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REGULATIONS COMPILER

1 PUBLIC PROTECTION CABINET
2 Kentucky Horse Racing Commission
3 (New Administrative Regulation)
4 810 KAR 7:020. Kentucky thoroughbred breeders' incentive fund.
5 RELATES TO: KRS 230.215, 230.330, 230.800
6 STATUTORY AUTHORITY: KRS 230.215(2), 230.800(2)(b)
7 NECESSITY, FUNCTION, AND CONFORMITY: KRS 230.215(1) declares that it is the intent of
8 the Commonwealth to foster and to encourage the horse breeding industry within the
9 Commonwealth and to encourage the improvement of the breeds of horses. KRS 230.215(2)
10 vests in the racing commission forceful control of horse racing in the Commonwealth with plenary
11 power to promulgate administrative regulations prescribing conditions under which all legitimate
12 horse racing and wagering thereon is conducted in the Commonwealth so as to encourage the
13 improvement of the breeds of horses in the Commonwealth. KRS 230.800 establishes the
14 Kentucky Thoroughbred Breeders' Incentive Fund (KBIF). KRS 230.800(2)(b) requires the
15 commission to promulgate administrative regulations establishing the conditions and criteria for
16 the distribution of moneys from the fund. This administrative regulation establishes eligibility
17 standards, administrative practices to enforce the standards, and the administration of payments
18 from the fund.

1 Section 1. Definitions. (1) "Allowance race" means an overnight race for which eligibility and
2 weight to be carried is determined according to specified conditions which include age, gender,
3 earnings, and number of wins, excluding starter allowance races.

4 (2) "Claiming earnings" means the gross cash portion, as this portion is determined by The
5 Jockey Club, of the prize awarded to a qualified Kentucky claiming horse that is paid from the
6 association or the license holder permitted to conduct racing in the jurisdiction.

7 (3) "Claiming race" means a race in which every horse running in the race may be
8 transferred in conformity with 810 KAR 4:050.

9 (4) "Grade I stakes race" means a nonrestricted race held in the United States that has been
10 assigned Grade I stakes status for the year contested by the American Graded Stakes Committee
11 of the Thoroughbred Owners and Breeders Association.

12 (5) "Grade II stakes race" means a nonrestricted race held in the United States that has been
13 assigned Grade II stakes status for the year contested by the American Graded Stakes Committee
14 of the Thoroughbred Owners and Breeders Association.

15 (6) "Grade III stakes race" means a nonrestricted race held in the United States that has
16 been assigned Grade III stakes status for the year contested by the American Graded Stakes
17 Committee of the Thoroughbred Owners and Breeders Association.

18 (7) "Group I race" means:

19 (a) A nonrestricted race held in England, France, or Ireland that has been assigned Group I
20 race status for the year contested by the European Pattern Committee; or

21 (b) A nonrestricted race held in Canada that has been assigned Canadian Grade I stakes
22 status for the year contested by the Canadian Graded Stakes Committee.

1 (8) "Group II race" means:

2 (a) A nonrestricted race held in England, France, or Ireland that has been assigned Group II
3 race status for the year contested by the European Pattern Committee; or

4 (b) A nonrestricted race held in Canada that has been assigned Canadian Grade II stakes
5 status for the year contested by the Canadian Graded Stakes Committee.

6 (9) "Group III race" means:

7 (a) A nonrestricted race held in England, France, or Ireland that has been assigned Group III
8 race status for the year contested by the European Pattern Committee; or

9 (b) A nonrestricted race held in Canada that has been assigned Canadian Grade III stakes
10 status for the year contested by the Canadian Graded Stakes Committee.

11 (10) "Intended breeder of record" means the owner or lessee of a thoroughbred mare who
12 desires to use the mare for breeding purposes and to qualify the foal for the Kentucky
13 Thoroughbred Breeders' Incentive Fund and who is listed as the intended breeder of record on
14 the forms necessary to register under the KBIF.

15 (11) "KBIF" means the Kentucky Thoroughbred Breeders' Incentive Fund.

16 (12) "KBIF registered horse" means a horse registered with the Kentucky Thoroughbred
17 Breeders' Incentive Fund.

18 (13) "Kentucky sire" means a sire registered as a Kentucky Thoroughbred Development
19 Fund sire.

20 (14) "Maiden special weight race" means a race in which:

21 (a) None of the runners have been declared a winner previously; and

22 (b) None of the runners are eligible to be claimed.

1 (15) "Overnight race" means a race for which entries close at a time set by the racing
2 secretary.

3 (16) "Public auction" means a thoroughbred auction conducted by a recognized member of
4 the Society of International Thoroughbred Auctioneers, or other similar public auction approved
5 by the KBIF advisory committee.

6 (17) "Qualified breeder" means the breeder of record listed in The Jockey Club records.

7 (18) "Qualified Kentucky claiming horse" means a foal who is born out of a qualified mare
8 and from a Kentucky sire, and who receives earnings from a claiming race in Kentucky.

9 (19) "Qualified mare" means a thoroughbred dam who resides in Kentucky from the time
10 of the first cover in Kentucky by a Kentucky sire until foaling, unless one (1) of the exceptions in
11 Section 5(4) of this administrative regulation is met.

12 (20) "Qualified winner" means a thoroughbred horse born out of a qualified mare and from
13 a Kentucky sire that is declared the official winner by the stewards and is not eligible to be claimed
14 in that race.

15 (21) "Qualified winner's earnings" means the gross cash portion of the prize, as this portion
16 is determined by The Jockey Club, awarded to the qualified winner of a race that is paid for from
17 the association or the license holder permitted to conduct racing in the jurisdiction.

18 (22) "Starter allowance" means a race written to allow claiming horses who have improved
19 from their earlier form to run in a nonclaiming event.

20 Section 2. Timing of Awards; Eligibility. (1) Disbursements from the KBIF shall be made after
21 December 31, but not later than March 31, for awards earned for the preceding calendar year.

1 (2) For a horse foaled prior to 2007, the breeder shall be eligible to receive funds from the
2 Kentucky Thoroughbred Breeders' Incentive Fund, if the horse is eligible to be registered to
3 receive funds under the Kentucky Thoroughbred Development Fund.

4 (3) For a horse foaled during or after 2007, the requirements set forth in this administrative
5 regulation shall be met.

6 (4) The races eligible for awards from the KBIF as provided in Sections 3 and 6 of this
7 administration regulation shall be those run on and after January 1, 2006.

8 Section 3. Awards. (1) An incentive of \$50,000 shall be awarded to the qualified breeder of
9 the qualified winner of:

10 (a) The Kentucky Derby; and

11 (b) The Kentucky Oaks.

12 (2)(a) An incentive shall be awarded to the twenty (20) horses with the most claiming wins
13 in Kentucky each year.

14 (b) Horses earning awards at a Kentucky race track through any component other than the
15 claiming component during the same calendar year shall not be eligible for the Kentucky claiming
16 component.

17 (c) An incentive of \$200,000 shall be distributed to the twenty (20) qualified Kentucky
18 claiming horses with the most claiming wins in Kentucky, as follows:

19 1. \$20,000 to the horse with the most wins;

20 2. \$17,500 to the horse with the second most wins;

21 3. \$15,000 to the horse with the third most wins;

22 4. \$12,500 to the horse with the fourth most wins;

- 1 5. \$12,000 to the horse with the fifth most wins;
- 2 6. \$11,500 to the horse with the sixth most wins;
- 3 7. \$11,000 to the horse with the seventh most wins;
- 4 8. \$10,500 to the horse with the eighth most wins;
- 5 9. \$10,000 to the horse with the ninth most wins;
- 6 10. \$9,500 to the horse with the tenth most wins;
- 7 11. \$9,000 to the horse with the eleventh most wins;
- 8 12. \$8,500 to the horse with the twelfth most wins;
- 9 13. \$8,000 to the horse with the thirteenth most wins;
- 10 14. \$7,500 to the horse with the fourteenth most wins;
- 11 15. \$7,000 to the horse with the fifteenth most wins;
- 12 16. \$6,500 to the horse with the sixteenth most wins;
- 13 17. \$6,000 to the horse with the seventeenth, eighteenth, nineteenth, and twentieth most
- 14 wins.

15 (d) Claiming earnings earned at a Kentucky race track from the same calendar year shall be
16 used to settle any ties.

17 (e) If two (2) or more horses have the same number of wins and the same total earnings, all
18 incentive totals to which those horses would have been entitled shall be divided equally between
19 or among them.

20 (3)(a) For those KBIF registered horses foaled in 2007 or after, an incentive shall be awarded
21 to the qualified breeder of the qualified winner of each maiden special weight and allowance

1 race held in the United States, but outside Kentucky, or at Woodbine Racetrack in Ontario,
2 Canada.

3 (b) The incentive shall be that amount which is equal to ten (10) percent of the qualified
4 winner's earnings except it shall not exceed \$3,000.

5 (4)(a) An incentive shall be awarded to the qualified breeder of the qualified winner of each
6 maiden special weight and allowance race held in Kentucky.

7 (b) The incentive shall be that amount that is equal to ten (10) percent of the qualified
8 winner's earnings except it shall not exceed \$3,000.

9 (5)(a) For those KBIF registered horses foaled in 2007 or after, an incentive shall be awarded
10 to the qualified breeder of the qualified winner of each non-graded stakes race held in the United
11 States, but outside Kentucky, or at Woodbine Racetrack in Ontario, Canada.

12 (b) The incentive shall be that amount that is equal to ten (10) percent of the qualified
13 winner's earnings except it shall not exceed \$4,000.

14 (6)(a) An incentive shall be awarded to the qualified breeder of the qualified winner of each
15 non-graded stakes race held in Kentucky.

16 (b) The incentive shall be that amount that is equal to ten (10) percent of the qualified
17 winner's earnings except it shall not exceed \$4,000.

18 (7)(a) An incentive shall be awarded to the qualified breeder of the qualified winner of each:

19 1. Grade I stakes race held in the United States;

20 2. Group 1 race held in Canada, England, France, and Ireland; and

21 3. Group I race held on Dubai World Cup day, Japan Cup day, and Hong Kong International

22 day.

1 (b) The incentive shall be \$7,500.

2 (8)(a) An incentive shall be awarded to the qualified breeder of the qualified winner of each:

3 1. Grade II and Grade III stakes race held in the United States; and

4 2. Group 2 and Group 3 race held in Canada, England, France, and Ireland.

5 (b) The incentive shall be \$5,000.

6 (9) An incentive shall not be awarded to the winner of any Breeders' Cup World
7 Championship race.

8 Section 4. Registration of Foals. (1)(a) For a horse foaled on or before December 31, 2006
9 and eligible to be registered under Section 2(2) of this administrative regulation, the intended
10 breeder of record shall file a "Kentucky Thoroughbred Breeders' Incentive Fund Application for
11 Award Form", KHRC 7-020-7, with the commission.

12 (b) The Kentucky Thoroughbred Breeders' Incentive Fund Application for Award form shall
13 be filed no later than December 31 of the year following the year in which the horse has raced in
14 a race that would qualify the horse for an incentive from the KBIF.

15 (c) A filing fee of thirty (30) dollars shall be deducted from the award amount.

16 (d) The filing fee shall be assessed one (1) time per horse.

17 (2) For a horse foaled on or after January 1, 2007, the intended breeder of record shall
18 register the unborn foal with the commission on or prior to August 15 of the cover year by filing
19 the "Kentucky Thoroughbred Breeders' Incentive Fund Application for Mare Registration Form",
20 KHRC 7-020-1, and paying a filing fee of sixty (60) dollars, except as provided in subsection (5) of
21 this section.

1 (3)(a) The commission shall be recognized and designated as the sole official registrar of the
2 KBIF for the purposes of registering Kentucky thoroughbred foals in accordance with this
3 administrative regulation.

4 (b) The records of The Jockey Club shall be used as the official records of the commission
5 for purposes of this regulation to determine the following information:

- 6 1. The identity of the qualified breeder;
- 7 2. The claiming wins and earnings for each race;
- 8 3. The qualified winners' earnings for each race;
- 9 4. The name of the qualified winner for each race;
- 10 5. The name of each horse determined to be a qualified Kentucky claiming horse;
- 11 6. The registration number or special identification number of the KBIF registered horse;
- 12 7. The name of the KBIF registered horse; and
- 13 8. Other information for purposes of administering the KBIF.

14 (4) If the information on a form required under this section is found to be incorrect or
15 becomes incorrect or changes, the person considered to be the intended breeder of record shall
16 file an amended form with the commission to correct the information.

17 (5)(a) The Commission may accept a late filing if the intended breeder of record can prove
18 that the foal otherwise met the eligibility requirements to be a KBIF registered horse. The late
19 filing shall be made on the "Kentucky Thoroughbred Breeders' Incentive Fund Application for Late
20 Mare Registration Form", KHRC 7-020-6.

21 (b) The amount of the late filing fee shall be:

1 1. \$150 for a filing made after August 15 of the cover year and on or prior to December 31
2 of the cover year;

3 2. \$750 for a filing made between January 1 and December 31 of the weanling year; and

4 3. \$1,500 for a filing made between January 1 and December 31 of the yearling year.

5 (6)(a) The commission may accept a special filing if a pregnant mare is purchased at public
6 auction outside Kentucky and:

7 1. The mare resided in Kentucky from the time of the first cover in Kentucky by a Kentucky
8 sire to the time of foaling;

9 2. The mare returned to Kentucky within fourteen (14) days of the conclusion of the auction;
10 and

11 3. The foal meets all of the other eligibility requirements to be a KBIF registered horse.

12 (b) The special filing shall be made on the "Kentucky Thoroughbred Breeders' Incentive
13 Fund Application for Special Filing of Mare Registration Form", KHRC 7-020-8.

14 (c) The amount of the special filing fee shall be:

15 1. \$300 for a filing made between January 1 and December 31 of the cover year;

16 2. \$1,500 for a filing made between January 1 and December 31 of the weanling year; and

17 3. \$3,000 for a filing made between January 1 and December 31 of the yearling year.

18 (7) If ownership of a mare is transferred, a "Kentucky Thoroughbred Breeders' Incentive
19 Fund Mare Transfer Form", KHRC 7-020-2, shall be filed with the commission.

20 (8) If any registration or nomination deadline imposed by this administrative regulation falls
21 on a weekend or holiday, the deadline shall be moved to the next business day following the
22 original deadline.

1 Section 5. Qualification of Foal and Qualified Mare. (1) The commission may inspect where
2 the mare proposed to be a qualified mare is boarded or request and obtain records relating to
3 the location of the mare proposed to be a qualified mare to determine that the residency
4 requirement is met.

5 (2) The person claiming to be the qualified breeder shall bear the burden of proof to show
6 that a mare is a qualified mare.

7 (3) A failure to comply with a term, condition, or requirement of this administrative
8 regulation shall not result in the loss of the registration of the foal, if the person claiming the foal
9 should be registered proves to the satisfaction of the commission:

10 (a) The failure to comply was insignificant with respect to the registration requirements as
11 a whole; and

12 (b) A good faith and reasonable attempt was made to comply with all applicable terms,
13 conditions, and requirements of this administrative regulation.

14 (4) For the thoroughbred dam to be a qualified mare, the thoroughbred dam shall have
15 resided in Kentucky from the time of the first cover in Kentucky by a Kentucky sire until foaling,
16 unless one (1) of the following exceptions is met:

17 (a) Medical procedure.

18 1. A medical procedure is required to be performed to protect the health of the mare or the
19 unborn foal that involves an extraordinary medical situation and the breeder desires to have an
20 expert located outside of Kentucky conduct the procedure;

1 2. The owner or the lessee of the mare files a "Kentucky Thoroughbred Breeders' Incentive
2 Fund Application to Move Mare Outside of Kentucky Form", KHRC 7-020-4, no later than fourteen
3 (14) days after the mare leaves Kentucky and provides information relating to the procedure;

4 3. The executive director of the commission approves the departure of the mare from
5 Kentucky;

6 4. The mare remains under the care of a veterinarian during the entire period of time she
7 is not residing in Kentucky other than the time during which she is traveling to and from Kentucky;

8 and

9 5. The mare is in Kentucky for foaling as established by documentation provided to the
10 commission;

11 (b) Training.

12 1. The mare has not yet delivered her first foal and is in active training outside Kentucky;

13 2. The owner or the lessee of the mare files a "Kentucky Thoroughbred Breeders' Incentive
14 Fund Application to Move Mare Outside of Kentucky Form", KHRC 7-020-4, at least fourteen (14)
15 days before the mare leaves Kentucky and provides information relating to the training outside
16 of Kentucky;

17 3. The executive director of the commission approves the departure of the mare from
18 Kentucky; and

19 4. The mare is in Kentucky for foaling as established by documentation provided to the
20 commission; or

21 (c) Public auction.

- 1 1. The owner of the mare desires to enter her for sale at a public auction held outside of
2 Kentucky;
- 3 2. The owner of the mare files with the commission a "Kentucky Thoroughbred Breeders'
4 Incentive Fund Application to Move Mare Outside of Kentucky Form", KHRC 7-020-4, at least
5 fourteen (14) days before the mare leaves Kentucky and provides information relating to the
6 auction;
- 7 3. The executive director of the commission approves the departure of the mare from
8 Kentucky;
- 9 4. The mare returns to Kentucky within fourteen (14) days after the conclusion of the
10 auction; and
- 11 5. The mare is in Kentucky for foaling as established by documentation provided to the
12 commission.
- 13 (5) The executive director shall notify the commission if an exception is made to the
14 residency requirement pursuant to subsection (4) of this section.
- 15 (6) A qualified breeder of a qualified mare shall be responsible for:
 - 16 (a) The registration and records of the KBIF registered horse; and
 - 17 (b) Complying with the requirements of the Kentucky Thoroughbred Breeders' Incentive
18 Fund.
- 19 (7) The owner or lessee of the mare may withdraw the mare's foal from the KBIF by filing a
20 "Kentucky Thoroughbred Breeders' Incentive Fund Notice of Withdrawal of Foal Form", KHRC 7-
21 020-5.

1 Section 6. Shortfall and Bonus Calculation. (1) If, at the close of any calendar year,
2 inadequate funding is available in the KBIF to fund the awards provided for in Section 3 of this
3 administrative regulation, the funding shall be decreased proportionally among all awards,
4 excluding the Kentucky claiming award, the Kentucky Oaks award, and the Kentucky Derby
5 award, until funding is adequate to fund all awards.

6 (2)(a) If, at the close of a calendar year, the amount available for awards is in excess of the
7 amount necessary to fund the awards provided in Section 3 of this administrative regulation,
8 after payment of operating expenses, a reserve fund shall be established in the KBIF in an amount
9 that is no more than five (5) percent of the amount of funding available from tax receipts for that
10 calendar year.

11 (b) Moneys in the reserve account may be used as needed to provide funding of awards in
12 a subsequent calendar year if the amount available at the close of the last calendar year is
13 insufficient to fund the awards provided in Section 3 of this administrative regulation.

14 (c) Additional money shall not be added to the reserve fund if it contains at least \$5,000,000
15 when the excess funding is available.

16 (3) If, at the close of a calendar year, the amount available for awards is in excess of the
17 amount necessary to fund the awards provided in Section 3 of this administrative regulation and
18 an amount has been designated for the reserve fund provided for in subsection (4)(a) of this
19 section, then the awards shall be increased proportionally among all awards except the Kentucky
20 claiming award, the Kentucky Oaks award, and the Kentucky Derby award.

21 Section 7. Application Requirements. (1) The amount due for awards shall be calculated
22 after the end of each calendar year. The recipient of an award shall be notified of the amount of

1 the award to which the recipient may be entitled according to the last known address on file with
2 the KBIF.

3 (2)(a) After receipt of notification of an award, each potential recipient shall return an
4 application for the award on the "Kentucky Thoroughbred Breeders' Incentive Fund Application
5 for Award Form", KHRC 7-020-7, certifying that the applicant is entitled to the award and certifies
6 the applicant's United States taxpayer ID number or Social Security number.

7 (b) A breeder may appoint an authorized agent to complete the application by filing with
8 the commission a "Kentucky Thoroughbred Breeders' Incentive Fund Authorized Agent Form",
9 KHRC 7-020-3.

10 (3)(a) Awards due recipients who cannot be located by December 31 of the year after the
11 year in which the qualified winner or qualified Kentucky claiming horse became eligible to receive
12 an incentive under Section 3 of this administrative regulation shall lapse to the KBIF for
13 distribution or building the reserve in the following year.

14 (b) Failure to submit the application by December 31 of the year after the year in which the
15 qualified winner or qualified Kentucky claiming horse became eligible to receive an incentive
16 under Section 3 of this administrative regulation shall result in forfeiture of the award and the
17 award money shall lapse to the KBIF for distribution or building the reserve in the following year.

18 Section 8. Advisory Committee. (1) The commission may establish an advisory committee
19 to assist in administering the KBIF.

20 (2) If established, the advisory committee shall consist of five (5) members appointed by
21 the chairman of the commission by July 1 of each year. Each member of the advisory committee
22 shall:

1 (a) Serve from July 1 through June 30 of the following year; and

2 (b) Be a resident of Kentucky.

3 (3) The advisory committee shall select a chairman from its membership annually.

4 Section 9. Incorporation by Reference. (1) The following material is incorporated by
5 reference:

6 (a) "Kentucky Thoroughbred Breeders' Incentive Fund Application for Mare Registration
7 Form", KHRC 7-020-1;

8 (b) "Kentucky Thoroughbred Breeders' Incentive Fund Mare Transfer Form", KHRC 7-020-2;

9 (c) "Kentucky Thoroughbred Breeders' Incentive Fund Authorized Agent Form", KHRC 7-
10 020-3;

11 (d) "Kentucky Thoroughbred Breeders' Incentive Fund Application to Move Mare Outside
12 of Kentucky Form", KHRC 7-020-4;

13 (e) "Kentucky Thoroughbred Breeders' Incentive Fund Notice of Withdrawal of Foal Form",
14 KHRC 7-020-5;

15 (f) "Kentucky Thoroughbred Breeders' Incentive Fund Application for Late Mare
16 Registration Form", KHRC 7-020-6;

17 (g) "Kentucky Thoroughbred Breeders' Incentive Fund Application for Award Form", KHRC
18 7-020-7; and

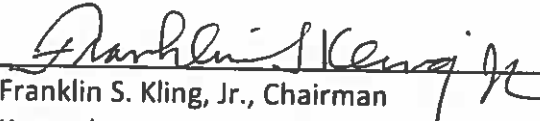
19 (h) "Kentucky Thoroughbred Breeders' Incentive Fund Application for Special Filing of Mare
20 Registration Form", KHRC 7-020-8.

21 (2) This material may be inspected, copied, or obtained, subject to applicable copyright law,
22 from the Kentucky Horse Racing Commission, 4063 Iron Works Parkway, Building B, Lexington,

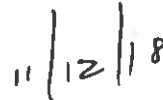
- 1 . Kentucky 40511, Monday through Friday, 8 a.m. to 4:30 p.m. This material is also available on the
- 2 KHRC Web site at <http://khrc.ky.gov>.

810 KAR 7:020


READ AND APPROVED:



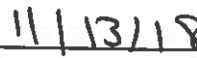
Franklin S. Kling, Jr., Chairman
Kentucky Horse Racing Commission



Date



K. Gail Russell, Acting Secretary
Public Protection Cabinet



Date

PUBLIC HEARING AND PUBLIC COMMENT PERIOD: A public hearing on this administrative regulation shall be held on December 28, 2018 at 10:00 a.m., at the office of the Kentucky Horse Racing Commission, 4063 Iron Works Parkway, Building B, Lexington, Kentucky 40511. Individuals interested in being heard at this hearing shall notify the Kentucky Horse Racing Commission in writing by five (5) working days prior to the hearing of their intent to attend. If no notification of intent to attend the hearing is received by that date, the hearing may be cancelled. This hearing is open to the public. Any person who wishes to be heard will be given an opportunity to comment on the proposed administrative regulation. A transcript of the public hearing will not be made unless a written request for a transcript is made. If you do not wish to be heard at the public hearing, you may submit written comments on the proposed administrative regulation. Written comments shall be accepted through 11:59 p.m., December 31, 2018. Please send written notification of intent to be heard at the public hearing or written comments on the proposed administrative regulation to the contact person below.

CONTACT PERSON: John L. Forgy
General Counsel
Kentucky Horse Racing Commission
4063 Iron Works Parkway, Building B
Lexington, KY 40511
Phone: (859) 246-2040
Facsimile: (859) 246-2039
Email: John.Forgy@ky.gov

REGULATORY IMPACT ANALYSIS AND TIERING STATEMENT

Regulation No.: 810 KAR 7:020

Contact Person: John L. Forgy, General Counsel, Kentucky Horse Racing Commission;
Telephone: (859) 246-2040; Email: John.Forgy@ky.gov

(1) Provide a brief summary of:

(a) What this administrative regulation does: This administrative regulation establishes eligibility standards, administrative practices to enforce the standards, and the administration of payments from the Kentucky Thoroughbred Breeders' Incentive Fund (the "Fund").

(b) The necessity of this administrative regulation: This administrative regulation is necessary for the efficient administration of the Fund and to provide notice to participants regarding registration and eligibility standards and the rules that govern distribution of moneys from the fund. While this is a new regulation, it replaces 810 KAR 1:070.

(c) How this administrative regulation conforms to the content of the authorizing statutes: KRS 230.800(2)(b) requires the commission to "promulgate administrative regulations establishing the conditions and criteria for the distribution of moneys from the fund." This regulation fulfills that statutory mandate.

(d) How this administrative regulation currently assists or will assist in the effective administration of the statutes: KRS 230.800(2)(a) states, "The Kentucky Horse Racing Commission shall use moneys deposited in the Kentucky thoroughbred breeders incentive fund to administer the fund and provide rewards for breeders of horses bred and foaled in Kentucky." This regulation sets forth the eligibility criteria for participation in the Fund as well as the rules for distribution of rewards. It puts participants on notice of the deadlines with which they must comply and establishes procedures for resolving disputes. It also provides disciplinary measures for participants who violate the regulation.

(2) If this is an amendment to an existing administrative regulation, provide a brief summary of:

(a) How the amendment will change this existing administrative regulation: This is a new administrative regulation.

(b) The necessity of the amendment to this regulation: This is a new administrative regulation.

(c) How the amendment conforms to the content of the authorizing statute: This is a new administrative regulation.

(d) How the amendment will assist in the effective administration of the statutes: This is a new administrative regulation.

(3) List the type and number of individuals, businesses, organizations, or state and local governments affected by this administrative regulation: This regulation affects thoroughbred breeders, boarding farm owners and employees, Kentucky veterinarians and equine health care facilities, horse transportation companies, farriers, farmers and suppliers of hay, feed and grain, equine supply companies providing medical sales, daily maintenance care and tack, Kentucky thoroughbred sale companies, equine tourism generating state/local room tax for lodging, gasoline tax on travel and transportation of horses, farm equipment retail stores, state and local payroll tax generated by the above businesses.

(4) Provide an analysis of how the entities identified in question (3) will be impacted by either the implementation of this administrative regulation, if new, or by the change, if it is an amendment, including:

(a) List the actions that each of the regulated entities identified in question (3) will have to take to comply with this administrative regulation or amendment: This administrative regulation updates the title number and references within the regulation. All entities identified in (3) will not require any additional responsibilities.

(b) In complying with this administrative regulation or amendment, how much will it cost each of the entities identified in question (3): None of the entities identified in (3) will incur any costs in complying with the administrative regulation. Rather, this administrative regulation simply updates the title number and references within.

(c) As a result of compliance, what benefits will accrue to the entities identified in question (3)? As a result of compliance, Kentucky's thoroughbred breeders and owners and persons providing services related to thoroughbred horses will receive incentive funds, directly or indirectly.

(5) Provide an estimate of how much it will cost the administrative body to implement this administrative regulation:

(a) Initially: There is no initial administrative cost to implement this administrative regulation.

(b) On a continuing basis: There is no continuing cost to implement this administrative regulation.

(6) What is the source of the funding to be used for the implementation and enforcement of this administrative regulation: The nomination fees are used for the implementation and

(8) State whether or not this administrative regulation establishes any fees or directly or indirectly increases any fees: This administrative regulation does not establish any new fees or increase any current fees to participate.

(9) TIERING: Is tiering applied? (Explain why tiering was or was not used.) Tiering was not applied because this administrative regulation will apply to all similarly situated entities in an equal manner.

FISCAL NOTE ON STATE OR LOCAL GOVERNMENT

Regulation No.: 810 KAR 7:020
Contact Person: John L. Forgy, General Counsel, Kentucky Horse Racing Commission;
Telephone: (859) 246-2040; Email: John.Forgy@ky.gov

1. What units, parts or divisions of state or local government (including cities, counties, fire departments, or school districts) will be impacted by this administrative regulation? The Kentucky Horse Racing Commission will be impacted by this administrative regulation.

2. Identify each state or federal statute or federal regulation that requires or authorizes the action taken by the administrative regulation. The statutory authority for this administrative regulation is found in KRS 230.800.

3. Estimate the effect of this administrative regulation on the expenditures and revenues of a state or local government agency (including cities, counties, fire departments, or school districts) for the first full year the administrative regulation is to be in effect.

(a) How much revenue will this administrative regulation generate for the state or local government (including cities, counties, fire departments, or school districts) for the first year? Although specific dollar estimates cannot be determined, the greatest impact of this regulation for the first year to the state and local government will be the increase in payroll taxes imposed upon all participants as noted in the Regulatory Impact Analysis & Tiering Statement, Section (3).

(b) How much revenue will this administrative regulation generate for the state or local government (including cities, counties, fire departments, or school districts) for subsequent years? Although specific dollar estimates cannot be determined, continued growth and participation in the program over subsequent years will increase payroll taxes imposed upon all participants as noted in the Regulatory Impact Analysis & Tiering Statement, Section (3).

(c) How much will it cost to administer this program for the first year? Because the infrastructure for administering the program is already in place, it is anticipated that there will be no additional net cost to administer this program for the first year.

(d) How much will it cost to administer this program for subsequent years? Because the infrastructure for administering the program is already in place, it is anticipated that there will be no additional net cost to administer this program in subsequent years.

Note: If specific dollar estimates cannot be determined, provide a brief narrative to explain the fiscal impact of the administrative regulation. This administrative regulation requires mares to be bred to a Kentucky stallion and reside in Kentucky for the entire gestation of the pregnancy in order for the resulting foal to be eligible to receive distributions from the fund. This requirement provides economic support to all businesses and individuals who provide services necessary for

the breeding and racing of thoroughbred horses. See Regulatory Impact Analysis and Tiering Statement, Section (3).

Revenues (+/-): Neutral

Expenditures (+/-): Neutral

Other Explanation: None.

SUMMARY OF MATERIAL INCORPORATED BY REFERENCE

- (1) The "Kentucky Thoroughbred Breeders' Incentive Fund Application for Mare Registration Form", KHRC 7-020-1, is a two (2) page form that a participant must submit to the Commission to register a pregnant mare with the KTBIF.
- (2) The "Kentucky Thoroughbred Breeders' Incentive Fund Mare Transfer Form", KHRC 7-020-2, is a two (2) page form that a participant must submit to the Commission to transfer a registered and pregnant mare with the KTBIF.
- (3) The "Kentucky Thoroughbred Breeders' Incentive Fund Authorized Agent Form", KHRC 7-020-3, is a one (1) page form that a participant must submit to the Commission to act as an agent for a breeder participating in the KTBIF.
- (4) The "Kentucky Thoroughbred Breeders' Incentive Fund Application to Move Mare Outside of Kentucky Form", KHRC 7-020-4, is a one (1) page form that a participant must submit to the Commission for consideration to move a registered mare outside Kentucky for a brief period of time.
- (5) The "Kentucky Thoroughbred Breeders' Incentive Fund Notice of Withdrawal of Foal Form", KHRC 7-020-5, is a one (1) page form that a participant must submit to the Commission to withdrawal a registered mare from the KTBIF.
- (6) The "Kentucky Thoroughbred Breeders' Incentive Fund Application for Late Mare Registration Form", KHRC 7-020-6, is a two (2) page form that a participant must submit to the Commission to late register a pregnant mare, or the resulting foal, with the KTBIF.
- (7) The "Kentucky Thoroughbred Breeders' Incentive Fund Application for Award Form", KHRC 7-020-7, is a two (2) page form that a participant must submit to the Commission to receive a reward from the KTBIF for winning an eligible race.
- (8) The "Kentucky Thoroughbred Breeders' Incentive Fund Application for Special Filing of Mare Registration Form", KHRC 7-020-8, is a two (2) page form that a participant must submit to the Commission to register a pregnant mare with the KTBIF that was purchased outside Kentucky but otherwise meets all requirements.