

1 AN ACT relating to 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 138 IS CREATED TO
4 READ AS FOLLOWS:

- 5 *(1) As used in this section, "adjusted gross revenue" means the total handle collected*
6 *from persons while within the border of this state by a sports wagering licensee,*
7 *less winnings paid to those persons.*
- 8 *(2) Beginning August 1, 2022, a tax is imposed on persons licensed to conduct sports*
9 *wagering under KRS Chapter 230 at a rate of nine and one-half percent (9.5%)*
10 *on the licensee's adjusted gross revenue. The tax shall be deposited in the*
11 *wagering administration fund established in Section 2 of this Act.*
- 12 *(3) Beginning August 1, 2022, a tax of one-half of one percent (0.5%) is imposed on*
13 *the adjusted gross revenue on wagers placed at a licensed track and shall be*
14 *deposited:*
- 15 *(a) In the Thoroughbred development fund established by Section 38 of this Act*
16 *if the revenue is from a Thoroughbred track;*
- 17 *(b) In the Kentucky standardbred development fund established by KRS*
18 *230.770 if the revenue is from a standardbred track; or*
- 19 *(c) In be split evenly between the Thoroughbred development fund and the*
20 *Kentucky standardbred development fund if the revenue is from a track*
21 *racing both Thoroughbreds and standardbreds.*
- 22 *(4) The department shall enforce and collect the taxes and penalties imposed in this*
23 *section, and in doing so it shall have the general powers and duties granted it in*
24 *KRS Chapters 131 and 134, including the power to enforce, by an action in the*
25 *Franklin Circuit Court, the collection of the taxes, penalties, and other payments*
26 *imposed or required by this section.*
- 27 *(5) The taxes imposed by this section are due and payable to the department monthly*

1 and shall be remitted on or before the twentieth day of the next succeeding
2 calendar month.

3 (6) (a) Payment of the taxes shall be accompanied by a return, which the
4 department shall prescribe.

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

6 1. The total handle;

7 2. Winnings paid to persons making wagers;

8 3. Adjusted gross revenue; and

9 4. Wagering taxes due.

10 (7) Wagering taxes due and payable in accordance with this section may be paid via
11 electronic funds transfer. Sports wagering licensees shall provide the department
12 with all protocol documentation and electronic funds transfer data necessary to
13 facilitate the timely transfer of funds.

14 (8) Any person who violates any provision of this section shall be subject to the
15 uniform civil penalties imposed pursuant to KRS 131.180 and interest at the tax
16 interest rate as determined in KRS 131.183.

17 (9) The Kentucky Horse Racing Commission may suspend, revoke, or decline to
18 renew a license upon the licensee's failure to timely submit payment of taxes due
19 under this section or the administrative regulations promulgated by the
20 department thereto.

21 ➔SECTION 2. A NEW SECTION OF KRS CHAPTER 230 IS CREATED TO
22 READ AS FOLLOWS:

23 (1) (a) There is hereby established in the State Treasury a restricted account to be
24 known as the wagering administration fund. The fund shall be
25 administered by the racing commission and consist of moneys collected
26 under Sections 1, 6, 51, and 56 of this Act and state appropriations.

27 (b) 1. Moneys deposited in the fund shall be used for administrative

- 1 expenses of the Kentucky Horse Racing Commission.
- 2 2. Any moneys in excess of the amount required under subparagraph 1.
- 3 of this paragraph shall be used as follows:
- 4 a. Five percent (5%) of the funds remaining shall be deposited in
- 5 the Kentucky problem gambling assistance account established
- 6 in Section 3 of this Act; and
- 7 b. All remaining funds not allocated under subparagraph 1. of this
- 8 paragraph or subdivision a. of this subparagraph shall be
- 9 deposited in the general fund.
- 10 3. Any interest accruing to the fund shall become a part of the fund.
- 11 (2) Notwithstanding KRS 45.229, fund amounts not expended at the close of a fiscal
- 12 year shall not lapse but shall be carried forward into the next fiscal year.
- 13 (3) Moneys deposited in the fund are hereby appropriated for the purposes set forth
- 14 in this section.
- 15 ➔SECTION 3. A NEW SECTION OF KRS CHAPTER 210 IS CREATED TO
- 16 READ AS FOLLOWS:
- 17 (1) (a) There is established in the State Treasury a trust and agency to be known as
- 18 the Kentucky problem gambling assistance account.
- 19 (b) The account shall be administered by the Division of Behavioral Health of
- 20 the Department for Behavioral Health, Developmental and Intellectual
- 21 Disabilities in the cabinet, and shall consist of moneys distributed to it
- 22 under Section 2 of this Act.
- 23 (c) Notwithstanding KRS 45.229, moneys remaining in the account at the close
- 24 of a fiscal year shall not lapse but shall carry forward into the succeeding
- 25 fiscal year. Interest earned on any moneys in the account shall accrue to the
- 26 account and shall not lapse.
- 27 (d) Except for administrative expenses of the Division of Behavioral Health

1 relating to the account, which shall be limited to fifty thousand dollars
2 (\$50,000) per year, all moneys in the account are appropriated for, and
3 shall be used exclusively for the purposes of:

4 1. Providing support to agencies, groups, organizations, and persons that
5 provide education, assistance, and counseling to persons and families
6 experiencing difficulty as a result of addiction to alcohol or drugs, or
7 addictive or compulsive gambling;

8 2. Promoting public awareness of and providing education about
9 addictions;

10 3. Establishing and funding programs to certify addiction counselors;

11 4. Promoting public awareness of assistance programs for addicts; and

12 5. Paying the costs and expenses associated with the treatment of
13 addictions.

14 (2) The Division of Behavioral Health shall promulgate administrative regulations to
15 establish criteria for the expenditure of funds from the Kentucky problem
16 gambling assistance account. The administrative regulations shall:

17 (a) Establish standards for the types of agencies, groups, organizations, and
18 persons eligible to receive funding;

19 (b) Establish standards for the types of activities eligible for funding;

20 (c) Establish standards for the appropriate documentation of past performance
21 and the activities of agencies, groups, organizations, and persons requesting
22 funding;

23 (d) Establish standards for the development of performance measures or other
24 evidence of successful expenditure of awarded funds;

25 (e) Set forth procedures for the submission, evaluation, and review of
26 applications for funding;

27 (f) Set forth procedures for making funding awards to requesting entities who

1 have demonstrated the capability to efficiently and effectively provide the
 2 necessary services;

3 (g) Establish requirements and procedures for the monitoring of funds
 4 awarded, including requirements for the submission of reports and
 5 documentation supporting expenditures; and

6 (h) Include any other provisions related to funding or the administration of the
 7 account as determined by the division.

8 (3) On or before October 1, 2023, and every October 1 thereafter, the director of the
 9 Division of Behavioral Health, in cooperation with the commissioner of the
 10 Department for Behavioral Health, Developmental and Intellectual Disabilities
 11 and the secretary of the cabinet, shall submit an annual report detailing activities
 12 and expenditures associated with the Kentucky problem gambling assistance
 13 account for the preceding fiscal year. The annual report shall be submitted to:

14 (a) The Legislative Research Commission; and

15 (b) The Governor.

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

18 (1) The racing commission shall institute a system of sports wagering in
 19 conformance with federal law, this chapter, Section 1 of this Act, and
 20 administrative regulations promulgated under the authority of Section 18 of this
 21 Act.

22 (2) Sports wagering shall not be offered in this state, except by:

23 (a) A track as defined in Section 17 of this Act;

24 (b) A professional sports venue; or

25 (c) An online or smartphone application that shall:

26 1. Be directly available for download upon proof that the individual
 27 downloading the application is at least eighteen (18) years of age;

- 1 2. Contain geographical location software to ensure that bets are placed
 2 only within the boundaries of the Commonwealth; and
 3 3. Include an option for advance deposit account wagering on sports
 4 events.

5 (3) A licensed track or professional sports venue may contract with no more than one
 6 (1) interactive sports wagering technology and service provider at a time to
 7 provide services and technology which supports the track's operation of sports
 8 betting at the track, and over the Internet or a smartphone application.

9 (4) A track or professional sports venue shall not offer sports wagering until the
 10 racing commission has issued a sports wagering license to the track or venue.

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

13 (1) Sporting events that may be wagered upon at the discretion of the racing
 14 commission include but are not limited to:

15 (a) Professional sporting events sanctioned by nationally recognized
 16 organizations, including but not limited to:

17 1. The National Football League;

18 2. The National Basketball Association;

19 3. Major League Baseball;

20 4. The Professional Golfers' Association;

21 5. The National Association for Stock Car Auto Racing; and

22 6. Other nationally recognized organizations sanctioning events in
 23 professional sports such as boxing, mixed martial arts, and soccer;

24 (b) College sporting events sanctioned by the National Collegiate Athletic
 25 Association, the National Association of Intercollegiate Athletics, or any
 26 other collegiate athletic body recognized by the racing commission;

27 (c) International events such as the Olympics and World Cup Soccer, at the

- 1 discretion of the racing commission; and
- 2 (d) After consulting with the league or association sanctioning or authorizing
- 3 the sporting event, actions within a sporting event that do not represent the
- 4 end result of the game, but are integral to the play of the game, including
- 5 but not limited to:
- 6 1. The result of a putt;
- 7 2. The result of an at-bat; or
- 8 3. The result of a field goal attempt.
- 9 (2) Random events not integral to the course of play of a sporting event, including
- 10 but not limited to:
- 11 (a) The result of a coin toss;
- 12 (b) The color of a coaches tie; or
- 13 (c) Other events that are not the result of the skilled play of the game;
- 14 shall not be wagered on, and the racing commission shall act as arbiter of
- 15 acceptable wagers when a question arises.
- 16 ➔SECTION 6. A NEW SECTION OF KRS CHAPTER 230 IS CREATED TO
- 17 READ AS FOLLOWS:
- 18 (1) No person shall conduct or offer to conduct sports wagering within the
- 19 Commonwealth of Kentucky without obtaining a sports wagering license from
- 20 the racing commission.
- 21 (2) As a prerequisite to obtaining a sports wagering license, a person shall be:
- 22 (a) Licensed as an association under KRS 230.300; or
- 23 (b) A professional sports venue sanctioned by one (1) or more of the
- 24 professional sports leagues recognized under subsection (1)(a) of Section 5
- 25 of this Act.
- 26 (3) In addition to the requirement in subsection (2) of this section, an initial
- 27 licensing fee of five hundred thousand dollars (\$500,000) shall be paid to the

1 *racine commission before a license may be issued.*

2 (4) *An annual renewal fee of fifty thousand dollars (\$50,000) shall be required for*
 3 *each sports wagering license.*

4 (5) *Licensing fees paid under this section shall be deposited into the wagering*
 5 *administration fund established by Section 2 of this Act.*

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

8 (1) *A person shall not place a sports wager on a game or event in which he or she is*
 9 *a participant.*

10 (2) *As used in this section, "participant" includes:*

11 (a) *Players;*

12 (b) *Coaches;*

13 (c) *Referees, umpires, judges, or other officials involved in enforcing the rules*
 14 *of the game;*

15 (d) *Grandparents, parents, spouses, siblings, children or grandchildren*
 16 *residing in a home occupied by a person included in paragraphs (a) to (c) of*
 17 *this subsection;*

18 (e) *Owners or shareholders of professional sports teams who might have*
 19 *influence over players and coaches through the ability to hire or fire; and*

20 (f) *Employees of companies supplying technology or services related to sports*
 21 *wagering to a track or professional sports venue.*

22 (3) *A person is guilty of tampering with the outcome of a sporting event when the*
 23 *person interacts with a player, coach, referee, or other participant with the intent*
 24 *to persuade the participant to act in a way that would:*

25 (a) *Alter the outcome of the sporting event; or*

26 (b) *Alter actions within the sporting event upon which people might place*
 27 *sports wagers.*

1 ➔Section 8. KRS 137.190 is amended to read as follows:

2 The license tax imposed by KRS 137.170, ~~the admission tax imposed by KRS 138.480,~~
3 and the state taxes and contributions imposed by KRS 138.510 to 138.550 and KRS
4 230.380 on pari-mutuel systems of betting shall be in lieu of all other license, excise,
5 special, or franchise taxes to the state or any county, city, or other political subdivision.
6 No county, city, or other political subdivision may levy any license, income, excise,
7 special, or franchise tax on any such person or corporation engaged in the business of
8 conducting a race track at which races are conducted for stakes, purses or prizes, or
9 operating as a receiving track or simulcast facility, or on the operation or maintenance of
10 any pari-mutuel machine or similar device, or on the money or amount of money handled
11 by or through any pari-mutuel machine or similar device or on the sale of any
12 merchandise during the conducting of races thereon by any such person or corporation.

13 ➔Section 9. KRS 138.224 is amended to read as follows:

14 It shall be presumed that all untaxed motor fuels are subject to the tax levied under KRS
15 138.220 unless the contrary is established pursuant to KRS 138.210 to 138.448 ~~138.490~~
16 or administrative regulations promulgated thereunder by the department. The tax shall be
17 paid by the licensed dealer to the department. The burden of proving that any motor fuel
18 is not subject to tax shall be upon the dealer or any person who imports, causes to be
19 imported, receives, uses, sells, stores, or possesses untaxed motor fuel in this state. Any
20 dealer or other person who imports, causes to be imported, receives, uses, sells, stores, or
21 possesses untaxed motor fuels but fails to comply with all statutory and regulatory
22 restrictions applicable to the fuel shall be jointly and severally liable for payment of the
23 tax due on the fuel. A person's liability shall not be extinguished until the tax due has
24 been paid to the department.

25 ➔Section 10. KRS 138.226 is amended to read as follows:

26 (1) The department shall administer the taxes provided under KRS 138.210 to
27 138.470 ~~138.490~~, except KRS 138.463 and 138.4631, and may prescribe, adopt,

1 and enforce administrative regulations relating to the administration and
2 enforcement thereof.

3 (2) The department shall, upon the request of the officials to whom are entrusted the
4 enforcement of the motor fuels tax law of any other state, the United States, the
5 provinces of the Dominion of Canada, forward to such officials any information
6 which it may have relative to the manufacture, receipt, sale, use, transportation,
7 shipment or delivery by any person of motor fuels, provided such other state or
8 states provide for the furnishing of like information to this state.

9 ➔Section 11. KRS 138.270 is amended to read as follows:

10 (1) (a) From the total number of gallons of gasoline and special fuel received by the
11 dealer within this state during the next preceding calendar month, deductions
12 shall be made for the total number of gallons received by the dealer within this
13 state that were sold or otherwise disposed of during the next preceding
14 calendar month as set forth in subsection (2) of KRS 138.240.

15 (b) To cover evaporation, shrinkage, unaccountable losses, collection costs, bad
16 debts, and handling and reporting the tax, each dealer shall be allowed
17 compensation equal to two and one-fourth percent (2.25%) of the net tax due
18 the Commonwealth pursuant to KRS 138.210 to 138.448~~[138.490]~~ before all
19 allowable tax credits, except the credit authorized pursuant to KRS 138.358.
20 No compensation shall be allowed if the completed tax return and payment are
21 not submitted to the department within the time prescribed by KRS 138.210 to
22 138.490.

23 (2) The tax imposed by KRS 138.220(1) and (2) shall be computed on the number of
24 gallons remaining after the deductions set forth in subsection (1) of this section
25 have been made, and shall constitute the amount of tax payable for the next
26 preceding calendar month.

27 (3) Notwithstanding any other provision of this chapter to the contrary, any person who

1 shall remit to the department, by the twenty-fifth day of the next month, an
2 estimated tax due amount equal to not less than ninety-five percent (95%) of his tax
3 liability, as finally determined for the report month, shall not be required to file the
4 monthly reports required by this chapter until the last day of the month following
5 the report month, and shall be permitted to claim as a credit against the tax liability
6 shown due on the report the estimated tax due amount so paid.

7 ➔Section 12. KRS 138.344 is amended to read as follows:

8 (1) Except as otherwise provided in KRS 138.220 to ~~138.448~~^{138.490}, any person
9 who shall purchase gasoline or special fuel, on which the tax as imposed by KRS
10 138.220 has been paid, for the purpose of operating or propelling stationary engines
11 or tractors for agricultural purposes, or who shall purchase special fuels, on which
12 the tax as imposed by KRS 138.220 has been paid, for consumption in unlicensed
13 vehicles or equipment for nonhighway purposes shall be reimbursed for the tax so
14 paid on the gasoline or special fuel. No refund shall be authorized unless
15 applications and all necessary information are filed with the department on a
16 calendar quarter or calendar year basis on forms and in the manner prescribed by it
17 for refund of the tax paid on the fuel. In lieu of the tax refund procedure, the tax on
18 special fuels and the tax on gasoline used for the purpose of operating or propelling
19 stationary engines or tractors for agricultural purposes may be credited by the dealer
20 to the purchaser as provided in KRS 138.358. The dealer and the purchases shall be
21 subject to the same rules, conditions, and responsibilities as provided in KRS
22 138.344 to 138.355. The tax shall be refunded with interest at the tax interest rate as
23 defined in KRS 131.010(6).

24 (2) The information to be required from the permit holder, by the department, in order
25 that the refund may be allowed, shall be as follows:

26 (a) Name and address of permit holder permit number

27 (b) Total number of gallons purchased and total purchase price (Invoices to

1 be attached to refund application.)

2 (c) Total number of gallons used on highways

3 (d) Total number of gallons on which refund is claimed (Line b minus line c.)

4 (e) Other information as the department may require to reasonably protect the
5 revenues of the Commonwealth.

6 →Section 13. KRS 138.510 is amended to read as follows:

7 (1) (a) **Before August 1, 2022,** except as provided in paragraph ~~(e)~~~~(d)~~ of this
8 subsection and subsection (3) of this section, an excise tax is imposed on all
9 tracks conducting pari-mutuel wagering on live racing under the jurisdiction
10 of the commission as follows:

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

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

19 **(b) Beginning August 1, 2022, the excise tax imposed on all tracks conducting**
20 **pari-mutuel wagering on live racing under jurisdiction of the commission**
21 **shall be one and one-half percent (1.5%) of all money wagered on live races**
22 **at the track during the fiscal year.**

23 **(c) 1.**~~(b)~~ ~~[Beginning on April 1, 2014,]~~An excise tax is imposed on all
24 tracks conducting pari-mutuel wagering on historical horse races under
25 the jurisdiction of the commission at a rate of one and one-half percent
26 (1.5%) of all money wagered on historical horse races at the track during
27 the fiscal year.

1 2. Beginning August 1, 2023, but prior to August 1, 2024, a surtax is
 2 imposed on all tracks conducting pari-mutuel wagering on historical
 3 horse races under the jurisdiction of the commission at a rate of two-
 4 tenths of one percent (0.2%) of all money wagered on historical horse
 5 races at the track during the fiscal year.

6 3. Beginning on August 1, 2024, a surtax is imposed on all tracks
 7 conducting pari-mutuel wagering on historical horse races under the
 8 jurisdiction of the commission at a rate of four-tenths of one percent
 9 (0.4%) of all money wagered on historical horse races at the track
 10 during the fiscal year.

11 4. The surtaxes imposed under subparagraphs 2. and 3. of this
 12 paragraph shall be deposited as follows:

13 a. Ten percent (10%) of all moneys received from the surtaxes shall
 14 be deposited in the Kentucky problem gambling assistance
 15 account established in Section 3 of this Act; and

16 b. Ninety percent (90%) of all moneys received from the surtaxes
 17 shall be deposited in the local government assistance fund
 18 established in Section 58 of this Act.

19 ~~(d)~~~~(e)~~ Money shall be deducted from the tax paid under paragraphs (a), ~~and~~
 20 (b), and (c) of this subsection and deposited as follows:

21 1. a. Before August 1, 2022, an amount equal to three-quarters of one
 22 percent (0.75%) of all money wagered on live races and historical
 23 horse races at the track for Thoroughbred racing shall be deposited
 24 in the Thoroughbred development fund established in KRS
 25 230.400; and

26 b. Beginning August 1, 2022, an amount equal to three-fourths of
 27 one percent (0.75%) of all money wagered on live races and

1 *historical horse races at the track for Thoroughbred racing shall*
 2 *be deposited in the Thoroughbred development fund established*
 3 *in KRS 230.400 until fifty million dollars (\$50,000,000) has been*
 4 *deposited during a fiscal year, at which point the amount*
 5 *deposited in the fund shall decrease to four-tenths of one percent*
 6 *(0.4%) of all money wagered on live and historical horse races at*
 7 *the track for Thoroughbred racing;*

8 2. *a.* An amount equal to one percent (1%) of all money wagered on
 9 live races and historical horse races at the track for harness racing
 10 shall be deposited in the Kentucky standardbred development fund
 11 established in KRS 230.770; *and*

12 *b. An amount equal to three-fourths of one percent (0.75%) of all*
 13 *money wagered on historical horse races at the track for harness*
 14 *racing shall be divided equally with:*

15 *i. One-half (1/2) being deposited into the Thoroughbred*
 16 *development fund established in KRS 230.400; and*

17 *ii. One half (1/2) being deposited into the standardbred*
 18 *development fund established in KRS 230.770;*

19 3. An amount equal to one percent (1%) of all money wagered on live
 20 races and historical horse races at the track for quarter horse, paint horse,
 21 Appaloosa, and Arabian horse racing shall be deposited in the Kentucky
 22 quarter horse, paint horse, Appaloosa, and Arabian development fund
 23 established by KRS 230.445;

24 4. *a.* An amount equal to two-tenths of one percent (0.2%) of all money
 25 wagered on live races and historical horse races at the track shall
 26 be deposited in the equine industry program trust and revolving
 27 fund established by KRS 230.550 to support the *equine*

1 programs~~[Equine Industry Program]~~ at the University of
 2 Louisville, University of Kentucky, and the Kentucky Community
 3 and Technical College System as follows:~~[- except that the~~
 4 ~~amount deposited from money wagered on historical horse races in~~
 5 ~~any fiscal year shall not exceed]~~

6 i. During a fiscal year, the first eight~~[six]~~ hundred fifty
 7 thousand dollars (\$850,000) shall support the equine
 8 industry program at the University of
 9 Louisville~~[((\$650,000)];~~

10 ii. When the amount deposited in the equine industry
 11 program trust and revolving fund reaches eight hundred
 12 fifty thousand dollars (\$850,000), the next four hundred
 13 thousand dollars (\$400,000) shall support the equine
 14 industry program at the University of Kentucky; and

15 iii. When the amount deposited in the equine industry
 16 program trust and revolving fund reaches one million two
 17 hundred fifty thousand dollars (\$1,250,000), the next two
 18 hundred fifty thousand dollars (\$250,000) shall support the
 19 equine industry program at the Kentucky Community and
 20 Technical College System; and

21 b. After the distributions in subdivision a. of this subparagraph are
 22 made, all remaining moneys shall be deposited in the general
 23 fund;

- 24 5. a. An amount equal to one-tenth of one percent (0.1%) of all money
 25 wagered on live races and historical horse races at the track shall
 26 be deposited in a trust and revolving fund to be used for the
 27 construction, expansion, or renovation of facilities or the purchase

1 of equipment for equine programs at state universities, except that
2 the amount deposited from money wagered on historical horse
3 races in any fiscal year shall not exceed three hundred twenty
4 thousand dollars (\$320,000).

5 b. These funds shall not be used for salaries or for operating funds for
6 teaching, research, or administration. Funds allocated under this
7 subparagraph shall not replace other funds for capital purposes or
8 operation of equine programs at state universities.

9 c. The Kentucky Council on Postsecondary Education shall serve as
10 the administrative agent and shall establish an advisory committee
11 of interested parties, including all universities with established
12 equine programs, to evaluate proposals and make
13 recommendations for the awarding of funds.

14 d. The Kentucky Council on Postsecondary Education may
15 promulgate administrative regulations to establish procedures for
16 administering the program and criteria for evaluating and awarding
17 grants; and

18 6. An amount equal to one-tenth of one percent (0.1%) of all money
19 wagered on live races and historical horse races shall be distributed to
20 the commission to support equine drug testing as provided in KRS
21 230.265(3), except that the amount deposited from money wagered on
22 historical horse races in any fiscal year shall not exceed three hundred
23 twenty thousand dollars (\$320,000).

24 ~~(e)~~~~(d)~~ The excise tax imposed by paragraphs~~[paragraph]~~ (a) and (b) of this
25 subsection shall not apply to pari-mutuel wagering on live harness racing at a
26 county fair.

27 ~~{(e) The excise tax imposed by paragraph (a) of this subsection, and the~~

1 ~~distributions provided for in paragraph (c) of this subsection, shall apply to~~
2 ~~money wagered on historical horse races beginning September 1, 2011,~~
3 ~~through March 31, 2014, and historical horse races shall be considered live~~
4 ~~racing for purposes of determining the daily average live handle. Beginning~~
5 ~~April 1, 2014, the tax imposed by paragraph (b) of this subsection shall apply~~
6 ~~to money wagered on historical horse races.]~~

7 (2) (a) Except as provided in paragraph (c) of this subsection, an excise tax is
8 imposed on:

- 9 1. All tracks conducting telephone account wagering;
- 10 2. All tracks participating as receiving tracks in intertrack wagering under
11 the jurisdiction of the commission; and
- 12 3. All tracks participating as receiving tracks displaying simulcasts and
13 conducting interstate wagering thereon.

14 (b) 1. **Before August 1, 2022,** the tax shall be three percent (3%) of all money
15 wagered on races as provided in paragraph (a) of this subsection during
16 the fiscal year.

17 2. **Beginning August 1, 2022, the tax shall be one and one-half percent**
18 **(1.5%) of all money wagered on races as provided in paragraph (a) of**
19 **this subsection during the fiscal year.**

20 (c) A noncontiguous track facility approved by the commission on or after
21 January 1, 1999, shall be exempt from the tax imposed under this subsection,
22 if the facility is established and operated by a licensed track which has a total
23 annual handle on live racing of two hundred fifty thousand dollars (\$250,000)
24 or less. The amount of money exempted under this paragraph shall be retained
25 by the noncontiguous track facility, KRS 230.3771 and 230.378
26 notwithstanding.

27 (d) Money shall be deducted from the tax paid under paragraphs (a) and (b) of

1 this subsection as follows:

2 1. An amount equal to two percent (2%) of the amount wagered shall be
3 deposited as follows:

4 a. In the Thoroughbred development fund established in KRS
5 230.400 if the host track is conducting a Thoroughbred race
6 meeting or the interstate wagering is conducted on a Thoroughbred
7 race meeting;

8 b. In the Kentucky standardbred development fund established in
9 KRS 230.770, if the host track is conducting a harness race
10 meeting or the interstate wagering is conducted on a harness race
11 meeting; or

12 c. In the Kentucky quarter horse, paint horse, Appaloosa, and
13 Arabian development fund established by KRS 230.445, if the host
14 track is conducting a quarter horse, paint horse, Appaloosa, or
15 Arabian horse race meeting or the interstate wagering is conducted
16 on a quarter horse, paint horse, Appaloosa, or Arabian horse race
17 meeting;

18 2. An amount equal to one-twentieth of one percent (0.05%) of the amount
19 wagered shall be allocated to the equine industry program trust and
20 revolving fund established by KRS 230.550 to be used to support the
21 Equine Industry Program at the University of Louisville;

22 3. An amount equal to one-tenth of one percent (0.1%) of the amount
23 wagered shall be deposited in a trust and revolving fund to be used for
24 the construction, expansion, or renovation of facilities or the purchase of
25 equipment for equine programs at state universities, as detailed in
26 subsection (1)(~~d~~)(~~e~~)5. of this section; and

27 4. An amount equal to one-tenth of one percent (0.1%) of the amount

1 wagered shall be distributed to the commission to support equine drug
2 testing as provided in KRS 230.265(3).

3 (3) If a host track in this state is the location for the conduct of a two (2) day
4 international horse racing event that distributes in excess of a total of twenty million
5 dollars (\$20,000,000) in purses and awards:

6 (a) The excise tax imposed by subsection (1)(a) **and (b)** of this section shall not
7 apply to money wagered at the track on live races conducted at the track
8 during the two (2) day international horse racing event; and

9 (b) Amounts wagered at the track on live races conducted at the track during the
10 two (2) day international horse racing event shall not be included in
11 calculating the daily average live handle for purposes of subsection (1) of this
12 section.

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

15 ➔Section 14. KRS 138.513 is amended to read as follows:

16 (1) **(a)** Beginning August 1, 2014, **but before August 1, 2022,** an excise tax is
17 imposed on all advance deposit account wagering licensees licensed under
18 KRS 230.260 at a rate of one-half of one percent (0.5%) of all amounts
19 wagered through the licensee by Kentucky residents.

20 **(b) Beginning August 1, 2022, an excise tax is imposed on all advance deposit**
21 **account wagering licensees licensed under KRS 230.260 at a rate of one**
22 **and one-half percent (1.5%) of all amounts wagered through the licensee by**
23 **Kentucky residents.**

24 (2) The tax imposed by this section shall be paid, collected, administered, and
25 distributed as provided in KRS 138.530.

26 ➔Section 15. KRS 138.990 is amended to read as follows:

27 (1) Any person who violates any provision of KRS 138.140, 138.146, or 138.195 for

1 which a specific penalty is not provided shall be guilty of a violation for the first
2 offense; for each such subsequent offense, he shall be guilty of a Class A
3 misdemeanor. These penalties shall be in addition to the civil penalties provided by
4 KRS 138.165, 138.185, and 138.205.

5 (2) Any person who fails to supply the information required by subsection (8) of KRS
6 138.195 shall be guilty of a violation; for each subsequent offense, he shall be guilty
7 of a Class B misdemeanor. These penalties shall be in addition to any civil penalty
8 provided by KRS 138.165, 138.185, and 138.205.

9 (3) Any person violating subsection (10) of KRS 138.195 or any regulations adopted
10 thereunder shall be guilty of a Class A misdemeanor. This penalty shall be in
11 addition to any civil penalty provided by KRS 138.165, 138.185, and 138.205.

12 (4) Any person who makes a false entry upon any invoices or any record relating to the
13 purchase, possession, transportation, or sale of cigarettes, and presents any such
14 false entry to the department or any of its agents with the intent to avoid any tax
15 imposed by KRS 138.130 to 138.205, shall be guilty of a Class D felony.

16 (5) Any person who shall counterfeit any cigarette tax evidence shall be guilty of a
17 Class D felony.

18 (6) Any person who sells, offers to sell, or uses counterfeit cigarette tax evidence,
19 affixed or unaffixed, with the intention of evading any tax imposed by KRS
20 138.130 to 138.205 shall be guilty of a Class D felony.

21 (7) Any person who fails to remit gasoline or special fuel tax money to the state as
22 provided in KRS 138.280 is guilty of embezzlement of state funds. Embezzlement
23 of state funds, for the first offense, shall be a Class A misdemeanor, and for the
24 second offense, shall be a Class D felony.

25 (8) Any person who violates any of the provisions of KRS 138.300 shall be guilty of a
26 Class A misdemeanor. This penalty shall be in addition to the penalty provided in
27 subsection (7) of this section.

- 1 (9) Any person who violates KRS 138.310 shall be guilty of a Class A misdemeanor.
2 Each day or part of a day of doing business as a dealer without an uncanceled
3 license shall be a separate offense.
- 4 (10) (a) Any person who willfully and fraudulently gives a false statement as to the
5 total and actual consideration paid for a motor vehicle under KRS 138.450
6 shall be guilty of a Class D felony and shall be fined not less than two
7 thousand dollars (\$2,000) per offense.
- 8 (b) Any person who violates any of the other provisions of KRS 138.460 to
9 138.470 shall be fined not less than twenty-five dollars (\$25) nor more than
10 one thousand dollars (\$1,000) and if the offender is an individual, he shall be
11 guilty of a Class A misdemeanor.
- 12 (11) ~~Any person who violates any of the provisions of KRS 138.480 or 138.490 shall be~~
13 ~~guilty of a Class B misdemeanor.~~
- 14 ~~(12)~~ If any offender under the provisions of subsections (1) to (9), ~~(11)~~ or (15) ~~(16)~~ of
15 this section is a corporation, the principal officer or the officer directly responsible
16 for the violation, or both, may be imprisoned as provided in those subsections.
- 17 (12) ~~(13)~~ Any person who violates any provision of subsection (1) of KRS 138.354,
18 whether or not his permit has been revoked, shall be guilty of a Class A
19 misdemeanor.
- 20 (13) ~~(14)~~ Any person violating any provision of KRS 138.655 to 138.725 is guilty of a
21 Class A misdemeanor.
- 22 (14) ~~(15)~~ In addition to the penalties provided in subsection (13) of this section ~~KRS~~
23 ~~138.990(14)~~, the motor vehicle or vehicles of any person violating any provision of
24 KRS 138.720 shall be subject to seizure by any officer duly authorized to enforce
25 the provisions of KRS 138.655 to 138.725.
- 26 (15) ~~(16)~~ Any person violating KRS 138.175 shall be guilty of a Class D felony.
- 27 (16) ~~(17)~~ Any person who intentionally evades payment of the tax imposed by KRS

1 138.460 or 138.463 shall be liable for the taxes evaded, with applicable interest and
2 penalties, and in addition shall be guilty of:

- 3 (a) A Class B misdemeanor if the amount of tax evaded is two hundred fifty
4 dollars (\$250) or less; and
5 (b) A Class A misdemeanor if the amount of tax evaded is greater than two
6 hundred fifty dollars (\$250).

7 ➔Section 16. KRS 139.200 is amended to read as follows:

8 A tax is hereby imposed upon all retailers at the rate of six percent (6%) of the gross
9 receipts derived from:

10 (1) Retail sales of:

- 11 (a) Tangible personal property, regardless of the method of delivery, made within
12 this Commonwealth; and
13 (b) Digital property regardless of whether:
14 1. The purchaser has the right to permanently use the property;
15 2. The purchaser's right to access or retain the property is not permanent; or
16 3. The purchaser's right of use is conditioned upon continued payment; and

17 (2) The furnishing of the following:

- 18 (a) The rental of any room or rooms, lodgings, campsites, or accommodations
19 furnished by any hotel, motel, inn, tourist camp, tourist cabin, campgrounds,
20 recreational vehicle parks, or any other place in which rooms, lodgings,
21 campsites, or accommodations are regularly furnished to transients for a
22 consideration. The tax shall not apply to rooms, lodgings, campsites, or
23 accommodations supplied for a continuous period of thirty (30) days or more
24 to a person;
25 (b) Sewer services;
26 (c) The sale of admissions, except:
27 1. Admissions to *enter the grounds or enclosure of any track licensed*

- 1 *under KRS Chapter 230 at which live horse racing or historical horse*
- 2 *racing is being conducted under the jurisdiction of the Kentucky*
- 3 *Horse Racing Commission*~~[racetracks taxed under KRS 138.480];~~
- 4 2. Admissions to historical sites exempt under KRS 139.482;
- 5 3. Admissions taxed under KRS 229.031;
- 6 4. Admissions that are charged by nonprofit educational, charitable, or
- 7 religious institutions and for which an exemption is provided under KRS
- 8 139.495; and
- 9 5. Admissions that are charged by nonprofit civic, governmental, or other
- 10 nonprofit organizations and for which an exemption is provided under
- 11 KRS 139.498;
- 12 (d) Prepaid calling service and prepaid wireless calling service;
- 13 (e) Intrastate, interstate, and international communications services as defined in
- 14 KRS 139.195, except the furnishing of pay telephone service as defined in
- 15 KRS 139.195;
- 16 (f) Distribution, transmission, or transportation services for natural gas that is for
- 17 storage, use, or other consumption in this state, excluding those services
- 18 furnished:
- 19 1. For natural gas that is classified as residential use as provided in KRS
- 20 139.470(7); or
- 21 2. To a seller or reseller of natural gas;
- 22 (g) Landscaping services, including but not limited to:
- 23 1. Lawn care and maintenance services;
- 24 2. Tree trimming, pruning, or removal services;
- 25 3. Landscape design and installation services;
- 26 4. Landscape care and maintenance services; and
- 27 5. Snow plowing or removal services;

- 1 (h) Janitorial services, including but not limited to residential and commercial
2 cleaning services, and carpet, upholstery, and window cleaning services;
- 3 (i) Small animal veterinary services, excluding veterinary services for equine,
4 cattle, poultry, swine, sheep, goats, llamas, alpacas, ratite birds, buffalo, and
5 cervids;
- 6 (j) Pet care services, including but not limited to grooming and boarding services,
7 pet sitting services, and pet obedience training services;
- 8 (k) Industrial laundry services, including but not limited to industrial uniform
9 supply services, protective apparel supply services, and industrial mat and rug
10 supply services;
- 11 (l) Non-coin-operated laundry and dry cleaning services;
- 12 (m) Linen supply services, including but not limited to table and bed linen supply
13 services and nonindustrial uniform supply services;
- 14 (n) Indoor skin tanning services, including but not limited to tanning booth or
15 tanning bed services and spray tanning services;
- 16 (o) Non-medical diet and weight reducing services;
- 17 (p) Limousine services, if a driver is provided; and
- 18 (q) Extended warranty services.

19 ➔Section 17. KRS 230.210 is amended to read as follows:

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

- 21 (1) "Advance deposit account wagering" means a form of pari-mutuel wagering in
22 which an individual may establish an account with a person or entity licensed by the
23 racing commission, and may place a pari-mutuel wager through that account that is
24 permitted by law;
- 25 (2) "Advance deposit account wagering licensee" means a person or entity licensed by
26 the racing commission to conduct advance deposit account wagering and accept
27 deposits and wagers, issue a receipt or other confirmation to the account holder

- 1 evidencing such deposits and wagers, and transfer credits and debits to and from
2 accounts;
- 3 (3) "Appaloosa race" or "Appaloosa racing" means that form of horse racing in which
4 each horse participating in the race is registered with the Appaloosa Horse Club of
5 Moscow, Idaho, and is mounted by a jockey;
- 6 (4) "Arabian" means a horse that is registered with the Arabian Horse Registry of
7 Denver, Colorado;
- 8 (5) "Association" means any person licensed by the Kentucky Horse Racing
9 Commission under KRS 230.300 and engaged in the conduct of a recognized horse
10 race meeting;
- 11 (6) "Harness race" or "harness racing" means trotting and pacing races of the
12 standardbred horses;
- 13 (7) "Horse race meeting" means horse racing run at an association licensed and
14 regulated by the Kentucky Horse Racing Commission, and may include
15 Thoroughbred, harness, Appaloosa, Arabian, paint, and quarter horse racing;
- 16 (8) "Host track" means the track conducting racing and offering its racing for intertrack
17 wagering, or, in the case of interstate wagering, means the Kentucky track
18 conducting racing and offering simulcasts of races conducted in other states or
19 foreign countries;
- 20 (9) "Intertrack wagering" means pari-mutuel wagering on simulcast horse races from a
21 host track by patrons at a receiving track;
- 22 (10) "Interstate wagering" means pari-mutuel wagering on simulcast horse races from a
23 track located in another state or foreign country by patrons at a receiving track or
24 simulcast facility;
- 25 (11) "Kentucky quarter horse, paint horse, Appaloosa, and Arabian purse fund" means a
26 purse fund established to receive funds as specified in KRS 230.3771 for purse
27 programs established in KRS 230.446 to supplement purses for quarter horse, paint

1 horse, Appaloosa, and Arabian horse races. The purse program shall be
2 administered by the Kentucky Horse Racing Commission;

3 (12) "Kentucky resident" means:

4 (a) An individual domiciled within this state;

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

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

11 (13) "Licensed premises" means a track or simulcast facility licensed by the racing
12 commission under this chapter;

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

15 (15) "Pari-mutuel wagering," "pari-mutuel system of wagering," or "mutuel wagering"
16 each means any method of wagering previously or hereafter approved by the racing
17 commission in which one (1) or more patrons wager on a horse race or races,
18 whether live, simulcast, or previously run. Wagers shall be placed in one (1) or
19 more wagering pools, and wagers on different races or sets of races may be pooled
20 together. Patrons may establish odds or payouts, and winning patrons share in
21 amounts wagered including any carryover amounts, plus any amounts provided by
22 an association less any deductions required, as approved by the racing commission
23 and permitted by law. Pools may be paid out incrementally over time as approved
24 by the racing commission;

25 (16) "Principal" means any of the following individuals associated with a partnership,
26 trust, association, limited liability company, or corporation that is licensed to
27 conduct a horse race meeting or an applicant for a license to conduct a horse race

1 meeting:

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

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

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

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

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

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

15 **(17) "Professional sports venue" means a facility, including but not limited to an**
16 **indoor arena, outdoor stadium, or race track, with seating for at least fifty**
17 **thousand (50,000) and where professional sporting events are held under the**
18 **auspices of a professional league recognized by the racing commission under**
19 **Section 5 of this Act;**

20 **(18)**~~(17)~~ "Quarter horse" means a horse that is registered with the American Quarter
21 Horse Association of Amarillo, Texas;

22 **(19)**~~(18)~~ "Racing commission" means the Kentucky Horse Racing Commission;

23 **(20)**~~(19)~~ "Receiving track" means a track where simulcasts are displayed for wagering
24 purposes. A track that submits an application for intertrack wagering shall meet all
25 the regulatory criteria for granting an association license of the same breed as the
26 host track, and shall have a heated and air-conditioned facility that meets all state
27 and local life safety code requirements and seats a number of patrons at least equal

1 to the average daily attendance for intertrack wagering on the requested breed in the
2 county in which the track is located during the immediately preceding calendar year;

3 ~~(21)~~~~(20)~~ "Simulcast facility" means any facility approved pursuant to the provisions of
4 KRS 230.380 to simulcast live racing and conduct pari-mutuel wagering on live
5 racing;

6 ~~(22)~~~~(21)~~ "Simulcasting" means the telecast of live audio and visual signals of horse
7 races for the purpose of pari-mutuel wagering;

8 ~~(23)~~ **"Sports wagering" means the placing of wagers on the outcomes of professional**
9 **sports contests and other events in conformance with federal law and as**
10 **authorized by the racing commission at tracks and online or by smartphone**
11 **through applications as authorized by this chapter and Section 4 of this Act;**

12 ~~(24)~~~~(22)~~ "Telephone account wagering" means a form of pari-mutuel wagering where
13 an individual may deposit money in an account at a track and may place a wager by
14 direct telephone call or by communication through other electronic media owned by
15 the holder of the account to the track;

16 ~~(25)~~~~(23)~~ "Thoroughbred race" or "Thoroughbred racing" means a form of horse racing
17 in which each horse participating in the race is a Thoroughbred, (i.e., meeting the
18 requirements of and registered with The Jockey Club of New York) and is mounted
19 by a jockey; and

20 ~~(26)~~~~(24)~~ "Track" means any association duly licensed by the Kentucky Horse Racing
21 Commission to conduct horse racing and shall include:

22 (a) For facilities in operation as of 2010, the location and physical plant described
23 in the "Commonwealth of Kentucky Initial/Renewal Application for License
24 to Conduct Live Horse Racing, Simulcasting, and Pari-Mutuel Wagering,"
25 filed for racing to be conducted in 2010;

26 (b) Real property of an association, if the association received or receives
27 approval from the racing commission after 2010 for a location at which live

1 racing is to be conducted; or

2 (c) One (1) facility or real property that is:

3 1. Owned, leased, or purchased by an association within a sixty (60) mile
4 radius of the association's racetrack but not contiguous to racetrack
5 premises, upon racing commission approval; and

6 2. Not within a sixty (60) mile radius of another licensed track premise
7 where live racing is conducted and not within a forty (40) mile radius of
8 a simulcast facility, unless any affected track or simulcast facility agrees
9 in writing to permit a noncontiguous facility within the protected
10 geographic area.

11 →Section 18. KRS 230.215 is amended to read as follows:

12 (1) (a) It is the policy of the Commonwealth of Kentucky, in furtherance of its
13 responsibility to foster and to encourage legitimate occupations and industries
14 in the Commonwealth and to promote and to conserve the public health,
15 safety, and welfare, and it is hereby declared the intent of the Commonwealth
16 to foster and to encourage the horse breeding industry within the
17 Commonwealth and to encourage the improvement of the breeds of horses.

18 (b) Further, it is the policy and intent of the Commonwealth to foster and to
19 encourage the business of legitimate horse racing with pari-mutuel wagering
20 thereon in the Commonwealth on the highest possible plane. Further, it hereby
21 is declared the policy and intent of the Commonwealth that all racing not
22 licensed under this chapter is a public nuisance and may be enjoined as such.

23 (c) Further, it is hereby declared the policy and intent of the Commonwealth that
24 the conduct of horse racing, or the participation in any way in horse racing, or
25 the entrance to or presence where horse racing is conducted, is a privilege and
26 not a personal right; and that this privilege may be granted or denied by the
27 racing commission or its duly approved representatives acting in its behalf.

1 *(d) Further, it hereby is declared the policy and intent of the Commonwealth*
2 *that citizens shall be allowed to enjoy wagering on sporting events, fantasy*
3 *contests, and online poker gaming in a controlled environment that protects*
4 *the citizens from cheating and fraud, and that such wagering shall be best*
5 *controlled and overseen by the Kentucky Horse Racing Commission, which*
6 *has demonstrated a long and successful history of regulating wagering.*

7 (2) *(a)* It is hereby declared the purpose and intent of this chapter in the interest of the
8 public health, safety, and welfare, to vest in the racing commission forceful
9 control of horse racing in the Commonwealth with plenary power to
10 promulgate administrative regulations prescribing conditions under which all
11 legitimate horse racing and wagering thereon is conducted in the
12 Commonwealth so as to encourage the improvement of the breeds of horses in
13 the Commonwealth, to regulate and maintain horse racing at horse race
14 meetings in the Commonwealth of the highest quality and free of any corrupt,
15 incompetent, dishonest, or unprincipled horse racing practices, and to regulate
16 and maintain horse racing at race meetings in the Commonwealth so as to
17 dissipate any cloud of association with the undesirable and maintain the
18 appearance as well as the fact of complete honesty and integrity of horse
19 racing in the Commonwealth.

20 *(b) In addition, it is hereby declared the purpose and intent of this chapter to*
21 *vest in the racing commission exclusive jurisdiction over sports wagering,*
22 *fantasy contests, and online poker gaming in the Commonwealth, with*
23 *plenary power to promulgate administrative regulations prescribing*
24 *conditions under which all legitimate sports wagering, fantasy contests, and*
25 *online poker gaming are to be conducted.*

26 *(c)* In addition to the general powers and duties vested in the racing commission
27 by this chapter, it is the intent hereby to vest in the racing commission the

1 power to eject or exclude from association grounds or any part thereof any
2 person, licensed or unlicensed, whose conduct or reputation is such that his
3 presence on association grounds may, in the opinion of the racing
4 commission, reflect on the honesty and integrity of horse racing or interfere
5 with the orderly conduct of horse racing.

6 ➔Section 19. KRS 230.225 is amended to read as follows:

7 (1) The Kentucky Horse Racing Commission is created as an independent agency of
8 state government to regulate the conduct of horse racing and pari-mutuel wagering
9 on horse racing, *fantasy contests, sports wagering, online poker gaming,* and
10 related activities within the Commonwealth of Kentucky. The racing commission
11 shall be attached to the Public Protection Cabinet for administrative purposes.

12 (2) (a) The Kentucky Horse Racing Commission shall consist of fifteen (15)
13 members appointed by the Governor, with the secretaries of the Public
14 Protection Cabinet, Tourism, Arts and Heritage Cabinet, and Economic
15 Development Cabinet, or their designees, serving as ex officio nonvoting
16 members.

17 (b) Two (2) members shall have no financial interest in the business or industry
18 regulated.

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

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

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

23 3. Five (5) members shall serve for a term of two (2) years.

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

26 (e) In making appointments, the Governor may consider members broadly
27 representative of the Thoroughbred industry and members broadly

1 representative of the standardbred, quarter horse, Appaloosa, or Arabian
2 industries. The Governor may also consider recommendations from the
3 Kentucky Thoroughbred Owners and Breeders, Inc., the Kentucky Division of
4 the Horsemen's Benevolent and Protective Association, the Kentucky Harness
5 Horsemen's Association, and other interested organizations.

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

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

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

15 (d) Before entering upon the discharge of their duties, all members of the
16 Kentucky Horse Racing Commission shall take the constitutional oath of
17 office.

18 (4) (a) The racing commission shall establish and maintain a general office for the
19 transaction of its business and may in its discretion establish a branch office or
20 offices.

21 (b) The racing commission may hold meetings at any of its offices or at any other
22 place when the convenience of the racing commission requires.

23 (c) All meetings of the racing commission shall be open and public, and all
24 persons shall be permitted to attend meetings.

25 (d) A majority of the voting members of the racing commission shall constitute a
26 quorum for the transaction of its business or exercise of any of its powers.

27 (5) Except as otherwise provided, the racing commission shall be responsible for the

1 following:

- 2 (a) Developing and implementing programs designed to ensure the safety and
 3 well-being of horses, jockeys, and drivers;
- 4 (b) Developing programs and procedures that will aggressively fulfill its oversight
 5 and regulatory role on such matters as medical practices and integrity issues;
- 6 (c) Recommending tax incentives and implementing incentive programs to ensure
 7 the strength and growth of the equine industry;
- 8 (d) Designing and implementing programs that strengthen the ties between
 9 Kentucky's horse industry and the state's universities, with the goal of
 10 significantly increasing the economic impact of the horse industry on
 11 Kentucky's economy, improving research for the purpose of promoting the
 12 enhanced health and welfare of the horse, and other related industry issues;
 13 ~~and~~
- 14 (e) Developing and supporting programs which ensure that Kentucky remains in
 15 the forefront of equine research;~~[-]~~
- 16 **(f) Developing monitoring programs to ensure the highest integrity of athletic**
 17 **events, sports wagering, fantasy contests, and online poker gaming; and**
- 18 **(g) Developing a program to share wagering information with the leagues,**
 19 **associations, and other governing bodies sanctioning sports events upon**
 20 **which wagers may be accepted. The program shall be designed to assist in**
 21 **determining potential problems or questionable wagering activity so the**
 22 **leagues, associations, and the racing commission can monitor wagering**
 23 **activity effectively.**

24 ➔Section 20. KRS 230.240 is amended to read as follows:

- 25 (1) **(a)** In addition to the employees referred to in KRS 230.230, the executive
 26 director of the racing commission may employ, dismiss, or take other
 27 personnel action and determine the reasonable compensation of stewards,

1 supervisors of mutuels, veterinarians, inspectors, accountants, security
2 officers, and other employees deemed by the executive director to be essential
3 at or in connection with any horse race meeting and in the best interest of
4 racing, or those deemed by the executive director to be integral to the
5 conduct of sports wagering, fantasy contests, or online poker gaming.

6 **(b)** Three (3) Thoroughbred stewards shall be employed at each Thoroughbred
7 race meeting as follows:

8 **1.** Two (2) stewards shall be employed and compensated by the
9 Commonwealth, subject to reimbursement by the racing associations
10 pursuant to subsection (3) of this section; and

11 **2.** One (1) Thoroughbred steward shall be employed and compensated by
12 the racing association hosting the race meeting.

13 **(c)** Three (3) standardbred judges shall be employed at each standardbred race
14 meeting as follows:

15 **1.** Two (2) standardbred judges shall be employed and compensated by the
16 Commonwealth, subject to reimbursement by the racing associations
17 pursuant to subsection (3) of this section; and

18 **2.** One (1) standardbred judge shall be employed and compensated by the
19 racing association hosting the race meeting.

20 **(d)** The security officers shall be peace officers and conservators of the peace on
21 racing commission property and at all race tracks and grounds in the
22 Commonwealth and shall possess all the common law and statutory powers
23 and privileges now available or hereafter made available to sheriffs,
24 constables, and police officers for the purpose of enforcing all laws relating
25 directly or indirectly to the conduct of horse racing and pari-mutuel wagering
26 thereon, the conduct of sports wagering or fantasy contests, or the
27 enforcement of laws relating to the protection of persons or property on

1 premises licensed by the racing commission.

2 (e) The racing commission, for the purpose of maintaining integrity and honesty
3 in racing, shall prescribe by administrative regulation the powers and duties of
4 the persons employed under this section and qualifications necessary to
5 competently perform their duties. In addition, the racing commission shall be
6 responsible for seeing that racing officials employed under the provisions of
7 this section have adequate training to perform their duties in a competent
8 manner.

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

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

17 (c) The expense of the laboratory or other testing processes, whether furnished by
18 contract or otherwise, together with all supplies and equipment used in
19 connection therewith, shall be paid by the various associations licensed under
20 this chapter in the manner and in proportions as the racing commission shall
21 by administrative regulation provide.

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

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

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

5 (4) Each person, as a condition precedent to the privilege of receiving a license under
6 this chapter to conduct a horse race meeting, shall be deemed to have agreed to pay
7 expenses and compensation as provided in this section and as may be actually and
8 reasonably incurred.

9 ➔Section 21. KRS 230.260 is amended to read as follows:

10 The racing commission, in the interest of breeding or the improvement of breeds of
11 horses, shall have all powers necessary and proper to carry out fully and effectually the
12 provisions of this chapter including but without limitation the following:

13 (1) The racing commission is vested with jurisdiction and supervision over all horse
14 race meetings, sports wagering, or fantasy contests in this Commonwealth and
15 over all associations and all persons on association grounds and may eject or
16 exclude therefrom or any part thereof, any person, licensed or unlicensed, whose
17 conduct or reputation is such that his presence on association grounds may, in the
18 opinion of the racing commission, negatively reflect on the honesty and integrity of
19 horse racing, or on athletic contests upon which sports wagers have been placed,
20 or interfere with the orderly conduct of horse racing or racing at horse race
21 meetings; provided, however, no persons shall be excluded or ejected from
22 association grounds solely on the ground of race, color, creed, national origin,
23 ancestry, or sex;

24 (2) The racing commission is vested with jurisdiction over any person or entity that
25 offers advance deposit account wagering to Kentucky residents for pari-mutuel
26 wagering on horse racing. Any such person or entity under the jurisdiction of the
27 racing commission shall be licensed by the racing commission, and the racing

1 commission may impose a license fee not to exceed ten thousand dollars (\$10,000)
2 annually. The racing commission shall, by administrative regulation promulgated in
3 accordance with KRS Chapter 13A, establish conditions and procedures for the
4 licensing of advance deposit account wagering providers to include but not be
5 limited to:

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

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

8 1. The amount wagered on Kentucky races; and

9 2. The total amount wagered by Kentuckians;

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

12 A totalisator company under the jurisdiction of the racing commission shall be
13 licensed by the racing commission, regardless of whether a totalisator company is
14 located in the Commonwealth or operates from a location or locations outside of the
15 Commonwealth, and the racing commission may impose a license fee on a
16 totalisator company. The racing commission shall, by administrative regulation
17 promulgated in accordance with KRS Chapter 13A, establish conditions and
18 procedures for the licensing of totalisator companies, and a fee schedule for
19 applications for licensure;

20 (4) The racing commission is vested with jurisdiction over any manufacturer,
21 wholesaler, distributor, or vendor of any equine drug, medication, therapeutic
22 substance, or metabolic derivative which is purchased by or delivered to a licensee
23 or other person participating in Kentucky horse racing by means of the Internet,
24 mail delivery, in-person delivery, or other means;

25 (5) The racing commission is vested with jurisdiction over any horse training center or
26 facility in the Commonwealth that records official timed workouts for publication;

27 (6) The racing commission may require an applicant for a license under subsections (2)

1 and (3) of this section to submit to a background check of the applicant, or of any
2 individual or organization associated with the applicant. An applicant shall be
3 required to reimburse the racing commission for the cost of any background check
4 conducted;

5 (7) The racing commission, its representatives and employees, may visit, investigate
6 and have free access to the office, track, facilities, or other places of business of any
7 licensee, or any person owning a horse or performing services regulated by this
8 chapter on a horse registered to participate in a breeders incentive fund under the
9 jurisdiction of the racing commission;

10 (8) The racing commission shall have full authority to prescribe necessary and
11 reasonable administrative regulations and conditions under which horse racing at a
12 horse race meeting shall be conducted in this state and to fix and regulate the
13 minimum amount of purses, stakes, or awards to be offered for the conduct of any
14 horse race meeting;

15 (9) Applications for licenses shall be made in the form, in the manner, and contain
16 information as the racing commission may, by administrative regulation, require.
17 Fees for all licenses issued under KRS 230.310 shall be prescribed by and paid to
18 the racing commission;

19 (10) The racing commission shall establish by administrative regulation minimum fees
20 for jockeys to be effective in the absence of a contract between an employing owner
21 or trainer and a jockey. The minimum fees shall be no less than those of July 1,
22 1985;

23 (11) The racing commission may refuse to issue or renew a license, revoke or suspend a
24 license, impose probationary conditions on a license, issue a written reprimand or
25 admonishment, impose fines or penalties, deny purse money, require the forfeiture
26 of purse money, or any combination thereof with regard to a licensee or other
27 person participating in Kentucky horse racing for violation of any federal or state

1 statute, regulation, or steward's or racing commission's directive, ruling, or order to
2 preserve the integrity of Kentucky horse racing or to protect the racing public. The
3 racing commission shall, by administrative regulation, establish the criteria for
4 taking the actions described in this subsection;

5 (12) The racing commission may issue subpoenas for the attendance of witnesses before
6 it and for the production of documents, records, papers, books, supplies, devices,
7 equipment, and all other instrumentalities related to pari-mutuel horse racing or
8 sports wagering within the Commonwealth. The racing commission may
9 administer oaths to witnesses and require witnesses to testify under oath whenever,
10 in the judgment of the racing commission, it is necessary to do so for the effectual
11 discharge of its duties;

12 (13) The racing commission shall have authority to compel any racing association
13 licensed under this chapter to file with the racing commission at the end of its fiscal
14 year, a balance sheet, showing assets and liabilities, and an earnings statement,
15 together with a list of its stockholders or other persons holding a beneficial interest
16 in the association; and

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

20 (15) (a) The racing commission shall promulgate administrative regulations
21 establishing a self-exclusion list for individuals who self-identify as being
22 problem or compulsive gamblers.

23 (b) Each racing association shall make public notice of the self-exclusion list
24 and the method or methods individuals may use to self-identify at the track,
25 online, or by phone.

26 (c) Self-exclusion information collected by each racing association shall be
27 forwarded to the racing commission, and the information from the racing

1 associations shall be compiled into a comprehensive list that shall be
 2 provided to all racing associations.

3 **(16) The racing commission shall promulgate administrative regulations requiring**
 4 **historical horse racing machines at licensed associations to:**

5 **(a) Clearly display wagering information on all races being offered on the**
 6 **machine as long as the information does not allow easy identification of the**
 7 **place or date of the race, or the names of the horses or jockeys participating**
 8 **in the race; and**

9 **(b) Clearly designate the method by which a player may make a choice in his or**
 10 **her wager, rather than allowing the machine to choose for him or her.**

11 ➔Section 22. KRS 230.320 is amended to read as follows:

12 (1) Every license granted under this chapter is subject to denial, revocation, or
 13 suspension.~~[, and every]~~

14 **(2) Every racing** licensee or other person participating in Kentucky horse racing may
 15 be assessed an administrative fine and required to forfeit or return a purse, by the
 16 racing commission in any case where it has reason to believe that any provision of
 17 this chapter, administrative regulation, or condition of the racing commission
 18 affecting it has not been complied with or has been broken or violated. The racing
 19 commission may deny, revoke, or suspend a license for failure by the licensee or
 20 other person participating in Kentucky horse racing to pay an administrative fine
 21 imposed upon the licensee by the stewards or the racing commission. The racing
 22 commission, in the interest of honesty and integrity of horse racing, may promulgate
 23 administrative regulations under which any license may be denied, suspended, or
 24 revoked, and under which any licensee or other person participating in Kentucky
 25 horse racing may be assessed an administrative fine or required to forfeit or return a
 26 purse.

27 **(3)**~~(2)~~ (a) Following a hearing by the stewards, a person who has been disciplined

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

1 final order granting or denying the petition within two (2) calendar days of the
2 special meeting. If the racing commission fails to timely issue a final order on
3 the petition, then the stay is granted. The racing commission may rescind a
4 stay granted under this subsection for good cause.

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

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

11 ~~(4)~~~~(3)~~ If any *racing-associated* license is denied, suspended, or revoked, or if any
12 licensee or other person participating in Kentucky horse racing is assessed an
13 administrative fine or required to forfeit or return a purse, after a hearing by the
14 stewards or by the racing commission acting on a complaint or by its own volition,
15 the racing commission shall grant the applicant, licensee, or other person the right
16 to appeal the decision, and upon appeal, an administrative hearing shall be
17 conducted in accordance with KRS Chapter 13B.

18 ~~(5)~~~~(4)~~ The racing commission may at any time order that any case pending before the
19 stewards be immediately transferred to the racing commission for an administrative
20 hearing conducted in accordance with KRS Chapter 13B.

21 ~~(6)~~~~(5)~~ (a) In an administrative appeal to the racing commission by a licensee or
22 other person participating in Kentucky horse racing, the racing commission
23 may determine in its final order that the appeal is frivolous. If the racing
24 commission finds that an appeal is frivolous:

- 25 1. This fact shall be considered an aggravating circumstance and may be
26 considered in assessing any penalty against the licensee; and
- 27 2. The licensee or other person who raised the appeal may be required to

1 reimburse the racing commission for the cost of the investigation of the
2 underlying circumstances of the case and the cost of the adjudication of
3 the appeal. Costs may include but are not limited to fees paid to a
4 hearing officer or court reporter, attorneys fees, and laboratory expenses.

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

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

9 ➔Section 23. KRS 230.360 is amended to read as follows:

10 The provisions of this chapter are intended to be statewide and exclusive in their effect
11 and no city, county, or other political subdivision of state government shall have the
12 power or authority to make or enforce any local laws, ordinances, or regulations on the
13 subject of horse race meetings. Any person licensed under KRS 230.300 shall continue to
14 pay, or be responsible for the payment of, all state taxes presently imposed by law,
15 including but without limitation, license taxes imposed under KRS 137.170 to 137.190~~[,]~~
16 and~~[KRS] 137.990[together with admission taxes imposed by KRS 138.480]~~, and the
17 pari-mutuel taxes imposed by KRS 138.510 to 138.550, and all state, as well as local, ad
18 valorem taxes; provided, however, no tax shall be imposed by the state or any subdivision
19 thereof upon, or measured by, that portion of the excise tax imposed upon pari-mutuel
20 betting at running and trotting horse race tracks which is collected and retained by the
21 operators thereof under the provisions of KRS 138.510 to 138.550, both inclusive.

22 ➔Section 24. KRS 230.361 is amended to read as follows:

23 (1) (a) The racing commission shall promulgate administrative regulations governing
24 and regulating mutuel wagering on horse races under what is known as the
25 pari-mutuel system of wagering.

26 (b) The wagering shall be conducted only by a person licensed under this chapter
27 to conduct a race meeting and only upon the licensed premises, and provided

1 further that only pari-mutuel wagering on simulcasting shall be allowed at
2 simulcast facilities.

3 (c) The pari-mutuel system of wagering shall be operated only by a totalizator or
4 other mechanical equipment approved by the racing commission. The racing
5 commission shall not require any particular make of equipment.

6 (2) The operation of a pari-mutuel system for betting, sports wagering, fantasy
7 contests, or online poker gaming, where authorized by law shall not constitute
8 grounds for the revocation or suspension of any license issued and held under KRS
9 242.1238 and 243.265.

10 (3) All reported but unclaimed pari-mutuel or sports wagering winning tickets held in
11 this state by any person or association operating a pari-mutuel, sports wagering, or
12 similar system of betting conducted through a licensed association ~~at horse race~~
13 ~~meetings~~ shall be presumed abandoned if not claimed by the person entitled to
14 them within one (1) year from the time the ticket became payable.

15 (4) The racing commission may issue a license to conduct pari-mutuel wagering on
16 steeple chases or other racing over jumps; if all proceeds from the wagering, after
17 expenses are deducted, is used for charitable purposes. If the dates requested for
18 such a license have been granted to a track within a forty (40) mile radius of the
19 race site, the racing commission shall not issue a license until it has received written
20 approval from the affected track. Pari-mutuel wagering licensed and approved under
21 this subsection shall be limited to four (4) days per year. All racing and wagering
22 authorized by this subsection shall be conducted in accordance with applicable
23 administrative regulations promulgated by the racing commission.

24 ➔Section 25. KRS 230.3615 is amended to read as follows:

25 (1) The commission, including the tax levied in KRS 138.510, deducted from the gross
26 amount wagered on horse racing by the association which operates a race track
27 under the jurisdiction of the Kentucky Horse Racing Commission and conducts the

1 Thoroughbred racing at which betting is conducted through a pari-mutuel or other
2 similar system, in races where the patron is required to select one (1) horse, and the
3 breaks, which breaks shall be made and calculated to the nickel~~[dime, shall not be~~
4 ~~more than sixteen percent (16%) at the discretion of those tracks averaging over one~~
5 ~~million two hundred thousand dollars (\$1,200,000) in on track pari-mutuel handle~~
6 ~~per day of live racing conducted by the association. The commission at those tracks~~
7 ~~averaging one million two hundred thousand dollars (\$1,200,000) or less in on track~~
8 ~~pari-mutuel handle per day of live racing conducted by the association, at the~~
9 ~~discretion of such track, shall not be more than seventeen and one half percent~~
10 ~~(17.5%) in races where the patron is required to select one (1) horse, and the breaks,~~
11 ~~which breaks shall be made and calculated to the dime].~~

12 (2) The commission~~[at those tracks averaging over one million two hundred thousand~~
13 ~~dollars (\$1,200,000) in on track pari-mutuel handle per day of live racing conducted~~
14 ~~by the association], including the tax levied in KRS 138.510, deducted from the~~
15 ~~gross amount wagered by the person, corporation, or association which operates a~~
16 ~~race track under the jurisdiction of the Kentucky Horse Racing Commission and~~
17 ~~conducts Thoroughbred racing at which betting is conducted through a pari-mutuel~~
18 ~~or other similar system shall not exceed[nineteen percent (19%) of the gross handle~~
19 ~~in races where the patron is required to select two (2) or more horses, and the~~
20 ~~breaks, which breaks shall be made and calculated to the dime. The commission, at~~
21 ~~those tracks averaging one million two hundred thousand dollars (\$1,200,000) or~~
22 ~~less in on track pari-mutuel handle per day of live racing conducted by the~~
23 ~~association, including the tax levied in KRS 138.510, deducted from the gross~~
24 ~~amount wagered by the association which operates a race track under the~~
25 ~~jurisdiction of the Kentucky Horse Racing Commission and conducts Thoroughbred~~
26 ~~racing at which betting is conducted through a pari-mutuel or other similar system~~
27 ~~shall not exceed] twenty-two percent (22%) of the gross handle in races where the~~

1 patron is required to select two (2) or more horses, and the breaks, which breaks
2 shall be made and calculated to the ~~*nickel*~~*[dime]*.

3 (3) The minimum *pari-mutuel* wager to be accepted by any licensed association shall
4 be ten cents (\$0.10). The minimum pay-off on a one dollar (\$1) *pari-mutuel* wager
5 shall be one dollar and ten cents (\$1.10); but, in the event of a minus pool, the
6 minimum pay-off for a one dollar (\$1) *pari-mutuel* wager shall be one dollar and
7 five cents (\$1.05).

8 (4) Each association conducting Thoroughbred racing~~[and averaging one million two~~
9 ~~hundred thousand dollars (\$1,200,000) or less in on-track pari-mutuel handle per~~
10 ~~day of live racing conducted by the association]~~ shall pay to the racing commission
11 all moneys allocated to the *Thoroughbred* backside improvement fund in an
12 amount equal to one-half of one percent (0.5%) of its on-track pari-mutuel wagers.

13 ➔Section 26. KRS 230.362 is amended to read as follows:

14 Any person holding unclaimed pari-mutuel *or sports wagering* winning tickets presumed
15 abandoned under the provisions of KRS 230.361 shall file annually, on or before
16 September 1 of each year, with the office of the racing commission a list of and the
17 amounts represented by unclaimed pari-mutuel *or sports wagering* tickets held by such
18 person as of July 1, and other information as the racing commission may require for the
19 administration of KRS 230.361 to 230.373. The report shall be made in duplicate; the
20 original shall be retained by the racing commission and the copy shall be mailed to the
21 sheriff of the county where the unclaimed pari-mutuel *or sports wagering* tickets are
22 held. It shall be the duty of the sheriff to post for not less than twenty (20) consecutive
23 days a copy of the report on the courthouse door or the courthouse bulletin board, and to
24 publish the copy in the manner set forth by KRS Chapter 424. The cost of the publication
25 shall be paid by the racing commission. The sheriff shall immediately certify in writing to
26 the racing commission the dates when the list was posted and published. The list shall be
27 posted and published as required on or before October 1 of the year when it is made, and

1 such posting and publishing shall be constructive notice to all holders of pari-mutuel and
2 sports wagering tickets which have remained unclaimed for a period of one (1) year from
3 the time the ticket became payable.

4 →Section 27. KRS 230.363 is amended to read as follows:

5 Any person who has made a report of unclaimed pari-mutuel or sports wagering tickets
6 to the racing commission as required by KRS 230.362 shall, between November 1 and
7 November 15 of each year, turn over to the racing commission the sum represented by the
8 unclaimed pari-mutuel or sports wagering tickets so reported; but if the person making
9 the report or the owner of the unclaimed pari-mutuel or sports wagering ticket certifies to
10 the racing commission by sworn statement that any or all of the statutory conditions
11 necessary to create a presumption of abandonment no longer exists or never did exist, or
12 shall certify existence of any fact or circumstance in which there is substantial evidence to
13 rebut such presumption, then, the person reporting the unclaimed pari-mutuel or sports
14 wagering tickets or holding the sum represented by the unclaimed pari-mutuel or sports
15 wagering tickets as reported shall not be required to turn over said sum to the racing
16 commission except upon order of court. If the holder of any unclaimed pari-mutuel or
17 sports wagering ticket files an action in court claiming the sum which has been reported
18 under the provisions of KRS 230.362, the person reporting or holding the sum
19 represented by said unclaimed pari-mutuel or sports wagering ticket shall be under no
20 duty while any such action is pending to turn over said sum to the racing commission, but
21 shall have the duty of notifying the racing commission of the pendency of such action.

22 →Section 28. KRS 230.364 is amended to read as follows:

23 Any person holding an unclaimed pari-mutuel or sports wagering ticket or any person
24 holding the sum represented by an unclaimed pari-mutuel or sports wagering ticket, or
25 any claimant thereto shall have the right to a judicial determination of his rights under
26 KRS 230.361 to 230.373 and nothing therein shall be construed otherwise; and the racing
27 commission may institute an action to recover the sum represented by the unclaimed pari-

1 mutuel or sports wagering tickets which are presumed abandoned whether said sum has
2 been reported or not and may include in one (1) petition the sum represented by all the
3 unclaimed pari-mutuel or sports wagering tickets as defined herein within the
4 jurisdiction of the court in which the action is brought.

5 ➔Section 29. KRS 230.365 is amended to read as follows:

6 Any person who pays the sum represented by the unclaimed pari-mutuel or sports
7 wagering tickets to the racing commission under KRS 230.363 is relieved of all liability
8 for the value of said unclaimed pari-mutuel or sports wagering tickets for any claim
9 made in respect of said unclaimed pari-mutuel or sports wagering tickets.

10 ➔Section 30. KRS 230.366 is amended to read as follows:

11 Any person claiming an interest in any unclaimed pari-mutuel or sports wagering ticket
12 which has been paid or surrendered to the racing commission in accordance with KRS
13 230.361 to 230.373 may file his claim to it at any time after it was paid to the racing
14 commission.

15 ➔Section 31. KRS 230.369 is amended to read as follows:

16 The racing commission, through its employees, may examine all records of any person
17 where there is reason to believe that there has been or is a failure to report unclaimed
18 pari-mutuel or sports wagering tickets.

19 ➔Section 32. KRS 230.371 is amended to read as follows:

20 The racing commission may require the production of reports or the surrender of sums
21 represented by unclaimed pari-mutuel or sports wagering tickets as provided in KRS
22 230.361 to 230.373 by civil equity action, including, but not limited to, an action in the
23 nature of a bill of discovery, in which case the defendant shall pay a penalty equal to ten
24 percent (10%) of all amounts that he is ultimately required to surrender. The racing
25 commission shall follow the procedures provided by the Rules of Civil Procedure.

26 ➔Section 33. KRS 230.372 is amended to read as follows:

27 Any payments made to any persons claiming an interest in an unclaimed pari-mutuel or

1 sports wagering ticket, and any necessary expense including, but not limited to,
2 administrative costs, advertising costs, court costs and attorney's fees, required to be paid
3 by the racing commission in administering or enforcing the provisions of KRS 230.361 to
4 230.373 shall be deducted from sums received by the racing commission prior to payment
5 to the Kentucky Racing Health and Welfare Fund.

6 →Section 34. KRS 230.373 is amended to read as follows:

7 Any holder of unclaimed pari-mutuel or sports wagering tickets affected by KRS
8 230.361 to 230.373 under disability shall have five (5) years after the disability is
9 removed in which to take any action or procedure or make any defense allowed to one sui
10 juris.

11 →Section 35. KRS 230.374 is amended to read as follows:

12 All sums reported and paid to the racing commission under the provisions of KRS
13 230.361 to 230.373, with the exception of funds paid on sports wagering tickets and
14 under KRS 230.398, shall be paid by the racing commission to the Kentucky Racing
15 Health and Welfare Fund, Inc., a nonprofit charitable corporation, organized for the
16 benefit, aid, assistance, and relief of Thoroughbred owners, trainers, jockeys, valets,
17 exercise riders, grooms, stable attendants, pari-mutuel clerks, and other Thoroughbred
18 racing personnel employed in connection with racing, and their spouses and children, who
19 can demonstrate their need for financial assistance connected with death, illness, or off-
20 the-job injury and are not otherwise covered by union health and welfare plans, workers'
21 compensation, Social Security, public welfare, or any type of health, medical, death, or
22 accident insurance. These sums shall be paid on or before December 31 in each year,
23 however, no payments shall be made by the racing commission to the Kentucky Racing
24 Health and Welfare Fund, Inc., unless the racing commission and the Auditor of Public
25 Accounts are satisfied that the fund is in all respects being operated for the charitable and
26 benevolent purposes as set forth in this section and that no part of the funds paid to the
27 fund by the racing commission or any net earnings of the fund inure to the benefit of any

1 private individual, director, officer, or member of the fund or any of the persons who
2 turned over sums to the racing commission representing unclaimed pari-mutuel tickets.

3 ➔Section 36. KRS 230.378 is amended to read as follows:

- 4 (1) A receiving track may accept wagers only at the track where it is licensed to
5 conduct its race meeting or conduct intertrack wagering. A receiving track may
6 accept wagers through a telephone account wagering system. Wagers at a receiving
7 track, simulcast facility, or on telephone account wagering shall form a common
8 pool with wagers at a host track. This common pool requirement shall not apply to
9 wagers made in connection with interstate simulcasting pursuant to KRS 230.3771;
10 however, common pools shall be encouraged.
- 11 (2) Except as provided in KRS 230.3771(2), the commission of a receiving track,
12 simulcast facility, or on telephone account wagering shall be the same as the
13 commission of the host track as determined in KRS 230.3615 or 230.750.
- 14 (3) In the absence of a valid contract with a horsemen's organization, the commission of
15 a receiving track, after deduction of applicable taxes and other applicable
16 deductions, shall be split as follows: twenty-two percent (22%) to the host track,
17 twenty-two percent (22%) to the purse program at the host track, twenty-two
18 percent (22%) to the receiving track and twenty-two percent (22%) to the purse
19 program at the receiving track. Twelve percent (12%) of the commission shall be
20 allocated evenly between the host track and the receiving track to cover the cost of
21 simulcasting, unless otherwise agreed to by contract.
- 22 (4) The deduction for the backside improvement fund, as provided for in KRS
23 230.3615(4) shall not apply to the commission or pari-mutuel tax of a receiving
24 track or telephone account wagering.
- 25 (5) A receiving track shall be exempt from ~~the admissions tax levied in KRS 138.480~~
26 ~~and from~~ any license fee imposed by statute or regulation by the racing
27 commission.

1 ➔Section 37. KRS 230.380 is amended to read as follows:

- 2 (1) Any track licensed by the racing commission to conduct horse racing and desiring to
3 establish a simulcast facility shall apply for and may receive approval from the
4 racing commission for each simulcast facility. Prior to considering an application
5 for approval of a simulcast facility, the racing commission shall notify by regular
6 mail, each state senator, state representative, county judge/executive, and mayor in
7 the jurisdiction in which the proposed simulcast facility is located, at least ten (10)
8 days in advance of the racing commission meeting at which the application is to be
9 considered or voted upon. Consideration of an application shall be based on criteria
10 contained in administrative regulations promulgated under KRS 230.300. Approval,
11 if granted, shall be granted for a term of one (1) calendar year.
- 12 (2) A track or tracks may proceed with the establishment of a simulcast facility unless,
13 within sixty (60) days of the date on which the racing commission approved the
14 facility, the governing body of the local government jurisdiction in which the
15 facility is to be located votes, by simple majority of those voting, to disapprove the
16 establishment of the simulcast facility. For the purposes of this section, "governing
17 body" means, in an incorporated area, the board of aldermen, city council or board
18 of commissioners; in a county, the fiscal court; in an urban-county government, the
19 urban-county council, or in a charter county, the legislative body created in
20 accordance with KRS 67.825 to 67.875.
- 21 (3) The racing commission shall not approve the establishment of any simulcast facility
22 within a radius of fifty (50) miles of a licensed track. The racing commission may
23 approve the establishment of one (1) simulcast facility within a radius of greater
24 than fifty (50) miles but less than seventy-five (75) miles of a licensed track, but the
25 facility shall not be approved to operate without the prior written consent of the
26 licensed track within whose seventy-five (75) mile radius the facility is located.
- 27 (4) The racing commission may promulgate administrative regulations as it deems

- 1 appropriate to protect the integrity of pari-mutuel wagering at any simulcast facility.
- 2 (5) Licensed tracks conducting horse racing may enter into joint agreements to establish
3 or operate one (1) or more simulcast facilities, on terms and conditions as the
4 participating tracks may determine. Any agreements respecting these arrangements
5 shall be filed with the racing commission, and applications for simulcast facilities
6 shall be filed by and licenses may be issued to, these licensed tracks by the racing
7 commission.
- 8 (6) A simulcast facility may be established and operated on property that is owned or
9 leased and which is not used solely for the operation of a simulcast facility;
10 provided however, that a simulcast facility may not be established on the premises
11 of a lottery vendor.
- 12 (7) A simulcast facility shall not be subject to and shall not pay any excise tax imposed
13 pursuant to KRS 138.510, or any license tax imposed under KRS 137.170~~, or any~~
14 ~~admission tax imposed under KRS 138.480].~~
- 15 (8) One percent (1%) of all moneys wagered at a simulcast facility shall be dedicated
16 for local economic development and shall be allocated as follows:
- 17 (a) If a simulcast facility is located in an incorporated area, seventy-five percent
18 (75%) shall be allocated to the governing body of the city in which the facility
19 is located, and twenty-five percent (25%) to the governing body of the county
20 in which the facility is located.
- 21 (b) If a simulcast facility is located in an unincorporated area, all moneys shall be
22 allocated to the governing body of the county or charter county in which the
23 facility is located.
- 24 (9) (a) After the deduction of moneys under subsection (8), simulcast facility shall
25 deduct a commission allowed under KRS 230.3615 with respect to all wagers
26 made at the simulcast facility. The commission, less moneys allocated in
27 subsection (8) of this section, shall be split as follows:

- 1 1. Thirty percent (30%) shall be allocated to the host track;
- 2 2. Forty-six and one-half percent (46.5%) to the purse program at the host
- 3 track;
- 4 3. Thirteen and one-half percent (13.5%) to be retained by the track or
- 5 tracks owning the simulcast facility for the purpose of application to
- 6 expenses incurred in connection therewith;
- 7 4. Six percent (6%) to be allocated to the Kentucky Thoroughbred Owners
- 8 and Breeders, Inc., to be expended as follows:
- 9 a. Up to three percent (3%) for capital improvements and promotion
- 10 of off-track betting; and
- 11 b. The remainder for marketing and promoting the Kentucky
- 12 Thoroughbred industry; and
- 13 5. Four percent (4%) to be allocated to the racing commission to be used
- 14 for purses at county fairs in Kentucky licensed and approved by the
- 15 racing commission, and for the standardbred sires stakes program
- 16 established under KRS 230.770.
- 17 (b) The commission of a simulcast facility derived from interstate wagering shall
- 18 be reduced by any amounts required to be paid by contract to the host track or
- 19 track conducting the live race before it is divided as set forth in this section.
- 20 No simulcast facility may receive any interstate simulcast except with the
- 21 approval of the live Kentucky host track.
- 22 (c) The Kentucky Thoroughbred Owners and Breeders, Inc., shall annually report
- 23 to the racing commission on all money expended in accordance with
- 24 subsection (9)(a)4. of this section. The report shall be in the form required,
- 25 and provide all information required by the racing commission.
- 26 (10) Subsections (1) and (2) of this section shall also apply to the establishment by a
- 27 track of a noncontiguous facility in a county in which pari-mutuel racing and

1 wagering is not being conducted. Subsection (8) of this section shall also apply to a
2 noncontiguous race track facility referenced in this subsection, unless there is a
3 written agreement to the contrary between the track establishing the facility and the
4 governing body of the local government jurisdiction in which the facility is to be
5 established.

6 ➔Section 38. KRS 230.400 is amended to read as follows:

7 (1) There is hereby created a trust and revolving fund for the Kentucky Horse Racing
8 Commission, designated as the Kentucky Thoroughbred development fund,
9 consisting of money allocated to the fund under the provisions of KRS 138.510,
10 together with other money contributed to or allocated to the fund from all other
11 sources. Money to the credit of the Kentucky Thoroughbred development fund shall
12 be distributed by the Treasurer for the purposes of this section upon authorization of
13 the Kentucky Horse Racing Commission and upon approval of the secretary of the
14 Finance and Administration Cabinet. Money from the Kentucky Thoroughbred
15 development fund shall be allocated to each licensed association in an amount equal
16 to the amount the association contributed to the fund. Money to the credit of the
17 Kentucky Thoroughbred development fund at the end of each fiscal year shall not
18 lapse, but shall be carried forward in such fund to the succeeding fiscal year.

19 (2) There is hereby established, under the general jurisdiction of the Kentucky Horse
20 Racing Commission, a Kentucky Thoroughbred Development Fund Advisory
21 Committee. The advisory committee shall consist of five (5) members, all of whom
22 shall be residents of Kentucky, to be appointed by the chairman of the Kentucky
23 Horse Racing Commission by July 1 of each year. The committee shall consist of
24 two (2) Thoroughbred breeders recommended by the Kentucky Thoroughbred
25 Owners and Breeders, Inc.; one (1) Thoroughbred owner recommended by the
26 Kentucky division of the Horsemen's Benevolent and Protective Association; one
27 (1) officer or director of a licensed association conducting Thoroughbred racing in

1 Kentucky, recommended by action of all of the licensed associations conducting
2 Thoroughbred racing in Kentucky; and one (1) member of the Kentucky Horse
3 Racing Commission. If any member other than the racing commission member has
4 not been recommended for appointment by July 1 of each year, the chairman of the
5 Kentucky Horse Racing Commission shall make an appointment for the
6 organization or organizations failing to recommend a member of the committee.
7 The members of the advisory committee shall serve without compensation, but shall
8 be entitled to reimbursement for all expenses incurred in the discharge of official
9 business. The advisory committee shall select from its membership annually a
10 chairman and a vice chairman.

11 (3) (a) The Kentucky Thoroughbred Development Fund Committee shall advise and
12 assist the Kentucky Horse Racing Commission in the development of the
13 supplemental purse program provided herein for Kentucky-bred
14 Thoroughbreds, shall make recommendations to the racing commission from
15 time to time with respect to the establishment of guidelines, administrative
16 regulations for the provision of supplemental purses, the amount thereof, the
17 races for which the purses are to be provided and the conditions thereof,
18 manner and method of payment of supplemental purses, registry of
19 Thoroughbred stallions standing within the Commonwealth of Kentucky,
20 registry of Kentucky-bred Thoroughbreds for purposes of this section, nature
21 and type of forms and reports to be employed and required in connection with
22 the establishment, provision for, award and payment of supplemental purses,
23 and with respect to all other matters necessary in connection with the carrying
24 out of the intent and purposes of this section.

25 (b) The Kentucky Horse Racing Commission shall employ qualified personnel as
26 may be required to assist the racing commission and the advisory committee
27 in carrying out the provisions of this section. These persons shall serve at the

1 pleasure of the racing commission and compensation for these personnel shall
2 be fixed by the racing commission. The compensation of these personnel and
3 the necessary expenses incurred by the racing commission or by the
4 committee in carrying out the provisions of this section shall be paid out of the
5 Kentucky Thoroughbred development fund.

6 (4) The Kentucky Horse Racing Commission, with the advice and assistance of the
7 Kentucky Thoroughbred Development Fund Advisory Committee, shall use the
8 Kentucky Thoroughbred development fund to promote, enhance, improve, and
9 encourage the further and continued development of the Thoroughbred breeding
10 industry in Kentucky by providing, out of the Kentucky Thoroughbred development
11 fund, supplemental purses for ~~designated~~ stakes, handicap, allowance,
12 nonclaiming maiden races, and ~~allowance optional claiming races for a~~ claiming
13 races ~~price of not less than twenty five thousand dollars (\$25,000)~~ contested at
14 licensed Thoroughbred race meetings in Kentucky. The Kentucky Horse Racing
15 Commission shall, by administrative regulation promulgated in accordance with
16 KRS Chapter 13A, establish the requirements, conditions, and procedures for
17 awarding and payment of supplemental purses in ~~designated~~ races by Kentucky-
18 bred Thoroughbred horses. That portion of the supplemental purse provided for
19 any ~~designated~~ race shall be awarded and paid to the owner of the horse only if the
20 horse is a Kentucky-bred Thoroughbred duly registered with the official registrar.
21 Any portion of the supplemental purse which is not awarded and paid over shall be
22 returned to the Kentucky Thoroughbred development fund.

23 (5) (a) For purposes of this section, the term "Kentucky Thoroughbred stallion" shall
24 mean and include only a Thoroughbred stallion standing the entire breeding
25 season in Kentucky and registered as a Kentucky Thoroughbred stallion with
26 the official registrar of the Kentucky Thoroughbred development fund.

27 (b) Except for Thoroughbred horses foaled prior to January 1, 1980, the term

1 "Kentucky-bred Thoroughbreds," for purposes of this section, shall mean and
2 include only Thoroughbred horses sired by Kentucky Thoroughbred stallions
3 foaled in Kentucky and registered as a Kentucky-bred Thoroughbred with the
4 official registrar of the Kentucky Thoroughbred development fund.

5 (c) Any Thoroughbred horse foaled prior to January 1, 1980, may qualify as a
6 Kentucky-bred Thoroughbred for purposes of this section if the horse was
7 foaled in Kentucky and if the sire of the Thoroughbred was standing at stud
8 within Kentucky at the time of conception of such Thoroughbred, provided
9 the Thoroughbred is duly registered as a Kentucky-bred Thoroughbred with
10 the official registrar of the Kentucky Thoroughbred development fund.

11 (d) In order for an owner of a Kentucky-sired Thoroughbred to be eligible to
12 demand, claim, and receive a portion of a supplemental purse provided by the
13 Kentucky Thoroughbred development fund, the Thoroughbred horse in a
14 ~~designated~~ race for which a supplemental purse has been provided by the
15 Kentucky Thoroughbred development fund must have been duly registered as
16 a Kentucky-bred Thoroughbred with the official registrar of the Kentucky
17 Thoroughbred development fund prior to entry in the race.

18 (6) (a) Kentucky Thoroughbred Owners and Breeders, Inc., is hereby recognized and
19 designated as the sole official registrar of the Kentucky Thoroughbred
20 development fund for the purposes of registering Kentucky Thoroughbred
21 stallions and Kentucky-bred Thoroughbreds in accordance with the terms of
22 this section and any administrative regulations promulgated by the Kentucky
23 Horse Racing Commission. When a Kentucky-bred Thoroughbred is
24 registered with the official registrar, the registrar shall be authorized to stamp
25 the Jockey Club certificate issued for the Thoroughbred with the seal of the
26 registrar, certifying that the Thoroughbred is a duly qualified and registered
27 Kentucky-bred Thoroughbred for purposes of this section. The registrar may

1 establish and charge, with the approval of the racing commission, reasonable
2 registration fees for its services in the registration of Kentucky Thoroughbred
3 stallions and in the registration of Kentucky-bred Thoroughbreds. Registration
4 records of the registrar shall be public records and open to public inspection at
5 all normal business hours and times.

6 (b) Any interested party aggrieved by the failure or refusal of the official registrar
7 to register a stallion or Thoroughbred as a Kentucky stallion or as a Kentucky-
8 bred Thoroughbred shall have the right to file with the racing commission,
9 within thirty (30) days of such failure or refusal of the registrar, a petition
10 seeking registration of the Thoroughbred. The racing commission shall
11 promptly hear the matter de novo and issue its order directing the official
12 registrar to register or not to register as it may be determined by the racing
13 commission.

14 (7) The Kentucky Horse Racing Commission shall promulgate administrative
15 regulations as may be necessary to carry out the provisions and purposes of this
16 section, including the promulgation of administrative regulations and forms as may
17 be appropriate for the proper registration of Kentucky stallions and Kentucky-bred
18 Thoroughbreds with the official registrar, and shall administer the Kentucky-bred
19 Thoroughbred program created hereby in a manner best designed to promote and
20 aid in the further development of the Thoroughbred breeding industry in Kentucky,
21 to upgrade the quality of Thoroughbred racing in Kentucky, and to improve the
22 quality of Thoroughbred horses bred in Kentucky.

23 ➔Section 39. KRS 230.550 is amended to read as follows:

24 (1) There is hereby established an Equine Industry Program at the University of
25 Louisville, under the general control and direction of the university. The purpose of
26 the Equine Industry Program is to provide training and educational opportunities in
27 the horse racing industry relating to, but not limited to, finance, management,

1 marketing, regulation and administration aspects of the horse racing industry, in
2 accordance with the industry needs as determined by the university.

3 (2) There is hereby created a trust and revolving fund for **equine industry programs at**
4 **the University of Louisville, the University of Kentucky, and the Kentucky**
5 **Community and Technical College System**~~[the Equine Industry Program],~~
6 consisting of money allocated to the fund together with money as may be
7 contributed to the fund from all other sources. Money to the credit of the Equine
8 Industry Program fund at the end of each fiscal year shall not lapse but shall be
9 carried forward to the succeeding fiscal year.~~[Money from the Equine Industry~~
10 ~~Program fund shall be administered by the University of Louisville and shall be~~
11 ~~allocated for the funding of the Equine Industry Program.]~~

12 (3) The University of Louisville shall utilize personnel and facilities of the University
13 of Kentucky when appropriate for assistance in any cooperative undertakings the
14 University of Louisville may wish to enter into with the University of Kentucky
15 relating to the Equine Industry Program.

16 ➔Section 40. KRS 230.750 is amended to read as follows:

17 The commission, including the tax levied in KRS 138.510, deducted from the gross
18 amount wagered by the person, corporation, or association which operates a harness horse
19 track under the jurisdiction of the racing commission at which betting is conducted
20 through a pari-mutuel or other similar system shall not exceed eighteen percent (18%) of
21 the gross amount handled on straight **pari-mutuel** wagering pools and twenty-five percent
22 (25%) of the gross amount handled on multiple **pari-mutuel**-wagering pools, plus the
23 breaks, which shall be made and calculated to the **nickel**~~[dime]~~. Multiple **pari-mutuel**
24 wagering pools shall include daily double, perfecta, double perfecta, quinella, double
25 quinella, trifecta, and other types of exotic betting. An amount equal to three percent (3%)
26 of the total amount wagered **on pari-mutuel racing** and included in the commission of a
27 harness host track shall be allocated by the harness host track in the following manner.

1 Two percent (2%) shall be allocated to the host for capital improvements, promotions,
2 including advertising, or purses, as the host track shall elect. Three-quarters of one
3 percent (3/4 of 1%) shall be allocated to overnight purses. One-quarter of one percent (1/4
4 of 1%) shall be allocated to the Kentucky standardbred development fund. This allocation
5 shall be made after deduction from the commission of the pari-mutuel tax but prior to any
6 other deduction, allocation or division of the commission.

7 ➔Section 41. KRS 230.781 is amended to read as follows:

8 Except as otherwise provided in KRS 230.779(7), the operator of a hub shall not be
9 subject to any fee or tax imposed on racetracks or simulcast facilities under KRS 137.170,
10 ~~138.480,~~ 138.510, or Chapter 230 for the hub operator's wagering and simulcast
11 operations established under KRS 230.775 to 230.785.

12 ➔Section 42. KRS 230.783 is amended to read as follows:

- 13 (1) Any wager that is made for an account maintained with the hub operator shall be
14 considered to have been made in the Commonwealth of Kentucky.
- 15 (2) Account holders may communicate instructions concerning account wagers to the
16 hub only by telephonic or other electronic means.
- 17 (3) None of the following wagers shall be processed through a hub:
- 18 (a) A wager on live racing accepted by a track;
- 19 (b) A telephone account wager accepted by a track;
- 20 (c) An intertrack wager accepted by a receiving track or simulcast facility; or
- 21 (d) An interstate wager accepted by a receiving track or simulcast facility.
- 22 (4) Any hub that processes any of the wagers delineated in subsection (3) of this section
23 from a track, receiving track, or simulcast facility shall be subject to revocation of
24 its hub license.
- 25 (5) Except as provided in KRS 230.752, nothing in KRS 230.775 to 230.785 shall
26 exempt racetracks or simulcast facilities from any taxes imposed under KRS
27 137.170,~~138.480,~~ 138.510, or Chapter 230.

1 ➔Section 43. KRS 230.990 is amended to read as follows:

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

23 **(7) Any participant who wagers on a sporting event in violation of Section 7 of this**
24 **Act is guilty of a Class A misdemeanor.**

25 **(8) Any person tampering with the outcome of a sporting event in violation of**
26 **Section 7 of this Act is guilty of a Class C felony.**

27 ➔Section 44. KRS 243.500 is amended to read as follows:

1 Any license may be revoked or suspended for the following causes:

- 2 (1) Conviction of the licensee or the licensee's agent, servant, or employee for selling
3 any illegal alcoholic beverages on the licensed premises.
- 4 (2) Making any false, material statements in an application or renewal application for a
5 license or supplemental license.
- 6 (3) Conviction of the licensee or any of the licensee's agents, servants, or employees of:
- 7 (a) Two (2) violations of the terms and provisions of KRS Chapters 241 to 244,
8 or any act regulating the manufacture, sale, and transportation of alcoholic
9 beverages within two (2) consecutive years;
- 10 (b) Two (2) misdemeanors directly or indirectly attributable to the use of
11 alcoholic beverages within two (2) consecutive years; or
- 12 (c) Any felony.
- 13 (4) Failure or default of a licensee to pay an excise tax or any part of the tax or any
14 penalties imposed by or under the provisions of any statutes, ordinances, or Acts of
15 Congress relative to taxation, or for a violation of any related administrative
16 regulations promulgated by the Department of Revenue.
- 17 (5) Revocation of any license or permit provided in KRS 243.060, 243.070, 243.600,
18 and 243.610, or granted under any Act of Congress relative to the regulation of the
19 manufacture, sale, and transportation of alcoholic beverages.
- 20 (6) Setting up, conducting, operating, or keeping, on the licensed premises, any
21 gambling game, device, machine, contrivance, lottery, gift enterprise, handbook, or
22 facility for betting or transmitting bets on horse races; or permitting to be set up,
23 conducted, operated, kept, or engaged in, on the licensed premises, any gambling
24 game, device, machine, contrivance, lottery, gift enterprise, handbook, or facility.

25 This subsection shall not apply to:

- 26 (a) The sale of lottery tickets sold under the provisions of KRS Chapter 154A;
- 27 (b) The operation of a pari-mutuel system for betting, **or the operation of sports**

- 1 wagering, where authorized by law;
- 2 (c) The conduct of charitable gaming by a charitable organization licensed or
- 3 permitted under KRS Chapter 238; or
- 4 (d) Special temporary raffles of alcoholic beverages under KRS 243.036.
- 5 (7) Conviction of the licensee, the licensee's agents, servants, or employees for:
- 6 (a) The trafficking or possession upon the licensed premises of controlled or
- 7 illegal substances described in KRS Chapter 218A, including synthetic drugs;
- 8 (b) Knowingly permitting the trafficking or possession by patrons upon the
- 9 licensed premises of controlled or illegal substances described in KRS
- 10 Chapter 218A, including synthetic drugs; or
- 11 (c) Knowingly receiving stolen property upon the licensed premises.
- 12 (8) Failure to comply with the terms of a final order of the board.
- 13 ➔Section 45. KRS 525.090 is amended to read as follows:
- 14 (1) A person is guilty of loitering when he or she:
- 15 (a) Loiters or remains in a public place for the purpose of gambling with cards,
- 16 dice or other gambling paraphernalia, except that the provisions of this section
- 17 shall not apply if the person is participating in charitable gaming defined by
- 18 KRS 238.505, or is engaged in sports wagering licensed under KRS Chapter
- 19 230; or
- 20 (b) Loiters or remains in a public place for the purpose of unlawfully using a
- 21 controlled substance; or
- 22 (c) Loiters or remains in or about a school, college or university building or
- 23 grounds, not having any reason or relationship involving custody of or
- 24 responsibility for a pupil or student or any other specific legitimate reason for
- 25 being there and not having written permission from anyone authorized to grant
- 26 the same; or
- 27 (d) Loiters or remains in any transportation facility, unless specifically authorized

1 to do so, for the purpose of soliciting or engaging in any business, trade or
2 commercial transactions involving the sale of merchandise or services.

3 (2) Loitering is a violation.

4 ➔Section 46. KRS 528.010 is amended to read as follows:

5 The following definitions apply in this chapter unless the context otherwise requires:

6 (1) (a) "Advancing gambling activity" means~~—A person "advances gambling~~
7 ~~activity" when, acting other than as a player, he engages in]~~ conduct a person
8 engages in other than as a player that materially aids any form of gambling
9 activity not authorized under KRS Chapter 230 or 239.

10 (b) "Advancing gambling activity" includes~~The conduct shall include, but is~~
11 ~~not limited to,]~~ conduct directed toward the:

12 1. Establishment of the particular game, contest, scheme, device, or activity
13 involved;~~toward the]~~

14 2. Acquisition or maintenance of premises, paraphernalia, equipment, or
15 apparatus therefor;~~toward the]~~

16 3. Solicitation or inducement of persons to participate therein;~~toward the]~~

17 4. Actual conduct of the playing phases thereof; or~~toward the]~~

18 5. Arrangement of any of its financial or recording phases or toward any
19 other phase of its operation.

20 (c) A person who gambles at a social game of chance on equal terms with other
21 participants does not otherwise advance gambling activity by performing acts,
22 without remuneration or fee, directed toward the arrangement or facilitation of the
23 game, such as inviting persons to play, permitting the use of premises therefor, and
24 supplying equipment used therein;

25 (2) "Bookmaking" means advancing gambling activity by unlawfully accepting bets
26 upon the outcome of future contingent events from members of the public as a
27 business not authorized under KRS Chapter 230;

- 1 (3) "Charitable gaming" means games of chance conducted by charitable organizations
2 licensed and regulated under the provisions of KRS Chapter 238;
- 3 (4) (a) "Gambling" means staking or risking something of value upon the outcome of
4 a contest, game, gaming scheme, or gaming device which is based upon an
5 element of chance, in accord with an agreement or understanding that
6 someone will receive something of value in the event of a certain outcome. A
7 contest or game in which eligibility to participate is determined by chance and
8 the ultimate winner is determined by skill shall not be considered to be
9 gambling.
- 10 (b) Gambling shall not mean charitable gaming which is licensed and regulated
11 under ~~the provisions of~~ KRS Chapter 238 **or activities licensed under KRS**
12 **Chapter 230;**
- 13 (5) "Gambling device" means:
- 14 (a) Any so-called slot machine or any other machine or mechanical device an
15 essential part of which is a drum or reel with insignia thereon, and which
16 when operated may deliver, as a result of the application of an element of
17 chance, any money or property, or by the operation of which a person may
18 become entitled to receive, as the result of the application of an element of
19 chance, any money or property;
- 20 (b) Any mechanical or electronic device permanently located in a business
21 establishment, including a private club, that is offered or made available to a
22 person to play or participate in a simulated gambling program in return for
23 direct or indirect consideration, including but not limited to consideration paid
24 for Internet access or computer time, or a sweepstakes entry, which when
25 operated may deliver as a result of the application of an element of chance,
26 any money or property, or by the operation of which a person may become
27 entitled to receive, as the result of the application of an element of chance, any

1 money or property; or

2 (c) Any other machine or any mechanical or other device, including but not
3 limited to roulette wheels, gambling tables and similar devices, designed and
4 manufactured primarily for use in connection with gambling and which when
5 operated may deliver, as the result of the application of an element of chance,
6 any money or property, or by the operation of which a person may become
7 entitled to receive, as the result of the application of an element of chance, any
8 money or property;

9 (d) But, the following shall not be considered gambling devices within this
10 definition:

- 11 1. Devices dispensing or selling combination or French pools on licensed,
12 regular racetracks during races on said tracks;
- 13 2. Devices dispensing or selling combination or French pools on historical
14 races at licensed, regular racetracks as lawfully authorized by the
15 Kentucky Horse Racing Commission;
- 16 3. Electro-mechanical pinball machines specially designed, constructed, set
17 up, and kept to be played for amusement only. Any pinball machine
18 shall be made to receive and react only to the deposit of coins during the
19 course of a game. The ultimate and only award given directly or
20 indirectly to any player for the attainment of a winning score or
21 combination on any pinball machine shall be the right to play one (1) or
22 more additional games immediately on the same device at no further
23 cost. The maximum number of free games that can be won, registered,
24 or accumulated at one (1) time in operation of any pinball machine shall
25 not exceed thirty (30) free games. Any pinball machine shall be made to
26 discharge accumulated free games only by reactivating the playing
27 mechanism once for each game released. Any pinball machine shall be

1 made and kept with no meter or system to preserve a record of free
 2 games played, awarded, or discharged. Nonetheless, a pinball machine
 3 shall be a gambling device if a person gives or promises to give money,
 4 tokens, merchandise, premiums, or property of any kind for scores,
 5 combinations, or free games obtained in playing the pinball machine in
 6 which the person has an interest as owner, operator, keeper, or
 7 otherwise;~~or~~

8 4. Devices used in the conduct of charitable gaming; ***or***

9 **5. *Devices used in the conduct of sports wagering licensed under KRS***

10 **Chapter 230;**

11 (6) "Lottery and gift enterprise" means:

12 (a) A gambling scheme in which:

13 1. The players pay or agree to pay something of value for chances,
 14 represented and differentiated by numbers or by combinations of
 15 numbers or by some other media, one (1) or more of which are to be
 16 designated the winning ones; and

17 2. The ultimate winner is to be determined by a drawing or by some other
 18 method based upon the element of chance; and

19 3. The holders of the winning chances are to receive something of value;
 20 and

21 (b) A gift enterprise or referral sales plan which meets the elements of a lottery
 22 listed in paragraph (a) of this subsection is to be considered a lottery under
 23 this chapter;

24 (7) "Mutuel" or "the numbers games" means a form of lottery in which the winning
 25 chances or plays are not determined upon the basis of a drawing or other act on the
 26 part of persons conducting or connected with the scheme, but upon the basis of the
 27 outcome or outcomes of a future contingent event or events otherwise unrelated to

1 the particular scheme;

2 (8) "Player" means a person who engages in any form of gambling solely as a
3 contestant or bettor, without receiving or becoming entitled to receive any profit
4 therefrom other than personal gambling winnings, and without otherwise rendering
5 any material assistance to the establishment, conduct, or operation of the particular
6 gambling activity. A person who engages in "bookmaking" as defined in subsection
7 (2) of this section is not a "player." The status of a "player" shall be a defense to any
8 prosecution under this chapter;

9 (9) "Profiting from gambling activity" means ~~["A person "profits from gambling~~
10 ~~activity"]~~ when, other than as a player, a person ~~he~~ accepts or receives or agrees to
11 accept or receive money or other property pursuant to an agreement or
12 understanding with any other person whereby the person ~~he~~ participates or is to
13 participate in the proceeds of gambling activity not authorized by KRS Chapter
14 230;

15 (10) "Simulated gambling program" means any method not authorized under KRS
16 Chapter 230, which is intended to be used by a person playing, participating, or
17 interacting with an electronic device that may, through the application of an element
18 of chance, either deliver money or property or an entitlement to receive money or
19 property; and

20 (11) "Something of value" means any money or property, any token, object, or article
21 exchangeable for money or property, or any form of credit or promise directly or
22 indirectly contemplating transfer of money or property or of any interest therein, or
23 involving extension of a service, entertainment, or a privilege of playing at a game
24 or scheme without charge.

25 ➔Section 47. KRS 528.020 is amended to read as follows:

26 (1) A person is guilty of promoting gambling in the first degree when he or she
27 knowingly advances or profits from unlawful gambling activity not authorized by

1 **KRS Chapter 230** by:

2 (a) Engaging in bookmaking to the extent that he **or she** employs or utilizes three
3 or more persons in a bookmaking activity and receives or accepts in any one
4 day bets totaling more than \$500; or

5 (b) Receiving in connection with a lottery or mutuel scheme or enterprise:

6 1. Money or written records from a person other than a player whose
7 chances or plays are represented by such money or records; or

8 2. More than \$500 in any one day of money played in the scheme or
9 enterprise; or

10 (c) Setting up and operating a gambling device.

11 (2) Promoting gambling in the first degree is a Class D felony.

12 ➔Section 48. KRS 528.070 is amended to read as follows:

13 (1) A person is guilty of permitting gambling when, having possession or control of
14 premises which he **or she** knows are being used to advance gambling activity **not**
15 **authorized under KRS Chapter 230**, he **or she** fails to halt or abate or attempt to
16 halt or abate such use within a reasonable period of time.

17 (2) Permitting gambling is a Class B misdemeanor.

18 ➔Section 49. KRS 528.080 is amended to read as follows:

19 (1) A person is guilty of possession of a gambling device when, with knowledge of the
20 character thereof, he **or she** manufactures, sells, transports, places or possesses a
21 gambling device or conducts or negotiates any transaction affecting or designed to
22 affect ownership, custody or use of any gambling device **not authorized by KRS**
23 **Chapter 230**, believing that it is to be used in the advancement of unlawful
24 gambling activity.

25 (2) Possession of a gambling device is a Class A misdemeanor.

26 ➔SECTION 50. A NEW SECTION OF KRS CHAPTER 230 IS CREATED TO
27 READ AS FOLLOWS:

1 As used in Sections 50 to 57 of this Act unless the context requires otherwise:

2 (1) "Adjusted gross revenue" means the total sum of entry fees collected by a fantasy
3 contest operator from all participants entering a fantasy contest, less winnings
4 paid to participants in the contest, multiplied by the resident percentage;

5 (2) "Beginner" means a fantasy contest player who has entered fewer than fifty-one
6 (51) contests offered by a single fantasy contest operator and who does not
7 otherwise meet the definition of highly experienced player;

8 (3) "Commission" means the Kentucky Horse Racing Commission;

9 (4) "Confidential information" means information related to the play of a fantasy
10 contest by fantasy contest participants obtained as a result of or by virtue of a
11 person's employment;

12 (5) "Entry fee" means the cash or cash equivalent that is required to be paid by a
13 fantasy contest participant to a fantasy contest operator in order to participate in
14 a fantasy contest;

15 (6) "Executive director" means the executive director of the Kentucky Horse Racing
16 Commission;

17 (7) "Fantasy contest" means any fantasy or simulated game or contest that meets the
18 following conditions:

19 (a) The values of all prizes and awards offered to winning participants are
20 made known to the participants in advance of the contest;

21 (b) All winning outcomes reflect the relative knowledge and skill of the
22 participants and shall be determined predominantly by accumulated
23 statistical results of the performance of individuals, including athletes in the
24 case of sports events;

25 (c) No winning outcome is based:

26 1. On randomized or historical events;

27 2. On the score, point spread, or any performance or performances of

- 1 any single actual team or combination of such teams; or
- 2 3. Solely on any single performance of an individual athlete or
- 3 participant in any single actual event; and
- 4 (d) The game or contest does not violate any provision of federal law;
- 5 (8) "Fantasy contest operator" or "operator" means a person who offers or
- 6 administers one (1) or more fantasy contests with an entry fee to the general
- 7 public, and awards a prize of value;
- 8 (9) "Fantasy contest participant" or "participant" means a person who participates
- 9 in a fantasy contest offered by a registrant;
- 10 (10) "Highly experienced player" means a person who has either:
- 11 (a) Entered more than one thousand (1,000) fantasy contests offered by a single
- 12 fantasy contest operator; or
- 13 (b) Won more than three (3) fantasy contest prizes valued at one thousand
- 14 dollars (\$1,000) or more from a single fantasy contest operator.
- 15 Upon making a determination that a player is a highly experienced player, the
- 16 fantasy contest operator shall continue to classify the player as a highly
- 17 experienced player indefinitely;
- 18 (11) "Immediate family" means a person's parents, grandparents, spouse, siblings,
- 19 children, or grandchildren residing in a home occupied by the person as a
- 20 primary residence;
- 21 (12) "Location percentage" means for each fantasy contest, the percentage, rounded
- 22 to the nearest tenth of a percent (0.1%), of the total entry fees collected from
- 23 participants located in the Commonwealth divided by the total entry fees collected
- 24 from all participants in the fantasy contest;
- 25 (13) "Net poker revenue" means the rake plus any entry fees or other fees charged to
- 26 online poker players as a requirement to play in a game or series of games of
- 27 online poker;

1 (14) "Online poker":

2 (a) Means any form of poker, including but not limited to Five Card Draw,
3 Seven Card Stud, and Texas Hold'em, at locations removed from other
4 players via the Internet through the use of computers, smartphones, or
5 other types of electronic devices; and

6 (b) Does not include video lottery terminals or slot machines using electronic
7 representations of cards in a game of chance in which skill does not play a
8 part;

9 (15) "Person" has the same meaning as in KRS 446.010;

10 (16) "Principal stockholder" means any person who, individually or together with his
11 or her immediate family members, beneficially owns or controls, directly or
12 indirectly, fifteen percent (15%) or more of the equity ownership of a registrant or
13 who, together with his or her immediate family members, has the power to vote or
14 cause the vote of fifteen percent (15%) or more of a registrant;

15 (17) "Rake" means a percentage of the total wagers placed in an online poker game
16 that the online poker providers collects as its fee for providing the platform upon
17 which the online poker game is played;

18 (18) "Registered fantasy contest operator" or "registrant" means a fantasy contest
19 operator that has been issued a valid registration by the commission;

20 (19) "Script" means automating a manual act using a coding language online,
21 whereby a list of multiple commands may be executed without the user's
22 interaction; and

23 (20) "Wager" means a sum of money or representation of value that is risked on an
24 occurrence for which the outcome is uncertain.

25 ➔SECTION 51. A NEW SECTION OF KRS CHAPTER 230 IS CREATED TO
26 READ AS FOLLOWS:

27 (1) No fantasy contest operator shall offer a fantasy contest to residents of the

1 Commonwealth without a valid registration issued by the commission, except that
2 fantasy contest operators with fewer than one hundred (100) participants located
3 in the Commonwealth in a calendar year shall be exempt from this requirement.

4 (2) Any person seeking to be registered as a fantasy contest operator shall submit an
5 application to the commission on a form prescribed by the commission as
6 promulgated in an administrative regulation, accompanied by payment of the
7 required fee established in subsection (4) of this section.

8 (3) The fantasy contest operator applicant shall provide the following information to
9 the commission as a prerequisite for registration:

10 (a) The name of the applicant;

11 (b) The location of the applicant's principal place of business;

12 (c) A disclosure of ownership of the applicant, including all directors, officers,
13 and principal stockholders;

14 (d) A designation of the responsible party who is the agent for the contest
15 operator for all communications with the commission;

16 (e) 1. The criminal record of all officers, general partners, and principal
17 stockholders of the applicant.

18 2. An applicant may not be eligible for registration or renewal as a
19 fantasy contest operator if the applicant or any of its officers, general
20 partners, or principal stockholders has been convicted of or has
21 entered a plea of nolo contendere or guilty to a felony; and

22 (f) Any other documentation the commission may require.

23 (4) (a) The initial registration fee for a fantasy contest operator shall be five
24 thousand dollars (\$5,000).

25 (b) The annual renewal fee for a fantasy contest operator shall be an amount
26 equal to the greater of:

27 1. Six percent (6%) of the adjusted gross revenues for the prior calendar

1 year; or

2 2. Five thousand dollars (\$5,000).

3 (c) The initial registration fee and the annual renewal fee shall be deposited
 4 into the wagering administration fund established in Section 2 of this Act.

5 ➔SECTION 52. A NEW SECTION OF KRS CHAPTER 230 IS CREATED TO
 6 READ AS FOLLOWS:

7 (1) The commission shall consider all applications for registration and shall issue a
 8 valid registration to an applicant that meets the criteria set forth in Section 51 of
 9 this Act and any administrative regulations promulgated by the commission.

10 (2) (a) The commission shall have thirty (30) days after receiving an initial
 11 application to issue a registration or deny the application.

12 (b) The commission shall prepare and issue a written statement setting forth
 13 the reasons why an application for registration has been denied.

14 (3) The commission may revoke, deny, or suspend the registration of a fantasy
 15 contest operator if it finds that:

16 (a) Any partner, member, officer, principal stockholder, or director of the
 17 operator has been convicted of a felony in this state, a felony in another
 18 state which would be a felony if committed in this state, or a felony under
 19 the laws of the United States. For purposes of this paragraph, the term
 20 "convicted" means having been found guilty, regardless of adjudication of
 21 guilt, as a result of a jury verdict, nonjury trial, or entry of a plea of guilty
 22 or nolo contendere; or

23 (b) Any fantasy contest operator has:

24 1. Violated any order of the executive director or any of the provisions set
 25 forth in this chapter;

26 2. Failed to meet the requirements for registration under this chapter; or

27 3. Used fraud, misrepresentation, or deceit in applying for or attempting

1 to apply for a registration or otherwise in operating or offering to
 2 operate a fantasy contest.

3 (4) If it appears to the executive director, based upon credible evidence presented in a
 4 written complaint, that a person is operating or offering to operate a fantasy
 5 contest without being registered, the executive director may issue an order to
 6 cease and desist the activity.

7 (5) The executive director shall set forth in the order:

8 (a) The statutes and administrative regulations alleged to have been violated;

9 (b) The facts alleged to have constituted the violation; and

10 (c) The requirement that all unauthorized practices immediately cease.

11 (6) (a) Within ten (10) days after service of the order to cease and desist, the person
 12 may request a hearing on the question of whether acts or practices in
 13 violation of this section have occurred. The hearing shall be conducted
 14 pursuant to KRS Chapter 13B.

15 (b) The person may appeal the final order of the commission to the Franklin
 16 Circuit Court within thirty (30) days of the hearing.

17 (7) By September 30 of each year, the commission shall submit to the Legislative
 18 Research Commission and the Interim Joint Committee on Licensing,
 19 Occupations, and Administrative Regulations a written report detailing financial
 20 transactions for the previous fiscal year, including:

21 (a) The number of applications received;

22 (b) The number of applications approved;

23 (c) The number of applications denied;

24 (d) The amount of funds received from initial registration fees;

25 (e) The amount of funds received from annual renewal fees; and

26 (f) The amount of funds expended to enforce Sections 50 to 57 of this Act.

27 ➔SECTION 53. A NEW SECTION OF KRS CHAPTER 230 IS CREATED TO

1 READ AS FOLLOWS:

2 *(1) The commission shall promulgate administrative regulations for the operation of*
 3 *fantasy contests as necessary to enforce Sections 50 to 57 of this Act, but the*
 4 *commission shall not promulgate administrative regulations limiting or*
 5 *regulating:*

6 *(a) Rules or the administration of an individual contest or contests;*

7 *(b) The statistical makeup of a contest or contests; or*

8 *(c) The digital platform of an operator.*

9 *(2) The commission shall promulgate the administrative regulations listing the*
 10 *requirements for registration within thirty (30) days of the effective date of this*
 11 *Act.*

12 ➔SECTION 54. A NEW SECTION OF KRS CHAPTER 230 IS CREATED TO
 13 READ AS FOLLOWS:

14 *(1) (a) A registrant offering fantasy contests shall annually submit its records to a*
 15 *certified public accountant to perform an annual independent audit*
 16 *consistent with the standards of the American Institute of Certified Public*
 17 *Accountants to ensure compliance with all of the requirements in Sections*
 18 *50 to 57 of this Act.*

19 *(b) The registrant shall pay all costs of the audit. The audit shall cover one (1)*
 20 *fiscal year.*

21 *(2) (a) Each registrant shall keep daily records of its operations and shall maintain*
 22 *the records for at least six (6) years.*

23 *(b) The records shall sufficiently detail all financial transactions to determine*
 24 *compliance with the requirements of Sections 50 to 57 of this Act and shall*
 25 *be available for audit and inspection by the commission during the*
 26 *registrant's regular business hours.*

27 ➔SECTION 55. A NEW SECTION OF KRS CHAPTER 230 IS CREATED TO

1 READ AS FOLLOWS:

- 2 (1) A fantasy contest registrant shall implement commercially reasonable procedures
3 for the conduct of fantasy contests requiring an entry fee that are intended to:
- 4 (a) Prevent the registrant, its employees, and the immediate family of employees
5 from competing in any public fantasy contest with a cash prize offered by
6 any fantasy contest operator;
- 7 (b) Prevent sharing of confidential information with third parties that could
8 affect fantasy contest play until that information is made publicly available;
- 9 (c) Verify that each fantasy contest participant in each fantasy contest is
10 eighteen (18) years of age or older;
- 11 (d) Prevent an individual who is a participant or game official in an actual
12 sporting event or competition from participating in any fantasy contest that
13 is determined in whole or in part on the performance of that individual, the
14 individual's actual team, or the accumulated statistical results of the
15 sporting event or competition in which the individual is a participant or
16 contest official;
- 17 (e) Allow an individual, upon request, to exclude himself or herself from
18 entering a fantasy contest and provide reasonable steps to prevent that
19 person from entering the fantasy contests offered by the fantasy contest
20 operator;
- 21 (f) Disclose the number of entries that a participant may submit to each
22 fantasy contest;
- 23 (g) Provide reasonable steps to prevent participants from submitting more than
24 the allowable number of entries;
- 25 (h) 1. In any fantasy contest involving more than one hundred (100) entries,
26 prevent a participant from submitting more than the lesser of:
27 a. Three percent (3%) or more of all entries; or

- 1 b. One hundred fifty (150) entries.
- 2 2. Notwithstanding subparagraph 1. of this paragraph, a registrant may
- 3 establish contests in which there are no restrictions on the number of
- 4 entries if:
- 5 a. The registrant clearly discloses that there are no limits on the
- 6 number of entries by each participant in the contest; and
- 7 b. The entry fee is fifty dollars (\$50) or more per entry;
- 8 (i) Segregate participants' funds from operational funds or maintain a reserve
- 9 in the form of cash, cash equivalents, payment processor reserves, payment
- 10 processor receivables, an irrevocable letter of credit, a bond, an escrow
- 11 account approved by the commission, or a combination thereof, in the
- 12 amount of the deposits in participants' accounts for benefit and protection
- 13 of the funds held in those accounts;
- 14 (j) Distinguish highly experienced participants and beginner participants and
- 15 ensure that highly experienced participants are conspicuously identified to
- 16 all participants;
- 17 (k) Prohibit the use of external scripts in fantasy contests that give a participant
- 18 an unfair advantage over other participants and make all authorized scripts
- 19 readily available to all fantasy contest participants;
- 20 (l) Clearly and conspicuously disclose all rules that govern its contests,
- 21 including the material terms of each promotional offer at the time the offer
- 22 is advertised; and
- 23 (m) Use technologically reasonable measures to limit each fantasy contest
- 24 participant to one (1) active account with that operator.
- 25 (2) A registrant shall not conduct, operate, or offer a fantasy contest that:
- 26 (a) Utilizes:
- 27 1. Video or mechanical reels or symbols or any other depictions of slot

- 1 *machines, poker, blackjack, craps, or roulette; or*
- 2 *2. Any device that qualifies as or replicates contest activities that*
- 3 *constitute gaming; or*
- 4 *(b) Includes a university, college, high school, or youth athletic contest or*
- 5 *event.*
- 6 *(3) Officers and directors of registrants along with their immediate family are*
- 7 *prohibited from competing in any fantasy contest offered by any fantasy contest*
- 8 *operator in which the operator offers a cash prize.*
- 9 *(4) (a) Any person who knowingly violates any provision of this section or Section*
- 10 *51, 52, 53, or 54 of this Act shall:*
- 11 *1. For the first offense, be liable for a civil penalty of not less than one*
- 12 *thousand dollars (\$1,000) nor more than five thousand dollars*
- 13 *(\$5,000) for each act or omission that constitutes a violation; or*
- 14 *2. a. For a second or subsequent offense, be liable for a civil penalty*
- 15 *of not less than five thousand dollars (\$5,000) and not more than*
- 16 *twenty-five thousand dollars (\$25,000); or*
- 17 *b. Revocation of registration at the discretion of the executive*
- 18 *director.*
- 19 *(b) A civil penalty assessed under this subsection shall accrue to the*
- 20 *Commonwealth and may be recovered in a civil action brought by the*
- 21 *commission.*
- 22 *(c) Nothing in Sections 50 to 57 of this Act shall deprive an aggrieved*
- 23 *participant of any personal right of redress.*

24 ➔SECTION 56. A NEW SECTION OF KRS CHAPTER 230 IS CREATED TO

25 READ AS FOLLOWS:

- 26 *(1) No person shall offer online poker in the Commonwealth unless that person has*
- 27 *received a license from the commission.*

- 1 (2) The commission shall promulgate administrative regulations prescribing
2 requirements for vendors offering online poker gaming to the citizens of the
3 Commonwealth. The requirements for each game or game provider shall include
4 but not be limited to the following:
- 5 (a) Geolocation software to ensure that all online poker is conducted within the
6 geographical confines of the state of Kentucky;
- 7 (b) Age verification to ensure that no person under the age of eighteen (18) is
8 allowed to place wagers through online poker games;
- 9 (c) Security standards to minimize the risk of cyber theft or hacking;
- 10 (d) Accounting standards to ensure transparency and accountability of moneys,
11 including:
- 12 1. Moneys deposited by players into gaming accounts;
13 2. Prize payouts;
14 3. The rake the online poker vendor receives; and
15 4. Any entry or associated fees charged to players; and
- 16 (e) Conformance with all applicable federal laws.
- 17 (3) A license to conduct online poker in the Commonwealth shall not be issued by
18 the commission until the proposed vendor has demonstrated to the satisfaction of
19 the commission that:
- 20 (a) All the requirements of subsection (2) of this section have been met;
- 21 (b) The vendor has not been convicted of a violation of the Unlawful Internet
22 Gambling Enforcement Act of 2006, 31 U.S.C. sec. 5361 et seq., as
23 amended; and
- 24 (c) An initial licensing fee of two hundred fifty thousand dollars (\$250,000) has
25 been paid.
- 26 (4) A license issued under subsection (3) of this section shall be valid for one (1) year
27 and may be renewed annually for a fee of ten thousand dollars (\$10,000).

1 (5) (a) In addition to the licensing fees imposed in subsections (3) and (4) of this
 2 section, a gaming fee of six and three-quarters percent (6.75%) of net poker
 3 revenue shall be imposed on each online poker vendor.

4 (b) The gaming fee shall be paid monthly by each licensed online poker vendor
 5 to the Department of Revenue, and may be made by electronic funds
 6 transfer.

7 (6) Award of an online poker license under this section shall not absolve any person
 8 of any liability which has or may be incurred due to litigation with the
 9 Commonwealth involving the integrity of its business practices.

10 ➔SECTION 57. A NEW SECTION OF KRS CHAPTER 230 IS CREATED TO
 11 READ AS FOLLOWS:

12 (1) An online poker account is established in the State Treasury. Online poker
 13 licensing fees and the gaming fee imposed by Section 56 of this Act shall be
 14 deposited in the account.

15 (2) The commission is authorized to use money in the online poker account for the
 16 purposes of paying necessary expenses incurred in establishing and overseeing
 17 the online poker system.

18 (3) Moneys in excess of the amount needed for necessary expenses shall be deposited
 19 annually into the wagering administration fund established by Section 2 of this
 20 Act to be used for the purposes established in subsection (1)(b)2. of Section 2 of
 21 this Act.

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

24 (5) All moneys held in the fund shall be invested and all earnings from the
 25 investments shall accrue to the benefit of the fund.

26 ➔SECTION 58. A NEW SECTION OF KRS CHAPTER 147A IS CREATED
 27 TO READ AS FOLLOWS:

- 1 **(1) There is hereby established in the State Treasury a trust and agency account to be**
 2 **known as the local government assistance fund. The fund shall consist of moneys**
 3 **deposited as required by Section 13 of this Act, state appropriations, gifts, grants,**
 4 **and federal funds.**
- 5 **(2) The fund shall be administered by the Department for Local Government.**
- 6 **(3) Moneys deposited in the fund shall be distributed to a city, county, consolidated**
 7 **local government, or urban-county government based on the ratio of historical**
 8 **horse racing conducted within the jurisdiction over all historical horse racing**
 9 **conducted in the Commonwealth.**
- 10 **(4) Notwithstanding KRS 45.229, fund amounts not expended at the close of a fiscal**
 11 **year shall not lapse but shall be carried forward into the next fiscal year.**
- 12 **(5) Any interest earning of the fund shall become a part of the fund and shall not**
 13 **lapse.**
- 14 **(6) Moneys deposited in the fund are hereby appropriated.**

15 ➔Section 59. The following KRS sections are repealed:

16 138.480 State tax on race track admissions.

17 138.490 Report and payment of tax -- Civil penalty.

18 230.555 Equine Industry Advisory Commission.

19 ➔Section 60. If any provision of this Act or the application thereof to any person
 20 or circumstance is held invalid, the invalidity shall not affect other provisions or
 21 applications of the Act that can be given effect without the invalid provision or
 22 application, and to this end the provisions of this Act are severable.