
SENATE COMMITTEE ON GOVERNMENTAL ORGANIZATION

Senator Bill Dodd

Chair

2021 - 2022 Regular

Bill No: AB 351 **Hearing Date:** 6/22/2021
Author: Cristina Garcia
Version: 4/15/2021 as amended
Urgency: No **Fiscal:** No
Consultant: Brian Duke

SUBJECT: Gambling: horse racing

DIGEST: This bill adds the Pegasus World Cup to the group of out-of-state horseraces that are exempt from the 50-race per day limit on imported races in California.

ANALYSIS:

Existing law:

- 1) Article IV, Section 19(b) of the Constitution of the State of California provides that the Legislature may provide for the regulation of horse races and horse race meetings and wagering on the results.
- 2) Grants the California Horse Racing Board (CHRB) the authority to regulate the various forms of horse racing authorized in this state.
- 3) Authorizes thoroughbred racing associations or fairs to distribute the audiovisual signal and accept wagers on the results of out-of-state and international thoroughbred races during the calendar period the association or fair is conducting live racing, including days on which there is no live racing being conducted by the association or fair.
- 4) Limits the number of races that may be imported by associations and fairs to no more than 50 races per day on days when live thoroughbred or fair racing is being conducted in this state, with specified exceptions.
- 5) Exempts from that 50-race per day limit races imported races that are part of the race card of certain prominent races, including the Kentucky Derby, the Kentucky Oaks, the Preakness Stakes, the Belmont Stakes, the Jockey Club Gold Cup, the Travers Stakes, the Arlington Million, the Breeders' Cup, the

Dubai Cup, the Arkansas Derby, the Apple Blossom Handicap, and the Haskell Invitational.

- 6) Authorizes and defines “advanced deposit wagering” (ADW) as a form of pari-mutuel wagering in which a person residing within California or outside of this state establishes an account with an ADW provider, and subsequently issues wagering instructions concerning the funds in this account, thereby authorizes the ADW provider holding the account to place wagers on the account owner’s behalf.
- 7) Authorizes CHRB to approve an additional 15 minisatellite wagering sites in each zone, if among other things, no site is within 20 miles of a racetrack, a satellite wagering facility, or a tribal casino that has a satellite wagering facility.
- 8) Provided that 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.

This bill:

- 1) Adds the Pegasus World Cup Invitational to the existing list of out-of-state horseraces that are exempt from the 50 imported race per day limitation.
- 2) Repeals the above obsolete provision of existing law.

Background

Purpose of the bill. According to the author’s office, “the Pegasus World Cup is a premier, invitation-only event on the global racing calendar featuring some of the best international and domestic Thoroughbreds. The inaugural running was on January 28, 2017 at Gulfstream Park in Hallandale Beach, Florida. Simulcasting is the process of transmitting the audio and video signal of a live racing performance from one facility to a satellite for re-transmission to other locations or venues where pari-mutuel wagering is permitted. Simulcasting provides racetracks with the opportunity to increase revenues by exporting their live racing content to as many wagering locations as possible, such as other racetracks, fair satellite facilities, and Indian casinos. Revenues are increased because simulcasting provides racetracks that export their live content with additional customers in multiple locations who would not have otherwise been able to place wagers on the live racing event.”

Further, the author's office states that, "satellite wagering via an off-track facility has been legal in California since the 1980s when California racetracks were beginning to experience declining attendance and handle figures. The industry believed that making the product easier to access not only would expose and market horse racing to potential customers, but also would make it more convenient for the existing patrons to wager more often."

Simulcasting. Simulcasting is the process of transmitting the audio and video signal of a live racing performance from one facility to a satellite for re-transmission to other locations or venues where pari-mutuel wagering is permitted. Simulcasting provides racetracks with the opportunity to increase revenues by exporting their live racing content to as many wagering locations as possible, such as other racetracks, fair satellite facilities, and Indian casinos. Revenues increase because simulcasting provides racetracks that export their live content with additional customers in multiple locations who would not have otherwise been able to place wagers on the live racing event. Existing law limits the total number of races imported by associations or fairs on a statewide basis not to exceed 50 per day on days when live thoroughbred racing or fair racing is being conducted in the state. This bill adds the Pegasus World Cup to an existing list of exempted races under the current limit.

Satellite wagering. Satellite wagering via an off-track facility located at fairs and racing associations throughout has been legal in California since the 1980s when California racetracks were beginning to experience declining attendance and handle figures. The industry believed that making the product easier to access not only would expose and market horseracing to potential customers, but also would make it more convenient for the existing patrons to wager more often.

In 2007, new legislation was enacted to authorize the creation of 15 additional "minisatellites" in each racing zone. The stated intent of the legislation was to make the sport of horseracing more accessible to potential California bettors. The legislation cited the fact that there were over 18,000 lottery outlets, more than 90 card clubs, and 60 tribal casinos where people may place bets in California. However, there were only 32 places to wager on a horserace in the entire state. Unlike the bigger satellite wagering facilities, which are located in settings that cater to existing fans such as fairs and racing associations, minisatellites are set-up within establishments that serve a larger population of adults such existing bars and restaurants.

Racetrack attendance. Prior to the COVID-19 Pandemic, and closure of non-essential businesses in California, the horse racing industry had been witnessing a general decline in the number of people attending and wagering at live tracks in

California for more than three decades due to a number of factors including; increased competition from other forms of gaming, unwillingness of customers to travel a significant distance to racetracks, and the availability of off-track wagering. The declining attendance at live horse racing events has prompted racetracks to rely on revenues from in-state and out-of-state satellite wagering and account wagering.

During the early stages of the pandemic, horseracing in California was one of the first sports to return to live action. Currently, parimutuel wagering through ADWs is the only authorized form of online gaming in California. This allows fans of horseracing to enjoy the sport and place wagers from the safety of their own homes. The author argues that by adding the race card of the Delaware Handicap to the currently listed horseraces that are exempt from the 50-day race limitation, fans of horseracing will be granted more access to horseracing while observing proper social distancing during the COVID-19 Pandemic.

Pegasus World Cup Invitational Stakes. The Pegasus World Cup Invitational Stakes is an American thoroughbred horse race whose first running was on January 28, 2017, at Gulfstream Park in Hallandale Beach, Florida. It is run on a dirt track at the distance of 1 1/8 miles (9 furlongs) and is open to horses four years old and up.

With a purse of \$12 million for its inaugural running, the Pegasus World Cup surpassed the Dubai World Cup as the richest horse race in the world for the year 2017 and 2018. The purse of the event rose to \$16 million in 2018, but dropped to \$9 million in 2019. The race is named for Pegasus, a Greek mythical horse, a 110-foot statue of which stands at Gulfstream Park.

The fifth running of the Pegasus World Cup was held on Saturday, January 23, 2021. Knicks Go, the 6-5 favorite ridden by Joel Rosario, took early command of the 1 1/8-mile race for older horses and crossed the finish line 2 3/4 lengths ahead of the runner. Approximately 1,500 people attended the event.

This bill adds the Pegasus World Cup to the group of out-of-state horseraces that are exempt from the 50-race per day limit on imported races in California.

Prior/Related Legislation

SB 494 (Dodd, 2021) adds the Delaware Handicap to the group of out-of-state horseraces that are exempt from the 50-race per day limit on imported races in California. (Gutted and amended to an unrelated issue)

AB 1437 (Frazier, 2021) adds the Whitney Stakes to the group of out-of-state horseraces that are exempt from the 50-race per day limit on imported races in California. (Pending in the Assembly Governmental Organization Committee)

SB 469 (Dodd, Chapter 22, Statutes of 2019) would have added the Delaware Handicap to the group of out-of-state horseraces that are exempt from the 50-race per day limit on imported races in California. (Gutted and amended into a horseracing health and safety issue)

AB 1635 (Gray, 2019) would have added the Pegasus World Cup Invitational to the group of out-of-state horseraces that are exempt from the 50-race per day limit on imported races in California. (Never heard in the Senate Governmental Organization Committee)

AB 2270 (McCarty, Chapter 100, Statutes of 2018) authorized wagering on a nightly program of out-of-country harness racing from a single racetrack, regardless of the number of races offered, if specified conditions are met.

AB 2330 (Bigelow, Chapter 537, Statutes of 2018) would have added the Florida Derby to the group of out-of-state horseraces that are exempt from the 50-race per day limit on imported races in California. (Gutted and amended into an unrelated issue)

AB 2739 (Gray, 2018) would have added the Whitney Stakes to the group of out-of-state horseraces that are exempt from the 50-race per day limit on imported races in California. (Died on the Senate Inactive File)

AB 2693 (Assembly Governmental Organization Committee, Chapter 350, Statutes of 2012) added the Arkansas Derby to the group of out-of-state horseraces that are exempt from the 50-race per day limit on imported races in California.

AB 241 (Price, Chapter 594, Statutes of 2007) authorized any county to operate a satellite wagering facility, authorizes minisatellite wagering facilities throughout the state, and makes other related changes to the horse racing laws.

AB 471 (Hertzberg, Chapter 198, Statutes of 2001) authorized the use of ADW in California, allowing customers to deposit funds into an account in order to wager online and over the telephone. These wagers are commingled into pools at the host track where the races are run, and within the parimutuel wagering system regulated by the CHRB.

ACA 119 (Hornblower, Resolution Chapter 101, Statutes of 1933) placed Proposition 3 on the June 1933 ballot, which was approved by the voters and authorized the Legislature to provide for the regulation of horse races and horse race meetings and wagering on the results thereof.

FISCAL EFFECT: Appropriation: No Fiscal Com.: No Local: No

SUPPORT:

None received

OPPOSITION:

None received