

CALIFORNIA HORSE RACING BOARD

1010 Hurley Way, Suite 300
Sacramento, CA 95825
www.chrb.ca.gov
(916) 263-6000 Fax (916) 263-6042



LEGISLATIVE, LEGAL AND REGULATIONS COMMITTEE MEETING

of the **California Horse Racing Board** will be held on **Wednesday, August 24, 2016**, commencing at **2:00 p.m.**, in 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 regarding the **requirements for a California Horse Racing Board occupational license; in particular horse ownership by corporations, partnerships, LLCs and registration of stable names.**
2. Discussion regarding **proposed changes to the licensing test for trainers.**
3. Discussion regarding the **need for a regulation to govern the daily accounting of the total number and description of all horses stabled within CHRB inclosures.**
4. Report and discussion regarding **2016 horse racing legislation.**
5. **General Business:** Communications, reports, requests for future actions of the Committee.

Additional information regarding this meeting may be obtained from Jacqueline Wagner at the CHRB Administrative Office, 1010 Hurley Way, Suite 300, Sacramento, CA 95825; telephone (916) 263-6000; fax (916) 263-6042. 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 require aids or services in order to participate in this public meeting, should contact Jacqueline Wagner.

LEGISLATIVE, LEGAL AND REGULATIONS COMMITTEE

Commissioner Jesse H. Choper, Chairman
Vice Chairman Richard Rosenberg, Member
Rick Baedeker, Executive Director
Jacqueline Wagner, Assistant Executive Director

STAFF ANALYSIS

DISCUSSION REGARDING THE REQUIREMENTS FOR A CALIFORNIA HORSE
RACING BOARD OCCUPATIONAL LICENSE; IN PARTICULAR, HORSE OWNERSHIP
BY CORPORATIONS, PARTNERSHIPS, LLCs AND REGISTRATION OF
STABLE NAMESLegislative, Legal, and Regulations Committee Meeting
August 24, 2016

ISSUE

Due to the complexity and variety of forms of horse ownership (e.g. by corporations, LLCs, trusts, etc.), questions have arisen about the licensing and registration process for these various entities under the California Horse Racing Board (CHRB or Board) laws and regulations. This Agenda Item is intended to provide the Committee with an overview of current licensing and registration procedures, and to otherwise determine whether or not modification to existing laws and/or regulations is necessary to better serve the goals of ownership transparency and public protection.

BACKGROUND

Over the past few years, CHRB staff has received a number of questions about the structure and limitations of corporate, LLC, partnership, and trust ownership of race horses, which often involves the additional step of also registering a stable name. Additionally, the horse racing industry throughout the United States has seen a recent surge in alternative ownership arrangements, including horse ownership by publicly traded corporations, as well as crowd funded stables. To date, ownership transparency remains a strong priority for the CHRB in order to protect the public and maintain integrity in horse racing.

ANALYSIS

Business and Professions Code section 19520 states the following:

Every person not required to be licensed under Article 4 (commencing with Section 19480) who participates in, or has anything to do with, the racing of horses, including a horse owner, jockey, driver, apprentice, exercise rider, agent trainer, stable foreman, groom, valet, horseshoer, stable watchman, outrider, and every employee of a parimutuel department, shall be licensed by the board pursuant to rules and regulations that the board may adopt, and upon the payment of a license fee fixed and determined by the board.

CHRB Rule 1420(n) defines an "owner" as the owner, part owner, or lessee of any horse, with the caveat that interest only in the earnings of a horse does not constitute ownership. Rule 1505, Qualification for License as Horse Owner, describes the requirements a person must meet in order to be licensed by the CHRB as an owner. These qualifications include, but are not limited to, the applicant actually owning a registered race horse and otherwise being an "individual natural person." Rule 1506, Horse Ownership by Corporation or Limited Liability Company, then explains that if the legal owner of a race horse is a corporation or LLC, the entity must

appoint one or more responsible managing employees to be licensed as an owner, and to assume all responsibilities that attach with that designation. Rule 1507, Partnerships, explains that if a horse is owned by a partnership, all general partners must be licensed by the Board, but limited partners cannot be licensed. Finally, Rule 1508, Statements of Partnerships, requires that all statements of partnerships and affiliated ownership proportions must be registered with the paymaster of purses and the Board.

Beyond the initial requirements of race horse ownership by individuals and entities, CHRB regulations also provide for the registration of “stable names” and “stable name groups. The primary regulations controlling the use and restrictions on stable names are CHRB Rules 1783 through 1787. Below are brief descriptions of the primary functions of each of these rules:

Rule 1783, Registration of Stable Names—subsection (a)

- Provides that a licensed owner may register a stable name by filing an application and paying a fee.
- Prohibits licensees from registering “more than one stable name at the same time.”
- Prohibits licensees from using the real name of any owner as a stable name.

Rule 1783, Registration of Stable Name Groups—subsection (b)

- Provides that a licensed owner may register a stable name group by filing an application and paying a fee.
- A stable name group is different from a stable name in that a stable name group may establish multiple entities that shall run under the name of the stable name group.
- Each entity in the stable name group must be registered in accordance with all other CHRB rules (e.g. Rule 1481, 1506, 1507, and 1784).
- Each entity in the stable name group must possess a unique roster of owners that lists the name and ownership interest of each owner.
- A licensed owner may participate in the horse ownership of multiple entities, so long as they are all under the same stable name group.

Rule 1784, Registration to Disclose All Partners

- Stable names and stable name groups must all disclose the names of all partnership or ownership interests participating in the stable name or group, including interest owned by any corporation, LLC, trust, etc.

Rule 1786, Change of Stable Name Registration or Ownership of Stable

- Stable names may be changed by registering a new stable name and paying applicable fees.
- Stable names can be transferred to new owners with written notice to the Board and to the stewards.
- Any change in ownership to a stable name or stable name group must be immediately reported in writing to the Board and the stewards.

Rule 1787, Limitation of Use of Stable Name

- The rule states that “No owner may use his real name for racing purposes if he has a registered stable name, except with approval of the stewards or the Board.”

The general goal of these provisions has been to preserve a degree of transparency regarding ownership interests, and to restrict owners from racing multiple horses under different identities. Additionally, by having entities appoint a managing employee to function as the licensed owner of a race horse, there is always an actual person who may be held responsible by the CHRB for any violations of the Horse Racing Law and Regulations resulting from that entity's actions.

Licensing Process:

A person applying for a license as an owner, whether or not it is on behalf of a separate entity, is required to complete CHRB-4, Application for License, and CHRB-42, Supplement Application for License as Owner. To then register a stable name or a stable name group, a licensed owner must also complete CHRB-12, Application to Register/Renew a Stable Name. In the event an owner is applying for a license (or registering a stable name or stable name group) on behalf of a corporation, LLC, trust, or partnership, that person must also present the licensing office with evidence of the entity's existence (e.g. articles of incorporation, copy of trust, etc.) and an indication as to percentage breakdown of ownership interests.

RECOMMENDATION

This item is presented to the Committee for discussion.

1505. Qualifications for License as Horse Owner.

(a) No person may be licensed as a horse owner who is not the owner of record of a properly registered race horse which is in the care of a licensed trainer, or

(1) who does not have an interest in such race horse as a co-owner, part owner, or lessee, or

(2) who is not the responsible managing employee of a corporation or a limited liability company (Corporations Code section 17000 et seq.) which is the legal owner of such horse.

(b) No person licensed by the Board as a jockey, apprentice jockey, racing official, assistant starter or veterinarian's assistant shall be licensed also as a horse owner.

(c) A horse owner's license shall be granted to individual natural persons only.

(d) An applicant for renewal of a horse owner license whose license is in good standing with the Board, but who is not the owner of record of a properly registered race horse which is in the care of a licensed trainer, or who does not have an interest in such race horse as a co-owner, part owner, or lessee, may renew such license as horse owner.

NOTE: Authority cited: Sections 19420 and 19440, Business and Professions Code. Reference: Sections 19460 and 19520, Business and Professions Code.

HISTORY:

1. Amendment filed 8-14-98; effective 9-13-98.
2. Amendment filed 11-17-08; effective 12-17-08.

1506. Horse Ownership by Corporation or Limited Liability Company.

If the legal owner of any race horse is a corporation or a limited liability company (Corporations Code section 17000 et seq.), the corporation or limited liability company shall appoint one or more responsible managing employee(s) who, if qualified, may be granted a license as Horse Owner. Such employee accepts and assumes all responsibilities of an owner.

NOTE: Authority cited: Sections 19420 and 19440, Business and Professions Code. Reference: Sections 19460 and 19520, Business and Professions Code.

HISTORY:

1. Amendment filed 8-14-98; effective 9-13-98.

1507. Partnerships.

All general partners in the partnership owning a race horse assume equal responsibilities of ownership, and all such general partners are required to be licensed, irrespective of the percentage of partnership held. No limited partner may be granted a license as horse owner.

1508. Statements of Partnerships.

(a) All statements of partnerships and the relative proportion of ownership interest, the terms of sales with contingencies, arrangements, or leases, shall be filed with the paymaster of purses of the association and with the Board, and shall declare:

- (1) to whom winnings are payable,
- (2) in whose names the horse is run if more than three persons comprise the partnership, and
- (3) with whom rests the power of entry.

(b) The part owner of any horse may not assign his share or any part of it without the written consent of the other partners. The consent shall be filed with the paymaster of purses.

(c) No part owner or lessee of a racehorse is qualified for a license as horse owner until he has complied with this rule.

NOTE: Authority cited: Sections 19420 and 19440, Business and Professions Code. Reference: Sections 19420, 19440, 19460 and 19461, Business and Professions Code.

1783. Registration of Stable Names and Stable Name Groups.

(a) A licensed owner may register a stable name with the Board by filing an application and paying the fee for such stable name.

A stable name is subject to the approval of the Board.

No person may register more than one stable name at the same time.

No person may use the real name of any owner of racehorses as his stable name.

No stable name registration may be used for advertising purposes.

A stable name that has already been registered may not be registered by another owner.

(b) A licensed owner may register a stable name group with the Board by filing an application and paying the fee for the stable name group. The stable name group shall be subject to Subparagraphs (a)(1) through (a)(5) above. The stable name group may establish multiple entities that shall run under the name of the registered stable name group.

(1) Each entity shall be registered, as applicable, in accordance with Rule 1481; Rule 1506; Rule 1507 and Rule 1784 of this division.

(2) The entity shall name the horse(s) it owns, and such horse(s) shall be owned separately from the other entities within the stable name group.

(3) Each entity shall possess a unique roster of owners. The roster shall name each owner and state if the owner is a general or a limited partner as well as the percentage of ownership of each. The roster shall be filed with the racing office and with the Board's occupational licensing office.

(4) A licensed owner may participate in the horse ownership of one or more entities that run under a stable name group.

(A) A partner whose ownership interest in an entity that runs under a stable name group is 10 percent or less of such entity may elect not to obtain a license as horse owner. For the purposes of this regulation, such partner shall be considered a limited partner. However, the partner may elect at any time to obtain a license as horse owner, and for the purposes of this regulation, shall then be considered a general partner.

(5) A partner who owns 10 percent or less of an entity that runs under a stable name group is not subject to the provisions of Rule 1606 of this division when a horse owned by the entity in which the partner participates is entered to race in the same race in which the partner has ownership interest in another horse that is entered to race.

(c) The granting of a stable name or stable name group registration by the Board shall not relieve any person from his obligation to file or register a fictitious name as provided by the laws of the State of California.

NOTE: Authority cited: Sections 19440 and 19460, Business and Professions Code. Reference: Sections 19460 and 19520, Business and Professions Code.

HISTORY:

1. Amendment filed 7-10-08; effective 8-9-08.

1784. Registration to Disclose All Partners.

(a) An application to register a stable name shall disclose the real names of all partnership or ownership interests participating in the stable and the percentage of ownership interest of each, including the interest owned by any corporation, limited liability company (Corporations Code section 17000 et seq.), general partnership, limited partnership, trust, estate, person or individual.

(b) A registered stable name group shall comply with the provisions of subparagraph (a) of this regulation for each entity that runs under the stable name group.

NOTE: Authority cited: Sections 19440 and 19460, Business and Professions Code. Reference: Sections 19460 and 19520, Business and Professions Code.

HISTORY:

1. Amendment filed 8-14-98; effective 9-13-98.

2. Amendment filed 7-10-08; effective 8-9-08.

1786. Change of Stable Name Registration or Ownership of Stable.

(a) A stable name may be changed at any time by registering a new stable name and paying the fee as set by the Board.

(b) A stable name registration may be abandoned, or an expired stable name registration may be

transferred to a new owner by giving written notice to the Board and to the stewards. A stable name registration that has expired, and has remained unregistered for at least three consecutive years, shall be considered abandoned.

(c) Any change in ownership, in whole or in part, of a currently registered stable name shall be immediately reported in writing to the Board and to the stewards. If the stable consists of multiple owners, the notification must be signed by at least the designated person responsible for the stable's conduct as listed on the stable name registration form and the person whose name is being removed, or added. A signature must be notarized if the person who signs is not present when the notification is presented to the Board.

NOTE: Authority cited: Sections 19440 and 19520, Business and Professions Code. Reference: Sections 19440, 19521 and 19520, Business and Professions Code.

HISTORY:

1. Amendment filed 8-10-93; effective 9-9-93.
2. Amendment filed 10-21-96; effective 11-20-96.

1787. Limitation of Use of Stable Name.

No owner may use his real name for racing purposes if he has a registered stable name, except with approval of the stewards or the Board.

STATE OF CALIFORNIA
CALIFORNIA HORSE RACING BOARD

CHRB-4 (REV. 10/04/95)

APPLICATION FOR LICENSE

Please Print in Ink or Type

NO:

DATE:

ISSUED AT:

LICENSE FEE

\$250

Open Claim Cert./License

\$200

Off., Dir., Partner, 5% Stock
holder of Rac. Assn., Simulcast
Srv. Supplier, Totalizator
Company

\$150

Horse Owner, Trainer, Asst.
Trainer, Jockey, App. Jockey,
Driver, Jockey Agt., Bldstk Agt.,
Veterinarian, Official, Manager,
Racing Official, Steward.

\$75

PM Employee, Valet, Asst. to
Official, Asst. Gen. Mgr., Pony
Rider, Vendor, Vendor Emp.,
Exercise Rider, Horseshoer, Sta-
ble Agt., Foreman, Clerical,
Security, Misc. Classes.

\$35

Groom, Stbl. Emp., Stbl. Asst.

\$34

Assessment - Reciprocity

Last Name First Name Middle Name

(Business Address) No. or Box Street City State Zip

Business phone Name of spouse (Husband/Wife)

Height: Weight: Hair: Eyes: Sex:

Place of birth: Birth Date month day year

Type of license applied for TB ☐ QH ☐ HH ☐ App. ☐ Arabian ☐

Were you licensed by the California Horse Racing Board last year? NO ☐ YES ☐

Previous License No. PRESENT OR ATTACH PREVIOUS YEARS' LICENSE FOR RENEWAL

INFORMATION PROVIDED ABOVE IS PUBLIC PURSUANT TO THE CALIFORNIA PUBLIC RECORDS ACT (Government Code Section 6250 et seq.)

1. Have you ever been convicted of an offense by a court? YES ☐ NO ☐

Include offenses to which you pled nolo contendere or which were dismissed per Sec. 1203.4 P.C. Exclude offenses in Juvenile Court or under the Youth Offenders Law, sealed per Sec. 781 W.I.C., specified in Sec. 11361.5 H&S, or traffic offenses where the fine was \$300 or less.

2. Are you presently licensed to participate in racing by any other Racing Commission? YES ☐ NO ☐

If so, give State:

3. Has any of your license(s) to participate in racing EVER been revoked or suspended for more than 10 days? YES ☐ NO ☐

4. Have you EVER used another name in obtaining a license from any Racing Commission? YES ☐ NO ☐

5. (Owners, Trainers, Jockeys, Drivers ONLY) Do you intend to participate in the ARCI Reciprocity Program? YES ☐ NO ☐

If so, give State(s):

6. Are you presently employed by a Racing Association or Trainer? YES ☐ NO ☐

If so, give name:

I hereby make application for license to be issued in accordance with the terms and provisions of the Rules and Regulations of the California Horse Racing Board. I certify under penalty of perjury that the statements and answers I have made in the application are true and correct.

Signature

Date of Application

INFORMATION PROVIDED ABOVE IS PUBLIC PURSUANT TO THE CALIFORNIA PUBLIC RECORDS ACT (Government Code Section 6250 et seq.)

INFORMATION LISTED BELOW WILL BE KEPT CONFIDENTIAL

Residence Address City State Zip

Phone Soc. Sec. (or FIN) Driver's License # State

Disclosure of Social Security Number is voluntary. The Social Security Number will be used to identify personal records which may be required during the background investigation. (Authority: Business and Professions Code Section 19440, Public Law 93-579, Section 7.)



OSP 99 18433

SUPPLEMENT APPLICATION FOR LICENSE AS OWNER

No. _____

Please Print in Ink or Type

Name: _____
Last First Middle

Do you intend to race as: Individual ☐ General Partner ☐ Member of a Multiple Ownership ☐ Other ☐
(check all that apply)

Do you intend to use: Stable Name ☐ Business (fictitious) Name for a Multiple Ownership ☐

If so, give the Stable Name or Business Name to be used: _____

Do you intend to participate in the ARCI Reciprocity Program? YES ☐ NO ☐

If so, give State(s): _____

Do you intend to register an Authorized Agent to withdraw monies from your horsemen's account? YES ☐ NO ☐

If so, give name of your Authorized Agent: _____

What is the name of the licensed Trainer having care of your horse(s)? _____
(Note: An owners license may not be issued unless thier trainer has Workers Compensation Insurance valid in California.)

INFORMATION PROVIDED ABOVE IS PUBLIC PURSUANT TO THE CALIFORNIA PUBLIC RECORDS ACT (Government Code Section 6250 et seq.)

List the names of the HORSES you intend to race and the percentage of ownership interest you hold in each horse. (You may attach a separate listing if necessary:)

1. _____ % 3. _____ %
2. _____ % 4. _____ %

List the names of ALL PERSONS having a financial interest with you in the ownership of the listed horses, specifying their percentage of interest in each horse by number. (Note: A "person" includes any real person and any business entity.)

A. _____ % _____ # C. _____ % _____ #
B. _____ % _____ # D. _____ % _____ #

Do you have any racing-related financial obligations which have been in arrears (past due and unpaid) for more than 90 days? (Racing related bills include but are not limited to veterinary services, training services, jockey mount fees, nomination and entry fees, horse purchase agreements, etc.) YES ☐ NO ☐

I hereby make application for license to be issued in accordance with the terms and provisions of the Rules and Regulations of the California Horse Racing Board. I certify under penalty of perjury that the statements and answers I have made in this application are true and correct.

Signature _____

Date of Application _____

Received By: _____

INFORMATION PROVIDED ABOVE IS PUBLIC PURSUANT TO THE CALIFORNIA PUBLIC RECORDS ACT (Government Code Section 6250 et seq.)

STATE OF CALIFORNIA
CALIFORNIA HORSE RACING BOARD

CHRB-31 (REV. 02/97)

APPLICATION FOR RENEWAL OF OWNER'S LICENSE

Please Print in Ink or Type

NO:

DATE:

ISSUED AT:

Last Name First Name Middle Name

(Business Address) No. or Box Street City State Zip

(Business) Telephone No. Name of Spouse (Husband/Wife) CHRB License No. & Exp. Yr.

1. I intend to race as an: INDIVIDUAL ☐ GENERAL PARTNER ☐ MEMBER OF A MULTIPLE OWNERSHIP ☐ OTHER ☐

2. Have you been convicted of any criminal offense (other than traffic infractions) within the past 36 months? YES ☐ NO ☐

3. Has your CHRB license been suspended within the past 36 months? YES ☐ NO ☐

4. Do you intend to participate in the ARCI-Reciprocity Program? YES ☐ NO ☐

If so, list State(s):

5. Have you had any racing-related financial obligations which have been in arrears (past due and unpaid) for more than 90 days? YES ☐ NO ☐

INFORMATION PROVIDED ABOVE IS PUBLIC PURSUANT TO THE CALIFORNIA PUBLIC RECORDS ACT (Government Code Section 6250 et seq.)

LICENSE FEE

\$150.00

(3-YEAR TERM)

RECIPROCITY ASSESSMENT

\$34.00

(SEPARATE CHECK)

TB ☐ QH ☐

HH ☐ APP. ☐

ARABIAN ☐

6. What is the name of the licensed Trainer having care of your horse(s)?

Trainer's Name

7. List the names of the HORSES you own in whole or part.

1. % 3. %

2. % 4. %

(You may attach a separate listing if necessary.)

I hereby make application for license to be issued in accordance with the terms and provisions of the Rules and Regulations of the California Horse Racing Board. I certify under penalty of perjury that the statements and answers I have made in this application are true and correct.

Signature

Date of Application

EXIST F/P CODE
EXIST STAT. CODE
REVIEWED BY

INFORMATION PROVIDED ABOVE IS PUBLIC PURSUANT TO THE CALIFORNIA PUBLIC RECORDS ACT (Government Code Section 6250 et seq.)

INFORMATION LISTED BELOW WILL BE KEPT CONFIDENTIAL

Residence Address City State Zip

Phone Soc. Sec. (or FIN) Driver's License # State

Disclosure of Social Security Number is voluntary. The Social Security Number will be used to identify personal records which may be required during the background investigation. (Authority: Business and Professions Code Section 19440, Public Law 93-579, Section 7.)

APPLICATION TO REGISTER MULTIPLE OWNERSHIP

NO.:

DATE:

ISSUED AT:

REG. FEE \$300.

No fee for 10 or less General Partners
or California Corporation

The racing operations of this multiple ownership will appear on the racing program

AS: _____

The individual responsible for the conduct of this entity is:

NAME

ADDRESS

CHRB LICENSE NO.

The ownership entity is conducted as: GENERAL PARTNERSHIP () LIMITED PARTNERSHIP () CORPORATION () SYNDICATION ()

Have you registered this entity currently with any other State Racing Commission? Yes ☐ No ☐

If so, in what State or States: _____

Give the names of all horses owned in whole or part by this entity:

NAME

BREED

% OF INTEREST

CHRB 13 (Rev. 5/95)

Give names, and percentage of interest of all individuals having a financial interest in this entity

NAME

% INTEREST

NAME

% INTEREST

Attach a copy of the partnership agreement, corporate resolution, or syndication agreement.

The undersigned hereby makes application to register the above described multiple ownership entity and is authorized to act on behalf of the entity in all matters having to do with its racing operations.

I certify, under penalty of perjury, that the foregoing is true and correct.

Date of Application _____

Signature of Authorized Licensed Horse Owner _____



State of California
California Horse Racing Board
CHRB-12 (Rev. 12/95)

No. _____
Date: _____
Issued/Renewed at: _____

APPLICATION TO REGISTER ☐ RENEW ☐ A STABLE NAME FEE \$300

The name to be registered for racing operations of the stable is:

Name _____ Business Address _____
Telephone No. () _____ Federal Identification No. _____

The individual responsible for the conduct of this stable is:

Name _____ Business Address _____ CHRB License No. _____

The stable business is conducted as a: Sole Proprietorship ☐ General Partnership ☐ Limited Partnership ☐ Corporation ☐

Have you registered this Stable Name with any other State Racing Commission? YES ☐ NO ☐

If so, in which State(s) _____

Have you filed and registered your Stable Name as a fictitious name as required by state law? YES ☐ NO ☐

If so, what county and state? _____

Give names, addresses and percentage of interest of all individuals having a financial interest in this Stable:

NAME	ADDRESS	% INTEREST
_____	_____	Business ☐ Home ☐ _____
_____	_____	Business ☐ Home ☐ _____
_____	_____	Business ☐ Home ☐ _____
_____	_____	Business ☐ Home ☐ _____

INFORMATION PROVIDED ON THIS FORM IS PUBLIC PURSUANT TO THE CALIFORNIA PUBLIC RECORDS ACT (Government Code Section 6250 et. seq.) IF HOME ADDRESS IS LISTED AS BUSINESS ADDRESS, IT WILL BE DISCLOSED TO THE PUBLIC.

The undersigned hereby makes application to register a Stable Name in accordance with the terms and provisions of the Rules and Regulations of the California Horse Racing Board.

I Certify, under penalty of perjury, that the foregoing is true and correct.

Date _____ Signature of Authorized Licensed Horse Owner _____



STAFF ANALYSIS
DISCUSSION REGARDING PROPOSED CHANGES TO THE
LICENSING TEST FOR TRAINERS

Legislative, Legal, and Regulations Committee Meeting
August 24, 2016

BACKGROUND

The California Horse Racing Board (CHRB or Board) is committed to setting standards for licensure in California's horse racing industry that are fair, consistent, and sufficiently rigorous to ensure only qualified participation in the occupations they enable. The CHRB's license for trainer is perhaps one of the most difficult licenses to obtain, as it requires passage of a three-part examination which tests the applicant on all aspects of his or her horsemanship knowledge and skill. Such an examination is necessary due to the heightened responsibilities associated with that occupation, including the fact that the trainer is the absolute insurer of every horse in his or her care. Because of these enhanced responsibilities, it is important that the CHRB only license those applicants with appropriate qualifications and experience. Accordingly, in order to better meet this goal, CHRB staff has considered a number of potential enhancements to the trainer's examination and licensing process.

ANALYSIS

Business and Professions Code section 19440 provides that the Board shall have all powers necessary and proper to enable it to carry out fully and effectually the purposes of this chapter. Responsibilities of the Board shall include, but not be limited to, licensing of each racing association and all persons, other than the public at large, who participate in a horse racing meeting with pari-mutuel wagering. Business and Professions Code section 19460 further states that all licenses are subject to all rules, regulations, and conditions prescribed by the Board. Board Rule 1481, Occupational Licenses and Fees, categorizes the types of occupational licenses issued by the Board and lists the fees charged for such licenses (for a trainer or assistant trainer's license, the fee is \$150). Rule 1491, Examinations, states that the Board may require the applicant for any license to demonstrate his or her knowledge, qualifications and proficiency for the licensed applied for by such examination as the Board may direct. Rule 1496, Financial Responsibility of Applicants, further requires that applicants for license as trainer submit satisfactory evidence of their financial stability and ability to care for and maintain the horses they train when such evidence is requested by the Board. Rule 1501, Worker's Compensation Insurance Required, mandates that trainers also secure worker's compensation insurance in accordance with the Labor Code of the State of California, or otherwise face automatic suspension of their license. Rule 1503, Qualifications for License as Trainer or Assistant Trainer, describes in detail the requirements for obtaining a license as trainer or assistant trainer, which includes passage of written, oral and practical examinations with a score of 80% or better.

In order to better ensure only those applicants qualified to be trainers are licensed, CHRB staff has considered a number of options to better tailor the licensing requirements, including, but not limited to: enhancing the practical portion of the examination to better demonstrate

horsemanship knowledge, requiring applicants to work as assistant trainers for a minimum of one year before becoming eligible for a trainer's license, and/or requiring submission of a recommendation card, signed by an licensed trainer, stating that he/she believes the applicant has sufficient knowledge and skill to be licensed as a trainer (much like the recommendations outriders provide for exercise riders).

RECOMMENDATION

This item is presented to the Committee for discussion.

1503. Qualifications for License as Trainer or Assistant Trainer.

(a) Except as otherwise provided under this article, an applicant for an original license as trainer or assistant trainer shall pass a trainers examination before issuance of a license. An applicant shall:

(1) Pass the written, oral and practical portions of the examination as prescribed by the Board and administered by its agents.

(b) A score of 80% for each portion constitutes a passing grade for the examination.

(c) An applicant who fails the written, practical or oral portion of the examination may apply for reexamination and take the failed portion after a period of at least one month, but not more than six months, from the date of the failed examination.

(1) An applicant who fails to apply for reexamination under subsection (c) must reapply for license as trainer or assistant trainer, and reexamine under subsections (a) and (b).

(2) The examination for license as trainer or assistant trainer shall be scheduled not less than once a month at a time and location designated by the Board.

(d) Notwithstanding the above, an applicant who is currently licensed by another racing jurisdiction as a trainer or assistant trainer, and has held the license for a minimum of one year in good standing, shall make an application for license as trainer or assistant trainer under Rules 1481 and 1483 of this division. The applicant shall appear before the Board of Stewards and they may subject him/her to any portion of the examination.

(1) An applicant who fails either the written, practical or oral portion of the examination administered under subsection (d) may reapply for reexamination and take the failed portion after a period of at least one month, but not more than six months, from the date of the failed examination.

(2) An applicant who fails to apply for reexamination under subsection (d)(1) must reapply for license as trainer or assistant trainer, and reexamine under subsections (a) and (b).

(e) An individual who is currently licensed as a trainer or assistant trainer who wishes to change his or her license from harness to other types of flat racing, or other types of flat racing to harness, is subject to the examination under subsections (a) and (b).

(1) An applicant who fails either the written, practical, or oral portions of the examination administered under subsection (e) may reapply for reexamination and take the failed portion after a period of at least one month, but not more than six months, from the date of the failed examination.

(2) An applicant who fails to reapply for reexamination under subsection (e)(1) must reapply for change of license and reexamine under subsections (a) and (b).

STAFF ANALYSIS
DISCUSSION REGARDING THE NEED FOR A
REGULATION TO GOVERN
THE DAILY ACCOUNTING OF THE
TOTAL NUMBER AND DESCRIPTION OF
ALL HORSES STABLED WITHIN CHRB INCLOSURES

Legislative, Legal and Regulations Committee Meeting
August 24, 2016

ISSUE

The need for an accurate count and evaluation of all horses stabled at California racing and training facilities has been discussed for many years. Current shortfalls in the two stabling and vanning funds, both north and south, coupled with the Stronach Group's original plan to defund stabling at Pleasanton during the upcoming fall meet have made the need even greater.

ANALYSIS

Racing commissioners and stakeholders engaged in a lengthy discussion of the issue of accurate horse inventories at the July 2016 Regular Board meeting. Golden Gate Fields will have 1,500 stalls available in the fall, which it believes would be sufficient to absorb all of the horses stabled in Pleasanton. Representatives of the Thoroughbred Owners of California and the California Thoroughbred Trainers indicated 1,500 stalls would fall short of the number that might be needed. However, this issue may have been resolved prior to the Board's August 2016 Regular Meeting. Commissioner Krikorian suggested that a proper audit of all horses stabled at all California racing and training facilities should provide an accurate count of the number of stalls required for racing in the north and south. This should be done either by an independent auditor or by an employee of the Stabling and Vanning Committee. The audit should include an assessment of the racing and training status of each horse to eliminate those horses that are not being prepared to race in the immediate future and are simply taking up free stall space. Chairman Winner agreed, and referred the matter to the Legislative, Legal and Regulations Committee. He suggested the Committee work with the Stabling and Vanning Committee to develop the best criteria for determining whether a horse is qualified for free stall space. One suggestion is that any horse that has not raced or breezed in 90 days should be excluded. Another suggestion is that yearlings should not be allowed to stable at any approved training or racing facility. The Stabling and Vanning Committee was asked to consider this matter and may be prepared to report on any progress.

RECOMMENDATION

This item is presented for Committee discussion.

STAFF ANALYSIS
REPORT AND DISCUSSION REGARDING 2016 HORSE RACING LEGISLATION.

Legislative, Legal, and Regulations Committee Meeting
August 24, 2016

CURRENT LEGISLATION

AB 364 (Gipson) advance deposit wagering.

- The Horse Racing Law requires that specified amounts distributed under advance deposit wagering provisions be proportionally reduced by an amount equal to 0.00295 multiplied by the amount handled on advance deposit wagers originating in California for each racing meeting, except for harness racing meetings, provided that the amount of this reduction not exceed \$2,000,000. That law requires that 50% of the amount of this reduction be distributed to the California Horse Racing Board to establish and to administer a defined contribution retirement plan for California-licensed jockeys.
- This bill would provide that a person automatically becomes a participant in the retirement plan when he or she is licensed as a jockey in California.
- This bill was enrolled by the legislature and is presently on the Governor's Desk.

AB 558 (Low) Horse racing: nonthoroughbred races.

- The Horse Racing Law generally requires that any license granted to an association other than a fair is only for one type of racing, thoroughbred, harness, or quarter horse racing, as the case may be, except that the California Horse Racing Board may authorize the entering of thoroughbred and Appaloosa horses in quarter horse races at a distance not exceeding 5 furlongs at quarter horse meetings, mixed breed meetings, and fair meetings under specified conditions. That law, notwithstanding these provisions, empowers the board to authorize mixed breed racing that sanctions, among other things, either an association to conduct a quarter horse meeting to include Appaloosa races and Arabian races with the consent of the quarter horse horsemen's organization or a race between a quarter horse and a thoroughbred horse at a thoroughbred meeting with the consent of the thoroughbred horsemen's organization, if each contracts with the association with respect to the conduct of the racing meeting.
- This bill would empower the board to authorize an association licensed to conduct a thoroughbred race meeting to include up to 6 nonthoroughbred races per calendar year with the consent of the organization representing thoroughbred horsemen and horsewomen, provided, however, that a nonthoroughbred race shall not be held when a fair in the northern zone is conducting a race meeting without that fair's consent. Amounts deducted and distributed pursuant to the Horse Racing Law from wagering on nonthoroughbred races authorized pursuant to these provisions would be required to be deducted and distributed as if the wagers were placed on a thoroughbred race.
- This bill was signed by the Governor on March 29, 2016 and became effective immediately.

AB 1437 (Gray) Gambling: Internet Fantasy Sports Game Protection Act.

- This bill would enact the Internet Fantasy Sports Games Consumer Protection Act, which would require a person or entity to apply for, and receive, a license from the Department of Justice prior to offering an Internet fantasy sports game for play in California. The bill would require the department to issue a license to a person or entity that applies for a license if the person or entity satisfies specified requirements, including, among others, that the applicant is of good character, honesty, and integrity. The bill would also require a person to register with a "licensed operator" prior to participating in an "Internet fantasy sports game" on an "authorized Internet Web site," as those terms are defined.
- This bill is presently in the Senate Committee on Governmental Organization; however, the June 28, 2016 hearing to discuss the bill was cancelled at the request of the bill's author.
- Staff identified several concerns with this bill. Specifically, there is concern that as currently drafted, this bill would permit "licensed operators" to offer fantasy horse racing games without requiring such operators to be licensed by the CHRB.

AB 1573 (Gray) Gambling: sports wagering.

- This bill would enact the California Interactive Sports Wagering Consumer Protection Act, which would authorize the owner or operator of a card room that holds a state gambling license, a racing association or racing fair with a current license, or a federally recognized California Indian tribe that operates a gaming facility pursuant to a facility license issued in accordance with a tribal gaming ordinance, to accept and facilitate wagering on a sports event, as defined, by any legal system or method of wagering, including, but not limited to, exchange wagering, parlays, over-under, moneyline, and straight bets, by applying to the Department of Justice for a license and authorization to conduct sports wagering, as defined.
- This bill is still in the Assembly Committee on Governmental Organization and is not expected to move again this session.

AB 1786 (Cooley) Horse racing: the California Standardbred Sires Stakes Program.

- This bill was just introduced on February 4, 2016, and would expand eligibility for the California Standardbred Sires Stakes Program to include the offspring of registered standardbred stallions standing in Iowa, Wisconsin, Minnesota, Michigan, or Maine, or the Province of Alberta, Canada, as opposed to only those from California. The bill would also remove the requirements that races be divided into colt and filly divisions, and would standardize the purse distribution for races in the program regardless of the number of starters.
- This bill was enrolled by the legislature and is presently on the Governor's Desk.

AB 2011 (Cooper) Horse racing: thoroughbred racing: northern zone: auxiliary offsite stabling, training, and vanning.

- The Horse Racing Law requires, when satellite wagering is conducted on thoroughbred races at associations or fairs in the northern zone, that an amount not to exceed 1.25% of the total amount handled by all of those satellite wagering facilities be deducted from the funds otherwise allocated for distribution as commissions, purses, and owners' premiums and instead distributed to an organization formed and operated by thoroughbred racing

associations, fairs conducting thoroughbred racing, and the organization representing thoroughbred horsemen, to administer a fund to provide reimbursement for offsite stabling at California Horse Racing Board-approved auxiliary training facilities for additional stalls beyond the number of usable stalls the association or fair is required to make available and maintain, and for the vanning of starters from these additional stalls on racing days for thoroughbred horses.

- This bill would increase the amount that is required to be deducted to an amount not to exceed 2% and would provide that this amount, if adjusted by the board, may be a different percentage of the handle for different associations and fairs but only if all the associations and fairs agree to the differing percentages. The bill would establish an auxiliary offsite stabling and training facility and vanning program for thoroughbred races in the northern zone. The bill would revise and recast the provisions governing the organization formed and operated to administer the fund to include, among other things, a 50-50 percentage allocation of specified voting interests on the board of the organization, the use of funds to pay the organization's expenses and compensate the provider of a board-approved auxiliary facility for offsite stabling and training of thoroughbred horses in the northern zone, and the requirement that the organization submit its proposed financial and operational plans for the upcoming calendar year to the board for review no later than November 1 of the preceding year.
- This bill is on the Senate Floor and may be enrolled anytime.

AB 2226 (Bigelow) Horse racing: satellite wagering facilities: fairs.

- This bill was introduced on February 18, 2016, and would authorize a fair to contract with two or more fairs that are licensed to conduct thoroughbred meetings within the northern zone for the operation and management of a satellite wagering facility.
- This bill is on the Senate Floor and may be enrolled anytime.

AB 2619 (Gray) Horse racing: quarter horse races.

- This bill was introduced on February 19, 2016, and would allow the board to authorize a licensed quarter horse racing association that is conducting a live racing meeting in this state to import and accept wagers on any quarter horse stakes race with a purse equal to or greater than \$100,000.
- This bill is on the Senate Floor and may be enrolled anytime.

AB 2808 (Gipson) Horse racing: exchange wagering: repeal deletion.

- The Horse Racing Law makes existing exchange wagering provisions inoperative on May 1, 2016, and repeals them on January 1, 2017.
- This bill would extend these sunset provisions so that the legislation becomes inoperative on May 1, 2020, and is repealed on January 1, 2021.
- This bill is on the Senate Floor and may be enrolled anytime.

AB 2863 (Gray) Gambling: Internet poker.

- This bill was most recently amended on June 27, 2016, and would require 85% of license fees and revenue taxes (up to a \$57,000,000 cap) collected each fiscal year from internet poker licensees be deposited into the California Horse Racing Internet Poker Account, which the bill would establish in the General Fund.

- The State Treasurer will also deposit 5% of all funds received from Internet Poker licensees to the State Treasury to the credit of the Fair and Exposition Fund, with a \$3,000,000 cap. The remaining 10% of funds received from Internet Poker licensees will remain in the General Fund.
- Funds in the "Horse Racing Internet Poker Account" will be continuously appropriated to the CHRB, and are to be distributed as follows:
 - 1.15% to the jockey's defined retirement plan (which is presently funded by ADW revenues)
 - 1.15% to provide health and welfare benefits for jockeys (presently funded by unclaimed refunds)
 - 2.3% to supplement the pension plan for pari-mutuel employees
 - 95.4% to racing associations or fairs as commissions, to horsemen participating in the racing meeting in the form of purses, and as incentive awards "in the same relative proportion as they were generated or earned at each racing association or fair on races conducted or imported by that racing association or fair during the prior calendar year. Notwithstanding any other law, the distributions with respect to each breed of racing may be altered upon the approval of the board, in accordance with an agreement signed by the respective associations, fairs, and horsemen's organizations, and breeders organizations receiving those distributions."
- Overall, the horse racing industry may receive up to \$57,000,000 annually from internet poker licensing fees and tax revenues. Of that amount, \$54,378,000 will be distributed as commissions, purses, and incentive awards. In order for the industry to receive this full amount, however, gross revenues for the entire internet poker industry must be in excess of \$447,058,000.
- This bill is on the Assembly Floor and may be voted on anytime this week.

SB 187 (Hall) Horse racing: out-of-state thoroughbred races: Wood Memorial.

- Under the Horse Racing Law, associations or fairs may not import more than 50 out-of-state thoroughbred races per day on days when live thoroughbred or fair racing is being conducted in the state, with the exception of specified prescribed races.
- This bill would exempt from the 50 imported race-per-day limitation, races imported that are part of the race card of the Wood Memorial.
- This bill was introduced during the 2015 legislative session, but then placed in the inactive file until it was removed on August 8, 2016. The bill is presently on the Assembly Floor and may be voted on any day.

SB 1240 (Hall) Horse racing: thoroughbred racing: central and southern zones: auxiliary offsite stabling, training, and vanning.

- This bill was introduced on February 18, 2016 and would revise and recast the provisions governing the organization formed and operated to administer the Stabling & Vanning Fund to include, among other things, a 50-50 percentage allocation of specified voting interests on the board of the organization, the use of funds to compensate the provider of a board-approved auxiliary facility for offsite stabling and training of thoroughbred horses in the central and southern zones, and the requirement that the organization submit

its proposed financial and operational plans for the upcoming calendar year to the board for review no later than November 1 of the preceding year.

- This bill is on the Assembly Floor and may be enrolled anytime..