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Proponent Testimony

House Federal and State Affairs Committee

HB 2740

An Act concerning gaming; relating to the Kansas expanded lottery act; Kansas lottery and Kansas racing and gaming commission, rules and regulations; authorizing sports wagering; creating the sports wagering receipts fund, the white-collar crime fund, the privilege fee repayment fund and the facility manager licensee repayment fund; authorizing parimutuel licenses to operate historical horse race machines.

**Whitney Damron
On behalf of Kansas Entertainment, LLC**

March 22, 2022

Good morning, Chairman Barker, and Members of the Committee:

On behalf of Kansas Entertainment, LLC, I am pleased to appear before the Committee today in support of HB 2740, a sport wagering and gaming bill that will clear the way for Kansas to join with more than thirty other states that have implemented sports wagering since the decision by the U.S. Supreme Court allowed for states to authorize intrastate sports betting in 2018.

Kansas Entertainment has testified before this Committee and its Senate counterpart on numerous occasions during the past four years both in support and in opposition to various sports wagering and gaming bills. We have articulated what we believe to be the best practices for sports wagering regulation enacted in other states, including a regulatory model in which the State is installed as the regulator and the lottery gaming facility managers are given the responsibility to manage wagering on the State's behalf.

We believe HB 2740 achieves the objectives we have advocated for in years past and are pleased to offer our support for its favorable consideration.

Key provisions of HB 2740 consistent with our previously stated priorities include:

- State regulates/lottery gaming facility manager manages sports wagering.
- Each lottery gaming facility manager is allowed up to three interactive sports wagering platforms.
- In-property and mobile sports wagering.
- Allow customers to sign up for accounts through mobile applications.

- Allow a lottery gaming facility manager to enter into marketing agreements with up to 50 marketing entities per gaming zone, with not less than 10 for fraternal or veterans' organizations.
- Allow for lottery gaming facility managers to enter into marketing agreements with Kansas-based major league sports entities.
- Lottery gaming facility managers allowed to use data for determining the result of sports wagers from any source that provides data approved by the executive director and no requirement to utilize "official league data."
- The Kansas Lottery empowered to restrict or preclude wagering on certain games (as opposed to authority resting with the Leagues).
- Establishment of a White-Collar Crime Fund administered by the Governor.
- Prohibition of illegal gray machines.
- Allow for limited iLottery whereby patrons can purchase lottery tickets online.
- The four resident tribes are allowed to seek a gaming compact (or amend existing gaming compact) for the purpose of offering sports wagering. Tribes may also request the State allow a tribe to manage a sport wagering app through the Kansas Lottery in advance of approval of a compact.

Historical Horse Racing.

And now a few comments on the proverbial elephant in the room: Historical Horse Racing.

Ever since passage of the Kansas Expanded Lottery Act (KELA) in 2007, in virtually every legislative session there have been proposals to revisit the Act, whether for a revote in Sedgwick County, amending of tax rates for parimutuel tracks, extension of the state's prohibition for expansion, alternation of contractual rights for lottery gaming facility managers and more. These legislative conflicts have served to block passage of any number of gaming bills, including sports wagering legislation.

After considerable discussion with legislative leaders, Kansas Entertainment concluded that resolving the Sedgwick County issue was key to clearing the way for enactment of sports wagering in Kansas.

We will defer to proponents to talk in more detail about their plans for HHR, but with this legislation, Kansas Entertainment does not object to the inclusion of HHR under the restrictions provided for in HB 2740, which include:

- Historic Horse Racing restricted to Sedgwick County.
- Utilization of historically accurate horse race information; no random number generator.
- Not more than 1,000 Historic Horse Racing machines.
- Limited to one facility/site.
- Prohibition of online Historic Horse Racing gaming.
- Severability clause in case Historic Horse Racing declared illegal or unconstitutional.

Under these provisions, Kansas Entertainment will not object to Historic Horse Racing for Sedgwick County only.

Tax Rates.

One concern Kansas Entertainment has with HB 2740 is the stated tax rates of 20% of the hold for wagers placed through an interactive sports wagering platform and 14% of the hold for wagers placed at the lottery gaming facility.

SB 84 as passed by the Kansas Senate in 2021 roughly had taxes of 7.5% for wagers placed at a lottery gaming facility and 10% wagers placed through an app with (2% for problem gaming).

In order to be competitive to other states and illegal sports wagering options readily available to gamers, Kansas needs to set a rate of tax more consistent with other Midwest states, such as Iowa (7.5%), Colorado (10%), and under consideration in Missouri (10%). Notably, this does not compare to the rampant illegal online market and wagering with bookies in back alleys, who pay no taxes and provide no consumer protections.

We would welcome the opportunity to work with the Committee on finding a reasonable rate of taxation for sports wagering under HB 2740.

Closing Remarks.

Kansas Entertainment wishes to express our appreciation to Chairman Barker, Vice Chair Arnberger, Majority Leader Hawkins and others who have worked in the spirit of compromise to craft a bill that has a real opportunity to finally clear the way to bring sports wagering to Kansas after so many years of conflict and failure. We are in the second week of the NCAA tournament, and we are optimistic Kansans can wager on their favorite teams in the 2023 tournament with passage of this legislation.

I would be pleased to stand for questions at the appropriate time.

WBD

About Kansas Entertainment:

Kansas Entertainment, LLC is a joint-venture partnership of Penn Hollywood Kansas, Inc., and Kansas Speedway Development Corporation, and was selected by the State of Kansas in 2009 to develop a destination casino for the Northeast Kansas Gaming Zone. Since opening in 2012, Hollywood Casino and Kansas Speedway has paid over \$465 million in taxes and fees to the State and local government, provided over \$10 million in charitable contributions and currently employs more than 600 local team members.

About Penn National Gaming:

With the nation's largest and most diversified regional gaming footprint, including 44 properties across 20 states, Penn National is a highly innovative omni-channel provider of retail and online gaming, live racing and sports betting entertainment. Our wholly-owned interactive division, Penn Interactive, operates retail sports betting across the Company's portfolio, as well as online social casino, bingo, and iCasino products. In February 2020, Penn National entered into a strategic partnership with Barstool Sports, whereby Barstool is exclusively promoting the Company's land-based and online casinos and sports betting products, including the Barstool Sportsbook mobile app, to its national audience. In addition, in October 2021, Penn National acquired Score Media and Gaming, Inc. ("theScore"). Combined with the power of Barstool Sports and theScore, Penn National has become North America's leading digital, entertainment, sports content, gaming, and technology company. The Company's omni-channel approach is further bolstered by its mychoice loyalty program, which rewards and recognizes its over 25 million members for their loyalty to both retail and online gaming and sports betting products with the most dynamic set of offers, experiences, and service levels in the industry.

www.pngaming.com

Whitney Damron
Whitney B. Damron, P.A.
919 South Kansas Avenue
Topeka, KS 66612
(785) 224-6666
wbdamron@gmail.com