



June 24, 2004

To: Members, Joint Committee on Fairs Allocation and Classification

Subject: 2004/2005 Expenditure Plan for the Network of California Fairs

Pursuant to Business and Professions Code 19621(c), I respectfully submit the 2004/2005 Expenditure Plan for the Fair and Exposition Fund and Satellite Wagering Account for your approval. This expenditure plan will serve the interests of the State of California and your constituents, as well as deliver the maximum benefit to fairs at the local level. Fairs are assets to communities, and I believe this plan supports their local efforts.

The attached plan represents the fruit of a unique partnership between agricultural fairs and our State's horse racing industry. This partnership began in the 1930's and continues to provide support for fairs from the profits generated by racing. Our agency serves as the steward of these funds ensuring their appropriate use and monitoring the fairs' adherence to sound fiscal policies. It is important to note two important features of this partnership. First, as a result of the funding from racing, fairs do not place any burden on the State's General Fund. In fact, even our agency's oversight of fairs and our fund management role is funded entirely from racing income. Second, the State experiences a huge economic return from fair activity statewide. With the approximate \$25 million generated by racing as a foundation, fair budgets total more than \$350 million, all supported by local user fees including admission charges, rental fees, sponsorship income, etc. This translates into more than \$136 million in direct State income from sales, income and other tax sources; the creation of more than 28,000 jobs; and a total economic impact to the State of more than \$2.5 billion. It is a truly remarkable accomplishment, one that also provides significant educational and social benefits as well. Fairs are an important part of California's economy and a very important investment in our communities.

My staff and I look forward to the opportunity to discuss this plan with you. If you would like any additional information, please contact me or Bruce Lim, Acting Director of the Division of Fairs and Expositions. Mr. Lim may be reached at (916) 263-2952.

Sincerely,

A.G. Kawamura
Secretary

Enclosure



Division of Fairs & Expositions
Fair & Exposition Fund (191) and Satellite Wagering Account (192)
2004/2005 Revenue and Expenditure Plan

	(a) Budgeted 2003/2004		(b) Proposed 2004/2005		(b - a) Variance
Beginning Balance					
Fairs and Expositions (F&E)	\$210,088		\$537,485		\$327,397
Revenues					
License Fees					
On Track - Live Racing (B&P 19620.1(a))	13,407,000		13,265,000		(142,000)
1.0% Live Racing Fair Handle (B&P 19614(a))	1,400,000		1,400,000		0
Off-Track - Satellite Wagering (B&P 19620.1(b))	24,610,000		24,703,396		93,396
SMIF Interest Revenue	70,000		60,000		(10,000)
Total Revenues	<u>39,487,000</u>		<u>39,428,396</u>		<u>(58,604)</u>
Fund Transfers & Other Receipts					
Transfers in					
CA Integrated Waste Mgmt. Board (CIWMB) Grant ⁴	100,000		0		(100,000)
Transfers to Other Funds					
Retired DAA Employee Benefits	(246,000)		(246,000)		0
Total Available Resources	<u>\$39,551,088</u>		<u>\$39,719,881</u>		<u>\$168,793</u>
Expenditures					
Administrative Oversight					
California Horse Racing Board Support (CHRB)	8,216,000		8,163,000		(53,000)
CDFA Support - Fairs & Expositions (F&E) ¹	2,620,000		2,693,979		73,979
Pro Rata Assessment	1,017,000		516,021		(500,979)
CDFA Support - Audit Program	798,000		864,000		66,000
Total Administrative Oversight	<u>12,651,000</u>	31.99%	<u>12,237,000</u>	30.98%	<u>(414,000)</u>
Local Assistance					
Operational Support					
Bond Debt Service	2,260,000		2,288,440		28,440
Construction & Infrastructure Program	1,876,114		0		(1,876,114)
California Construction Authority (CCA)	0		1,846,769		1,846,769
Property Insurance	450,000		450,000		0
	4,586,114	11.60%	4,585,209	11.61%	(905)
General Fair Programs & Funding					
Local (Base) Allocations	9,766,000		9,801,000		35,000
Millennium FLEX (Optional) ^{2,3}	4,745,000		4,745,000		(0)
Unemployment Insurance	950,000		950,000		0
Contingencies and Special Projects	262,000		250,000		(12,000)
Administrative & Fiscal Assistance	25,000		25,000		0
Cal-Expo Pro Rata Reimbursement	265,000		265,000		0
Fair Relations and Communication	25,000		25,000		0
Rural Healthcare Equity	30,000		30,000		0
CA Integrated Waste Mgmt. (CIWMB) Diversion Project ⁴	100,000		0		(100,000)
18th DAA (Bishop) - Property Tax Reimbursement ⁵	30,000		35,000		5,000
	16,198,000	40.96%	16,126,000	40.83%	(72,000)
Health & Safety					
Major Maintenance Plan (MMP) ³	N/A		N/A		N/A
Emergency Fund	100,000		200,000		100,000
Health Department Program	140,000		165,000		25,000
Livestock Quality Assurance	125,000		125,000		0
	365,000	0.92%	490,000	1.24%	125,000
Infrastructure					
American's with Disabilities Act (ADA) ³	N/A		N/A		N/A
Revenue Generating (Optional) ²	1,000,000		1,000,000		0
Real Estate Services	0		150,000		150,000
Infrastructure Study & Database	240,000		0		(240,000)
	1,240,000	3.14%	1,150,000	2.91%	(90,000)
Training & Education					
Professional Development & Compliance	280,000		285,000		5,000
Agricultural Education	52,500		350,000		297,500
Fair Management Training Program	0		100,000		100,000
	332,500	0.84%	735,000	1.86%	402,500
Racing & Satellite Wagering Support					
Supplemental Purses	1,400,000		1,400,000		0
Wagering Facility/Backstretch Improvements	2,250,000		2,250,000		0
Race Track Preparation	600,000		600,000		0
	4,250,000	10.75%	4,250,000	10.76%	0
Abatements & Accrual Adjustments ⁶	(73,700)	-0.19%	(73,700)	-0.19%	0
Total Local Assistance	<u>26,897,914</u>	68.01%	<u>27,262,509</u>	69.02%	<u>364,595</u>
Total Expenditures	<u>\$39,548,914</u>	100%	<u>\$39,499,509</u>	100%	<u>(\$49,405) ⁷</u>
Ending Balance	<u>\$2,174</u>		<u>\$220,372</u>		<u>\$218,198</u>

¹ Variance represents the Division's fair share of Department of Food and Agriculture relocation costs.

² Programs identified as "(Optional)" are those in which fairs have the option to request funding through submission of a program application.

³ MMP and ADA project funding has been incorporated into the Millennium Flex program to allow for increased local control and decision-making.

⁴ Project was cancelled in late 2003.

⁵ Property tax reimbursement has been reevaluated annually. The 18th DAA has been asked to develop an action plan to address the issue in future years.

⁶ Reflects expense reimbursements received, including fair loan payments, and prior year accrual adjustments.

⁷ Represents Total Expenditures variance only.

**Division of Fairs & Expositions
Fair & Exposition Fund (191)
2004/2005 Revenue and Expenditure Plan**

	Actual 2002/2003	Budgeted 2003/2004	Projected 2003/2004	Proposed 2004/2005
Beginning Balance				
Fairs and Expositions (F&E)	\$28,000	\$62,017	\$670,000	\$343,688
Prior Year Adjustments	301,000	0	0	0
	<u>329,000</u>	<u>62,017</u>	<u>670,000</u>	<u>343,688</u>
Revenues				
License Fees				
On Track - Live Racing (B&P 19620.1(a))	13,528,735	13,407,000	13,407,000	13,265,000
1.0% Live Racing Fair Handle (B&P 19614(a))	1,456,076	1,400,000	1,400,000	1,400,000
Off-Track - Satellite Wagering (B&P 19620.1(b))	12,284,000	12,210,000	12,797,000	12,303,396
SMIF Interest Revenue	<u>28,000</u>	<u>40,000</u>	<u>30,784</u>	<u>30,000</u>
Total Revenues	<u>27,296,811</u>	<u>27,057,000</u>	<u>27,634,784</u>	<u>26,998,396</u>
Fund Transfers & Other Receipts				
Transfers In				
Capital Project Savings	1,330,249	0	0	0
CA Integrated Waste Mgmt. (CIWMB) Diversion Project ⁴	0	100,000	0	0
Transfers to Other Funds				
Retired DAA Employee Benefits	(246,000)	(246,000)	(246,000)	(246,000)
Total Available Resources	<u>\$28,710,060</u>	<u>\$26,973,017</u>	<u>\$28,058,784</u>	<u>\$27,096,084</u>
Expenditures				
Administrative Oversight				
California Horse Racing Board Support (CHRB)	8,222,000	8,216,000	8,160,000	8,163,000
CDFA Support - Fairs and Expositions (F&E) ¹	1,991,792	2,246,000	2,197,385	2,326,396
Pro Rata Assessment	519,368	614,000	625,615	297,604
CDFA Support - Audit Program	938,208	798,000	864,000	864,000
Total Administrative Oversight	<u>11,671,368</u>	<u>11,874,000</u>	<u>11,847,000</u>	<u>11,651,000</u>
Local Assistance				
Operational Support				
California Construction Authority (CCA)	230,249	0	0	0
General Fair Programs & Funding				
Local (Base) Allocations	9,466,000	9,766,000	9,651,000	9,801,000
Millennium FLEX (Optional) ^{2,3}	2,183,933	3,121,000	3,121,000	2,945,000
Unemployment Insurance	950,000	950,000	950,000	950,000
Contingencies and Special Projects	227,254	262,000	237,964	250,000
Administrative & Fiscal Assistance	7,884	25,000	2,525	25,000
Cal-Expo Pro Rata Reimbursement	265,000	265,000	265,000	265,000
Fair Relations and Communication	13,394	25,000	7,500	25,000
CFA Motorized Racing Task Force	70,000	0	0	0
Rural Healthcare Equity	96,335	30,000	30,000	30,000
Economic/Social/Community Benefit Study	235,604	0	0	0
CA Integrated Waste Mgmt. (CIWMB) Diversion Project ⁴	0	100,000	0	0
18th DAA (Bishop) - Property Tax Reimbursement ⁵	30,000	30,000	30,000	35,000
	<u>13,545,404</u>	<u>14,574,000</u>	<u>14,294,989</u>	<u>14,326,000</u>
Health & Safety				
Health Department Program	40,000	140,000	140,000	165,000
Livestock Quality Assurance	89,104	125,000	125,000	125,000
	<u>129,104</u>	<u>265,000</u>	<u>265,000</u>	<u>290,000</u>
Infrastructure				
American's with Disabilities Act (ADA) ³	2,000,000	N/A	0	N/A
48th DAA (Schools Involvement) - Facility Construction	300,000	0	0	0
	<u>2,300,000</u>	<u>0</u>	<u>0</u>	<u>0</u>
Training & Education				
Professional Development & Compliance	243,604	280,000	281,250	285,000
Agricultural Education	184,277	52,500	132,181	350,000
Fair Management Training Program	0	0	0	100,000
	<u>427,881</u>	<u>332,500</u>	<u>413,431</u>	<u>735,000</u>
Abatements & Accrual Adjustments ⁶				
	(263,945)	(73,700)	894,676	(73,700)
Total Local Assistance	<u>16,368,692</u>	<u>15,097,800</u>	<u>15,868,096</u>	<u>15,277,300</u>
Total Expenditures	<u>\$28,040,060</u>	<u>\$26,971,800</u>	<u>\$27,715,096</u>	<u>\$26,928,300</u>
Ending Balance	<u>\$670,000</u>	<u>\$1,217</u>	<u>\$343,688</u>	<u>\$167,784</u>

¹ 2004-05 increase represents the Division's fair share of Department of Food and Agriculture relocation costs.

² Programs identified as "(Optional)" are those in which fairs have the option to request funding through submission of a program application.

³ 2003-04 and 2004-05 ADA project funding has been incorporated into the Millennium Flex program to allow for increased local control and decision-making.

⁴ Project was cancelled in late 2003.

⁵ Property tax reimbursement has been reevaluated annually. The 18th DAA has been asked to develop an action plan to address the issue in future years.

⁶ Reflects expense reimbursements received, including fair loan payments, and prior year accrual adjustments.

**Division of Fairs & Expositions
Satellite Wagering Account (192)
2004/2005 Revenue and Expenditure Plan**

	Actual 2002/2003	Budgeted 2003/2004	Projected 2003/2004	Proposed 2004/2005
Beginning Balance				
Fairs and Expositions (F&E)	\$57,000	\$148,071	\$31,000	\$193,797
Revenues				
License Fees				
Off-Track (Satellite Wagering)	12,599,503	12,400,000	12,543,708	12,400,000
SMIF Interest Revenue	61,000	30,000	37,015	30,000
Total Revenues	<u>12,660,503</u>	<u>12,430,000</u>	<u>12,580,723</u>	<u>12,430,000</u>
Fund Transfers & Other Receipts				
Loan Receipts				
21st DAA (Fresno) - Loan ³	3,927,565	0	0	0
Total Available Resources	<u>\$16,645,068</u>	<u>\$12,578,071</u>	<u>\$12,611,723</u>	<u>\$12,623,797</u>
Expenditures				
Administrative Oversight				
CDFA Support - Fairs & Expositions (F&E)	374,000	374,000	366,268	367,583
Pro Rata Assessment	407,621	403,000	410,732	218,417
Total Administrative Oversight	<u>781,621</u>	<u>777,000</u>	<u>777,000</u>	<u>586,000</u>
Local Assistance				
Operational Support				
Bond Debt Service	2,215,896	2,260,000	2,139,569	2,288,440
Construction & Infrastructure Program	0	1,876,114	1,876,114	0
California Construction Authority (CCA)	1,500,000	0	0	1,846,769
Property Insurance	450,000	450,000	450,000	450,000
	<u>4,165,896</u>	<u>4,586,114</u>	<u>4,465,683</u>	<u>4,585,209</u>
General Fair Programs & Funding				
Millennium FLEX (Optional) ^{1,2}	0	1,624,000	1,624,000	1,800,000
21st DAA (Fresno) - Loan ³	3,927,565	0	0	0
	<u>3,927,565</u>	<u>1,624,000</u>	<u>1,624,000</u>	<u>1,800,000</u>
Health & Safety				
Major Maintenance Plan (MMP) ²	3,400,000	N/A	0	N/A
Emergency Fund	90,000	100,000	100,000	200,000
	<u>3,490,000</u>	<u>100,000</u>	<u>100,000</u>	<u>200,000</u>
Infrastructure				
Revenue Generating (Optional) ¹	0	1,000,000	1,000,000	1,000,000
Real Estate Services	0	0	0	150,000
Infrastructure Study & Database	0	240,000	240,000	0
	<u>0</u>	<u>1,240,000</u>	<u>1,240,000</u>	<u>1,150,000</u>
Racing & Satellite Wagering Support				
Supplemental Purses	1,395,816	1,400,000	1,376,243	1,400,000
Wagering Facility/Backstretch Improvements	2,518,000	2,250,000	2,250,000	2,250,000
Race Track Preparation	600,000	600,000	600,000	600,000
	<u>4,513,816</u>	<u>4,250,000</u>	<u>4,226,243</u>	<u>4,250,000</u>
Abatements & Accrual Adjustments⁴	(264,830)	0	(15,000)	0
Total Local Assistance	<u>15,832,447</u>	<u>11,800,114</u>	<u>11,640,926</u>	<u>11,985,209</u>
Total Expenditures	<u>\$16,614,068</u>	<u>\$12,577,114</u>	<u>\$12,417,926</u>	<u>\$12,571,209</u>
Ending Balance	<u>\$31,000</u>	<u>\$957</u>	<u>\$193,797</u>	<u>\$52,588</u>

¹ Programs identified as "(Optional)" are those in which fairs have the option to request funding through submission of a program application.

² 2003-04 and 2004-05 MMP project funding has been incorporated into the Millennium Flex program to allow for increased local control and decision-making.

³ Fresno Fair loan interest relief; principle paid in full by the Fair.

⁴ Reflects expense reimbursements received, including fair loan payments received, and prior year accrual adjustments.

Program Descriptions

The following table briefly describes programs recommended for funding in the 2004/2005 Network of California Fairs Expenditure Plan:

Administrative Oversight Total: \$12,237,000

California Horse Racing Board Support (CHRB) \$8,163,000	Budget Act appropriation for operational support of the California Horse Racing Board (B&P Code section 19620.1(b)).
CDFA Support – Fairs and Expositions (F&E) \$3,210,000	Budget Act appropriation for operational support of F&E (B&P Code sections 19620.1(b)). DOF increased operating budget by \$516,021 for payment of ProRata assessment.
CDFA Support – Audit Program \$864,000	Budget Act appropriation for annual fiscal and biennial compliance audits of all DAA's and selected county fairs. Assures individuals entrusted with public resources are accountable to the public and other levels and branches of government.

Local Assistance Total: \$27,262,509

Operational Support \$4,585,209

Bond Debt Service	Pays debt service on bonds issued for the construction and maintenance of fair facilities (B&P Code section 19606.1 (a)(1))
California Construction Authority (CCA)	Funds the operational support of CCA, a Joint Powers Authority, which provides design, engineering, construction, and master planning services to fairs.
Property Insurance	Provides funding for the purchase of property insurance to protect fair facilities.

General Fair Programs & Funding \$16,126,000

Local (Base) Allocation	Provides funds for discretionary use by local fair organizations with classification criteria that assign greater support to smaller fairs.
Millennium FLEX	An incentive program by which fairs are eligible to receive funding based on their annual performance rating. Major Maintenance Plan (MMP) and American's with Disabilities Act (ADA) funding have been incorporated into the Millennium Flex Program. Millennium Flex funds will be distributed this year in two categories: Category 1: Available for all fairs with an acceptable performance rating as established by F&E. Funds may be spent on a variety of items including: <ul style="list-style-type: none"> • Training for staff and board members, • Information technology upgrades, • Real estate analysis, development, and planning, • Equipment purchases, • Address audit concerns, • Modernization of operations, • Capital improvements, etc. Category 2: Available for fairs with physical sites. Designated specifically for fairground maintenance.
Unemployment Insurance	Budget Act appropriation to offset fairs' unemployment costs (B&P Code section 19620.1(b)).

Contingencies and Special Projects	Includes legal billings (Department of Justice & CDFA); contingent liabilities; Employee Assistance program cost for DAA's; special projects (sexual harassment prevention, etc.); policy development (noise management, policy manual production, etc.); loans to fairs; and funding for economic uncertainties.
Administrative and Fiscal Assistance	Provides funding for F&E to: <ul style="list-style-type: none"> • Fund pre-intervention assistance • Establish contingency reserve for costs associated with management oversight • Pay outstanding debts of closed operations
Cal Expo Pro Rata Reimbursement	Reimburses Cal Expo pro-rata costs (overhead), not to exceed \$265k annually.
Fair Relations and Communication	Provides funding for F&E publications, (Fair Director's Handbook, Board of Director's Overview) and outreach efforts to benefit the network of California fairs. <ul style="list-style-type: none"> • Provides funding to pay for travel expenses for members of various fair industry related committees (i.e., Secretary's Advisory Committee on Fairs, State Rules Committee, Sheep Advisory Committee, Statewide Quality Assurance, and the National Association of Agricultural Fair Agencies (NAAFA)). • Web site enhancement to benefit the network of California fairs, gather data for use by fair organizations. • Develop ongoing relationships with fairs and local partners. • Provide outreach to national and international organizations to benefit California fairs.
Rural Healthcare Equity	F&E pays for additional health benefit costs incurred by DAA's for State employees living in rural areas with no available HMO's.
18 th DAA (Bishop) – Property Tax	The 18 th DAA is the only fair responsible for paying property taxes related to its ground lease with the local utility district. Future funding is dependent upon an evaluation of the fair's lease agreement options.
Health & Safety \$490,000	
Emergency Fund	Provides funding for repairs that F&E, CCA, California Fairs Service Authority (CFSA), and the fair deem necessary for the immediate safety and well being of the fair, fair staff, and its patrons.
Health Department Program	Provides funding for inspection of fair facilities by the California Department of Health Services to ensure they meet recognized standards for health and safety including storm water runoff, backflow devices, and safe drinking water.
Livestock Quality Assurance	Provides funding to develop laboratory protocols and procedures for testing show animals' blood and urine for drugs and/or chemical residue. Provide training to fair livestock staff, FFA and 4H leaders, and show animal exhibitors.

Infrastructure \$1,150,000

Revenue Generating Program

Provides funding on a match basis to generate new revenue sources for fair organizations.

Real Estate Services

Provides planning funds and technical resources to fairs interested in exploring Real Estate opportunities.

Training & Education \$735,000

Professional Development & Compliance

Upon F&E approval, provides training funds for the development and delivery of seminars and workshops on emerging fair issues. The Division also provides funds for mandatory compliance training such as Open Meeting Laws and Sexual Harassment Prevention. The following is a listing of all training opportunities provided to the fair industry annually in which the Division provides training funds:

- Exhibit Supers' School: Exhibit program ideas, techniques, and design
- Satellite Wagering Facility Symposium: Update on industry trends and issues and planning for the year ahead
- Nuts & Bolts: Hands-on accounting, contracts, personnel, insurance, and human resources training
- California Fairs Alliance Fall Conference: Industry trends and issues and mandatory compliance training
- Director's Seminar: Industry trends and issues and mandatory compliance training
- Annual Western Fairs Association Convention and Trade Show: Industry trends and issues and mandatory compliance training
- Maintenance Mania: Technical updates and proficiency training (CPR, Cal OSHA, forklift, networking, etc.)
- Livestock Training (alternates years with Exhibit Supers' School): Industry trends and issues
- Fair Provided Training

Agricultural Education

Provides funds to promote agriculture, nutrition, and the fair experience through local community educational programs at fairs.

Fair Management Training Program

Provides funding for expenses related to the recruitment and training of individuals interested in becoming California fair managers.

Racing & Satellite Wagering Support \$4,250,000

Supplemental Purses

Provides appropriation to supplement purses at Northern California fairs and Los Angeles County area (B&P Code sections 19605.9 and 19606.3).

Wagering Facility /Backstretch Improvements

Supports improvements to live horse racing and satellite wagering programming and facilities based upon the priorities identified in industry-wide facility surveys (backstretch, paddock, grandstand, etc.). Funding will focus on ensuring the nine racing fairs meet the California Horse Racing Board backstretch housing regulations.

Race Track Preparation

Provides funds to supplement the purchase and installation of track preparation materials. Program ensures consistency in track preparation, reducing the risk of injury to horse and jockey.