Local Government Mandate Statement Kentucky Legislative Research Commission 2023 Regular Session

Part I: Measure Information

Bill Request #: 1488
Bill #: HB 525
Document ID #: 4432
Bill Subject/Title: AN ACT relating to the regulation of skill games and making an appropriation therefor.
Sponsor: Representative Steven Doan
Unit of Government:XCityXCountyXUrban-CountyXCharter CountyXConsolidated LocalXGovernment
Office(s) Impacted:
Requirement: <u>X</u> Mandatory <u>X</u> Optional
Effect on Powers & Duties: Modifies ExistingX_ Adds New Eliminates Existing

Part II: Bill Provisions and the Estimated Fiscal Impact Relating to Local Government

This local mandate will address sections of the bill with a direct impact on local governments.

HB 525 creates a new chapter of KRS Chapter 239 to create the Kentucky Gaming Commission, attached to the Public Protection Cabinet.

Section 12 creates a new section of KRS Chapter 239 and states that any person who distributes, operates, or offers for play a skill game that has not been approved under this chapter is guilty of a Class A misdemeanor. Each violation of this section shall constitute a separate offense. A peace officer may enforce these provisions. Additionally, a peace officer with reasonable suspicion that Sections 1 to 13 and 14 of this Act are being violated may enter any place where an unlicensed activity or unauthorized operation of a skill game is being conducted and may cite a person who does not provide satisfactory proof that he or she possesses the required licensure.

Section 14 provides for 6% tax on gross profits from a skill game to be collected by the distributor of the game and payable to the Kentucky Gaming Commission. Guidance is provided regarding how to remit and the necessary reports that shall accompany the payment.

All moneys received by the commission shall be distributed in its entirety with the following amounts going back to local governments and counties:

- 25% going to first responders for professional development*;
- 10% going to individual counties proportionally based upon the gross profits from all the skill games within that county;
- 10% going to local governing bodies based upon the gross profits from all skill games within that local government. In the absence of a local government entity, the percentage shall be distributed to the county proportionally; and
- 10% going to law enforcement including Kentucky State Police and other law enforcement agencies that enforce the provisions of HB 525*.

*this would include local first responder and law enforcement agencies since they are not excluded.

The fiscal impact of HB 525 on local government is indeterminable.

There is no historical data regarding skilled games in Kentucky. Likewise with data from other states, there simply hasn't been enough solid data collected. Since these games are not currently regulated in Kentucky, we do not have a count on the number of games currently in Kentucky. We can, however, assume the number of skilled games would increase if legalized. As the number of skilled games increase, so would the tax revenue from the games, with a portion returning the counties and local governments. Except for the amounts specifically designated for first responders and law enforcement, this money would go to the county or city coffers.

A person convicted of a Class A misdemeanor may be incarcerated for up to twelve months. Misdemeanants are housed in one of Kentucky's 74 full-service jails or three life safety jails. While the expense of housing inmates varies by jail, this estimated impact will be based on an average cost to incarcerate of \$40.11 per day. While the majority of misdemeanor defendants are granted bail, those who do not will also cost local jails an average cost to incarcerate of \$40.11 per day.

Part III: Differences to Local Government Mandate Statement from Prior Versions

Part II refers to HB 525 as introduced. There are no prior versions.

Data Source(s): <u>LRC Staff; Kentucky Department of Correction</u>
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