

February 16, 2022

SB 404

Proponent – IN PERSON

Brendan D. Bussmann, bdb@globalmarketadvisors.com, 402-432-1149

Global Market Advisors

Bringing Life to the Kansas Racing Industry Testimony in Support of SB 404

Parimutuel wagering has long been held as an opportunity to wager legally in the State of Kansas. Senate Bill 404 brings new life to parimutuel wagering by not only reviving a shuttered industry in the state but also allowing for the opportunity to modernize its efforts. This is something that is not new to the United States and has been accomplished in other states. This can be done in two aspects as SB 404 anticipates. The first is through the implementation and allowance of wagering on historic horse races. This has served multiple states well with this form of entertainment. Please let me take a moment and highlight the benefits that it would allow for the state of Kansas using examples from other states as a benchmark while offering additional opportunities of entertainment for the citizens of Kansas.

Before I get into the specifics, please let me set the stage for parimutuel wagering in the State of Kansas. As defined under Kansas Law, parimutuel wagering means:

“means a form of wagering on the outcome of horse and greyhound races in which those who wager purchase tickets of various denominations on one or more horses or greyhounds and all wagers for each race are pooled and the winning ticket holders are paid prizes from such pool in amounts proportional to the total receipts in the pool.”

This has been something that the voters approved as an acceptable and legal form of entertainment in 1986 and was then brought into fruition a year later with the passage of the Kansas Parimutuel Act in 1987. Thirty five years later, we are at a crossroads in the parimutuel industry in Kansas and need to look at not only the opportunity to modernize this allowable form of entertainment to the state but also do it in a prudent manner that respects other forms of wagering that already exist in the state.

Historic Horse Racing wagering is not something that is new to the United States market. Many of these wagering systems have been around for over a decade. They are also manufactured by many of the leading equipment manufacturers. As we have seen in states like Kentucky, Alabama, Virginia, Oregon, Wyoming, and most recently with New Hampshire, wagering on historic horse racing is a growing form of entertainment. These machines not only support the parimutuel industry in these jurisdictions but also support state and local communities through the revenue that is generated through parimutuel wagering.

Historic horse racing systems are based on widely accepted rules for parimutuel wagering and uses numerous historic horse races to offer different outcomes in the betting experience. This backend determination is no different than kiosk to place a regular wager on a live horse race or when someone goes to a window as you used to be able to do in Kansas. The difference is that the races are not known to the player and only shown as a graphical representation of the race on a screen located on a machine. This screen may be below or above the screen that shows the graphical representation of the actual outcome of the wager.

Kentucky was one of the states that recently had a challenge to these machines. When the legislature refined the matter during the 2021 session, the specially highlighted that these machines are based off of parimutuel wagering and not a slot machine that is based off of a random number generator. Senate Bill 120 used the following language to define use of these machines:

"Pari-mutuel wagering," "pari-mutuel system of wagering," or "mutuel wagering" each means any method of wagering previously or hereafter approved by the racing commission in which one (1) or more patrons wager on a horse race or races, whether live, simulcast, or previously run. Wagers shall be placed in one (1) or more wagering pools, and wagers on different races or sets of races may be pooled together. Patrons may establish odds or payouts, and winning patrons share in amounts wagered including any carryover amounts, plus any amounts provided by an association less any deductions required, as approved by the racing commission and permitted by law. Pools may be paid out incrementally over time as approved by the racing commission.

While these machines may have the same look as other gaming machines because the cabinetry is similar, the outcome on how these games are determined is solely based on parimutuel wager. In the case of Senate Bill 404, these machines would be based off of historic races that are pulled from a database of races from all different tracks from around the globe. Gaming Laboratories, Inc., one of the leading testing labs in the country and one that is used by the Kansas Racing and Gaming Commission has tested these machines from several manufacturers to determine the validity of these machine to be based off of parimutuel wagering pool. They have also found that the outcome of the game is determined by the player's picks against the results of the historical race. The standards for parimutuel wagers are outlined in GLI-33.

Historic Horse Racing is clearly a different form of entertainment that is modeled off of parimutuel wagering. It is no different than the parimutuel wagering that occurred at tracks in Kansas before they were shuttered. It is no different than wagers can be placed today at various tracks through simulcasting on races conducted at racetracks through the United States and throughout the world. This has and continues to be an appropriate form of wagering in Kansas. SB 404 would allow this to occur on additional on historic horseracing, not just live racing.

SB 404 allows the currently approved form of wagering to be modernized in the state of Kansas. This legislation allows us to bring new life to the existing racetrack location that has sat shuttered for way too long. While bringing in an additional form of entertainment, this will create jobs, economic development, and revenue to the state through parimutuel wagering.

Please let me know if you have any questions.