



Kentucky Equine Education Project's

Position on

Sports Wagering

KEEP and Kentucky's horse industry urge the Kentucky legislature to pass legislation to legalize sports wagering in Kentucky that meets the following criteria:

- 🐾 **Sports wagering is made available at Kentucky's racetracks**
- 🐾 **The Kentucky Horse Racing Commission is named the regulatory body overseeing sports wagering**
- 🐾 **The tax rate on sports wagering is competitive**
- 🐾 **A portion of any revenues on sports wagering benefits the horse industry**

1. Sports Wagering is Made Available at Kentucky's Racetracks

Kentucky's unique history of horse racing and the role the sport plays in the lives of Kentuckians across the Commonwealth makes the racetracks an ideal location to facilitate sports wagers.

Kentucky's racetracks are already experienced in accepting pari-mutuel wagers and have the resources, staff and security that make them trusted locations for financial transactions and for handling the legal tax documentation that accompanies wins meeting certain thresholds.

2. The Kentucky Horse Racing Commission is Named the Regulatory Body Overseeing Sports Wagering

The Kentucky Horse Racing Commission (KHRC) has proven to be nimble in its ability to take on new gaming products that impact the horse industry. Since 2010, the KHRC has been adept at navigating the state and horse industry through the implementation and successful operation of Historical Horse Racing machines.



Additionally, the KHRC's role in overseeing pari-mutuel betting and ensuring its fairness, security and trustworthiness have allowed Kentucky to trend upward in nearly every measurable metric in the horse industry relative to competing states.

The KHRC's commissioners and staff have worked effectively to regulate and balance the needs of the state, the industry and gaming participants to incredible success. This makes the KHRC an ideal fit to meet the challenges of implementing and overseeing sports wagering in Kentucky.

3. The Tax Rate on Sports Wagering is Competitive

Estimates on the amount of money wagered illegally on sports ranges from \$150-400 billion annually. While this appears to provide an opportunity for a windfall for states, the margins for revenue can be very thin. However, there are great opportunities for the state to find more modest revenue in legal sports wagering. Therefore, it is necessary that the tax rate be competitive to attract both sports wagering providers and bettors.

For example in New Jersey, where land-based sports wagering is taxed at 8.5%, the first two weeks of sports wagering generated \$300,000 in tax revenue for the state. Alternatively, in Pennsylvania where the tax rate on sports wagering is 36%, sports wagering providers have been hesitant to expand into the state.

In addition to generating revenues for the state, additional factors can impact the competitiveness of sports wagering from state to state. One of these factors is the concept of "integrity fees" being proposed by professional sports leagues. These proposed fees would be a percentage of the amount wagered goes to the leagues in exchange for the leagues' heightened data monitoring and ensuring integrity among the teams and athletes. However, paying 1% to each league (the current proposal by the leagues) would likely drive up the cost to consumers, serving as a disincentive to participate in legal sports wagering.

4. A Portion of Any Revenues on Sports Wagering Benefits the Horse Industry

Since the establishment of the Kentucky Breeders' Incentive Fund in 2006, Kentucky's horse industry has worked closely with the legislature to create an exemplary ecosystem to continue increasing its unparalleled economic impact on the state. To ensure that the growth of this impact continues, it is essential that a portion of revenues on sports wagering at racetracks is committed to benefit the horse industry at-large.

Just as the breeders' incentive programs have provided benefits for horse breeds beyond just Thoroughbreds, it is important that these revenues do as well. Providing economic incentives, through purses, the Kentucky Breeders Incentive Fund and the Kentucky Thoroughbred Development Fund, for all breeds creates exponential growth for the equine economy in Kentucky.

