

February 6, 2024

The Honorable Brenda Landwehr, Chairperson
House Committee on Health and Human Services
300 SW 10th Avenue, Room 112-N
Topeka, Kansas 66612

Dear Representative Landwehr:

SUBJECT: Fiscal Note for HB 2622 by Representative Donohoe, et al.

In accordance with KSA 75-3715a, the following fiscal note concerning HB 2622 is respectfully submitted to your committee.

HB 2622 would amend KSA 21-6110 to remove the smoking restriction exemption for the gaming floor of lottery gaming facilities or racetrack gaming facilities currently in place.

According to the Kansas Lottery, HB 2622 would have a potential fiscal effect on revenues. The agency notes that sources they have consulted with on the issue indicate that the four Lottery Gaming Facilities (casinos) currently offering games owned and operated by the Kansas Lottery would suffer decreased revenues if the smoking ban exemption was rescinded. This would subsequently reduce the state and local share of those revenues. The agency reports that during the casino vetting process under the Kansas Expanded Lottery Act (KELA), various casino manager applicants, independent experts in the gaming field, and independent gaming studies all indicated a smoking ban could result in an annual average revenue decrease of anywhere from 10.0 to 30.0 percent.

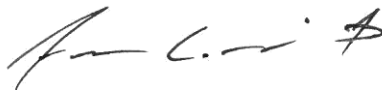
Since the time of the KELA vetting process, there was a 2010 study by the Federal Reserve Bank of St. Louis related to an actual casino smoking ban implemented (and later reversed) in the State of Illinois. The agency notes the study concluded that during the time the ban was in place it reduced gaming revenues by an estimated 20.0 percent. In 2021, the Spectrum Gaming Group studied the potential impact of a smoking ban in Atlantic City casinos. The agency reports in their opinion, on a net basis, a smoking ban would result in a decline in gaming revenue of between 4.2 percent and 10.9 percent.

Based on current Consensus Revenue Estimates for Fiscal Year 2025, cumulative “traditional casino” (i.e., slot machines and table games) revenues for the four casinos are estimated to be \$400.0 million and sports wagering is estimated to generate about \$100.0 million net revenue. The state retains a total of 24.0 percent of traditional casino gaming revenues, as follows: 2.0 percent to the Problem Gambling and Addictions Grant Fund and 22.0 percent to the Expanded Lottery Act Revenues Fund. A total of 3.0 percent is paid to certain city and county entities. In addition, the state retains 10.0 percent of the net sports wagering revenue.

Using a mid-range assumption of a 10.0 percent reduction for traditional casino gaming, the estimated revenue loss would total \$9.6 million. This would also result in a reduction of \$1.2 million in revenue to cities and counties. Using a 2.0 percent rate of reduction for sports wagering because most sports wagering is conducted on mobile applications and not in person at the casinos, the estimated revenue loss would be \$209,000. The agency states it is also important to note that other “casino-style” gaming in the region would not be impacted by a smoking ban. Gaming facilities in Missouri, Oklahoma, and the Tribal Gaming Facilities that currently exist within the State of Kansas would all continue to operate without any smoking ban on their gaming floors.

The Kansas Racing and Gaming Commission reports that enactment of the bill would not have a fiscal effect on the agency’s special revenue funds but could result in a reduction to the revenues generated by the lottery gaming facility. The agency was unable to estimate the effect and reported that a detailed market study would be needed to produce an estimate. The agency states that all current lottery gaming facility manager contracts were entered into and renewed under the existing statute that exempted them from the smoking prohibition for the gaming floor. There may be some question as to whether the exemption can be rescinded during the pendency of the lottery gaming facility manager contracts. The agency noted that if there was an effect on the revenues generated by the lottery gaming facility manager, this would extend to the revenue percentage transferred to local governments. The Kansas State Gaming Agency states that passage of the bill would not have a fiscal effect on agency operations. Any fiscal effect associated with HB 2622 is not reflected in *The FY 2025 Governor’s Budget Report*.

Sincerely,



Adam C. Proffitt
Director of the Budget

cc: Keith Kocher, Kansas Lottery
Brandi White, Kansas Racing & Gaming Commission