

February 19, 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 176 by Senate Committee on Federal and State Affairs

In accordance with KSA 75-3715a, the following fiscal note concerning SB 176 is respectfully submitted to your committee.

SB 176 would amend the Kansas Indoor Clean Air Act to add “electronic cigarette” and burning marijuana in any form or device to prohibitions on indoor smoking. The definition of “enclosed area” would be updated and exemptions for hotels/motel rooms, gaming floors, and portions of adult care homes would be eliminated.

According to the Kansas Lottery, SB 176 could have a potential fiscal effect on revenues. The agency notes that sources they have consulted with on the issue indicate that the four Lottery Gaming Facilities (casinos) currently offering games owned and operated by the Kansas Lottery would suffer decreased revenues if the smoking ban exemption was rescinded. This would subsequently reduce the state and local share of those revenues. The agency reports that during the casino vetting process under the Kansas Expanded Lottery Act (KELA), various casino manager applicants, independent experts in the gaming field, and independent gaming studies all indicated a smoking ban could result in an annual average revenue decrease of anywhere from 10.0 to 30.0 percent.

Since the time of the KELA vetting process, there was a 2010 study by the Federal Reserve Bank of St. Louis related to an actual casino smoking ban implemented (and later reversed) in the State of Illinois. The agency notes the study concluded that during the time the ban was in place, it reduced gaming revenues by an estimated 20.0 percent. In 2021, the Spectrum Gaming Group studied the potential impact of a smoking ban in Atlantic City casinos. The agency reports in their opinion, on a net basis, a smoking ban would result in a decline in gaming revenue of between 4.2 percent and 10.9 percent.

Based on current Consensus Revenue Estimates for Fiscal Year 2025, cumulative “traditional casino” (i.e., slot machines and table games) revenues for the four casinos are

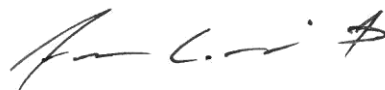
estimated to be \$408.0 million and sports wagering is estimated to generate about \$120.0 million net revenue. The state retains a total of 24.0 percent of traditional casino gaming revenues, as follows: 2.0 percent to the Problem Gambling and Addictions Grant Fund and 22.0 percent to the Expanded Lottery Act Revenues Fund. A total of 3.0 percent is paid to certain city and county entities. In addition, the state retains 10.0 percent of the net sports wagering revenue.

Utilizing a mid-range assumption of a 10.0 percent reduction for traditional casino gaming, and a 2.0 percent reduction for sports wagering since it is primarily conducted on mobile applications, results in an estimated revenue loss totaling \$9.8 million. This would also result in a reduction of \$1.2 million in revenue to cities and counties. The agency states it is also important to note that other “casino-style” gaming in the region would not be impacted by a smoking ban. Gaming facilities in Missouri, Oklahoma, and the Tribal Gaming Facilities that currently exist within the State of Kansas would all continue to operate without any smoking ban on their gaming floors.

The Kansas Racing and Gaming Commission states that they do not have a mechanism to accurately estimate the fiscal effect of the bill on lottery or racetrack gaming facility revenue. The Kansas Department of Health and Environment notes that enactment of the bill could generate cost savings for health systems, but a total fiscal effect could not be estimated. The agency stated the implications of enforcement could not be projected. The Kansas State Gaming Agency, Kansas Department for Aging and Disabilities Services, and Kansas Department of Revenue indicate that enactment of SB 176 would not result in a fiscal effect on agency operations. Any fiscal effect associated with SB 176 is not reflected in *The FY 2026 Governor’s Budget Report*.

The League of Kansas Municipalities reports there would be a negligible effect on cities. The Kansas Association of Counties states the bill would reduce gaming receipts which would have a negative effect on local jurisdictions with such facilities.

Sincerely,



Adam C. Proffitt
Director of the Budget

cc: Keith Kocher, Kansas Lottery
Brandi White, Kansas Racing & Gaming Commission
Amy Penrod, Department of Health & Environment
Leigh Keck, Department for Aging & Disability Services
Jay Hall, Kansas Association of Counties
Wendi Stark, League of Kansas Municipalities
Lynn Robinson, Department of Revenue