

March 13, 2019

The Honorable Troy Waymaster, Chairperson  
House Committee on Appropriations  
Statehouse, Room 111-N  
Topeka, Kansas 66612

Dear Representative Waymaster:

**SUBJECT:** Fiscal Note for HB 2204 by House Committee on Appropriations

In accordance with KSA 75-3715a, the following fiscal note concerning HB 2204 is respectfully submitted to your committee.

HB 2204 would prohibit the Kansas Lottery from entering into a contract or extending an existing management contract with a lottery gaming facility manager without prior specific authorization by the Legislature.

The Kansas Lottery indicates that the initial term of all contracts with lottery gaming facility managers was limited to a maximum term of 15 years that could be extended by mutual consent of the Kansas Lottery and the lottery gaming facility manager at the end of the initial term. Alternatively, the Kansas Lottery and the lottery gaming facility manager could renegotiate a new contract that is substantially the same as the current contract or start over with the selection of a new lottery gaming facility manager by the Lottery Gaming Facility Review Board. The Kansas Lottery indicates that the initial contract with Boot Hill Casino will expire on December 14, 2024; the Kansas Star Casino contract will expire on December 19, 2026; the Hollywood Casino contract will expire on February 2, 2027; and, the Kansas Crossing Casino contract will expire on March 28, 2032.

The Kansas Lottery and the Kansas Racing and Gaming Commission indicate that if the Legislature does not authorize a contract extension or does not allow a new renegotiated contract between the Kansas Lottery and the lottery gaming facility manager before the expiration date, under the provisions of the bill, then the gaming facility would have to cease operations. However, it is unknown if this would occur as a result of this bill. If a gaming facility ceases operations, then state employees that regulate or monitor activity at gaming facilities could eventually be laid off and the Lottery Gaming Facility Review Board could be reconvened to select a new lottery

gaming facility manager. Currently, state-owned gaming facilities generate approximately \$90.0 million to the Expanded Lottery Act Revenues Fund per year that is used to reduce state debt, reduce KPERS actuarial liability, and increase the number of engineering graduates from the state's universities. Over \$7.0 million in proceeds from state-owned gaming facilities are transferred each year to the Problem Gambling and Addictions Grant Fund for the treatment of problem gambling and other addictions, and approximately \$11.0 million per year goes to the local governments where these facilities are located. However, any potential fiscal effect would be delayed until 2024 when the first initial contract is set to expire. Any fiscal effect associated with HB 2204 is not reflected in *The FY 2020 Governor's Budget Report*.

Sincerely,

A handwritten signature in black ink that reads "L. L. Campbell". The signature is written in a cursive style with a large, stylized initial "L".

Larry L. Campbell  
Director of the Budget

cc: Stephen Durrell, Lottery  
Brandi White, Racing & Gaming Commission