

## Senate Taxation Committee Hearing February 2, 2022 – 10:00 a.m.

Written testimony: Kevin Kuchenbecker, Historic Preservation Officer  
City of Deadwood, 108 Sherman Street, Deadwood, SD 57732

### Proponent of Senate Bill 99

Good morning Chair and members of the Senate Taxation Committee, my name is Kevin Kuchenbecker and I am the Historic Preservation Officer for the City of Deadwood. I am here to testify in favor of Senate Bill 99 to revise percentages regarding certain municipal proceeds of gaming revenues.

Recently Secretary James Hagen reported another outstanding year for South Dakota visitation at the Governor's Conference on Tourism. Deadwood can fully confirm the visitation and associated spending is at all time highs. Events such as SnoCross, Pro-Bull Riding, Wild Bill Days, Days of 76 Rodeo, and Kool Deadwood Nites broke all-time attendance records. And of course, as newspapers reported last week record gains in gaming revenues - up 35% in 2021.

# OUR NORTHERN HILLS

THURSDAY, JANUARY 27, 2022 | rapidcityjournal.com | SECTION B

## Casinos hit 2021 jackpot

Deadwood gaming handle increases to \$1.5 billion, up 35%

NATHAN THOMPSON  
journal staff

Deadwood's casinos saw record gains in 2021 with year-end gaming handle increasing by nearly 35% over 2020, topping more than \$1.5 billion in bets placed for the year.

According to a report from the South Dakota Commission on Gaming, gamblers placed \$1.51 billion in bets during 2021, with slot machines leading the way with more than \$1.4 billion handled, a 34.07% increase over 2020. Table games handled more than \$91 million in bets, an increase of 45.18% over the previous year.

In 2020, casinos were temporarily closed with the onset of the COVID-19 pandemic.

South Dakota voters legalized sports gaming in Deadwood, which went into effect in September. Gamblers placed more than \$2.6 million in bets on sporting events in 2021, the report showed.

Ending out the year, December's gaming handle increased by 11.45% over December 2020. The report shows gamblers put nearly \$103 million in slot machines, more than \$6.8 million in table game bets, and \$675,311.75 in sports bets.

In all, visitors to Deadwood's ca-

sinos spent more than \$110.4 million on wagers in December.

Slot machine handle increased 10.61% and table game handle increased by 13.14% when compared to December 2020, the report showed. This was the fourth report to include bets on sporting events after it was legalized.

The casinos had a taxable adjusted gross revenue of more than \$10 million in December, with \$908,520.92 in taxes due to various state, county and local government entities. The report showed casinos rewarded players with more than \$1.5 million in "free play" during

December.

Deadwood's 2,636 slot machines awarded players with more than \$9.4 million in winnings in December, the majority of which came from penny slot machines. Deadwood has 90 table games with black jack, poker, craps and roulette. According to the report, gamblers won more than \$1.3 million, the majority of which came from black jack and house-banked poker games.

Five casinos offered sports wagering in December, with gamblers winning just over \$10,000. The majority of the bets were placed

on professional and college football games.

South Dakota voters approved sports wagering in November 2020. The law went into effect July 1.

The gaming commission approved a Sept. 8 catalogue of sporting events that gamblers can place bets on, including Olympic events, professional and college sports. The determination allowed casinos in Deadwood to begin sports betting operations Sept. 9.

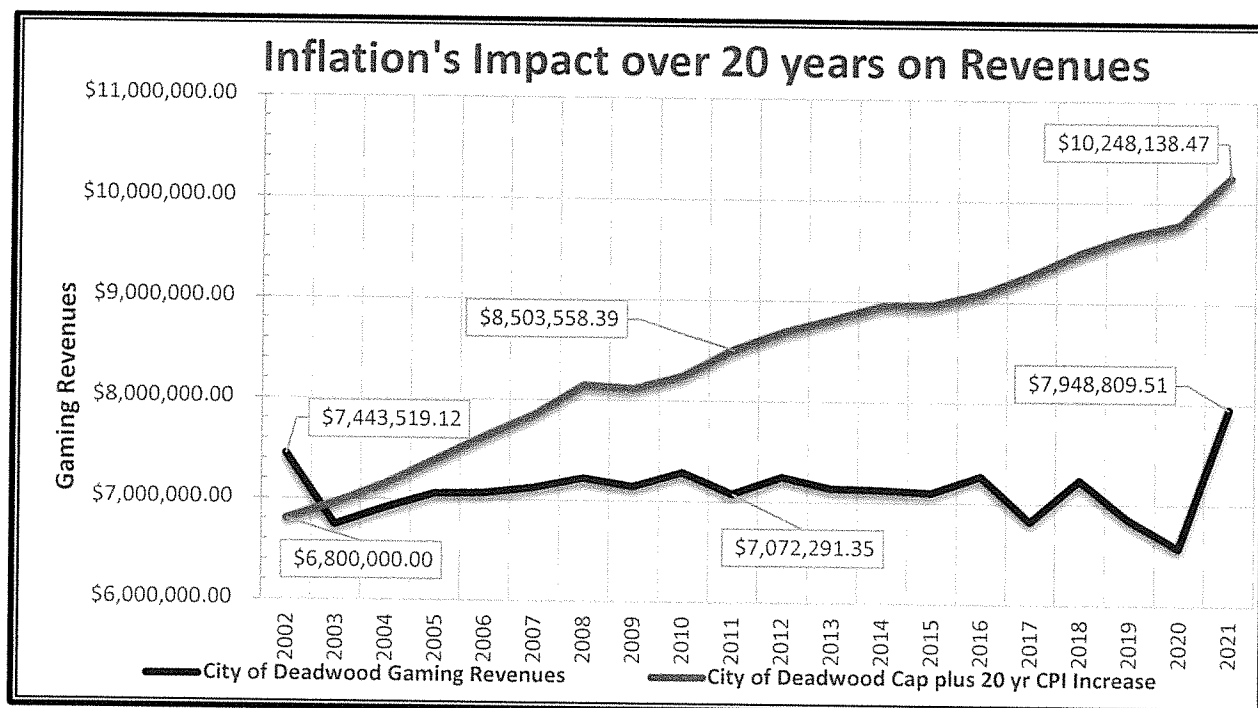
Contact Nathan Thompson at [nathan.thompson@rapidcityjournal.com](mailto:nathan.thompson@rapidcityjournal.com).

According to the annual report of the South Dakota's Commission on Gaming, gaming revenues from Deadwood generated \$21,562,486 in taxes and fees during FY2021. This is wonderful for the State and other governmental entities; however, Deadwood's revenues have been capped since 1995 due to the complex formula. Deadwood does not equitably receive the additional funding generated by gaming yet must keep up with the demands of operating the city and preservation.



A 35% increase in gaming revenues means very little to the City of Deadwood, yet the increased visitation has a huge impact on Deadwood. The cap of \$6,800,000 each year is followed with a small increase of 10 percent after this amount is reached, yet Deadwood, a community of just over 1,200 residents, must entertain and manage over 2,500,000 visitors annually. The State of South Dakota continues to see increases to the general fund while Deadwood is hampered due to lack of provisions to equitably increase the funding because of the complex formula involving Deadwood Gaming Revenues.

Inflation as well as increased costs and expenses make it extremely difficult to stretch the dollars to support historic preservation efforts both locally and across South Dakota. If you take the CPI index and apply it to the \$6.8 million over the past 20 years (as seen in the graph below), one can truly understand the challenges in making the budget meet the growing demands on the community.

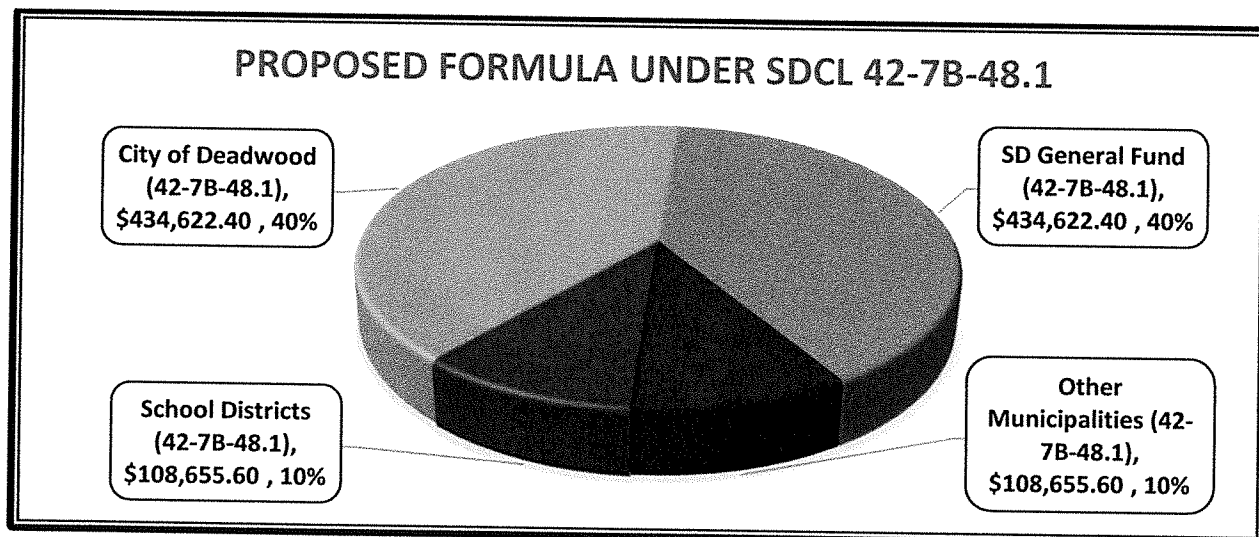
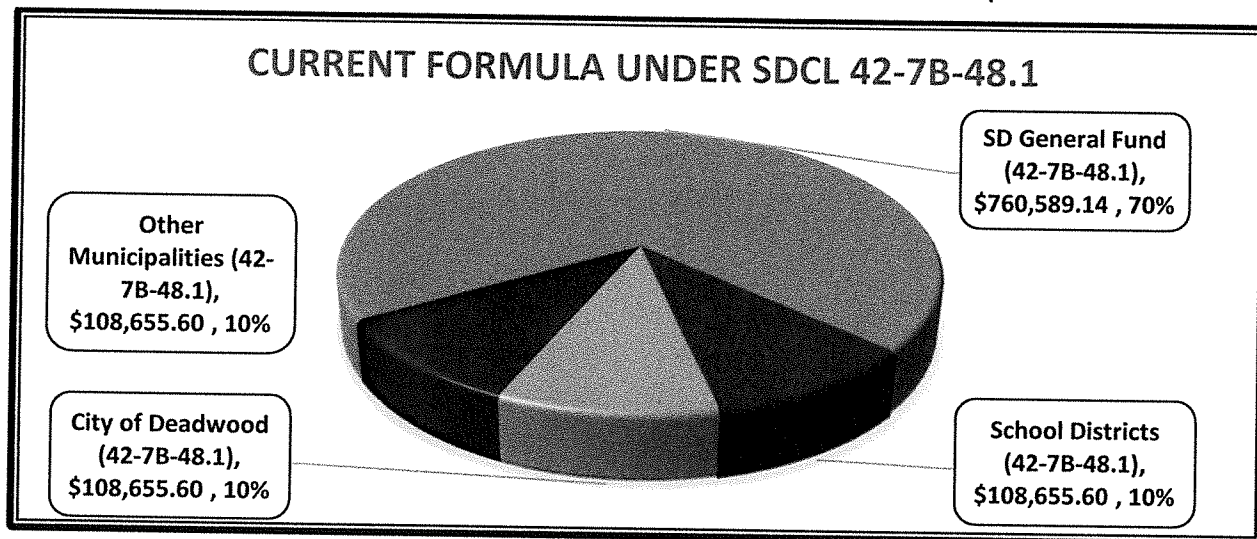


It is further important to note Deadwood is strictly governed by the South Dakota Administrative Rules on historic preservation programs and the budget is approved annually by the South Dakota State Historical Society Board of Trustees. Furthermore, South Dakota Legislative Audit annually ensures the revenues and expenses follow standard practices and state laws.

Senate Bill 99 adjusts the formula in an equitable manner which truly minimizes the impact to the state and local entities which receive gaming revenues generated in Deadwood. The South Dakota Department of Tourism will continue to receive 40% of the tax on Deadwood Gaming Revenues which represents nearly a third of the state tourism's annual budget as well as the additional 1% tax will continue to go to the state general fund. Lawrence County receipt of revenues will be unchanged. The South Dakota State Historic Preservation Fund and Department of Health both are not affected by SB99. The local schools and municipalities will continue to receive the same percentages.



Senate Bill 99 creates a fair and equitable appropriation of funding after the cap is reached. Deadwood would receive an equal increase as the State of South Dakota on revenues generated through limited stakes gaming. This formula change would equate to just \$325,966.80 loss to the state general fund and an equal increase to the City of Deadwood. The pie charts below are based on the Department of Revenue's Commission on Gaming FY2021 annual report.



To recap, each year Deadwood's visitation and gaming revenues continue to increase, and the City struggles with its share of the unequal financial returns generated. Senate Bill 99 adjusts the formula in a manner which has minimal impact to the State revenues, no impact to other governmental entities or agencies and provides a slight increase in additional funds to preserve and enhance the visitors experience to Deadwood and the State of South Dakota.

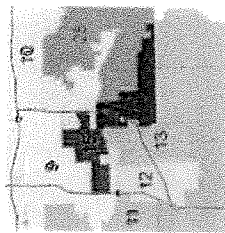
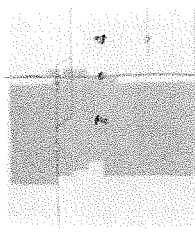
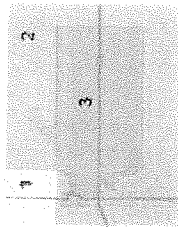
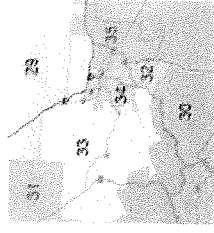
Deadwood is committed to ensuring the National Historic Landmark is being preserved, protected, and promoted as one of the Nation's premier preservation efforts. We also desire to be South Dakota's largest contributor to preservation efforts across the state. The Legislative District Map attached shows the support of limited stakes gaming revenues for each district.

We urge your support of Senate Bill 99. Thank you and I am available for any questions you may have in regards to my testimony.



# HISTORIC PRESERVATION FUNDS FROM DEADWOOD GAMING REVENUES

## DISTRIBUTED ACROSS LEGISLATIVE DISTRICTS



**FY1989 - FY2021**



|            |              |
|------------|--------------|
| District 1 | \$133,881.00 |
| District 2 | \$110,118.40 |
| District 3 | \$164,000.00 |
| District 4 | \$29,125.00  |
| District 5 | \$81,972.00  |
| District 6 | \$2,500.00   |
| District 7 | \$54,450.00  |

|               |              |
|---------------|--------------|
| District 8    | \$88,663.36  |
| District 9-15 | \$417,322.00 |
| District 16   | \$74,452.00  |
| District 17   | \$83,600.00  |
| District 18   | \$355,631.00 |
| District 19   | \$192,000.00 |
| District 20   | \$223,590.00 |

|              |              |
|--------------|--------------|
| District 21  | \$107,573.00 |
| District 22  | \$142,968.00 |
| District 23  | \$226,034.10 |
| District 24  | \$663,787.50 |
| District 25  | \$383,323.00 |
| District 26A | \$4,350.00   |
| District 26B | \$7,045.00   |

|                |                |
|----------------|----------------|
| District 27    | \$133,689.00   |
| District 28A   | \$10,000.00    |
| District 28B   | \$25,000.00    |
| District 29    | \$236,364.40   |
| District 30    | \$779,054.67   |
| District 31    | \$1,973,267.12 |
| District 32-35 | \$397,884.50   |

Note: Includes grants from the City of Deadwood's Historic Preservation Commission and the State Historic Preservation Office

