

SESSION OF 2003

**SUPPLEMENTAL NOTE ON SENATE BILL NO. 226**

As Amended (Without Recommendation) by  
Senate Committee on Federal and State Affairs

**Brief\***

SB 226 would enact the "Kansas Gaming Act" and authorize the Kansas Lottery to conduct games on "electronic gaming machines" at qualified parimutuel racetracks. The bill would earmark all revenue from those games and establish an oversight framework involving both the State Lottery and the Racing and Gaming Commission. Major provisions of the bill include the following.

- ! The bill would authorize the executive director of the State Lottery to enter into contracts with qualified parimutuel racetrack owners for the operation and management of electronic gaming machines at racetracks.
  - " Except as provided by the act, the contracts could not limit the days or hours of operation or the number of the gaming machines.
  - " The contracts would be for the term of the existence of the Lottery and could be renewed with each extension of the Lottery.
  - " The gaming machines could not include any casino table games.
  - " Progressive games would be permitted.
  
- ! Voters in the county in which the licensed racetracks are located and all contiguous counties would have to approve the question of allowing electronic gaming machines.

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\*Supplemental notes are prepared by the Legislative Research Department and do not express legislative intent. The supplemental note and fiscal note for this bill may be accessed on the Internet at <http://www.kslegislature.org/klrd>

- " The question could be placed on the ballot by the County Commission or as a result of a petition signed by at least 10 percent of the voters who voted for Secretary of State at the last election for that office.
- " If the majority of votes cast is against permitting electronic gaming machines, the county shall not hold another election on the matter for six years.
- ! Oversight and regulation of the electronic gaming operations would be provided by both the State Lottery and the Racing and Gaming Commission.
  - " The State Lottery and Racing and Gaming Commission would be authorized to examine the books, papers, and other documents, and inspect machines and facilities to determine compliance with the act.
  - " Any person providing electronic gaming equipment or services would have to be licensed by the State Lottery.
  - " The Racing and Gaming Commission would require an annual audit of each operator contracting with the Kansas Lottery. The audit would have to be conducted by a licensed accounting firm approved by the Commission at the expense of the operator.
- ! The State Lottery would hold the license for all software programs utilized for the games.
- ! The State Lottery would approve the type of gaming machines used. The Racing and Gaming Commission would be required to issue a certificate of authority for each machine before it could be used.
- ! Electronic gaming machines would have to pay out an average of at least 87 percent of the amount wagered over the life of the machine, be linked to a central communication system, and be on-line and in constant communication with a computer at a location determined by the State Lottery.
- ! Tracks where gaming machines are located would have to meet statutory requirements for live racing and simulcasting at fair-grounds.

! Net machine income (wagers minus winnings) would be distributed as follows:

" In the case of parimutuel licensees:

- 1.00 percent for regulation;
- 0.50 percent to the Problem Gambling Grant Fund;
- 1.50 percent to the county where the gaming machines are located;
- 1.50 percent to the city where the gaming machines are located;
- 30.00 percent to the State General Fund;
- 1.50 percent for purse supplements for live horse racing;
- 1.50 percent for purse supplements for live dog racing;
- 62.50 percent for track owners.

! The Lottery Director is required to submit an annual report to the Legislature containing player statistical information, including player activity and the amount of winnings and losses.

! The gaming machines must be designed so that a machine will not operate unless a player identification card is inserted into the machine. The player identification cards would be issued at locations where drivers licenses are obtained or by lottery retailers.

! Electronic gaming machine games would be exempt from sales tax.

! No taxes, fees, charges, transfers, or distributions could be made or levied against net machine income, except as provided by the act.

! County home rule power would be limited regarding electronic gaming devices.

SB 226 was referred to a subcommittee of the Senate Committee on Federal and State Affairs. The Subcommittee recommended that SB 226 be amended to:

! Require voter approval in the county where the racetrack is located and all contiguous counties;

- ! Provide that such election questions could be re-submitted only every six years;
- ! Provide that the racetrack owners (facility owner licensee) be the game operators;
- ! Require competitive bidding on purchase of equipment by the state;
- ! Raise the minimum age for employment from 16 to 21;
- ! Require that players use a player identification card;
- ! Require an annual report to the Legislature on player statistical information; and
- ! Increase the state share of revenue from 20.0 percent to 30.0 percent and adjust the share for track owners and race supplements.

## **Background**

The Committee heard testimony and received written statements in support of SB 226 from representatives of the following entities and organizations: Office of the Governor; River Falls Gaming LLC; Butler National Corporation; Sedgwick County; Kansas Thoroughbred Association; Wichita Greyhound Park; Boot Hill Museum; Kansas Quarter Horse Racing Association; Kansas Chamber of Commerce and Industry; Kansas Horsemen Association; and other interested citizens.

The Committee received testimony and written statements in opposition to SB 226 from representatives of the following organizations: Stand Up For Kansas; Kansas Clubs and Associates; Veterans of Foreign Wars; Kansas Sunflower Club Association; Prairie Band Potawatomi Nation; Kansas Greyhound Association; Thoroughbred Horsepeople; and Kansas Charities Cooperative.

The fiscal note on the introduced version of SB 226 estimates that the bill would generate between \$225.0 million and \$349.0 million in parimutuel net revenue each year. The Kansas Lottery estimates startup costs of \$257,000, while the Racing and Gaming Commission estimates first year operating costs of \$2.8 million.