

BUDGET REVIEW SUBCOMMITTEE ON ECONOMIC DEVELOPMENT, TOURISM, AND ENVIRONMENTAL PROTECTION

Minutes of the 2nd Meeting of the 2024 Interim

August 21, 2024

Call to Order and Roll Call

The second meeting of the Budget Review Subcommittee on Economic Development, Tourism, and Environmental Protection was held on August 21, 2024, at 9:00 AM in Room 154 of the Capitol Annex. Representative Chris Fugate, Chair, called the meeting to order, and the secretary called the roll.

Present were:

Members: Representative Chris Fugate Co-Chair; Senator Gary Boswell Co-Chair; Senator Amanda Mays Bledsoe; Representatives Josh Bray, Chad Aull, Al Gentry, and Mark Hart.

Guests: Jamie Eads, President and Chief Executive Officer, Kentucky Horse Racing and Gaming Corporation; Susan Speckert, Chief Operating Officer, Kentucky Horse Racing and Gaming Corporation; Travers Manley, Interim General Counsel, Kentucky Horse Racing and Gaming Corporation; Andy Conway, Director, Pari-Mutuel Wagering and Compliance, Kentucky Horse Racing and Gaming Corporation; Hannah Simms, Director, Sports Wagering, Kentucky Horse Racing and Gaming Corporation.

LRC Staff: Sara Rome, Mariah Derringer-Lackey, and Amie Elam.

The minutes from the July 17, 2024 meeting were approved by voice vote.

Kentucky Horse Racing and Gaming Corporation

Representatives from the Kentucky Horse Racing and Gaming Corporation provided an update on the implementation of 2024 Regular Session Senate Bill 299 and an overview of pari-mutuel tax and sports wagering taxes and fees.

In response to a question from Senator Boswell, Ms. Eads mentioned that the Department of Revenue collects \$34 million in sports wagering taxes and fees, which is then allocated to the Public Pension Fund. Ms. Simms pointed out that the revenue from sports wagering is heavily influenced by major sporting events like March Madness, the National Basketball Association championship, and the Super Bowl. Ms. Eads noted that the main office is located at the Kentucky Horse Park, with satellite offices at the live racetracks.

In response to questions from Representative Gentry, Mr. Manley clarified that there were two main legal cases involving gray machines. He mentioned that the case in Jefferson County had been dismissed, while the Franklin County Circuit Court had upheld the ban. The latter case is currently going through the appellate process. Ms. Eads explained that the transition from the commission to the new corporation was directed by 2024 Regular Session Senate Bill 299. She noted that there were no significant changes in the operating budget, but it was mandated that the corporation be self-funded by July 1, 2026.

In response to a question from Representative Bray, Ms. Eads said that just under \$1 million of sports wagering revenue was collected and given to the Cabinet for Health and Family Services to address problem gaming.

In response to a question from Chair Fugate, Ms. Simms stated that legislation requires an annual report from CHFS regarding problem gaming, with the first report due on October 1, 2024. She mentioned that 2.5 percent of sports wagering revenue is statutorily required to be allocated to problem gaming. Ms. Simms explained that there are measures in place for sports wagering platforms, including requirements for information service providers to have know-your-customer operations, account registration verification, and geo-location verification to prevent proxy wagering and other suspicious betting activities. She further mentioned that allowable funding types are defined in internal controls regulations.

Adjournment

There being no further business before the subcommittee, the meeting adjourned at 9:40 a.m.