance with
4 the provisions of this chapter governing wagers placed at that
5 facility, except that the board may authorize alternative
6 distributions as agreed to by the ADW provider, the operator of
7 the facility accepting the wager, the association or fair conducting
8 that breed of racing in the zone where the wager is placed, and the
9 respective horsemen's organization.

10 (h) Any issues concerning the interpretation or application of
11 this section shall be resolved by the board.

12 (i) Amounts distributed under this section shall be proportionally
13 reduced by an amount equal to 0.00295 multiplied by the amount
14 handled on advance deposit wagers originating in California for
15 each racing meeting, except for harness racing meetings, provided
16 that the amount of this reduction shall not exceed two million
17 dollars (\$2,000,000). The method used to calculate the reduction
18 in proportionate share shall be approved by the board. The amount
19 deducted shall be distributed as follows:

20 (1) Fifty percent of the money to the board to establish and to
21 administer jointly with the organization certified as the majority
22 representative of California-licensed jockeys pursuant to Section
23 19612.9, a defined contribution retirement plan for
24 California-licensed jockeys who retired from racing on or after
25 January 1, 2009.

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

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

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

1 (j) Amounts distributed under this section shall be proportionally
2 reduced by an amount equal to 0.00295 multiplied by the amount
3 handled on advance deposit wagers originating in California for
4 each harness racing meeting, provided that the amount of this
5 reduction shall not exceed five hundred thousand dollars
6 (\$500,000). The method used to calculate the reduction in
7 proportionate share shall be approved by the board. The amount
8 deducted shall be distributed as follows:

9 (1) First to the welfare fund established for the benefit of
10 horsemen and backstretch personnel, pursuant to subdivision (b)
11 of Section 19641, and administered by the organization
12 representing the horsemen participating in the race meeting, in the
13 amount requested by the welfare fund. Moneys distributed pursuant
14 to this paragraph shall supplement, and not supplant, moneys
15 distributed to that fund pursuant to Section 19641 or any other
16 provision of law.

17 (2) The amount remaining, if any, shall be utilized for the benefit
18 of the horsemen as specified in a written agreement between the
19 racing association that conducts the live harness race meeting and
20 the organization representing the horsemen participating in the
21 race meeting.

22 *(k) Notwithstanding subdivision (j), amounts generated that*
23 *were deducted from amounts handled on advance deposit wagering*
24 *for harness racing meetings pursuant to subdivision (i), as that*
25 *section read before the enactment of subdivision (j), that have been*
26 *held in trust by the California Exposition and State Fair shall be*
27 *distributed as follows:*

28 *(1) Fifty percent to the harness racing horsemen who*
29 *participated in the racing meeting that concluded June 16, 2012,*
30 *in the form of purses.*

31 *(2) Fifty percent to the California Exposition and State Fair in*
32 *the form of commissions.*

33 SEC. 2. Section 19604.5 of the Business and Professions Code
34 is amended to read:

35 19604.5. (a) As used in this section, the following definitions
36 apply:

37 (1) "Back" means to wager on a selected outcome occurring in
38 a given market.

39 (2) "Board" means the California Horse Racing Board.

1 (3) “Corrective wager” means an exchange wager placed by the
2 exchange wagering licensee in a given market, under circumstances
3 approved by the board, in order to address the impact on that
4 market of the cancellation or voiding of a given matched wager
5 or a given part of a matched wager.

6 (4) “Exchange” means a system operated by an exchange
7 wagering licensee in which the exchange wagering licensee
8 maintains one or more markets in which persons may back or lay
9 a selected outcome.

10 (5) “Exchange revenues” means all charges, fees, income,
11 payments, revenues, and deductions of any kind assessed or
12 collected by, or paid or delivered to, an exchange wagering licensee
13 in connection with the submission of any exchange wagers to the
14 exchange wagering licensee by residents of California and residents
15 of jurisdictions outside of California on the results of horse races
16 conducted in California, and by residents of California on the
17 results of horse races conducted outside of California.

18 (6) “Exchange wagers” means wagers submitted to an exchange
19 wagering licensee to be posted in a market on an exchange.

20 (7) “Exchange wagering” means a form of parimutuel wagering
21 in which two or more persons place identically opposing wagers
22 in a given market.

23 (8) “Exchange wagering account” means the account established
24 with an exchange wagering licensee by a person participating in
25 exchange wagering. An exchange wagering account may only be
26 established or maintained with an exchange wagering licensee by
27 a natural person.

28 (9) “Exchange wagering agreement” means a written agreement
29 by and among the applicable exchange wagering licensee, the
30 applicable racing association or racing fair conducting live racing
31 in this state, and the horsemen’s organization responsible for
32 negotiating purse agreements for the breed on which exchange
33 wagers are accepted, provided that the terms and conditions for
34 the permitted use of the signal by the exchange wagering licensee,
35 and the compensation to the applicable racing association or racing
36 fair and the horsemen’s organization, include provisions for, but
37 are not limited to, all of the following:

38 (A) Calculation of any and all amounts earned and payable to
39 the applicable racing association or racing fair and horsemen’s
40 organization.

1 (B) Audit rights and conditions.

2 (C) Duration terms.

3 (D) Contractual remedies.

4 (10) “Exchange wagering licensee” means a person located
5 within or outside of California that is authorized to offer exchange
6 wagering to residents of California pursuant to this section.

7 (11) “Identically opposing wagers” means wagers in which one
8 or more persons offer to lay a selected outcome at the same price
9 at which one or more persons offer to back that same outcome,
10 with the amount subject to the lay being proportionately
11 commensurate to the amount subject to the back.

12 (12) “Lay” means to wager on a selected outcome not occurring
13 in a given market.

14 (13) “Market” means, in relation to a given horse race or a given
15 set of horse races, a particular outcome that is subject to exchange
16 wagering as determined by an exchange wagering licensee.

17 (14) “Matched wager” means the wager that is formed when
18 two or more persons are confirmed by the exchange operator as
19 having placed identically opposing wagers in a given market on
20 the exchange.

21 (15) “Net winnings” means the aggregate amounts payable to
22 a person as a result of that person’s winning matched wagers in a
23 pool less the aggregate amount paid by that person as a result of
24 that person’s losing matched wagers in that pool.

25 (16) “Parimutuel” means any system whereby wagers with
26 respect to the outcome of a horse race are placed with, or in, a
27 wagering pool conducted by an authorized person, and in which
28 the participants are wagering with each other and not against the
29 person conducting the wagering pool.

30 (17) “Person” means any individual, partnership, corporation,
31 limited liability company, or other association or organization.

32 (18) “Pool” means the total of all matched wagers in a given
33 market.

34 (19) “Price” means the odds for a given exchange wager.

35 (20) “Unmatched wager” means a wager or portion of a wager
36 placed in a given market within an exchange that does not become
37 part of a matched wager because there are not one or more available
38 exchange wagers in that market with which to form one or more
39 identically opposing wagers.

1 (21) “Zone” has the same meaning as defined in Section
2 19530.5, as modified by subdivision (f) of Section 19601, except
3 that for ~~the~~ purposes of this section the combined central and
4 southern zones shall be considered one “central/southern” zone.

5 (b) Notwithstanding any other law, rule, or regulation, exchange
6 wagering by residents of California and residents of jurisdictions
7 outside of California on the results of horse races conducted in
8 California, and by residents of California on the results of horse
9 races conducted outside of California, shall be lawful provided
10 that all of the following apply:

11 (1) Exchange wagering shall only be conducted by an exchange
12 wagering licensee pursuant to a valid exchange wagering license
13 issued by the board.

14 (2) No exchange wagering licensee shall accept exchange wagers
15 on races conducted in California from a resident of California or
16 a resident of a jurisdiction outside California, or conducted outside
17 California from a resident of California, unless an exchange
18 wagering agreement exists allowing these wagers.

19 (3) Exchange wagering shall be conducted pursuant to and in
20 compliance with the provisions of the Interstate Horseracing Act
21 of 1978 (15 U.S.C. Sec. 3001 et seq.), as amended, this section,
22 all applicable federal laws, and rules and regulations promulgated
23 by the board pursuant to this section.

24 (4) An exchange wagering licensee may only offer exchange
25 wagering on thoroughbred horse races, whether these thoroughbred
26 races are conducted within or outside of this state, to persons whose
27 primary residence address is in the northern zone of this state if it
28 has an exchange wagering agreement with (A) the racing
29 association or racing fair located in the northern zone authorized
30 by the board to conduct a live thoroughbred racing meeting in
31 accordance with the provisions of Article 4 (commencing with
32 Section 19480) at that time, or during the calendar period, when
33 the exchange wagering licensee is offering exchange wagering to
34 persons whose primary residence is in the northern zone of this
35 state, and (B) the horsemen’s organization responsible for
36 negotiating purse agreements for a live thoroughbred racing
37 meeting.

38 (5) An exchange wagering licensee may only offer exchange
39 wagering on thoroughbred horse races, whether these thoroughbred
40 races are conducted within or outside of this state, to persons whose

1 primary residence address is in the central/southern zone of this
2 state if it has an exchange wagering agreement with (A) the racing
3 association or racing fair located in the central/southern zone
4 authorized by the board to conduct a live thoroughbred racing
5 meeting in accordance with the provisions of Article 4
6 (commencing with Section 19480) at that time, or during the
7 calendar period, when the exchange wagering licensee is offering
8 exchange wagering to persons whose primary residence is in the
9 central/southern zone of this state, and (B) the horsemen's
10 organization responsible for negotiating purse agreements for a
11 live thoroughbred racing meeting.

12 (6) An exchange wagering licensee may only offer exchange
13 wagering on quarter horse races, whether these quarter horse races
14 are conducted within or outside of this state, to persons whose
15 primary residence address is in this state if it has an exchange
16 wagering agreement with (A) the racing association or racing fair
17 located in the state authorized by the board to conduct a live quarter
18 horse racing meeting in accordance with the provisions of Article
19 4 (commencing with Section 19480) at that time, or during the
20 calendar period, when the exchange wagering licensee is offering
21 exchange wagering to persons whose primary residence is this
22 state, and (B) the horsemen's organization responsible for
23 negotiating purse agreements for the live quarter horse racing
24 meeting.

25 (7) An exchange wagering licensee may only offer exchange
26 wagering on standardbred horse races, whether these standardbred
27 horse races are conducted within or outside of this state, to persons
28 whose primary residence address is in this state if it has an
29 exchange wagering agreement with (A) the racing association or
30 racing fair located in the state authorized by the board to conduct
31 a live standardbred racing meeting in accordance with the
32 provisions of Article 4 (commencing with Section 19480) at that
33 time, or during the calendar period, when the exchange wagering
34 licensee is offering exchange wagering to persons whose primary
35 residence is this state, and (B) the horsemen's organization
36 responsible for negotiating purse agreements for the live
37 standardbred racing meeting.

38 (8) Exchange wagers are submitted to, and accepted by, an
39 exchange wagering licensee in person, by direct telephone call, or
40 by communication through other electronic media.

1 (c) A person shall not be permitted to open an exchange
2 wagering account, or place an exchange wager, except in
3 accordance with federal law, this section, and rules and regulations
4 promulgated by the board. Only natural persons with valid
5 exchange wagering accounts may place wagers through an
6 exchange. To establish an exchange wagering account, a person
7 shall be at least 18 years of age and a resident of California or of
8 another jurisdiction within which the placement of exchange
9 wagers would not be unlawful under United States federal law or
10 the law of that jurisdiction.

11 (d) The board shall approve, as part of the exchange wagering
12 licensee's application for an exchange wagering license, security
13 policies and safeguards to ensure player protection and integrity,
14 including, but not limited to, provisions governing the acceptance
15 of electronic applications for persons establishing exchange
16 wagering accounts, location and age verification confirmation for
17 persons establishing exchange wagering accounts, the use of
18 identifying factors to ensure security of individual accounts, and
19 the requirements for management of funds in exchange wagering
20 accounts. An exchange wagering licensee may not accept a wager,
21 or series of wagers, if the results of the wager or wagers would
22 create a liability for the exchange wagering accountholder that is
23 in excess of the funds on deposit in the exchange wagering account
24 of that holder.

25 (e) Notwithstanding any other law, rule, or regulation:

26 (1) The board shall have full power to prescribe rules,
27 regulations, and conditions under which exchange wagering may
28 be conducted in California consistent with this section, including
29 the manner in which exchange wagers may be accepted and the
30 requirements for any person to participate in exchange wagering.

31 (2) ~~Prior to~~ *Before* promulgating rules, regulations, and
32 conditions under which exchange wagering may be conducted in
33 California, the board shall consider studies or comments submitted
34 by interested parties on the impact of exchange wagering on
35 parimutuel betting and the economics of the California horse racing
36 industry to assist the board in developing rules, regulations, and
37 conditions for exchange wagering that are in the best interest of
38 the public and the California horse racing industry. The board may
39 set a timeframe for comments and studies to be submitted by
40 interested parties and for the board to consider the studies and

1 comments so as to allow sufficient time, in the discretion of the
2 board, to allow for the promulgation of rules, regulations, and
3 conditions for exchange wagering and the issuance of licenses for
4 exchange wagering ~~prior to~~ *before* May 1, 2012.

5 (3) Notwithstanding paragraph (1), the board shall adopt the
6 following rules:

7 (A) An owner, authorized agent, trainer, jockey, jockey's agent,
8 driver, or stable employee shall not place an exchange wager to
9 lay any entrant in a horse race that is owned in whole or part by
10 that owner or the owner represented by that authorized agent,
11 trained by that trainer or stable employee, ridden by that jockey
12 or the jockey represented by that jockey's agent, or driven by that
13 driver.

14 (B) No exchange wagers shall be placed on a market after the
15 conclusion of a live race. Exchange wagering on previously run
16 races is prohibited.

17 (C) The exchange wagering licensee shall provide a person with
18 information on the race, including the track where the race will
19 take place and the names of the participating horses, before the
20 person may place an exchange wager.

21 (D) The exchange wagering licensee shall require the person
22 making the exchange wager to select the specific race and horse
23 for the wager. The use of automatic, quick-pick, or similar features
24 to aid in the placing of a wager shall be prohibited.

25 (E) The results of a wager shall not be displayed through the
26 use of video or mechanical reels or other slot machine or casino
27 game themes, including, but not limited to, dice games, wheel
28 games, card games, and lotto.

29 (4) The board shall have full power to prescribe rules,
30 regulations, and conditions under which all exchange wagering
31 licenses are issued or renewed in California, including requiring
32 an annual audit of the exchange wagering licensee's books and
33 records pertaining to exchange wagering, and to revoke, suspend,
34 or refuse to renew a license pursuant to the authority granted to
35 the board in this chapter.

36 (5) The board may reasonably require licensure or registration
37 of officers or directors of any exchange wagering licensee.

38 (6) The board may recover any costs associated with the
39 licensing or regulation of exchange wagering from the exchange
40 wagering licensee by imposing an assessment on the exchange

1 wagering licensee in an amount that does not exceed the reasonable
2 costs associated with the licensing or regulation of exchange
3 wagering. Funds received pursuant to this subdivision shall be
4 deposited in the Horse Racing Fund, to be available upon
5 appropriation by the Legislature for the sole purpose of regulating
6 exchange wagering.

7 (f) (1) The board shall not approve an application for an original
8 or renewal license as an exchange wagering licensee unless the
9 entity, if requested in writing by a bona fide labor organization no
10 later than 90 days ~~prior to~~ *before* licensing, has entered into a
11 contractual agreement with that labor organization that provides
12 all of the following:

13 (A) The labor organization has historically represented
14 employees who accept or process any form of wagering at the
15 nearest horse racing meeting located in California.

16 (B) The agreement establishes the method by which the
17 exchange wagering licensee will agree to recognize and bargain
18 in good faith with a labor organization ~~which~~ *that* has demonstrated
19 majority status by submitting authorization cards signed by those
20 employees who accept or process any form of wagering for which
21 a California exchange wagering license is required.

22 (C) The agreement requires the exchange wagering licensee to
23 maintain its neutrality concerning the choice of those employees
24 who accept or process any form of wagering for which a California
25 exchange wagering license is required and whether or not to
26 authorize the labor organization to represent them with regard to
27 wages, hours, and other terms and conditions of employment.

28 (D) The agreement applies to those classifications of employees
29 who accept or process wagers for which a California exchange
30 wagering license is required, whether the facility is located within
31 or outside of California.

32 (2) (A) The agreement required by paragraph (1) shall not be
33 conditioned by either party upon the other party agreeing to matters
34 outside the requirements of paragraph (1).

35 (B) The requirement in paragraph (1) shall not apply to an
36 exchange wagering licensee that has entered into a collective
37 bargaining agreement with a bona fide labor organization that is
38 the exclusive bargaining representative of employees who accept
39 or process parimutuel wagers on races for which an exchange

1 wagering license is required, whether the facility is located within
2 or outside of California.

3 (3) Permanent state or county employees and nonprofit
4 organizations that have historically performed certain services at
5 county, state, or district fairs may continue to provide those
6 services.

7 (4) Parimutuel clerks employed by racing associations or fairs
8 or employees of exchange wagering licensees who accept or
9 process any form of wagers who are laid off due to lack of work
10 shall have preferential hiring rights for new positions with their
11 employer in occupations whose duties include accepting or
12 processing any form of wagers, or the operation, repair, service,
13 or maintenance of equipment that accepts or processes any form
14 of wagering at a racetrack, satellite wagering facility, or exchange
15 wagering licensee licensed by the board. The preferential hiring
16 rights established by this paragraph shall be conditioned upon the
17 employee meeting the minimum qualification requirements of the
18 new job.

19 (g) Notwithstanding any other law, rule, or regulation, an
20 exchange wagering licensee shall not be required to include any
21 pools of exchange wagers in the wagering pools at the racing
22 association or racing fair conducting the races, nor shall an
23 exchange wagering licensee be required to retain, withhold, or
24 take out any amounts from any exchange wagers, except as
25 expressly set forth in the applicable exchange wagering agreement.

26 (h) Subject to the approval of the board, an exchange wagering
27 licensee shall be permitted to collect exchange revenues in the
28 manner and amounts determined by the exchange wagering
29 licensee, including, but not limited to, assessing a surcharge on
30 any person's net winnings.

31 (i) Notwithstanding any other law, rule, or regulation, the board
32 shall require all of the following:

33 (1) Each exchange wagering licensee shall distribute all moneys
34 in each pool, net of any fees, charges, or deductions of any kind
35 assessed or collected by the exchange wagering licensee in
36 connection with matched wagers in that pool, at the conclusion of
37 the race or races associated with that pool.

38 (2) Each exchange wagering licensee shall distribute the portions
39 of the exchange wagering licensee's exchange revenues as may

1 be required pursuant to the exchange wagering agreement pursuant
 2 to paragraphs (2) to (7), inclusive, of subdivision (b).

3 (3) Fifty percent of the amounts received by a racing association
 4 or racing fair from exchange wagering shall be paid to horsemen
 5 participating in the meetings conducted by that racing association
 6 or racing fair in the form of purses. The allocation of amounts
 7 received by a racing association or racing fair from exchange
 8 wagering between that racing association or racing fair and the
 9 horsemen participating in the meetings conducted by that racing
 10 association or racing fair may be modified by a written agreement
 11 between those entities.

12 (4) In addition to payments set forth in paragraphs (1) and (2),
 13 each exchange wagering licensee shall distribute, on an annual
 14 basis, *for the purposes specified in Section 19612.9*, an amount
 15 equal to the greater of (A) one hundred thousand dollars
 16 (\$100,000), or (B) an amount equal to 0.001 multiplied by the total
 17 amount of exchange revenues collected by the exchange wagering
 18 licensee in that calendar year. The distribution shall be made at
 19 the direction of the board pursuant to Section 19612.9. This
 20 paragraph shall become inoperative on January 1, ~~2021~~,
 21 *immediately following the year in which the 10th annual*
 22 *distribution of funds is made pursuant to Section 19612.9*, and,
 23 as of that date, is repealed, ~~unless a later enacted statute that is~~
 24 ~~enacted before January 1, 2021, deletes or extends that date.~~

25 (j) An exchange wagering licensee may cancel or allow to be
 26 canceled any unmatched wagers, without cause, at any time.

27 (k) The board may prescribe rules governing when an exchange
 28 wagering licensee may cancel or void a matched wager or part of
 29 a matched wager, and the actions ~~which~~ *that* an exchange wagering
 30 licensee may take when all or part of a matched wager is canceled
 31 or voided. The rules may include, but are not limited to, permitting
 32 the exchange wagering licensee to place corrective wagers under
 33 circumstances approved in the rules adopted by the board.
 34 Exchange wagers placed on a market after the start of a race shall
 35 be lawful if authorized by the board, racing association, or racing
 36 fair conducting the races, and the horsemen’s organization
 37 responsible for negotiating purse agreements for the breed on
 38 which the exchange wager is made.

39 (l) The provisions of this section shall be deemed to be
 40 severable, and if any phrase, clause, sentence, or provision of this

1 section is declared to be unconstitutional or the applicability thereof
2 to any person is held invalid, the remainder of this section shall
3 not thereby be deemed to be unconstitutional or invalid.

4 (m) The board shall promulgate administrative rules and
5 regulations to effectuate the purposes of this section.

6 (n) No exchange wagering licensee may accept exchange wagers
7 pursuant to this section ~~prior to~~ *before* May 1, 2012.

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