

March 7, 2023

The Honorable Adam Smith, Chairperson  
House Committee on Taxation  
300 SW 10th Avenue, Room 346-S  
Topeka, Kansas 66612

Dear Representative Smith:

**SUBJECT:** Fiscal Note for HB 2434 by House Committee on Taxation

In accordance with KSA 75-3715a, the following fiscal note concerning HB 2434 is respectfully submitted to your committee.

Under current law, the total amount wagered on historical horse race machines are subject to the parimutuel tax at a rate of 3.0 percent that is deposited to the State Racing Fund. This fund finances the regulatory expenditures of the Racing Operations Program of the Kansas Racing and Gaming Commission. Any excess receipts not needed to regulate the parimutuel racing industry are transferred to the State Gaming Revenues Fund and ultimately to the State General Fund at the end of the fiscal year. HB 2434 would distribute one-third of the amount generated from the parimutuel tax on historical horse race machines to the Kansas Horse Breeding Development Fund and two-thirds to the Horse Fair Racing Benefit Fund.

The Kansas Racing and Gaming Commission indicates HB 2434 has the potential to increase costs for the regulation of a fair association and nonprofit horsemen's organization and the disbursement of the parimutuel tax receipts to the Kansas Horse Breeding Development Fund and Horse Fair Racing Benefit Fund. The Kansas Horse Breeding Development Fund is used to provide purse supplements, stakes and awards for Kansas-bred horses, and research grants to Kansas Regents Institutions for equine research. The Horse Fair Racing Benefit Fund is used for fair associated costs, including the Commission's regulatory costs, tote board expenses, background investigations for fair association or non-profit organization's members, purse supplements, operating assistance grants, employment of key race officials, and capital improvements to racetrack facilities.

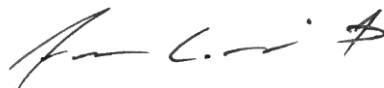
The Commission assumes that existing staff would be able to accommodate the regulation of a fair association and no additional staff would be needed. Any additional costs associated with

the regulation of a fair association would need to be reimbursed by the fair association. Funding for regulating racing activities has primarily come from the transfer of parimutuel tax receipts to the State Racing Fund. The bill would eliminate that direct funding source for the regulation of historic horse race machines by distributing the parimutuel tax generated from these machines to the Kansas Horse Breeding Development Fund and the Horse Fair Racing Benefit Fund. This would require the regulation costs to be billed directly to the operator of historic horse race machines. The appropriations bill each year provides the authority for the Commission to bill each facility for all costs related to regulating racing activity. Since an operator of historical horse race machines has not been chosen by the Commission, it is not known if a facility would be open that only offers historical horse race machines, but no other parimutuel activity that could produce additional parimutuel taxes that could be used to help offset the regulatory costs of the Commission.

A reliable estimate of the parimutuel tax revenue that might be generated from historical horse race machines cannot be made without a detailed market study, which would include an estimate as to when the facility would be operational, the location of the facility, the size of the facility, and if the new facility would impact revenues from existing gaming facilities.

Local governments in a region with a fair association may see increased expenditures associated with increased demands on public safety during the operation of a fair association. However, the Commission does not have a reliable estimate of those additional costs. Any fiscal effect associated with HB 2434 is not reflected in *The FY 2024 Governor's Budget Report*.

Sincerely,

A handwritten signature in black ink, appearing to read "Adam Proffitt", with a stylized flourish at the end.

Adam Proffitt  
Director of the Budget

cc: Brandi White, Racing & Gaming Commission