

**Local Government Mandate Statement  
Kentucky Legislative Research Commission  
2025 Regular Session**

**Part I: Measure Information**

<b>Bill Request #:</b>	BR 67	<b>Bill #:</b>	HB 33
<b>Document ID #:</b>	1529	<b>Sponsor:</b>	Rep. Thomas R. Huff
<b>Bill Title:</b>	AN ACT relating to gaming activities		

Unit of Government:     City                       County                       Urban-County  
                                   Charter County         Consolidated Local     Unified Local

Office(s) Impacted:    County Clerks, Sheriffs, Local Jails, Entities receiving occupational taxes

Requirement:         Mandatory         Optional

Effect on Powers & Duties:     Modifies Existing     Adds New     Eliminates Existing

Other Fiscal Statement(s) that may exist:     Actuarial Analysis         Corrections Impact  
     Health Benefit Mandate     State Employee Health Plan

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

HB 33, Section 1 amends KRS 230.210 to define various terms related to casino gaming and fantasy contests, including “affiliate,” “beginner,” “casino,” “county,” “county legislative body,” “electronic gaming device,” “entry fee,” “fantasy contest,” “fantasy contest operator,” “fantasy contest participant,” “full casino,” “highly experienced player,” “immediate family,” “limited casino,” “registered fantasy contest operator,” “riverboat casino,” and “script.”

Section 2 would amend KRS 230.260 to include casino gaming and fantasy contests in the list of items over which the Horse Racing and Gaming Corporation is vested with jurisdiction and supervision. The corporation would have the authority to inspect and examine various establishments associated with casino gaming.

Sections 3 through 21 would create new chapters of KRS Chapter 230 as discussed below.

Section 3 would require a county or counties in which the casino is to be located to approve casino gaming before an application for full, limited, or riverboat casino gaming is approved by the corporation. A county would only be authorized to approve gaming by local option election. The election could occur only if the county has a population greater than 30,000, or if two or more adjoining cities with a population greater than 30,000 are in mutual agreement, and if the county legislative body approves an ordinance directing an election to be held or if a petition is signed with at least 25% of the votes cast in the last preceding election.

Under Section 3, a county with a population less than 30,000 may conduct a local option election if the county has a state licensed racing association and the election would allow casino gaming only to a limited casino at the site of the racing association.

After a petition is filed with the county clerk, the county judge/executive must order the county legislative body to direct the election. The election could be held on the same day as a primary or regular election or on a different day, but no more than once every three years.

Section 4 would require the county clerk to give the sheriff a certified copy of the judge/executive's order for the legislative body to direct an election. The sheriff must have the order published as required by law, advertise it with printed handbills in at least 5 conspicuous locations in each precinct for two weeks prior to the election, and report to the judge/executive that the notices have been published and posted.

Section 5 would establish the election procedures for the gaming local option election. The county board of elections must certify the results and give a certificate of the result to the county clerk, who shall forward it to the corporation.

Section 6 would establish the commission as the only agency permitted to solicit bids for casino gaming licenses and provides criteria for advertising the bid.

Section 7 would establish procedures for evaluating bids for full casinos and riverboat casinos and gives bidding rights to racing associations. Initial licensing fees are also established and must be deposited in the general fund.

Section 8 would specify licensing requirements for casinos, manufacturers, and suppliers.

Section 9 would prohibit selling, leasing, or otherwise furnishing gaming supplies without a license.

Section 10 would provide the option of limited casino licenses for racing associations which would only allow them to operate electronic gaming devices.

Section 11 would set the minimum age of participation in casino gaming to 21 years of age.

Section 12 would establish occupational licensure requirements for casino related employment which are to be issued by the corporation.

Sections 13 and 14 would exempt licensed gaming devices from federal restrictions.

Section 15 would give the corporation the authority to define and limit permissible games and devices.

Section 16 permits gaming licensees to exclude certain persons from licensed casinos to effectively maintain the strict regulation of licensed gaming. The corporation will promulgate administrative regulations to guide licensees in determining who may be excluded.

Section 17 would make it a Class D felony for a person to knowingly or intentionally engage in various activities relating to cheating at gambling games. It would be a Class A misdemeanor for a person to knowingly or intentionally make a false statement on an application for an occupational, manufacturer's, supplier's, or gaming license; to permit a person under 21 to wager on a gambling game at a casino or track; or for a person under 21 to enter or attempt to enter a casino or a facility at a horse racing track where electronic gaming devices are operated.

Section 18 imposes a wagering tax of 21% on gross gaming revenue received from gaming operations at casinos. This would be paid by the casino license holder and deposited into the state's General Fund. A tax of \$3 is imposed on admissions to a full casino, to be paid by the casino license holder to the Department of Revenue and deposited in the general fund.

Sections 19 to 21 govern the "fantasy contests" or simulated games played for prizes and awards. An operator of a fantasy contest with 100 or more participants would be required to register with the corporation. The initial registration fee would be \$5,000; the annual renewal fee would be either 6% of adjusted gross revenues for the prior calendar year, or \$5,000, whichever is greater. These fees would be deposited into the general fund.

Sections 28 to 34 would amend existing statutes to exempt licensed casino gaming and fantasy contests from various regulatory violations or criminal conduct.

**HB 33 would have a minimal negative fiscal impact on local governments for the first two years and, thereafter, an indeterminable but potentially positive fiscal impact on those counties in which casinos are located or other licensed gaming is being conducted.**

There is insufficient data at this time to estimate the fiscal impact of increased wagering on casino gaming and fantasy contests because of its possible negative fiscal impact on historical horse racing. In addition, any fiscal impact will be minimal for the first two years because the required regulatory framework and licensing will not be complete.

### *Training of Various Local Government Staff*

There would be some additional training for local employees (fiscal courts, county clerk offices, county boards of elections, county judge/executives) on the provisions of the bill, and for law enforcement, and there would be increased demands on work load for law enforcement, sheriffs, jails, and county attorneys associated with the number of arrests, prosecutions, and incarcerations.

### *Local Ordinance*

Local governments may have an ordinance directing that a local option be held. If casinos are approved for local governments, there may be ordinances relating to the casinos.

Local governments would incur costs associated with the drafting, publication, indexing and recording of adopted ordinances, and at least every five years, reviewing and eliminating redundant, obsolete, inconsistent, and invalid provisions.

According to Kentucky League of Cities, most cities, especially the smaller ones, retain their city attorney on contract and pay on an hourly basis. Time spent drafting an ordinance is influenced by its complexity and the amount of research that is necessary. In FY 2020, the average hourly rate was \$107. Rates for legal notices vary greatly depending on the length of the publication, the number of times it needs to be published and the newspaper in which the publication is placed. Therefore, these costs are unknown.

According to the Kentucky Association of Counties, the “cost of publishing the ordinance would be borne by the local government enacting the ordinance. Most county ordinances are required to be published once after passage (KRS 67.077). An exception to this is the county budget ordinance which requires two advertisements.” While they do not have data on the cost of publishing individual ordinances, a survey conducted in 2023 on total county publication costs found that counties spent on average \$13,433 in FY 2022 on publications.

### *Local Option Election*

There would be an additional programming cost to add a local option question to a ballot. For example, the cost to add a new category to the ballot for Lexington-Fayette Urban County Government, with 286 precincts, has recently been estimated at between \$3,500 and \$4,500, and for Franklin County, with 44 precincts, the cost has been estimated at between \$1,700 and \$2,500.

According to the State Board of Elections, the average per-precinct cost of conducting an election is approximately \$2,700. Costs associated with a local election include certifying the petition by the county clerk's office, setting an election date by the County Judge/Executive, programming election machines and associated monitoring by the programming company, publishing a sample ballot, and training and paying election workers. However, most of these costs could be eliminated if the casino issue were placed on the ballot for a general election. Final costs for a county vary greatly depending on the size and nature of the county, the nature of the election, and state cost reimbursement.

Typically, if the local option election is initiated by petition and is held on a day other than a regular election day, the person or persons sponsoring the petition drive must reimburse

the county for the costs of the local option election. This reimbursement is not discussed in the bill.

### *Occupational Tax*

If a full casino license or limited casino license results in increased business activity, those local governments authorized to impose a license or occupational tax on businesses within their jurisdiction may see an increase in collections. Cities and counties may impose a license or occupational license fee of 1.25%-1% (counties) depending on the county population, or up to 1.25% (cities) depending on city classification, on payroll and net profits or gross receipts. As of 2021, 157 cities, 47 counties, Louisville/Jefferson County Metro Government, and Lexington Fayette Urban-County Government impose an occupational tax or fee.

A county may impose an occupational license fee of 1%-1.25% depending on the population. The average tax on payroll is 1.23%. A first-class city may impose a license fee of up to 1.25% on wages and net profits; home rule cities may levy franchise and license fees with no maximum rate specified.

Revenues may be offset to the extent that casino gaming siphons revenue from other gaming revenue sources such as thoroughbred racing and historical horse racing.

### *Jails*

The bill creates a new Class A misdemeanor for making a false statement on an occupational, manufacturer's, supplier's or gaming license application, permitting a person under 21 to wager on a gambling game at a casino or race track, or being less than 21 and entering or attempting to enter a casino or race track where electronic gaming devices are operated.

The bill creates a new Class D felony for "cheating." It is expected that there would be significant security at casinos and that the bill would generate a minimal number of Class D felons.

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 \$47.43 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 \$47.43 per day.

When a court denies bail to a Class D felony defendant, the local government is responsible for incarcerating the defendant until disposition of the case in one of Kentucky's 74 full service jails or three life safety jails. While the expense of housing inmates varies by jail, each additional inmate increases facility costs by an average cost to incarcerate of \$47.43, which includes the \$35.34 per diem and medical expenses that the Department of Corrections pays jails to house felony offenders. Upon sentencing, a Class D felon is housed in one of Kentucky's full service jails for the duration of his or

her sentence. The Department of Corrections pays a jail \$35.34 per day to house a Class D felon. The per diem may be less than, equal to, or greater than the actual housing cost.

*Other Costs and Benefits*

Economic benefits will occur if there is net new employment that increases the occupational license, or other authorized local government tax base. Likewise, assuming net new investments in real and personal property there will be an increase in the property tax base. In addition, hotel tax receipts likely will increase in affected communities. The net new employment could come from private construction in connection with casino gaming sites. There also could be certain “spin-offs,” such as the creation of other entertainment, hospitality, and leisure businesses and facilities.

**Data Source(s):** LRC Staff; Kentucky Association of Counties; Kentucky League of Cities; Kentucky Department of Corrections

**Preparer:** JB **Reviewer:** AS (MDA) **Date:** 1/16/25