

April 13, 2021

The Honorable John Barker, Chairperson
House Committee on Federal and State Affairs
Statehouse, Room 285A-N
Topeka, Kansas 66612

Dear Representative Barker:

SUBJECT: Fiscal Note for HB 2450 by House Committee on Federal and State Affairs

In accordance with KSA 75-3715a, the following fiscal note concerning HB 2450 is respectfully submitted to your committee.

HB 2450 would allow the Kansas Lottery to maintain or renew any contract with a vendor to offer sports wagering in this state. If the Kansas Lottery determines that is in the best interest of the state, then the bill also allows the Kansas Lottery to issue a request for proposal for an interactive sports wagering platform provider that would be used to operate sports wagering in this state. Either method that offers sports wagering in the state would require the Kansas Lottery to develop a system that provides for the maximum amount of revenue to the state and for the best security of personal information for persons placing sports wagers. The bill includes definition for “interactive sports wagering platform,” “sporting event,” “sports wagering,” and “wager” or “bet.” The Kansas Lottery would be required to submit a report detailing the policies recommended by the Kansas Lottery on sports wagering and the results of any request for proposal to the House Committee on Federal and State Affairs and the Senate Committee on Federal and State Affairs on or before January 11, 2022.

The Kansas Lottery indicates that it is unclear if sports wagering would be fully authorized under the provisions of HB 2450. However, if it is determined that the bill authorizes sports wagering, then it would require the Kansas Lottery to incur significant staff, IT, and other startup costs during the sports wagering implementation phase, but it is unable to estimate specific amounts or positions necessary to implement the provisions of the bill. In addition, the Kansas Lottery is unable to estimate the additional expenses to implement a sports wagering system because it unknown how widespread sports wagering would be offered.

The bill would allow the Kansas Lottery to procure, maintain, or renew a contract with a third-party vendor and then develop the necessary infrastructure to conduct sports wagering. Depending on the length the procurement process, it is estimated this could take up to 12 months before the first legal sports wager would be placed in the state. Without knowing the terms of the

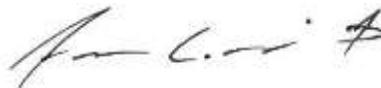
contract with the interactive sports wagering platform provider, the amount of revenue that would be generated from this sports wagering system are unknown. The Kansas Lottery indicates that this centralized sports wagering model has the potential to increase revenue for the state compared to a decentralized sports wagering model that leverages existing casino infrastructure. However, the centralized sports wagering model has a higher potential for losses or a lower floor on the amount of revenue generated, requires larger up-front investments on behalf of the state, and could take longer to implement.

The sports wagering industry operates significantly differently from the existing casino gaming. To achieve the maximum desired return on all bets placed, a sports wagering operator seeks to create equal wagering on both sides of a sporting event. A lopsided distribution of the wagers creates risk for the sports wagering operator and the potential to pay out significantly more than what is taken in. The Kansas Lottery indicates that a contract with the third-party vendor could possibly offer risk-mitigation in exchange for a higher share of revenues. The Kansas Lottery indicates that a well-designed and well-implemented sports wagering system would generate significant revenues in future years, but it is doubtful that it could be implemented to have a significant effect in FY 2022. It is also unknown to what extent that this sports wagering system would discourage currently illegal sports betting to shift to legal markets.

The Department for Aging and Disability Services indicates that allowing sports wagering activity would likely increase demand for services provided by its Problem Gambling Program. The Department indicates that the amount of additional spending would be dependent on how readily available sports wagering would be offered in the state. The Department also has concerns that the bill does not have a funding mechanism that provides any additional resources to the Problem Gambling and Addictions Grant Fund that would be used to support additional demand for services in its Problem Gambling Program.

The Kansas Racing and Gaming Commission indicates the bill would have no fiscal effect on its operations. Any fiscal effect associated with HB 2450 is not reflected in *The FY 2022 Governor's Budget Report*.

Sincerely,



Adam Proffitt
Director of the Budget

cc: Keith Kocher, Lottery
Connie Hubbell, Aging & Disability Services
Brandi White, Racing & Gaming Commission