

MINUTES OF THE SENATE FEDERAL AND STATE AFFAIRS COMMITTEE

The meeting was called to order by Chairperson Ralph Ostmeyer at 10:30 am on Thursday, January 14, 2016, 144-S of the Capitol.

All members were present except:

Senator Oletha Faust-Goudeau – Excused

Senator Mitch Holmes – Excused

Committee staff present:

Joanna Dolan, Legislative Research Department

Connie Burns, Kansas Legislative Committee Assistant

Matt Sterling, Office of Revisor of Statutes

Mike Heim, Office of Revisor of Statutes

Heather O'Hara, Legislative Research Department

Dezeree Hodish, Kansas Legislative Research Department

Conferees appearing before the Committee:

Debbi Beavers, Alcoholic Beverage Control Division

Don Brownlee, Kansas Racing and Gaming Commission

Mark Dodd, Kansas State Gaming Agency

Philip Bradley, Kansas Craft Brewers Guild

Others in attendance:

[See Attached List](#)

**Introduction of Bills**

Phil Bradley, Kansas Craft Brewers Guild, requested a bill introduction concerning alcoholic beverages; relating to microbreweries.

*There being no objection from any member present, the Chairman declared a motion to introduce the bill adopted by consensus.*

Senator LaTurner requested a bill introduction concerning firearms; enacting the Kansas firearms industry nondiscrimination act.

*There being no objection from any member present, the Chairman declared a motion to introduce the bill adopted by consensus.*

**Alcoholic Beverage Control**

## CONTINUATION SHEET

MINUTES of the Committee on Federal and State Affairs at 10:30 am on Thursday, January 14, 2016 in Room 144-S of the Capitol.

---

Debbi Beavers, Interim Director, Alcoholic Beverage Control Division, provided a legislative briefing on the Agency. ([Attachment 1](#)) Alcoholic Beverage Control Divisions (ABC) mission is to promote, serve and protect the health, safety and welfare of Kansans by regulating the liquor industry and enforcing liquor, tobacco and other laws administered by the Kansas Department of Revenue. (KDOR)

ABC priorities/initiatives being pursued by the agency include:

1. Make it as easy as possible for liquor licensees to comply with liquor laws
  - Enforcement agents are delivering new licenses and educating new business owners/managers on how to comply with liquor laws, sharing best practices and answering questions. This promotes sense of partnership between licensees and ABC.
  - Providing an easily navigated website that provides on-line reference licensees may access to assist them in becoming and remaining compliant with liquor laws
  - Improved interaction with liquor licensees and ABC stakeholders via social media through the ABC Facebook page.
  - Conducting routine meetings with liquor industry representatives and performing on premise visits by ABC management to help create and maintain industry understanding, open communication and a sense of transparency.
2. Maintain and improve compliance with statutory laws. Enforcement-related activities are generally being re-allocated with an emphasis on changing the behavior of repeat violators. Follow-up compliance visits are being conducted with the goal of reducing the rate of recidivism.

ABC is placing a greater emphasis on licensee training and support when lesser alleged offenses are discovered.

The successful implementation of the new computer system for the agency this last year; the adoption rate of the new online system has exceeded ABCs expectations. Previously, all applications had to be filled via paper rather than electronically. Paper applications are still accepted.

ABC efforts to make it as easy as possible for licensees to comply with liquor laws is paying off as measured by anonymous surveys (administered via Survey Monkey) emailed to 125 randomly-selected licensees each quarter. Questions covered customer service, how well staff made the process and requirements understandable and responsiveness/timeliness. New licesnsees responded positively to questions at a 97% rate in 2015.

The 2015 Legislative session saw numerous liquor-related bills, all of which were ultimately combined into **HB 2223**.

### Organizational Units

The Office of Special Investigations (OSI) and Alcoholic Beverage Control has been organizationally separated. ABC is now a standalone bureau with KDOR.

---

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.

## CONTINUATION SHEET

MINUTES of the Committee on Federal and State Affairs at 10:30 am on Thursday, January 14, 2016 in Room 144-S of the Capitol.

---

There currently are 4,891 active liquor licenses and permits for retail liquor stores, distributors, manufacturers, farm wineries, microbreweries, on premise establishments (class A clubs, class B clubs and drinking establishments), caterers, special order shippers, and suppliers. Temporary liquor permits have been steadily increasing over the past few years; there were 473 temporary permits in FY 2015.

Charts were provided that summarized active licenses by license type for 2013 through 2016, Gallonage Tax Rates per Gallon, and other related revenue collected by ABC for FY12 FY15.

The Liquor Enforcement Unit provides investigative services for the agency to effectively enforce the liquor laws. There are currently 17 agent positions. Enforcement agents are certified law enforcement officers. They conduct criminal and administrative investigations as directed by KDOR. In addition, agents provide training to licensees, local law enforcement officers, Regional Prevention Centers (RPC) and other interested coalitions; conduct hidden ownership investigations when there is reason to believe the licensee of record is not the true owner, conduct underage enforcement including controlled-buy investigations, bar checks, furnisher checks, investigate complaints, and perform routine compliance checks. Investigations resulting in alleged violations are presented to the County or District Attorney for criminal prosecution against the individual suspect and/or the ABC Assistant Attorney General (AAG) for possible administrative action against the licensee.

The Licensee Administrative Action Unit (LAA) is staffed by the Assistant Attorney General (AAG) assigned to the ABC, a legal assistant and one administrative specialist. The AAG reviews the cases presented by the enforcement section and local law enforcement agencies to determine the appropriateness of the charges and administratively prosecutes violations of the liquor laws before the Director. A table of activity for FY2012 thru FY2015 and the total fines collected was included.

ABC has accepted the following responsibilities in addition to its statutory requirements:

Cigarette and Tobacco Enforcement (CATE) CATE inspectors perform statewide cigarette and tobacco enforcement activities to reduce sales of cigarettes and tobacco products to minors and ensure compliance with cigarette and tobacco laws. In addition to State CATE objectives, CATE conducts the compliance checks required under the federal Synar Amendment. Under Synar, the state must maintain a minimum compliance rate of 80% for sales of cigarettes to minors or risk losing a portion of the block grant monies allocated to the Kansas Department for Aging and Disability Services (KDADS) for substance abuse programs.

ABC enforcement agents work with other law enforcement agencies that are conducting illegal drug investigations to ensure proper assessment of the state drug tax and penalty. Three quarters (75%) of drug taxes collected is distributed to the local law enforcement agency that conducted the drug investigation, while the remaining 25% is deposited into the State General Fund.

ABC provided a table of liquor license and permit fees and current 2015 Maps of:

---

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.

## CONTINUATION SHEET

MINUTES of the Committee on Federal and State Affairs at 10:30 am on Thursday, January 14, 2016 in Room 144-S of the Capitol.

---

Retailer Licenses  
On-Premise Licenses  
Liquor-by-the-drink (wet/dry counties)  
Dry Cities (No Retail Sales)  
Distributors Licenses  
Farm Wineries and Outlet Licenses  
Microbreweries Licenses  
Micro-distillery Licenses  
Manufacturers Licenses  
Cereal Malt Beverage Licenses On-Premise Retailers licensed & regulated by counties  
Cereal Malt Beverage Licenses Off-Premise Retailers licensed & regulated by counties

### **Kansas Racing and Gaming Commission**

Don Brownlee, 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 agency's 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, there are still a number of Kansans that bred racing animals in Kansas and operate racing animals in other jurisdictions. There are registration requirements for Kansas bred horses and dogs in the Kansas pari-mutuel racing laws. 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 three State owned casinos located in Dodge

---

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.

## CONTINUATION SHEET

MINUTES of the Committee on Federal and State Affairs at 10:30 am on Thursday, January 14, 2016 in Room 144-S of the Capitol.

---

City, Mulvane, and Kansas City. The fourth gaming zone approved by the Expanded Lottery Act has been awarded to facility manager, Kansas Crossing, at a location in southern Crawford County. Due to law suits over the selection, the construction has been delayed. Based on extensions granted by the Lottery we currently anticipate an opening date around January 2017.

The committee asked about the Problem Gambling and Addictions Grant Fund and what agency administer the fund. Mr. Brownlee responded that KDADs is the responsible agency.

### **Kansas State Gaming Agency**

Mark Dodd, Executive Director, Kansas State Gaming Agency, provided an overview on the Agency. [\(Attachment 3\)](#) 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 in Kansas and Nebraska; 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 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 2015, the Agency completed 460 individual employee background investigations and 27 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 2015 agents coordinated training attended by 88 outside personnel (tribal gaming facility employees and Tribal Gaming Commission staff). In FY 2015 enforcement agents handled one (1) criminal case, conducted four (4) compact compliance investigations, and completed 79 slot inspections involving 405 individual slot machines. Inspection of other area of the gaming facilities including and not limited to table games, cage operations, security processes, among other areas, were conducted on 754 separate occasions. Reports of all inspections are forwarded to each property's respective Tribal Gaming Commission, and other dissemination is not allowed.

The Kansas Racing and Gaming Commission (KRGC) regulate the State owned casinos, and the Kansas State Gaming Agency (KSGA) regulates the compacted Tribal casinos. Mr. Dodd stated that

---

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.

## CONTINUATION SHEET

MINUTES of the Committee on Federal and State Affairs at 10:30 am on Thursday, January 14, 2016 in Room 144-S of the Capitol.

---

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 Lottery**

Terry Presta, Executive Director, Kansas Lottery, provided an agency update. ([Attachment 4](#)) 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 2015 totaled \$250,025,840. This was the second largest annual sales amount for Kansas Lottery tickets and nearly \$5 million higher than in FY 2014. There was a 10 percent increase in the instant game category in FY 2015. This despite another challenging year for online/draw games like Powerball and Mega Millions. Plus, a new national game from which the Lottery anticipated millions of dollars in sales collapsed in other states before Kansas could even begin selling it. In FY 2015 the Lottery paid out almost \$144.9 million in prizes, along with retailer commissions of \$14.8 million.

The Lottery continues to develop marketing partnerships for games to increase the exposure of Kansas business, industry and tourism. The 2015 Kansas State Fair was the most successful yet for the Kansas Lottery, with new record sales of more than \$270,000 for the 10-day event. The Lottery expanded its marketing efforts in FY 2015, developing radio and television commercials emphasizing that any jackpot is a great jackpot. The Lottery transferred \$1.6 million for Veterans programs, bringing the total to over \$13.6 million since the legislation passed in 2003. Presently, the transfer goes 40% for National Guard Educational Assistance Act scholarships, 30% to Veterans Homes and Cemeteries and 30% to the Veterans Enhanced Service Delivery Program.

### **Expanded Gaming**

#### **Southeast Gaming Zone (Crawford and Cherokee Counties)**

The Lottery received four applications to become a Lottery Gaming Facility Manager in the Southeast Gaming Zone, with one applicant withdrawing in early March. The Lottery successfully negotiated contracts with the three remaining applicants (two in Crawford County and one in Cherokee County) and turned the contracts over to the Lottery Gaming Facility Review Board. In June 2015 the Review Board selected Kansas Crossing Casino in Crawford County as the apparent successful applicant.

#### **South Central Gaming Zone (Sumner and Sedgwick Counties)**

The Kansas Star Casino is currently managed by Boyd Gaming Corporation. The casino opened to the general public in its temporary facility in December of 2011. Construction of the permanent casino structure was substantially completed by December of 2012, when the new casino floor and all amenities were fully opened to the public. The casino currently houses approximately 1,700 slot

---

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.

## CONTINUATION SHEET

MINUTES of the Committee on Federal and State Affairs at 10:30 am on Thursday, January 14, 2016 in Room 144-S of the Capitol.

---

machines, 60 table games (including an 8-table dedicated poker room), with a 300-rooms and five (5) restaurants. Total gaming facility revenue for FY 15 was \$181.8 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)

Kansas Entertainment is a partnership between Penn National Gaming and International Speedway Corporation. Kansas Entertainment constructed 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. The casino currently houses approximately 2,000 slot machines and 52 table games. Gaming facility revenue for the facility was approximately \$142.8 million in FY15. 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 650 and 21 table games. Gaming facility revenues at Boot Hill Casino for FY15 were about \$40.5 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%

Problem Gambling and Addictions Grant Fund: 2%

Total Casino revenue fund transfers: State of Kansas for FY 15 - \$80.3 million, Cumulative to State through FY 15 - \$294.3 million, Problem Gambling and Addictions Grant Fund FY 15 - \$7.3 million, Cumulative to PGAGF through FY15 - \$26.7 million, City and County recipients FY 15 - \$11 million, cumulative to City and County recipients through FY15 - \$40.1 million.

Racetrack Gaming Facilities All pari-mutuel racetracks closed their doors and subsequently the Kansas

---

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.

## CONTINUATION SHEET

MINUTES of the Committee on Federal and State Affairs at 10:30 am on Thursday, January 14, 2016 in Room 144-S of the Capitol.

---

Racing and Gaming Commission revoked both pari-mutuel licensees licenses to conduct races. The Lottery received no inquiries regarding racetrack gaming facilities in FY 2015.

Legislative interest in the electronic dispensers was discussed by the committee.

The next meeting is scheduled January 21, 2016. The meeting was adjourned at 11:28 a.m.

---

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.