

SESSION OF 2014

SUPPLEMENTAL NOTE ON HOUSE BILL NO. 2272

As Amended by Senate Committee on Federal
and State Affairs

Brief*

HB 2272, as amended, would modify the Kansas Expanded Lottery Act, addressing the southeast Kansas gaming zone and certain statutory requirements for a lottery gaming facility in that zone.

The bill would reduce the current statutorily defined minimum financial requirements by lowering:

- The minimum investment in infrastructure for a southeast Kansas lottery gaming facility from \$225.0 million to \$50.0 million; and
- The required privilege fee for the lottery gaming facility manager of the southeast Kansas facility from \$25.0 million to \$5.5 million.

Background

HB 2272, as passed by the House in 2013, would have created a new 24th property tax abatement for property purchased with the proceeds of Industrial Revenue Bonds (IRBs) issued on and after July 1, 2013, without the property's fee title having to be transferred to the city or county that issued the bonds. The abatement period would last for ten years.

Proponents of HB 2272 included representatives of the Department of Commerce and bond counsel. According to

*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>

their testimony, the Kansas Court of Tax Appeals had recently interpreted the second property tax abatement to require a business to transfer property to the city or county that issued the IRB. This transfer makes the business ineligible for a loan from the U.S. Small Business Administration (SBA). Under the bill, small businesses could be eligible to use SBA loans to finance capital investment. There was no opponent testimony at the House Committee hearing.

According to the fiscal note prepared by the Division of the Budget, HB 2272, as introduced, and passed by the House in 2013, would have no fiscal effect.

The Senate Committee on Federal and State Affairs conducted a hearing on March 25, 2013, on SB 215 which would have amended current law regarding the southeast Kansas gaming zone and reducing the financial requirements to establish a lottery gaming facility. SB 215 also would have amended other provisions of current law related to parimutuel racing and race tracks.

Testifying in support of SB 215 were Senator LaTurner, former Representatives Grant and Doug Gatewood, the Mayor of Galena, and the President of the Pittsburg Area Chamber of Commerce.

Opponents to SB 215 included representatives of Kansas Entertainment, LLC, Stand Up for Kansas and the Prairie Band Potawatomi Nation.

Neutral testimony on certain proposed amendments to SB 215 was provided by Representative DeGraaf, Senator Fitzgerald and a representative of the Kansas Health Institute.

The fiscal note on SB 215 regarding only the provisions pertaining to the financial requirements for a southeast Kansas gaming facility indicated a fiscal effect from two state agencies, should a new casino be established as a result of the changes.

The Kansas Lottery indicated it would need to hire two or three new employees for a 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 is unable to make a precise estimate of its gaming related expenses. The Kansas Lottery indicated that when it previously negotiated contracts with lottery gaming facility managers, it has required that all of its gaming related expenses to be reimbursed by the manager. Direct gaming expenses would be billed directly to the new lottery gaming facility manager, and indirect expenses would be prorated to all managers of facilities.

The Kansas Racing and Gaming Commission indicated it would need approximately \$700,000 and 11.00 FTE positions to regulate the gaming operations at the southeast Kansas gaming zone. Start-up costs of approximately \$150,000 also would 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 opening this facility. The lottery gaming facility manager would be billed for all direct costs at the facility, and the manager also would pay a portion of indirect costs for all general gaming regulatory operational expenses.

The Senate Committee in 2014 amended HB 2272 by striking all content and by substituting the new content that would address the southeast Kansas gaming zone, modifying the minimum financial requirements for a lottery gaming facility in that zone.