LEGISLATIVE UPDATE

By David Helmsin

The sagging economy and related changes to California's intricate state budget continue to occupy center stage in the Capitol. To provide some context, California's state budget is approximately $100 billion per year; the state has implemented more than $36 billion in reductions, loans/shifts and revenue enhancements over the last nine months. Another $26 billion deficit is projected for the fiscal year beginning on July 1, 2009; and California's credit rating is lower than "junk bonds."

With voters soundly rejecting the May 19 ballot initiatives and all of the "easy" options gone, lawmakers are understandably struggling to close the remaining gap. The Governor has suggested trimming virtually every government program and eliminating healthcare for many poor children, in-home services for the elderly, childcare and other support for families moving from welfare to work and college grants for needy students.

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Democrats sent him a majority-vote-only budget package with about $11 billion in new cuts and $12 billion in other one-time solutions, insisting that the difference be made up with new fees/taxes as opposed to eliminating the identified programs. Republicans have steadfastly rejected any new fees/taxes and refused to vote on any solution without deeper cuts. The Governor immediately vetoed the Democrats' plan, issued a new Executive Order proclaiming a "fiscal emergency" and announced a fourth special legislative session – just before the legislature went home for the 4th of July holiday.

Failure to pass the necessary budget revisions by July 1 is preventing California from borrowing the cash it routinely needs to get through the summer and has triggered the use of IOUs to pay state bills for the first time since 1992. While no one in the Capitol seems willing to blink, the average citizen is left wondering how we got in the hole and how we will ever get out.

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While the Capitol is hunkered down on the budget, TOC and our horse racing partners have been focused on our own economic fallout, including deficits in major horse racing accounts, the Magna bankruptcy, the Hollywood Park closure, etc. Legislative efforts have centered on "clean-up" of SBx3 16 (Ashburn), which provides the industry $32 million in license fee relief starting on July 1, and a number of other smaller initiatives.

The "Alliance" formed last year by horseracing stakeholders to forge consensus and a common agenda on major issues has slowed down a bit, pending the stabilization of the Santa Anita and Golden Gate venues. They will be meeting over the summer to do some long-range planning and develop the legislative strategy necessary to move a broader horseracing agenda forward.

In the meantime, TOC and other horseracing interests have negotiated a memorandum of understanding on how to manage several existing account deficits, and provisions included in the SBx3 16 clean-up will retire a $5.5 billion debt owed to the State Fair & Exhibition Fund over a six-year period. Other legislation of interest will provide more flexibility in the distribution of takeout (SB 517 – Florez), establish a trust fund to hold pending distribution (AB 246 – Price), allow for proposition wagering (AB 605 – Portantino), and require "real time" monitoring of wagering activity (SB 662 – Yee).

Reflecting the legislature's concern over the industry's continued health, the Senate Governmental Organizations Committee recently held a hearing on the implications of the impending closure of Hollywood Park. Joining other industry leaders, TOC provided its views on the infrastructure and operational issues that must be addressed to ensure an appropriate post-closure calendar for Southern California fans.

Faced with similar budget challenges last year, the legislature did not agree on a plan until 90 days after the July 1 deadline. Depending upon how it goes this year, not much else may get done before the current legislative session ends in September. TOC will be there throughout the process to advocate owner interests, and Guy Lamothe is available in the TOC office to answer any owner questions in this regard.