

1 AN ACT relating to sports wagering and making an appropriation therefor.

2 ***Be it enacted by the General Assembly of the Commonwealth of Kentucky:***

3 ➔SECTION 1. A NEW SECTION OF KRS CHAPTER 230 IS CREATED TO
4 READ AS FOLLOWS:

5 ***The racing commission shall institute a system of sports wagering in conformance***
6 ***with the provisions of this chapter and administrative regulations promulgated under***
7 ***the authority of this chapter.***

8 ➔Section 2. KRS 230.210 is amended to read as follows:

9 As used in this chapter, unless the context requires otherwise:

- 10 (1) "Advance deposit account wagering" means a form of pari-mutuel wagering in
11 which an individual may establish an account with a person or entity licensed by the
12 racing commission, and may place a pari-mutuel wager through that account that is
13 permitted by law;
- 14 (2) "Advance deposit account wagering licensee" means a person or entity licensed by
15 the racing commission to conduct advance deposit account wagering and accept
16 deposits and wagers, issue a receipt or other confirmation to the account holder
17 evidencing such deposits and wagers, and transfer credits and debits to and from
18 accounts;
- 19 (3) "Appaloosa race" or "Appaloosa racing" means that form of horse racing in which
20 each horse participating in the race is registered with the Appaloosa Horse Club of
21 Moscow, Idaho, and is mounted by a jockey;
- 22 (4) "Arabian" means a horse that is registered with the Arabian Horse Registry of
23 Denver, Colorado;
- 24 (5) "Association" means any person licensed by the Kentucky Horse Racing
25 Commission under KRS 230.300 and engaged in the conduct of a recognized horse
26 race meeting;
- 27 (6) ***"Exempt sports contest" means:***

1 (a) Any interscholastic athletics contest in which the participating athletes are
 2 elementary or secondary school students of any public or private institution
 3 of learning; or

4 (b) Any athletic event sponsored or regulated by any of the following amateur
 5 athletic associations:

6 1. Kentucky High School Athletic Association;

7 2. Kentucky Amateur Athletic Union;

8 3. Bluegrass State Games;

9 4. Little League Baseball;

10 5. Amateur Softball Association;

11 6. Babe Ruth League of Kentucky;

12 7. American Legion Baseball;

13 8. Kentucky Youth Soccer Association; or

14 9. Kentucky Special Olympics;

15 (7) "Harness race" or "harness racing" means trotting and pacing races of the
 16 standardbred horses;

17 (8)~~(7)~~ "Horse race meeting" means horse racing run at an association licensed and
 18 regulated by the Kentucky Horse Racing Commission, and may include
 19 Thoroughbred, harness, Appaloosa, Arabian, paint, and quarter horse racing;

20 (9)~~(8)~~ "Host track" means the track conducting racing and offering its racing for
 21 intertrack wagering, or, in the case of interstate wagering, means the Kentucky track
 22 conducting racing and offering simulcasts of races conducted in other states or
 23 foreign countries;

24 (10)~~(9)~~ "Intertrack wagering" means pari-mutuel wagering on simulcast horse races
 25 from a host track by patrons at a receiving track;

26 (11)~~(10)~~ "Interstate wagering" means pari-mutuel wagering on simulcast horse races
 27 from a track located in another state or foreign country by patrons at a receiving

1 track or simulcast facility;

2 ~~(12)~~~~(11)~~ "Kentucky quarter horse, paint horse, Appaloosa, and Arabian purse fund"
3 means a purse fund established to receive funds as specified in KRS 230.3771 for
4 purse programs established in KRS 230.446 to supplement purses for quarter horse,
5 paint horse, Appaloosa, and Arabian horse races. The purse program shall be
6 administered by the Kentucky Horse Racing Commission;

7 ~~(13)~~~~(12)~~ "Kentucky resident" means:

8 (a) An individual domiciled within this state;

9 (b) An individual who maintains a place of abode in this state and spends, in the
10 aggregate, more than one hundred eighty-three (183) days of the calendar year
11 in this state; or

12 (c) An individual who lists a Kentucky address as his or her principal place of
13 residence when applying for an account to participate in advance deposit
14 account wagering;

15 ~~(14)~~~~(13)~~ "Paint horse" means a horse registered with the American Paint Horse
16 Association of Fort Worth, Texas;

17 ~~(15)~~~~(14)~~ "Principal" means any of the following individuals associated with a
18 partnership, trust, association, limited liability company, or corporation that is
19 licensed to conduct a horse race meeting or an applicant for a license to conduct a
20 horse race meeting:

21 (a) The chairman and all members of the board of directors of a corporation;

22 (b) All partners of a partnership and all participating members of a limited liability
23 company;

24 (c) All trustees and trust beneficiaries of an association;

25 (d) The president or chief executive officer and all other officers, managers, and
26 employees who have policy-making or fiduciary responsibility within the
27 organization;

1 (e) All stockholders or other individuals who own, hold, or control, either directly
2 or indirectly, five percent (5%) or more of stock or financial interest in the
3 collective organization; and

4 (f) Any other employee, agent, guardian, personal representative, or lender or
5 holder of indebtedness who has the power to exercise a significant influence
6 over the applicant's or licensee's operation;

7 ~~(16)~~~~(15)~~ "Quarter horse" means a horse that is registered with the American Quarter
8 Horse Association of Amarillo, Texas;

9 ~~(17)~~~~(16)~~ "Racing commission" means the Kentucky Horse Racing Commission;

10 ~~(18)~~~~(17)~~ "Receiving track" means a track where simulcasts are displayed for wagering
11 purposes. A track that submits an application for intertrack wagering shall meet all
12 the regulatory criteria for granting an association license of the same breed as the
13 host track, and shall have a heated and air-conditioned facility that meets all state
14 and local life safety code requirements and seats a number of patrons at least equal
15 to the average daily attendance for intertrack wagering on the requested breed in the
16 county in which the track is located during the immediately preceding calendar year;

17 ~~(19)~~~~(18)~~ "Simulcast facility" means any facility approved pursuant to the provisions of
18 KRS 230.380 to simulcast racing and conduct pari-mutuel wagering;

19 ~~(20)~~~~(19)~~ "Simulcasting" means the telecast of live audio and visual signals of horse
20 races for the purpose of pari-mutuel wagering;

21 ~~(21)~~ **"Sports wagering" means the placing of wagers on the outcomes of nonexempt**
22 **sports contests at sports wagering facilities authorized under this chapter;**

23 ~~(22)~~ **"Sports wagering facility" means a horse racing track or off-track wagering**
24 **facility licensed under this chapter which has been licensed by the racing**
25 **commission to conduct sports wagering;**

26 ~~(23)~~~~(20)~~ "Telephone account wagering" means a form of pari-mutuel wagering where
27 an individual may deposit money in an account at a track and may place a wager by

1 direct telephone call or by communication through other electronic media owned by
2 the holder of the account to the track;

3 ~~(24)~~~~(21)~~ "Thoroughbred race" or "Thoroughbred racing" means a form of horse racing
4 in which each horse participating in the race is a Thoroughbred, (i.e., meeting the
5 requirements of and registered with The Jockey Club of New York) and is mounted
6 by a jockey; and

7 ~~(25)~~~~(22)~~ "Track" means any association duly licensed by the Kentucky Horse Racing
8 Commission to conduct horse racing. "Track" shall include any facility or real
9 property that is owned, leased, or purchased by a track within the same geographic
10 area within a sixty (60) mile radius of a track but not contiguous to track premises,
11 upon racing commission approval, and provided the noncontiguous property is not
12 within a sixty (60) mile radius of another licensed track premise where live racing is
13 conducted and not within a forty (40) mile radius of a simulcast facility, unless any
14 affected track or simulcast facility agrees in writing to permit a noncontiguous
15 facility within the protected geographic area.

16 ➔Section 3. KRS 230.215 is amended to read as follows:

17 (1) It is the policy of the Commonwealth of Kentucky, in furtherance of its responsibility
18 to foster and to encourage legitimate occupations and industries in the
19 Commonwealth and to promote and to conserve the public health, safety, and
20 welfare, and it is hereby declared the intent of the Commonwealth to foster and to
21 encourage;

22 (a) The horse breeding industry within the Commonwealth and to encourage the
23 improvement of the breeds of horses; ~~Further, it is the policy and intent of~~
24 ~~the Commonwealth to foster and to encourage }~~

25 (b) The business of legitimate horse racing with pari-mutuel wagering thereon in
26 the Commonwealth on the highest possible plane; and

27 (c) *The conduct of wagering on sporting events, when allowed by federal law,*

1 *in the interest of promoting tourism, increasing entertainment opportunities*
2 *within the state, and effectively controlling a gaming opportunity.*

3 (2) Further, it hereby is declared the policy and intent of the Commonwealth that:

4 (a) All racing not licensed under this chapter is a public nuisance and may be
5 enjoined as such; ~~Further, it is hereby declared the policy and intent of the~~
6 Commonwealth that and

7 (b) The conduct of horse racing, or the participation in any way in horse racing, or
8 the entrance to or presence where horse racing is conducted, is a privilege and
9 not a personal right; and that this privilege may be granted or denied by the
10 racing commission or its duly approved representatives acting in its behalf.

11 ~~(3)~~(2) It is hereby declared the purpose and intent of this chapter in the interest of the
12 public health, safety, and welfare, to vest in the racing commission forceful control
13 of:

14 (a) Horse racing in the Commonwealth with plenary power to:

15 1. Promulgate administrative regulations prescribing conditions under
16 which all legitimate horse racing and wagering thereon is conducted in
17 the Commonwealth so as to encourage the improvement of the breeds of
18 horses in the Commonwealth; ~~to~~

19 2. Regulate and maintain horse racing at horse race meetings in the
20 Commonwealth of the highest quality and free of any corrupt,
21 incompetent, dishonest, or unprincipled horse racing practices; ~~and~~
22 ~~to~~

23 3. Regulate and maintain horse racing at race meetings in the
24 Commonwealth so as to dissipate any cloud of association with the
25 undesirable and maintain the appearance as well as the fact of complete
26 honesty and integrity of horse racing in the Commonwealth; and

27 (b) *Sports wagering in the Commonwealth with plenary power to:*

- 1 1. Promulgate administrative regulations prescribing conditions under
 2 which all legitimate sports wagering is conducted in the
 3 Commonwealth;
 4 2. Regulate and maintain sports wagering at licensed horse race tracks
 5 and off-track betting facilities in the Commonwealth of the highest
 6 quality and free from any corrupt, incompetent, dishonest, or
 7 unprincipled practices; and
 8 3. Regulate and maintain sports wagering in the Commonwealth so as to
 9 dissipate any cloud of association with the undesirable and maintain
 10 the appearance as well as the fact of complete honesty and integrity.

11 **(4)** In addition to the general powers and duties vested in the racing commission by this
 12 chapter, it is the intent hereby to vest in the racing commission the power to eject or
 13 exclude from association grounds or any part thereof any person, licensed or
 14 unlicensed, whose conduct or reputation is such that his presence on association
 15 grounds may, in the opinion of the racing commission, reflect on the honesty and
 16 integrity of horse racing or interfere with the orderly conduct of horse racing.

17 ➔Section 4. KRS 230.225 is amended to read as follows:

18 (1) The Kentucky Horse Racing Commission is created as an independent agency of
 19 state government to regulate the conduct of horse racing and pari-mutuel wagering
 20 on horse racing~~[,]~~ and related activities, as well as sports wagering, within the
 21 Commonwealth of Kentucky. The racing commission shall be attached to the Public
 22 Protection Cabinet for administrative purposes.

23 (2) (a) The Kentucky Horse Racing Commission shall consist of fifteen (15) members
 24 appointed by the Governor, with the secretaries of the Public Protection
 25 Cabinet, Tourism, Arts and Heritage Cabinet, and Economic Development
 26 Cabinet, or their designees, serving as ex officio voting members.

27 (b) Two (2) members shall have no financial interest in any~~[the]~~ business or

1 industry regulated **by the racing commission.**

2 (c) The members of the racing commission shall be appointed to serve for a term
3 of four (4) years~~[, except the initial terms shall be staggered as follows:~~

4 1.—~~Five (5) members shall serve for a term of four (4) years;~~

5 2.—~~Five (5) members shall serve for a term of three (3) years; and~~

6 3.—~~Five (5) members shall serve for a term of two (2) years].~~

7 (d) Any member appointed to fill a vacancy occurring other than by expiration of a
8 term shall be appointed for the remainder of the unexpired term.

9 (e) In making appointments, the Governor may consider members broadly
10 representative of the Thoroughbred industry, **professional and collegiate**
11 **sports organizations,** and members broadly representative of the standardbred,
12 quarter horse, Appaloosa, or Arabian industries. The Governor may also
13 consider recommendations from the Kentucky Thoroughbred Owners and
14 Breeders, Inc., the Kentucky Division of the Horsemen's Benevolent and
15 Protective Association, the Kentucky Harness Horsemen's Association, **the**
16 **National Collegiate Athletic Association, the National Football League, the**
17 **National Basketball Association, Major League Baseball,** and other
18 interested organizations.

19 (3) (a) Members of the racing commission shall receive no compensation for serving
20 on the commission, but shall be reimbursed for travel expenses for attending
21 meetings and performing other official functions consistent with the
22 reimbursement policy for state employees established by KRS 45.101 and
23 administrative regulations promulgated thereunder.

24 (b) The Governor shall appoint one (1) member of the racing commission to serve
25 as its chairperson who shall serve at the pleasure of the Governor.

26 (c) The Governor shall further designate a second member to serve as vice chair
27 with authority to act in the absence of the chairperson.

- 1 (d) Before entering upon the discharge of their duties, all members of the
2 Kentucky Horse Racing Commission shall take the constitutional oath of
3 office.
- 4 (4) (a) The racing commission shall establish and maintain a general office for the
5 transaction of its business and may in its discretion establish a branch office or
6 offices.
- 7 (b) The racing commission may hold meetings at any of its offices or at any other
8 place when the convenience of the racing commission requires.
- 9 (c) All meetings of the racing commission shall be open and public, and all persons
10 shall be permitted to attend meetings.
- 11 (d) A majority of the voting members of the racing commission shall constitute a
12 quorum for the transaction of its business or exercise of any of its powers.
- 13 (5) Except as otherwise provided, the racing commission shall be responsible for the
14 following:
- 15 (a) Developing and implementing programs designed to ensure the safety and
16 well-being of horses, jockeys, and drivers;
- 17 (b) Developing programs and procedures that will aggressively fulfill its oversight
18 and regulatory role on such matters as medical practices and integrity issues;
- 19 (c) Recommending tax incentives and implementing incentive programs to ensure
20 the strength and growth of the equine industry;
- 21 (d) Designing and implementing programs that strengthen the ties between
22 Kentucky's horse industry and the state's universities, with the goal of
23 significantly increasing the economic impact of the horse industry on
24 Kentucky's economy, improving research for the purpose of promoting the
25 enhanced health and welfare of the horse, and other related industry issues;{
26 ~~and~~}
- 27 (e) Developing and supporting programs which ensure that Kentucky remains in

1 the forefront of equine research; and
2 (f) Developing programs and procedures that will aggressively fulfill its
3 oversight and regulatory role on sports wagering to ensure that undue
4 influence is not brought to bear on the outcome of any athletic event due to
5 wagers placed upon the event.

6 →Section 5. KRS 230.240 is amended to read as follows:

- 7 (1) (a) In addition to the employees referred to in KRS 230.230, the executive
8 director of the racing commission may employ, dismiss, or take other
9 personnel action and determine the reasonable compensation of stewards,
10 supervisors of mutuels, veterinarians, inspectors, accountants, security officers,
11 and other employees deemed by the executive director to be essential at or in
12 connection with any horse race meeting and in the best interest of racing, or in
13 the conduct of sports wagering.
- 14 (b) Three (3) Thoroughbred stewards shall be employed at each Thoroughbred
15 race meeting.
- 16 (c) Two (2) stewards shall be employed and compensated by the Commonwealth,
17 subject to reimbursement by the racing associations pursuant to subsection (3)
18 of this section.
- 19 (d) One (1) Thoroughbred steward shall be employed and compensated by the
20 racing association hosting the race meeting.
- 21 (e) Three (3) standardbred judges shall be employed at each standardbred race
22 meeting.
- 23 (f) Two (2) standardbred judges shall be employed and compensated by the
24 Commonwealth, subject to reimbursement by the racing associations pursuant
25 to subsection (3) of this section.
- 26 (g) One (1) standardbred judge shall be employed and compensated by the racing
27 association hosting the race meeting.

1 **(h)** The security officers shall be peace officers and conservators of the peace on
2 racing commission property and at all race tracks and grounds in the
3 Commonwealth and shall possess all the common law and statutory powers
4 and privileges now available or hereafter made available to sheriffs, constables,
5 and police officers for the purpose of enforcing all laws relating directly or
6 indirectly to the conduct of horse racing, **sports wagering**, and pari-mutuel
7 wagering thereon, or the enforcement of laws relating to the protection of
8 persons or property on premises licensed by the racing commission.

9 **(i)** The racing commission, for the purpose of maintaining integrity and honesty in
10 racing **and sports wagering**, shall prescribe by administrative regulation the
11 powers and duties of the persons employed under this section and
12 qualifications necessary to competently perform their duties. In addition, the
13 racing commission shall be responsible for seeing that racing officials employed
14 under the provisions of this section have adequate training to perform their
15 duties in a competent manner.

16 (2) **(a)** The racing commission shall promulgate administrative regulations for
17 effectively preventing the use of improper devices, and restricting or
18 prohibiting the use and administration of drugs or stimulants or other improper
19 acts to horses prior to the horse participating in a race.

20 **(b)** The racing commission may acquire, operate, and maintain, or contract for the
21 maintenance and operation of, a testing laboratory and related facilities, for the
22 purpose of saliva, urine, or other tests, and to purchase supplies and equipment
23 for and in connection with the laboratory or testing processes.

24 **(c)** The expense of the laboratory or other testing processes, whether furnished by
25 contract or otherwise, together with all supplies and equipment used in
26 connection therewith, shall be paid by the various associations licensed under
27 this chapter in the manner and in proportions as the racing commission shall by

1 administrative regulation provide.

2 (3) (a) The compensation of the employees referred to in this section shall be paid by
3 the licensee conducting the horse race meeting or sports wagering in
4 connection with which the employees are utilized or employed.

5 (b) The salary of the executive director to the racing commission shall be prorated
6 among and paid by the various associations licensed under this chapter in the
7 manner as the racing commission shall, by administrative regulation, provide.

8 (c) Except for the Thoroughbred steward and the standardbred judge authorized
9 in subsection (1) of this section, the employees referred to in this section shall
10 be deemed employees of the racing commission, and are paid by the licensee or
11 association for convenience only.

12 (4) Each person, as a condition precedent to the privilege of receiving a license under
13 this chapter to conduct a horse race meeting or sports wagering, shall be deemed to
14 have agreed to pay expenses and compensation as provided in this section and as
15 may be actually and reasonably incurred.

16 ➔Section 6. KRS 230.260 is amended to read as follows:

17 The racing commission, in the interest of breeding or the improvement of breeds of horses,
18 and the promotion of fair and honest sports wagering, shall have all powers necessary
19 and proper to carry out fully and effectually the provisions of this chapter including but
20 without limitation the following:

21 (1) The racing commission is vested with jurisdiction and supervision over all horse race
22 meetings and sports wagering operations in this Commonwealth and over all
23 associations and all persons on association grounds and may eject or exclude
24 therefrom or any part thereof, any person, licensed or unlicensed, whose conduct or
25 reputation is such that his presence on association grounds may, in the opinion of the
26 racing commission, reflect on the honesty and integrity of horse racing or sports
27 wagering, interfere with the orderly conduct of horse racing, sports wagering, or

1 racing at horse race meetings; provided, however, no persons shall be excluded or
2 ejected from association grounds solely on the ground of race, color, creed, national
3 origin, ancestry, or sex;

4 (2) The racing commission is vested with jurisdiction over any person or entity that
5 offers advance deposit account wagering to Kentucky residents. Any such person or
6 entity under the jurisdiction of the racing commission shall be licensed by the racing
7 commission, and the racing commission may impose a license fee not to exceed ten
8 thousand dollars (\$10,000) annually. The racing commission shall, by administrative
9 regulation promulgated in accordance with KRS Chapter 13A, establish conditions
10 and procedures for the licensing of advance deposit account wagering providers to
11 include but not be limited to:

12 (a) A fee schedule for applications for licensure; and

13 (b) Reporting requirements to include quarterly reporting on:

14 1. The amount wagered on Kentucky races;~~and~~

15 2. **The amount wagered on sporting events other than horse races; and**

16 **3.** The total amount wagered by Kentuckians;

17 (3) The racing commission is vested with jurisdiction over any totalisator company that
18 provides totalisator services to a racing association located in the Commonwealth. A
19 totalisator company under the jurisdiction of the racing commission shall be licensed
20 by the racing commission, regardless of whether a totalisator company is located in
21 the Commonwealth or operates from a location or locations outside of the
22 Commonwealth, and the racing commission may impose a license fee on a totalisator
23 company. The racing commission shall, by administrative regulation promulgated in
24 accordance with KRS Chapter 13A, establish conditions and procedures for the
25 licensing of totalisator companies, and a fee schedule for applications for licensure;

26 (4) The racing commission is vested with jurisdiction over any manufacturer,
27 wholesaler, distributor, or vendor of any equine drug, medication, therapeutic

- 1 substance, or metabolic derivative which is purchased by or delivered to a licensee or
2 other person participating in Kentucky horse racing by means of the Internet, mail
3 delivery, in-person delivery, or other means;
- 4 (5) The racing commission is vested with jurisdiction over any horse training center or
5 facility in the Commonwealth that records official timed workouts for publication;
- 6 (6) The racing commission may require an applicant for a license under subsections (2)
7 and (3) of this section to submit to a background check of the applicant, or of any
8 individual or organization associated with the applicant. An applicant shall be
9 required to reimburse the racing commission for the cost of any background check
10 conducted;
- 11 (7) The racing commission, its representatives and employees, may visit, investigate and
12 have free access to the office, track, facilities, or other places of business of any
13 licensee, or any person owning a horse or performing services regulated by this
14 chapter on a horse registered to participate in a breeders incentive fund under the
15 jurisdiction of the racing commission;
- 16 (8) The racing commission shall have full authority to prescribe necessary and
17 reasonable administrative regulations and conditions under which horse racing at a
18 horse race meeting shall be conducted in this state and to fix and regulate the
19 minimum amount of purses, stakes, or awards to be offered for the conduct of any
20 horse race meeting;
- 21 (9) Applications for licenses shall be made in the form, in the manner, and contain
22 information as the racing commission may, by administrative regulation, require.
23 Fees for all licenses for participants in horse racing issued under KRS 230.310
24 shall be prescribed by and paid to the racing commission;
- 25 (10) The racing commission shall establish by administrative regulation minimum fees for
26 jockeys to be effective in the absence of a contract between an employing owner or
27 trainer and a jockey. The minimum fees shall be no less than those of July 1, 1985;

- 1 (11) The racing commission may:
- 2 (a) Refuse to issue or renew a license;[.];
- 3 (b) Revoke or suspend a license;[.];
- 4 (c) Impose probationary conditions on a license;[.];
- 5 (d) Issue a written reprimand or admonishment;[.];
- 6 (e) Impose fines or penalties;[.];
- 7 (f) Deny purse money;[.];
- 8 (g) Require the forfeiture of purse money;[.]; or
- 9 (h) Any combination thereof;

10 With regard to a licensee or other person participating in Kentucky horse racing **or**
 11 **sports wagering** for violation of any federal or state statute, regulation, or steward's
 12 or racing commission's directive, ruling, or order to preserve the integrity of
 13 Kentucky horse racing **or sports wagering**, or to protect the ~~racing~~ public. The
 14 racing commission shall, by administrative regulation, establish the criteria for taking
 15 the actions described in this subsection;

16 (12) The racing commission may issue subpoenas for the attendance of witnesses before
 17 it and for the production of documents, records, papers, books, supplies, devices,
 18 equipment, and all other instrumentalities related to pari-mutuel horse racing **or**
 19 **sports wagering** within the Commonwealth. The racing commission may administer
 20 oaths to witnesses and require witnesses to testify under oath whenever, in the
 21 judgment of the racing commission, it is necessary to do so for the effectual
 22 discharge of its duties;

23 (13) The racing commission shall have authority to compel any racing association **or**
 24 **sports wagering provider** licensed under this chapter to file with the racing
 25 commission at the end of its fiscal year, a balance sheet, showing assets and
 26 liabilities, and an earnings statement, together with a list of its stockholders or other
 27 persons holding a beneficial interest in the association; and

1 (14) The racing commission shall promulgate administrative regulations establishing
2 safety standards for jockeys, which shall include the use of rib protection equipment.
3 Rib protection equipment shall not be included in a jockey's weight.

4 ➔SECTION 7. A NEW SECTION OF KRS CHAPTER 230 IS CREATED TO
5 READ AS FOLLOWS:

6 (1) Due to the licensing requirements placed upon horse racing associations in the
7 Commonwealth and the stringent oversight of the horse racing industry provided
8 by the racing commission, it is the intent of this chapter to permit the licensing of
9 sports wagering at associations licensed to conduct horse racing, or at licensed
10 simulcast facilities.

11 (2) A separate license shall be required for each facility seeking to conduct sports
12 wagering.

13 (3) To be eligible for a license to conduct sports wagering, a track shall:

14 (a) Apply on forms prescribed by the racing commission; and

15 (b) Pay an initial license fee of two hundred fifty thousand dollars (\$250,000).

16 (4) Sports wagering licenses shall be renewed annually for a fee of twenty-five
17 thousand dollars (\$25,000).

18 (5) An application to conduct sports wagering by a racing association licensed to
19 conduct horse racing under this chapter may be denied, rescinded, suspended,
20 revoked, or not renewed if the applicant track:

21 (a) Does not meet, or ceases to meet, the requirements for issuance of a racing
22 license issued under this chapter;

23 (b) Fails to run at least as many live races for the same primary breed as were
24 run in calendar year 2017; or

25 (c) Has engaged in an activity that is a violation of a provision of this chapter
26 or an administrative regulation promulgated under this chapter, the nature
27 of which would render the licensee unsuitable to continue as a licensed

1 sports wagering provider.

2 (6) An association shall be deemed to have met the requirements of subsection (5)(b)
3 of this section if the association is prevented from running a live race or races by
4 reason of:

5 (a) Flood;

6 (b) Fire;

7 (c) Inclement weather or natural disaster; or

8 (d) Emergencies for other reasons beyond the control of the association.

9 (7) Licensing fees paid under this section shall be divided equally with:

10 (a) Fifty percent (50%) being retained by the racing commission to offset the
11 cost of oversight of sports wagering; and

12 (b) Fifty percent (50%) being allocated to the sports wagering distribution trust
13 fund established in Section 10 of this Act.

14 ➔SECTION 8. A NEW SECTION OF KRS CHAPTER 230 IS CREATED TO
15 READ AS FOLLOWS:

16 (1) The racing commission shall promulgate administrative regulations prescribing
17 the manner in which sports wagering shall be conducted at sports wagering
18 facilities.

19 (2) Administrative regulations relating to sports wagering promulgated by the racing
20 commission shall include but not be limited to:

21 (a) Standards and procedures for sports wagering, including any new sports
22 wagering or variations or composites of approved sports wagering;

23 (b) Standards and rules to govern the conduct of sports wagering and the
24 system of wagering, including the manner in which wagers are received,
25 payouts are remitted, and point spreads, lines, and odds are determined;

26 (c) The method for calculating sports wagering revenue and standards for the
27 daily accounting and recording of cash and cash equivalents received in the

- 1 conduct of sports wagering, to include:
- 2 1. Methods of internal financial controls;
- 3 2. How financial records are to be maintained; and
- 4 3. Audit procedures and frequencies;
- 5 (d) Notice requirements for minimum and maximum wagers on sports
- 6 wagering;
- 7 (e) Compulsive and problem gambling standards pertaining to sports wagering;
- 8 (f) Standards prohibiting persons under the age of eighteen (18) from
- 9 participating in sports wagering;
- 10 (g) Limitations on locations for sports wagering facilities; and
- 11 (h) Security requirements.
- 12 (3) A track may only conduct sports wagering if sports wagering at the track has
- 13 been approved by the horse owner's group representing the breed run in the
- 14 majority of races at the track. The horse owner's groups shall include:
- 15 (a) For Thoroughbred racing, the Kentucky Thoroughbred Owners and
- 16 Breeders, Inc., and the Kentucky Division of the Horsemen's Benevolent
- 17 and Protective Association; and
- 18 (b) For harness racing, the Kentucky Harness Horsemen's Association.
- 19 (4) No person shall be permitted to place a wager on a game or event in which that
- 20 person is a participant. For the purpose of this subsection, a participant shall
- 21 include:
- 22 (a) Players;
- 23 (b) Coaches;
- 24 (c) Referees or other officials involved in enforcing the rules of the game; and
- 25 (d) Owners or shareholders of professional sports teams who might have
- 26 influence over players and coaches through the ability to hire or fire.

27 ➔SECTION 9. A NEW SECTION OF KRS CHAPTER 138 IS CREATED TO

1 READ AS FOLLOWS:

2 (1) As used in this section:

3 (a) "Department" means the Department of Revenue;

4 (b) "Net sports wagering receipts" has the same meaning as in Section 2 of this
5 Act;

6 (c) "Racing commission" means the Kentucky Horse Racing Commission;

7 (d) "Sports wagering" has the same meaning as in Section 2 of this Act; and

8 (e) "Sports wagering facility" has the same meaning as in Section 2 of this
9 Act.

10 (2) An excise tax is hereby imposed on all sports wagering facilities at the rate of
11 twenty percent (20%) of the total amount wagered.

12 (3) The tax revenues shall be appropriated to the sports wagering distribution trust
13 fund created in Section 10 of this Act.

14 (4) The sports wagering tax imposed by this section is due and payable to the
15 department monthly and shall be remitted on or before the twentieth day of the
16 next succeeding calendar month.

17 (5) (a) Payment shall be accompanied by a return form that the department shall
18 prescribe.

19 (b) The return form shall report, at a minimum:

20 1. The total number of bets placed on sports contests;

21 2. The total amount of money wagered on sports contests;

22 3. Prizes paid;

23 4. Net sports wagering receipts; and

24 5. Sports wagering tax due.

25 (6) The department shall enforce the provisions of and collect the taxes and penalties
26 imposed by this section, and in doing so it shall have the general powers and
27 duties granted it in KRS Chapters 131 and 135, including the power to enforce,

1 by an action in the Franklin Circuit Court, the collection of the taxes, penalties,
2 and other payments imposed or required by this section.

3 (7) Any person who violates any provision of this section shall be subject to the
4 uniform civil penalties imposed pursuant to KRS 131.180 and interest at the tax
5 interest rate as defined in KRS 131.010.

6 (8) The racing commission may suspend, revoke, or decline to renew a license upon
7 the licensee's failure to timely submit payment of sports wagering tax due under
8 this section or the administrative regulations promulgated by the department with
9 respect thereto.

10 ➔SECTION 10. A NEW SECTION OF KRS CHAPTER 230 IS CREATED TO
11 READ AS FOLLOWS:

12 (1) There is hereby established in the State Treasury the sports wagering distribution
13 trust fund. The fund shall consist of moneys received from the license fees
14 imposed in Section 7 of this Act, the sports wagering tax imposed in Section 9 of
15 this Act, and any other proceeds from grants, contributions, appropriations, or
16 other moneys made available for the purposes of the fund.

17 (2) The fund shall be administered by the racing commission.

18 (3) Amounts deposited in the fund shall only be used for the following purposes:

19 (a) Sixty percent (60%) shall be distributed to the Kentucky Employees
20 Retirement System nonhazardous retirement fund and the Kentucky
21 Teachers' Retirement System pension fund in amounts proportional to the
22 number of participants in those funds;

23 (b) Thirty percent (30%) shall be distributed to the Kentucky educational
24 excellence scholarship trust fund established in KRS 164.7877; and

25 (c) Ten percent (10%) shall be distributed to the Kentucky Thoroughbred
26 development fund established in KRS 230.400 and the Kentucky
27 standardbred development fund established in KRS 230.770 in an amount

1 proportional to the number of racing days each breed runs during a racing
 2 year in Kentucky.

3 (4) Notwithstanding KRS 45.229, fund amounts not expended at the close of a fiscal
 4 year shall not lapse but shall be carried forward into the next fiscal year.

5 (5) Any interest earnings of the fund shall become a part of the fund and shall not
 6 lapse.

7 (6) All moneys held in the fund shall be invested by the racing commission in
 8 accordance with the racing commission's investment practices, and all earnings
 9 from the investments shall accrue to the benefit of the fund and the
 10 Commonwealth.

11 (7) Moneys deposited in the fund are hereby appropriated for the purposes set forth
 12 in this section and shall not be appropriated or transferred by the General
 13 Assembly for any other purposes.

14 ➔Section 11. KRS 230.320 is amended to read as follows:

15 (1) (a) Every license granted under this chapter is subject to denial, revocation, or
 16 suspension by the racing commission.~~[, and]~~

17 (b) Every licensee or other person participating in Kentucky horse racing may be
 18 assessed an administrative fine and required to forfeit or return a purse, by the
 19 racing commission in any case where it has reason to believe that any provision
 20 of this chapter, administrative regulation, or condition of the racing
 21 commission affecting it has not been complied with or has been broken or
 22 violated.

23 (c) The racing commission may deny, revoke, or suspend a license for failure by
 24 the licensee or other person participating in Kentucky horse racing or sports
 25 wagering to pay an administrative fine imposed upon the licensee by the
 26 stewards or the racing commission.

27 (d) The racing commission, in the interest of honesty and integrity of horse racing,

1 may promulgate administrative regulations under which any license may be
2 denied, suspended, or revoked, and under which any licensee or other person
3 participating in Kentucky horse racing or sports wagering may be assessed an
4 administrative fine or required to forfeit or return a purse.

- 5 (2) (a) Following a hearing by the stewards, a person who has been disciplined by a
6 ruling of the stewards may apply to the racing commission for a stay of the
7 ruling, pending action on an appeal by the racing commission.
- 8 (b) An application for a stay shall be received by the executive director or his
9 designee within ten (10) calendar days of the issuance of the stewards' ruling.
- 10 (c) An application for a stay shall be in writing and include the following:
- 11 1. The name, address, telephone number, and signature of the person
12 requesting the stay;
- 13 2. A statement of the justification for the stay; and
- 14 3. The period of time for which the stay is requested.
- 15 (d) On a finding of good cause, the executive director or his designee may grant
16 the stay. The executive director or his designee shall issue a written decision
17 granting or denying the request for stay within five (5) calendar days from the
18 time the application for stay is received by the executive director or his
19 designee. If the executive director or his designee fails to timely issue a written
20 decision, then the stay is deemed granted. The executive director or his
21 designee may rescind a stay granted under this subsection for good cause.
- 22 (e) A person who is denied a stay by the executive director or his designee, or has
23 a previously granted stay rescinded under paragraph (d) of this subsection, may
24 petition the racing commission to overrule the executive director's or
25 designee's denial or rescission of the stay. The petition shall be filed in writing
26 with the chairperson of the racing commission and received by the chairperson
27 within ten (10) calendar days of the mailing of the executive director's or

1 designee's denial of the stay. The petition shall state the name, address, phone
2 number, and signature of the petitioner; a statement of justification of the stay;
3 and the time period for which the stay is requested. The chairperson shall
4 convene a special meeting of the racing commission within ten (10) calendar
5 days of receipt of the petition, and the racing commission shall issue a written
6 final order granting or denying the petition within two (2) calendar days of the
7 special meeting. If the racing commission fails to timely issue a final order on
8 the petition, then the stay is granted. The racing commission may rescind a stay
9 granted under this subsection for good cause.

10 (f) A person who is denied or has a previously granted stay rescinded by the
11 racing commission may file an appeal of the final written order of the racing
12 commission in the Circuit Court of the county in which the cause of action
13 arose.

14 (g) The fact that a stay is granted is not a presumption that the ruling by the
15 stewards is invalid.

16 (3) If any license is denied, suspended, or revoked, or if any licensee or other person
17 participating in Kentucky horse racing or sports wagering is assessed an
18 administrative fine or required to forfeit or return a purse, after a hearing by the
19 stewards or by the racing commission acting on a complaint or by its own volition,
20 the racing commission shall grant the applicant, licensee, or other person the right to
21 appeal the decision, and upon appeal, an administrative hearing shall be conducted in
22 accordance with KRS Chapter 13B.

23 (4) The racing commission may at any time order that any case pending before the
24 stewards be immediately transferred to the racing commission for an administrative
25 hearing conducted in accordance with KRS Chapter 13B.

26 (5) (a) In an administrative appeal to the racing commission by a licensee or other
27 person participating in Kentucky horse racing or sports wagering, the racing

1 commission may determine in its final order that the appeal is frivolous. If the
2 racing commission finds that an appeal is frivolous:

- 3 1. This fact shall be considered an aggravating circumstance and may be
4 considered in assessing any penalty against the licensee; and
- 5 2. The licensee or other person who raised the appeal may be required to
6 reimburse the racing commission for the cost of the investigation of the
7 underlying circumstances of the case and the cost of the adjudication of
8 the appeal. Costs may include but are not limited to fees paid to a hearing
9 officer or court reporter, attorneys fees, and laboratory expenses.

10 (b) The racing commission shall by administrative regulation prescribe the
11 conditions or factors by which an appeal may be determined to be frivolous.

12 (6) Any administrative action authorized in this chapter shall be in addition to any
13 criminal penalties provided in this chapter or under other provisions of law.

14 ➔Section 12. KRS 230.360 is amended to read as follows:

15 (1) The provisions of this chapter are intended to be statewide and exclusive in their
16 effect and no city, county, or other political subdivision of state government shall
17 have the power or authority to make or enforce any local laws, ordinances, or
18 regulations on the subject of horse race meetings ***or sports wagering.***

19 (2) Any person licensed under KRS 230.300 shall continue to pay, or be responsible for
20 the payment of, all state taxes presently imposed by law, including but without
21 limitation, license taxes imposed under KRS 137.170 to 137.190, and KRS 137.990
22 together with admission taxes imposed by KRS 138.480, and the pari-mutuel taxes
23 imposed by KRS 138.510 to 138.550, and all state, as well as local, ad valorem
24 taxes; provided, however, no tax shall be imposed by the state or any subdivision
25 thereof upon, or measured by, that portion of the excise tax imposed upon pari-
26 mutuel betting at running and trotting horse race tracks which is collected and
27 retained by the operators thereof under the provisions of KRS 138.510 to 138.550,

1 both inclusive.

2 ➔Section 13. KRS 230.990 is amended to read as follows:

- 3 (1) Any person who violates KRS 230.070 or KRS 230.080(3) shall be guilty of a Class
4 D felony.
- 5 (2) Any person who violates KRS 230.090 shall be guilty of a Class A misdemeanor.
- 6 (3) Any person who violates KRS 230.680 shall be guilty of a Class A misdemeanor.
- 7 (4) Any person who refuses to make any report or to turn over sums as required by
8 KRS 230.361 to 230.373 shall be guilty of a Class A misdemeanor.
- 9 (5) Any person failing to appear before the racing commission at the time and place
10 specified in the summons issued pursuant to KRS 230.260(12), or refusing to testify,
11 shall be guilty of a Class B misdemeanor. False swearing on the part of any witness
12 shall be deemed perjury and punished as such.
- 13 (6) (a) A person is guilty of tampering with or interfering with a horse race when,
14 with the intent to influence the outcome of a horse race, he uses any device,
15 material, or substance not approved by the Kentucky Horse Racing
16 Commission on or in any participant involved in or eligible to compete in a
17 horse race to be viewed by the public.
- 18 (b) Any person who, while outside the Commonwealth and with intent to influence
19 the outcome of a horse race contested within the Commonwealth, tampers
20 with or interferes with any equine participant involved in or eligible to compete
21 in a horse race in the Commonwealth is guilty of tampering with or interfering
22 with a horse race.
- 23 (c) Tampering with or interfering with a horse race is a Class C felony.
- 24 **(7) (a) A person is guilty of tampering with the outcome of a sporting event when**
25 **the person interacts with a player, coach, referee, or other participant with**
26 **the intent to persuade the participant to act in a way that would bias the**
27 **outcome of the sporting event.**

- 1 **(b) Tampering with the outcome of a sporting event is a Class C felony.**
- 2 **(8) Any person who wagers on a sporting event in which that person is a participant**
- 3 **in violation of Section 8 of this Act shall be guilty of a Class C felony.**

4 ➔Section 14. This Act takes effect only if the federal Professional and Amateur
5 Sports Protection Act of 1992, 28 U.S.C. secs. 3701 to 3704, is repealed in its entirety by
6 the Congress of the United States or is rendered void and unenforceable as a result of a
7 final judgement of the Supreme Court of the United States, on the date the repeal becomes
8 law or the date the judgement is rendered, whichever may occur first.