

SESSION OF 2014

SUPPLEMENTAL NOTE ON HOUSE BILL NO. 2114

As Amended by Senate Committee on Federal
and State Affairs

Brief*

HB 2114, as amended, would add a new provision to the Kansas Expanded Lottery Act (KELA), specifically addressing the distribution of net electronic gaming machine income from a racetrack game facility in the northeast Kansas gaming zone (Wyandotte County). The bill would direct distribution of net gaming income as follows:

- 64.5 percent to the racetrack gaming facility manager in the first and second year of operating a facility, then 60.5 percent in the third and subsequent years of operation;
- 10.0 percent to the Live Horse Racing Purse Supplement Fund in the first and second year of an operating racetrack gaming facility, then 14.0 percent in the third and subsequent years of operation;
- 2.0 percent to the county in which the facility is located;
- 0.5 percent to the Problem Gambling and Addictions Grant Fund;
- 1.0 percent to the Kansas Horse Fair Racing Benefit Fund; and

*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>

- 22.0 percent to the Expanded Lottery Act Revenues Fund for the state's share.

The bill also would modify the original provisions in KELA regarding:

- The number of electronic gaming machines and their allocation at racetrack gaming facilities;
- The privilege fees for such machines;
- The number of live greyhound and horse racing days;
- Payments to governmental entities by a racetrack gaming facility in the northeast Kansas gaming zone;
- Net gaming machine income and proportionate distributions of that income from a northeast racetrack gaming facility; and
- Simulcasting of other dog and horse racing events.

The bill would limit allocation and placement of electronic gaming machines to at least 600, but not more than 1,400, at each racetrack gaming facility, with the total not to exceed 2,800 in the state. The privilege fee would be reduced from \$3,750 to \$2,500 per machine, to be paid by the facility manager.

The bill would eliminate the current statutory requirement that the licensed parimutuel location in Wyandotte County (the northeast Kansas racetrack gaming facility) would be required to conduct at least 100 live greyhound races during an calendar year of operation, and at least 13 live races conducted each day for not less than five days a week. No change in current law regarding live horse racing at the licensed parimutuel location would be made, leaving the parimutuel license holder required to conduct at

least 10 live races for each program, and to hold racing programs for at least 60 days per calendar year.

The bill would exclude the northeast racetrack gaming facility from KSA 2013 Supp. 74-8747 that concerns the distribution of electronic gaming machine income in the southeast and south central Kansas gamine zones.

Technical amendments would change the percentage from 0.5 percent to 5.0 percent ownership in public traded companies for which background investigations must be conducted for licensing under the KELA.

Current simulcasting provisions also would be modified, allowing a parimutuel license holder that conducts 60 days of live horse racing, or a fair association that conducts 40 days of live racing, to apply for a simulcasting license to display horse or greyhound races and to conduct inter-track parimutuel wagering on such races.

Background

The Senate Committee on Federal and State Affairs amended the contents of SB 451 into HB 2114 after deleting its original contents.

A proponent for SB 451 testified on behalf of the Kansas Quarter Horse Racing Association. Another citizen testified in favor of the bill.

A representative of the Kansas Entertainment, LLC (the Kansas Speedway and Hollywood Casino) testified against the bill.

A representative of the Wyandotte County and the Unified Government of Kansas City, Kansas, testified as neutral, but not supporting the bill as it would amend current law (KELA).

The fiscal note for SB 451 (as amended into HB 2114) stated that the Kansas Lottery indicated two or three new employees would be required for each new gaming facility that would open as a result of this bill. However, without knowing the size of the proposed facility and when the facility would open, the Kansas Lottery was unable to make a precise estimate of its gaming related expenses. The Kansas Lottery indicated that previously when it has negotiated contracts with gaming facility managers, it has required that all of its gaming related expenses be reimbursed by the manager. Direct gaming expenses are billed directly to the specific gaming facility manager and indirect expenses are prorated to all managers.

The Kansas Racing and Gaming Commission indicated it would need approximately \$1.8 million and 21.00 FTE positions for each parimutuel racetrack that reopens for the annual costs to regulate both the racing and gaming activities. Start-up costs of approximately \$450,000 per facility would also be needed for expenses, such as background investigations, licensing equipment, software licenses, computer equipment, furniture and supplies, and other expenses that would be associated with reopening each facility. Funding for regulating racing activities has primarily come from the transfer of parimutuel tax receipts to the State Racing Fund. The appropriations bill each year provides the authority for the Kansas Racing and Gaming Commission to bill each facility for all costs related to regulating racing activity.

The Department for Aging and Disability Services indicated that additional gaming facilities would likely increase demand for services provided by its Problem Gambling Program. The Department indicated that the amount of additional spending would be dependent on the number of additional gaming facilities and would be proportional to current spending levels for problem gambling and addiction services. The Department also has concerns that additional gaming facilities and changes to the share of gaming facility revenues that is distributed to the Problem Gambling and

Addictions Grant Fund would not provide adequate funding to support its Problem Gambling Program.

According to the Division of the Budget, a reliable estimate of the revenue that might be generated as a result of SB 451 cannot be made without a detailed market study, which would include an estimate as to when the facility would be operational and the size of the gaming facility.