



To: Members of the RCRC Board of Directors
From: Mary-Ann Warmerdam, Senior Legislative Advocate
Date: September 8, 2020
Re: District Agricultural Associations/Fairs Update – **Informational Item**

Summary

This memo provides an update on current issues involving the status of the collection of facilities in California commonly known as “fairs.”

Background

Over 140 years ago, California began organizing what is known today as one of the largest fair systems in the nation. Currently, the Network of California Fairs consists of 79 fairs that operate under a variety of governance structures, including six county-operated fairs, 16 nonprofit-operated county fairs, two citrus fruit fairs, 54 statutorily created state institutions known as District Agricultural Associations (DAA), two of which are currently inactive, as well as the California State Fair (an independent state agency). Of the 52 active DAAs, 41 operate on state owned land, eight operate on leased land, and three do not have permanent fairgrounds. Most of the properties were donated to the state or county to provide for the fair facilities, themselves, and to safeguard the properties for the local community. The day-to-day operations of these facilities fall under the jurisdiction of the California Department of Food and Agriculture (CDFA).

California’s fairgrounds play a major role in the economies of the communities/counties where they are located. Beyond the annual “fair” event, fair facilities host hundreds of events year-round from large trade shows to small family celebrations, fundraisers, and entertainment venues, and, as recent events have once again demonstrated, as evacuation and emergency operation centers. The reliance on fair facilities in the latter scenario is expected to increase as the impacts of disaster operations become more extensive in California (due to flooding, wildfires, earthquakes or infrastructure failures). In rural and suburban areas of California, these locations have become critical staging areas for first response operations, evacuation centers for people and animals, and for providing emergency services to the community. Fairs have also been used as heating or cooling centers during extreme weather events.

Prior to 2009-2010, funding support for fairs was generated through pari-mutuel horse racing licensing fees, a funding source established in 1933 that legalized gambling on horse racing. This funding source was utilized by CDFA for a variety of activities including: administrative oversight; maintenance and facility improvement activities;

providing training to fair staff and boards; and, the performance of compliance/fiscal audits. Monies were also allocated to fairs to assist with day-to-day operations. In 2009-2010, this funding source was replaced by a General Fund appropriation, precipitated by a decline in horse racing revenues. General Fund dollars in the amount of \$32 million was available until 2011-2012, when all General Fund support was eliminated.

After state funding was eliminated, CDFA staff involvement in providing oversight and guidance was also significantly reduced. Fairs responded to the reduction in state support with a combination of reducing costs, including deferring needed maintenance, and increasing revenue opportunities. After several years, the combination of neglect due to deferred maintenance and an increased recognition that fair facilities play an important role during times of emergency, the Legislature enacted Assembly Bill 1499 (Gray) with RCRC's full support.

Beginning in 2019-2020, AB 1499 requires a portion of gross receipts from the sales and use tax received within the property of a state-designated fair to be transferred to the Fair and Exposition Fund in support of facility improvements. In the 2019 Budget Act, this resulted in an additional \$18.6 million (pursuant to this measure) being made available subject to fiscal oversight being conducted.

State Update

Similar to other government entities, DAAs/county fairs have suffered devastating financial distress with the onslaught of coronavirus (COVID-19). Collectively, fairs lost approximately \$98 million through June 2020. Beginning in July 2020, a number of the fairs commenced laying off employees. According to the California Fairs Alliance (CFA), this trend is likely to accelerate the longer COVID-19 lingers and large gatherings are prohibited. Meanwhile, CDFA also expressed its intent to take this as an opportunity to re-purpose and re-focus the use of these facilities. There is an expectation that further details on what this might entail would be made available in early July. Regrettably, this has not yet occurred; however, RCRC, in collaboration with the CFA and other interested stakeholders, has been meeting with CDFA leadership to provide (1) guidance on potential new governance structures as part of CDFA's "re-purposing" initiative; (2) an expression of frustration with the pace of announcing the State's intent as it relates to this "re-focused" governance; and, (3) a desire to end the delay in CDFA's deployment of what is referred to as the "AB 1499 funds."

In the meantime, it has been reported that a number of DAAs have had discussions with the local stakeholders, including counties, to form a governance structure to replace the current one as part of CDFA. The example being looked at is a joint powers authority formed for the Lancaster fair facility approximately a decade ago.

As noted above, the fair facilities are housed on properties that have various ownerships. Attached is the listing provided by CDFA which notes how the various properties used by the DAAs are held. Although the level of detail is not great, it does give a sense of those ownership arrangements.

Federal Update

On July 23rd, Representative Josh Harder (D-Stanislaus) announced an effort to secure federal funding for the state's beleaguered fairs. Citing the "challenges of running fairs during the pandemic and resulting revenue loss," Representative Harder introduced the Protecting Fairs During Coronavirus Act and noted that in a typical year fairs generate approximately \$3.5 billion in revenue and provide nearly \$200 million in tax revenue for local and state governments. Representative Harder's legislation is designed to provide financial support to fairs dealing with the COVID-19-related havoc on fair budgets. Representative Harder's recent press release on the measure can be accessed at: <https://harder.house.gov/media/press-releases/harder-introduces-protecting-fairsduring-coronavirus-act>.

Similarly, Representative Jimmy Panetta (D-Monterey) announced plans to introduce a similar measure at the behest of the national fair representatives.

Both measures are designed as grant programs to be administered through the U.S. Department of Agriculture directly to applicant fairs. The measures differ in size: Representative Harder's proposal would provide \$5 billion, while Representative Panetta's measure is a more modest request of \$200 million. Both authors are also hoping to persuade their colleagues, including Senator Dianne Feinstein and Senator Kamala Harris, to include provisions of their respective measures in the next round of the COVID-19-related relief funding package.

To date, Representative Panetta's bill has received additional co-sponsors during August, including Representatives Doug La Malfa (R-Butte), Salud O. Carbajal (D-Santa Barbara), Jim Costa (D-Fresno), and TJ Cox (D-Hanford). There does not seem to be much success, yet, in securing a Senate companion for either of the "fair" bills. Both bills are still awaiting action in the House Agriculture Committee.

- Representative Harder - H.R.7745 - [Protecting Fairs During Coronavirus Act](#)
- Representative Panetta - H.R.7883 - Agricultural Fairs Rescue Act - [Cosponsors](#)

Staff Recommendation

Information only. RCRC staff will continue to engage in these policy areas as necessary to ensure the concerns of RCRC member counties are addressed.

Attachment

- California Fair Properties Prepared by the California Department of Food and Agriculture