

Joint Committee on Fairs Allocation and Classification



Network of California Fairs 2006/2007 Expenditure Plan

June 2006

A.G. KAWAMURA, SECRETARY

California Department of Food and Agriculture
Division of Fairs & Expositions



CALIFORNIA DEPARTMENT OF
FOOD & AGRICULTURE

A. G. Kawamura, Secretary

June 2006

To: Members, Joint Committee on Fairs Allocation and Classification

Subject: 2006/2007 Expenditure Plan for the Network of California Fairs

Pursuant to Business and Professions Code 19621(c), I respectfully submit the 2006/2007 Expenditure Plan for the Fair and Exposition (F&E) 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 California fairs at the local level. Fairs are assets to communities, and I believe this plan supports their local efforts.

As always, the formulation of this plan received significant input from the California fair industry and was reviewed and approved by the California Fair Alliance Board within the Western Fairs Association. The plan is the product of the unique and very long-term partnership between agricultural fairs and our State's horse racing industry, dating to the 1860s. Quoting from the January 1993 report *California Fairs Facing Change – Opportunities for Success*:

“Fairs have been an integral part of the horse racing industry in California since the 1860s, when organized racing was first conducted at district fairs. Following the Great Depression, fairs’ need for state revenues made pari-mutuel betting palatable, politically and socially, and set the stage for creating a tie between fairs and racing activities. The California Horse Racing Act of 1933 – ratified two to one by a referendum of the electorate – legalized pari-mutuel betting on horse racing and established a special account in state government funded by a portion of betting receipts to support the fairs.”¹

The Department of Food & Agriculture (CDFA) serves as the steward of these funds, ensuring their appropriate use and monitoring the fairs’ adherence to sound fiscal policies.

Four important features exist in relation to 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 CDFA’s oversight and fund management roles are funded entirely from racing income.

Second, the State experiences a *huge economic return* from fair activity statewide. With the approximate \$24 to \$28 million generated for fairs by racing as a foundation, fair budgets total more than \$350 million annually, all supported by local user fees including admission charges,

¹ *California Fairs Facing Change – Opportunities for Success*. Committee to Study the Fair Industry in California. January 1993.



event rental fees, sponsorship income, etc. This translates into more than \$136 million in direct state and local income from sales, income and other tax sources; the creation of more than 28,000 jobs; and total economic impact to the State of more than \$2.5 billion.² 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.

Third, California fairs provide a significant social impact by *connecting communities with their nonprofit and charity-based community organizations*, providing a venue to raise awareness of their programs and services – and to raise funds to support causes for the benefit of local citizens. For many local nonprofit groups, a significant percentage of their annual budgets are derived from fundraising activities at fairs.

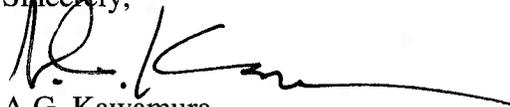
Fourth, fairs in California play a major role each year in natural disasters and in the State's Homeland Security preparedness by *servicing as staging sites and rescue locations* for humans and animals during forest fires, floods, earthquakes, and other emergencies.

While the benefits of California fairs are clear and quantifiable, horse racing-generated funding for fairs is deteriorating annually. This significant challenge was highlighted in 2004/2005 when the F&E Fund experienced an unprecedented first-time revenue shortfall of approximately \$3 million from on-track live racing that directly impacted valuable fair programs and resources. Based on current-year estimates, the F&E Fund is expected to experience yet another similar shortfall in 2005/2006.

The shortfall, in part, appears to be attributable to the advent of advanced deposit wagering (ADW) as detailed on page 14 of this plan. The full impact of ADW is yet to be determined. However, we do know that at this time state license fee revenue that benefits the F&E Fund and fairs is not generated from this activity. Should state income from racing continue to decline as bettors move toward other forms of gaming as an alternative to the traditional wagering on horse racing, the solvency of the F&E Fund and the future of California fairs will continue to be at risk.

My staff and I look forward to the opportunity to discuss this plan with you. If you would like additional information, please contact Michael Treacy, Director of the Division of Fairs and Expositions, at (916) 263-2952.

Sincerely,



A.G. Kawamura
Secretary

Enclosure

² *Fairs – Exploring a California Gold Mine*. California Department of Food and Agriculture. 2003.

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Executive Summary

The following report presents the 2006/2007 Network of California Fairs Expenditure Plan to the Joint Committee on Fairs Allocation and Classification.



Economic Impact

Fairs have a significant impact on California's economy.

The overall impact of spending by all participants at fairtime and interim events resulted in a total economic impact on California of \$2.55 billion in 2002.

Jobs created by fairs through direct employment and multiplier impacts reached nearly 28,000 in 2002.

State and local governments collected an estimated \$136 million in tax revenues from fair-related activities annually.

Social Impact

Emergency Services

Fairs provide a location for cultural and social interaction; as well as facilities necessary for shelter and emergency

evacuation. Fairgrounds are an invaluable resource during emergencies such as earthquakes, floods, fires, and other natural or unnatural disasters. Fairgrounds have been used in many capacities during emergency situations.

Community Groups – California fairs are major venues for community groups and nonprofit organizations to raise money and awareness of their programs.

- In 2002, 730 nonprofit groups raised \$8 million at California fairs for their community programs. Add in the \$21 million raised at junior livestock auctions, and a total of \$29 million was raised for community benefits.
- One nonprofit organization, the Turlock Lions Club, raises approximately 85 percent of its annual budget from fundraising events held at the Stanislaus County Fairgrounds. Proceeds from these events go to fund scholarships for local high school students, eye exams and glasses for needy children, youth sport teams, youth attendance at camps for the hearing impaired, and school playground equipment.

2006/2007 Expenditure Plan Highlights

The 2006/2007 Expenditure Plan is designed to reflect a combination of ongoing program support and competitive funding programs that are designed to meet the fair industry's changing needs. Of the approximately \$38 million, \$25 million is budgeted for fair local assistance funding.

Revenue Source

Fair funding that is not self-generated is derived entirely from California's pari-mutuel wagering system, which was made possible by a constitutional amendment in 1933 to encourage agriculture and as a means to generate income for California's fair system. During this time period, horse racing revenues were generated solely from live racing at California tracks, where state license fees generated from this activity were designated to support the network of California fairs. Today, off-track wagering at satellite wagering facilities and via advance deposit wagering (ADW) combined have surpassed live racing as the preferred means of wagering. While live racing and wagering at satellite wagering facilities continue to generate license fee revenue that directly benefits the fair network, ADW does not.



Expenditures

Administrative Oversight

As detailed on page 20, 35% of the expenditure budget is earmarked for the operational budgets of the Horse Racing Board (\$8.7 million), Department of Food and Agriculture (\$4 million) and State Pro-Rata Assessment (\$600,000).

Fair Local Assistance

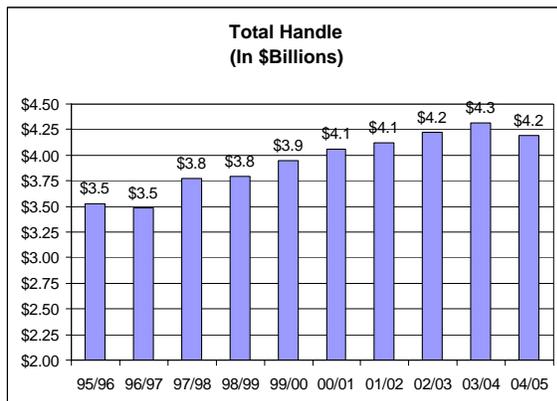
65% of the expenditure budget (\$25 million) is earmarked for the direct support of California's fair network.

- *Baseline Funding and General Fair Programs*
57% of the local assistance budget is earmarked for baseline operational support for fairs and incentive programs.
- *Operational Support*
18% of the local assistance budget is earmarked for bond debt service, construction services and property insurance.
- *Horse Racing Support*
In addition to the support of the Horse Racing Board, 14% of the local assistance budget is earmarked for improvements to live horse racing and satellite wagering programming and facilities, supplemental horse racing purses at California racing fairs and race track preparation costs.
- *Infrastructure / Health & Safety*
8% of the local assistance budget is earmarked for infrastructure and health and safety projects at fairgrounds. Projects include, but are not limited to, accessibility upgrades and accommodations for individuals with physical disabilities, repairs and maintenance, new construction and new revenue generating projects.
- *Training & Education*
3% of the local assistance budget is earmarked for the development and delivery of training seminars and workshops on emerging fair issues and professional development for fair personnel and boards of directors.

Fiscal Trends & Challenges

In 2004/2005 the F&E Fund experienced an unprecedented first-time revenue shortfall of approximately \$3 million from on-track live racing, which directly impacted valuable programs and resources that benefit California's network of fairs.

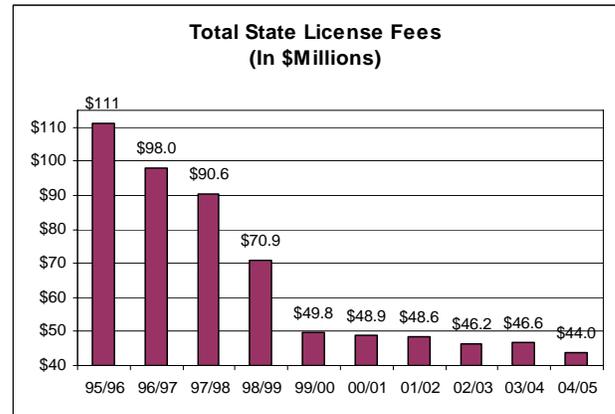
While the total amount wagered on horse racing continues to increase steadily, state license fees available to fund the fairs and other designated beneficiaries such as the state's General Fund continue to decline. The following charts show the inverse correlation between the total horse racing handle generated to the total state license fees available over the past decade.



Source: CHR B Annual Reports

The aforementioned shortfall in 2004/2005 fair funding occurred since total state license fees that year of \$44 million were inadequate to fully fund all designated beneficiaries to the extent allowed by law (see chart below). Fairs absorbed the full impact of 2004/2005's \$3 million shortfall. Should future license fee revenue continue to decline, or be consumed by increased operational budgets for existing fund beneficiaries, the inadequacies of this fund source will only be further highlighted. Other primary beneficiaries of state license fee

revenue include the Kenneth L. Maddy Equine Research Center at U.C. Davis and the General Fund.



Source: CHR B Annual Reports

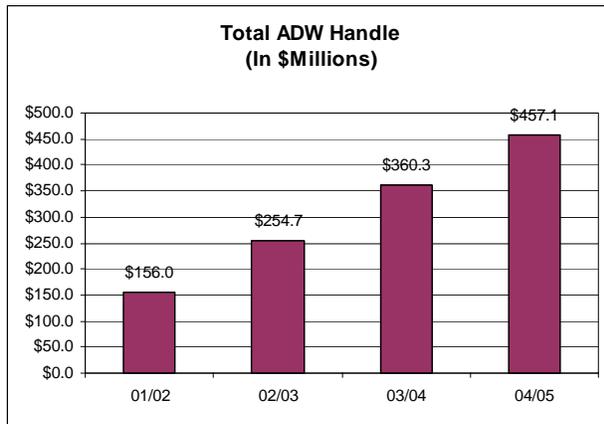
While the vast majority of fair funding is generated by the fairs themselves, fairs still rely heavily on monies received from horse racing. Approximately \$27 to \$28 million from state license fees have historically been available to support the network of California's 78 active fairs. This fund source continues to deteriorate. The 2006/2007 proposed local assistance budget totals \$25 million.

These local entities receive no General Fund support; instead they rely on horse racing to supplement their budgets. While nearly 63% of Californians take part in some form of gaming, revenues from horse racing have eroded as a result of a highly competitive marketplace which includes the evolution of Indian gaming facilities, lotteries and other wagering outlets.

In addition, with the advent of ADW, as discussed on page 14, the reduction in horse racing license fees that support local California fairs is evident.

While the full impact of ADW is yet to be determined, we do know that state license fee revenue which benefits the

F&E Fund and fairs is not generated from this activity. Should state income from racing continue to decline as bettors move toward ADW and other forms of gaming, the solvency of the F&E Fund and future of California fairs will continue to be at risk.



Source: CHRB Annual Reports

Introduction

This report presents the 2006/2007 Expenditure Plan to the Joint Committee on Fairs Allocation and Classification. This publication includes an overview of the network of California fairs, the roles and responsibilities of various state, county and private organizations, and a comprehensive program list explaining the full range of programs supported by the Expenditure Plan.

Authority

The California Department of Food and Agriculture (CDFA) provides oversight to the network of California fairs through the application of law, development and review of

regulations, policies and procedures, and supervision of fiscal administration. Furthermore, Business and Professions (B&P) Code Sections 19620 and 19606.1 authorize CDFA oversight of the Fair and Exposition Fund and Satellite Wagering Account, respectively. B&P Code Sections 19621(c) and 19606.1(c) require CDFA to prepare an annual expenditure plan for review and approval by the Joint Committee on Fairs Allocation and Classification.

Table 1 shows various types of expenditures authorized for each account.

Table 1

Fair and Exposition Fund (Acct. 191) (B&P Code § 19620.1, 19630)	Satellite Wagering Account (Acct. 192) (B&P Code § 19605.9(b), 19606.1, 19606.3)
Local (Base) Allocations to Fairs	Health and Safety Projects
Unemployment Insurance	Revenue Generating Program
Other Local Assistance Programs as approved by the Joint Committee on Fairs Allocation and Classification	Bond Debt Service
Professional Development and Training	Pari-mutuel Improvement
Agricultural Education	Supplemental Purses
California Horse Racing Board (CHRB) Support	Live Fair Racing Improvements and Track Preparation
CDFA (F&E) Support	Accessibility Upgrade Projects
CDFA Support – Fair Audit Program	California Construction Authority (CCA) Baseline Budget

The Division of Fairs and Expositions

CDFA's Division of Fairs & Expositions (F&E), provides fiscal and policy oversight of the network of California fairs and ensures the best use of available funding and other services.

Fair Oversight

This oversight responsibility includes the following (B&P Code Section 19620):

- Manage and monitor the solvency of the Fair and Exposition Fund and the Satellite Wagering Account.
- Distribute available state resources to the network of California fairs for local (base) allocations, health and safety repair projects, revenue generating projects, pari-mutuel facility improvement, and other fair programs.
- Create a framework for administration of the network of California fairs, allowing for maximum autonomy and local decision making authority.
- Provides incentives to fairs to seek matching funds and generate new revenue from a variety of sources.
- Support continuous improvement of fair programs to ensure California fairs remain highly relevant community institutions.
- Ensure annual fiscal audits and biennial compliance audits are performed.

F&E provides varying levels of oversight depending on the fair type. Table 2 provides examples of the type of oversight provided to District Agricultural Associations (DAA) and non-DAA fair organizations.

Table 2

Oversight of DAAs	Oversight of Non-DAAs
Approve annual budgets	Approve annual budgets
Conduct fiscal and compliance audits	Conduct or review fiscal and compliance audits
Review annual end-of-year statements of operations	Review annual end-of-year statements of operations
Define the criteria and reporting requirements for funding programs	Define the criteria and reporting requirements for funding programs
Provide consultation to boards of directors and staff on state policies and procedures	Provide consultation to boards of directors and staff on applicable state policies and procedures
Analyze fair-related legislation	Approve carnival bid packages
Facilitate personnel transactions	Review contractual agreements between the fair organization and host counties
Approve contracts and carnival bid packages	
Provide operational oversight to fairs experiencing managerial, fiscal, or operational challenges	

Network of California Fairs

Overview

B&P Code Section 19622.1 defines a state-supported fair organization as any fair that conducts an annual fair and submits an annual statement of operations to CDFA. The generic term of “fairs” refers to DAAs, county fairs, citrus fruit fairs, and the California Exposition and State Fair.

The network of California fairs includes 80 fair organizations divided into four categories (the latter three are non-DAA organizations):

- 54 DAAs – state government entities
 - 52 active DAAs
 - 2 DAAs were deactivated during fiscal year 1997/98
- 23 county fairs – county government or not-for-profit organizations
- 2 citrus fruit fairs – not-for-profit organizations
- The California Exposition and State Fair (Cal Expo) – a state department



Fair Organization Classifications

Fair organizations are expected to operate within their annual budgets. In order to receive state funding, their budgets must first be approved by F&E.

To ensure equitable distribution of these funds, F&E established an allocation policy providing support to fair organizations within seven budget-related classification levels. The result is that the *smallest* fair organizations, those in levels I-IV, receive the largest annual allocation of horse racing license fee revenues (\$105,000 - \$180,000). Level I, II, III, and IV fairs have annual operating budgets of less than \$3 million. Many of these fairs are located in

small communities with minimal opportunities for sponsorships or increased attendance. The fairs are truly the heart of the community and maintaining state support is critical to their success. For some level I fair organizations, the annual allocation represents up to 70 percent of their annual budget. The *largest* fair organizations, those in levels V-VII, receive the smallest allocation (\$35,000-\$40,000), representing less than one percent of their annual budget.

Local (Base) Allocations for 2006/2007 are shown in Table 3 below.

Table 3

Profile of Fair Class Levels and 2006/2007 Local (Base) Allocations						
Allocation Criteria				# of Fairs Per Class	Local (Base) Allocation	Total Allocation Per Class Level
Class Level	Operating Revenue (\$1,000's)	Fair Attendance (1,000's)	Perm/Temp Staff			
I*	Up to 200	Up to 20	Up to 7	14	\$180,000	\$2,520,000
II*	200 - 450	20 - 40	7 - 10	21	150,000	3,150,000
III	450 - 1,000	40 - 80	10 - 20	19	124,000	2,356,000
IV	1,000 - 3,000	80 - 175	20 - 40	9	105,000	945,000
V	3,000 - 6,000	175 - 250	40 - 80	6	40,000	240,000
VI	6,000 - 10,000	250 - 400	80 - 120	6	35,000	210,000
VII	Over 10,000	Over 400	Over 120	3	35,000	105,000
Special Events (Supplemental Allocation)						
Grand National Rodeo (1-A DAA)					140,000	140,000
Great Western Livestock Show (24th DAA)					50,000	50,000
San Benito County Saddle Horse Show					50,000	50,000
						\$9,766,000
Fairs not receiving base allocation in Fiscal Year 2006/2007:						
California Exposition and State Fair						
San Benito County Saddle Horse Show (Special Events Funding)						
* Funding has been budgeted for possible reactivation of agricultural fairs in Oakland (previously a Class II fair) and San Francisco (previously a Class I fair).						

Benefits of California Fairs

Fairs entertain, but they also educate people about each other and the contributions that all segments of our society make to California. Through this vital education comes the understanding, appreciation and social harmony so necessary for a healthy and productive society.

Fairs provide a focal point for community members to:

- Celebrate their heritage
- Compete in a variety of events
- Hold family reunions
- Display and view artwork
- Learn about other cultures
- Premier new inventions
- Showcase the best of California

In addition to providing facilities and activities for educational purposes and broad community services; fairs also provide valuable community activities such as the following:

- Field trips
- Agriculture in the Classroom
- Head Start programs
- Pre-school programs
- Before/after school programs
- Charitable activities
- Weddings
- Cultural events
- Concerts

- Auto Shows
- Livestock events
- Farmers markets

State and local government agencies use fairs to disseminate vital information regarding the protection of California's natural, industrial, and agricultural resources. These public outreach efforts offer communities a first-hand look at California agriculture and the essential role of this \$30 billion a year industry.

As an added benefit, California fairs promote awareness of California's cultural diversity. Approximately 33 million people attend fairground events held in rural, suburban, and urban settings annually. These fairs attract people from various ethnic and age groups, creating a diverse cultural representation.



Emergency Shelter

Fairs provide a location for cultural and social interaction; as well as facilities necessary for shelter and emergency evacuation. Fairgrounds are an invaluable resource during emergencies such as earthquakes, floods, fires, and other natural or unnatural disasters. Fairgrounds have been used in many capacities during emergency situations. Below are a few examples:

- Office of Emergency Services mobilization and emergency staging sites
- Evacuation centers
- California Department of Forestry fire mobilization locations
- Emergency preparedness training
- Temporary homeless shelters
- Red Cross staging locations
- Animal shelter during crisis (i.e., floods or fires)

California Fairs Statewide Social Economic Impact Report

In 2002, the California Department of Food and Agriculture's Division of Fairs and Expositions engaged the international firm of KPMG LLP to measure the social and economic impacts of the statewide fair system and to produce a report detailing their findings. The resulting report *Fairs – Exploring a California Gold Mine* demonstrates that the economic and job impacts of California fairs are significant. Further, cultural aspects of the fair industry add an intangible human element to the impressive quantitative findings. The report discusses these various impacts and concludes that for its investment, the return for Californians is invaluable. The fair network receives approximately \$30 million

annually from a license fee assessed against wagers on horse racing. The following highlights from the economic impact study provide quantifiable answers to the question, "What is California's return on this \$30 million investment into the fair network?"

Economic Impact

Fairs have a significant impact on California's economy.

- The overall impact of spending by all participants at fairtime and interim events resulted in a total economic impact on California of \$2.55 billion in 2002.
- Attendee direct spending at fairtime and interim events totaled about \$963 million in 2002.
- Annual income impact from attendee, fair organization and fair-related business spending exceeds \$791 million.
- Jobs created by fairs through direct employment and multiplier impacts reached nearly 28,000 in 2002.
- State and local governments collected an estimated \$136 million in tax revenues from fair-related activities.
- For each worker the fair organization and related business employs, an estimated 2.62 total jobs are created. For each dollar that economic participants pay their employees, an estimated \$2.10 in total income is produced.
- Each dollar spent by fairs and interim event participants generates an estimated 39 cents of additional spending in the state, for a total impact of \$1.39 per dollar spent.



Agriculture – A central feature of fairs is to educate the public about the importance of agriculture in California.

- Sixty-nine percent of fairgoers surveyed felt that they knew more about agriculture after going to a fair.
- Fairs are a critical part of the junior livestock program, which educates young people about the breeding, raising and grooming of farm animals. Junior livestock auctions at fairs grossed more than \$21 million, with more than 42,000 animals purchased by nearly 19,000 buyers in 2002. Students receive 95 percent of auction proceeds.

Community Groups – California’s fairs are major venues for community groups and nonprofit organizations to raise money and awareness of their programs.

- In 2002, 730 nonprofit groups raised \$8 million at California fairs for their community programs. Add in the \$21 million raised at junior livestock auctions, and a total of \$29 million was raised for community benefits.
- One nonprofit organization, the Turlock Lions Club, raises approximately 85 percent of its annual budget from fundraising events held at the Stanislaus County Fairgrounds.

Proceeds from these events go to fund scholarships for local high school students, eye exams and glasses for needy children, youth sport teams, youth attendance at camps for the hearing impaired, and school playground equipment.

Attendees – Californians love their fairs and fairground events.

- Paid fairtime attendance exceeded 11.1 million in 2002, and interim events attracted another 21.6 million people. Total annual attendance on fairgrounds is almost 33 million people—roughly the same as California’s population of nearly 35 million.
- Paso Robles—with a population of 25,200—hosts the California Mid-State Fair that draws more than 475,000 attendees throughout the year. Ventura—with a population of 110,000—hosts the Ventura County Fair that draws more than 721,000 attendees.
- The average visitor attends the fair 2.1 times per year and lives within 100 miles.





Fair-Related Businesses – provide many goods and services that are essential to the fair experience.

- In 2002, carnival companies generated \$41 million in total spending, \$18 million in personal income and \$2 million in state and local taxes.
- Fairtime and master concessionaires created \$131 million in total spending, \$66 million in personal income and \$10 million in state and local taxes. Attendee direct spending on food and beverages totaled \$120 million, which generated more than \$5 million in state and local taxes.
- Commercial exhibitors generated \$491 million in total spending, \$219 million in personal income and nearly \$17 million in state and local taxes. Attendee spending on commercial exhibitor merchandise totaled \$406 million, which generated \$32 million in state and local taxes.
- Entertainers at fairs created \$28 million in total spending, \$17 million in personal income and generated \$1.6 million in state and local taxes.

Social and Cultural Impacts

Giving Back

While the economic impact of fairs is noteworthy, it is the social and cultural

impacts of fairs that may leave the most lasting impression on Californians.

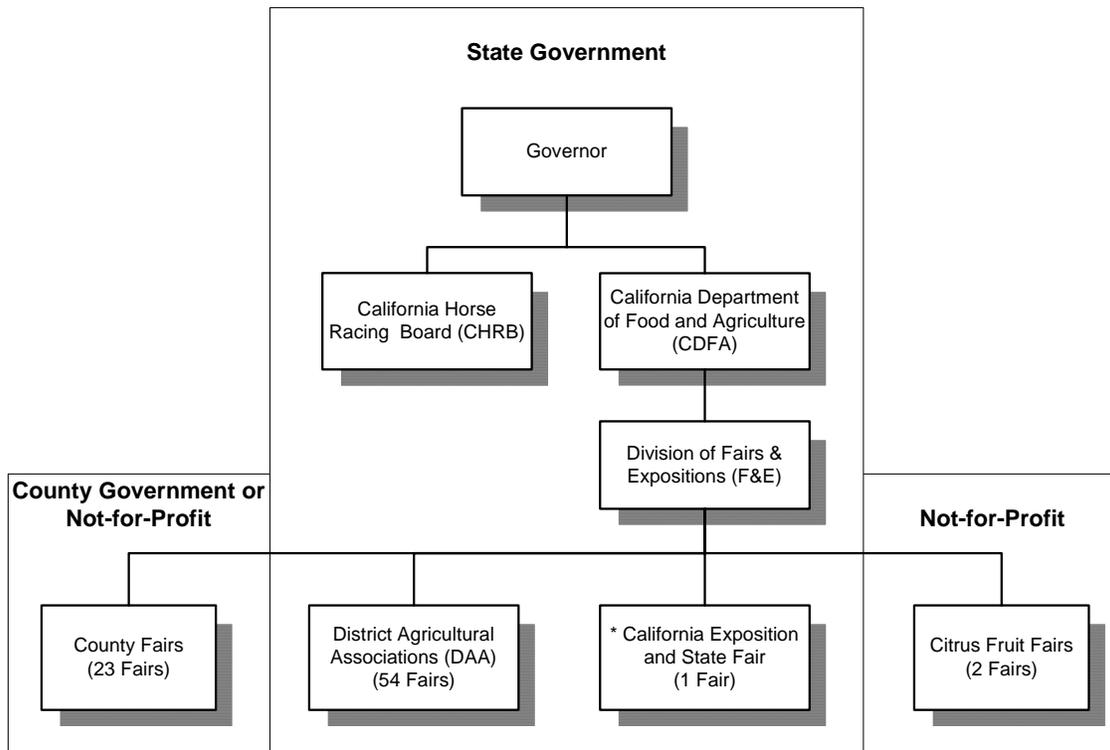
- Fairs provide a focal point for community members to celebrate their heritage, compete in a variety of events, hold family reunions, display and view artwork, learn about other cultures, premier new inventions and showcase the best of California.
- Ninety-five percent of attendees surveyed agreed that the fair they attended provided worthwhile community benefits.
- More than 1.2 million people, 11 percent of total fairtime attendance, participated in fair events and organized activities—such as shows, exhibit programs, stage performances and contests.
- Many fairs offer free tours to schools, free youth admission on certain days, and valuable educational experiences throughout the year.



Guaranteed Return on Investment

California fairs have immense economic, educational, social and cultural impacts. In sum, fairs embody the entrepreneurial excellence, the knowledge seeking, the innovative drive, and the community spirit that is the Golden State.

Organizational Relationships



* California Exposition and State Fair is a state agency.

State Government

California Department of Food & Agriculture (CDFA) – A state department responsible for the oversight of California’s agricultural industry, including the network of California fairs.

Division of Fairs and Expositions (F&E) – Provides fiscal and policy oversight of the network of California fairs and ensures the best use of available funding and services.

California Horse Racing Board (CHRB) – Regulates pari-mutuel wagering, promotes the horse racing and breeding industries and maximizes State of California tax revenues from horse racing. CHRB provides regulatory oversight to six privately owned racetracks, nine racing fairs, and 33 simulcast facilities.

District Agricultural Association (DAA) – Holds fairs, expositions, and exhibitions to bring to light various industries, enterprises, resources, products and highlight agriculture of the State.

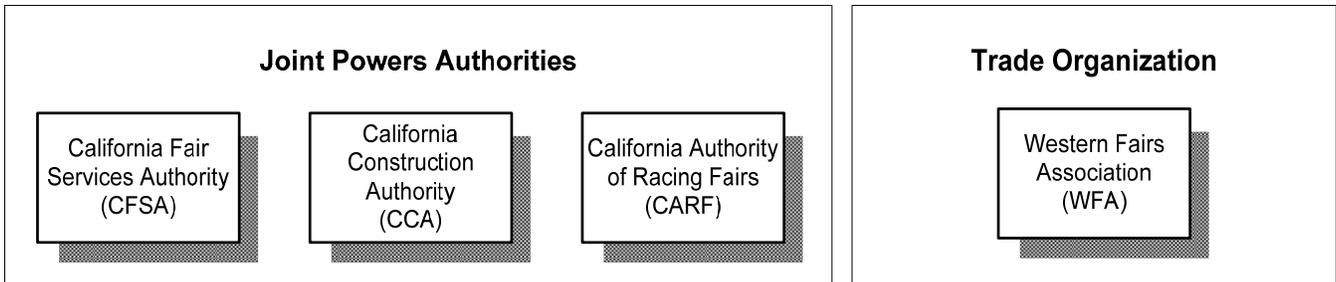
California Exposition and State Fair (Cal Expo) – A state department in Sacramento responsible for holding the annual California State Fair and exhibitions to highlight various industries, enterprises, resources, and products of the State.

County Government or Not-for-Profit
County Fairs – Holds fairs to highlight a county’s agricultural and natural resources.

Citrus Fruit Fairs – Holds annual fairs to celebrate the citrus fruit harvest.

Other Organizations

In addition to state government, there are other organizations involved with fair operations and industry direction. Abbreviated descriptions of each organization's major roles are described below:



Joint Powers Authorities (JPA) – Three JPAs have been formed in California to provide specified services to the fair industry. CDFA is a party to the joint powers agreement that authorized the formation of each of the following JPAs:

California Authority of Racing Fairs (CARF) – Provides legislative and operational support and professional development services for its members, all of which are horse racing fairs; assists CDFA with site selection and development for satellite wagering facilities; manages the track preparation agreement; and recommends an annual Satellite Wagering Account and racing track improvement plan.

California Construction Authority (CCA) – Provides financing, design, and construction services for health and safety improvements, satellite wagering facilities, and other projects on fairgrounds. The proceeds from revenue bonds issued by CCA may be allocated by the Secretary of CDFA to provide partial funding for such projects. With the Secretary's approval of proposed scopes of work and budgets, additional projects may be funded by

CDFA, or the fairs, and implemented by CCA.

California Fair Services Authority (CFSA) – Administers risk-sharing pools (general liability, workers' compensation, revenue protection and all-risk property) designed to protect the Fair & Exposition Fund and local fair organizations; provides safety programs, facility and carnival ride inspections; and provides purchasing, computer, employee benefits, and management services.

Trade Organizations – The following not-for-profit association provides services to the fair industry:

Western Fairs Association (WFA)/ California Fairs Alliance (CFA) – Sacramento based trade association representing 75 of California's 78 active fairs. Services include legislative advocacy, regional meetings, training, and an annual convention. Publications include a membership directory, mini date list, quarterly *Fair Dealer* magazine and *Update* newsletter.

Funding

F&E Funding Methodology

F&E uses the following methodology to administer funding from the Fair and Exposition Fund (F&E Fund) and Satellite Wagering Account. This methodology was established for use in the 2000/2001 Expenditure Plan and will continue to be used for the administration of 2006/2007 Expenditure Plan funding.

- Since the F&E Fund and Satellite Wagering Account are continuously appropriated, unencumbered reserves at fiscal year end will be included in the total available resources in the following year's expenditure plan. Therefore, total expenditures may exceed current year revenue projections. Expenditures may also be adjusted to accommodate funding fluctuations among local assistance programs, upon approval by the Secretary of Food and Agriculture.

- Expenditure Plan program costs, such as program specific materials and supplies, that are "above and beyond" the funds available to sustain F&E's general operations (i.e., the Division's state operations budget for office and staff expenses) will be funded by the respective Expenditure Plan program budget (i.e., local assistance funds).

Revenue Source

Fair funding that is not self-generated is derived entirely from California's pari-mutuel wagering system, which was made possible by a constitutional amendment in 1933 to promote agriculture and as a means to generate income for California's fair system. During this time period, horse racing revenues were generated solely from live racing at California tracks, where state license fees generated from this activity were designated to support the network of California fairs.



Over the last six decades, technological advances have created alternative means of horse racing wagering, such as satellite wagering and advance deposit wagering. Satellite wagering facilities appealed to the network of California fairs due to the potential increase in horse racing revenue and subsequent increase in state license fees. As a result, funding received from live track racing was used to construct numerous satellite wagering facilities throughout California. The introduction of satellite wagering in California created a second source of revenue (including out-of-state license fees) available to the horse racing industry, the network of California fairs and the General Fund by broadcasting California races to other facilities throughout the satellite wagering system.

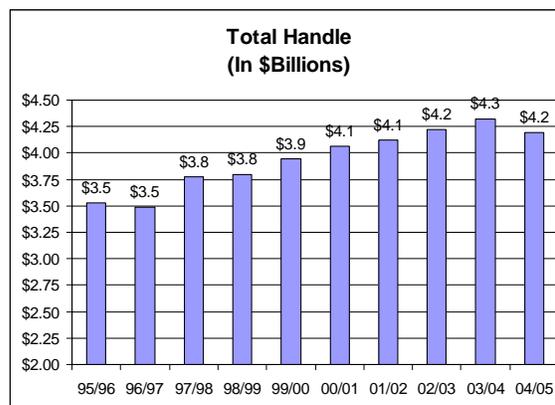
Today, off-track wagering at satellite wagering facilities and via advance deposit wagering (ADW) combined have surpassed live racing as the preferred means of wagering. While live racing and wagering at satellite wagering facilities continue to generate license fee revenue that directly benefits the fair network, ADW does not.

Fiscal Trends

In 2004/2005 the F&E Fund experienced an unprecedented first-time revenue shortfall of approximately \$3 million from on-track live racing, which directly impacted valuable programs and resources that benefit California's network of fairs.

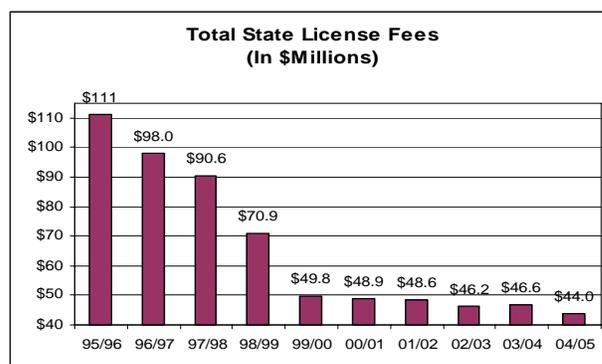
The California Horse Racing Board (CHRB) records indicate that the total amount wagered on horse racing increased steadily between fiscal years 1995/1996 through 2003/2004, while state license fees available to fund the fairs have declined. The following charts show the inverse correlation between the total horse

racings handle generated to the total state license fees available over the past decade.



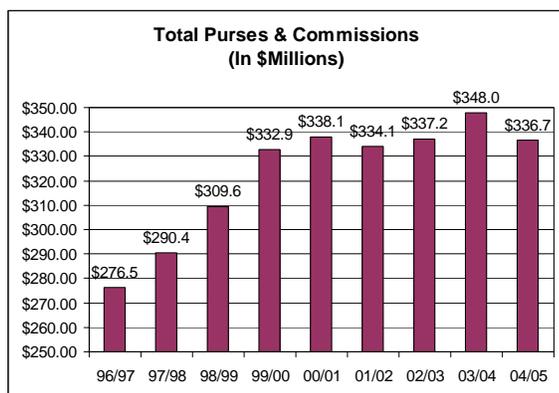
Source: CHRB Annual Reports

The aforementioned shortfall in 2004/2005 fair funding occurred since total state license fees that year of \$44 million were inadequate to fully fund all designated beneficiaries to the extent allowed by law. Since the priority of funding in law is unclear, funding to fairs absorbed the full impact of 2004/2005's \$3 million shortfall. Should future license fee revenue continue to decline, or be consumed by increased operational budgets for existing fund beneficiaries, the inadequacies of this fund source will only be further highlighted. Other primary beneficiaries of state license fee revenue include the Kenneth L. Maddy Equine Research Center at U.C. Davis and the General Fund.



Source: CHRB Annual Reports

In 1998, Senate Bill 27 (Maddy, Chapter 335, Statutes of 1998) provided a tax relief to the horse racing industry by significantly reducing state license fees by approximately \$40 million. The intent of the legislation was to help the horse racing industry remain viable and competitive in California, while at the same time ensure sufficient revenues remained to support California fairs. The license fee reduction was redistributed to the racing industry in the form of owner purses and track commissions. The following chart depicts another inverse correlation this time between total combined purses and commissions to the total state license fees available over the past decade.



Source: CHRB Annual Reports

Approximately \$27 to \$28 million from state license fees have historically been available to support the network of California's 78 active fairs. This fund source continues to deteriorate. The 2006/2007 proposed local assistance budget totals \$25 million.

This eroding fund source is due to a number of factors that include a decline in horse racing revenue deposited to the F&E Fund, legislation that has reduced state license fees significantly and trends in bettors' preferred means of wagering.

These local entities receive no General Fund support; instead they rely on horse racing to supplement their budgets. While nearly 63% of Californians take part in some form of gaming, revenues from horse racing have eroded as a result of a highly competitive marketplace which includes the evolution of Indian gaming facilities, lotteries and other wagering outlets.

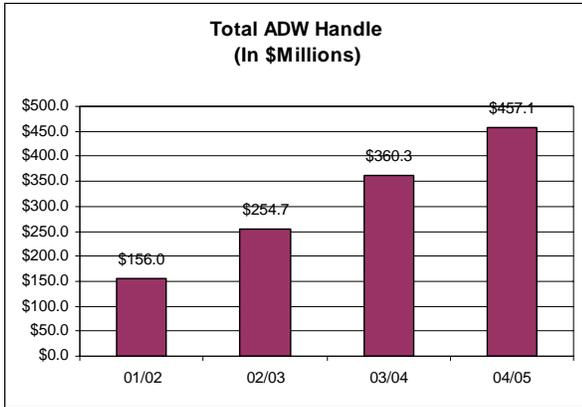
In addition, with the advent of ADW, as discussed below, the reduction in horse racing license fees that support local California fairs is evident.

Advance Deposit Wagering

In an effort to keep California's horse racing industry competitive, Assembly Bill 471 (Hertzberg) authorized advance deposit wagering (ADW) in 2001, which allows customers to deposit funds into accounts in order to wager online and over the telephone.



During ADW's first 10 months of operation in 2002, \$156 million in total handle was generated, which represents approximately 4% of the \$3.6 billion in total handle generated during the same 10 months. In 2005, total ADW handle increased to \$457 million, which represented a 66% increase since 2002 and 10% of the \$4.2 billion in total handle for 2005.



Source: CHR B Annual Reports

While the full impact of ADW is yet to be determined, we do know that state license fee revenue which benefits the F&E Fund and fairs is not generated from this activity. Should state income from racing continue to decline as bettors move toward ADW and other forms of gaming, the solvency of the F&E Fund and future of California fairs will continue to be at risk.

Program Descriptions

The following briefly describes programs recommended for funding in the 2006/2007 Network of California Fairs Expenditure Plan:

Administrative Oversight Total: \$13,222,032

California Horse Racing Board Support (CHRB)	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)	Budget Act appropriation for operational support of F&E (B&P Code Sections 19620.1(b)). Operational support budget includes the assessment pro rata (share of State's overhead costs) imposed by the Department of Finance.
CDFA Support – Audit Program	Budget Act appropriation for annual fiscal and biennial compliance audits of all DAAs 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: \$24,741,000

Operational Support - \$4,475,000

Bond Debt Service	Pays debt service on revenue 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 - \$14,181,000

Local (Base) Allocation	Provides funds for discretionary use by local fair organizations with classification criteria that assign greater support to smaller fairs.
Cal Expo Pro Rata Reimbursement	Reimburses Cal Expo pro rata costs (overhead), not to exceed \$265,000 annually.
Contingencies and Special Projects	Includes funding for legal billings (Department of Justice & CDFA); Administrative and Fiscal Assistance (Intervention) Program; Employee Assistance program cost for DAAs; policy development; transition costs associated with fair governance reform; and funding for economic uncertainties and liabilities.
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.

General Fair Programs & Funding (Cont'd)

- Provides funding to pay for travel expenses for members of various fair industry related committees (e.g., State Rules Committee, Sheep Advisory Committee, Statewide Quality Assurance, and the National Association of Agricultural Fair Agencies).
 - 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.
-

Flex Capital	An incentive program by which fairs are eligible to receive funding based on their annual performance rating. Funding is 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• Health and safety projects
Rural Healthcare Equity	F&E pays for additional health benefit costs incurred by DAAs for state employees living in rural areas with no available HMOs.
Unemployment Insurance	Budget Act appropriation to offset fairs' unemployment costs (B&P Code section 19620.1(b)).

Health & Safety - \$1,450,000

Accessibility Upgrades Fund	Provides funding for fair facility projects intended to improve fairground accessibility and accommodations for individuals with physical disabilities.
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.
Urgent Needs Fund	Provides funding for urgent, unexpected expenses related to damage caused by natural disaster, financial hardship caused by facility failures, and other unexpected one-time circumstances that create an urgent need.

Infrastructure - \$500,000

Asset Management	Provides assistance to fairs for analysis of property utilization and real estate options. The overall goal of the program is to assist fairs in maximizing the use of fair property to generate revenues and provide services for their communities.
Revenue Generating Program	Provides funding on a match basis to generate new revenue sources for fair organizations.

Training & Education - \$635,000

Agricultural Education	Provides funds to promote agriculture, nutrition, and the fair experience through local community educational programs at fairs.
Professional Development & Compliance	Provides training funds for the development and delivery of seminars and workshops on emerging fair issues. F&E 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 F&E provides training funds: <ul style="list-style-type: none">• 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• Executive Development Program (includes fair management training program)

Racing & Satellite Wagering Support - \$3,500,000

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.
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Racing & Satellite Wagering Support (Cont'd)

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 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.

Division of Fairs & Expositions
Fair & Exposition Fund (191) and Satellite Wagering Account (192)
2006/2007 Revenue and Expenditure Plan

	Actual 2004/2005	(a) Budgeted 2005/2006	Projected 2005/2006	(b) Proposed 2006/2007	(b - a) Variance
Beginning Balance					
Fairs and Expositions (F&E)	\$2,693,000	\$228,996	\$1,836,496	\$486,826	\$257,830
Revenues					
License Fees					
On Track - Live Racing (B&P 19620.1(a))	10,291,331	12,765,000	9,868,504	9,400,000	(3,365,000)
1.0% Live Racing Fair Handle (B&P 19614(a))	1,370,180	1,350,000	1,243,820	1,250,000	(100,000)
Off-Track - Satellite Wagering (B&P 19606.1 & 19620.1(a))	25,578,607	25,470,000	25,620,966	25,885,000	415,000
SMIF Interest Revenue	127,154	60,000	154,444	105,000	45,000
Total Revenues	<u>37,367,272</u>	<u>39,645,000</u>	<u>36,887,734</u>	<u>36,640,000</u>	<u>(3,005,000)</u>
Fund Transfers & Other Receipts					
Transfers in					
Project Cost Savings	1,044,000	0	750,000	1,200,000	1,200,000
Other	26,000	0	0	0	0
Transfers to Other Funds					
Retired DAA Employee Benefits	(246,000)	(246,000)	(246,000)	(246,000)	0
Total Available Resources	<u>\$40,884,272</u>	<u>\$39,627,996</u>	<u>\$39,228,230</u>	<u>\$38,080,826</u>	<u>(\$1,547,170)</u>
Expenditures					
Administrative Oversight					
California Horse Racing Board Support (CHRB)	8,398,000	8,477,000	8,463,000	8,685,000	208,000
CDFA Support - Fairs & Expositions (F&E) ¹	2,778,159	2,818,671	2,815,671	2,942,000	123,329
Pro Rata Assessment	516,021	413,329	413,329	578,032	164,703
CDFA Support - Audit Program ¹	950,000	1,020,000	1,013,000	1,017,000	(3,000)
Total Administrative Oversight	<u>12,642,180</u>	<u>12,729,000</u>	<u>12,705,000</u>	<u>13,222,032</u>	<u>493,032</u>
Local Assistance					
Operational Support					
Bond Debt Service	2,603,971	2,582,628	2,486,647	2,570,000	(12,628)
California Construction Authority (CCA)	1,846,769	1,754,431	1,755,000	1,455,000	(299,431)
Property Insurance	450,000	450,000	450,000	450,000	0
	4,900,740	4,787,059	4,691,647	4,475,000	(312,059)
General Fair Programs & Funding					
Local (Base) Allocations	9,407,000	9,766,000	9,356,000	9,766,000	0
Cal-Expo Pro Rata Reimbursement	265,000	265,000	265,000	265,000	0
Contingencies and Special Projects	138,410	750,000	180,000	370,000	(380,000)
Fair Relations and Communications	0	25,000	0	0	(25,000)
Flex Capital (Optional) ²	0	3,100,000	3,105,000	2,800,000	(300,000)
Millennium FLEX (Optional) ²	4,660,000	0	0	0	0
Rural Healthcare Equity Program	59,029	30,000	54,565	30,000	0
Unemployment Insurance (Optional) ²	950,000	950,000	950,000	950,000	0
18th DAA (Bishop) - Property Tax Reimbursement	34,749	0	0	0	0
	15,514,188	14,886,000	13,910,565	14,181,000	(705,000)
Health & Safety					
Accessibility Upgrades Fund ²	0	1,084,000	1,084,000	1,085,000	1,000
Emergency Fund	200,000	0	0	0	0
Health Department Program	160,000	160,000	160,000	165,000	5,000
Livestock Quality Assurance	75,000	50,000	50,000	50,000	0
Urgent Needs Fund (Optional) ²	0	100,000	100,000	150,000	50,000
	435,000	1,394,000	1,394,000	1,450,000	56,000
Infrastructure					
Asset Management (Optional) ²	0	100,000	100,000	100,000	0
Real Estate Services	150,000	0	0	0	0
Revenue Generating (Optional) ²	1,000,000	600,000	600,000	400,000	(200,000)
	1,150,000	700,000	700,000	500,000	(200,000)
Training & Education					
Agricultural Education	0	250,000	50,000	0	(250,000)
Professional Development & Compliance	233,570	481,000	280,000	635,000	154,000
	233,570	731,000	330,000	635,000	(96,000)
Racing & Satellite Wagering Support					
Race Track Preparation	600,000	600,000	600,000	600,000	0
Supplemental Purses	1,404,557	1,400,000	1,369,187	1,400,000	0
Wagering Facility Improvements	2,250,000	1,900,000	1,900,000	1,500,000	(400,000)
	4,254,557	3,900,000	3,869,187	3,500,000	(400,000)
Abatements & Accrual Adjustments³	(82,459)	(53,581)	1,141,005	0	53,581
Total Local Assistance	<u>26,405,596</u>	<u>26,344,478</u>	<u>26,036,404</u>	<u>24,741,000</u>	<u>(1,603,478)</u>
Total Expenditures	<u>\$39,047,776</u>	<u>\$39,073,478</u>	<u>\$38,741,404</u>	<u>\$37,963,032</u>	<u>(\$1,110,446)</u> ⁴
Ending Balance	<u>\$1,836,496</u>	<u>\$554,518</u>	<u>\$486,826</u>	<u>\$117,794</u>	<u>(\$436,724)</u>

¹ Variance due to budget adjustments mandated by Department of Finance Budget Letters as reflected in the Governor's Budget.

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

³ Reflects expense reimbursements received, including fair loan payments, and prior year accrual adjustments.

⁴ Represents Total Expenditures variance only.

**Division of Fairs & Expositions
Fair & Exposition Fund (191)
2006/2007 Revenue and Expenditure Plan**

	Actual 2004/2005	(a) Budgeted 2005/2006	Projected 2005/2006	(b) Proposed 2006/2007	(b - a) Variance
Beginning Balance					
Fairs and Expositions (F&E)	\$2,113,000	\$100,469	\$1,541,496	\$259,785	\$159,316
Prior Year Adjustments	39,000	0	0	0	0
	<u>2,152,000</u>	<u>100,469</u>	<u>1,541,496</u>	<u>259,785</u>	<u>159,316</u>
Revenues					
License Fees					
On Track - Live Racing (B&P 19620.1(a))	10,291,331	12,765,000	9,868,504	9,400,000	(3,365,000)
1.0% Live Racing Fair Handle (B&P 19614(a))	1,370,180	1,350,000	1,243,820	1,250,000	(100,000)
Off-Track - Satellite Wagering (B&P 19620.1(b))	13,014,000	13,070,000	13,046,000	13,485,000	415,000
SMIF Interest Revenue	<u>52,850</u>	<u>30,000</u>	<u>61,401</u>	<u>45,000</u>	<u>15,000</u>
Total Revenues	<u>24,728,361</u>	<u>27,215,000</u>	<u>24,219,725</u>	<u>24,180,000</u>	<u>(3,035,000)</u>
Fund Transfers & Other Receipts					
Transfers in					
Project Cost Savings	1,044,000	0	750,000	1,200,000	1,200,000
Other	26,000	0	0	0	0
Transfers to Other Funds					
Retired DAA Employee Benefits	(246,000)	(246,000)	(246,000)	(246,000)	0
Total Available Resources	<u><u>\$27,704,361</u></u>	<u><u>\$27,069,469</u></u>	<u><u>\$26,265,221</u></u>	<u><u>\$25,393,785</u></u>	<u><u>(\$1,675,684)</u></u>
Expenditures					
Administrative Oversight					
California Horse Racing Board Support (CHRB)	8,398,000	8,477,000	8,463,000	8,685,000	208,000
CDFA Support - Fairs and Expositions (F&E) ¹	2,395,341	2,405,747	2,402,747	2,508,000	102,253
Pro Rata Assessment	297,604	217,253	217,253	323,691	106,438
CDFA Support - Audit Program ¹	950,000	1,020,000	1,013,000	1,017,000	(3,000)
Total Administrative Oversight	<u>12,040,945</u>	<u>12,120,000</u>	<u>12,096,000</u>	<u>12,533,691</u>	<u>413,691</u>
Local Assistance					
General Fair Programs & Funding					
Local (Base) Allocations	9,407,000	9,766,000	9,356,000	9,766,000	0
Cal-Expo Pro Rata Reimbursement	265,000	265,000	265,000	265,000	0
Contingencies and Special Projects	138,410	750,000	180,000	370,000	(380,000)
Fair Relations and Communications	0	25,000	0	0	(25,000)
Flex Capital (Optional) ²	0	2,000,000	1,800,000	800,000	(1,200,000)
Millennium FLEX (Optional) ²	2,886,000	0	0	0	0
Rural Healthcare Equity Program	59,029	30,000	54,565	30,000	0
Unemployment Insurance (Optional) ²	950,000	950,000	950,000	950,000	0
18th DAA (Bishop) - Property Tax Reimbursement	34,749	0	0	0	0
	<u>13,740,188</u>	<u>13,786,000</u>	<u>12,605,565</u>	<u>12,181,000</u>	<u>(1,605,000)</u>
Health & Safety					
Health Department Program	160,000	0	0	0	0
Livestock Quality Assurance	75,000	0	0	0	0
	<u>235,000</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Training & Education					
Agricultural Education	0	250,000	50,000	0	(250,000)
Professional Development & Compliance	233,570	481,000	280,000	635,000	154,000
	<u>233,570</u>	<u>731,000</u>	<u>330,000</u>	<u>635,000</u>	<u>(96,000)</u>
Abatements & Accrual Adjustments ³					
	(86,838)	(53,581)	973,871	0	53,581
Total Local Assistance	<u>14,121,920</u>	<u>14,463,419</u>	<u>13,909,436</u>	<u>12,816,000</u>	<u>(1,647,419)</u>
Total Expenditures	<u><u>\$26,162,865</u></u>	<u><u>\$26,583,419</u></u>	<u><u>\$26,005,436</u></u>	<u><u>\$25,349,691</u></u>	<u><u>(\$1,233,728)</u></u>
Ending Balance ⁴	<u><u>\$1,541,496</u></u>	<u><u>\$486,050</u></u>	<u><u>\$259,785</u></u>	<u><u>\$44,094</u></u>	<u><u>(\$441,956)</u></u>

¹ 2006-07 increases due to adjustments mandated by Department of Finance Budget Letters as reflected in the Governor's Budget.

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

³ Reflects expense reimbursements received, including fair loan payments, and prior year accrual adjustments.

⁴ Actual 2004/2005 ending balance as reflected in the Governor's Budget. This ending balance includes funding committed to 2004/2005 fair programs, but not yet expended as of fiscal year-end.

**Division of Fairs & Expositions
Satellite Wagering Account (192)
2006/2007 Revenue and Expenditure Plan**

	Actual 2004/2005	(a) Budgeted 2005/2006	Projected 2005/2006	(b) Proposed 2006/2007	(b - a) Variance
Beginning Balance					
Fairs and Expositions (F&E)	\$541,000	\$128,527	\$295,000	\$227,041	\$98,514
Revenues					
License Fees					
Off-Track - Satellite Wagering (B&P 19606.1, 19606.3 & 19605.9)	12,564,607	12,400,000	12,574,966	12,400,000	0
SMIF Interest Revenue	74,304	30,000	93,043	60,000	30,000
Total Revenues	<u>12,638,911</u>	<u>12,430,000</u>	<u>12,668,009</u>	<u>12,460,000</u>	<u>30,000</u>
Total Available Resources	<u>\$13,179,911</u>	<u>\$12,558,527</u>	<u>\$12,963,009</u>	<u>\$12,687,041</u>	<u>\$128,514</u>
Expenditures					
Administrative Oversight					
CDFA Support - Fairs & Expositions (F&E)	382,818	412,924	412,924	434,000	21,076
Pro Rata Assessment	218,417	196,076	196,076	254,341	58,265
Total Administrative Oversight	<u>601,235</u>	<u>609,000</u>	<u>609,000</u>	<u>688,341</u>	<u>79,341</u>
Local Assistance					
Operational Support					
Bond Debt Service	2,603,971	2,582,628	2,486,647	2,570,000	(12,628)
California Construction Authority (CCA)	1,846,769	1,754,431	1,755,000	1,455,000	(299,431)
Property Insurance	450,000	450,000	450,000	450,000	0
	<u>4,900,740</u>	<u>4,787,059</u>	<u>4,691,647</u>	<u>4,475,000</u>	<u>(312,059)</u>
General Fair Programs & Funding					
Flex Capital (Optional) ¹	0	1,100,000	1,305,000	2,000,000	900,000
Millennium FLEX	1,774,000	0	0	0	0
	<u>1,774,000</u>	<u>1,100,000</u>	<u>1,305,000</u>	<u>2,000,000</u>	<u>900,000</u>
Health & Safety					
Accessibility Upgrades Fund (Optional) ¹	0	1,084,000	1,084,000	1,085,000	1,000
Emergency Fund	200,000	0	0	0	0
Health Department Program	0	160,000	160,000	165,000	5,000
Livestock Quality Assurance	0	50,000	50,000	50,000	0
Urgent Needs Fund (Optional) ¹	0	100,000	100,000	150,000	50,000
	<u>200,000</u>	<u>1,394,000</u>	<u>1,394,000</u>	<u>1,450,000</u>	<u>56,000</u>
Infrastructure					
Asset Management (Optional) ¹	0	100,000	100,000	100,000	0
Real Estate Services	150,000	0	0	0	0
Revenue Generating (Optional) ¹	1,000,000	600,000	600,000	400,000	(200,000)
	<u>1,150,000</u>	<u>700,000</u>	<u>700,000</u>	<u>500,000</u>	<u>(200,000)</u>
Racing & Satellite Wagering Support					
Race Track Preparation	600,000	600,000	600,000	600,000	0
Supplemental Purses	1,404,557	1,400,000	1,369,187	1,400,000	0
Wagering Facility Improvements	2,250,000	1,900,000	1,900,000	1,500,000	(400,000)
	<u>4,254,557</u>	<u>3,900,000</u>	<u>3,869,187</u>	<u>3,500,000</u>	<u>(400,000)</u>
Abatements & Accrual Adjustments ²	4,379	0	167,134	0	0
Total Local Assistance	<u>12,283,676</u>	<u>11,881,059</u>	<u>12,126,968</u>	<u>11,925,000</u>	<u>43,941</u>
Total Expenditures	<u>\$12,884,911</u>	<u>\$12,490,059</u>	<u>\$12,735,968</u>	<u>\$12,613,341</u>	<u>\$123,282</u>
Ending Balance ³	<u>\$295,000</u>	<u>\$68,468</u>	<u>\$227,041</u>	<u>\$73,700</u>	<u>\$5,232</u>

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

² Reflects expense reimbursements received, including prior year accrual adjustments.

³ Actual 2004/2005 ending balance as reflected in the Governor's Budget. This ending balance includes funding committed to 2004/2005 fair programs, but not yet expended as of fiscal year-end.

**Division of Fairs & Expositions
Fair & Exposition Fund (191) and Satellite Wagering Account (192)
2006/2007 Revenue and Expenditure Plan
Budget Augmentation**

The proposed 2006/2007 Expenditure Plan reflects program cuts from the previous fiscal year due to reduced revenue levels from horse racing activity during the past year. The program cuts were based on direct input from the California network of fairs via the California Fairs Alliance Board of Directors.

In the event revenue trends improve in 2006/2007 and fair funding is realized to a greater extent as authorized by law, the following budget augmentation and adjustments are proposed.

2006/2007 Expenditure Plan			
	Proposed 2006/2007	Budget Augmentation	Revised 2006/2007
<u>Revenues</u>			
<u>License Fees</u>			
On Track - Live Racing (B&P 19620.1(a))	\$9,400,000	\$3,065,000	\$12,465,000
1.0% Live Racing Fair Handle (B&P 19614(a))	1,250,000		1,250,000
Off-Track - Satellite Wagering (B&P 19606.1 & 19620.1(a))	25,885,000		25,885,000
SMIF Interest Revenue	105,000		105,000
Total Revenues	<u>36,640,000</u>	<u>3,065,000</u>	<u>39,705,000</u>
<u>Fund Transfers & Other Receipts</u>			
<u>Transfers in</u>			
Project Cost Savings ¹	1,200,000	(1,200,000)	0
Total Revenue Augmentation	<u>\$37,840,000</u>	<u>\$1,865,000</u>	<u>\$39,705,000</u>
<u>Expenditures</u>			
<u>Local Assistance</u>			
<u>General Fair Programs & Funding</u>			
Flex Capital (Optional)	\$2,800,000	\$300,000	\$3,100,000
Contingencies and Special Projects	370,000	315,000	685,000
Fair Relations and Communications	0	50,000	50,000
<u>Infrastructure</u>			
Revenue Generating (Optional)	400,000	600,000	1,000,000
<u>Training & Education</u>			
Agricultural Education	0	200,000	200,000
<u>Racing & Satellite Wagering Support</u>			
Wagering Facility Improvements	1,500,000	400,000	1,900,000
Total Local Assistance Augmentation	<u>\$5,070,000</u>	<u>\$1,865,000</u>	<u>\$6,935,000</u>

Notes:

- (1) Project cost savings will result from the re-prioritization and cancellation of existing projects. Should increased revenue trends materialize, canceled projects will resume as planned.

CALIFORNIA FAIR LISTING

(Sorted by District Agricultural Association No. or County Abbreviation)

Class	DAA No. or County Abbr.	Organization Name	City	County	Fair Start Date	Fair End Date
II	01*	Oakland Fair	Oakland	Alameda	N/A	N/A
VI	01A	Grand National Rodeo, Horse & Stock Show	Daly City	San Francisco	4/7/06	4/15/06
V	02	San Joaquin Fair	Stockton	San Joaquin	6/14/06	6/25/06
III	03	Silver Dollar Fair	Chico	Butte	5/24/06	5/29/06
III	04	Sonoma-Marin Fair	Petaluma	Sonoma	6/21/06	6/25/06
I	05*	San Francisco Fair	San Francisco	San Francisco	N/A	N/A
IV	07	Monterey County Fair	Monterey	Monterey	8/15/06	8/20/06
III	09	Redwood Acres Fair	Eureka	Humboldt	6/21/06	6/25/06
II	10	Siskiyou Golden Fair	Yreka	Siskiyou	8/9/06	8/13/06
I	10A	Tulelake-Butte Valley Fair	Tulelake	Siskiyou	9/6/06	9/10/06
II	12	Redwood Empire Fair	Ukiah	Mendocino	8/10/06	8/13/06
III	13	Yuba-Sutter Fair	Yuba City	Sutter	8/2/06	8/6/06
III	14	Santa Cruz County Fair	Watsonville	Santa Cruz	9/12/06	9/17/06
V	15	Kern County Fair	Bakersfield	Kern	9/20/06	10/1/06
V	16	California Mid-State Fair	Paso Robles	San Luis Obispo	7/26/06	8/6/06
III	17	Nevada County Fair	Grass Valley	Nevada	8/9/06	8/13/06
II	18	Eastern Sierra Tri-County Fair	Bishop	Inyo	8/31/06	9/4/06
IV	19	Santa Barbara Fair and Expo	Santa Barbara	Santa Barbara	4/26/06	4/30/06
II	20	Gold Country Fair	Auburn	Placer	9/7/06	9/10/06
VI	21	Big Fresno Fair	Fresno	Fresno	10/4/06	10/15/06
III	21A	Madera District Fair	Madera	Madera	9/7/06	9/10/06
VII	22	San Diego County Fair	Del Mar	San Diego	6/10/06	7/4/06
III	23	Contra Costa County Fair	Antioch	Contra Costa	6/1/06	6/4/06
IV	24	Tulare County Fair	Tulare	Tulare	9/13/06	9/17/06
II	24A	Kings Fair	Hanford	Kings	7/6/06	7/9/06
III	25	Napa Town and Country Fair	Napa	Napa	8/9/06	8/13/06
II	26	Amador County Fair	Plymouth	Amador	6/14/06	6/18/06
III	27	Shasta District Fair	Anderson	Shasta	6/14/06	6/18/06
IV	28	San Bernardino County Fair	Victorville	San Bernardino	5/4/06	5/14/06
II	29	Mother Lode Fair	Sonora	Tuolumne	7/13/06	7/16/06
II	30	Tehama District Fair	Red Bluff	Tehama	9/21/06	9/24/06
V	31	Ventura County Fair	Ventura	Ventura	8/2/06	8/13/06
VII	32	Orange County Fair	Costa Mesa	Orange	7/7/06	7/30/06
I	33	San Benito County Fair	Tres Pinos	San Benito	9/28/06	10/1/06
I	34	Modoc District Fair	Cedarville	Modoc	8/17/06	8/20/06
III	35	Merced County Fair	Merced	Merced	7/18/06	7/23/06
II	35A	Mariposa County Fair & Homecoming	Mariposa	Mariposa	9/1/06	9/4/06
II	36	Dixon May Fair	Dixon	Solano	5/11/06	5/14/06
IV	37	Santa Barbara County Fair (at the Santa Maria Fairpark)	Santa Maria	Santa Barbara	7/12/06	7/16/06
IV	38	Stanislaus County Fair	Turlock	Stanislaus	7/28/06	8/6/06
II	39	Calaveras Co. Fair & Jumping Frog Jubilee	Angels Camp	Calaveras	5/17/06	5/21/06
II	40	Yolo County Fair	Woodland	Yolo	8/16/06	8/20/06
I	41	Del Norte County Fair	Crescent City	Del Norte	8/3/06	8/6/06
II	42	Glenn County Fair	Orland	Glenn	5/17/06	5/21/06
I	44	Colusa County Fair	Colusa	Colusa	6/7/06	6/11/06
III	45	California Mid-Winter Fair & Fiesta	Imperial	Imperial	3/3/06	3/12/06
IV	46	Southern California Fair	Perris	Riverside	10/7/06	10/15/06
II	48	Schools Involvement Fair	Walnut	Los Angeles	5/17/06	5/21/06
II	49	Lake County Fair	Lakeport	Lake	8/31/06	9/3/06
V	50	Antelope Valley Fair	Lancaster	Los Angeles	8/25/06	9/4/06
I	51	San Fernando Valley Fair	Burbank	Los Angeles	6/8/06	6/11/06
I	52	Sacramento County Fair	Sacramento	Sacramento	5/25/06	5/29/06
II	53	Desert Empire Fair	Ridgecrest	Kern	10/12/06	10/15/06
I	54	Colorado River Fair	Blythe	Riverside	3/30/06	4/2/06

CALIFORNIA FAIR LISTING

(Sorted by District Agricultural Association No. or County Abbreviation)

Class	DAA No. or County		Organization Name	City	County	Fair Start	Fair End
	Abbr.					Date	Date
VI	ALA		Alameda County Fair	Pleasanton	Alameda	6/23/06	7/9/06
II	BUT		Butte County Fair	Gridley	Butte	8/23/06	8/27/06
I	CLO		Cloverdale Citrus Fair	Cloverdale	Sonoma	2/17/06	2/20/06
III	EDO		El Dorado County Fair	Placerville	El Dorado	6/15/06	6/18/06
III	HUM		Humboldt County Fair	Ferndale	Humboldt	8/10/06	8/20/06
VII	LAN		Los Angeles County Fair	Pomona	Los Angeles	9/8/06	10/1/06
II	LAS		Lassen County Fair	Susanville	Lassen	7/18/06	7/23/06
I	MAD		Chowchilla-Madera County Fair	Chowchilla	Madera	5/18/06	5/21/06
III	MAR		Marin County Fair & Exposition	San Rafael	Marin	6/30/06	7/4/06
I	MEN		Mendocino County Fair & Apple Show	Boonville	Mendocino	9/15/06	9/17/06
II	MER		Merced County Spring Fair	Los Banos	Merced	5/3/06	5/7/06
III	MON		Salinas Valley Fair	King City	Monterey	5/18/06	5/21/06
III	NAP		Napa County Fair	Calistoga	Napa	7/1/06	7/4/06
VI	NOS		National Orange Show	San Bernardino	San Bernardino	5/25/06	5/29/06
III	PLA		Placer County Fair	Roseville	Placer	6/22/06	6/25/06
II	PLU		Plumas-Sierra County Fair	Quincy	Plumas	8/10/06	8/13/06
IV	RIV		Riverside County Fair & National Date Festival	Indio	Riverside	2/17/06	2/26/06
	SBE		San Benito County Saddle Horse Show & Rodeo	Tres Pinos	San Benito	6/23/06	6/25/06
VI	SCL		Santa Clara County Fair	San Jose	Santa Clara	8/4/06	8/6/06
I	SHA		Inter-Mountain Fair of Shasta County	McArthur	Shasta	8/31/06	9/4/06
III	SJO		Lodi Grape Festival & Harvest Fair	Lodi	San Joaquin	9/14/06	9/17/06
IV	SMA		San Mateo County Fair	San Mateo	San Mateo	8/11/06	8/20/06
V	SOL		Solano County Fair	Vallejo	Solano	7/14/06	7/23/06
VI	SON		Sonoma County Fair	Santa Rosa	Sonoma	7/25/06	8/7/06
I	TRI		Trinity County Fair	Hayfork	Trinity	8/25/06	8/27/06
VII	XPO		California Exposition & State Fair	Sacramento	Sacramento	8/11/06	9/4/06

Explore...

CALIFORNIA FAIRS



LEGEND

- Fair Site
- + Fairs with Live Racing
- Satellite Wagering Facility
- Special Event Centers
- OES Mobilization Sites

DAA= District Agricultural Association