

SESSION OF 2002

**SUPPLEMENTAL NOTE ON
SUBSTITUTE FOR HOUSE BILL NO. 2890**

As Recommended by House Committee on
Tourism

Brief*

Sub. HB 2890 would enact the "Kansas Gaming Act" and authorize the Kansas Lottery to conduct games on "electronic gaming machines" at qualified parimutuel racetracks and at one at-large location. The bill would earmark all revenue from those games and establish an oversight framework involving both the State Lottery and the Racing and Gaming Commission. Major provisions of the bill include the following.

- ! The bill would require the executive director of the State Lottery to enter into contracts with qualified parimutuel licensees for the operation and management of electronic gaming machines at racetracks. The executive director, with the approval of the Governor, could contract with a person for the operation of one at-large location.
 - " Except as provided by the act, the contracts could not limit the days or hours of operation or the number of the gaming machines.
 - " The contracts would be for the term of the existence of the Lottery and would renew automatically with each extension of the Lottery.
 - " The parimutuel licensees could own or lease the gaming machines, on behalf of the Kansas Lottery, or the Lottery could lease the machines for placement at the racetrack.

*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/cgi-bin/fulltext/bills.cgi>

" The gaming machines could not include any casino table games.

" Progressive games would be permitted.

! Voters in the county in which the licensed racetracks are located would have to approve the question of allowing electronic gaming machines. The vote in the county for the at-large location would require approval by a 2/3 majority.

" The question could be placed on the ballot by the County Commission or as a result of a petition signed by at least 10 percent of the voters who voted for Secretary of State at the last election for that office.

" If the majority of votes cast is against permitting electronic gaming machines, the county shall not hold another election on the matter for four years.

! Oversight and regulation of the electronic gaming operations would be provided by both the State Lottery and the Racing and Gaming Commission.

" The State Lottery and Racing and Gaming Commission would be authorized to examine the books, papers, and other documents, and inspect machines and facilities to determine compliance with the act.

" Any person providing electronic gaming equipment or services would have to be licensed by the State Lottery.

" The Racing and Gaming Commission would have to require an annual audit of each operator contracting with the Kansas Lottery. The audit would have to be conducted by a licensed accounting firm approved by the Commission at the expense of the operator.

- ! The State Lottery would hold the license for all software programs utilized for the games. The owner/manager would be the sublicensee.
- ! The State Lottery would approve the type of gaming machines used. The Racing and Gaming Commission would be required to issue a certificate of authority for each machine before it could be used.
- ! Electronic gaming machines would have to pay out an average of at least 87 percent of the amount wagered, be linked to a central communication system, and be on-line and in constant communication with a computer at a location determined by the State Lottery.
- ! Tracks where gaming machines are located would have to meet statutory requirements for live racing. Operation of electronic gaming machines would be permitted only when live races occur.
- ! Net machine income (wagers minus winnings) would be distributed as follows:
 - " In the case of parimutuel licensees:
 - 0.5 percent to the Problem Gambling Grant Fund;
 - 1.00 percent to the county where the gaming machines are located;
 - 1.00 percent to the city where the gaming machines are located;
 - 25.00 percent to the State General Fund;
 - 2.00 percent for purse supplements for live horse racing;
 - 2.00 percent for purse supplements for live dog racing;
 - 1.00 percent to the nonprofit organization licensed to conduct races at parimutuel tracks;
 - 0.50 percent to the Statehouse Renovation Fund; and
 - 67.00 percent for the management fee.
 - " In the case of the at-large location:
 - 1.00 percent for regulation;
 - 0.50 percent to the Problem Gambling Grant Fund;
 - 2.00 percent to the State Tourism Fund;
 - 36.50 percent to the State General Fund; and
 - 60.00 percent for the management fee.

The at-large location would have to be sited at least 100 miles away from any existing parimutuel track.

The Executive Director would take into consideration the following factors in determining which person to contract with if more than one person wants to contract to become a lottery machine operator:

- the size of the proposed facility;
- the estimated number of tourists that would be attracted to the facility;
- the number of electronic gaming machines;
- the amount of the contract privilege fee;
- the amount of management fee; and
- the amounts proposed to be paid by the operators to the city and county.

- ! Electronic gaming machine games would be exempt from sales tax.
- ! No taxes, fees, charges, transfers, or distributions could be made or levied against net machine income, except as provided by the act.
- ! County home rule power would be limited regarding electronic gaming devices.

Background

The original HB 2890 was introduced by Representative Cox. A House subcommittee of the House Tourism Committee reviewed the four House bills dealing with electronic gaming machines. The House subcommittee presented its recommendations for the proposed substitute bill to the full House Tourism Committee. The House Tourism Committee held hearings on the proposed substitute bill.

Proponents of the bill included representatives of the Kansas American Legion, Kansas Thoroughbred Association, Kansas Grey-

hound Association and Kansas Quarter Horse Association, Kansas Chamber of Commerce and Industry, Kansas Commission on Veteran's Affairs, Kansas Racing L.L.C.(the Woodlands),and Ruffin Companies.

Opponents included Representative Patricia Lightner, representatives for Stand Up America, Crown Uptown Dinner Theatre, eight private citizens, First Congregational Church, Concerned Women of America, Kansas Charity Cooperative, Automatic Music and Vending, Kansas Clubs and Associates, Petroleum Marketers and Convenience Store Association of Kansas, Prairie Band Potawatomi Nation, Orion Stables, the Kansans for Addiction Prevention, and two representatives from the Horseman industry.

The Division of Budget's fiscal note indicates the fiscal impact of HB 2890, as introduced, from three different sources:

The Kansas Lottery estimates that the fiscal revenue from the passage of HB 2890, as introduced, would be \$ 318.0 million dollars in parimutuel revenue each year. This excluded revenue generated from bingo licensees; that provision was removed from the substitute bill.

The Kansas Racing and Gaming Commission estimates parimutuel net revenues of between \$223.6 and \$255. 5 million based on a review of other states and \$287.4 million based on industry trends. The Commission excluded revenues generated from bingo licensees.

The Department of Revenue estimates \$109.5 million in gross revenue could be generated from bingo and parimutuel licensees.