

MINUTES OF THE SENATE FEDERAL AND STATE AFFAIRS COMMITTEE

The meeting was called to order by Chairman Pete Brungardt at 10:45 a.m. on Tuesday, January 25, 2005, in Room 231-N of the Capitol.

Committee members absent: Senator Anthony Hensley (E)  
Senator John Vratil (E)  
Senator Ralph Ostmeier (E)

Committee staff present: Athena Andaya, Kansas Legislative Research Department  
Dennis Hodgins, Kansas Legislative Research Department  
Mary Ann Torrence, Revisor of Statutes Office  
Dee Woodson, Committee Secretary

Conferees appearing before the committee: Joan Wagon, Secretary, Department of Revenue  
Tracy Diel, Executive Director, Kansas Racing and Gaming Commission

Others attending: See attached list.

Chairman Brungardt called for bill introductions. Senator Brownlee asked for the introduction of a bill regarding the negotiation and approval of gaming compacts which would amend K.S.A. 46-2302. She said it would be rewriting a 2001 bill, HB 2224. Senator Brownlee said the proposed bill would have the approval of gaming compacts go to the Governor instead of the Legislative Coordinating Council, and the Governor could call a special session of the Legislature.

Senator Barnett moved to introduce the proposed bill, seconded by Senator Reitz, and the motion carried.

Terri Roberts, Executive Director, Kansas State Nurses Association (KSNA), requested the introduction of a bill to strengthen the Kansas Whistle blower Laws and Protections. The KSNA recommends the amendment of K.S.A. 75-2973 which would protect employees who disclose information related to agency operations or other matters of public concern to legislative Post audit or other state or federal oversight entities, as well as to legislators; cover all Kansas employees within the state; and add language to shift the burden of proof for alleged retaliation to the employer taking action within 90 days of a known report. KSNA also recommends the amendment of K.S.A. 65-4928:a. By also adding language which shifts the burden of proof to the employer for incidences of alleged retaliation.

Following questions and discussion, Senator Reitz moved to introduce the proposed bill, seconded by Senator Brownlee, and the motion carried.

Phillip Bradley, Executive Director, Kansas Licensed Beverage Association, asked for the introduction of a bill consisting of cleanup amendments to the K.S.A. 41-308b microbrewery law. The amendments were in regard to the addition of a microbrewery packaging and warehousing license, changing Sunday sales of packaged beer to be between the hours of 11:00 a.m. until 7:00 p.m. to parallel the current retail liquor store sales hours in many cities, and add to section 6, a new provision (e), similar to the farm winery statute, which would allow Kansas microbreweries to exhibit and sell at the Kansas State Fair certain types of beer by purchasing a temporary state license. The fourth requested change was to K.S.A. 41-310(e) which placed a \$50 annual fee for a microbrewery packaging and warehousing license. Mr. Bradley requested that farm wineries have the ability to exhibit at the State Fair, which would require them to get a temporary liquor license, and allow them to sell their Kansas homegrown product at the State Fair if they entered into a contract with the State Fair Board and abided by all the Board's rules.

Senator Barnett made a motion to introduce the requested bill, seconded by Senator Brownlee, and the motion carried.

Chairman Brungardt called upon Joan Wagon, Secretary of the Kansas Department of Revenue (KDOR), to give a general overview and briefing of the Department of Revenue. Secretary Wagon introduced staff personnel who were in attendance: Tom Groneman, Director of Alcoholic Beverage Control; Jim Conant, Director of Resources, and Dave Corbin, Special Assistant to the Secretary.

## CONTINUATION SHEET

MINUTES OF THE Senate Federal and State Affairs Committee at 10:45 a.m. on Tuesday, January 25, 2005, in Room 231-N of the Capitol.

Secretary Wagon reviewed the Agency Mission and Philosophy/Vision Statements. She distributed handouts, and talked about the four major divisions within her department. KDOR has approximately 1,200 employees with a \$75M budget, of which \$20M comes from the General Fund. Secretary Wagon briefly reviewed the handouts which included Gross Total Collections and by Source, Collections by Distribution to Fund, State General fund Total Collections and by Source (Net of Refunds), Motor Fuel Tax Gross Collections, Statewide Assessed Property Values and Assessed Valuation by Property Type, Tax Years 2002 and 2003, Total Vehicle Revenue collections by Calendar Year, Gallonage Tax Receipts by Components and Fiscal Year, Liquor Excise Tax Gross Receipts, and a map of Kansas depicting the counties that have liquor-by-the-drink. She also spoke briefly about some legislative issues that are very important to her department. (Attachment 1)

Following Committee questions and discussion, the Chairman expressed the Committee's appreciation for the Secretary's general overview of KDOR.

Chairman Brungardt asked Tracy Diel to give an overview and update on the Kansas Racing and Gaming Commission (KRGC). He explained that the KRGC is made up of two agencies, the Commission and the Kansas State Gaming Agency (KSGA). He said the Commission provides logistical support to the KSGA and by statute is responsible for approving the KSGA's budget, personnel expansion, and arbitration authorization. All other management decisions relating to the KSGA are handled by its Executive Director.

Mr. Diel stated that Kansas has two greyhound racetracks that operate year round; the Woodlands in Kansas City, Kansas, and the Wichita Greyhound Park in Valley Center, Kansas. He said that during the spring and summer months, the Commission also oversees parimutuel horse racing at the Eureka Downs (Eureka, Kansas) county fair meet and parimutuel horse and greyhound racing at the Anthony downs (Anthony, Kansas) county fair meet. He referred to his written testimony, and said that the Commission's involvement in racing is basically to oversee all activities that occur at the racetrack facilities. Mr. Diel talked about the number of operating days at each track. He included in his handout a breakdown of the wagering dollars showing the percentage breakdown of each dollar wagered in Kansas. (Attachment 2)

Chairman Brungardt expressed appreciation for Mr. Diel's presentation.

Minutes for the January 18 meeting was presented for approval. Senator Brownlee moved to approve the minutes as written, seconded by Senator Reitz, and the motion carried.

The meeting was adjourned at 11:45 a.m. The next meeting is scheduled for January 26, 2005, at 10:30 a.m.





Secy. Joan Wagner

## **Agency Mission**

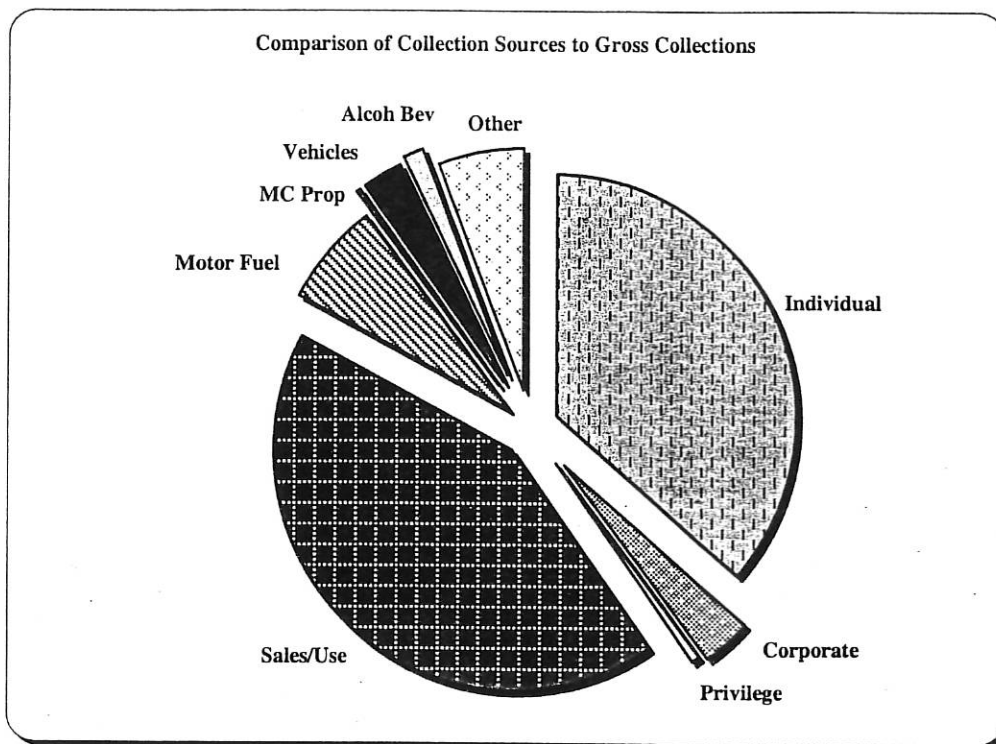
*The Kansas Department of Revenue collects taxes and fees, administers Kansas tax laws, issues a variety of licenses, and provides assistance to Kansas citizens and units of government.*

## **Agency Philosophy/Vision**

*The Kansas Department of Revenue is committed to hard work every day for the people of Kansas; to treat our taxpayers, our employees and each other with respect; to conduct business with integrity, fairness and civility; and to be held accountable for our efforts. We will collect taxes and fees fairly, cheerfully, accurately and efficiently.*

## Gross Total Collections and by Source

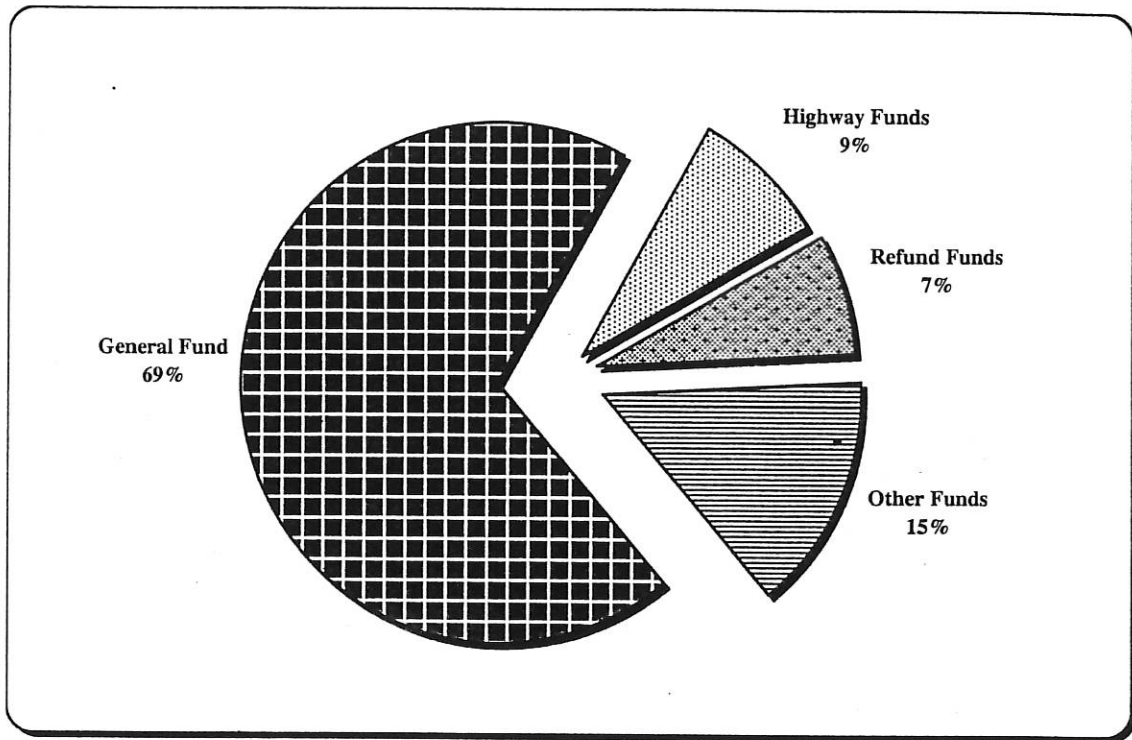
Collections by Department of Revenue



<u>Source</u>	<u>Fiscal Year</u> <u>2003</u>	<u>Fiscal Year</u> <u>2004</u>	<u>Percent</u> <u>Change</u>	<u>Percent of</u> <u>FY2004 Total</u>
Individual Income Taxes	\$2,101,042,052	\$2,227,290,739	6.0%	36.5%
Corporate Income Taxes	\$204,725,286	\$207,581,221	1.4%	3.4%
Privilege Taxes	\$33,137,296	\$27,143,598	-18.1%	0.4%
State and Local Sales and Use Taxes	\$2,442,600,272	\$2,586,715,224	5.9%	42.3%
Motor Fuel Taxes	\$417,801,358	\$429,032,527	2.7%	7.0%
Property Taxes: Motor Carrier	\$16,382,410	\$19,782,224	20.8%	0.3%
Division of Vehicles	\$159,683,489	\$169,999,255	6.5%	2.8%
Alcoholic Beverage Control	\$87,032,088	\$90,888,490	4.4%	1.5%
Other Taxes and Fees	<u>\$316,775,215</u>	<u>\$350,649,299</u>	10.7%	5.7%
Total	\$5,779,179,466	\$6,109,082,577	5.7%	100.0%

Other taxes and fees include: bingo; drycleaning; transient guest; cigarette; tobacco; controlled substances; estate; minerals; gas oil and sand royalties; car line; bonds; licenses; and fees.

## Total Department of Revenue Collections by Distribution to Fund



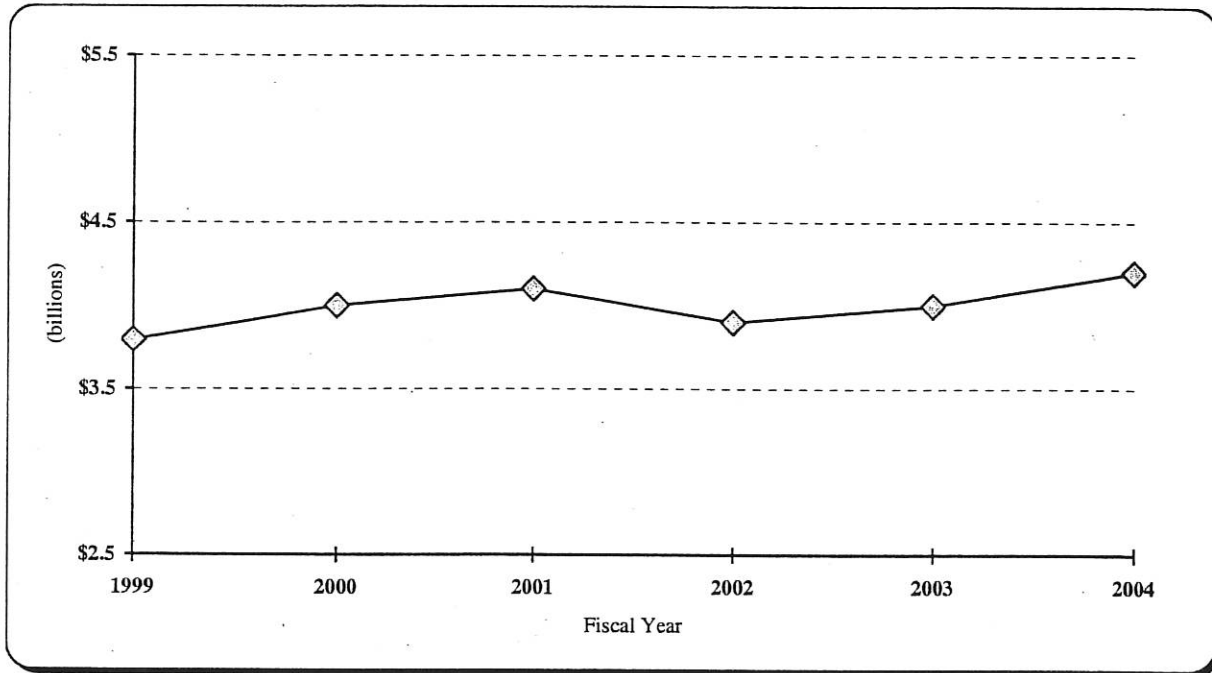
<u>Fund</u>	<u>Fiscal Year</u> <u>2003</u>	<u>Fiscal Year</u> <u>2004</u>	<u>Percent</u> <u>Change</u>	<u>Fiscal Year</u> <u>2004</u> <u>Percent</u> <u>Total</u>
State General Fund	\$4,018,938,592	\$4,230,820,531	5.3%	69.3%
All Highway Funds	\$649,713,018	\$525,644,182	-19.1%	8.6%
All Refund Funds	\$469,717,152	\$448,757,614	-4.5%	7.3%
Other Funds	\$640,810,704	\$903,860,250	41.0%	14.8%
Total	\$5,779,179,466	\$6,109,082,577	5.7%	100.0%

Other Funds include: local transient guest; various vehicle and driver license funds; county mineral production funds; various local alcohol funds; sand royalty fund; etc.

## State General Fund Total Collections and by Source (Net of Refunds)

Collections by Department of Revenue

Fiscal Year 2004 State General Fund Collections increased by 5.3% compared to the prior fiscal year.



### General Fund Collections by Source

<u>Source</u>	<u>Fiscal Year</u> <u>2003</u>	<u>Fiscal Year</u> <u>2004</u>	<u>Percent</u> <u>Change</u>
Motor Carrier Property Tax *	\$15,729,081	\$19,497,652	24.0%
Individual Income Tax	\$1,750,054,137	\$1,888,431,039	7.9%
Corporate Income	\$105,222,316	\$141,172,918	34.2%
Privilege	\$31,119,555	\$25,435,185	-18.3%
Estate Tax	\$46,951,948	\$48,064,151	2.4%
Sales Tax	\$1,567,721,762	\$1,612,066,627	2.8%
Use Tax	\$225,923,323	\$214,503,105	-5.1%
Alcoholic Beverage Taxes, Fees, Fines	\$64,673,797	\$67,502,495	4.4%
Cigarette/Tobacco Tax	\$133,759,678	\$124,586,274	-6.9%
Mineral Tax	\$72,775,126	\$84,639,220	16.3%
Other **	<u>\$5,007,869</u>	<u>\$4,921,865</u>	-1.7%
<b>Total</b>	<b>\$4,018,938,592</b>	<b>\$4,230,820,531</b>	<b>5.3%</b>

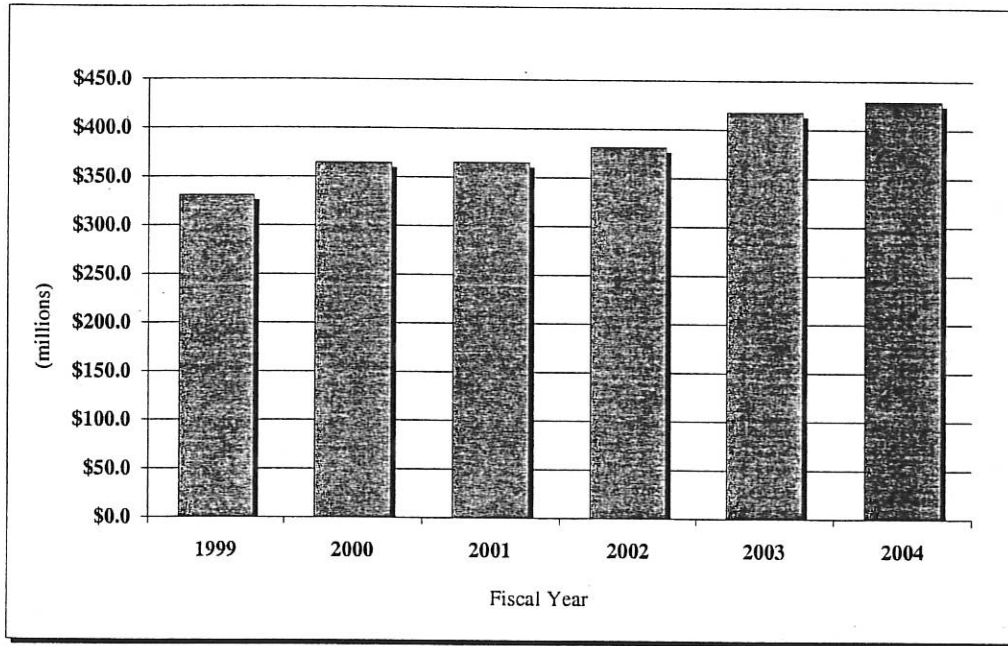
Note: FY 2002 "Other" revised

\* Like amount is transferred to Special County/City Highway Fund.

\*\* Other includes: bingo; controlled substances; gas, oil and mineral royalties; car line; bonds; licenses; and fees.

## Motor Fuel Tax Gross Collections

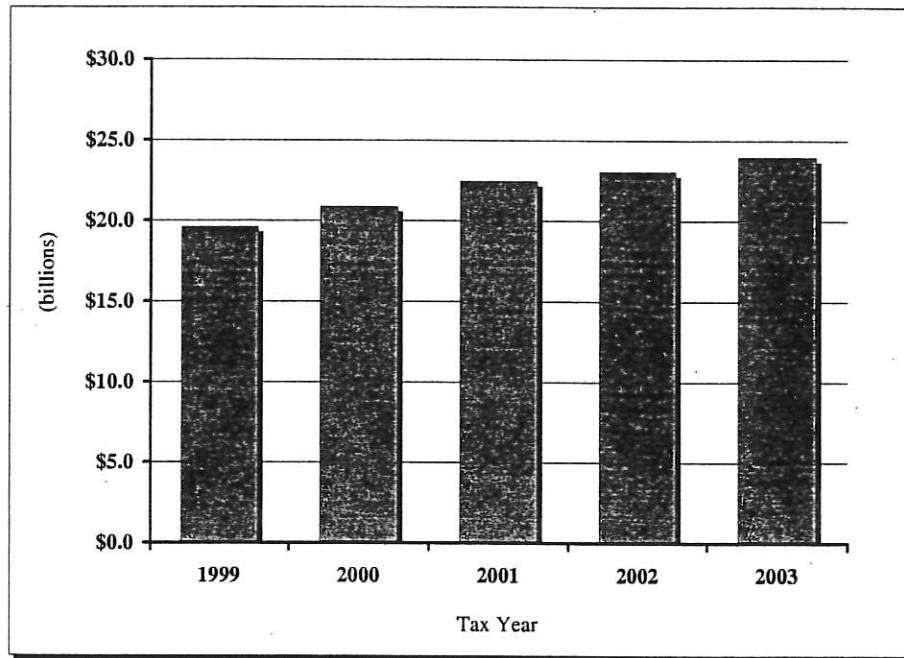
On July 1, 1993, the point of taxation on special fuels was moved from the retail/user level to the wholesale distributor level. July 1, 1995 marked the start of the Governor's fuel tax evasion project aimed at reducing fuel tax evasion in Kansas. The 2002 Legislature enacted House Bill 3011, which increased all motor fuel tax rates by \$.02 per gallon effective July 1, 2002 and increases all motor fuel tax rates by \$.01 per gallon effective July 1, 2003.



<u>Fiscal Year</u>	<u>Gross Collections</u>	<u>Percent Change</u>
1999	\$331,151,050	1.4%
2000	\$364,450,430	10.1%
2001	\$365,169,871	0.2%
2002	\$381,593,249	4.5%
2003	\$417,801,358	9.5%
2004	\$429,032,527	2.7%



## Statewide Assessed Property Values



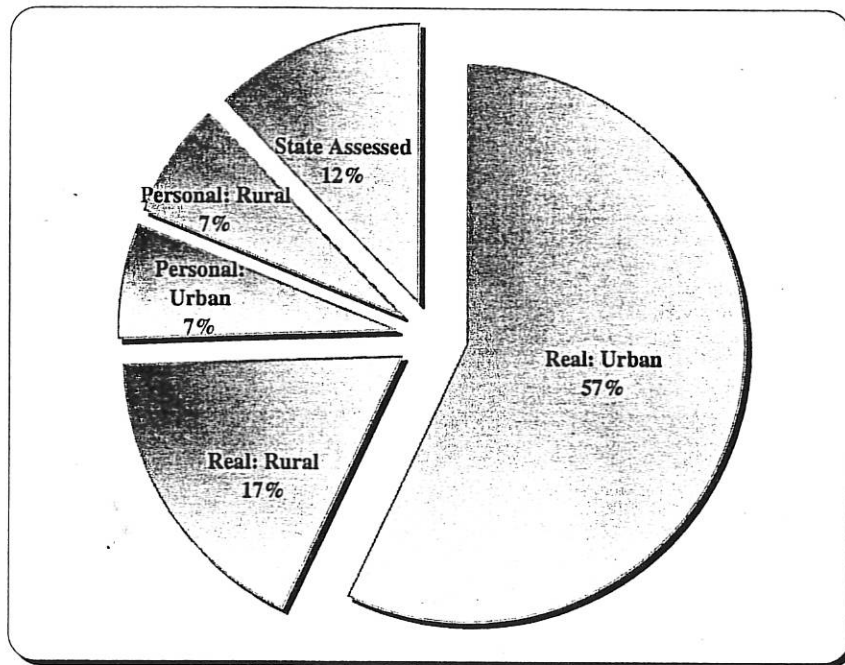
### Assessed Valuation by Tax Year

<u>Tax Year</u>	<u>Assessed Valuation</u>	<u>Percent Change</u>
1999	\$19,608,429,595	4.0%
2000	\$20,874,511,185	6.5%
2001	\$22,458,553,785	7.6%
2002	\$23,034,627,672	2.6%
2003	\$23,966,804,608	4.0%

## Assessed Valuation by Property Type, Tax Years 2002 and 2003

Assessed value is the value on which the tax burden to support local government services, special assessments and public schools is allocated among property owners. Appraised value X assessment % = assessed value. Personal property is every tangible thing that is the subject of ownership, not forming part or parcel of real property. Real property is land and all buildings, fixtures, improvements, mines, minerals, quarries, mineral springs and wells, rights and privileges appertaining thereto, except as otherwise specifically provided.

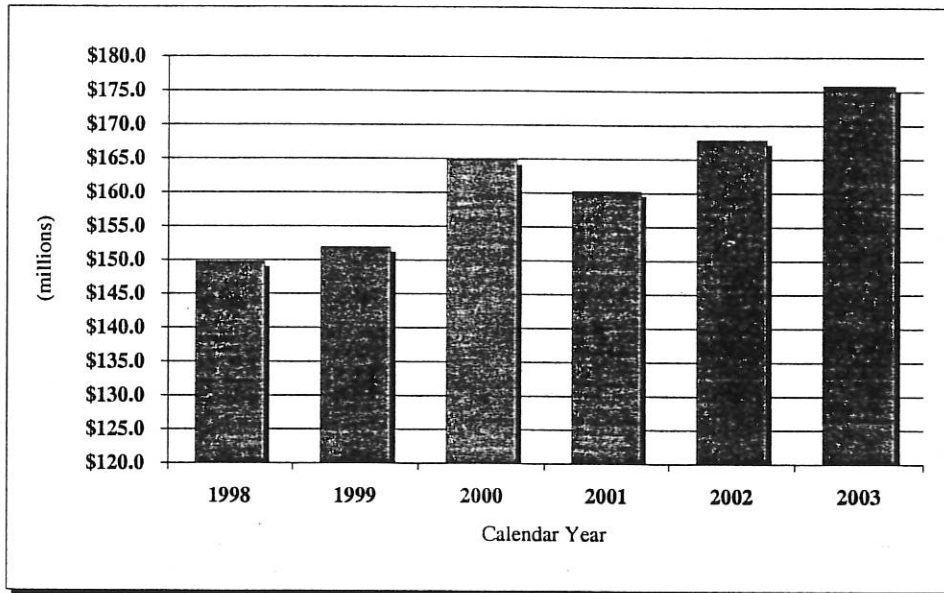
Assessed Valuation by Property Type, Tax Year 2003



<u>Property Type</u>	<u>Assessed Valuation</u> <u>Tax Year 2002</u>	<u>Assessed Valuation</u> <u>Tax Year 2003</u>	<u>Percent</u> <u>Change</u>	<u>2003</u> <u>Percent</u> <u>Total</u>
Locally Assessed:				
Real: Urban	\$12,778,297,622	\$13,662,318,609	6.9%	57.0%
Real: Rural	\$4,057,555,069	\$4,168,567,933	2.7%	17.4%
Personal: Urban	\$1,634,609,796	\$1,621,924,800	-0.8%	6.8%
Personal: Rural	\$1,747,587,359	\$1,610,239,028	-7.9%	6.7%
State Assessed	<u>\$2,816,577,826</u>	<u>\$2,903,754,238</u>	3.1%	12.1%
Total	\$23,034,627,672	\$23,966,804,608	4.0%	100.0%

## Total Vehicle Revenue Collections by Calendar Year

The Division of Vehicles is responsible for the collection of motor vehicle fees, including: titles, registration, motor carrier inspection (with the Kansas Highway Patrol), International Registration Plan, driver license, and dealer licensing. Registration is by calendar year.

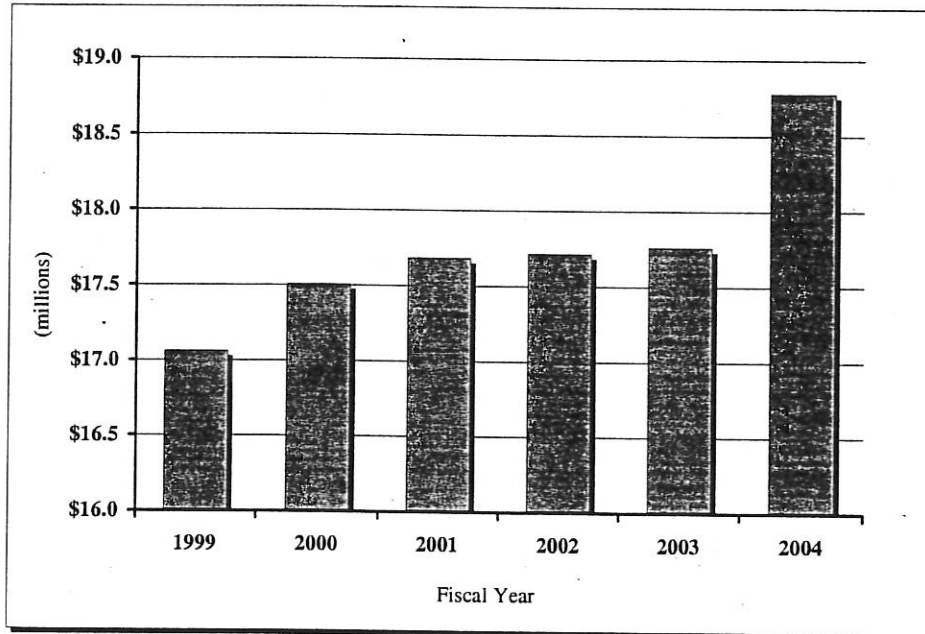


<u>Calendar Year</u>	<u>Amount Collected</u>	<u>Percent Change</u>
1998	\$149,672,057	4.2%
1999	\$151,861,729	1.5%
2000	\$164,837,197	8.5%
2001	\$160,252,256	-2.8%
2002	\$167,818,587	4.7%
2003	\$175,821,903	4.8%

## Gallonaage Tax Receipts by Components and Fiscal Year

### Gross Gallonaage Tax by Components

	Fiscal Year <u>2003</u>	Fiscal Year <u>2004</u>	Percent <u>Change</u>
Alcohol and Spirits	\$6,858,529	\$7,715,839	12.5%
Fortified and Light Wine	\$832,953	\$924,389	11.0%
Strong Beer	\$7,796,305	\$7,974,565	2.3%
Cereal Malt Beverage	<u>\$2,272,910</u>	<u>\$2,164,832</u>	-4.8%
Total	\$17,760,697	\$18,779,625	5.7%



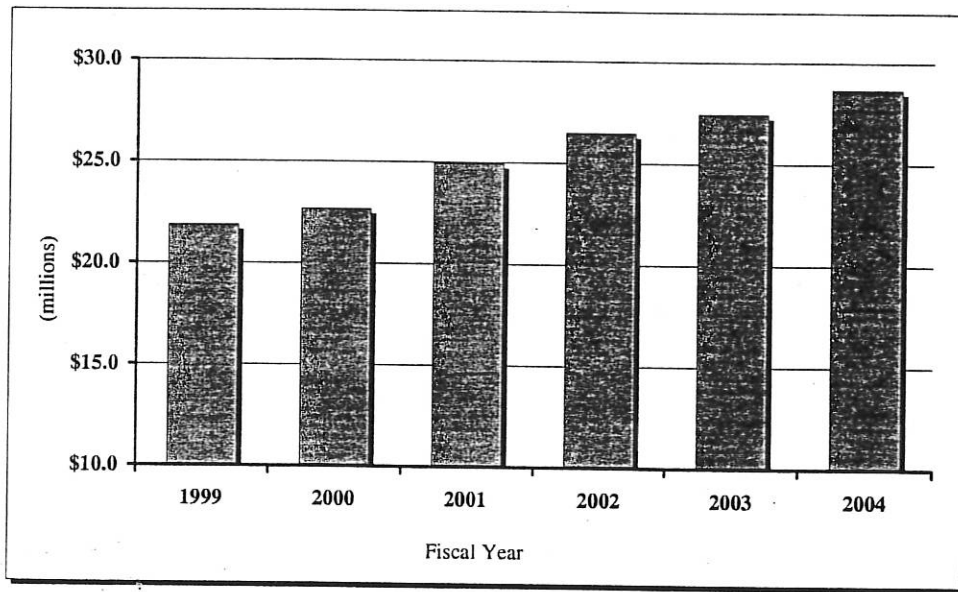
### Total Gallonaage Tax by Fiscal Year

Fiscal <u>Year</u>	Amount <u>Collected</u>	Percent <u>Change</u>
1999	\$17,060,980	4.1%
2000	\$17,506,071	2.6%
2001	\$17,684,625	1.0%
2002	\$17,716,661	0.2%
2003	\$17,760,697	0.2%
2004	\$18,779,625	5.7%



## Liquor Excise Tax Gross Receipts

The liquor excise tax is a 10% retail tax on gross receipts from the sale of liquor on-premises at private clubs, drinking establishments open to the public and caterers. It is imposed on all alcoholic beverages, including cereal malt. Seventy percent of the collection is returned to the locality from which collected, 25% is credited to the State General Fund and 5% to the Community Alcoholism and Intoxication Programs Fund. This tax is collected by the Division of Tax Operations rather than the Division of Alcoholic Beverage Control.

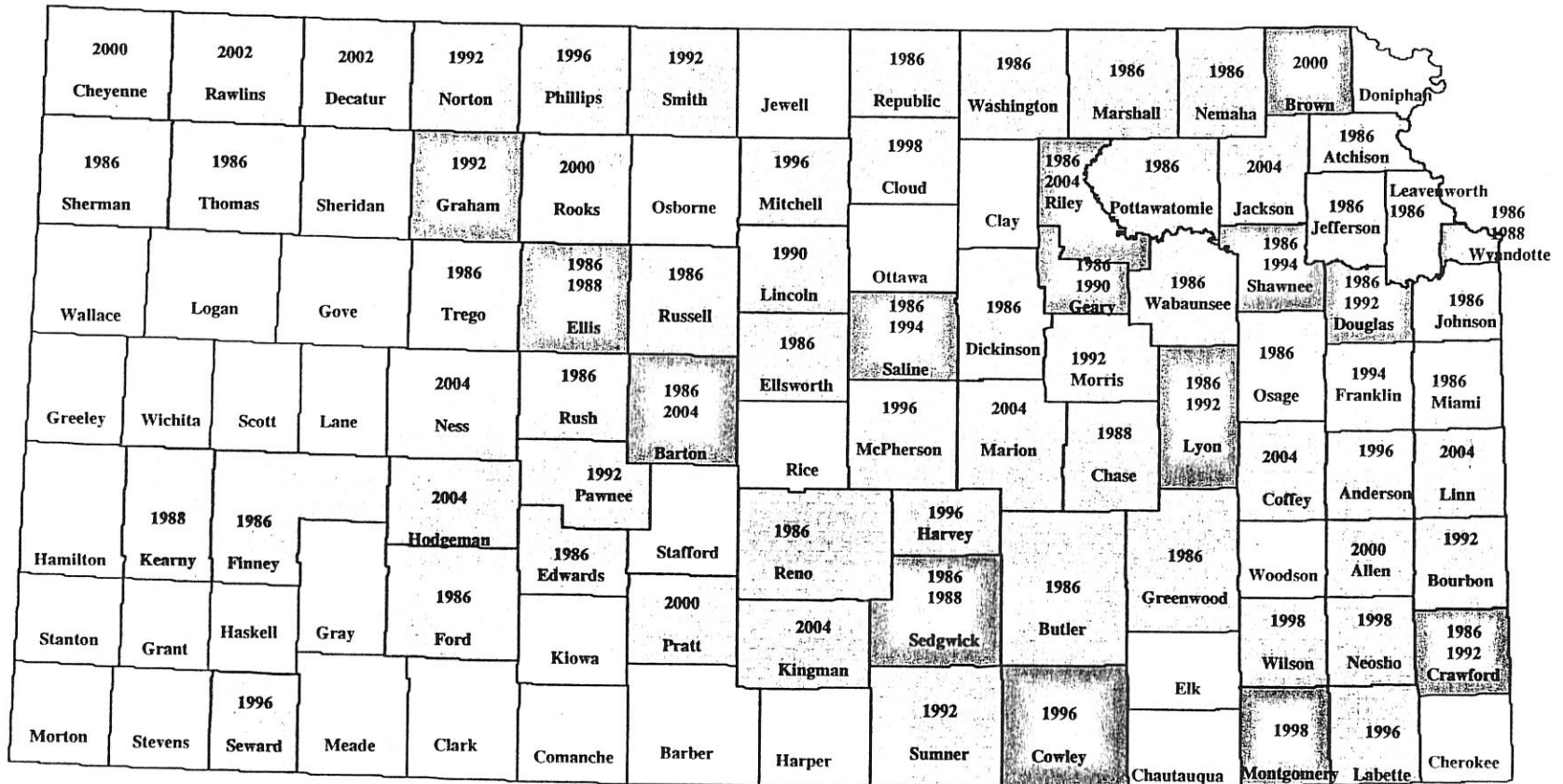


<u>Fiscal Year</u>	<u>Amount Collected</u>	<u>Percent Change</u>
1999	\$21,856,013	5.4%
2000	\$22,666,573	3.7%
2001	\$24,955,471	10.1%
2002	\$26,483,710	6.1%
2003	\$27,450,972	3.7%
2004	\$28,672,690	4.5%

# Kansas Liquor-by-the-Drink November 2004

The tax base for the liquor-by-the-drink tax is gross receipts from the sale of alcoholic liquor by clubs, caterers, drinking establishments, and temporary permit holders. This map identifies the year the county voted for liquor-by-the-drink, and where applicable, the year the county removed the 30% food requirement.

- No liquor-by-the-drink
- Liquor-by-the-drink allowed with 30% food requirement
- Liquor-by-the-drink allowed with no food requirement





KANSAS RACING AND GAMING COMMISSION

KATHLEEN SEBELIUS, GOVERNOR

Senator Brungardt and members of the Committee, thank you for the opportunity to appear before you today to provide an overview of and an update on the Kansas Racing and Gaming Commission (KRGC).

The KRGC is made up of two agencies, the Commission and the Kansas State Gaming Agency (KSGA). The Commission provides logistical support to the KSGA and by statute is responsible for approving the KSGA's budget, personnel expansion, and arbitration authorization. All other management decisions relating to the KSGA are handled by its executive director. It is my understanding you will be receiving a briefing on the KSGA at a later date.

The KRGC is a five-member board which oversees the parimutuel greyhound and horse racing industries that race at approved racetracks in the State of Kansas. The Commission convenes approximately 20 times a year. Most meetings are held at the main office, located in Topeka. As part of its schedule, the Commission does hold meetings at the Kansas City and Wichita racetracks. The Commission has also held meetings in Eureka, Anthony, and Abilene. In addition to the main office, the Commission has two full-time field offices that operate at the racetrack facilities in Kansas City and Wichita.

Currently, the state has two greyhound racetracks that operate year round. The Woodlands is in Kansas City, Kansas, and Wichita Greyhound Park is in Valley Center, Kansas. In addition to live greyhound racing, the Woodlands offers live horse racing in the fall. A third greyhound racetrack, Camptown Greyhound Park, in Frontenac, Kansas, was last open for a short period in 2000. There has been no live racing at that facility since it closed in November 2000. In the spring and summer months, the Commission also oversees parimutuel horse racing at the Eureka Downs (Eureka, Kansas) county fair meet and parimutuel horse and greyhound racing at the Anthony Downs (Anthony, Kansas) county fair meet.

Each full-time racetrack has a facility manager licensee and an organization licensee. The facility manager licensees own and operate the racetrack facilities. The organization licensees are non-profit organizations that offer the live racing performances at each racetrack. The non-profit organizations distribute charitable grants each year to different charitable and non-profit groups in and around each racetrack's location.

During CY 2004, the Woodlands offered 243 days of live greyhound racing, with 292 live racing performances. Wichita Greyhound Park (WGP) offered 223 days of live greyhound

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Senate Federal & State Affairs  
Committee

1-25-05

Attachment 2

racing, with 267 live performances. This accounted for 8,386 live greyhound races being offered to the public in CY 2004. In addition, the Woodlands offered 30 days of live horse racing during September and October 2004, accounting for 300 live horse races in CY 2004. In 2004, Eureka Downs offered 21 days of live horse racing on consecutive weekends during the months of May, June, and July. This accounted for 149 live horse races being run. Anthony Downs offered six days of live horse and greyhound racing in July, with a total of 48 live horse races and 48 live greyhound races being run.

Besides live racing, the Woodlands and WGP offer simulcast racing and wagering for both horses and greyhounds. Simulcasting is live parimutuel racing from racetracks around the country being shown at Kansas racetrack facilities via closed circuit television. Wagers are received at the Kansas racetracks just as though the individual was present at the racetrack where the live racing is being offered. These wagers are then made a part of the parimutuel pool for simulcast races being shown.

Currently, there are approximately 240 individuals employed by the Woodlands/The Racing Association of Kansas East, with an additional 50 to 55 individuals employed by the greyhound kennels operating at the racetrack. There are approximately 140 individuals employed by WGP/Wichita Greyhound Charities, with an additional 55 to 60 individuals employed by the greyhound kennels operating at the racetrack.

During CY 2004, \$94,886,716 was wagered on live and simulcast racing at all of the racetrack facilities operating in the State of Kansas. This is down from the \$101,675,492 wagered during CY 2003 and the \$110,832,003 wagered in CY 2002. The Woodlands continues to simulcast its live races to other racetracks across the country. In CY 2004, the amount wagered at out-of-state racetracks on live greyhound and horse races offered at the Woodlands was \$10,415,435. This compares to \$9,155,924 in CY 2003. Simulcast wagering on outbound races at the Woodlands increases the parimutuel pools, which potentially makes wagering on live racing at the Woodlands more attractive to the betting public in Kansas. However, the out-of-state wagering on Woodlands' races is not subject to the State of Kansas parimutuel wagering tax.

I have provided a handout which shows the percentage breakdown of each dollar wagered in the State of Kansas. These handouts show what happens when money is wagered on live and simulcast races being viewed at the racetrack facilities operating in Kansas. As you can see from the handout, approximately 78 percent of every dollar wagered at a Kansas racetrack is returned to the wagering public. The approximately 22 percent remaining is then distributed according to the percentages shown.

The Commission is responsible for regulating all activities at the racetrack facilities. All greyhound and horse owners must be licensed by the Commission prior to their respective



animals being permitted to race. All kennel owners and trainers, and their employees, must be licensed by the Commission in order to have access to and work at the racing facilities. All facility and organization licensee employees must be licensed in order to work at the racetracks. Race officials and certain management employees working at the racetracks must undergo thorough background investigations by the Commission's security personnel before they are approved by the Commission and licensed. Racing and wagering equipment service providers and many concessionaires that provide goods and services to the racetracks must also meet these standards. In addition, the Commission's racing judges and veterinarians regulate all aspects of the live greyhound and horse races offered at the racetrack. This is an extensive program which deals with pre-race, during the race, and post-race activities. Included in this process is an animal drug testing program that processed 11,661 drug test samples in CY 2003 and 11,801 drug test samples in CY 2002.

As you can see, despite a decrease in wagering at the various racetracks, the level of racing activity continues to be substantial. However, it is not as great as it has been in the past. During CY 2003 and CY 2004, the greyhound industry had to struggle through serious outbreaks of a respiratory virus which was detrimental to the health of the greyhounds. This led to quarantines at both WGP and the Woodlands. In 2004, the virus closed WGP for live racing for a period of six weeks. The origin of this virus has still not been determined. However, the Commission and Kansas State University, along with veterinarians from other parts of the country, have been working to try and isolate the source of the virus in an effort to find a way to treat it and keep it from occurring again.

For CY 2005, the Commission has approved the Woodlands to offer 247 days of live greyhound racing, with 301 performances, and 27 days of live horse racing. WGP has been approved to offer 253 days of live greyhound racing, with 306 performances. Race dates for Eureka Downs and Anthony Downs are currently under review.

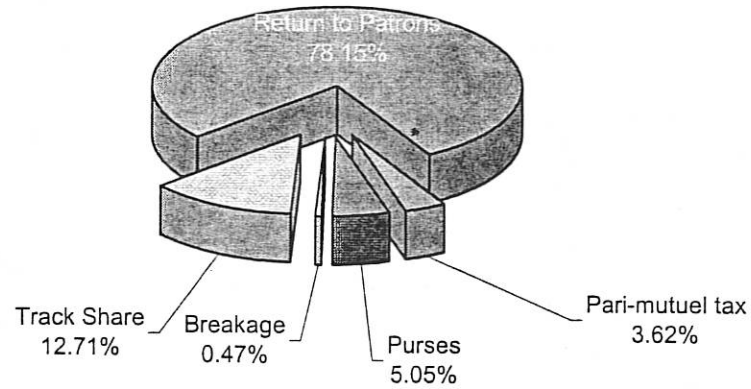
This concludes my prepared testimony. I would stand for any questions the committee may have about the Commission and the parimutuel racing industry in the State of Kansas.



# The Wagering Dollar



## Live Racing - 2004



## Simulcast Racing - 2004

