



COMMONWEALTH OF KENTUCKY
OFFICE OF THE ATTORNEY GENERAL

ANDY BESHEAR
ATTORNEY GENERAL

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CAPITOL BUILDING, SUITE 118
700 CAPITOL AVENUE
FRANKFORT, KENTUCKY 40601
(502) 696-5300
FAX: (502) 564-2894

Sent via Email

Dear Legislators:

The current challenge facing our pension systems is undeniable. The most recent estimates by the Kentucky Retirement System and the Teachers' Retirement System of the Commonwealth of Kentucky show that both systems face billions of dollars of unfunded liability. I believe it is our responsibility to offer solutions.

It should go without saying that any solution must comply with the law. That includes a legislative process that is transparent and follows all requirements under the Kentucky Constitution and Kentucky law. It also means that the General Assembly cannot violate the inviolable contract by reducing the benefits that have been promised to our public employees, including our teachers, police officers, firefighters, EMS, social workers, and other public servants.

The solution is not to cut legally promised benefits, but to create a new and dedicated stream of revenue solely for pensions that does not raise any Kentuckian's taxes. The answer is simple – expanded gaming including casino, fantasy sports, and sports gaming, as well as preparing for the eventual legalization of online poker.

Last year, the American Gaming Association reported that for the first time, revenue from commercial gaming in 24 states surpassed \$40 billion in direct taxes back to these states hitting a record of more than \$9 billion for just the year 2017. Twenty of the 24 states with legalized commercial gaming reported increases in annual gross gaming revenue.

As you are aware, our neighbors in Indiana, Illinois, West Virginia, Missouri and Ohio have all legalized casino gaming. Estimates suggest Kentuckians spend over \$1 billion of their entertainment dollars in casinos in these states. Tax revenues in these states from gaming now total more than \$2.4 billion per year. These states use these dollars – many of which come from Kentuckians – to improve Indiana's schools, West Virginia's infrastructure, and these states could even use *our* dollars to fund *their* pension systems. The "leeching" of our Kentucky dollars is evident. A majority of our neighboring states have set up casinos on our borders. Go to any of these operations and you will find their parking lots full of Kentucky license plates.

Additionally, the U.S. Supreme Court published a ruling in May allowing states to enact sports betting. Currently, eight states have enacted or partially enacted sports betting, and another 14, including Kentucky, have legislation pending that would allow for sports betting. Legal sports betting is a \$270 million industry with an additional \$2.5 to \$3 billion in black market betting.

We are missing out on our share of these revenues. We cannot afford to continue to make this mistake.

Commercial gaming in Indiana last year alone netted over \$600 million in direct tax revenue. Estimates show that Kentucky *loses* about \$546 million in tax revenue per year to gaming in neighboring states. Moreover, in addition to the enactment of expanded gaming, legalized sports betting could add up to an additional \$30 million to our coffers.

The General Assembly should pass legislation to allow expanded gaming, but dedicate all of the revenue to Kentucky pension systems until those systems are fully funded.

We owe it to our police, firefighters, EMT's, emergency management employees, teachers, and everyone who have put their hard-earned dollars into their pensions, to do everything in our power to secure the retirement benefits promised to them.

It is time. I ask that you pass the legalization of expanded gaming and sports betting for the benefit of our pension systems.

Sincerely,

A handwritten signature in cursive script that reads "Andy Beshear".

Andy Beshear
Attorney General