

February 14, 2025

The Honorable Mike Thompson, Chairperson
Senate Committee on Federal and State Affairs
300 SW 10th Avenue, Room 144-S
Topeka, Kansas 66612

Dear Senator Thompson:

SUBJECT: Fiscal Note for SB 260 by Senate Committee on Ways and Means

In accordance with KSA 75-3715a, the following fiscal note concerning SB 260 is respectfully submitted to your committee.

SB 260 would require that if a horseman's nonprofit organization intends to conduct live horse racing prior to March 1, 2028, then the race is required to occur at Eureka Downs. The bill requires that if a fair association applies for an organization license to conduct live horse racing, then the applicant would be required to submit documentation demonstrating they are approved for the license by the Kansas Quarter Horse Racing Association and the Kansas Thoroughbred Association, or a horsemen's nonprofit organization. The bill would remove the requirement that race meets are held within the boundaries of the county where the applicant is located. The bill would also remove the requirement that a racetrack facility needs to be on or adjacent to premises used by a fair association to conduct fair activities and removes specific references to Eureka Downs and Anthony Downs.

The bill would make changes to the stallion award and breeder's award and would give discretion to the Kansas Racing and Gaming Commission to determine the levels that the horse finishes the race or competes to get the award. The bill would require that 15.0 percent of monies credited Horse Fair Racing Benefit Fund be expended by a nonprofit horsemen's organization for the promotion of the parimutuel racing industry in this state. Paying the costs related to any lease agreement for land, equipment, or other materials necessary to conduct a race meeting would now be an allowable cost from the Horse Fair Racing Benefit Fund.

Under current law, the total amount wagered on historical horse race machines is 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. For both FY 2025 and FY 2026, any excess parimutuel tax receipts not needed to regulate the parimutuel racing industry are to be distributed one-third to the Kansas Horse Breeding Development Fund and two-thirds to the Horse Fair Racing Benefit Fund. The bill would distribute 30.0 percent of the amount of any excess parimutuel tax on historical horse race machines to the Kansas Horse Breeding Development Fund and 70.0 percent to the Horse Fair Racing Benefit Fund beginning on July 15, 2025, and on the 15th day of each month thereafter.

The Kansas Racing and Gaming Commission indicates SB 260 has the potential to increase costs by unknown amounts 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.

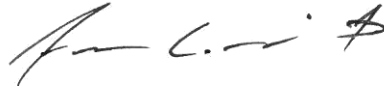
The Commission assumes that existing staff would be able to accommodate the regulation of a fair association, and no additional staff would be needed. Any additional costs associated with the regulation of a fair association would need to be reimbursed by the fair association. Funding for regulating racing activities has primarily come from parimutuel tax receipts to the State Racing Fund. The appropriations bill each year provides the authority for the Commission to bill a racing facility for any costs related to regulating racing activity.

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 also include an estimate if the new facility would impact revenues from existing gaming facilities. The approved historical horse racing facility in Park City is expected to open in late 2025 or early 2026 with 1,000 historical horse race machines, simulcast parimutuel racing, but no actual live horse racing. It is unclear if any excess receipts will be generated in FY 2026.

Under current law, any excess parimutuel tax receipts not needed to regulate the parimutuel racing industry are distributed to the State Gaming Revenues Fund beginning in FY 2027. Receipts to the State Gaming Revenues Fund in excess of \$50.0 million and up to \$71,490,000 are transferred to the State General Fund at the end of the fiscal year and any additional amounts above \$71,490,000 would be transferred to the Department of Commerce's Attracting Professional Sports to Kansas Fund. Changing the distribution of excess parimutuel tax receipts not needed to regulate the parimutuel racing industry has the potential to reduce revenues to the Attracting Professional Sports to Kansas Fund by unknown amounts beginning in FY 2027.

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 SB 260 is not reflected in *The FY 2026 Governor's Budget Report*.

Sincerely,

A handwritten signature in black ink, appearing to read "Adam C. Proffitt", followed by a stylized flourish or symbol.

Adam C. Proffitt
Director of the Budget

cc: Brandi White, Kansas Racing & Gaming Commission