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March 21, 2022

Chairman John Barker
Vice Chair Francis Awerkamp
Ranking Member Louis Ruiz
House Federal and State Affairs Committee Members

Re: HB2740

Dear Chairman Barker, Vice Chair Awerkamp, Ranking Member Ruiz and Committee Members:

Good morning. My name is R. Scott Beeler and I am a partner with the law firm Lathrop GPM LLP. I appear this morning on behalf of my client Ruffin Properties LLC and in support of HB2740.

As most of the Committee Members are aware, there have been several bills introduced over the past few years which pertain to updates, changes and modifications with respect to existing Kansas statutory authority in regard to gaming. HB2740 largely addresses sports wagering in the State of Kansas but also contains provisions, first, to recognize and authorize the operation of Historic Horse Racing machines ("HHRs") at a racetrack facility in Sedgwick County, Kansas, and secondly, the bill includes specific language to provide the protocol for the lottery gaming manager in the defined south-central geographic gaming zone in the event such manager wishes to challenge the issuance of licenses to operate HHRs at a Sedgwick County facility.

As Members of this Committee are certainly aware, parimutuel facilities have been authorized in the State of Kansas since 1987. This bill specifies that HHRs are parimutuel wagering. It is parimutuel wagering because the betting outcome on a historical horse race is determined by the results of an actual horse race that took place in the past. Conversely, Electronic Gaming Machines ("EGMs"), i.e., slot machines, are controlled by an algorithm programmed into a computer chip, often referred to as a random number generator. There is nothing random about HHR wagering. As a simple comparison, EGMs are based upon random chance. HHRs are based upon the handicapping prowess of the better. HHRs provide payoffs to winning betters based solely on the actual historical outcome of races run at recognized racetracks across the country. The better is unaware of what race or what horses or at what track or on what date the race was run. Instead, the better can receive the type of race form information about the entered horses (sans names) that was available to the actual betters on the date of the actual race. From there, the better predicts the outcome of the race and enters his or her bet. Once the bet is played, the better has available actual video footage of the completion of the race.

Multiple other states have passed legislation designating HHRs as parimutuel, including Kentucky, Wyoming, New Hampshire, Arkansas, and Virginia.

Once again, parimutuel wagering has been legal in the State of Kansas since 1987. It was recodified with the passage of Senate Bill 66 in 2007 and the creation of the Kansas Expanded Lottery Act ("KELA"). In addition, for decades, the operation of a parimutuel facility to be located

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in the south-central geographic gaming zone (Sedgwick County) has been authorized. In sum, nothing about allowing HHRs at the former racetrack facility in Sedgwick County constitutes an expansion of gaming. It is merely an extension of parimutuel wagering which has always been a part of the Kansas gaming landscape. It should further be noted that HB2740 makes no amendment to KELA. It simply adds clarification within the Kansas Parimutuel Act.

Moreover, this Committee has certainly heard threats of lawsuits from the four Kansas casinos in the past. The concern in prior years was that the State of Kansas would be made a defendant in a damage suit for repayment of millions of dollars of privilege fees plus interest. I respectfully reiterate that the feigned threats of damage claims against the State are unsupported under the law. That said, and respecting legislative concerns about such threats, this bill addresses them head on. It contains fully protective provisions to ensure that any damage claim is limited to contractual claims for privilege fees and/or accrued interest (from date of notice that an HHR license will be issued) and is further limited to a challenge only from the lottery gaming license holder where the racetrack facility is to be located. Lastly, it requires the HHR facility manager to front any privilege fee or accrued interest payment amount as determined and directed by the Kansas Supreme Court. These provisions protect the State of Kansas from any exposure.

The Committee should also note that gaming is already in operation in northern Sedgwick County. There is currently a Native American casino operating in a location which sits directly across the street from the former Wichita Greyhound Park. That casino is in full operation and State and Local governments receive zero revenues. HB2740 is a revenue generating bill for State and Local governments and should be passed.

I am happy to stand for any questions you may have.

Respectfully submitted,

LATHROP GPM LLP

A handwritten signature in blue ink, appearing to read "R. Scott Beeler", with a stylized flourish at the end.

R. Scott Beeler

RSB/elm