

MINUTES OF THE SENATE FEDERAL AND STATE AFFAIRS COMMITTEE

The meeting was called to order by Vice Chairperson Jacob LaTurner at 10:30 am on Tuesday, January 13, 2015, 144-S of the Capitol.

All members were present except:

Senator Ralph Ostmeyer – Excused

Senator Tom Holland – Excused

Committee staff present:

Heather O'Hara, Legislative Research Department

Connie Burns, Kansas Legislative Committee Assistant

Joanna Wochner, Legislative Research Department

Matt Sterling, Office of Revisor of Statutes

Mike Heim, Office of Revisor of Statutes

Dezeree Hodish, Kansas Legislative Research Department

Conferees appearing before the Committee:

Mark Dodd, Kansas State Gaming Agency

Richard Petersen-Klein, Kansas Racing and Gaming Commission

Terry Presta, Kansas Lottery Commission

Others in attendance:

[See Attached List](#)

Committee Business

The Vice Chair introduced the new committee members and staff. The Committee Rules and information for Conferees was reviewed.

Kansas State Gaming Agency

Mark Dodd, Executive Director, Kansas State Gaming Agency, provided an overview on the Agency. [\(Attachment 1\)](#) The four tribes that make up the Tribal State Compact are the Iowa Tribe of Kansas and Nebraska, the Prairie Band Potawatomi Nation of Kansas, the Kickapoo Tribe, and the Sac and Fox Nation of Missouri; each signed the Compact with the State of Kansas in 1995. By 1998, each Tribe had opened its own casino in Kansas, and continues to operate today. Each is regulated by a Tribal Gaming Commission. The gaming activities of each casino is monitored by the Kansas State Gaming Agency (KSGA or Agency) It is important to note that the Wyandotte Nation is not one of the tribes listed that have a current Tribal-State Compact, thus the Agency does not have any regulatory authority over their casino operation located in Kansas City, Kansas.

The Agency has a mission and goal which includes protecting the integrity of gaming by ensuring compliance with the Tribal-State Compacts, the Tribal Gaming Oversight Act, and applicable federal and state laws. The Agency's organization is made up of enforcement agents (sworn law enforcement officers) and a special investigations unit (not sworn law enforcement officers), as well as technical and

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support staff. The Kansas State Gaming Agency is responsible for conducting background investigations on all employees connected with the gaming operations at each casino. The Agency is also responsible for conducting background investigations on all vendors who sell more than \$10,000 per year in gaming equipment to a tribal casino in Kansas. In FY 2014, the Agency completed 469 individual employee background investigations and 16 vendor background investigations. Licensing of gaming employees and vendors is done entirely by the Tribal Gaming Commission; the agency can and does occasionally object to particular applicants. In FY 2014 agents coordinated training attended by five (5) outside personnel (tribal gaming facility employees and Tribal Gaming Commission staff). The Agency has a new plan beginning this month to make collaborative training with Tribal personnel an increased emphasis, and is seen as being integral to our goals and mission and will be mutually beneficial.

The Kansas Racing and Gaming Commission (KRGC) regulates the State owned casinos, and the Kansas State Gaming Agency (KSGA) regulates the compacted Tribal casinos. Mr. Dodd stated that according to the terms of the Tribal-State Compacts, he was not able to share specific information about the activities of any particular casino, and such information is not public record and is considered confidential according to the terms of the Tribal-State Compacts.

Kansas Racing and Gaming Commission

Richard Petersen-Klein, Executive Director, Kansas Racing and Gaming Commission, (KRGC) provided an agency update. ([Attachment 2](#)) The KRGC is the agency empowered by the Kansas Expanded Lottery Act (KELA), and the Kansas Pari-mutuel Racing Act, to regulate expanded gaming and pari-mutuel wagering in Kansas. The Commission consists of five members appointed by the Governor and confirmed by the Senate for four year terms.

The KRGCs is a fee-funded agency with operations funded by the lottery gaming facility managers that are under contract with the Kansas Lottery, and vendors who pay for their licensing costs. The Commission does not receive any State General Funds. KRGCs primary mission is to ensure that state-owned casino-style gaming and pari-mutuel racetrack wagering is conducted with integrity. As a regulatory agency, our chief mission is to seek compliance; the agencies regulatory duties include licensing, security, audit, electronic security, and responsible gambling.

Except for state sanctioned gambling (i.e. lottery, expanded lottery, pari-mutuel wagering, bingo and tribal gaming) all other forms of gambling violate the Kansas Constitution and the Kansas Criminal Code. The KRGC uses the criminal code to address illegal gambling activity in Kansas, assisting local law enforcement authorities, and answering questions from the community regarding the legality of planned events.

The pari-mutuel racetracks in Kansas ceased operations in 2008, all pari-mutuel wagering licenses have expired and no renewal applications have been filed with the KRGC. Despite the closing of all racetracks, the KRGC continues to register horses for the Kansas-bred program in anticipation of

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racetracks opening again. The Kansas Greyhound Association registers Kansas whelped greyhounds under a contract with the KRGH that expires December 31, 2014. Registration of Kansas-bred horses and Kansas whelped greyhounds continues at the request of the horse- and greyhound-racing community.

The Kansas Racing and Gaming Commission regulate the State owned casinos in Kansas.

Kansas Lottery

Terry Presta, Executive Director, Kansas Lottery, provided an agency update. ([Attachment 3](#)) Mr. Presta introduced Lottery Staff: Sherriene Jones-Sontag, Deputy Executive Director; and Keith Kocher, Director of Gaming Facilities.

Sales for the traditional lottery for FY 2014 totaled \$245,708,209. This was the second largest annual sales amount for Kansas Lottery tickets and nearly \$1million higher than in FY 2013. There was a 15 percent increase in the instant game category in the last quarter of FY 2014, compared to the same period the previous year. That was the largest increase posted by any of the 45 U.S. lotteries in that quarter. In FY 2014 the Lottery paid out almost \$138.7 million in prizes, along with retailer commissions of \$14.1 million.

Security continues to be the primary focus, both in the gaming system and field operations. Beginning January 2012, select Kansas Lottery instant games began featuring a new and faster validation process called keyless validation; a state-of-the-art barcode printed on the front of the ticket in the play area. The new barcode can be found under the latex on instant scratch tickets and under the tabs on instant pull tab tickets. Keyless validation allows players to win check and retailers to validate tickets by simply scanning the new barcode. The Lottery still successfully operates the Retailer Honesty Assurance Program, which ensures players are treated fairly by retailers.

The Lottery continues to develop marketing partnerships for games to increase the exposure of Kansas business, industry and tourism. The 2014 Kansas State Fair was the most successful yet for the Kansas Lottery, with new record sales of more than \$272,000 for the 10-day event. The Lottery transferred \$1.8 million for Veterans programs, bringing the total to over \$12 million since the legislation passed in 2003.

Expanded Gaming

Southeast Gaming Zone (Crawford and Cherokee Counties) The Lottery received no viable applications to become a Lottery Gaming Facility Manager in the Southeast Gaming Zone since 2008, which an applicant later withdrew. This prompted the 2014 Legislature to amend the Kansas Expanded Lottery Act (KELA) by lowering the minimum investment in infrastructure to \$50 million and decreasing the privilege fee from \$25 million to \$5.5 million; and is currently accepting applications from prospective managers through the end of January.

Unless specifically noted, the individual remarks recorded herein have not been transcribed verbatim. Individual remarks as reported herein have not been submitted to the individuals appearing before the committee for editing or corrections.

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South Central Gaming Zone (Sumner and Sedgwick Counties) In mid-2012 a proposal was announced whereby Peninsula gaming Partners would be purchased by or merged with Boyd Gaming Corporation. The proposal was not just for Peninsulas Kansas Star Casino, but for the entire Peninsula Company, including all five of its casinos. All necessary approvals were obtained by November of 2012 and the transfer was completed. Addition of Peninsulas casinos brought the total number of casinos owned by Boyd Gaming to 22. Construction of the permanent casino structure was substantially completed by December of 2012. An official grand opening was conducted on January 11, 2013. The permanent casino houses approximately 1,800 slot machines, 60 table games (including a 13-table dedicated poker room), with an additional 150-rooms of the hotel (bringing the total to 300 rooms) was opened last summer. Total gaming facility revenue for FY 14 was \$181 million. Gaming facility revenues are all amounts wagered less prizes paid, which revenue is then available for distribution as follows:

State of Kansas: 22%

Casino manager: 73% (from which it pays all expenses)

City of Mulvane: 1%

Sedgwick County: 1%

Sumner County: 1%

Problem Gambling and Addictions Grant Fund: 2%

Northeast Gaming Zone (Wyandotte County) the Hollywood Casino at Kansas Speedway on the second turn of the Kansas Speedway in Kansas City, Kansas, opened to the general public on February 3, 2012. Gaming facility revenue for the facility was approximately \$132 million in FY14. Again, gaming facility revenues are all amounts wagered less prizes paid, which revenue is then available for distribution as follows:

State of Kansas: 22%

Casino manager: 73% (from which it pays all expenses)

Unified Government of Wyandotte County and Kansas City, KS: 3%

Problem Gambling and Addiction Grant Fund: 2%

Southwest Gaming Zone (Ford County) Boot Hill Casino & Resort opened to the general public on December 15, 2009. The Phase II of the casino project was completed in the fall of 2012. That phase included an expansion of the gaming floor bringing the total number of slot machines to 689 and increasing the number of table games to 18 (including a 5-table dedicated poker room). In 2012 a 108 room Hampton Inn & Suites Hotel situated right next to the casino opened its doors. On the other side of the casino the arena and convention center jointly built by Dodge City and Ford County have continued in full operation. Gaming facility revenues at Boot Hill Casino for FY14 were about \$40 million. In the Southwest Gaming Zone gaming facility revenue are distributed as follows:

State of Kansas: 22%

Casino manager: 73% (from which it pays all expenses)

City of Dodge City: 1.5%

Ford County: 1.5%

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Problem Gambling and Addictions Grant Fund: 2%

Total Casino revenue fund transfers: State of Kansas for FY 14 - \$78 million, Cumulative to State through FY 14 - \$214.2 million, Problem Gambling and Addictions Grant Fund FY 14 - \$7 million, Cumulative to PGAGF through FY14 - \$19.4 million, City and County recipients FY 14 - \$10.6 million, cumulative to PGAGF through FY 14 - \$19.4 million.

Racetrack Gaming Facilities

All pari-mutuel racetracks closed their doors and subsequently the Kansas Racing and Gaming Commission revoked both pari-mutuel licensees licenses to conduct races. The Lottery received no inquiries regarding racetrack gaming facilities in FY 2014.

The next meeting is scheduled January 14, 2015. The meeting was adjourned at 11:15 a.m.