

HOLLYWOOD *Casino*

AT KANSAS SPEEDWAY®

www.hollywoodcasinokansas.com

HOUSE FEDERAL AND STATE AFFAIRS COMMITTEE

January 30, 2019

HB 2068

An Act concerning gaming; creating the Kansas sports wagering act.

Opposition Testimony

Good morning Chairman Barker and Members of the House Federal and State Affairs Committee.

By way of introduction, my name is Whitney Damron, and I appear before you today to provide testimony on behalf of Kansas Entertainment, LLC in opposition to HB 2068 proposing to authorize sports wagering in Kansas under the control and operation by the Kansas Lottery through lottery retailers, racetrack gaming facilities and lottery gaming facilities.

By way of information, 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 which operates under the name Hollywood Casino at Kansas Speedway.

As you are aware and the reason we are here, in May of 2018, the United States Supreme Court overturned the federal ban on sports wagering, ruling that the Professional and Amateur Sports Protection Act of 1992 (PASPA) was unconstitutional. At that time, Nevada was the only state that offered single-game betting on college and professional sports. Now each state has the opportunity to set their own policy to legalize and regulate sports wagering. Already, the states of Delaware, Mississippi, New Jersey, Pennsylvania, Rhode Island and West Virginia have passed legislation and are currently taking wagers on sporting events. Penn National Gaming operates in four of these jurisdictions and offers a sportsbook at 10 of our 41 casino properties throughout the U.S. In addition, Penn National will offer mobile wagering in several of these states in the near future.

Kansas Entertainment is not opposed to the Legislature considering sports wagering legislation and we anticipate joining with the other three state-owned and operated casinos in support of sports wagering legislation later this session. However, we have a number of objections to how sports wagering is proposed and allowed under this legislation.

First of all, we do not believe the State should authorize or implement an expansive sports wagering platform as allowed under HB 2068. There are more than 1,700 lottery licensees in Kansas now and while all may not be interested or even suitable for the provision of sports wagering, the bill before you today certainly suggests implementation of sports wagering on a broad scale, which has many potential ramifications to be considered, including youth access, problem gaming, security and background checks, negative impact on brick & mortar destination lottery gaming facilities and much more.

It should be understood the operator can lose in sports wagering. It is not the same as a lottery where pre-determined odds eliminate any chance for the state to lose money.

Secondly, we again see legislation drafted and promoted by the sports leagues, which includes a “sports betting right and integrity fee” of 0.25% of the aggregate amount wagered (New Section 6). No where in the world of sports wagering – and that means no where in the world – is any kind of integrity fee authorized or allowed in law or statute. The Kansas Legislature needs to make it clear to the sports leagues this kind of a fee in statute is inappropriate and will not be considered. The Leagues have never asked for nor received a so-called “integrity fee” in Nevada.

The bill also provides the Leagues with a statutory right to compensation for what is public information. Section 3 would require operators to only utilize “official league data for determining the results of tier two sports wagers,” which must be purchased from the league. This statutory monopoly power is not found elsewhere in other state sports wagering laws and should also be eliminated from any bill.

By way of information, “tier one sports wager” means the final score or outcome, while a “tier two sports wager” means any other wager, such as an in-game wager.

All four lottery gaming facilities are supportive of sports wagering and we anticipate working collectively on a bill and look forward to the opportunity for hearings on that legislation.

Before concluding my remarks this morning, we would like to take the opportunity to briefly highlight for the Committee what we believe should be included or not included in a sports wagering bill this session:

- **No integrity fee or data rights to the sports leagues** (NFL, MLB, NBA, PGA, etc.). These “rights” are not in place in any sports wagering jurisdiction in the world and the leagues have lost on data issue in the courts. Kansas should not be the first to codify some right to compensation into statute.
- **Sports wagering licenses should be limited to existing Kansas casino licensees and pari-mutuel tracks if the tracks choose to open under current gaming laws.** KELA was crafted in a way to emphasize brick & mortar destination developments. An expansion of gaming in Kansas should be consistent with that objective.
- **A 6.75% tax rate is suggested**, which is the same as Nevada. This is the tax rate found in HB 2068, so we do agree with the proponents on at least one portion of their bill. Anything significantly higher would be noncompetitive with illegal gaming opportunities already available and make sports book wagering unprofitable for legal sports book operations.

- **Minimal application and license fees.** Sports wagering is not going to be a huge revenue generator/profit center for the State or the casinos/sports wagering licensees.
- **Mobile wagering with online sign-up.** A mobile app will allow all Kansans to participate in sports wagering at their local venue of choice (e.g., sports bar, restaurant or at home). Ring-fence technology will insure participants are physically located in Kansas in order to wager.

We are beginning to see the performance results from other states that have enacted sports wagering legislation in the past year and believe the Kansas Legislature should keep those numbers in mind when evaluating sports wagering legislation. Quite frankly, there is not a great deal of money for the State to realize in any sports wagering bill.

For example:

Mississippi has a population of 2.9 million (similar to KS); has 31 casinos and only allows for sports bets to be placed at the facilities. For the month of December 2018, the brick and mortar sports book revenue, or hold, was \$5.9 million. This created tax revenue of \$708,000.00 for the State of Mississippi. Annualized this is \$8.5 million +/-.

New Jersey has a population of 9 million; has 8 casinos and also allows for mobile wagering throughout the state on platforms associated with the casinos. For the month of December 2018, the brick and mortar and mobile app total sports book revenue was \$20.8 million. This created tax revenue of \$2.42 million for the State of New Jersey. Annualized this is \$29 million +/-, for a state with a population of 9 million and millions more in surrounding states that are crossing over to place wagers.

Furthermore, in Nevada, the following revenue numbers are reported for 2017 (see links):

- \$4.8 billion in total sports wagering handle
 - o \$248.8 million in gross revenue.
 - o Sports wagering made up 2.2% of total Nevada gaming revenue.
 - o Sports wagering contributed to less than 1% of all casino-generated revenue (gaming and non-gaming revenue).
- UNLV Center for Gaming Research 1984-2017
https://gaming.unlv.edu/reports/NV_sportsbetting.pdf
- *Las Vegas Review-Journal, Major Las Vegas Strip Resorts saw Net Income Triple in 2017*, January 12, 2018
<https://www.reviewjournal.com/business/casinos-gaming/major-las-vegas-strip-resorts-saw-net-income-triple-in-2017/>

We urge the Kansas Legislature to give careful consideration to any sports wagering bill that could potentially have a significant negative impact on existing gaming licensees and the State of Kansas in general for such a relatively small financial impact for the State General Fund.

On behalf of Kansas Entertainment, LLC, I thank you for your consideration of our testimony today and would be pleased to stand for questions.

On behalf of Kansas Entertainment, LLC

Whitney Damron

**919 South Kansas Avenue
Topeka, Kansas 66612-1210
(785) 224-6666
wbdamron@gmail.com**