

Testimony: House Taxation Committee
Support: HB 2434
From: Jeff Rutland

- Our ranch has raised horses for the racetrack for over 70 years in Independence.
- With the changing times I have had to change my business model.
- But for horse racing to modify its business model, it takes legislative change.
- In the mid-80's 24% of the dollars gambled in America was on parimutuel racing. Today it's less than 3%.
- The expansion of other forms of gambling has taken parimutuel racing's market share.
- A portion of parimutuel handle is used as prize money, which is the only source of revenue injected into our industry.
- As the dollars bet on horse racing diminished, so did the source of revenue for the industry.
- It's time to change our business model and capture some of the revenue lost to expanded gambling and allow it to work for all Kansans.
- HB 2434 would direct 3% of the money bet on Historical Horse Racing to funds supporting live racing. These funds are dispersed by the Kansas Racing and Gaming Commission approval.
- This revenue would allow fair tracks, such as Eureka Downs, to re-open.
- It would re-vitalize a racing and breeding industry across the state in almost every county by offering incentives to breed, raise and run horses right here in Kansas. Rewarding these owners and breeders with purse supplements and mare and stallion awards for excellence in performance.
- Only a few years ago a study demonstrated our industry poured over \$200 million annually into the state's economy, much of that in the rural parts of the state.
- Historical Horse Racing would not even be considered if not for the fact live racing in Kansas was made possible by a constitutional amendment in 1986.
- The Kansas Expanded Lottery Act was intended to allow a portion of slot revenue to support live horse racing. But the discrepancy of the state's share of slot revenue from the casinos and the tracks (22% vs 40%) forced the tracks to close the doors.
- The state benefits from the operation of horse farms across the state that pay taxes on land, machinery, labor, etc. churning racing's prize money throughout the rural parts of Kansas. Can we say the same about casino profits?
- Language of the new HHR statute changed several definitions of the Parimutuel Racing Act. One in particular allows a "racetrack facility" license be granted to an HHR facility without being required to conduct live races.
- The HHR statute uses "horse racing" as the headline of their gambling machines while the horse racing industry receives none of the revenue from their operation.
- HB 2434 should be considered as one of the greatest rural development projects of this year. Huge incentives are often offered to attract industry to the state that will do far less for the state than this bill will do for rural Kansas.
- This bill costs the state nothing. No tax breaks, no payroll rebates, no tax deductions. Simply let us have the opportunity to raise and race our horses here in Kansas.
- The horse breeding and racing industry of Kansas has paid an undeniable price with the expansion of gaming in the state.

Respectfully,

Jeff Rutland

HB 2434

Bringing Live Horse Racing Back to Kansas

- Re-establish an industry that just a few short years ago offered over \$200 million annually to our state's rural economy.
- Allow the horse racing and breeding industries to recapture revenue lost to the expansion of gambling.
- Kansas Expanded Lottery Act was intended to incentivize horse racing and breeding in the state ... creating jobs, taxes, land investment, etc.
 - Instead of money circulated to rural Kansans through racetracks, casino operators quickly send their revenues out of state.
- Horse racing deserves the opportunity it can make on rural development.
- HB 2434 will insure that some revenue from gambling will go to the horse industry across the state ... returning a historical and social sector of Kansas culture.
 - Massive incentives are offered to attract industry to Kansas.
 - HB 2434 will attract/re-establish a large agri-based industry and costs the state nothing ... zero.
 - Instead, tax dollars generated through the operation of breeding and racing farms will bring new money to state coffers and businesses.
- HB 2434 directs 2% of the tax on HHR to the County Fair Horse Racing Fund.
 - This money will be used to make capital improvements to and operate fair tracks that conduct live racing.
 - Kansas Racing and Gaming Commission (KRGCC) shall have final approval for the distribution and use of this fund according to statute.
- HB 2434 directs 1% of the tax on the operation of Historical Horse Racing (HHR) to the Kansas Breeders Development Fund.
 - This money will be rewarded to the owners and breeders of Kansas (upon final approval KRGCC) whose horses excel at the track, which in turn will be re-circulated into the local rural economy.
- HB 2434 – A rural development opportunity for Kansas that creates no legitimate opposition.

Key Points

HB 2434

- Horse racing has been a part of Kansas history and culture since the early 1800's.
- Eureka Downs ran its first race meet in 1872 making it one of the oldest running tracks in the U.S. until its closure.
- In 1986 the citizens of Kansas overwhelmingly voted to change the state's constitution to allow parimutuel racing, sending a clear message this industry was important.
- As the expansion of gambling spread, parimutuel betting was no longer able to support operation of many small tracks. In the mid-'80s parimutuel wagering accounted for 24% of the money wagered. Today it's less than 3%.
- While the original intent of expanding gambling in Kansas with KELA was to allow horse racing to recapture lost revenue, the high tax rate forced the racetracks to close leaving only the state-owned casinos to realize benefits.
- Many attempts have been made to lower the state tax on slot machines at racetracks (40%) but were met with strong lobby efforts from the casinos (who pay only 22%).
- Our laws no longer shelter us from gambling, they only isolate us from its revenues.
- In 1992 the Kansas legislature created the Horse Fair Racing Benefit Fund (HFRBF), directing 1% of the state tax on simulcast races be transferred to the fund.
- This HFRBF allowed the smaller tracks like Eureka Downs and Anthony Downs to conduct live racing which otherwise could not bear the costs of operation.
- In 2022 the Kansas legislature passed legislation to allow Historical Horse Racing (HHR).
- HHR operates on the shirt-tails of horse racing yet offers no benefit to live racing. In fact, this new law now allows a group to hold a license to operate a "racetrack facility" which then qualifies them to operate HHR but without conducting any live races.
- HB 2434 would direct the state tax on HHR to benefit the horse racing and breeding industry of Kansas.
- One-third of this revenue would be deposited into the Horse Breeders Development Fund, created by 74-8829. This money goes to the owners and breeders of Kansas horses and circulated in the Kansas rural economy many times over.
- Two-thirds of this revenue would be deposited into the Horse Fair Benefit Fund established by 74-8838. This will allow Eureka Downs or any other track approved by the KRGC to conduct live racing.
- This bill costs the state nothing while offering incentive to rebuild and attract an industry that once had over a \$200 million annual economic impact on rural Kansas according to a study done by Arthur P. Hall, Ph.D. University of Kansas.
- The restoration of racing will generate new tax money from the operation of horse operations across the state, new investment in buildings, labor, machinery, etc.
- HB 2434 is truly a rural development incentive that will put money back into the hands of rural Kansans.
- Horse racing has paid the price of expanded gambling over the years. It's time Kansas gives recognition to the racing and breeding industry and allow it to work for the state once again.