

INTERIM JOINT COMMITTEE ON LICENSING, OCCUPATIONS, AND ADMINISTRATIVE REGULATIONS

Minutes of the 4th Meeting of the 2023 Interim

September 28, 2023

Call to Order and Roll Call

The 4th meeting of the Interim Joint Committee on Licensing, Occupations, and Administrative Regulations was held on September 28, 2023, at 11:00 AM in Room 154 of the Capitol Annex. Representative Matthew Koch, Chair, called the meeting to order, and the secretary called the roll.

Present were:

Members: Representative Matthew Koch Co-Chair; Senator John Schickel Co-Chair; Senators Donald Douglas, Denise Harper Angel, Jimmy Higdon, Jason Howell, Amanda Mays Bledsoe, Christian McDaniel, Michael J. Nemes, Damon Thayer, and Reginald Thomas; Representatives Kim Banta, Kevin D. Bratcher, Emily Callaway, Mike Clines, Daniel Fister, Patrick Flannery, Samara Heavrin, Keturah Herron, Thomas Huff, Kevin Jackson, Nima Kulkarni, Michael Meredith, Ruth Ann Palumbo, Phillip Pratt, and Tom Smith.

Guests: James L. Gagliano, President and Chief Operating Officer, The Jockey Club; Jamie Eads, Executive Director; Beth Bungert, Safety Steward; Drew Conners, Director, Division of Incentives & Development, Kentucky Horse Racing Commission; Jeffrey Bloom, President; Stacie Clark, Operations Consultant; Emily Dresen, Director, Funding & Events, Thoroughbred Aftercare Alliance; Rick Hiles, President, Kentucky Horsemen's Benevolent and Protective Association; Richard Riedel, Executive Director, Kentucky Racing Health & Welfare Fund; Dora J. Delgado, Executive Vice President & Chief Racing Officer; John K. Keitt, Jr., Executive Vice President & Chief Operating Officer, Breeders' Cup; Stephen Huffman, Government Affairs; Adam Koenig, Executive Director, Kentucky Quarter Horse Racing Association; Conor Lucas, Vice President of Government Relations, Revolutionary Racing; and Shannon Cobb, Chief Operating and Chief Financial Officer; Red Mile Racing and Gaming.

LRC Staff: Bryce Amburgey, Wendy Craig, CaraBell Preece, Jasmine Williams, and Lisa W. Moore.

Approval of August 22, 2023, Minutes

Co-Chair Schickel motioned to approve the minutes and Representative Huff seconded the motion. Motion carried and the minutes were approved by voice vote.

The Jockey Club

James L. Gagliano, President and Chief Operating Officer, showed a PowerPoint presentation explaining the background and future mission of the thoroughbred racing industry in the United States. The Jockey Club was established in 1894 as a not for profit organization established in New York City. Its primary responsibility remains the maintenance of the American Stud Book in a manner that ensures the integrity of the thoroughbred breed in the United States, Canada, and Puerto Rico. It is a founding member of The International Stud Book Committee, which serves to develop and promote the highest standards of stud book operations. Mr. Gagliano stated that

most of the Jockey Club's offices are located in Lexington, employing 183 people with a payroll upwards of \$13 million. Since 2010, The Jockey Club has funded nearly \$90 million in investments across initiatives that are located in or have ties to Kentucky. The organization aims to safeguard the integrity of the thoroughbred breed and improve standards to help facilitate international trade, breeding, and racing.

Responding to a question from Representative Banta, Mr. Gagliano said different markers are used to measure horse safety. For example, horses that have not raced regularly in a certain period of time may become more injury prone. Different factors are analyzed among horse injuries to see if there are consistencies or trends.

Kentucky Horse Racing Commission

Jamie Eads, Executive Director; Beth Bungert, Safety Steward; and Drew Conners, Director, Division of Incentives & Development, provided an update on sports wagering and the horse racing industry. Ms. Eads said over \$8.5 billion has been wagered this last year at the five racetracks, and \$4.5 million has been wagered through in person sports betting. Sports betting revenue is expected to substantially increase when mobile betting begins. Kentucky has a new quarter horse racetrack and purses are strong due to monies generated through historical horse racing.

Ms. Bungert explained the new horse meet startup criteria and inspections required before a horse meet starts to help improve horse safety. Horse safety remains a top priority and risk assessment models have been implemented at racetracks in an effort to decrease horse injuries. She discussed the importance of educating the horsemen on the new regulations and improving communications with racetrack personnel.

Mr. Conners said racing is strong in Kentucky with an average purse of \$114,000 per race, which is larger than New York, California, and Florida. He explained that there are two primary sources of funding, the six percent stallion stud tax, which benefit the thoroughbred and standardbred breeders, and the pari-mutuel tax on Historical Horse Racing (HHR). The Kentucky Breeders Incentive Fund paid \$17.4 million to Kentucky thoroughbred breeders representing 4,671 wins.

Chairman Koch said Kentucky bred horses are dominating with over 30 different countries represented at the Keeneland sale. He is excited the industry is improving Kentucky's economy by adding new jobs, and increasing veterinarian visits and farm sales.

Representative Smith said Kentucky is the thoroughbred capital of the world and Kentuckians need to be cautious about outside perceptions becoming reality. Despite the best intentions, horses are animals and sickness and injuries can occur.

Representative Clines congratulated Ms. Bungert on her new position and presentation to the committee.

Senator Thayer said the industry has strong legislative support in Kentucky and he is extremely proud of the Kentucky Breeders Incentive Fund. He thanked the Kentucky Horse Racing Commission for its efficient work in implementing and regulating historical horse racing and sports betting.

Senator Thomas said Kentucky is doing a great job of marketing to young people across the

country. Thoroughbred racing is strong and news networks are integral in advertising the sport nationwide.

Representative Meredith thanked the Kentucky Horse Racing Commission for the rollout of sports wagering in Kentucky. Over \$4.5 million has been generated to support the Kentucky permanent pension fund and the problem gambling fund, monies that would have gone to the coffers of surrounding states without the passage of sports wagering this session.

Thoroughbred Aftercare Alliance

Jeffrey Bloom, President; Stacie Clark, Operations Consultant; and Emily Dresen, Director, Funding & Events, showed members a PowerPoint presentation highlighting the Thoroughbred Aftercare Alliance, an initiative started in Lexington in 2012. It is a 501 (c)(3) nonprofit that accredits, inspects, and awards grants to approved aftercare organizations to retrain, retire, and rehome Thoroughbred horses.

Ms. Dresen noted that the horse racing and breeding industry plays a substantial role in Kentucky's economy. It generates billions of dollars in economic activity, provides numerous jobs, and supports various ancillary industries. Demonstrating a strong commitment to thoroughbred aftercare reflects positively on the industry's reputation, attracting investors, sponsors, and participants who value responsible horsemanship. Kentucky is the largest seller of thoroughbreds at public auction. Fasig-Tipton and Keeneland sales generate over \$750 million in annual sales providing \$115 million in tax revenues annually. More than 60 job categories are related to the thoroughbred industry providing \$1.9 billion in labor income. In all, the equine industry combines to generate \$6.5 billion in annual cumulative direct, indirect, and induced economic activity and a total of 60,494 jobs in Kentucky. The horse industry accounts for one percent of Kentucky's Gross Domestic Product (GDP).

Ms. Clark stated that since 2012, more than 15,500 thoroughbreds have found a new home or careers through Thoroughbred Aftercare Alliance accredited organizations. These organizations have transitioned former racehorses into eventers, champion show horses, partners in equine-assisted therapy programs, living tourism destinations, and more. New opportunities are arising for off-track thoroughbreds as well. Thoroughbred aftercare is important to the state because it aligns with the state's cultural, economic, and ethical values. By prioritizing the welfare of retired racehorses, Kentucky can continue to be a leader in responsible horsemanship and set an example for the entire horse racing industry.

Senator Bledsoe thanked the Alliance for their hard work and finds that its an important component of the thoroughbred industry. She said off-track horses can become excellent show horses and can provide therapy for autistic children.

Responding to a question from Senator Thayer, Ms. Clark said The Jockey Club is a very big supporter of the Thoroughbred Aftercare Alliance, even providing them office space. She said the Jockey Club, the Breeders' Cup, and Keeneland, have all provided seed money. Sales companies, such as Fasig-Tipton, and stallion farms have provided much support, as have the racetracks. Churchill Downs matches what the horsemen contribute. Senator Thayer said the Old Friends farm in his district is a wonderful resource.

Kentucky Racing Health & Welfare Fund

Rick Hiles, President, Kentucky Horsemen's Benevolent and Protective Association, and Richard

Riedel, Executive Director, Kentucky Racing Health and Welfare Fund, gave a brief presentation to the committee. Mr. Hiles said the Kentucky Racing Health and Welfare Fund was established by state statute in 1978 giving them the ability to recapture uncashed pari-mutuel tickets at the racetracks to provide medical, dental, and pharmaceutical services for the backside workers and people employed in the training centers. The funds have decreased from \$2 million a year to \$978,000 last year due to simulcast and electronic wagering combined with the COVID-19 pandemic. He said the staff is all volunteers and no salaries are paid. He asked the committee for guidance on supplementing the fund that takes care of approximately 2,500 workers.

Responding to a question from Senator McDaniel, Mr. Hiles said the group is asking for guidance on supplementing the fund, not necessarily a state appropriation. He said between \$1 million to \$1.5 million per year is needed to fund the program, if declines continue. He noted the program is statewide and is exclusively for workers at the training centers and other racing employees who meet the guidelines.

Breeders' Cup

Dora J. Delgado, Executive Vice President and Chief Racing Officer; John K. Keitt, Jr., Executive Vice President & Chief Operating Officer; and Stephen Huffman, Government Affairs, showed a PowerPoint presentation to the committee highlighting The Breeders' Cup. The Breeders' Cup World Championships attract the best competition from around the world including from six continents and more than 16 countries. The World Championships take place over two days and offer \$31 million in purses and awards. Ms. Delgado said the Breeders' Cup is a global marketplace with Kentucky roots. The Breeders' Cup Limited's Board of Directors and members represent most of the top breeding and racing farms based in Kentucky. It has been headquartered in Lexington since inception in 1982 and was part of the rejuvenation of downtown Lexington in 2016. To date, 76 percent of all championship starters and 81 percent of winners were bred in Kentucky. Kentucky horsemen provide nearly 80 percent of all stallion nomination revenue to the Breeders' Cup as well as 80 percent of all foal nomination revenue originates from foals born in Kentucky. Nearly 95 percent of all yearlings sold at Keeneland and Fasig-Tipton each year are Breeders' Cup nominated.

Mr. Keitt said the Breeders' Cup has been held in Kentucky 12 of the past 39 years, approximately 31 percent. Churchill Downs has hosted the Breeders' Cup nine times, most recently in 2018. Keeneland has hosted the championship three times in 2015, 2020, and 2022. A record \$189.1 million was wagered in the 2022 Breeders' Cup. It was the highest weekend average daily rate for hotel stays ever on record for the city of Lexington. Economic benefits were \$81.8 million to Lexington in 2022 and \$74.1 million to Louisville in 2018.

Prior to 2018, Breeders' Cup Limited was awarded a tax credit for conducting the Breeders' Cup World Championships at a Kentucky racetrack via emergency legislation. A permanent bill was passed in 2018 which makes Kentucky competitive with the tax credit in California. The bipartisan bill exempts Breeders' Cup Limited from paying state taxes on its pari-mutuel handle. The exemption also allows Breeders' Cup Limited to continue its mission of supporting the thoroughbred racing, breeding, and sales industries, particularly the owners and breeders in Kentucky, through marketing and promotion of the sport, world-class purses and awards, and charitable giving.

Responding to Representative Smith, Mr. Keitt said the dates for the Breeders' Cup have been set, but it is a complicated equation to meet operational needs and follow the leads of the

founders about determining locations. No locations have been determined after 2025, but they are in discussions with Churchill Downs. Representative Smith urged the Breeders' Cup Board to consider Kentucky in the near future, and to think about including claiming crown horse contenders to involve more people other than just top stallion horse owners. He said day-to-day horse owners help to keep the operation sustainable.

Senator Bledsoe said she was on the Lexington City Council when they voted to house the Breeders' Cup in Lexington and it has had such a positive influence downtown. Ms. Clark said they love their offices and being tenants in downtown Lexington. They urged committee members to stop by for a tour and visit.

Quarter Horse Racing

Adam Koenig, Executive Director, Kentucky Quarter Horse Racing Association; Conor Lucas, Vice President of Government Relations, Revolutionary Racing; Stephen Huffman, Government Affairs, Revolutionary Racing, updated the committee on quarter horse racing. Mr. Koenig discussed Sandy's Racing and Gaming in Ashland, Kentucky and all the new jobs it has created in eastern Kentucky. The first quarter horse meet since 2010 was held at the Red Mile in April in conjunction with Revolutionary Racing. Overwhelmingly positive feedback was communicated from jockeys, trainers, and owners after the six day meet. The goal is to bring more quarter horse owners and breeders to Kentucky from all over the country and elevate quarter horse racing to the same level as standardbred and thoroughbred horses within five to ten years. He said the average purse size was \$28,000 and was not supplemented with historical race monies.

Mr. Lucas provided a snapshot of the economic impact in Kentucky with Revolutionary Racing, and the anticipated opening of Sandy's Racing and Gaming in Ashland. Representative Flannery thanked him for all the employment and construction jobs that Revolutionary Racing has brought to eastern Kentucky. People are being paid good wages and are excited about the economic development and rebuilding of the region.

Representative Palumbo thanked them for providing tax revenues to Kentucky's economy and providing good jobs for the citizens.

The Red Mile

Shannon Cobb, Chief Operating and Chief Financial Officer; and Stephen Huffman, Government Affairs, Red Mile Racing and Gaming, showed members a video highlighting recent events held at the Red Mile. She is proud to represent the standardbred horse industry in Kentucky and said the future is bright. Historical horse racing provided lifeblood to harness racing with an initial \$50 million investment. In turn, the Red Mile offers its employees jobs with \$50,000 salaries and full benefits. Purses have grown from about \$3 million to \$15 million with championship finals at \$40,000. She believes the revenue created from HHR saved the Red Mile from closing. Standardbred horse owners are buying farms and moving to Kentucky. Recently, sports wagering has begun at the Red Mile with Keeneland who is partnering with Caesar's to provide customers an ideal sports betting environment. Sports betting will be an integral part of the success in making the Red Mile a top entertainment facility in Kentucky.

Representative Palumbo said Kentucky must not leave the standardbred horse industry behind as it is vital to the commonwealth.

Adjournment

With no further business before the committee, the meeting adjourned at 12:31 p.m.