

STATE OF KANSAS
HOUSE OF REPRESENTATIVE

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DR. DUANE DROGE
13TH DISTRICT

Dr. Duane Droge, District 13, in favor of HB 2434, March 2023

To the Chairman and members of the House Taxation Committee,

I am in favor of HB 2434. Horse racing has been a part of Kansas history since the 1800's. This bill would refresh the horse racing industry in this state and bring much needed money to rural Kansas.

HR 2434 bill would bolster horse racing and production in Kansas and would come at no cost to the state. This would enable a multi-million-dollar industry to increase jobs (both direct and ancillary) and circulate money to rural Kansas.

HB 2434 is an amendment to KSA 2022 Sup. 78823. It would tax the game of historic horse racing (HHR) at the future Wichita facility. This bill and would be a tax of 3% on the machines. The money would go to the County Fair Horse Racing Fund and the Kansas Breeders Development Fund to be distributed per the instruction of the Kansas Racing and Gaming Commission.

My home town of Eureka, Kansas would benefit from this bill because we are the only county fair horseracing facility at this time.

I urge you to support HB 2434 and bring this much needed money and historic horse racing to Kansas.

Thank you.

A handwritten signature in black ink, appearing to read "Duane Droge". The signature is fluid and cursive, written over a large, faint circular watermark or stamp.

Dr. Duane Droge

Representative, District 13

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" 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. 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.

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 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 whose horses excel at the track, which in turn will be re-circulated into the local rural economy.
- 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 shall have final approval for the distribution and use of this fund according to statute.
- HB 2434 – A rural development opportunity for Kansas that creates no legitimate opposition.