

Informational Hearing

Senate Committee on Agriculture
Senator Anthony Cannella, Chair

THE FUTURE OF FAIRS IN CALIFORNIA

Fresno, California

October 11, 2012

SENATOR CANELLA: Our first witness will be here in a minute, but before we do that, just some housekeeping things.

First of all, we have ... It takes a lot of work to put these hearings on, and I want to introduce some of the staff that made this happen.

First, we have the Senate sergeants: Jodie Barnett and Jeremiah Wattenburger. They've travelled from Sacramento. They're in the back there. They're the best dressed folks in here. I was until I realized I could take my tie off, and so now, I've scaled down a little bit. In fact, it's kind of funny because I was walking around the fair ... because everything we do in Sacramento you have to wear a jacket and a tie. If you don't, you can't go into the rooms. Well, I thought it applies here. So I'm walking around the fair. I'm with the FFA kids. I'm wearing the tie. They're all making fun of me. And it turns out, I didn't have to wear it. So I've got it off now for the hearing.

So from Senate Ag Committee, Anne Megaro. Thank you Anne. Melanie Reagan from the Joint Fairs Committee. Jeff Macedo from my staff is here. And then Bob Fielding from Tom Berryhill's staff is here. Also, we have John Chandler, who is the former committee staff member for the Ag Committee. He's been released. Or, he left Sacramento to come back and farm again. So we miss you, and we hope you're doing fine.

MR. JOHN CHANDLER: No tie! [Laughter]

SENATOR CANNELLA: No tie. Thank you very much. Also, we've got, I would say, two champions for fairs—great representatives from this area—Senator Rubio and Assemblymember Henry Perea. They're not here, but their staff is here. And so, we

have Esmeralda Soria from Senator Rubio's office, and we have Erika Cabrera from Assemblymember Perea's office. So thank you for your support and your bosses' continued support for the fairs.

Alright. So I'm going to go ahead and get into it, and hopefully our first witness will be here. Oh, he's here. Okay. I'm going to have an opening statement.

So welcome to the Senate Agriculture Committee's informational hearing on "The Future of Fairs in California."

Today's hearing will examine the current financial status of California's fairs and how they have been impacted by the elimination of funding from the Governor's 2011-2012 Budget. We will also discuss any updates to the Governor's comprehensive plan for California fairs and what actions have been taken, or could be taken, to provide alternative funding solutions to ensure the future of fairs in California.

California fairs have been in existence since 1854 and have since grown to encompass 78 fairs statewide. In 2009, they had a \$2.85 billion economic impact and provided 25,000 jobs. Today's hearing will discuss in further detail how these fairs have impacted local communities, engaged local businesses, and built partnerships to remain solvent and relevant in today's society. We will also discuss how fairs have responded to the absence of state funding and what actions they have taken to become more self-sufficient, as well as discuss the impact on the state if financially distressed fairs were to close.

I look forward to the informational discussion. And thank you for your attendance today.

For those of you who are interested in testifying during public comment period of the hearing, the sergeants in the back—that I introduced—will have a slip. If you can just fill out your name, and then when we get to the public hearing section, we will call you up.

So those are my opening comments.

Senator Berryhill, I don't know if you would like to make few comments.

SENATOR TOM BERRYHILL: Sure. First of all, I want to thank everybody for coming here today. I was talking to John Harris; he thought maybe it would just be the three of us here today, and, obviously, folks love their fairs here in California.

I had the opportunity to serve on the Stanislaus Fair Board for eight years, and during those years, some of the same problems we had then that we have now, which

is some of these fairs are sustainable, some of them aren't. I think it's very important that we hold these fairs together, that we don't lose them. This is an opportunity to link our urban and our rural kids together to educate urban kids as to what agriculture is all about. I think that's very important. Agriculture is the backbone of this state and this country, and we don't want to lose that link.

So I am looking forward today to the discussion as we look into how to keep this thing sustainable and keep these fairs around for the communities. Thanks everybody for coming.

SENATOR CANNELLA: Okay. With that, we'll call Mr. Houston. He's the Deputy Secretary for Legislation and Public Engagement at CDFA. Also, I'd like to recognize Mr. Houston—so he travelled from Sacramento. It's my understanding he got up very early this morning, so we thank you for your dedication and your willingness to be up here so early.

MR. JIM HOUSTON: Well, thank you. And I appreciate your patience. I had a little girl that was not happy to see her dad go this morning.

But anyway, thank you, Chairman and Senators. I appreciate the opportunity to come and talk to you about this very important issue and talk about a little bit of the background of what CDFA's role has been and sort of what we're trying to do now in light of the funding challenges.

I did think it was important to note that since the very early days of California we've had fairs. It was actually in 1859 that a general law was passed to allow the creation of local agricultural societies. Twelve of those were formed, and those entities were not part of the State. They were either private corporations or quasi-public corporations, and it became an annual practice of the Legislature to fund them. That practice, among others of the Legislature appropriating money to private corporations, was frowned upon, and in 1879 the Constitution was changed to prohibit such a practice. So, the folks responded by making local agricultural societies state institutions and called them District Agricultural Associations, and thus began our relationship with the fairs. And it's been a very good one. We're very ... certainly unfortunate that the funding crisis has necessitated the changes, but our enthusiasm for the fairs, our love for the fairs has never been stronger.

Personally, I think it's really neat. I grew up in Fresno—actually Clovis—so I spent many childhoods here at the Big Fresno Fair, so it's nice to come back home and give these remarks.

I thought it would be helpful to understand that for the vast majority of time, or that the fair has been in existence, they've been funded via the State. Most recently was the horseracing handle, and then a couple of years ago, they switched to the General Fund, which unfortunately was then pinched by the budget crisis and some tough choices that we had to make. We had to remove the 32 million of General Fund that supported the fairs. That cut is going to be felt differently amongst all the different fairs given their local resources and their budgets, etc. But, you know, we're very pleased with what we've seen in terms of the reactions from fairs. The local communities have really responded. We've seen a more entrepreneurial shift. We've seen nonprofit companies coming to fruition and trying to help with fund raise, and watching the communities respond positively has really been something that's nice to see.

So when the budget cut was made, the Governor charged us with forming a consortium to gather fair managers, District Ag Association members, vendors, personnel, other state agencies, pretty much anyone that we could think of that had to do with fairs. We wanted to get them in a room and start to try to tackle some of these issues. The first and foremost of our charge was to evaluate whether we should sell the fairs, the fairgrounds themselves, as a public asset, and that was pretty quickly dismissed as something that we should not pursue at that time for a variety of reasons. Chief among them was we wanted to try and save the fairs. We wanted them to... We thought they were important community assets, and we wanted the communities to have a chance to make sure that the fairs could become viable.

The second thing is that it's really difficult to ascertain the value of a fairground. Because they are so steeped in tradition, a lot of times, especially if they're state land, they're exempt from local zoning and ordinances. So oftentimes, as many of you may know, when you value land, it's based on what it's zoned for. So if it's zoned agriculture or if it's zoned industrial, etc., that's going to have an effect on its value. And so, determining the value of the fairground is contingent upon what that local entity wants to zone it for. So there's a little bit of speculation that's

involved. So at the end of the day, we decided it was best to try to pursue some alternative ways of encouraging fairs to be more entrepreneurial.

We looked at pretty much everything that we could. In addition to the property, we looked at personnel. We looked at contracting. We looked at other relationships that they could form—alternative governance structures, etc. And at the end of the day, we took sort of what the consortium had put together and tried to come up with a plan that we could present to the Legislature and the fairs industry that would get passed. That took quite a while. We had to go through our control agencies. So because fairs have been in existence for so long and the relationships have ebbed and flowed, there's a whole morass of regulations and laws that sort of govern what they do.

You know, there's two sort of primary things I think the State is concerned about. One is if they're spending public funds, then you want to make sure that those funds are being spent with a public interest in mind. And second, because they're state entities, the State can incur liability. So that if a fair engages in some—or some fair employee, or a fair board—engages in some sort of conduct, or if there's a contract that's entered into and someone can't perform and a lawsuit is filed and the State is found liable, then that's taxpayer dollars that would have to go and fund that liability. So the State wants to make sure that those liabilities are covered—the taxpayer funds aren't in jeopardy—and that proper insurance is attached to the contracts that are entered into. So anyway, we went through, and the most promising aspect in light of the reduced funding, or the elimination of funding, was to try and find some sort of contract relief for the fairs.

So under current law, all of their contracts essentially have to go through the Department of General Services. They go through their contract review, and that can be a slow process. And to their credit, the Department of General Services was very, very helpful. They understood the challenges that fairs were at. And when you think about the network of California fairs, there's a tremendous amount of diversity. I mean, you have \$7,500 vendor contracts, and you have multimillion-dollar entertainment and sponsorship contracts. So the spectrum is extraordinarily broad. But if you're not spending public funds, which now they're not, so everything that a fair generates is onsite. So they're through sponsorships, through ticket sales, through entertainment sales, etc. They're generating revenue and then trying to use

that revenue to pay employees, to keep operations going, and to make investments. So we worked with the Department of General Services, we worked with the Department of Finance to try and ... to make sure that whatever proposal was put forward was done so carefully and that all of the concerns on the periphery, the liability and the contract concerns, were taken care of. That took longer than we had anticipated, and it wasn't until late July, early August of this year that we were able to get something together that we could put out into the public sphere and be reasonably certain that it was going to pass scrutiny. So that happened.

We went to the fairs industry, we went to the Legislature and sort of presented our proposal. In addition, I should mention there was a proposal to alter the way that fair board appointees are removed, which, understandably, could have been rolled out better on our end. And I think there was some misunderstanding about what our intention was. So part of my purpose here is to clarify that.

We didn't want to make fair appointments subject to the whims of political fancy. The Brown Administration has spent a tremendous amount of time, more so than many governors, in vetting fair appointments and reaching out to communities to make sure that we get candidates and that the candidates are qualified and committed to making sure that the fair is going to be successful, it's going to be entrepreneurial, and most importantly, it's going to be connected to the community in which it sits. But regardless of all of that effort, there are still public interests involved. And a fair board member, as many of you who are and have served know, it is a public position and that you are serving at the public interest. There are Bagley-Keene provisions, and there is a certain amount of responsibility that is inherent in assuming such a position.

The mechanisms for removing fair board appointees who are not adhering to it or who are engaging in conduct that can make the fairs industry as a whole look bad—we wanted to try and address that because right now the mechanism is very weak, and so we wanted to try and explore a way to remove fair board appointees who weren't complying with the laws and the regulations. And just the end-of-session crush, that was not well articulated on our part, and I think that raised a lot of hackles and certainly didn't make our job any easier in trying to get this legislation through at the end of session.

And in addition, the fairs industry wanted ... had sort of not “given up the ghost” for funding opportunities. It was my understanding they’re exploring a variety of those opportunities, none of which obviously draw from the General Fund. And I think they’ll talk more about those today. We said then, and we continue to say, the Administration has no position on that. And we’re not necessarily in favor or opposed to those—and certainly, you know, in some sense, leave it up to the fairs industry to try and see if there’s the support for such a thing. And, you know, whatever at the end of the day keeps the fairs going and keeps the public trust is something that we very much are in favor of.

So, you know, I just really appreciate the opportunity to come here. This is a complicated issue. It’s an emotional issue. We really like the fairs. I like the fairs. I go with my family. I go to multiple fairs around the Sacramento area that I can. It’s just a wonderful experience. It’s wonderful for the children of the community, both with the livestock and the art. There’s just no other venue that has the community spirit that a fair does and provides opportunities for young people to learn about agriculture, to express their creativity, and to be celebrated by the community for their talent.

So like I said, I really appreciate the opportunity. I’m encouraged to hear ... I’ll answer questions, and I’m encouraged to hear what people have to say.

So with that, thank you very much.

SENATOR CANNELLA: Thank you. So does the plan you mentioned ... This is the comprehensive plan that we’ve all been waiting for, right? And I haven’t seen a copy of it. Has it been released to the public yet?

MR. HOUSTON: Yeah, we released it to the fairs industry late July, early August of last year, I want to say. So I can get you a copy. I’m sorry ...

SENATOR CANNELLA: Well, Anne just showed it to me. It’s pretty thin.

MR. HOUSTON: Yeah.

SENATOR CANNELLA: So is the entire plan just, no, that DGS doesn’t have to review contracts anymore—that’s all we’re going to do to relieve the fairs of the burden that the State may put on them?

MR. HOUSTON: Well, I mean, in terms of the statutory changes, there were two statutory changes. One is the contract relief; the second is the appointments. There are things that we are doing that are not statutory and regulatory, I believe.

SENATOR CANNELLA: Like what?

MR. HOUSTON: Essentially, I don't know the exact ... I want to say when we started this process two years ago the Fairs and Expositions Division had 12 people; now it has 2½ people. So what we did is ... There's no funding coming in for the Division of Fairs and Expositions, but we still have statutory obligations that we have to fulfill. So we really took a hard look at making sure that we were still trying to provide the service to the fairs that we could but with very limited resources. We tried to, in some sense, stop the bleeding for those funds, so we put some stops on how we were spending that money on staff and other resources to try and make it last for a while so we could provide staff and provide these services to see. Because regardless of what happens, for the fairs it's going to be a multiyear operation, implementation, going through the Legislature, etc., so we want to have a good four or five years of reserve in there so that we can see that through. In addition, we've been reaching out to our other partners, the other JPAs, that help service the fair industry to see if there are services that they can provide to the fairs in a more efficient manner and that doesn't draw down General Fund resources.

SENATOR CANNELLA: So you're saying you're working with them now. You're trying to determine if there's an ability to do that?

MR. HOUSTON: Yeah.

SENATOR CANNELLA: What's the timing, though, because we're up against a pretty hard deadline? Most of these small fairs were able to exist because of last year's revenues or last year's contribution by the State, and now we're getting out of fair season, and new fairs are going to start up next year, and they're in trouble unless we have a plan. And it seems to me, and I don't know how much of a hurdle DGS is on reviewing contracts, but I can't imagine ... That seems like more of a time-saving thing than a money-saving thing. Is that going to save the fairs money?

MR. HOUSTON: Yeah. We actually did a survey ... I mean, I'll be the first to admit it, it's not going to win any awards for its drama, but it does provide real relief to fairs, and that's what we heard from ...

SENATOR CANNELLA: What kind of relief? Like, financial relief?

MR. HOUSTON: Yeah. So we did a survey, and they basically put a monetary amount in terms of the money that they were paying to employees to fill out specific forms and meet certain requirements. Now those requirements are important if you're

spending General Fund dollars and if you're a state agency; but if you're a fair industry, that's spending in situ revenue. Maybe some of those things aren't as important. So there was ... We had a chart that essentially listed the amount of money that they were paying. So it would provide monetary relief, and it would provide some expeditious relief to them in terms of managing their contracts.

SENATOR CANNELLA: I agree. I understand that it would save a lot of time. I guess filling out forms—I don't know how that saves a lot of money. There are other things that I heard, for example, since now there's no more state money but the State still requires audits—they're very expensive. Did you guys look at eliminating the auditing requirement?

MR. HOUSTON: Yes. Well, that's exactly what we're reviewing right now. Because a lot of the language ... Well, I guess it would help to understand that we assumed—maybe naively—but we thought that we would get the legislation passed this year. We thought that the contract relief would go through, that people would be onboard with it, and it would pass and then some of the requirements that we had would not carry on into this year. When that legislation failed ... It never actually even got introduced, but we knew it wasn't going to get through, so the statute itself stayed the same. So what we had to do was reevaluate, "Well, okay, all of our requirements are still there, so in light of that, what do we do for this next year to see the fairs through?" And auditing is one of those provisions that we're looking at to evaluate to make sure now that you're not receiving these state funds—what are the requirements for auditing?

SENATOR CANNELLA: I just think, again, this has been a long time now, and it doesn't seem like we've done anything. We have a report talking about the Department of General Services and that's great. I can understand that would be a pain to hire people and go through DGS, but all these other things are really ... They cost a lot of money, and we're still talking about, "Well, maybe we'll deal with that." When will we have an actual plan, something that we can actually say, "This is going to save the fairs money; this is going to help the small rural fairs be successful; this is going to keep them solvent?" When will we have a tangible thing that we can give to the fairs and say, "Look, we took the money, but we relieved the burdens that we placed on you?"

MR. HOUSTON: Well, I mean, to be honest, I think you have that plan. If we had a magic wand to wave and we had more power than we do, I think we would like to put together something that could provide more relief to the fairs; but the fact remains that they're state entities, and we have state responsibilities that are inherent in that. So we can't just throw everything out because, like I said before, we would incur liability. So you know, for instance, an employee goes out and gets into an accident and it's a multimillion dollar judgment, who's on the hook for that? Not the fairs. You're going to bankrupt the fair on that, so who helps out? The State helps out. So that's a multimillion-dollar check that goes from the State, from taxpayer dollars, to help defray the cost of that accident. Well, we want to make sure that those types of things don't happen or that adequate insurance is in place to protect against those types of things, and doing that requires regulation. I mean, it requires some kind of oversight by the State. So the fact that they're state entities, the fact that the appointees are state appointees really limits what we can do in terms of providing relief because we don't have General Fund money to give them. So when you look at it, contract relief is, in terms of statutory relief, really the most promising place that you can go.

Now, we have been working with fairs to explore alternative governance options, to work with their communities to find nonprofits, to explore different leasing options. The Madera County Fair, just up the street, if you pass by, you know, there's a shopping center with a Lowe's in it; that's fairground property. Those types of things and those types of creative land use decisions can help augment the revenue for the fairs. In addition, we're watching all the fairs in terms of their budgets to make sure that they're going to stay profitable. We're helping them where we can. And from what we've seen, we've been really impressed with the way the fairs responded. The fundraising opportunities that they found in their communities, the sponsorships, the alternative uses of land to generate money have all been stuffed. Now folks are exploring, and I think, you know, it's certainly not ... they're not out of the woods yet. But we're certainly encouraged by the spirit of what we've seen.

SENATOR CANNELLA: Now you mentioned—just to follow up on the liability insurance and then I'll hand it off to you, Tom—that there's no funding from the State—which there's not. Who's paying the liability insurance right now? Who's responsible for that?

MR. HOUSTON: Well, in terms of the, like automobiles, it's ...

SENATOR CANNELLA: Well, just the million dollar injuries ...

MR. HOUSTON: ... a self-insurance pool that the fairs are currently engaged in so that ...

SENATOR CANNELLA: Fairs are paying for the ...

MR. HOUSTON: But we, the State, have supplemented that because there was an accident that was a multimillion dollar judgment; and the fairs' rates all got assessed at a much higher rate, and so the State stepped in to help augment that fund and provide relief to the fairs.

SENATOR CANNELLA: They're going to continue to do that?

MR. HOUSTON: Well, no. We did at one time, but in the future, we don't have any money to do that with. So theoretically, what you could imagine is ... There's a process called the deficiency judgment that we could try and go to the Department of Finance and try and get an appropriation specifically for that. But really, our hands are very limited. And so that's sort of one of the things that we're trying to ascertain and work with the fairs and work with our JPAs that help oversee them to make sure that if there are changes that need to be made that we make those and that these types of things don't happen.

SENATOR BERRYHILL: Would the Governor be open to some urgency legislation referring to the funding and liability and all the stuff that we're talking about today? Because I think Anthony makes a good point: If these fairs are going to take over all their own funding and all of a sudden they're still ... and we still have fees and, you know, audits and all the other stuff, I mean, these guys are going to be "under the gun" to try to stay in business. And so we've got to run these things as "skinny" as we can. I mean, we're very resilient in the farming industry and the fair industry, and I think we're going to be fine.

But we also, we've got to get government out of the way sometimes. I know that's very, very hard to do because we're so ingrained with each other—it's a partnership. But I'm certainly looking forward to being part of some legislation early on this next year that helps maybe with the funding. And we've still got some work to do, but I would hope that the Governor would be open to working with us and getting this done in a bipartisan way.

MR. HOUSTON: Oh, certainly. I mean, I can't speak to any of the specific proposals because they're not in word form yet, but if the Legislature saw fit to pass something in urgency legislation, I mean, we certainly wouldn't reject it out of hand. So I mean, I think that's one of the really important aspects of this is that it is incumbent upon the Legislature to pass these bills, and so they're a partner in this as well. So if they saw fit to put something down, I'm sure we'd ...

SENATOR BERRYHILL: Well, I think the Chairman makes a good point when he says we're coming up on a new year, all these folks have got to make plans, and I think we're going to have to do something relatively quickly to make sure that everybody—they're minds are eased as we move forward, and we know we're going to be able to keep these things sustainable.

MR. HOUSTON: Yeah. And I just want to clarify: We wanted to pass something by January 1st, and it was the fairs industry that stopped us. They wanted to pursue funding, and that's their choice. I mean, that's fine, but that was a decision that was made by the fairs industry to take a strategic step to pursue that this year.

SENATOR CANNELLA: But as far as ... To be fair, the reason that the fairs were opposed is because of the language to remove appointees at the Governor's whim rather than a four-year cycle. I doubt that they were opposed ...

MR. HOUSTON: I don't know if that's entirely accurate. I think that ...

SENATOR CANNELLA: Really? So you offered them and said, "Look, you've got this new contract thing"—which I think is significant by the way. I think removing it from DGS oversight is significant—they said, "You know what, that's a killer for us. We don't want to do that?" It seems to me like they would say, "Wait a second. We've got a four-year appointment." Now can you imagine if we said, "We're going to remove judges? Anytime a new governor is brought in we're going to remove the judges and let the new governor make an appointment." People get worked up about that. It seems like that would be the bigger problem than saying we're going to remove DGS from the process of hiring people.

MR. HOUSTON: Well, I mean, in terms of the level of consternation that the two proposals cause, certainly the at-will appointments cause more. I don't know that it's accurately characterized by saying we want the Governor to come in and wipe out fair board appointments ...

SENATOR CANNELLA: I didn't say that.

MR. HOUSTON: In fact, there's 147 appointees currently that are serving at will. Their terms are expired. They've been at will for the entire term, and nobody has removed them. It was really just a mechanism that we wanted to sort of make more robust, and we had ... I don't know if it's entirely productive to air the negotiations that we entered into in a public forum, but, you know, we were certainly open to the fairs industry to try and work on language that would work, and it was not so open-ended as at will. So we wanted to try and put some controls on it to make folks feel better, but the word that I got was they wanted to pursue funding, and since funding was not part of it, they didn't want to pursue anything. So it was not because you have at will we are going to oppose; it was more because you don't have funding, and by the way, we don't like the at-will thing either.

SENATOR CANNELLA: You know, there were a couple of proposals this year that were offered to try to help the fairs. One was Senator La Malfa. He had a vanity plate where someone could say, "Look, I want to have ..."—I don't remember the specifics—" ... an eight-lettered plate, and that money we can choose go to the fair." That died in the Department of Finance, or the Department of Finance was opposed, it was suspense ... For some reason, it didn't pass.

The other one was Senator Runner, which would ... It was the San Bernardino County would allow a JPA to operate that specific fair, and the Department of Finance had opposed that one because they were waiting for this comprehensive plan.

So I'm assuming that you guys said, "Wait a second, let's slow it down. Let us come up ..."

MR. HOUSTON: No.

SENATOR CANNELLA: No?

MR. HOUSTON: No. We didn't have ...

SENATOR CANNELLA: They didn't coordinate with you guys at all on that? It seems odd that they would say, "We're opposed to this because CDFR is preparing a comprehensive plan," and they wouldn't talk to you. It seems like ...

MR. HOUSTON: Well, I mean, the Senate committee killed the bill, not the Department of Finance.

SENATOR CANNELLA: But the Department of Finance had a big hammer, right? So we look at those types of things when we're analyzing bills and see who's in

support, who's in opposition. And when the Department of Finance says they're in opposition for a specific reason, then we look at that sort of thing.

So now that you've got your plan, are you guys going to ... Are you interested? I mean, does that make sense? Does it make sense, a JPA ... Does it make sense to maybe try to get some new funding? If people want to pay for a plate, to have that funding go to fairs, would that be something that you guys would be open to?

MR. HOUSTON: Well, as I said before, we don't have a position on the plate funding. There's a lot of details that have to be worked out. I mean, in terms of creativity, I think it is creative. I don't know how the Administration is going to fall on it. You have to work with the Department of Motor Vehicles. You have to work with the California Highway Patrol. So there are a lot of details that have to be worked out. So we don't have a position on that, but we're certainly open to discussing it.

And in terms of the JPA, yeah, we've worked with actually that ... San Bernardino, I believe, was the fair on 1253, and we're working with them right now. There's Government Code 6500 that allows fairs to form JPAs with their counties without having to go through legislation, and so they're taking that route. But we certainly didn't have a hand in those bills dying.

SENATOR CANNELLA: Okay. You said you think fairs have adjusted to ... They're doing fundraisers and various things. Are you aware of any fairs that are on the brink of becoming insolvent?

MR. HOUSTON: I guess it depends on how you define "on the brink." But there are certainly some that are on the margins. And I don't really want to reveal who that is because I want to give them an opportunity, and I don't want to create panic in their communities. But there are fewer than you would think.

SENATOR CANNELLA: There are a few in my district. They're struggling. They are barely holding on. And I think part of the problem is ... Look, I understand where you're making a choice between funding fairs and education. I understand the Governor's position. My only criticism is that we just pulled the rug out from under them, right? It's just, one day you have funding; one day you don't. And I know you guys have a lot on your plate. You're doing a lot. And we appreciate your hard work, and you guys have been terrific to deal with in all issues. But then we're waiting for a comprehensive plan, and it's delayed.

And now I hope that there's something that we ... there's some legislation that we can sponsor next year to give them some relief, but that takes a lot of time. It's not like we're going to offer a piece of legislation in, whatever, March and then it's going to be approved in April. It's going to take the entire year to work through and then be implemented probably in January of next year. So I think the clock is ticking. I think that we don't have a lot of time. And I think we have to go a little bigger than this.

Although this is great, I think DGS—that's a great first step. But I think we need to identify what does the State require from fairs that cost them money, whatever it is, every single thing and then say, "Okay. Is that fair to continue asking for that?" I think liability—that makes sense. We don't want the State to incur millions of dollars in lawsuits because the fair's not paying their insurance. But audits? I think I've heard some of the fairs—it's up to \$60,000 in the state audit, and these folks say, "This is just a waste of resources for us." So I think we've got to dig a little deeper. And how do we do that? I mean, how can we work with you in order to make that happen? Are you guys at the point right now where you say, "Look, statutorily this is it for us. We're done, and now we just need to get this implemented?"

MR. HOUSTON: No. I think in terms of the audits, I don't know that that's something that's going to take statute. I mean, we're literally in the process of evaluating that. But you know, you have to be responsible. The fact that something sort of seems like a good idea, makes sense—unfortunately, when you go and you start looking at the statutes and the case law that govern that and you start thinking a couple of moves ahead about what sort of impacts this is going to have, you just want to make sure that you're responsible in how you administer this. So the audits, we think that there is some opportunity to provide some relief there. We don't think that there's going to need to be a statute. But we just want to make sure that we're reading the statutes correctly and that we're being responsible about how we roll that out.

But I think it's important to understand that in some sense your tools are limited. I mean you do have ... These are on state lands; they're state entities; they're state employees; and so it is a complex issue. And so, trying to find an appropriate balance between oversight, because there needs to be some level of oversight, and entrepreneurialship is a balance that we're trying to strike. And I am the first to admit that it took a lot longer than we had thought. But like I said, we wanted to get

something done by January 1 of this year, and that didn't happen, and so we're sort of at where we're at. So if the Legislature takes it upon themselves to put something in an urgency statute and pass it, great! I certainly hope it's something that the Administration likes, and that's something we'll need to work with you folks on.

SENATOR CANNELLA: Are you talking about the proposal we offered or your proposal?

MR. HOUSTON: The proposal you would offer. I mean, you said you wanted to go beyond that.

SENATOR CANNELLA: I understand.

MR. HOUSTON: I mean, certainly we're okay with our proposal.

SENATOR CANNELLA: Now you are, CDFA is. Has the Governor bought into this scenario?

MR. HOUSTON: Yeah, that was approved by... Part of the reason that it took so long is the Governor wanted us to make sure that the Department of General Services and the Department of Finance were okay with that. You know, those are the agencies that are responsible for managing the budgets, for managing our liability, and managing our contracts and properties, so very important entities in the state and complicated issues that we needed to work through. So in terms of that proposal, yes, we have approval from the Governor's office. But anything beyond that, we're going to have to seek that.

SENATOR CANNELLA: And I know we've talked about this—the appointee for the fair boards, because these are very coveted positions. And in fact, I've spent a lot of time here with the fair board and past fair board members. And this fair is a great example of what can be done, and a lot of it is done by the fair board members. So is the proposal, then, to ... Give me exactly what the proposal is for the fair board. What exactly are you proposing to be done in this...

MR. HOUSTON: Do you mean in terms of the appointments?

SENATOR CANNELLA: Yes.

MR. HOUSTON: Well, I mean, that's a hard question to answer because we need to work that out with the fairs industry. So what we want to do is we want to find some mechanism that strikes that balance between oversight and ... We want them to feel comfortable in position. We value them. We understand that they're important positions. That's why we've spent a tremendous amount of time trying to

find and vet appropriate candidates. But, you know, I've spent my political career in agriculture, in much the same way, where the vast majority of farmers are good stewards of the land, are good to their employees, are great businessmen; and then, there are a couple of bad actors. And you're aware of the problems that sometimes those bad actors can cause.

We have a similar situation with fairs. It's a very, very small minority of fairs. The vast majority, over, overwhelming majority of fair board members are great public servants. They're committed. They're dedicated. They're an asset to this state. And when you hear stories of contrast gone awry or things not done in the public eye, it erodes that public trust, and it makes it more difficult for all of those good fair board members to do their job. So if there is some mechanism where we can say, "Hey, you've done X, Y and Z; that's not okay. We're going to have to remove you." You know, we've actually heard from fair board directors that support that—that think, "Yeah, we do need some sort of mechanism because this guy or this lady on our fair board is doing such and such, and they're making our job more difficult." So that's what we're trying to ...

SENATOR BERRYHILL: Yeah, is it fair to say ... I mean, this is your proposal that obviously ... it's got some people's interest on what you can or can't do. This is not necessarily in stone. I mean, this is a template for us to work off of as we move forward into this next year, right?

MR. HOUSTON: Certainly. I mean, that's your prerogative.

SENATOR BERRYHILL: So I think we can take this as we move forward ... everybody here can sit here and go, "Okay, this is just a proposal." And legislatively, a lot of times, things that you see in original bills ... what comes out the other end is completely different. And so what's encouraging is at least we have a starting point here, and we can move forward from there.

MR. HOUSTON: Yeah. I'm really confident. I certainly would have liked last year to have ended better. But the conversations that we've had ... I mean, I've met with members of the fairs industry, and the Secretary has met with members of the fairs industry; and everybody understands the need to get something done. And we're very encouraged by that, I think. We have a very important role to play, but in some sense, we had a more internal process, and we had a public consortium process, then had a sort of internal vetting process. And now, we're going to have a public legislative

process. And when you're in that role ... Our role is a piece of the pie, but there's a whole lot of other players: there's your committee; there's the Assembly Ag Committee; there's Assembly and Senate leadership; there's individual members who have interests related to their specific fairs. So there are a lot of folks who are going to want to have a say. And as Senator Berryhill correctly points out, these are just starting points, and what comes out the back end is often very different. And it's good, because it gives all those people an opportunity to have their input.

SENATOR BERRYHILL: Which is why it's good that you're here today and that we're talking about this.

MR. HOUSTON: Yeah, absolutely.

SENATOR CANNELLA: I hate to keep hammering this point, but I just want to understand. So I thought I heard you say this is the proposal; the Governor has bought off on it; we're going to start the legislative process. Then I thought you just said, look, you haven't worked out the fair board issue yet. So is it worked out and you're saying it can be changed in the legislative process?

MR. HOUSTON: Well, I mean, yeah.

SENATOR CANNELLA: So your proposal is to make them at will. The reason is because maybe that will help the fairs if you have in some fairs bad actors that have to be removed. I'm just trying to understand the point that you're making.

MR. HOUSTON: Yeah. I mean, I think the point that I'm trying to make is we still have some work to do with the fairs industry to make sure that they're comfortable with what we propose in terms of the appointments.

SENATOR CANNELLA: Okay. So you have your proposal, and whether they're comfortable or not, it's your proposal. And between now and by the time a bill is offered, you're going to work with the fair industry to say, "What do you think about this? Are there any tweaks that we should make?"

MR. HOUSTON: Yeah. Even at the late nights of session after it was first introduced and we had the first reaction and sort of realized, "Okay, yeah, maybe this could have been articulated better," we were open at that time to changing those contours. But you know how the end of session is; there just wasn't enough time to properly vet it, and I think it was probably the decision of, "Hey, let's try to do this next year." And there was talk of an urgency statute; that's certainly the prerogative of the Legislature. But I don't want to be presumptuous and say, "Hey, this is our

vote; take it or leave it.” I mean, that’s certainly not our intent. We want to find something that works, that the fairs members are comfortable with that lets them know that they are valued, and that there’s a proper level of oversight to make sure that the integrity is maintained.

SENATOR CANNELLA: What process do you have to work with the fairs? I mean, do you meet with the CEOs of the fairs? How are you doing that? What’s the mechanics?

MR. HOUSTON: Well, primarily, right now, we’ve met with the Western Fairs Association; we’ve met with their government affairs representatives. We’ve met with some of the JPA folks, like the CFSA (California Fairs Services Authority), to get their opinion. And we’ve had some email correspondence with CEOs and fair managers and some informal phone conversations. I believe they have an upcoming conference in, I want to say, November, so that might be an opportunity for us to have further discussions. So those are the means that we’re employing.

SENATOR CANNELLA: Okay. Great! Any other questions, Tom?

SENATOR BERRYHILL: No. Just to say thanks for coming today. I think we’ve got some ... we’ve developed some common interests here, and I look forward to working with you here in this upcoming year.

SENATOR CANNELLA: Yeah. Thank you.

MR. HOUSTON: Yeah. I really appreciate it. I look forward to it too.

SENATOR CANNELLA: Thanks for driving down. Alright. Thank you very much.

Alright. The next panel will be “Fair Impacts on the Local Community.” We have Melanie Curtis, 4-H Youth Program Coordinator from Fresno County. We have Mr. John Harris, owner of Harris Farms. So Melanie, would you like to go first?

MS. MELANIE CURTIS: Sure. Good morning, Senators. Thank you for taking the time to hear from me. My name is Melanie Curtis. I’m with the University of California Cooperative Extension, 4-H Youth Development Program in Fresno County. I know it’s a mouthful. I don’t usually go through all that. I just put it in perspective. And I want to talk a little bit about not just the impact of fairs to our program but to individual youth.

Thirty-something years ago, I was a little girl who went to a county fair and talked her daddy into buying a rabbit from a fair exhibitor. When the rabbit suffered

an early demise a few years later, I joined 4-H and was given my first show bunny. As a 4-H member, I went to lots of other county fairs and learned about competition and hard work. I met new friends and reconnected with friends I made at other 4-H events at previous fairs. I became a Kings County 4-H All Star, a California 4-H Diamond Star, an intern at the National 4-H Center, and eventually became the Program Coordinator for the Fresno County 4-H program. That one visit to a county fair literally changed the course of my life.

Fairs are key to 4-H because for so many youth it is their introduction to our program. They help keep youth motivated when working with their projects throughout the year. Fairs give youth an opportunity to showcase their projects, from animals to rockets, to the fair-going public. Fair exhibitors learn about working hard to accomplish a goal. They learn about the joys of victory, and they learn to be gracious in defeat. They work on selecting the best animals, training those animals and preparing them for exhibit. They test recipes throughout the year to select their favorites to prepare for the fair. They look forward to exhibiting their best arts and crafts, jellies, photos, quilts, and other projects. Our members anxiously anticipate the feedback from judges and the possibility of earning awards for their hard work. They cheer for their friends who do well and cheer up their friends who could have done better.

Youth who join 4-H so they can show a lamb or a hog at the fair go on to serve in key leadership positions in the county and state program. I have watched youth show their first lamb at the age of nine or ten, shy and unsure, grow into confident, competent individuals who at 15 or 16 can address a large audience with confidence and poise, plan events for hundreds of people, and serve their communities in ways that are meaningful and creative.

While many in our society have grown so disconnected with agriculture that they seem to believe that tomatoes grow in the produce aisle and hamburger shows up magically in their meat department, youth who exhibit at county fairs not only can identify the sources of food but have actually participated in the food production process. They have raised fruits and vegetables from seed, raised animals for meat, prepared and preserved foods. Furthermore, they help to educate others about agriculture and food and fiber production through their exhibits, educational displays and personal interactions with fair patrons. I think we can all agree how important

that is because when people don't understand the importance of agriculture bad policies get made.

Fairs help 4-H to grow by offering opportunity to showcase our organization to our members. Fairs help our members to thrive by giving members goals to reach for and the opportunities to achieve them. They are integral to the work we do in 4-H, and the work we do in 4-H has a great impact on our members and their communities.

Thank you.

SENATOR CANNELLA: Alright. Thank you very much. Mr. Harris, I don't know if you've got a few things to say to me, but maybe we can ask some questions.

MR. JOHN HARRIS: Should I go ahead?

SENATOR CANNELLA: Yes, please.

MR. HARRIS: I'm glad to be back here at Big Fresno. I first came here—my grandparents lived about two blocks west of here—I was about seven- or eight-years-old. We walked down to the fair with my grandfather and looked around and came into the horseraces and picked about three winners in a row ...

SENATOR CANNELLA: And the rest is history.

MR. HARRIS: Yeah. This was a pretty easy racket. [Laughter] So I never left. But the fair is such a great melting pot of interests and people and does so much for the community. I was talking to John Alkire, and he said that they employ over 1,200 people here, and most of these people are people that wouldn't really have a job if they weren't working here. And I guess they've got about 7,000 when they had their job fair to recruit people, so it's a big part of the work in the area. But the main thing is that a lot of people, the first-time job owners, would never really get into the job market absent something like this.

And the part that I mentioned, I'm interested in, the horseracing is a whole additional aspect of job employment because every horse that races represents a lot of people behind it—that raised it, or groom it, or own it, or whatever. And racing is a viable part of the fair, and it makes money for the fair. They were operating previously under a structure that I somewhat helped change, that they didn't get their fair share of the pari-mutuel dollar. The way it works is if you're racing today, you as Fresno are the host for all of Northern California; so if someone wagers here, they can wager on Santa Anita, but the money stays here. So it's a good system—that originally the money was going to the Northern California track which at that point was Golden

Gate. So I'm glad we got that straightened out. But racing is a tough business in general because we're competing in so many other forms of gaming, especially the tribal gaming which doesn't really pay any taxes. And California is a great place to raise horses, and we can compete, it's just expensive to get them here. But racing goes back in California to pre-Gold Rush days, and part of the provisional purpose was to fund the fairs when racing was basically illegal for a while. And then it got reauthorized in 1933, and the funding was going to the fairs—and then that's diminished or it's been lost—but I think the fairs can make it on their own.

As has been mentioned, we need to do anything we can to energize the fairs and their management. They have some good boards. There was some discussion on the board—was a contentious part of the legislation, I guess. But I've never met a fair board member that I didn't feel was dedicated. And I've been on some state boards. I was on the California Horseracing Board. When you're on a board, you fill out so darn many forms, you know, like conflicts of interest and disclosures, and you've got to know about the open meeting laws and all this. So if there's a bad actor on there, I think there's ample methods that can be used without just appointing somebody and replacing them if they want to stay on.

Because the Big Fresno is a key part of the whole Northern California circuit—last Friday, here, there were 10,000 people just at the races; there were a lot more at the fair. There were 10,000 here, and Santa Anita had 2,900. I mean it's pretty amazing, the proportion of how many more people we've got here than the tracks. Which is one of the problems racing has, is it is attracting a live audience, and a lot of people are home watching it on TV or something, perhaps. But Fresno really gets them out, and it's a first-time experience for a great many people, like it was for me, and they'll keep coming back.

And Fresno is also a great example of community involvement. I mean, John Alkire has been a real ... we've been really blessed to have him here, and he has a real strong board, and they think of something different every year. I don't know how they keep coming up with all these ideas, but they've done so many improvements. Just walk around the fair; a lot of things you see here you wouldn't have seen five or ten years ago, and that's what keeps people coming out. And it's such a great melting pot. You'll see about every possible ethnic group, every possible language, and they're all doing the same thing, which is great. It's not like you get all this group over here and

this other group over there; they're all mixing up. So I mean, I don't know if I'm for social design particularly, but it does work here.

I think the fairs do need to stand on their own. As part of the financial discussion, I think they can make it. And Fresno has been sort of fortunate because they kind of got cut out of the family inheritance years ago, so they haven't been getting much money anyway. So if all the state funding goes away from Fresno, it basically is not going to have any impact on them.

But I think what the State can do, and I think they've got to be prudent in the way they do it, is look at what barriers are created to running a good fair. As I understand, there's some controls on contracts and hiring, and there's a lot of things, hoops they've got to jump through. That obviously they've got to run a good business and they've got to abide by all the labor laws and all that, but they are really held to a different standard than any individual business might be, and I think that's one way to cut cost without really impacting any of the quality. They just need the latitude to do whatever it is they want to do.

I don't see much money in the state. I mean, it's sort of like they're talking about in the debates about PBS. A great service, but can we afford to borrow money from China to keep Sesame Street on? Well, we really can't. A good part about it, maybe they can make it on their own in the same way as the fair. A lot _____ fairs aren't making it, and Fresno makes money. But that's what we've got to do, is encourage them to make money and be innovative and get great management and a great board like they have but then let them free to do what they need to do.

SENATOR CANNELLA: Alright. Well, thank you very much. Do you have any questions, Tom?

SENATOR BERRYHILL: Well, no. Just a comment. I thank you both for coming here today. Gosh, I know growing up for me, all the kids were in 4-H. We all did the sheep and the cattle and the bunnies and everything else, and I can't imagine not having that opportunity for our kids. So I think, John, I agree with you. I think this is an industry that's very resilient. I think that we're going to get through this thing. I think we're going to probably be better off with government out of our hair when this thing is all said and done.

I think back to Jim's point earlier, and I think he articulated that this is a complicated transition from public to private, if you will. And I think that there's a

pathway here for us to come out at the end of the tunnel whole. And I certainly look forward—I know the Chairman does also—about keeping this thing whole, keeping the fairs healthy and running. I look forward to being a part of it. Thanks for coming.

SENATOR CANNELLA: So, you know, part of the fairs, I think one of the neat things about the fairs is the outreach to the kids. I had breakfast with the FFA, and I think it was the 4-H kids today, and it was terrific. I think seeing them here showing their animals, I think that gives them a real education on the way things work and responsibility. I think it's a great outreach to the kids, and I think we need to continue that.

And I think Fresno is doing fine. And hopefully under the stewardship of the board and everybody that contributes and the CEO, I think it will continue to do that. But not everyone is in that great a shape. Some fairs ...

MS. CURTIS: I grew up in Kings County and the Kings County Fair is very important to me. The Stanislaus County Fair is very important. They're all important to me because the California 4-H program is important to me, and the FFA program is important to me. And I know that we rely on fairs throughout the state to help keep our programs healthy.

SENATOR CANNELLA: So what happens if a fair goes away? What opportunities would these kids have? Again, understanding Fresno is fine, but some of these other areas that are struggling, what's going to be the impact?

MS. CURTIS: I think it varies from county to county. For some counties, that actually makes a tremendous impact on their entire program. Because for some counties, their main source of funding for 4-H events actually comes from their county fairs. They do these milk barns and cake booths and those kinds of things, and those generate thousands of dollars that then allow them to do everything else they do throughout the year. Fresno County, we're lucky we're not quite in that position, but certainly members would lose out on their only real opportunity for entrepreneurial-type projects. They learn how to run a business when they exhibit at the fair. And then maybe that doesn't sound evident to just anybody, but if you've ever seen the process, especially if they do a livestock project, you know, they have to have a business plan going in. They have to ... most of them have to get loans, whether it be from the "bank of mom and dad" or from an actual bank or a USDA loan program. They learn how to market their project. You know, not very many people graduate

from high school already knowing how to do marketing. 4-H kids and FFA kids know how to do that. So that would be an opportunity that would be lost. But I think for all of our members ... How many kids actually have the opportunity to make something or do something and then show it off to thousands or tens of thousands or hundreds of thousands of people? And kids who exhibit at fairs, whether it be livestock or anything in the still exhibits building, actually have that opportunity. We can replicate some of that process, like the judging and the feedback and the awards and some of what we do in 4-H, but we could never replicate the full fair experience with our very limited resources in 4-H and FFA. So I think it's tremendously valuable to the work that we do and, again, not just here in Fresno County but through all of our 4-H programs statewide.

SENATOR CANNELLA: So you think the fairs and their impacts and what they do is critical to developing the leaders of tomorrow—in agriculture especially?

MS. CURTIS: Absolutely.

SENATOR CANNELLA: So it would hurt tremendously for these ... some of these counties. Look, again, Fresno, it's a big county. There's a lot of opportunities here. But when you go to some of these smaller counties, the fair is it; that's all they have. And these happen to be, by the way, the fairs that are struggling. So we've got to do something. Otherwise, how are we going to train these kids to do the things you mentioned? Because I think that's a tremendous impact to the community.

Mr. Harris, you know, one thing we're talking about, we're trying to ... We grilled CDFA a little bit, and now we're hearing about what the community does. Next, we're going to talk to the CEOs about what they're doing. But a big part of being successful in the future is people coming alongside the fairs and contributing to help them be successful. And you have been there. You have done that. So my question is, just so we can pass this on to other fairs: what made you want to be a part of the fair? I mean, what about this fair made you believe in it and made you want to contribute financially to it to help it be successful?

MR. HARRIS: I think mainly that I could see that it was an important part of the community, and it had an outreach role to agriculture—a tie to agriculture. People could come in and, you know, look at watermelons to milking cows to whatever. It's an opportunity to get a lot of people looking at aspects of agriculture. And I just felt that they needed some money, and we should help them out. But their budget

is... They've got a critical mass though. So, you know, you may give them five or ten thousand for something, a relatively small amount of their budget, but it kind of puts them over the top to do something. So it's just, I believed in their mission, I guess, was the main thing.

SENATOR CANNELLA: Well, great! Well, that's all the questions I have. Thank you very much for your testimony. Really appreciate it.

The next panel will be "Ensuring the Future of California Fairs." And so, we have Rick Pickering, Sandy Woods, Stephen Chambers, and John Alkire.

MR. STEPHEN CHAMBERS: Well, good morning, Mr. Chair, Senator. My name is Steve Chambers. I'm the executive director of the Western Fairs Association. I'm really glad that you had this hearing today. We really appreciate it. I want to make sure that you get time to talk to people who are doing the job and running the fairs, but I just wanted to start off with just a couple of quick comments. I have an unusual job, so I've actually been to every California fair during fair time.

SENATOR CANNELLA: It sounds like a lot of fun actually.

MR. CHAMBERS: I'm the luckiest guy, you know, there's no doubt about it. And I've had this job for quite a while and really enjoy the fairs—small, medium, and large. As you seem to comprehend, there really are big differences. We're here at the Big Fresno Fair not just in name only. This is one of our larger fairs in the West and very successful, and we appreciate them hosting this today.

But I just felt that it was important that I start off because I think that even though back casting right now is kind of something that I don't want to spend too much time on, but I do realize there are different perspectives.

One of my favorite authors, William Murray, had this line once: he said, "The truth is just one man's understanding of what happened." The last couple of years have been very difficult for us because we were caught by surprise. As you pointed out, Senator, 100 percent reduction right out of the gate with little or no warning for a pretty large network of fairs was quite a shock to us. And so, we spent the first year, almost all of 2011, working with Secretary Ross and her consortium, which we really appreciated her forming. And many of our members, a lot of whom are here in this room, got together and looked at all kinds of different solutions for fairs, including emergency transition funding, some kind of bridge to the "new world," and regulatory relief for the District Ag Associations. So once that process was over, we waited for

months, and there was never any report that came out of it. We realized the department is one of many agencies, and they have their own bureaucracy, and they not necessarily get to speak on behalf of the Administration. But once we realized that there was going to be no results from that, we started this year with our own group. And the deputy general manager of this fair, by coincidence, Stacy Rianda, was the chair, and they worked specifically on regulatory solutions. And so, we came up with best practices; we came up with a comprehensive solution, we think. It wasn't just about contracting; it was about contracting, auditing, procurement, use of property, a whole variety of things that we identified that were barriers to the District Ag Associations.

Let me stop right here and mention too that only 54 of California's 78 fairs are District Ag Associations. So when we say "comprehensive solutions," we want to look for things that impact the entire network, not just the 54 that are very important to us that are the state agency fairs. But we have 24 true county fairs, two citrus fruit fairs and—of course, both of you living in Sacramento know—we also have the California State Fair. So we were looking at comprehensive solutions, working with Assemblymember Fiona Ma, working with Senator LaMalfa, working with others, you know, bipartisan as we could be. We don't play the partisan game. We tend to work with rural legislators, although Assemblymember Ma has been very interested in agriculture, hardly a rural legislator, but we were glad to have her participate as well. And we were very close, we thought, to essentially putting that comprehensive solution before you as decision makers in the Legislature. And we've been working with the department. We felt we were keeping them apprised. And they did come. We realized it's difficult for them to get permission to move forward on legislation. You guys know what that's like. Getting a preapproval from a governor on a bill is very difficult. So at the last minute, a week before you returned to session, they came back with essentially a very small piece of the pie from our perspective—contracting relief. We're appreciative, but a small piece and the requirement that all 496 fair directors in California become at-will appointees. Now we realized ... Since then, we have talked to them. We talked to Secretary Ross. We've talked to Mona Pasqual in the Governor's office. They fully understand. I believe that wasn't their goal, to politicize fair boards and to make them subject to ... you know. As we told them, we don't know who the next governor is going to be, and we don't want a world in which every fair board is

swept in January after a governor's inauguration. That wasn't going to work for us. I think they understand that now. But the fact is that at the time, that was their proposal. And as Jim correctly pointed out, very late in the session it's hard to get things back on track.

We were interested in continuing funding. And we have had the Governor tell us that he has no position on the license plate plan that started in Senator LaMalfa's office. We consider "no position" something, then, to talk about. That's not the same as a "no" to us. And so, we continue to believe that there are comprehensive solutions out there.

I have to tell you; we envy the situation the state park system is in. We see the state parks getting regulatory relief to become more entrepreneurial, but they're also getting emergency funding to help those parks who are struggling with the transition.

We believe that it's important to sustain the network—all 78 fairs. You'll hear later today in public comments from lots of small businesses in California that where they love being here at the Big Fresno Fair ... they can't wait for the Big Fresno Fair. They rely on many other fairs—small, medium and large—to sustain those businesses, to employ those people, to generate the taxes they generate.

I also have to say that every expenditure of government dollars has an economic impact. If we just walked down the street and handed out hundred dollar bills from the General Fund, we could track an economic impact. As people spent that, it would at least generate sales tax as they bought things.

The Department of Food and Agriculture's own study shows a 5:1 ratio of all the years that they were funding fairs, a 5:1 return to the State—a direct return in tax dollars, not an inflated economic impact multiplier. If you just go to the Board of Equalization and track the sales tax generated on food sales, the income tax generated by employees, fairs are a tremendous investment for the State. If we thought fair funding would take money away from law enforcement, health and welfare, education—the other important programs in this state—we wouldn't even think about asking for it. We believe fairs generate and support those things. Education, community resources, we think are very important in that regard.

I just wanted to say, we're very excited about this hearing and look forward to, again, coming back with a comprehensive solution. It can't just be about contracting.

It can't be just about funding. We have to take a look at the whole picture, and we're very pleased that you're willing to start that process with us.

With that, I don't want to get into ... you know. I'll be here for questions, but I want you to be able to hear from fair executives.

SENATOR CANNELLA: And we'll do that. Just a quick question. When will you have a proposal that you can share with us?

MR. CHAMBERS: Well, you know, we had a bill actually in print. And I'll talk with our advocate, Louis Brown, and that will be on your desk the next time you're at your desk. But we were combining, essentially, the work of our Governance Task force on regulator relief for the districts, and, frankly, we felt we made some progress on the license plate concept. This is not a charitable plate. We know those are cool, but they're a very difficult way to generate revenue. This was basically expanding California from its current seven plate limit on a vanity plate to eight characters, which is done in many other states. We've already talked to the DMV about it. Law enforcement is okay with it because currently commercial plates are eight characters. And so, this was a significant potential new revenue stream. We think it would be significant because once you go to eight characters it opens up to commercial plates. And just our industry—the carnivals, talent agencies, food and beverage concessioners, just their fleets—if you were to take their existing commercial plates and put them to what are called “vanity plates,” they would actually use them for marketing and put their business names on them. We think that could be a great revenue stream for fairs, for the State of California and others. So we would like the opportunity to continue that conversation.

We also want to look at all other alternatives. I mean, there was a time when horseracing funded fairs, for decades—almost 80 years. But a lot of other things happened, primarily the growth of tribal gaming. We think the tribes do a great job, and many of them support fairs, including this one. You can't go to a fair with a tribal casino nearby where the casino isn't participating in the fair. At the same time, the growth of tribal gaming has definitely impacted fair funding. Their success caused a lot of harm to horseracing. And essentially, our original proposal, we never asked for General Fund dollars. When we were moving out of horseracing, when horseracing was sliding down the “slippery slope”—as the late Senator Ken Maddy would have called it—we were suggesting expanding tribal gaming as it came online, as new

money came in, that that would be a great source because it was mitigation. It made sense. You know, there's a cause and relationship there. That didn't fly. The Legislature in its wisdom said, "Hey, we're going to come in and keep fairs whole with General Fund money until we find something new." Well, it's time for us to find something new because the General Fund money isn't there. And we don't even expect to go back there, but we want to have all other things on the table.

SENATOR CANNELLA: Did the Administration tell you why they just discounted all your other proposals as far as auditing and contract ...

MR. CHAMBERS: You know, we were working ... this was literally a matter of days, and they came back to us with a proposal that we've actually never seen the Leg Counsel version of that was pretty much focused on contracting relief.

SENATOR CANNELLA: I just saw it today.

MR. CHAMBERS: Well, I'd love to see a copy. And, you know, really know it was kind of like, "Hey, this is what we can do right now." And again, we know that Secretary Ross and her team care about fairs. This \$32 million cut wasn't \$32 million that was just going to fairs; it was also supporting their department. So they're struggling as they try and figure out how to deal with these issues.

I also just have to point out: The fairs do self-insure for general liability. I think what Mr. Houston was talking about is there's one gap in there which is vehicles. We'll probably talk about that a little later here on our panel. But our general liability—whether it's carnival rides or all the other things fairs do—we've been self-sustaining on that for decades now, and I think the California fairs do a great job on that.

SENATOR CANNELLA: Okay.

SENATOR BERRYHILL: This is a quick sidebar. This thing happened late. Looking back, this thing didn't have a chance of getting through. What was good about the proposal, even as late as it was, it got us here today, and it's got us all talking. We know it's urgent. We know that we've got to fix this thing. We're going to do that. You know, now we're on top of it, and it's going to be on the front burner as we move in to this next year. It's a good thing.

MR. CHAMBERS: I agree.

SENATOR CANNELLA: Alright. Thank you.

[Silence. Panelists shuffling.]

MR. RICK PICKERING: He's saying we can call him back at the Chair's discretion.

SENATOR CANNELLA: I know, Stephen. I'll have more questions.

MR. PICKERING: Honorable Chairman Cannella and Senator Berryhill and distinguished guests, my name is Rick Pickering. I'm the CEO of the Alameda County Agricultural Fair Association, which is a fancy name for the fair in Pleasanton in Alameda County. I'm also the chair of the California Fairs Alliance, which represents all fairs in the state of California, the DAAs, the county fairs, and the nonprofit fairs. By way of background, my first career in life was city management in Southern California—as fascinating as it is—and then moved to the Orange County Fair, which is a very successful district agricultural association, before moving to the Alameda County Fair, which is a very successful nonprofit corporation.

But when I came to the Alameda County Fair, it was bankrupt. There had been a shooting in 1998, and that caused attendance to plummet. Sponsorship fell through the floor. Finances fell through the floor. And everyone said, "What are we going to do now?" We didn't come to the State of California and asked to be bailed out. But we were a nonprofit on county-owned land with a board of directors of 26 local entrepreneurs and leaders. And what we did was, we picked ourselves up, and we moved forward. And since that shooting in 1998, we've had a 125 percent increase in revenue. We've had a 44 percent increase in fair-time attendance just in the last four years, and that's because a fair is local. The fair builds a stronger community at the local level—whether it's a 4-H program or a FFA person learning character development or, in our case, this year we packaged 100,000 meals for our community for an emergency; and we're storing them at the fairgrounds. We had our county declare us as the alternative county seat in the event of a disaster, in an emergency in Oakland. We're the number one employer of intercity kids from Oakland. And we go out, and we do that just because we're not just building character education for children we're building character education for communities into the future.

This year we had 12,000 formal volunteer hours donated to the fair from people out there and other nonprofits because they believe the fair is local and is very, very important. And I share this from a nonprofit model in that we do competitive audits,

we do competitive bidding. We have six meet and confer contracts that we have to handle on a regular basis due to horseracing. We do things in a business manner in a fish bowl. We file taxes with the State of California. Anybody can go online and see what my salary is. They can see our operating budget of \$20 million that used to only be \$8 million. And again, I'm not pointing out that we've been successful because we're a nonprofit, but state agency has some challenges.

When I was at the Orange County Fair, we had three purchasing agents. I moved to the Alameda County Fair. We built up a \$20 million budget. We have one purchasing agent because we don't have to file the forms in Sacramento—which we didn't know where they went when I was at the Orange County ... We knew how to get them to Sacramento, and we paid a fee to get them to Sacramento, and then we didn't know where they went from there. So on that clear example of contracting, I still have to contract to the public fish bowl, and I've got all the unions in Alameda County watching my construction projects. I have political leaders watching my budget. The board of supervisors reviews that budget every year.

The more local a fair can be, the more successful it can be. When the community—as you see here in Fresno—when the community believes that they own the fair—because they do—they come out, and they rally, and they support it. When they believe that it's a piece of state property and the decisions are being made in Sacramento, it's a little tougher sometimes because the attitude can be “let's let Sacramento solve it.”

You asked a question on insurance. And I've been president of the California Fair Services Authority a couple of terms. The fairs are probably the only state agency that's been told “go buy your own insurance and insure state-owned property.” The fairs have to pay their own unemployment insurance for all of their employees, while the State picks up unemployment insurance for other state employees. The fairs, although they may feel as state agencies they have vehicle insurance, they don't. They're paying into a Sacramento pool managed by the State of California, and when there's an accident ... Like this \$3 million settlement, that \$3 million is divided up amongst all the state agency fairs, and they all have to pay their apportioned share. Fortunately, when we had the \$32 million, the Department of Food and Ag stepped in and helped pay part of that. That \$32 million doesn't exist anymore. So if there's an accident today on this fairground, as a DAA, involving a vehicle, and there's a \$3

million settlement, there is no state insurance pool for that vehicle. All the DAA fairs in this room will be assessed their portion of that \$3 million settlement. That's the definition of vehicle insurance that the DAA fairs have. I'm a nonprofit. I competitively bid vehicle insurance for my actual vehicles that go off grounds and drive on public streets. The DAA fairs pay a fee to the State of California that they call "vehicle insurance" for lawnmowers, for things that have wheels that never leave the property, but they're paying a fee on it. So there's an economy of scales. There's differences. When you have to function like a government, you also get rewarded ... I'm sorry. When you have to function like a business, you also have the opportunity that every extra penny you generate you put it back into the property to serve the people.

So wearing different hats here today and having different experiences, we want to thank you for taking the time to listen to the industry, for asking the difficult questions. I've heard you say a couple of times today, how can you help us? And we want to say the same thing back to you: "How can we help you?"

We're hearing a little bit of revisionist history on how we got to where we are today. I think that just happens as part of the give and take of the legislative process. But again, the fairs have been self-sufficient because we generated money in license fees on horseracing for 80-90 years. When that funding license fee was taken away from fairs two years ago, three years ago, we were dumped into the General Fund as a temporary holding mechanism. In those budget—let's call it the "budget jail"—but in the budget negotiations that year, fairs were told, "We will move you, \$32 million into the General Fund until we find, or you help us find, another revenue source." But two years later, as part of the last-second budget negotiations, \$32 million is cut. As you've aptly pointed out, 100 percent not cut but 100 percent gut, with the State of California walking away from its responsibilities for 54 properties that it owns saying, "You guys go figure it out on your own."

To me—I have three wonderful sons—if I looked at my children and said, "You're going to kindergarten today. I hope you have a successful life. Go figure it out. Here's an empty lunch kit. It looks nice. And when you come home tonight, we're going to ask you to start paying rent. We're going to ask you to pay the car insurance, to pay the house insurance, all these things, but we're not going to give you any tools." So the concept of a sliding scale moving into the future, of you gentlemen

supporting the legislation after the first of the year and showing leadership, we do appreciate all of those types of things but know that the fairs already have a phenomenal high level of accountability because they're local. People can write to the newspaper here and criticize the fair. They can come to a fair board meeting and say you're wonderful or you're terrible. Local is where it's at, and that's the key to the accountability factor.

For my board of 26, they know somebody is going to show up at a fair board meeting and say you did it right or you did it wrong. We want to be part of the team, part of the solution. So we would encourage you, everything you can do to give relief at the local level, that's fantastic. Some people say, "Well, you come from larger fairs and you're involved in horseracing," it's just a scale. People are still wonderful. People are still challenging.

We have some smaller and medium-size fair managers here behind me that would like to say a few words today too.

But if you look at Alameda County, which many people don't believe that we're an agriculture county anymore ... Mallory Bankhead, who is one of our FFA young people just a few years ago, she's now the national beef spokesperson coming out of Alameda County. Alameda County had the first district ag association in California, which many people knew as the "Festival of the Lakes." We had the nonprofit fair board operating, buying the racetrack, and operating the fairgrounds. The first district AAA went bankrupt—state agency. The Alameda County fairgrounds is a nonprofit. It has roughly 300 acres. We're financially self-sufficient. So there's just two models in the same county of one being very challenged and one, by the grace of God, has been very successful because the community supports us.

So I know you had asked me to be available to answer questions about nonprofits. This really isn't about nonprofits; but it is an example that when you give local people the ability to make local decisions in a timely manner they're going to be successful because they're local.

SENATOR CANNELLA: Just a question. I'm sure we'll have questions for everyone. So you have a fair that is actually ... The ground is owned by the county, right?

MR. PICKERING: We, the nonprofit, bought the racetrack, bought the property back in the 1930s, deeded it to the people of Alameda County in the 1940s, so it's

under the jurisdiction of the County of Alameda. We contract back with the county as a nonprofit management agency. Everything you see on the fairgrounds was paid for by the nonprofit without any government financial support.

SENATOR CANNELLA: So that's different than some. Some are still on state lands. And so, what has the interaction been with your fair and the State since they don't own the land that you operate on?

MR. PICKERING: Well, I submit my budget to the State of California. All my payroll goes to the State of California, and the State negotiates any collective bargaining agreements with any of the folks that I touch—that comes my direction. I participate in the insurance pools in ... the bona fide insurance pools with California Fairs Services Authority, and I purchase my workers' compensation for about \$9 million in payroll through that pool. My property insurance is purchased through the pool with the California Fairs Services Authority. The entire network ... Butler Amusement, which plays this fair, plays the Alameda County Fair, but they can't play Alameda and then wait four months for this fair to open up. There needs to be a network. Many of the small businesses here in this room, they need to go from place to place to place. They're a transient business; but when they're here, they hire locally, they spend money locally, and they invest locally. So that network is very important to us.

SENATOR CANNELLA: Was the State giving Alameda Fair any money from the General Fund before it was cut?

MR. PICKERING: For the two years of the General Fund, we qualified as a level-7 fair for \$30,000 of financial support. But the State did, with that \$32 million, help support the insurance pools from California Fair Services Authority. And I benefited from that as a nonprofit

SENATOR CANNELLA: So now they were giving you \$30,000; they're now giving you nothing. And what would you estimate, all these mandates that come down from the State ... what does that cost you per year to meet all those?

MR. PICKERING: You know, I'd rather put it on a sheet of paper and give it to you and be accurate than just grabbing a number.

SENATOR CANNELLA: Just roughly. Give me a ballpark. Is it \$10 million? Is it \$1,000? I mean, just the economy of scale—roughly.

MR. PICKERING: I don't think I can give you that ...

SENATOR CANNELLA: Is it more than \$30,000?

MR. PICKERING: Well, there are some large fairs in California that offered not to take the \$30,000 if the State wouldn't regulate them.

SENATOR CANNELLA: So now you're in a position where ... This is very interesting because you are not on state lands; you do not get any state money; you have a nonprofit that operates it. I would say the State does nothing to assist the fair, and yet, you still are obligated to meet all the requirements that any fair that... if they got all the money from the State ...

MR. PICKERING: Well, there are government code sections that require a county fair to submit a budget to the Department of Food and Agriculture. So what I do, I have ... My finances are business finances, entrepreneurial finances, so there's P&Ls on a lot of things that—everything we do, actually. At the end of the year, I take all that wonderful entrepreneurial information and squeeze it down and make it fit in the State of California budget format, which my board of directors can't even read because it's not entrepreneurial. It's "make it fit in this box." And we ship it to Sacramento for Sacramento to say, "You're an A+ fair." That's just a small example of filling out the paperwork ...

SENATOR CANNELLA: Well, I would like to know if you can determine how much these mandates cost your fair, and what does that cost per year to meet all those ____? And we'll have more questions, I'm sure.

Good morning.

MS. SANDY WOODS: Good morning, Senators. I'm Sandy Woods. I'm the president of Western Fairs Association and the CEO of California's most beautiful fairgrounds, the Nevada County Fair, which is the 17th District Agricultural Association.

I appreciate the opportunity to speak today regarding the future of fairs in California. Quite frankly, given the elimination of state funding combined with the excessive governmental regulations and oversight which have resulted in additional assessments to the fairs, I have serious concerns for the future of many California fairs.

Last June, I believe, the Secretary of Agriculture, Karen Ross, convened the Fair Consortium, which you've heard about this morning; and the purpose was to explore the fairs' issues of funding, governmental oversight, and seek possible administrative

solutions to assist the fairs. At the culmination of many meetings, the network of California fairs looked forward to the department's recommendations to the Governor with hopes that they may be resolutions to the serious issues facing the fairs.

This morning is the first that I've seen a paper of the report from the department, and seen it from a distance, Senator.

With no forthcoming recommendations, the California Fairs Alliance, which is a subsidiary of Western Fairs Association, created an alternative governance task force which has been very effectively chaired by Stacy Rianda, the deputy manager of this wonderful fair (the Big Fresno Fair), and I've co-chaired that task force with her. Our purpose was to develop guidelines and recommendations to assist the DAAs. The task force developed recommendations based upon the following premises:

- First, the responsibility of all fairs is to serve the communities responsibly and be good stewards of the assets.
- Next, the governance of DAAs is vested in local boards of directors appointed by the Governor of the State of California who provide the governmental oversight to the local fairs.
- And lastly, the fairs need to embrace responsible management in an increasingly entrepreneurial operating style to provide cost-effective oversight administered at the local level.

The task force compiled a list of best practices recommendations which focused on the following key areas: fiduciary stewardship, contracting, purchasing, asset management and reporting.

Some of the issues facing the fair industry can only be solved through legislative efforts. An example is that the fairs—and we've discussed this a bit this morning—are required by statute to have an annual audit. The task force recommends that local boards will require an annual financial review performed by a professional—previously paid through the Fairs and Exposition Fund. The Audit Department, through the Division of Fairs and Expositions, quoted our fair \$12,000 for an annual audit. We issued an RFP (request for a proposal) for financial auditing services, and we are having a local CPA firm perform the annual audit for a cost of \$7,000, with a financial review every other year for a cost of \$4,000 a year, which is half the cost of having the State Audit Department audit our books. Our plan is to then turn our audit report in to the State Audit Department.

We need legislation to allow us to seek audits outside the State Audit Department.

Another example is the ORIM Vehicle Insurance Program issue that Rick has very colorfully presented to you. Again, the fairs are required by statute to pay a vehicle insurance assessment to the Department of General Services, the Office of Risk Insurance Management. Here's an interesting example, and I think it paints a picture for you:

We have one vehicle that we frequently put out on the road. We have two other vehicles that we very, very occasionally use for dump runs. Our ORIM annual assessment will be \$18,238 which covers 22 vehicles which include lawnmowers, golf carts, and portable generator light stands. We can't afford paying that kind of money for an assessment which doesn't even provide us insurance coverage. We question whether we actually have the coverage. In fact, I communicated with the Department of General Services within the last two weeks questioning if this is an insurance pool—where is the pool, and why didn't the State go out and buy umbrella insurance to cover a catastrophic vehicle accident—and suggesting that perhaps the fair industry should be allowed to go and get commercial insurance coverage to cover the liability in the case there is a catastrophic accident. The Department of General Services indicated that if we did pick up commercial insurance there would still be the vehicle insurance assessment upon the fairs. We need legislation to solve this problem. The fairs of California cannot be paying \$18,000+ for essentially one vehicle out on the road. It doesn't make good common sense, good business sense.

Recently, the Little Hoover Commission issued a report that supports the goals of increased local oversight of DAA properties. A conclusion of the report is that without funding local associations are on their own to manage state-owned properties. The State should address the creation of alternative ownership arrangements, such as joint power authorities or public benefit corporations that would keep the property in public hands but allow greater local control and autonomy in managing the properties.

Currently, the fair industry is experiencing somewhat of an implosion of the Division of Fairs and Expositions. There are 2½ employees, and in conjunction, there appears to be minimal interest from the Department of Food and Agriculture. Essentially, there is no governmental leadership providing direction or strategic alternatives to the network of fairs.

While funding is critical to the survival of many California fairs, a significant reduction in governmental regulations, fees, and oversight is critical, allowing the fairs to be more enterprising in their management while vesting oversight in their local boards of directors. We're hopeful that there will be successful legislation in the near future that will accomplish these critical goals.

And I thank you so much today for this hearing and our opportunity to express this to you.

SENATOR CANNELLA: Thank you. I'm just curious on the State Auditor, is that the department that was in charge of auditing the State Parks Department? [Laughter] Thank you.

MR. JOHN ALKIRE: Good morning, Chairman Cannella, Senator Berryhill, distinguished members of the panel. Thank you for the opportunity to speak to this legislative panel on the future of California fairs. I've been involved with fairs all my life, and I'm proud today to represent the Fresno Fair and the California Authority of Racing Fairs. We're in the middle of our fair here in Fresno so I'm sure you'll understand that my remarks today will be very brief.

I'd like to offer some opening thoughts on the connections between horseracing, fairs, and California agriculture, then close with some suggestions about the future.

Fairs have a grand old tradition of horseracing in California going back 150 years to the days of the Gold Rush. When pari-mutuel wagering came along in the early thirties, the fairs embraced it like an old friend. Drawing on that tradition, fairs and horseracing share a long political heritage reflecting a balance of interests that have served fairs, the racing industry, and the public well since 1933.

For generations, the Legislature has recognized the common agricultural connection that links the breeding of horses, fairs, and horseracing. Until recently, the Legislature designated California fairs as a vehicle to distribute some of the economic benefits of horseracing back to local communities and to the agriculture secretary. Revenues derived from horseracing help sustain the California fairs' mission of public service and support of agriculture for many, many years.

As chairman of the California Authority of Racing Fairs, I'm proud to be able to report to you today that in the 25 years that CARF managed horseracing matters for fairs we have helped fairs earn \$295 million in state wagering, satellite commissions,

and helped generate an additional \$350 million in license fees to the California Department of Food and Agriculture.

We know that legislators holding hearings like this one today want to know the needs of their constituents. In that spirit, we respectfully request that the Legislature consider the following three recommendations:

1. Help fairs protect our horseracing franchise. Horseracing and satellite wagering has been a major attraction and source of revenue at fairs for over 150 years. Horseracing also sustains thousands of jobs in California. We want the horseracing industry to prosper so that fairs can continue the alliance that has supported our mission of public service and the support of California agriculture.
2. Deregulate fairs and allow us to conduct our fairs more like a business than a state agency. SB 16XX took away horseracing license fees that supported fairs and transferred that responsibility to the General Fund. Now, the General Fund support has been eliminated, threatening survival for most fairs. We know that the State doesn't have the money for fairs. We understand that. We suggest a different approach and that approach is to take off the state handcuffs and give us a fighting chance to survive.
3. Give fairs an equal opportunity for new revenue sources from gaming, such as internet poker and sports wagering. For years, revenue from pari-mutuel wagering on horseraces has gone to support fairs and their mission of public service. As times change, technology has brought us new forms of gaming opportunities. These new opportunities can create new revenue sources that will support the network of California fairs in the future.

Thank you for your interest in fairs and for the opportunity to address this legislative panel on matters so important to us. We hope to work with you closely in the future. And thank you, again, for taking the time out of your busy schedule.

SENATOR BERRYHILL: Yeah, John, I have a question on horseracing. Horseracing has been in fairs forever. My parents were involved with it. I was involved with it for a while here a couple of years ago myself. It's been a frustrating ... The horseracing phenomenon with the fairs, with the tribal gaming that has expanded so much, has been very, very frustrating for me because as we try to build relationships between the two of you ... It's been very difficult.

As we move forward, because we don't want to lose horseracing in the state of California—as you mentioned, it provides so many different jobs for so many different people; it provides so much revenue—a couple of suggestions from you on how can we better bring revenue, how can we better protect horseracing? And you brought up the internet poker. You're certainly at the table there. I would encourage you, as we move forward, getting closer to consensus on a bill to make sure that your folks have their act together and are absolutely at that table as you move forward. Because this next year, you know, they're very concerned about the feds doing something that then cuts us, California, out of all that stuff. So there's urgency at the state level to do something with internet. Now, if we haven't been able to get consensus because everybody seems to be fighting this thing ... but I know that horseracing is at the table. We have certainly tried to be there to help protect you. But as we move forward, anymore suggestions on how we might help horseracing and revenues for them?

MR. ALKIRE: Just a few. Number one, Chris Korby and Louis Brown are sitting at the table with the internet poker folks currently, as you're aware of, and we're at the table, and we're dealing as hard as we can. We need your support.

A few suggestions: The herd is diminishing—the amount of numbers of horses running. So we need to infuse some money back into the thoroughbred racing entities to help stimulate and motivate people to breed more horses.

Secondly, we need to work on some tax shelters, in other words, to protect our racing franchise. All the tax shelters have gone away for investors. People that want to invest and get involved in the game again have taken a lot of ... A lot of those shelters have gone. So shame on us for letting that happen because investors want to get involved, but there's no shelters, so we need to provide that.

The distribution of satellite wagering dollars needs to be different. Two percent is not enough. It's not even close to running one of our facilities. We're very fortunate here at Fresno; we're the only facility that runs two satellite wagering facilities in the state of California, one downtown across from the courthouse and then one here on campus. But it's very difficult to run these operations at two percent. So that's where we need some help—help the industry and the thoroughbred industry and even in the quarter horses. We need to get right down to the grassroots and build the basement.

That would be a few suggestions, Senator.

SENATOR BERRYHILL: Okay. Thank you very much. And, Rick, for you and Sandy and everybody else, you asked us how you can help us: stay at that damn table.

And I think it's been brought out today, when we're trying to get a comprehensive plan that keeps everybody happy, when you drill down a little bit, it seems at 30,000 feet, it seems like a pretty easy fix; and it never is. And as we drill down today, to do something that's urgent and do something quickly to fix all this stuff is going to be a difficult lift. And so, we've got to have your expertise.

I know, Rick, when you started running Alameda, how much were you upside down at the time, and how long did it take you to get back into the black?

MR. PICKERING: We had an \$8 million budget in 1998, and we owed \$9 million, so we were upside down. We'd actually bounced a couple of payroll checks and some premium checks. We now have a \$20 million operating budget and grew horseracing up to a \$100 million a year operation. Again, when you're operating on a two percent margin or a one percent margin, you don't get to keep a whole lot of that \$100 million. So we've come an awful long way. It's the community, and it's the support, and it's building things back in. We're blessed with the intersection with 580/680, and we do have the East Bay population. But on the other hand, we had two racetracks we competed with, all the activities in San Francisco and Oakland, and seven professional sports teams. So even though you've got a population, you have to go out and endear yourself to that community.

I think what you're hearing from a number of fairs is they're already networked in their community, but when 100 percent gut of just a small level of support, they can't overcome that in a year or two years; they need a period of time. So part of the answer to your question is: it was a long hard road to recover from a shooting which led to the financial disaster.

SENATOR BERRYHILL: Yeah, you know what, I was put on the Stanislaus board in 1996, I believe; and when I went on that board, we were upside down. And I can remember management is everything. And I can remember back in the day when we'd had two entertainment venues out at the arena, and we were losing money right and left. And I can remember sitting there one day with Ray Sousa, and Ray was out there, and I said, "Ray, in four years we can bring this doggone back to just even." I said, "We are heroes."

What we did on our board is we made a management change and brought in Tony Leo—God bless him—and within a year—I mean, it was unbelievable—within a year, because he reached out to the community, because he knew what he was doing, we were in the black in a year. It was unbelievable how you can turn these things around. I don't know how many fairs that we've got in this state that are really in critically bad shape, but I mean, I'm a true believer. I've seen it. You can turn this stuff around.

I, also as a businessman, understand that government can very much get in our way and takes away our flexibility and everything else.

Now the horseracing part of this equation is critical. We've got to keep you guys healthy. So as we move into this next year, and certainly before, we can start on this right now and should be. We'll be talking to Louis, I'm sure. But we need to put something forward because it's going to take a little bit of time to get from point A to point B this next year. And I think urgency legislation is probably going to be needed. But again, you've got to get it right. So stay at the table. And I think together, this is exciting.

MR. PICKERING: Thank you very much, Senator. And you heard from Jim a little bit earlier; the Department of Finance can do deficiency finding. And a year and a half ago, the Department of Food and Agriculture was working on a roughly \$8-\$9 million nut as a deficiency finding. And we don't know what happened to that, whether it made it to Finance or the Governor's office or how it died. But that \$8-\$9 million would have helped with insurance. It would have provided some baseline funding for Class 1 to 4 fairs, and it would have kept some fairs on life support while we look for a solution, so that still might be an opportunity.

And then Troy Bowers, Mr. Chairman—Troy Bowers is the fair manager to the Amador County Fair, which is a much smaller fair, but they have done a phenomenal job of endearing themselves to their community and finding new ways to keep their doors open. And if you would indulge us for a moment, could he address you?

SENATOR CANNELLA: You're not part of the panel, and so if you could move through it quickly, that would be fine, because we still have questions, and we have public testimony as well.

MR. TROY BOWERS: I'll be as brief as I can. Thank you so much for the opportunity to speak before you today. My name is Troy Bowers. I'm the CEO of the

26th District Agricultural Association. I'm a second-generation fair manager. My father was the fair manager at the Kings District Fair for more than 20 years.

The Amador County Fair is located in the Gold Country along Highway 49. We're about 50 miles from Sacramento. We might as well be on another universe out there.

Right now, we are planning our 75th anniversary, and I'm reminded of the generations of families who have given talent, time, and treasure to build and maintain what we believe is the number one small county fair. When you enter through the gates at our fair, you experience what the California Legislature had in mind in the 1850s when they created agricultural societies, later to be known as District Agricultural Associations. They wanted to promote agriculture, develop technologies to learn about how to build this wonderful ag economy that we now enjoy, and they wanted to recruit people for agriculture.

Today, we remain true to that vision. The Amador County Fair is the premiere market and fundraiser for local businesses and not-for-profit. Future Farmers, 4-H-ers, Boy and Girl Scouts all count on the Amador County Fair for their major funding efforts. We grow leaders at the Amador County Fair. Kids are learning business skills, generating funds for their education by participating in junior livestock projects, young women are developing confidence and poise while competing for the Miss Amador Scholarship competition. There is so much more to be said about that.

Last year, we lost 100 percent of our stag funding. That meant more than \$200,000 gone, almost more than 30 percent of our operating funds. Our challenge was to prepare a budget and plan to meet our challenge. The first 100,000 was fairly easy to find; 60 percent of the CEO's salary went away. We reduced the remaining two full-time employees (an office technician and a maintenance worker) by 25 percent each. We raised our gate admissions, made deals with our not-for-profits, shifting funds from their scholarships and community works to benefit the fair. We created a 501(c)3, asked our sponsors to step up, and asked for help from everybody to pull weeds, paint, anything we could think of to help. We reduced our prize money by 30 percent, asked more from our exhibitors, raised parking fees, and aggressively marketed the fair to out-of-county visitors. We were successful. We did it. Nobody coming to the fair knew what we had to do to produce the annual summer gathering.

Great weather and good luck helped. We snuck in between two heat waves. There were no major incidents or accidents that we had to deal with.

We're stabilized now, and we're trying to figure out a way to give more hours to our two former full-time employees. Right now, they're stuck on 1,500 hours, and there is no provision to go from there unless it's full time, which we can't afford. We're stuck, but we're going to figure it out.

We look forward ... We're confident that the Amador County Fair will be around for your grandchildren's grandchildren. We worry about the next catastrophe, what it will do to our operation. A heat wave, a fire, an accident, we don't know; but we're going to be here, and we're going to fix this, but we need your help.

Thank you.

MR. ALKIRE: Chairman, one final comment. I think it's important to recognize that we are on the "slippery slope" relative to racing, but there is some light at the end of the tunnel. There is an opportunity for us to make lemonade out of a lemon situation. Think about it: We're in a good position with horseracing because the private tracks aren't in that much better shape than we are—if not worse. Bay Meadows is gone, Hollywood Park is on their way out, and who knows about Golden Gate Fields. One minute they're going to sell, one minute they're not. So I think as far as positioning, California racing fairs are in a strong position to eventually take it all over. We'll be the only place to run. Think about it: Del Mar, L.A., Fresno, Pleasanton, Santa Rosa, Cal Expo, and Humboldt; that's a lot of racing. That's a great network, and there is a future. But we need your help.

SENATOR CANNELLA: So I'm pretty frustrated, honestly. We've been waiting for over a year for a comprehensive plan. We're given ... This is the first I've ever seen it, and it has two items. One is to remove the board members at will, and the second is to have contracts go through the Department of General Services. I don't think that's enough. I think we've waited a long time for this.

My question is: how much will that save the fairs by not having to process whatever you have to process through DGS? Is that going to save money?

MR. ALKIRE: Oh, boy! Yes. Staff time.

SENATOR CANNELLA: Will it?

MR. ALKIRE: Yes.

SENATOR CANNELLA: Significant?

MR. ALKIRE: Significant.

SENATOR CANNELLA: Okay.

MR. ALKIRE: Every day we get emails from DGS: “You’ve got to do this; you’ve got to do that; don’t forget about jumping this hoop. Oh, by the way, send this form.” I have one and a half gals in the office; that’s all they do, is jump hoops for DGS. That time could be productive doing something more positive.

SENATOR CANNELLA: This proposal, which some of you haven’t seen ...

MR. ALKIRE: I haven’t seen it.

SENATOR CANNELLA: Okay. So this proposal that’s been unseen—and I’ve just briefly looked at it—if that, in fact, does remove the oversight of DGS, that will save a lot of money?

MR. ALKIRE: That would be a tremendous first step. And if the department is upset with a couple of directors at Orange County, then let them deal with that on a one-to-one basis. Don’t take a broad brush and paint us all that way.

SENATOR CANNELLA: So you could understand if there was malfeasance or something involved? You should have a method to remove board members. Is there a method now to remove board members?

MR. CHAMBERS: Right now, Senator, I think the department is correct and the Governor’s office is correct on one thing: the laws are weak in terms of district ag directors and removal. Right now, besides existing statute about commission of crimes and stuff for any state officer, when it comes to fair boards, the only rule I’m aware of or statute is simply missing three unexcused absences in a row, and fair boards rarely vote to excuse absences. And we have met, since the kind of end-of-session “train wreck,” with the Governor’s appointments team, and we’ve got some ideas, they have some ideas about something besides simply blanket at-will appointments.

But I also have to say that—I mean, you’ve said several times and you too as well, Senator Berryhill—this is a complicated problem, complicated transition the fairs are being put through, and it requires a complex solution. It requires a comprehensive solution. Yes, DGS problems will save money, particularly for the larger fairs that have a lot of contracting. That’s why I thought it was really important that you meet Troy. Because frankly, of the 78 fairs in California, his is far more

typical where their budget cut has been 30 percent of their budget, and they have created short-term solutions. But frankly, those aren't sustainable solutions.

To expect Troy to retire, which is essentially what he's done—he didn't explain it very well, but he retired—and he goes back to work as a 25 percent paid retired annuitant. Well, I'm sorry. I'm not watching his time sheets, and I doubt he's filling them out, but I bet you he's working full time. That's not a sustainable solution for that fair. And there are a lot of fairs in that position. So we need more than just simply working with DAA boards.

Also, as Rick has mentioned, we have 24 fairs, some in your district, that aren't District Ag Associations, and we still need to do things ... but many of them are in the same problem, and it's not just state mandates. So we need a group. We thought we were moving forward with the department, again, on a comprehensive solution. At the last minute, we got a small ... and again, we wouldn't say no to that. We'd love the contracting relief. But wow! The list is longer than that just on the administrative side.

SENATOR CANNELLA: I thought Mr. Houston said you did say no.

MR. CHAMBERS: No. We said no to the at-will appointees.

SENATOR CANNELLA: Okay.

MR. CHAMBERS: We said no to the at-will appointees and that ...

SENATOR CANNELLA: So it wasn't the fact that there was no funding associated ... so regardless of the funding, if that at-will business was taken out or modified, you would have said yes?

MR. CHAMBERS: Yes. If they'd come with us and negotiated some changes in the appointments, sure, we would have ... We realize you do building blocks in the Legislature. How many times has there been cleanup legislation to the previous year's bill?

SENATOR CANNELLA: Regrettably, a lot.

MR. CHAMBERS: Yeah, regrettably, a lot. But sometimes, you know, sometimes that's drawing a process out, but sometimes it's also just the way it works. You start with small pieces of the puzzle. But we felt that we were the ones who had a bill that was ready to go in print that was much more comprehensive and primarily about regulatory relief. And so, anyway, we don't want to go back too much time there, but we do want to move forward, but we need a comprehensive ...

SENATOR CANNELLA: Well, we have a year and a half to go back if we want to, right?

MR. CHAMBERS: Right.

SENATOR CANNELLA: We could go back a long ways.

MR. CHAMBERS: Right. Exactly.

SENATOR CANNELLA: And we haven't gotten any further I would argue. How many fairs—and some of you are involved in bigger than just your own fair—how many fairs are struggling? What percentage of fairs are at risk of closing their doors? Do you know?

MR. CHAMBERS: I think it's hard, you know. Unlike parks, which are centrally managed, so the parks are able to come out and say, "Hey, we're going to close 31 parks or whatever their number was." We just did a simple formula two years and just looked at any fair that had seen more than 20 percent of its budget gone as a result of this instant removal of all fair funds as putting them at risk, and that gave us 29 fairs. At the same time, you know, you never know what's going to step up in a community—just like the parks have seen. You know what I mean. We don't manage fairs' budgets at the local level. We don't know what kind of reserves they have. We don't know if a John Harris is going to step up and write a big check or something like that. He's probably running out the door right now. I think he's actually offered to fund all 29 of those—no [Laughter]. So that was a tougher one for us. But it's a challenging time.

Ironically, one of the things that's helped us is the last couple of years we've been really strong. Fair time, if you take out weather and things like that, we are so outperforming the rest of the economy when you realize how many businesses have gone under, how many things have been challenged in this recession. And yet, you know, right now, we're making the Governor's plan look good because not a single fair has gone under. At the same time, what Troy was saying was, we are moving deeper into risk, and you started with that. You recognized that, Senator, with the fact that the funding is just now ending for fairs, and there's no safety net. Most fairs, small fairs, generate 70 percent of their revenue during fair time even if it's only four or five days long. Fair time is profitable. You have two years of rain in a row, for most fairs, even a lot of medium to larger fairs, if they were to have two bad years in a row with no state safety net for them, they're going to be in big trouble. And I think we need to

look at that. The Legislature asked Secretary Ross that question many times, and they never came with an answer as far as what fairs are most in jeopardy and things. And so, that's got to be part of your concern. I know it is already.

SENATOR BERRYHILL: I mean, really, some of the bigger fairs I think are in better shape. In my district, I've got just a tremendous amount of rural areas and little fairs, and those are the guys that, boy, these cuts just hit them right in the stomach. So I mean, those are the ones that I'm certainly concerned about. And hopefully, in this comprehensive fix that we're going to have, we can help those out and we can somehow come up with a safety net to keep these fairs going.

MS. WOODS: I think it's important to note that historically the allocation from the Division of Fairs and Expositions, the larger allocation went to the smaller fairs. So the Class 1, 2 fairs were receiving significant sums to supplement their budgets; whereas, our mega fairs, our big fairs were receiving smaller allocations, and in some instances, they would turn around and donate it back to the network of California fairs. So our smaller fairs are in more financial jeopardy to begin with, with the elimination of the funding. But the other thing is, these fairs are rural fairs. They're not sitting in major commerce areas, so they don't have the opportunity for interim rentals and additional businesses. You know, it may be a wedding here and there, but they're not throwing big concerts and conventions and whatnot. I think it's fair to say that the Class 1 fairs certainly are in jeopardy, probably the Class 2 fairs also.

SENATOR CANNELLA: Okay. Well, I think we just need to do a big fair bill. I mean, really, thank you CDFA for one part of the bill, maybe two, if we can work out this at-will business and then develop some of these other ideas that you have. Because look, I'll be honest, I voted against cutting the fair funding. However, I think if we're talking about kids and public safety, I think was mentioned, of course that's going to come before fair funding. It just is. I think most Californians feel that way. However, if you're going to cut the funding but keep all the mandates in place that make it to where you can't be sustainable, that's outrageous. That is ridiculous. And when we're arguing about insurance business when that's really not the issue—there are a lot of other issues that we need to work through, and that's something we need to do right away. I think we need to sponsor legislation as soon as possible—the first of the year—that deals with the bigger solution to this issue. Otherwise, we're going to be talking next year about how we lost 30 percent of our fairs, and it will be in the

communities that can least afford to have those hits in their counties. And it's going to be a bad thing.

Alright. Thank you very much for your time. I appreciate it.

So now we've got public comment. And what I'm going to do just because we have a lot of folks that want to speak, I'm going to limit it to two minutes. So when you come up here, you don't have to thank us for being here. Just get right to the point because I will cut you off at two minutes. And I'm sorry I have to do that, and a lot of people don't like that, but I'll do it.

So what I'm going to do is I'm going to call the first five people up, and if you can make your way to the podium, and then we'll just kind of go down the order. That will be great. So I have John Vasquez, Lynette Rawlings, Jim Hall, Greg Swanson, and Ernie from Theater-16, I can't read your last name.

MR. JOHN VASQUEZ: I want to start out by saying thank you for being here. But anyway, I apologize. I thought it was a sign-in sheet. But I am a county supervisor and I also sit on the, what used to be the CCA. I'm chairman of the California Finance Authority. And I'm really an outsider, not involved in the fair industry other than I've participated for a number of years in the State Fair in the county exhibit. But I do view the importance of the fairs, and that's why I'm committed to working towards the preservation of the fairs. As everyone has stated already, they are important to each community. And the bigger fairs will survive. But what I think we need to do is support the network and do whatever we can.

The industry has been looking at how it needs help, and I think the legislative fix is necessary in order to do that. I would go all the way back to Prop. 3 in 1933 where the commitment was made to fund the fairs through horseracing, although that industry has suffered; and it's been very well pointed out and articulated, some of the needs for horseracing, what they need in California.

But again, thank you.

SENATOR CANNELLA: Alright. Thank you, Supervisor.

MS. LYNETTE RAWLINGS: I'm Lynette Rawlings. I'm an owner of Rawlings Concessions. We sell food at fairs. My family has worked in the fair industry in California since the 1940s. My granddaughters and grandsons are the fifth generation of fairs. As a small business owner, I hire from 3 to 10 people per season. They're employed. They have worked for me throughout the years and have been part of my

extended family. I not only feel responsible for them, but I feel responsible for their welfare.

Fairs are family's families in many ways. Because most of the fairs I work are small fairs, probably 13 to be exact, that becomes even more apparent. I have been lucky enough to be able to come back to the same communities year after year and have seen families grow and witness firsthand the impact on the communities.

When I am working at a fair, I become a member of that community. I buy supplies there. I purchase gas, my own groceries, and other necessities. My employees do the same. I also pay for permits, taxes, and whatever goes to the State and local governments.

Funding for fairs is so important—and I know you understand that we small businesses are a tremendous source of income for the State of California—under the tradition of fairs in the state is the right thing to do.

Thank you.

SENATOR CANNELLA: You were almost perfect on your time. Alright, Mr. Hall.

MR. JIM HALL: I also have a wardrobe malfunction. I left the tie in the truck. I'm Jim Hall. I'm the president of CalPRO, which is all the California portable ride operators that are involved here. There's no way I can do this in two minutes, but I'm going to try to be as quick as I can.

With the fact that all the smaller fairs that I keep hearing about, we're talking about, they're absolutely needed in the framework of carnivals being able to come and attend at each one of the fairs. You take out some of that routing, and you'll have a major issue of a problem that carnivals can't stay continuity to. And no matter whether it's a Butler Amusements, which I also happen ... a member of management, but there's various other carnivals that are in the CalPRO that all are going to have a problem. They're going to be impacted if we suddenly lose 29 fairs.

As far as the challenges of the regulatory, which is the really ... I need to try to jam this in two minutes, and I can't ... We had a big issue with DOSH (Division of Occupational Safety and Health) where they just simply wouldn't hear tell of the fact that we couldn't take anymore increases in their fees. They did a backdoor job and got the fees rammed through before we played the Indio fair, forcing us to bring them to court and talk about an injunction to stop this increase of—believe it or not, 400

percent-plus was the increase that they had put out there. And in so doing, their comments were simple, and it was that we should pass that on to the consumers. You can only imagine what it would cost to ride a carousel with a 400 percent increase plus. That would affect all of our contracts with our fairs. And the biggest thing that shot them down, because we did get the injunction, was that they did it backdoor—they did it illegal. One of the things that they didn't do, and they said they did, was contact the fairs.

SENATOR CANNELLA: Alright. Thank you, sir. Appreciate your time. Greg Swanson.

MR. GREG SWANSON: Good morning. I'm a fair partner. I've been one for about 43 years. And I own and operate a business called Event Food Services. Our main contention is that ... We do a lot of the smaller fairs and we also work with the larger fairs, and my thing is that we have a route that we run and these small fairs are so important to our total picture. And not only that, but we go there year after year, and they appreciate that we're there, and we appreciate that we're there as well.

One of the things that I'm concerned about is I've been hearing a lot about communities and going out to the community. And I think you're looking for some solutions and ways of trying to help these small fairs—and I'm talking about small fairs themselves—is I don't think a lot of the committees in small fairs really know that their fairgrounds are in jeopardy. I really think that there needs to be some sort of communication that goes out to these fair communities to let them know that their fairgrounds are in jeopardy and allow some sort of a vehicle to be presented to the communities so they know that the fairgrounds are reaching out to them and need some help. And I think it's very important.

I think if the Governor pulled all the funding they have a responsibility to put some money out there to help these fairs, help sustain them, at least to let people know what their jeopardy is in.

Thank you.

SENATOR CANNELLA: Thank you, sir. Ernie from Theater-16.

MR. ERNIE GUDERJAHN: Guderjahn is my name.

SENATOR CANNELLA: Okay. Yes.

MR. GUDERJAHN: You're going to be hearing a lot of facts about fair funding now and in the future, and I'd like to take just a second to touch on the truth. The

truth is that you cannot quantify a human experience. The effect that one human being has on the lives of another is measured over the length of an entire lifetime. If we examine our own lives, we would never have been able to predict which experiences would have driven us to what it is that we do today. The fair is not an event, it's an experience. It's an experience that encompasses all the aspects of life: it's human, it's social, it's multicultural; and even more importantly, now it is multigenerational. It's the way that we pass on the social fabric of our society from one to the other. The truth is that no fair is so small that it should fail because no human experience is so insignificant that it does not impact all of humanity.

SENATOR CANNELLA: Alright. You should be a professional broadcaster there.

So the next five: Chance Boeger, Chris Borzvansky, Erika Cabrera from Assemblyman Perea's office, and then Ms. Soria ... _____ I have no confidence left to pronounce names, so you know who you are. Come on up, please.

MR. CHANCE BOEGER: Hello, sir. My name is Chance Boeger. I'm with Happy Day Pony Ride, Incorporated. It's been a family business my father started, and we've been in business for 53 years. My brother as well as my sister also runs pony rides throughout the state. Just my one ride employs anywhere from six to eight employees; but when you take into account our family, our one pony ride supports 38 people. Some of our employees have been working for us for up to 25 years. And they keep coming back because we provide a constant job source; and that's because when we leave to start our route in April, we are going solid all the way up to the end of this fair.

When you look out that window, every single stand that you see is a small business. It is owned and operated independently. We all have our employees, and a lot of them are just like family to us.

Really quickly, I want to point out that during the course of our route I was at the San Diego County Fair, and I took my family to one of the major theme parks in the San Diego area. And for just me, my wife, and my daughter, it was almost \$200 to get into the park. Today, you can come to the Fresno Fair by bringing five cans of food, which they're going to donate back to the community. That's the affordability and the attractiveness of fairs, is that we encompass everybody. You don't have to be rich or poor to get into the fair. You just come, you enjoy, and you can enjoy the

traditions. Grandfathers take their grandkids. And they'll ride a pony, but they're also taking them and showing them the steer that they showed when they were children. And like I said, those stands, these fairs are our livelihood. I personally, like I said, 53 years; and we don't have a backup plan. And we need the fair industry.

Thank you for your time.

SENATOR CANNELLA: Alright. Thank you, Chance. Chris.

MR. CHRIS BOROVANSKY: I'm Chris Borovansky, the CEO of the Stanislaus County fairgrounds. I'm just happy you didn't have to try to cut Lynette off. That would have been a real ugly sight. You would have needed both sergeants, I think.

To a large extent, you've heard a lot of the whats. I want to just give you one more why. To a large extent, the State is about process. We get that. Fairs are about outcomes, not just during our fairs but year-round. And these outcomes are events that take place every weekend. They're events that take place during the fairs. So we're very outcome oriented; and we need to move quickly, change on the fly, all those sorts of things. We're now competing year-round to produce those outcomes: financial, social, recreational, educational, agricultural. We're competing in many cases with aging facilities.

Stanislaus County fairgrounds is a beautiful place, but our two main exhibit buildings are WPA era. For those of you out there that don't remember WPA, that's World War II—literally, World War II-era buildings. We're expected to compete in a marketplace that has nice facilities; they're funded by municipalities, private enterprise. It's difficult to compete with those kinds of things. Our challenges are compounded by the state regulations that burdened us on a regular basis.

The areas of regulation of where we need your help is with regulation reform. That's going to be crucial to us. Funding is an issue that's going to be very difficult to get our arms wrapped around, obviously; but in the meantime, removal of regulations, elimination of regulations is going to be important.

Fair boards and staff are incredibly talented and confident in the state of California. Let us run our fairs as businesses. Allow us to continue to produce our outcomes, that are very, very valuable. Right now, the State is expecting us to breathe deeply with both hands wrapped firmly around our throat, and that doesn't work.

Thank you.

SENATOR CANNELLA: Thank you. Alright. Next, we will have Becky Bailey, Barbara Quaid, Reggie from Orange County, Jeanette Morris, and Paul Beckett. If you'd like to address us, please come forward, and you get two minutes.

MR. PAUL BECKETT: My name is Paul Beckett. I'm a director of the Salinas Valley Fair. I just want to make some comments on some of the things I heard today. Troy Bowers came up and talked about his fair. We have two people here from the Santa Cruz County Fair. One of them is the manager. He's working for a dollar a month. We have Kelly Ferreira, who is the manager of the San Benito County Fair. He effectively retired as well and has come back as a part-time manager of the San Benito County Fair. We are a county fair in King City, the Salinas Valley Fair. We are not burdened by the bureaucracy of the State of California. Our fair manager is sitting here. We have our board of directors. We make decisions. She makes the decisions in a businesslike manner. We don't have to go through all the state stuff.

I appreciate what you've said, Senator, that it might be nice to have a dollar amount attached to some of this so you have something to work with. We don't have that problem. But I just wanted to let you know that there are other fairs out there that do have the problems. They're all DAA fairs, and they need your help.

SENATOR CANNELLA: Alright. Thank you very much. Next up. And then Chris Korby, if you want, just get in line as well.

MS. BECKY BAILEY FINDLEY: I'm speaking on behalf of Barbara Quaid as well. We're being good public servants. We've been involved with the fair industry for years. We're supportive and want to be a part of the solution. We thought we were signing the sign-in sheet. [Laughter]

SENATOR CANNELLA: Thank you. Yes. Alright. Anybody else who would like to address us?

MS. BARBARA QUAID: Good morning. My name is Barbara Quaid. I'm the CEO of the Ventura County Fair. And, yes, I did think I was signing the sign-in sheet. But what I would like to say is I'd like to give my two minutes to Ernie Guderjahn because I think no one has expressed feelings as heartfelt as Ernie and as good as he has done.

The staff at the Ventura County Fair has been dedicated and worked there—most of us—for between 20 and 30 years.

One of the things that I'd like to point out that I don't know that anyone else has, but in this era of the Governor giving us PLP and PDD days, we have staff that has ... Their days are just gone. They're working and they're working and giving their days away. They're donating them back to the State by virtue of the fact that they can't take that type of vacation time.

But what I want to point out is the dedication that the fairs have and also our business partners. We are self-sustaining. We don't receive any money from the State of California. However, this is going to go so deep that it is going to affect some of our business partners and some of the smaller fairs that we'd like to work hand-in-hand with. So we appreciate anything that you can do.

Thank you.

SENATOR CANNELLA: Thank you very much.

MS. REGGIE MUNDEKIS: Hi. I'm Reggie Mundekis. I'm with the Orange County Fairgrounds Preservation Society. We were formed after our fair board voted to sell our fairgrounds. No one from Orange County ever asked for our fairgrounds to be sold. We fought a three-year battle and prevailed in court. The three-year battle included a well-connected real estate developer hiring some former employees of the fairgrounds to help them further the sale.

I need to caution people on the idea of cutting your way to solvency. Yes, there is some over regulation by DGS in the area of contracting, but fairs are not going to become magically solvent and money makers by simply handing them over to a nonprofit or by taking away all the oversight and regulation. Some of that needs to happen, but at the same time, we need to educate some of the smaller fairs and some of the fairs that need assistance in how to become more entrepreneurial and how to maintain their agricultural and local interests in those entrepreneurial activities. Some ideas are setting up a commercial kitchen, which could be leased out by local food vendors to sell things like their boutique jams and jellies and breads. Other ideas, such as at Chowchilla, they have a very successful motor sports racing program, which includes stops and prize money on the western circuit.

We need to look at ways of being more innovative at bringing in new revenue streams, particularly among the smaller fairgrounds in the state. Many of these small, rural fairgrounds are the lifelines for things like their volunteer fire departments

because that annual fair provides the bulk of the money for that volunteer fire department to operate.

The Orange County fairgrounds is a nonprofit advocacy group for the entire network of California fairs in addition to the Orange County fairgrounds, and we're here to assist any fairgrounds that want to talk with us and find ways of increasing entrepreneurship and new revenue streams on fairgrounds.

Thank you very much.

SENATOR CANNELLA: Thank you.

MR. CHRIS KORBY: Thank you, Senators. Chris Korby, California Authority of Racing Fairs. And thanks to staff too.

I did know what I was signing because I wanted to come up here and publicly thank Senator Berryhill for a piece of legislation you worked with us on, SB 1418. It was a pretty technical horseracing bill, but it's one of those things that allows us to plan for an uncertain future. And we really appreciate your help and want to continue working with you in the future.

Thank you.

SENATOR CANNELLA: Alright. Thank you very much. Closing comments, Senator Berryhill?

SENATOR BERRYHILL: Yeah. I would like to say few things. First of all, thanks everybody for coming here today and sitting through this hearing. And I want to recognize Louis Brown. He's your lobbyist up there. He does a heck of a job for you. If anybody is up to this task, Louis is.

And, you know folks, I'm a Republican in a heavily Democratic majority legislature. And so, this is actually exciting to me because the Legislature doesn't really move unless we're in crisis, and the fair industry is in crisis. And so, by having this hearing, maybe by having other hearings, we're going to get a lot of stuff out on the table. And it happened here today. And it's going to give us a lot of ideas as we move forward with a comprehensive package.

I think everybody here understands that this maybe isn't as easy as we thought it was going to be when we came here today. So I certainly look forward to drilling down and working through a comprehensive package.

We've got two members that aren't here today, both Henry and Michael—Michael Rubio and Henry Perea. And the one thing that you've got going for you here

is that you've got a core bunch of folks on the Ag Committee and in this industry that can and have worked together. And there's no doubt in my mind that we will work together in finding the solution, a comprehensive solution, that not only makes the fairs healthy and sustainable as we move forward but also the horseracing industry that's been an integral part of the fair industry forever. And I think at the end of the day, this next year, we're going to have a product that everybody is going to be proud of and that will keep this fair industry sustainable for the near future.

Thanks for coming.

SENATOR CANNELLA: Yeah. And as far as the Legislature acts best when there's a crisis, I would argue that the Legislature usually causes the crisis.
[Laughter]

But thank you, everyone, for being here today. This is a great turnout. We know how much the fairs mean to you, and they mean a lot to us as well. And we're committed to working with you folks and your representation to get a bill that we can be proud of that's actually going to save the fairs.

So with that, I want to thank our Senate sergeants for driving down here. They do a terrific job every time they do anything. And the rest of the staff that's here today, thank you for traveling to Fresno.

With that, we will adjourn. Have a great day.

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