

AN ACT relating to funding for the horse industry, making an appropriation therefor, and declaring an emergency.

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

Section 1. KRS 138.511 is amended to read as follows:

As used in KRS 138.510 to 138.550:

(1) *"Advance deposit account wagering" has the same meaning as in Section 6 of this Act;*

(2) "Association" has the same meaning as in Section 6 of this Act;

(3) "Authority" means the Kentucky Horse Racing Authority;

~~[(2) "Association" has the same meaning as in KRS 230.210;]~~

*(4) [(3)] "Daily average live handle" means the total amount wagered at a track on live racing and does not include **wagers made** [money wagered];*

(a) At a receiving track;

(b) At a simulcast facility;

(c) On telephone account wagering;

(d) Through advance deposit account wagering; or

(e) At a track participating as a receiving track or simulcast facility displaying simulcasts and conducting interstate wagering as permitted by KRS 230.3771 and 230.3773;

(5) [(4)] "Department" means the Department of Revenue;

(6) [(5)] "Fiscal year" means a time frame beginning 12:01 a.m. July 1, and ending 12 midnight June 30;

(7) [(6)] "Host track" has the same meaning as in KRS 230.210;

(8) [(7)] "Interstate wagering" has the same meaning as in KRS 230.210;

(9) [(8)] "Intertrack wagering" has the same meaning as in KRS 230.210;

(10) "Kentucky resident" means:

(a) An individual domiciled in this state;

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

(c) An individual who lists a Kentucky address as his or her principal place of residence.

when applying for an account to participate in advance deposit account wagering:

(11) "Licensee" means a person licensed by the authority pursuant to subsection (2) of Section 7 of this Act and Section 8 of this Act;

(12)(9) "Receiving track" has the same meaning as in KRS 230.210;

(13)(10) "Simulcast facility" has the same meaning as in KRS 230.210;

(14)(11) "Telephone account wagering" has the same meaning as in KRS 230.210; and

(15)(12) "Track" has the same meaning as in KRS 230.210.

Section 1. KRS 138.510 is amended to read as follows:

(1) (a) Except as provided in paragraphs (b) and (d) of this subsection:

1. Before July 1, 2010, an excise tax is imposed on all tracks conducting pari-mutuel wagering on live racing under the jurisdiction of the authority.

a.[1.]For each track with a daily average live handle of one million two hundred thousand dollars (\$1,200,000) or above, the tax shall be in the amount of three and one-half percent (3.5%) of all money wagered on live races at the track during the fiscal year.

b.[2.]For each track with a daily average live handle under one million two hundred thousand dollars (\$1,200,000), the tax shall be one and one-half percent (1.5%) of all money wagered on live races at the track during the fiscal year; **and**

2. On and after July 1, 2010, the tax shall be one and one-half percent (1.5%) of all money wagered on live races at the track, excluding amounts wagered that are subject to the tax imposed by subsection (2) of this section or subject to the development fee imposed by Section 3 of this Act.

(b) 1. If:

a. A track located in this state is the host track for a live one (1) or two (2) day international horse racing event in 2010 that distributes in excess of a total of fifteen million dollars (\$15,000,000) in purses during the international horse racing event; and

b. The organization responsible for selecting the location of the same international

horse racing event in subsequent years contractually agrees to conduct the international horse racing event at a host track in this state in calendar year 2011 or 2012 or calendar years 2011 and 2012;

then the excise tax imposed by paragraph (a) of this subsection shall not be imposed on pari-mutuel wagering on any live racing conducted during the one (1) or two (2) day international horse racing event held at a host track within this state in calendar years 2010 through 2012.

2. Beginning January 1, 2013, if the requirements of subparagraph 1. of this paragraph are satisfied, the tax exemption established by subparagraph 1. of this paragraph shall remain in effect for any succeeding one (1) or two (2) day international horse racing event if the event returns within three (3) years of a previously-held international horse racing event.
3. A minimum of five hundred thousand dollars (\$500,000) of the amount that would have been paid to the Commonwealth but for the exemption provided by this paragraph shall be used by the host track to fund undercard races during each international horse racing event.

(c) Amounts collected~~[Money shall be deducted]~~ from the tax imposed by~~[paid under]~~ paragraph (a) of this subsection shall be distributed~~[and deposited]~~ as follows:

1. ~~[An amount equal to]~~ Three-quarters of one percent (0.75%) of all money wagered on live races at the track for thoroughbred racing shall be deposited in the thoroughbred development fund established in KRS 230.400;
2. ~~[An amount equal to]~~ One percent (1%) of all money wagered on live races at the track for harness racing shall be deposited in the Kentucky standardbred, quarter horse, Appaloosa, and Arabian development fund established in KRS 230.770;
3. ~~[An amount equal to]~~ Two-tenths of one percent (0.2%) of all money wagered on all live races at the track shall be deposited in the equine industry program trust and revolving fund established by KRS 230.550 to support the Equine Industry Program at the University of Louisville;

4.
 - a. ~~[An amount equal to]~~One-tenth of one percent (0.1%) of all money wagered on all live races at the track shall be deposited in a trust and revolving fund to be used for the construction, expansion, or renovation of facilities or the purchase of equipment for equine programs at state universities.
 - b. These funds shall not be used for salaries or for operating funds for teaching, research, or administration. Funds allocated under this subparagraph shall not replace other funds for capital purposes or operation of equine programs at state universities.
 - c. The Kentucky Council on Postsecondary Education shall serve as the administrative agent and shall establish an advisory committee of interested parties, including all universities with established equine programs, to evaluate proposals and make recommendations for the awarding of funds.
 - d. The Kentucky Council on Postsecondary Education may promulgate administrative regulations to establish procedures for administering the program and criteria for evaluating and awarding grants; and
5. ~~[An amount equal to]~~One-tenth of one percent (0.1%) of all money wagered on all live races shall be distributed to the authority to support equine drug testing as provided in KRS 230.265(3).

(d) The excise tax imposed by paragraph (a) of this subsection shall not apply to pari-mutuel wagering on live harness racing at a county fair.

(2) (a) Except as provided in paragraphs (c), ~~[and]~~ (d), and (e) of this subsection, an excise tax is imposed on:

1. All tracks conducting telephone account wagering;
2. All tracks participating as receiving tracks in intertrack wagering under the jurisdiction of the authority; and
3. All tracks participating as receiving tracks displaying simulcasts and conducting interstate wagering thereon.

(b) The tax shall be three percent (3%) of all money wagered on races as provided in paragraph

- (a) of this subsection during the fiscal year.
- (c) A noncontiguous track facility approved by the authority on or after January 1, 1999, shall be exempt from the tax imposed under this subsection, if the facility is established and operated by a licensed track which has a total annual handle on live racing of two hundred fifty thousand dollars (\$250,000) or less. The amount of money exempted under this paragraph shall be retained by the noncontiguous track facility, KRS 230.3771 and 230.378 notwithstanding.
- (d) A track located in this state shall be exempt from the excise tax imposed by paragraph (b) of this subsection on wagers placed on all races conducted at a one (1) or two (2) day international horse racing event if:
1. The international horse racing event is conducted at a host track in this state; and
 2. The host track is exempt from the excise tax during the international horse racing event under subsection (1)(b) of this section.
- (e) *All harness racetracks licensed by the authority shall be exempt from the tax imposed under this subsection. The amount that would have been paid shall be retained by the track to promote and maintain its facilities and its live meet.*
- (f) *Amounts collected*~~[Money shall be deducted]~~ from the tax *imposed by*~~[paid under]~~ paragraphs (a) and (b) of this subsection *shall be distributed* as follows:
1. ~~[An amount equal to]~~Two percent (2%) of the amount wagered shall be *distributed*~~[deposited]~~ as follows:
 - a. *To*~~[In]~~ the thoroughbred development fund established in KRS 230.400 if the host track is conducting a thoroughbred race meeting or the interstate wagering is conducted on a thoroughbred race meeting; or
 - b. *To*~~[In]~~ the Kentucky standardbred, quarter horse, Appaloosa, and Arabian development fund established in KRS 230.770, if the host track is conducting a harness race meeting or the interstate wagering is conducted on a harness race meeting;
 2. ~~[An amount equal to]~~One-twentieth of one percent (0.05%) of the amount wagered

shall be **distributed**~~[allocated]~~ to the equine industry program trust and revolving fund established by KRS 230.550 to be used to support the Equine Industry Program at the University of Louisville;

3. ~~[An amount equal to]~~One-tenth of one percent (0.1%) of the amount wagered shall be **distributed and expended as provided**~~[deposited in a trust and revolving fund to be used for the construction, expansion, or renovation of facilities or the purchase of equipment for equine programs at state universities, as detailed]~~ in subsection (1)(c)4. of this section; and
4. ~~[An amount equal to]~~One-tenth of one percent (0.1%) of the amount wagered shall be distributed to the authority to support equine drug testing as provided in KRS 230.265(3).

- (3) The taxes imposed by this section shall be paid, collected, and administered as provided in KRS 138.530.

Section 3. A NEW SECTION OF KRS 138.510 TO 138.550 IS CREATED TO READ AS FOLLOWS:

- (1) Beginning January 1, 2011, a development fee is imposed against all licensees at a rate of one and one-half percent (1.5%) of all amounts wagered through the licensee by Kentucky residents.**
- (2) The development fee imposed by this section shall be paid, collected, and administered as provided in Section 4 of this Act.**

Section 4. KRS 138.530 is amended to read as follows:

- (1) The department shall enforce the provisions of and collect the tax, **development fees**, and penalties imposed and other payments required by KRS 138.510 to 138.550, and in doing so it shall have the general powers and duties granted it in KRS Chapters 131 and 135, including the power to enforce, by an action in the Franklin Circuit Court, the collection of the tax, **development fees**, penalties and other payments imposed or required by KRS 138.510 to 138.550.
- (2) (a) The remittance of the taxes imposed by KRS 138.510 shall be made weekly to the department no later than the fifth business day, excluding Saturday and Sunday, following

the close of each week of racing, during each race meeting and shall be accompanied by reports as prescribed by the department.

- (b) All funds received by the department ***from the taxes imposed by Section 2 of this Act*** shall be paid into the State Treasury and shall be credited to the general expenditure fund.

~~(c)(3)~~ The supervisor of pari-mutuel betting appointed by the authority shall weekly, during each race meeting, report to the department the total amount bet or handled the preceding week and the amount of tax due the state thereon, under the provisions of KRS 138.510 to 138.550.

~~(d)(4)~~ The supervisor of pari-mutuel betting appointed by the authority or his or her duly authorized representatives shall, at all reasonable times, have access to all books, records, issuing or vending machines, adding machines, and all other pari-mutuel equipment for the purpose of examining and checking the same and ascertaining whether or not the proper amount or amounts due the state are being or have been paid.

~~(e)(5)~~ Every person, corporation, or association required to pay the tax imposed by KRS 138.510 shall keep its books and records so as to clearly show by a separate record the total amount of money contributed to every pari-mutuel pool.

~~(3) (a) The remittance of the development fee imposed by Section 3 of this Act shall be made weekly to the department no later than the first business day of the week after the week during which the wagers forming the base of the development fee were received.~~

~~(b) Along with the remittance of the development fee, each licensee shall file a return that includes the information required by the department.~~

~~(c) Every licensee shall keep its books and records in such a manner that:~~

- ~~1. Kentucky residents having accounts with the licensee can be individually identified and their identity and residence verified; and~~
- ~~2. The amount wagered through each account held by a Kentucky resident and the date of each wager can be determined and verified.~~

~~(d) All books and records of the licensee required by paragraph (c) of this subsection and any books and records that the department or the authority requires a licensee to~~

maintain through promulgation of an administrative regulation shall be open to inspection by the department and the authority.

(e) All revenues received by the department from the development fee imposed by Section 3 of this Act shall be distributed to the Kentucky thoroughbred development fund established by Section 9 of this Act.

Section 5. KRS 138.550 is amended to read as follows:

In addition to all other penalties provided in KRS 138.510 to 138.540:~~;~~

(1) When the pari-mutuel system of betting is operated at a track licensed under KRS Chapter 230, ~~the~~^{the} license may be suspended, revoked or renewal refused by the authority upon the failure of the operator to comply with KRS 138.510 to 138.550~~[138.540]~~ or the rules and regulations promulgated by the department pursuant thereto, even though the pari-mutuel system of betting and the track are operated by different persons, corporations, or associations; and

(2) If a licensee fails to remit the development fee imposed by Section 3 of this Act, remit the returns required by Section 4 of this Act, or maintain the records required by Section 4 of this Act or administrative regulations promulgated by the department, then the licensee's license granted under Sections 7 and 8 of this Act may be suspended, revoked, or not renewed.

Section 6. KRS 230.210 IS REPEALED AND REENACTED TO READ AS FOLLOWS:

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

(1) "Advance deposit account wagering" means a form of pari-mutuel wagering in which an individual may establish an account with a person or entity licensed by the authority, and may place a pari-mutuel wager through that account that is permitted by law;

(2) "Advance deposit account wagering licensee" means a person or entity licensed by the authority to conduct advance deposit account wagering and accept deposits and wagers, issue a receipt or other confirmation to the account holder evidencing such deposits and wagers, and transfer credits and debits to and from accounts;

(3) "Appaloosa" means a form of horse that is registered with the Appaloosa Horse Club of Moscow, Idaho;

(4) "Arabian" means a horse that is registered with the Arabian Horse Registry of Denver,

Colorado;

- (5) "Association" means any person licensed by authority under KRS 230.300 and engaged in the conduct of a recognized horse race meeting;
- (6) "Authority" means the Kentucky Horse Racing Authority;
- (7) "Harness race" or "harness racing" means trotting and pacing races of standardbred horses;
- (8) "Horse race meeting" means horse racing run at an association licensed and regulated by the authority, and may include thoroughbred, harness, quarter horse, Appaloosa, and Arabian horse racing;
- (9) "Host track" means:

 - (a) The track conducting racing and offering its racing for intertrack wagering; or
 - (b) In the case of interstate wagering, the Kentucky track conducting racing and offering simulcasts of races conducted in other states or foreign countries;
- (10) "Interstate wagering" means pari-mutuel wagering on simulcast horse races from a track located in another state or foreign country by patrons at a receiving track or simulcast facility;
- (11) "Intertrack wagering" means pari-mutuel wagering on simulcast horse races from a host track by patrons at a receiving track;
- (12) "Kentucky Quarter Horse Purse Program" means a purse program established to receive funds from the authority for purse programs established in KRS 230.3771(4) to supplement purses for quarter horse races. The purse program shall be administered by the Kentucky Quarter Horse Racing Association;
- (13) "Principal" means any of the following individuals associated with a partnership, trust, association, limited liability company, or corporation that is licensed to conduct a horse race meeting or an applicant for a license to conduct a horse race meeting:

 - (a) The chairman and all members of the board of directors of a corporation;
 - (b) All partners of a partnership and all participating members of a limited liability company;
 - (c) All trustees and trust beneficiaries of an association;
 - (d) The president or chief executive officer and all other officers, managers, and employees.

who have policy-making or fiduciary responsibility within the organization;

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

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

(14) "Quarter horse" means a horse that is registered with the American Quarter Horse Association of Amarillo, Texas;

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

(16) "Simulcast facility" means any facility approved pursuant to KRS 230.380 to simulcast racing and conduct pari-mutuel wagering;

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

(18) "Telephone account wagering" means a form of pari-mutuel wagering where an individual may deposit money in an account at a track and may place a wager by direct telephone call or by communication through other electronic media owned by the holder of the account to the track;

(19) "Thoroughbred race" or "thoroughbred racing" means a form of horse racing in which each horse participating in the race is a thoroughbred, meaning it meets the requirements of and is registered with The Jockey Club of New York, and is mounted by a jockey; and

(20) "Track" means any association licensed by the authority to conduct a horse race meeting.

"Track" shall include any facility or real property that is owned, leased, or purchased by a track within the same geographic area within a sixty (60) mile radius of a track but not contiguous to track premises, upon authority approval, and provided the noncontiguous property is not within a sixty (60) mile radius of another licensed track premise where live racing is conducted and not within a forty (40) mile radius of a simulcast facility, unless any affected track or simulcast facility agrees in writing to permit a noncontiguous facility within the protected geographic area.

Section 7. KRS 230.260 is amended to read as follows:

The authority, in the interest of breeding or the improvement of breeds of horses, shall have all powers necessary and proper to carry out fully and effectually the provisions of this chapter, including~~[,]~~ but *not limited to the powers set forth in this section.*~~[without limitation, the following:]~~

- (1) *(a)* The authority is vested with jurisdiction and supervision over:
 - 1.* All horse race meetings in this Commonwealth; *and*
 - 2.* ~~[and over]~~ All associations and all persons on association grounds.
- (b)* ~~The authority~~~~[and]~~ may eject or exclude *from any association grounds*~~[therefrom]~~ or any part thereof, any person, licensed or unlicensed, whose conduct or reputation is such that his *or her* presence on association grounds may, in the opinion of the authority, reflect on the honesty and integrity of horse racing or interfere with the orderly conduct of horse racing or racing at horse race meetings; provided,~~[however,]~~ no persons shall be excluded or ejected from association grounds solely *because*~~[on the ground]~~ of race, color, creed, national origin, ancestry, or sex;
- (2) The authority is vested with jurisdiction over any *person engaged in advanced deposit account wagering that* ~~[SPMO that offers and]~~ accepts pari-mutuel wagers *from Kentucky residents*~~[on races conducted at any racing association within the Commonwealth. An SPMO under the jurisdiction of the authority shall be licensed by the authority, and the authority may impose a license fee on an SPMO not to exceed ten thousand dollars (\$10,000) annually. The authority shall, by administrative regulation promulgated in accordance with KRS Chapter 13A, establish conditions and procedures for the licensing of SPMOs, and a fee schedule for applications for~~

licensure];

- (3)

(a) The authority is vested with jurisdiction over any totalisator company that provides totalisator services to a racing association located in the Commonwealth.

(b) A totalisator company under the jurisdiction of the authority shall be licensed by the authority, regardless of whether a totalisator company is located in the Commonwealth or operates from a location or locations outside of the Commonwealth, and the authority may impose a license fee on a totalisator company.

(c) The authority shall, by administrative regulation promulgated in accordance with KRS Chapter 13A, establish conditions and procedures for the licensing of totalisator companies, and a fee schedule for applications for licensure.

(d) *Each totalisator company shall report to the authority and the Department of Revenue the amounts wagered through each licensee under subsection (2) of this section for each race run at a Kentucky track in the form and format determined by the authority in an administrative regulation;*
- (4) The authority is vested with jurisdiction over any manufacturer, wholesaler, distributor, or vendor of any equine drug, medication, therapeutic substance, or metabolic derivative which is purchased by or delivered to a licensee or other person participating in Kentucky horse racing by means of the Internet, mail delivery, in-person delivery, or other means;
- (5) The authority is vested with jurisdiction over any horse training center or facility in the Commonwealth that records official timed workouts for publication;
- (6) The authority may require an applicant for a license under subsections (2) and (3) of this section to submit to a background check of the applicant, or of any individual or organization associated with the applicant. An applicant shall be required to reimburse the authority for the cost of any background check conducted;
- (7) The authority, its representatives and employees, may visit, investigate and have free access to the office, track, facilities, or other places of business of any licensee, or any person owning a horse or performing services regulated by this chapter on a horse registered to participate in a breeders incentive fund under the jurisdiction of the authority;

- (8) The authority may promulgate~~[shall have full authority to prescribe necessary and reasonable]~~ administrative regulations to establish~~[and]~~ conditions under which horse racing at a horse race meeting shall be conducted in this state, and to fix and regulate the minimum amount of purses, stakes, or awards to be offered for the conduct of any horse race meeting;
- (9) Applications for licenses shall be made in the form, in the manner, and contain information as the authority may, by administrative regulation, require. Fees for all licenses issued under KRS 230.310 shall be prescribed by and paid to the authority;
- (10) The authority shall establish by administrative regulation minimum fees for jockeys to be effective in the absence of a contract between an employing owner or trainer and a jockey. The minimum fees shall be no less than those of July 1, 1985;
- (11) The authority may refuse to issue or renew a license, revoke or suspend a license, impose probationary conditions on a license, issue a written reprimand or admonishment, impose fines or penalties, deny purse money, require the forfeiture of purse money, or any combination thereof with regard to a licensee or other person participating in Kentucky horse racing for violation of any federal or state statute, regulation, or steward's or authority's directive, ruling, or order to preserve the integrity of Kentucky horse racing or to protect the racing public. The authority shall, by administrative regulation, establish the criteria for taking the actions described in this subsection;
- (12) The authority may issue subpoenas for the attendance of witnesses before it and for the production of documents, records, papers, books, supplies, devices, equipment, and all other instrumentalities related to pari-mutuel horse racing within the Commonwealth. The authority may administer oaths to witnesses and require witnesses to testify under oath whenever, in the judgment of the authority, it is necessary to do so for the effectual discharge of its duties;
- (13) The authority may~~[shall have authority to]~~ compel any racing association licensed under this chapter to file with the authority at the end of its fiscal year, a balance sheet, showing assets and liabilities, and an earnings statement, together with a list of its stockholders or other persons holding a beneficial interest in the association; and
- (14) The authority shall promulgate administrative regulations establishing safety standards for

jockeys, which shall include the use of rib protection equipment. Rib protection equipment shall not be included in a jockey's weight.

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

- (1) On and after January 1, 2011, any person engaging in advanced deposit account wagering shall not accept a wager from any Kentucky resident unless the person is licensed by the authority.
- (2) The authority shall promulgate administrative regulations prior to August 1, 2010, to establish the conditions, procedures, and application and review process for licensure under this section. In establishing the conditions and procedures, the authority:

 - (a) Shall require each licensee, as a condition of licensure, to agree to:

 - 1. Pay the development fee imposed by Section 3 of this Act; and
 - 2. Collect and retain the information required by Section 4 of this Act; and
 - (b) May impose a license fee on each applicant or licensee, which may be tiered, provided that the maximum annual license fee paid by any applicant or licensee shall not exceed ten thousand dollars (\$10,000).
- (3) The authority shall approve or deny an application for a license within ninety (90) calendar days from the receipt of all information required by the authority, unless the applicant requests and is granted additional time.

Section 9. KRS 230.400 is amended to read as follows:

- (1) (a) There is hereby created a trust and revolving fund **to be administered by** ~~for~~ the ~~Kentucky Horse Racing~~ authority, designated as the Kentucky thoroughbred development fund, consisting of money allocated to the fund under ~~the provisions of~~ KRS 138.510 **and Section 4 of this Act**, together with other money contributed to or allocated to the fund from all other sources.
- (b) Money **in the** ~~to the credit of the Kentucky thoroughbred development~~ fund shall be distributed by the Treasurer for the purposes of this section upon authorization of the ~~Kentucky Horse Racing~~ authority and upon approval of the secretary of the Finance

and Administration Cabinet.

(c) Amounts in the~~[Money from the Kentucky thoroughbred development]~~ fund contributed by a licensed association shall be distributed~~[allocated]~~ to each licensed association in an amount equal to the amount the association contributed to the fund. Amounts in the fund that are related to races run at a particular track shall be distributed to the licensed association operating the track where the race was run. Amounts in the fund from other sources shall be distributed to each licensed association in the same proportion that each licensed association received distributions from the fund during the most recent full prior calendar year.

(d) Notwithstanding KRS 45.229, money in~~[to the credit of]~~ the~~[Kentucky thoroughbred development]~~ fund at the end of each fiscal year shall not lapse, but shall be carried forward~~[in such fund]~~ to the succeeding fiscal year.

(2) (a) There is hereby established, under the general jurisdiction of the~~[Kentucky Horse Racing]~~ authority, a Kentucky Thoroughbred Development Fund Advisory Committee.

(b) The advisory committee shall consist of five (5) members, all of whom shall be residents of Kentucky, to be appointed by the chairman of the~~[Kentucky Horse Racing]~~ authority by July 1 of each year as follows:

1. ~~[The committee shall consist of]~~Two (2) thoroughbred breeders recommended by the Kentucky Thoroughbred Owners and Breeders, Inc.;
2. One (1) thoroughbred owner recommended by the Kentucky division of the Horsemen's Benevolent and Protective Association;
3. One (1) officer or director of a licensed association conducting thoroughbred racing in Kentucky, recommended by action of all of the licensed associations conducting thoroughbred racing in Kentucky; and
4. One (1) member of the ~~[Kentucky Horse Racing]~~ authority.

If any member other than the authority member has not been recommended for appointment by July 1 of each year, the chairman of the~~[Kentucky Horse Racing]~~ authority shall make an appointment for the organization or organizations failing to recommend a member of the

committee.

(c) The members of the advisory committee shall serve without compensation, but shall be entitled to reimbursement for all expenses incurred in the discharge of official business.

(d) The advisory committee shall select from its membership annually a chairman and a vice chairman.

- (3) (a) The Kentucky Thoroughbred Development Fund Advisory Committee shall advise and assist the~~[- Kentucky Horse Racing]~~ authority in the development of the supplemental purse program provided herein for Kentucky bred thoroughbreds, shall make recommendations to the authority from time to time with respect to the establishment of guidelines, administrative regulations for the provision of supplemental purses, the amount thereof, the races for which the purses are to be provided and the conditions thereof, manner and method of payment of supplemental purses, registry of thoroughbred stallions standing within the Commonwealth of Kentucky, registry of Kentucky bred thoroughbreds for purposes of this section, nature and type of forms and reports to be employed and required in connection with the establishment, provision for, award and payment of supplemental purses, and with respect to all other matters necessary in connection with the carrying out of the intent and purposes of this section.
- (b) The~~[- Kentucky Horse Racing]~~ authority shall employ qualified personnel as may be required to assist the authority and the advisory committee in carrying out the provisions of this section. These persons shall serve at the pleasure of the authority and compensation for these personnel shall be fixed by the authority. The compensation of these personnel and the necessary expenses incurred by the authority or by the committee in carrying out the provisions of this section shall be paid out of the~~[- Kentucky thoroughbred development]~~ fund.
- (4) The~~[- Kentucky Horse Racing]~~ authority, with the advice and assistance of the Kentucky Thoroughbred Development Fund Advisory Committee, shall use amounts in the~~[- Kentucky thoroughbred development]~~ fund to promote, enhance, improve, and encourage the further and continued development of the thoroughbred breeding industry in Kentucky by providing, out of

the Kentucky thoroughbred development fund, supplemental purses for designated stakes, handicap, allowance,~~[and]~~ nonclaiming maiden *rac*~~es~~ *and* *claiming* races contested at licensed thoroughbred race meetings in Kentucky, the awarding and payment of which supplemental purses shall be conditioned upon the winning or placing in designated races by Kentucky bred thoroughbred horses. Any supplemental purse provided for a designated race shall be apportioned among the winning and placing horses in the same proportion as the stake or purse provided for the race by the racing association. Winning or placing as used in this section shall include those horses finishing first, second, third, and fourth in the races. That portion of the supplemental purse provided for any designated race for a winning or placing finish shall be awarded and paid to the owner of the horse so finishing only if the horse is a Kentucky bred thoroughbred duly registered with the official registrar. Any portion of the supplemental purse which is not awarded and paid over shall be returned to the Kentucky thoroughbred development fund.

- (5) (a) For purposes of this section, the term Kentucky thoroughbred stallion shall mean and include only a thoroughbred stallion standing the entire breeding season in Kentucky and registered as a Kentucky thoroughbred stallion with the official registrar of the Kentucky thoroughbred development fund.
- (b) ~~[Except for thoroughbred horses foaled prior to January 1, 1980,]~~ The term "Kentucky bred thoroughbreds," for purposes of this section, shall mean and include only thoroughbred horses sired by Kentucky thoroughbred stallions foaled in Kentucky and registered as a Kentucky bred thoroughbred with the official registrar of the Kentucky thoroughbred development fund.
- (c) ~~[Any thoroughbred horse foaled prior to January 1, 1980, may qualify as a Kentucky bred thoroughbred for purposes of this section if the horse was foaled in Kentucky and if the sire of the thoroughbred was standing at stud within Kentucky at the time of conception of such thoroughbred, provided the thoroughbred is duly registered as a Kentucky bred thoroughbred with the official registrar of the Kentucky thoroughbred development fund.]~~
- ~~(d)~~ In order for an owner of a Kentucky sired thoroughbred to be eligible to demand, claim, and receive a portion of a supplemental purse provided by the Kentucky thoroughbred

development fund, the thoroughbred horse winning or placing in a designated race for which a supplemental purse has been provided by the Kentucky thoroughbred development fund must have been duly registered as a Kentucky bred thoroughbred with the official registrar of the Kentucky thoroughbred development fund prior to entry in the race.

- (6) (a) Kentucky Thoroughbred Owners and Breeders, Inc., is hereby recognized and designated as the sole official registrar of the Kentucky thoroughbred development fund for the purposes of registering Kentucky thoroughbred stallions and Kentucky bred thoroughbreds in accord with the terms of this section and any administrative regulations promulgated by the Kentucky Horse Racing Authority. When a Kentucky bred thoroughbred is registered with the official registrar, the registrar shall be authorized to stamp the Jockey Club certificate issued for the thoroughbred with the seal of the registrar, certifying that the thoroughbred is a duly qualified and registered Kentucky bred thoroughbred for purposes of this section. The registrar may establish and charge, with the approval of the authority, reasonable registration fees for its services in the registration of Kentucky thoroughbred stallions and in the registration of Kentucky bred thoroughbreds. Registration records of the registrar shall be public records and open to public inspection at all normal business hours and times.
 - (b) Any interested party aggrieved by the failure or refusal of the official registrar to register a stallion or thoroughbred as a Kentucky stallion or as a Kentucky bred thoroughbred shall have the right to file with the authority, within thirty (30) days of such failure or refusal of the registrar, petition seeking registration of the thoroughbred. The authority shall promptly hear the matter de novo and issue its order directing the official registrar to register or not to register as it may be determined by the authority.
- (7) The ~~Kentucky Horse Racing~~ authority shall promulgate administrative regulations as may be necessary to carry out the provisions and purposes of this section, including the promulgation of administrative regulations and forms as may be appropriate for the proper registration of Kentucky stallions and Kentucky bred thoroughbreds with the official registrar, and shall administer the Kentucky bred thoroughbred program created hereby in a manner best designed to promote and aid in the further development of the thoroughbred breeding industry in Kentucky, to

upgrade the quality of thoroughbred racing in Kentucky, and to improve the quality of thoroughbred horses bred in Kentucky.

Section 10. KRS 230.770 is amended to read as follows:

- (1) **(a)** There is hereby created a trust and revolving fund **to be administered by**~~[for] the [Kentucky Horse Racing] authority~~, designated as the Kentucky standardbred, quarter horse, Appaloosa, and Arabian development fund, consisting of money allocated to the fund under~~[the provisions of]~~ KRS 138.510, together with any other money contributed to or allocated to the fund from all other sources.~~[For the purposes of this section, "development fund" or "fund" means the Kentucky standardbred, quarter horse, Appaloosa, and Arabian development fund.]~~
- (b)** **Amounts in the**~~[Money to the credit of the development]~~ fund shall be distributed by the Treasurer for the purposes provided in this section, upon authorization of the~~[Kentucky Horse Racing]~~ authority and upon approval of the secretary of the Finance and Administration Cabinet.
- (c)** **Notwithstanding KRS 45.229,** money **in**~~[to the credit of]~~ the fund at the end of each fiscal year shall not lapse but shall be carried forward~~[in the fund]~~ to the succeeding fiscal year.
- (2) The~~[Kentucky Horse Racing]~~ authority shall use the development fund to promote races, and to provide purses for races, for horses sired by stallions standing within the Commonwealth of Kentucky or as provided in subsection (2)(b) of this section. For purposes of this section, the term "stallions standing within the Commonwealth of Kentucky" shall include only stallions registered with the~~[Kentucky Horse Racing]~~ authority.
 - (a) The authority shall provide for distribution of money to the credit of the development fund to persons, corporations, or associations operating licensed standardbred race tracks within Kentucky on an equitable basis, for the purpose of conducting separate races for two (2) and three (3) year old fillies and colts, both trotting and pacing, sired by standardbred stallions standing within the Commonwealth of Kentucky at the time of conception.~~[Notwithstanding other provisions hereof, a filly or colt foaled prior to January 1, 1978, shall be eligible to participate in races, a part of the purse for which is provided by money of the development~~

~~fund, if the sire of the filly or colt was standing at stud within the Commonwealth of Kentucky at the time of conception.]~~

- (b) The authority shall provide for distribution of money to the credit of the development fund to persons, corporations, or associations operating licensed racetracks within Kentucky conducting quarter horse, Appaloosa, or Arabian racing, on an equitable basis as determined by the authority.
- (3) Money distributed from the development fund to licensed standardbred race tracks within the Commonwealth shall be used exclusively to promote races and provide purses for races conditioned to admit only standardbred colts and fillies sired by standardbred stallions standing within the Commonwealth of Kentucky.
- (4) The~~[Kentucky Horse Racing]~~ authority shall fix the amount of money to be paid from the development fund to be added to the purse provided for each race by the licensed operator of the race track; shall fix the dates and conditions of races to be held by licensed race tracks; and shall promulgate administrative regulations necessary to carry out the provisions of this section. Money from the fund shall be allocated to each breed of horse represented in the fund in an amount equal to the amount the breed has contributed to the fund.
- (5) The~~[Kentucky Horse Racing]~~ authority may promulgate administrative regulations necessary to determine the eligibility of horses for entry in races for which a portion of the purse is provided by money of the development fund~~[, including administrative regulations for the registration of stallions standing within Kentucky and progeny thereof, including registration of progeny of the stallions foaled prior to June 19, 1976]~~. Registration of stallions standing within Kentucky may occur any time during the breeding season and shall occur no later than July 1 of each year.
- (6) The~~[Kentucky Horse Racing]~~ authority shall appoint qualified personnel necessary to supervise registration of, or determination of eligibility of, horses entitled to entry in races, a portion of the purse of which is provided by the development fund, to assist the authority in determining the conditions, class, and quality of the fund supported race program to be established hereunder so as to carry out the purposes of this section. These persons shall serve at the pleasure of the authority and compensation shall be fixed by the authority. The compensation of personnel and

necessary expenses shall be paid out of the development fund. The authority shall promulgate administrative regulations to carry out the provisions of this section, and shall administer the Kentucky sire stakes program created hereby in a manner best designed to promote and aid in the development of the horse industry in Kentucky; to upgrade the quality of racing in Kentucky; and to improve the quality of horses bred in Kentucky.

Section 11. The following KRS sections are repealed:

47.012 Pari-mutuel tax revenue to be credited to general fund.

230.752 Harness racetracks -- Exemption from tax under KRS 138.510(2) -- Use of moneys not paid as tax.

Section 12. Whereas the horse racing industry in Kentucky is facing a period of financial crisis and the intent of this Act is to help alleviate this crisis, an emergency is declared to exist and this Act takes effect upon its passage and approval by the Governor or upon its otherwise becoming law.