

INTERIM JOINT COMMITTEE ON LICENSING, OCCUPATIONS, AND ADMINISTRATIVE REGULATIONS

Minutes of the 1st Meeting of the 2018 Interim

July 20, 2018

Call to Order and Roll Call

The 1st meeting of the Interim Joint Committee on Licensing, Occupations, and Administrative Regulations was held on Friday, July 20, 2018, at 10:00 AM Central Time, at Ellis Park in Henderson, Kentucky. Representative Adam Koenig, Chair, called the meeting to order, and the secretary called the roll.

Guests: Steve May, Marc Guilford, Kentucky Horse Racing Commission; Ron Geary, President, Ellis Park Racing Course; Dan Gerrity, President, Saratoga Harness Racing, Inc.; Elisabeth Jensen, Executive Vice President, Kentucky Equine Project; Chauncey Morris, Executive Director, Kentucky Thoroughbred Association; Patrick Neely, Chief Development Officer, Exacta Systems; Anne Sabatino Hardy, Executive Director; Horse Country, Inc.; Dr. Brian Houillion, Chief of Staff, Department for Local Government; Rick Johnson, Vice President, Kentucky Science and Technology Corporation.

LRC Staff: Tom Hewlett, Bryce Amburgey, Jasmine Williams, Melissa McQueen, and Adam Johnson.

Minutes

Due to lack of a quorum, the minutes were passed over.

Welcome to Henderson County

Robby Mills, Representative, House District 11, thanked the committee for coming to see a great entertainment center in Henderson County and thanked Mr. Geary for his efforts with the facility.

Suzanne Miles, Representative, House District 7, welcomed the committee and thanked the horse industry and trainers who work at this facility.

Welcome and Introduction

Ron Geary, President, Ellis Park Race Course, thanked everyone for coming to Ellis Park. He said it had been an honor to run the park for the last twelve years after purchasing the property from Churchill Downs. In his time as president, purses increased from \$130,000 to \$230,000. He thanked Kentucky Downs, Historical Horse Racing, and the

Kentucky HBPA (Horsemen's Benevolent and Protective Association). When these groups work together, good things happen for horse racing.

The sale of Ellis Park to Saratoga Harness Racing, Inc. was a hard decision that effectively began his retirement. Saratoga bought 30 percent of the raceway six years prior to the sale. Since then, they have worked through many operation and growth issues together. This includes expanding into Historical Horse Racing. He is pleased to pass the baton an entity such as Saratoga.

Dan Gerrity, President, Saratoga Harness Racing, Inc., thanked Chairman Schickel and Chairman Koenig for having the meeting at Ellis Park. He has enjoyed working with Ron Geary and hopes to continue making Ellis Park better.

Senator Thayer thanked the chairs for having a meeting at Ellis Park, saying that it is important to realize that there is more to horse racing than Churchill Downs and Keeneland. There have been great horses at Ellis Park, including Looking at Lee who was second in the Kentucky Derby last year. He thanked Ron Geary for purchasing the track from Churchill Downs and for the work he has put into it.

In response to a question by Senator Thayer, Mr. Gerrity said that Saratoga has a team of eight staff currently reviewing the entire park. He expects to be spending capitol on future improvements.

Senator Thayer shared the concerns of the HBPA in some of the park's facilities. He requested that Saratoga take a serious look at improving those facilities' conditions.

Impact of Horse Racing Industry in Kentucky

Elizabeth Jensen, Executive Vice-President, Kentucky Equine Education Project (KEEP), stated that KEEP advocates for issues that affect the Kentucky horse industry. Most people only think of the horse industry in this state during the big days, but there are \$23.4 billion of horse industry assets in Kentucky. It brings in \$1.6 billion annually, and it has a ripple effect into hay, feed, and other supplies of \$2.7 billion. The industry also brings in \$5.2 billion of tourism money every year.

An example of the horse industry impact is American Pharaoh, generating \$2.7 million in taxes from his stud fees. Also, there are many equine veterinarians in the state, and pari-mutual gambling in the state has been increasing. There are over 242,000 horses in the state, with a variety of purposes and breeds. The industry employs 44,000 workers and 64,000 indirect jobs. It is the number one impact on Kentucky's economy as a whole.

KEEP is working to implement the Kentucky Chamber of Commerce Talent Pipeline. This is a program made possible by a grant from the US Chamber of Commerce

that aims to develop workers for key industries in each state. The Kentucky Chamber has agreed to make the equine industry one of those targeted industries. The first step of the program is to organize employer collaboratives. There will be collaboratives for farms, trainers, sales and consigners, and veterinarians. The second step will be asking these groups about their needs and determining how to attract workers. The third step will be to better understand the industry's required competencies and specialties. This will include speaking with universities to better understand how to recruit their students.

The complete roll-out of the pipeline will occur from 2018-2020. Five project managers will be hired to facilitate the program; three have already been hired. There will be 20 individual champions across the targeted industries that will interact with the project managers directly.

In response to a question from Chairman Koenig, Ms. Jensen said that an example of an industry shortage is with trainers who do not have sufficient handlers and must therefore turn away horses. Chairman Koenig said that this shows the need for a year-round circuit in Kentucky, and Ellis Park is important in keeping year-round work available.

Chauncey Morris, Executive Director, Kentucky Thoroughbred Association, reported on the state and national impact of the horse industry, emphasizing the importance of how it effects Kentucky jobs. There have been 13 Triple Crown winners, ten of which were from Kentucky. Kentucky has been an important part of national horse racing.

Historical Horse Racing is an important part of modern horse racing, providing funds to the Kentucky Thoroughbred development fund. The impact of HHR is shown in the increase of the payout to Kentucky bred horses from 78 percent in 2010 to 87.4 percent in 2017. Kentucky is third in the pari-mutual handle on horse racing. Many states have contracted while Kentucky continues to rise.

In response to a question from Chairman Koenig, Mr. Morris said that Florida pari-mutuel sales have contracted while New York and California remain ahead in handle.

Patrick Neely, Chief Development Officer, Exacta Systems, said that pari-mutual Historic Horse Racing was the horse industry's response to casino gaming eating into their profits. It was a solution that was industry driven, and they use a database of 90,000 past races which are then bet on by the player. Historical horse racing (HHR) has led to a revival of the horse racing industry in other states, which also helps the Kentucky market. Virginia legislators cited Kentucky as inspiration for their recent laws on HHR.

Historical horse racing has helped increase the breeder incentive fund from \$3 million to \$9 million. HHR represents 11 percent to 12 percent of all horse race wagering. Exacta Systems handles \$1.2 billion of HHR wagering. Churchill Downs is opening its 900 terminal system soon.

In response to a question by Senator Bowen, Mr. Neely said litigation is still pending on HHR. The racetracks and KRC asked for a declaratory judgement that the regulations could be promulgated. The case has been returned to Franklin Circuit Court, which will decide whether the system is actually pari-mutuel in nature. Exacta System has gone through this, but there has been no ruling at this time. The other two pari-mutuel HHR systems on the market will need to eventually go through the same process. Mr. Neely said he is confident that all systems will meet that judicial muster.

In response to questions from Senator Seum, Mr. Neely said that, under Kentucky regulations, the HHR race must meet certain parameters. It has to have taken place at a licensed United States race track. Exacta has a database of 90,000 US horse races. All of them have ten-horse fields and ended with an official order of finish in which horses crossed the finish line. These are the races patrons are betting on.

The benefit of HHR has been its ability to save the industry in many states. It was developed by the industry. HHR has been attractive to both horse racing fans, allowing the bettor to handicap horses, and electronic gaming fans. In that way, it brings new audiences to horse tracks who otherwise would not be there.

In response to a question from Chairman Koenig, Mr. Neely said some states are using statutes and some are using regulations to implement HHR. Both have worked. Whether to use statute or regulation is a policy decision.

Chairman Koenig said that he fully supports the HHR regulations, and he is interested in seeing them moved to statute because of the amount of money being invested.

Anna Sabatino Hardy, Executive Director, Horse Country, Inc., said that Horse Country is a member-based organization that promotes the equine industry through tourism activities at member locations. The organization began in 2014 with 22 members and now has 39 members. The goal is to connect guests to the horses, lands, and people through experiences that inspire a love for the animal and Kentucky. The company has sold 86,000 tickets for a revenue of \$2 million. Thirty percent of the guests are from Kentucky, while 70 percent are from outside the state. An out-of-state visitor typically spends 2 to 6 days in the state.

Senator Gentry said that the horse industry has taken inspiration from the bourbon industry, and it has brought a lot of visitors to the state of Kentucky. He thanked all of the presenters.

Federal Grant Concerning Licensing Requirements for Veterans

Bryan Houillion, Chief of Staff, Department for Local Government, said his department had secured two grants to study licensing in the state. The department has four goals to achieve with the grants:

1. Understand how Kentucky licenses professions and occupations and whether the model works. If it does not work, the department will evaluate models that may work better. This goal is important due to a recent court case about licensing boards needing oversight;
2. Find a way to make licensing boards more efficient;
3. Implement practices to remove impediments for four veterans, people with past criminal records, legal immigrants, and the chronically unemployed, which are all underemployed groups; and
4. Focus on increasing the portability of licenses through reciprocities and compacts with other states.

The second grant is \$450,000 spread over three years. The department will hire a project manager to facilitate joining more licensing consortiums.

Richard Johnson, Vice President, Kentucky Science and Technology Corporation (KSTC), said his organization works to match local businesses with federal contracts. The future aim is to be an intermediary for matching employers with future employees, focusing on college students, high school students, and veterans. The company aims to use the new VALFLO (Veteran Accelerated Learning for Licensed Occupations) grant to specifically target veterans. Regardless of the skillset required by an employer, there is a veteran leaving the service with a skillset that would meet the need. KSTC has partnered with community colleges statewide, the University of Louisville, and the Kentucky Commission on Military Affairs to facilitate the aim. KSTC chose 35 licensed occupations to research and better understand the gaps between veterans returning from their service and these licensed occupations.

In response to a question from Senator Seum, Mr. Johnson said drivers who have left the military are only certified on automatic shift trucks; the lack of accreditation for manual transmission trucks is an impediment to a CDL. A 30 day course is necessary to adequately train in this regard, and simulators are being purchased by community colleges. The best of those programs is at Hopkinsville Community and Technical College.

In response to a question by Representative Burch, Mr. Johnson said the first focus of the program is improving these gaps for veterans. This is being done through job fairs, but KSTC hopes to use the grant to hire employees to visit the bases. KSTC is in the planning phase on this project.

Chairman Koenig expressed appreciation to the administration for working to obtain the grants and join the consortiums.

There being no further business to come before the committee, the meeting was adjourned at 11:20 AM.