

MINUTES OF THE SENATE FEDERAL AND STATE AFFAIRS COMMITTEE

The meeting was called to order by Chairman Pete Brungardt at 10:30 a.m. on January 15, 2008 in Room 526-S of the Capitol.

All members were present.

Committee staff present:

Kathie Sparks, Kansas Legislative Research Department
Dennis Hodgins, Kansas Legislative Research Department
Melissa Doeblin, Revisor of Statutes Office
Theresa Kiernan, Revisor of Statutes Office
Connie Burns, Committee Assistant

Conferees appearing before the committee:

Stephen Martino, Kansas Racing and Gaming Commission
Robert Krehbiel, Kansas Racing and Gaming Commission

Others attending:

See attached list.

Chairman Brungardt opened the meeting by welcoming the committee members and staff. The Chairman introduced the new committee members, Senator Marci Francisco, and new staff members Theresa Kiernan and Melissa Doeblin, Office of the Revisor.

Stephen Martino, Executive Director, Kansas Racing and Gaming Commission, (KRGC) provided the committee a presentation on the Racing and Gaming Commission. (Attachment 1) The Racing and Gaming Commissioners is made up of five members, and the Chief Gaming Officer coordinates specifically SB 66 between the Racing & Gaming Commission and the Lottery Commission, and in addition has some interaction and coordination with the State Gaming Agency. The presentation included charts on employee positions:

- Executive Division
- Administration Department
- Animal Health Department
- Audit and Electronic Security
- Licensing Department
- Racing Department
- Security Department

Audit and Electronic Security is a new division; the electronic security position responsibility of this division is to ensure compliance with our technical standards with the electronic gaming machines making sure the appropriate and authorized programs are actually functioning in the slot machines making them operational. The Racing Department organization and operations has not changed ; there are still three racing judges per statutory requirement. KRGC proposed gaming regulations through January 14, 2008, was provided. Senate Bill 66 requires that all electronic gaming machines be linked directly to a central computer at a location to be determined by the Lottery Commission's executive director for purposes of security, monitoring and auditing and a list of the approved standards was provided.

The KRGC has developed a very good working relationship with the Iowa Racing and Gaming Commission, and Iowa gave the KRGC their entire licensing system, which is a web pc based system, of which the KRGC has complete ownership, it was estimated to create a system would have cost \$3.7 million, so in getting the Iowa system free and with one vendor contract to make it specific for Kansas the cost is \$130,000.

The 2007 Legislature gave the KRGC the authority to a line of credit up to \$3 million to cover the start up costs associated with gaming regulations, and these funds will be repaid once all gaming facility managers have been selected. Other items will be website redesign, document imaging, live fingerprint scanning, and additional space. Three major policies that have already been adopted this year are:

- Code of Conduct - setting standard of ethical conduct for both the Commission and staff

CONTINUATION SHEET

MINUTES OF THE Senate Federal and State Affairs Committee at 10:30 a.m. on January 15, 2008 in Room 526-S of the Capitol.

- Employee Background Investigations - formalizing the initial and updating process for background investigations of employees
- Fingerprinting of Licensure - updating our current process to allow for reasonable reciprocity standards in pari-mutuel licensing and allowing for the inclusion of gaming licensees

Results of county elections, the Lottery Gaming Facility Review Board, an explanation of the Responsible Gaming, and the Policy Code of Conduct was provided.

Robert Krehbiel, Chief Gaming Officer State of Kansas, updated the committee on SB 66. (Attachment 2) The SB 66 time line was provided, which included application date, action by the Kansas Lottery Commission required, date privilege fees are due from applicants, date action by Lottery Gaming Facility Review Board required, and the date action by Kansas Racing & Gaming Commission required, which is 10 days after received and will be asking for an extension from the Governor on this action. Applications received by each gaming zone and the name of the manager was also provided; a copy of the position description was also provided .

The meeting was adjourned at 11:45 am. The next scheduled meeting is January 17, 2008.

SENATE FEDERAL AND STATE AFFAIRS COMMITTEE
GUEST LIST

DATE 1-15-08

NAME	REPRESENTING
SEAN MILLER	CAPITOL STRATEGIES
David Kensing er	Penn-National
Patrick Shurley	OTC
Vince Witta	80 th Dist
John Borklin	John P. Borklin
John Meyer	John Meyer
Howard Smith	PSU
Tom Sawyer	T&T
Kudrey Samonte	IGT
Will Kinnard	CCG
PATRICK NUBBELL	WOODLANDS
Lindsey Douglas	Hein Law Firm
Ron Gaches	GBBA / Leg Sun
Jay Kanner	CARRA GROUP
Rick Fischli	K&RC
Ed Van Petten	Lottery
Tom PALACE	PMCA OF KS
Ed Mead	Little Court. Relations
Bernie Koch	Wichita Metro Chamber
Bob Kuchiel	KRGC
Jay Hall	KRGC
Mike Dejaes	KRGC
Amy Campbell	WMS Gaming Inc
Phil Bradley	KLBA
James Carlson	Cap-Journal



KANSAS

KANSAS RACING AND GAMING COMMISSION

KATHLEEN SEBELIUS, GOVERNOR

**PRESENTATION TO
THE SENATE COMMITTEE ON FEDERAL AND STATE AFFAIRS**

January 15, 2008

Kansas Racing and Gaming Commission

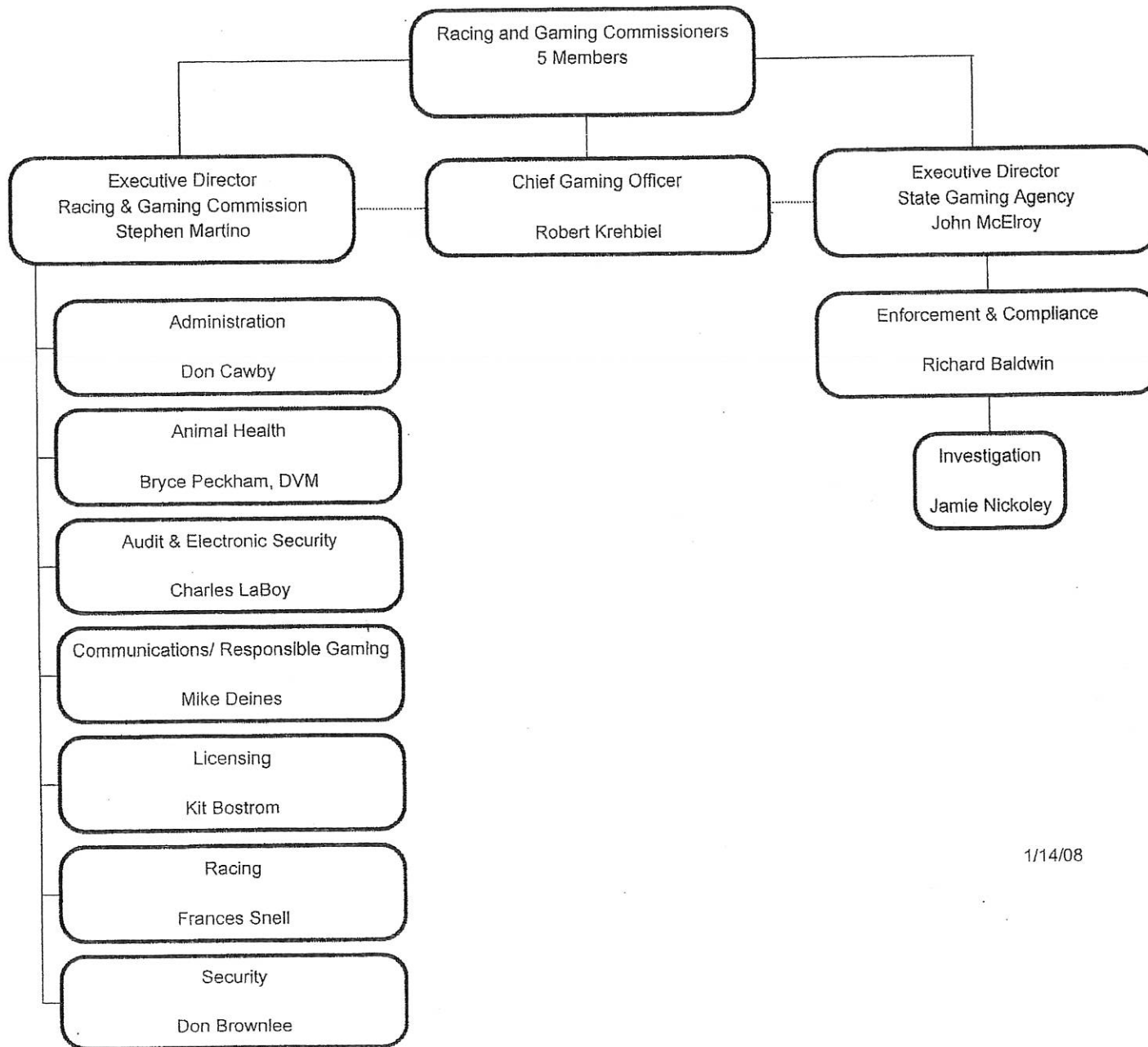
Stephen L. Martino, Executive Director

Sen Fed & State

Attachment 1

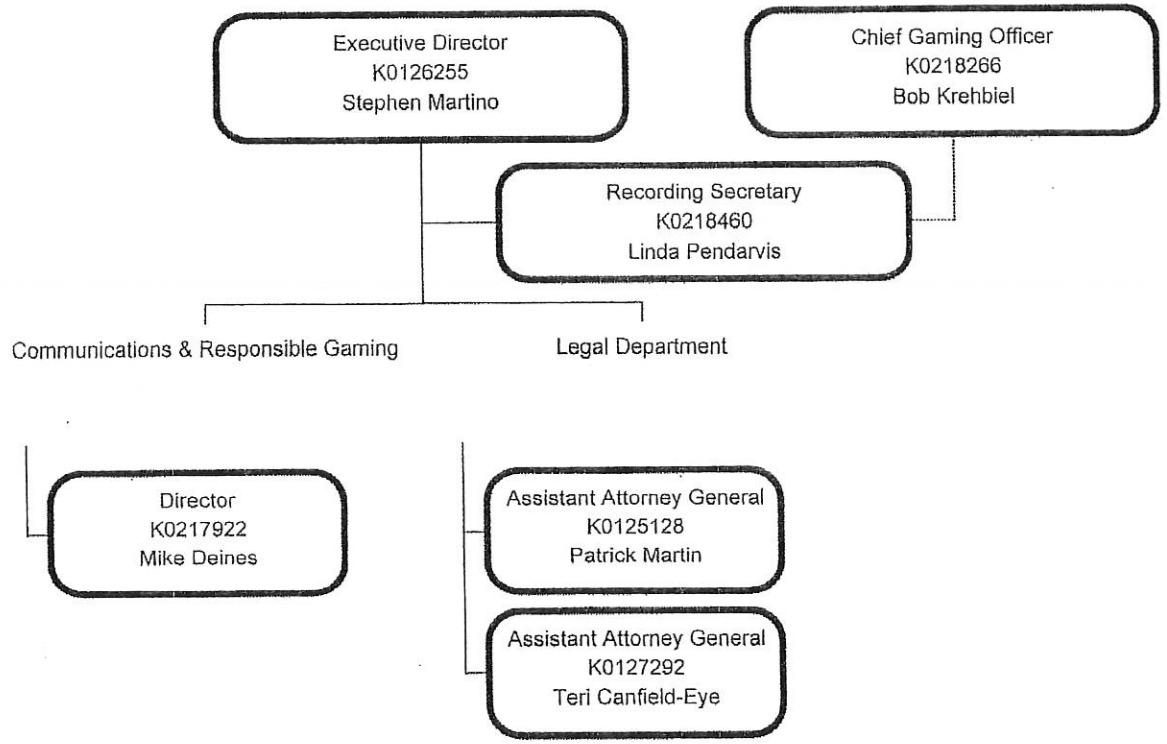
1-15-08

Kansas Racing and Gaming Commission



1/14/08

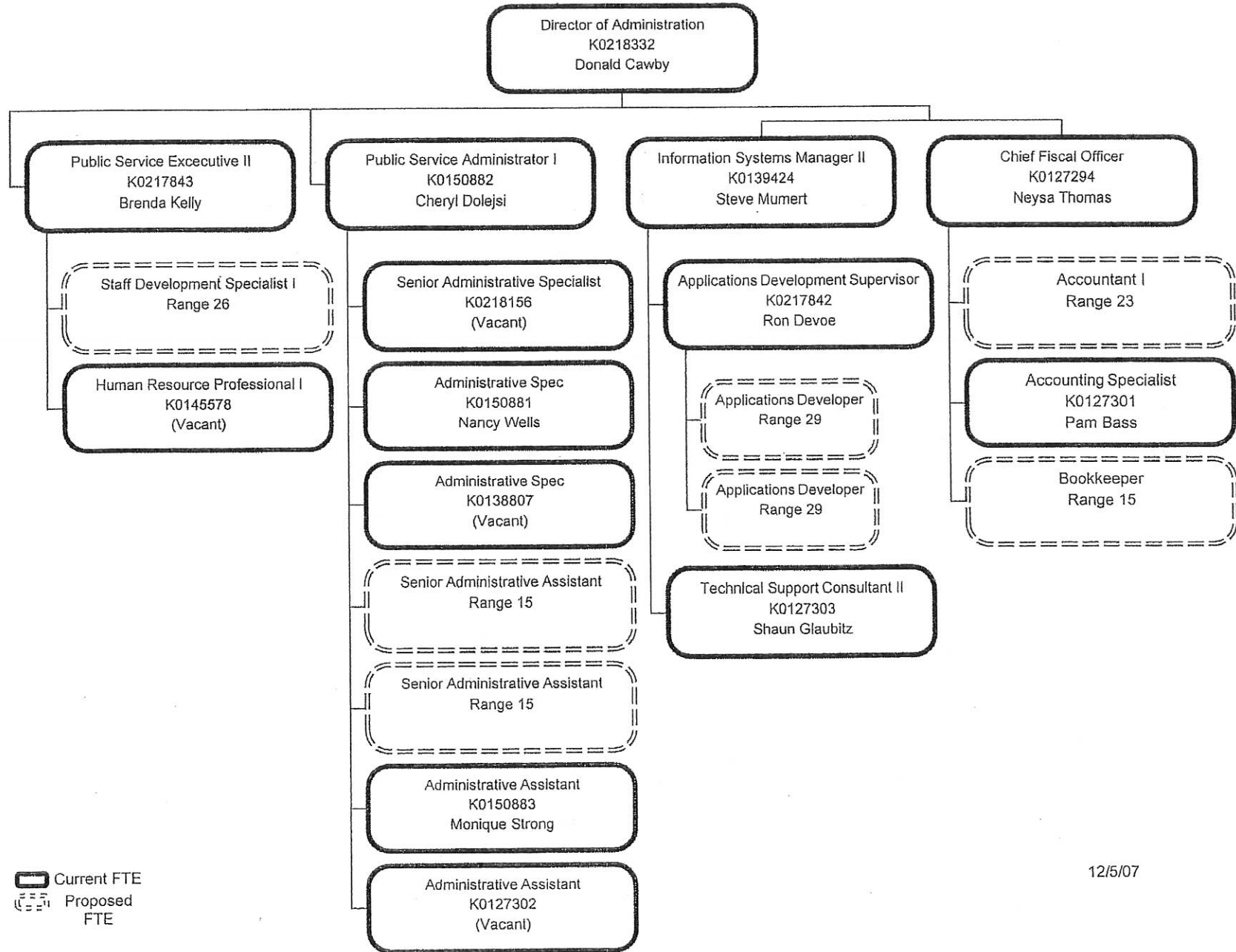
Executive Division





1/14/07

Administration Department

1-4

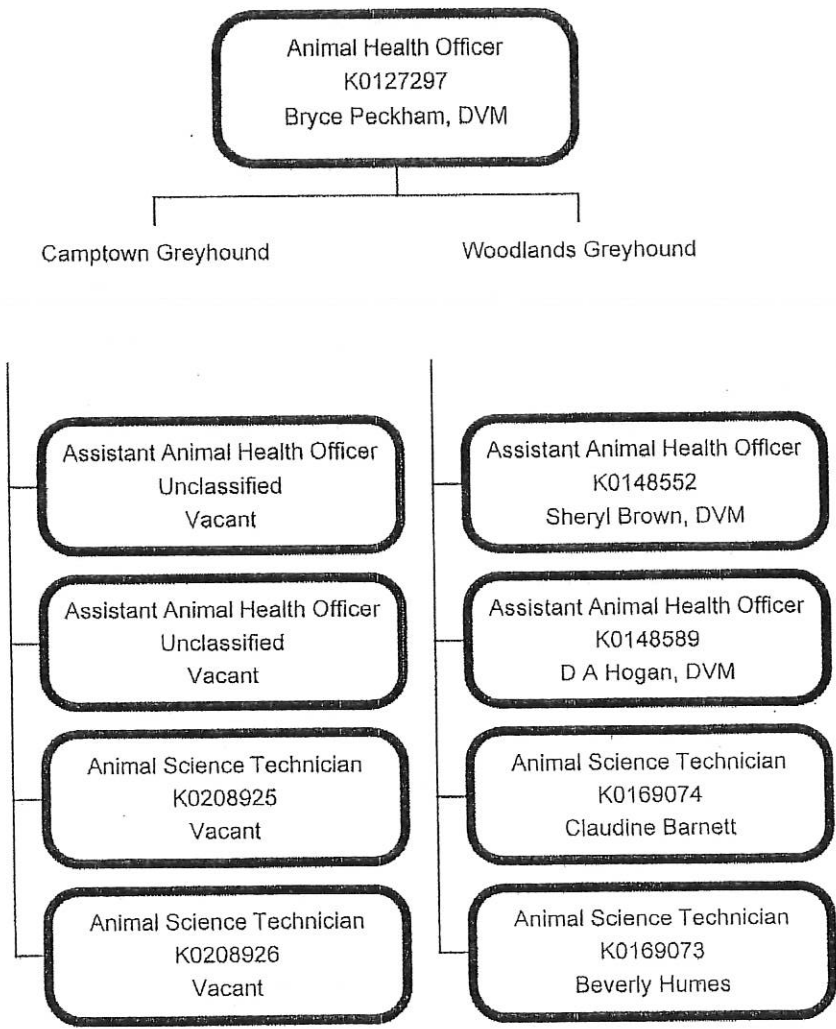


 Current FTE
 Proposed FTE

12/5/07

Animal Health Department

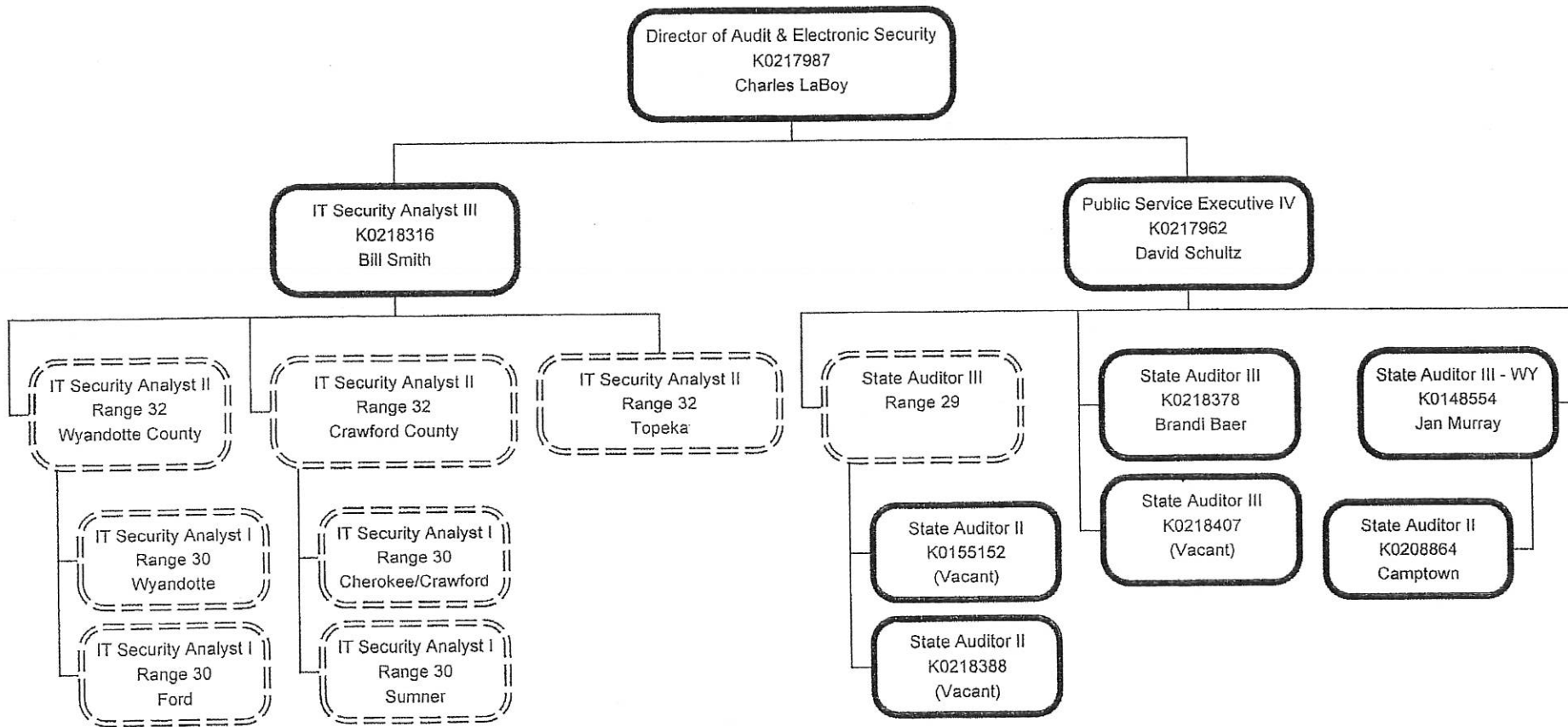
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12/5/07

Audit and Electronic Security

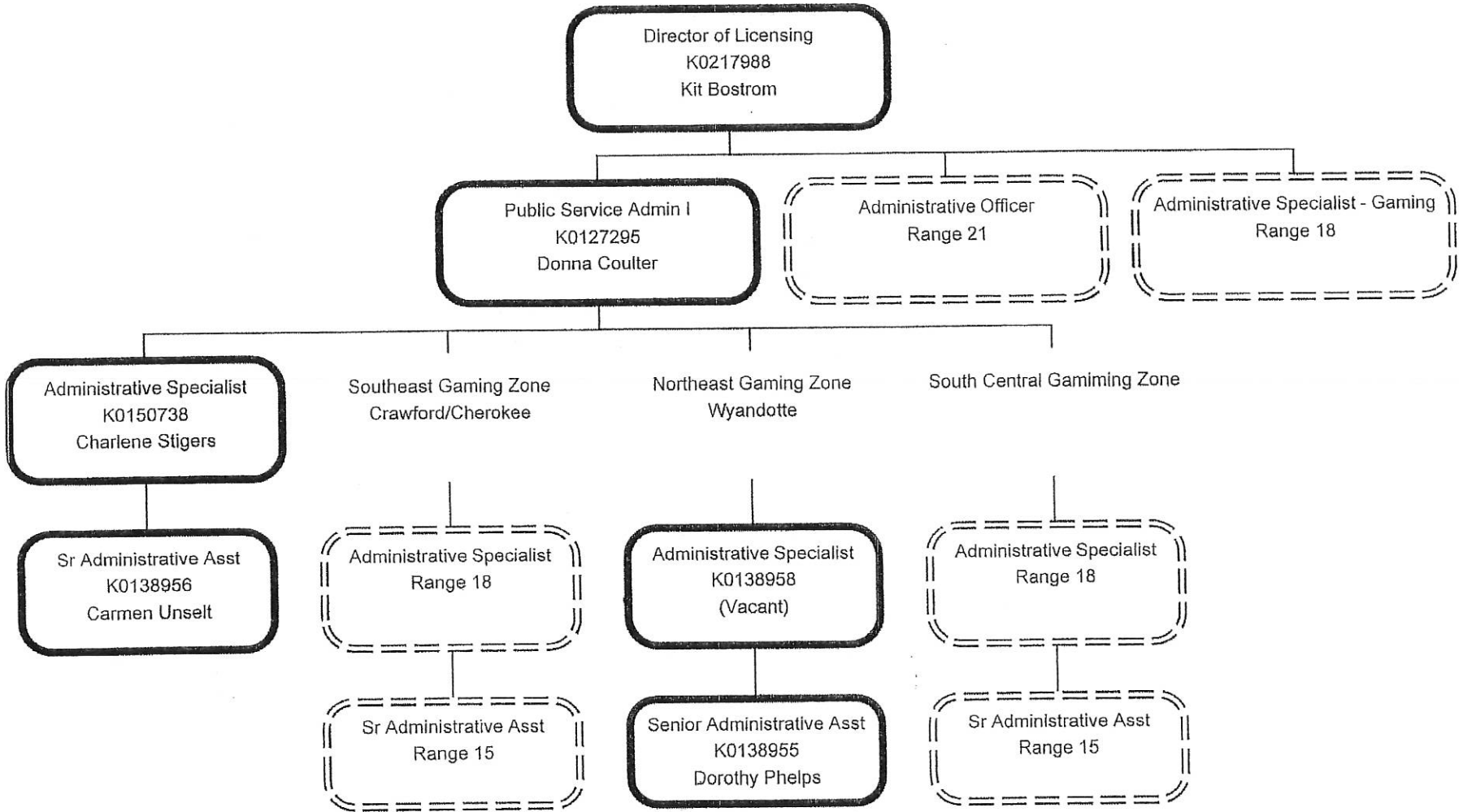
9-1





 Current FTE
 Future FTE

1/14/08

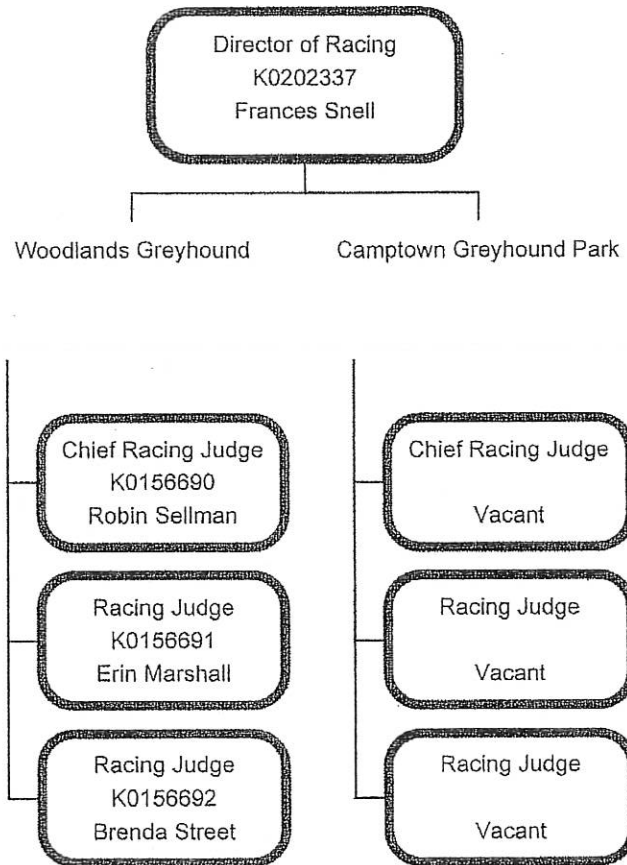
Licensing Department



 Current FTE
 Proposed FTE

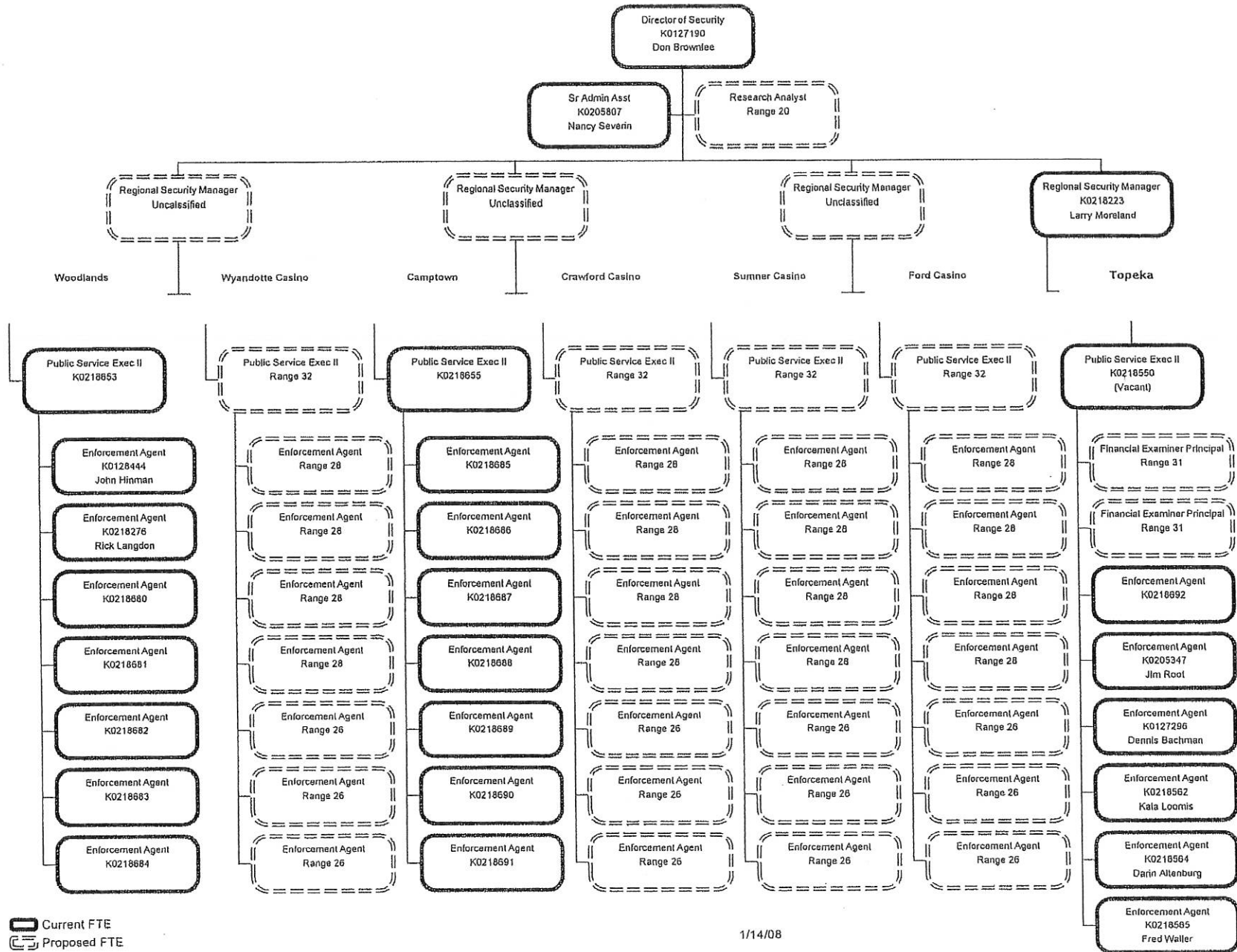
12/6/07



Racing Department



12/7/07

Security Department



 Current FTE
 Proposed FTE

1/14/08

KRGC Proposed gaming regulations
Working draft as of 1/14/2008

Article 112-100 General provisions and definitions

Preliminary KRGC approval: December 6, 2007
Department of Administration stamp: December 18, 2007
Office of the Attorney General stamp: Pending
Joint Committee on Rules/Reg review: Pending
Public hearing: Pending

Article 112-101 Gaming manager licensing

Preliminary KRGC approval: November 16, 2007
Department of Administration stamp: November 30, 2007
Office of the Attorney General stamp: Pending
Joint Committee on Rules/Reg review: Pending
Public hearing: Pending

Article 112-102 Gaming supplier and non-gaming supplier

Preliminary KRGC approval: November 2, 2007
Department of Administration stamp: November 15, 2007
Office of the Attorney General stamp: 3 out of 15 regulations
approved December 27, 2007
Joint Committee on Rules/Reg review: Pending
Public hearing: Pending

Article 112-103 Employee licensing

Preliminary KRGC approval: November 2, 2007
Department of Administration stamp: November 20, 2007
Office of the Attorney General stamp: Pending
Joint Committee on Rules/Reg review: Pending
Public hearing: Pending

Article 112-104 Minimum accounting and internal control standards

Preliminary KRGC approval: November 16, 2007
Department of Administration stamp: January 9, 2008
Office of the Attorney General stamp: Pending
Joint Committee on Rules/Reg review: Pending
Public hearing: Pending

Article 112-105 Security

Preliminary KRGC approval: November 2, 2007
Department of Administration stamp: November 20, 2007
Office of the Attorney General stamp: 4 out of 7 regulations
approved December 6, 2007
Joint Committee on Rules/Reg review: Pending
Public hearing: Pending

Article 112-106 Surveillance

Preliminary KRGC approval: November 2, 2007
Department of Administration stamp: November 20, 2007
Office of the Attorney General stamp: 6 out of 7 regulations
approved December 6, 2007
Joint Committee on Rules/Reg review: Pending
Public hearing: Pending

Article 112-107 Electronic Gaming Machines

Preliminary KRGC approval: November 16, 2007
Department of Administration stamp: Pending
Office of the Attorney General stamp: Pending
Joint Committee on Rules/Reg review: Pending
Public hearing: Pending

Article 112-108 Gaming equipment

Preliminary KRGC approval: Pending
Department of Administration stamp: Pending
Office of the Attorney General stamp: Pending
Joint Committee on Rules/Reg review: Pending
Public hearing: Pending

Article 112-109 Rules of the games

Preliminary KRGC approval: Pending
Department of Administration stamp: Pending
Office of the Attorney General stamp: Pending
Joint Committee on Rules/Reg review: Pending
Public hearing: Pending

Article 112-110 Technical Standards

Preliminary KRGC approval: November 16, 2007
Department of Administration stamp: Pending
Office of the Attorney General stamp: Pending
Joint Committee on Rules/Reg review: Pending
Public hearing: Pending

Article 112-111 Involuntary exclusions

Preliminary KRGC approval: December 6, 2007
Department of Administration stamp: December 19, 2007
Office of the Attorney General stamp: 2 out of 5 regulations
approved January 9, 2008
Joint Committee on Rules/Reg review: Pending
Public hearing: Pending

Article 112-112 Responsible gaming

Preliminary KRGC approval: October 12, 2007
Department of Administration stamp: November 7, 2007
Office of the Attorney General stamp: November 7, 2007
Joint Committee on Rules/Reg review: Pending
Public hearing: Pending

Article 112-113 Sanctions

Preliminary KRGC approval: December 6, 2007
Department of Administration stamp: December 18, 2007
Office of the Attorney General stamp: Pending
Joint Committee on Rules/Reg review: Pending
Public hearing: Pending

Article 112-114 Rules of hearings

Preliminary KRGC approval: December 6, 2007
Department of Administration stamp: December 19, 2007
Office of the Attorney General stamp: 6 out of 14 regulations
approved January 9, 2008
Joint Committee on Rules/Reg review: Pending
Public hearing: Pending

TECHNICAL STANDARDS DEVELOPMENT FOR CENTRAL COMPUTER SYSTEM

Senate Bill 66 requires that all electronic gaming machines be linked directly to a central computer at a location determined by the Lottery Commission's executive director for purposes of security, monitoring and auditing. The KRGC has been working with consultants in developing these technical standards for the Lottery Commission's central computer system.

KRGC staff met with staff of the Lottery Commission on various occasions in August to gain a consensus on the draft technical standards. In mid-September representatives from the KRGC and the Lottery went to Delaware and Rhode Island to look at the central computer systems used in those jurisdictions. On November 16 the KRGC gave preliminary approval of technical standards for the central computer system.

According to the approved standards, KRGC will:

- Have access to all reports made available to the Lottery.
- Have the ability to create ad-hoc reports as needed.
- Be able make modifications to what information is collected.
- Approve remote or non-gaming terminal connections into the CCS.
- Approve IT security of remote or non gaming terminal connections into the CCS.
- Approve of all programs, data files and operating systems on the CCS.
- Have input on requirements for wide-area progressive system.
- Approve of progressive controllers.
- Conduct acceptance testing.
- Impose modification requirements in case of failed acceptance testing.
- Determine functionality of production system.
- Have a terminal at each facility and at Topeka to access information.
- Have a separate database of gaming information for auditing purposes at Topeka.

INFORMATION TECHNOLOGY

Licensing System

KRGK staff looked at several options for a licensing system, realizing that our current AS/400 system has long needed replacement and has not been updated because of funding shortfalls in the agency. The Iowa Racing and Gaming Commission provided us with its licensing system free of charge. There were many advantages to using its system:

- **Ease of Conversion.** KRGK only had to make some fairly routine changes to make it work for Kansas. The most significant alteration to the system is to change the key identifier from the licensee's Social Security number to a unique identification number to comply with state law. Some other changes include integration with live fingerprint scanning and an optical system, allowing for credit card payments, tightening security for users, enhancing audit trail capabilities, as well as adding Kansas specific information.
- **Ownership.** We will have full ownership of the software when it is completed, giving us the ability to make program changes for pari-mutuel licensing ourselves.
- **Cost.** Because of the small price tag on those modifications (\$130,000) compared to the estimate for a custom built system (\$3.7 million), it seemed to be the best fit and most cost effective decision for the agency. Also there are no associated maintenance fees and we will be able to make modifications and upgrades later on our own, with no mandatory consultant costs.
- **Timing.** Compared to other options, this system was the quickest and easiest solution. It also eventually will provide the ability to get our antiquated pari-mutuel system upgraded and in the same system as gaming licensing. It was also flexible enough to let us make the gaming upgrades first and then update the pari-mutuel system later when it fits our schedule and deadlines.

Other Information Technology Expenses

The agency's total IT project cost is estimated at \$1.8 million. These additional expenditures will include IT infrastructure expenses at all six of the gaming sites. All of these costs will be billed back to the destinations as the costs are incurred. However, at this time, our up-front costs are only for the modifications to the licensing system and server upgrades to accommodate the system and the associated imaging, badge system and eventual fingerprinting operations. We anticipate having some unforeseen costs for IT once we begin implementation and once we understand the magnitude of the workload, paperwork and public demand generated from our new tasks.

BUDGET AND CASHFLOW

The 2007 Legislature gave the KRGK the authority to draw down up to \$3.0 million in funding to cover the start-up costs associated with gaming regulation. At the same time, the agency realizes that this was a loan and not an appropriation, so these funds will need to be repaid once all gaming facility managers have been selected.

KRGK estimates that it will spend about \$2.35 million in FY 2008 to be staffed fully and prepared to regulate electronic gaming machines at the Woodlands and Camptown racetracks. Of this \$2.35 million, we expect to be reimbursed approximately \$550,000 in FY 2008 from the two racetrack gaming facilities, creating a loan draw of approximately \$1.8 million for the current year.

For FY 2009, we estimate that at least two of the casino management companies will be selected early in the fiscal year, and we will have adequate funds for operation within the \$3.0 million loan until all four gaming facilities have been selected and we are able to bill for reimbursement of costs accrued from July 1, 2007, up to and including approval of the facility.

OTHER ITEMS

Website Redesign: KRGC has contracted with Stonecreek Media to do a full redesign of our website. This will include an updated look of the site as well as new and improved content to reflect our new duties around expanded gaming. We expect to have the new site up and running sometime after January 1.

Document Imaging: Our Licensing Division has scanned all license applications, ownership registrations and case files since 2005. We will also be scanning all of the 2005-2007 kennel registrations. Because of space limitations we are actively scanning all historical applications and case files for current licensees and eventually all historical files. We plan to scan all pari-mutuel and gaming applications, including the background disclosure forms.

We are working with Ex-Cel Solutions, our current electronic document retention software provider, to upgrade our scanning abilities at the main office and to provide capabilities at all facility sites. Our Administration Division is also seeking to significantly reduce storage needs by scanning all major history documents and required records into a searchable electronic file system.

Live Fingerprint Scanning: The Commission takes fingerprints from applicants for a pari-mutuel or gaming license. The fingerprints are used for criminal records checks to assist us with suitability decisions. Livescan fingerprinting would electronically capture fingerprints and send them to the KBI and/or FBI electronically. The current method of collecting fingerprints is the age-old practice of inking fingers, rolling fingerprints on a paper card and then mailing it to KBI. That process takes about three weeks to get a response and puts a large burden on the KBI. The livescan technology gives us an immediate response from the KBI and two day response from the FBI and does not require people intervention.

Our IT staff has evaluated live-scan equipment over the past two months and the current timeline is that our preferred fingerprint scanning vendor will have its software updated to KBI requirements in January.

Additional Space: We will be expanding into an additional 6,500 square feet of space on the fifth floor of Eisenhower State Office Building to accommodate the additional staff necessary for the regulation of gaming. The move will occur within a couple of months after the current space is vacated.

Operational Policies and Procedures: We have undertaken a major rework of our operational policies and procedures. With the addition of numerous new regulations and regulatory responsibilities, we performed a review and revision of our policies. We currently have around 80 operational policies and have already identified 70 more policies we will need to efficiently and effectively operate a responsive and accountable regulatory agency of such a broad size and scope.

Three major policies that have already been adopted this year are:

- Code of Conduct – setting standards of ethical conduct for both the Commission and staff.
- Employee Background Investigations – formalizing the initial and updating process for background investigations of employees.
- Fingerprinting of Licensure – updating our current process to allow for reasonable reciprocity standards in pari-mutuel licensing and allowing for the inclusion of gaming licensees.

RESULTS OF COUNTY ELECTIONS with Resulting Deadlines for Lottery Gaming Facility Manager Applications

Wyandotte County

Election June 26, 2007 – Certified July 2, 2007
 Deadline to submit to Lottery, December 31, 2007 (as extended)
 Deadline for Lottery to submit to LGFRB, March 31, 2008
 Deadline for LGFRB decision, May 30, 2008

<u>Casino</u>			<u>Electronic Gaming Machines at Racetrack</u>		
Yes	16,138	(80.87%)	Yes	16,350	(82.05%)
No	3,818	(19.13%)	No	3,577	(17.95%)

Cherokee County

Election June 5, 2007 – Certified June 8, 2007
 Deadline to submit to Lottery, December 6, 2007 (as extended)
 Deadline for Lottery to submit to LGFRB, March 5, 2008
 Deadline for LGFRB decision, May 5, 2008

Yes	4,663	(69.42%)
No	2,054	(30.58%)

Crawford County

Election April 3, 2005 – Approved by Lottery Commission May 16, 2007
 Deadline to submit to Lottery, December 6, 2007 (as extended)
 Deadline for Lottery to submit to LGFRB, March 5, 2008
 Deadline for LGFRB decision, May 5, 2008

<u>Casino</u>			<u>Electronic Gaming Machines at Racetrack</u>		
Yes	5,791	(60.78%)	Yes	5,919	(62.02%)
No	3,737	(39.22%)	No	3,625	(37.98%)

Ford County

Election June 26, 2007 – Certified June 29, 2007
 Deadline to submit to Lottery, December 26, 2007 (as extended)
 Deadline for Lottery to submit to LGFRB, March 25, 2008
 Deadline for LGFRB decision, May 27, 2008 (May 26 is Memorial Day)

Yes	3,273	(64.05%)
No	1,837	(35.95%)

Sumner County

Election December 20, 2005 – Approved by Lottery Commission June 22, 2007
 Deadline to submit to Lottery, December 28, 2007 (per Sedgwick Co. certification 08/13/07 and extension)
 Deadline for Lottery to submit to LGFRB, March 27, 2008
 Deadline for LGFRB decision, May 26, 2008

Yes	4,842	(63.05%)
No	2,838	(36.95%)

Sedgwick County

Election August 7, 2007
 Certified August 13, 2007

<u>Casino</u>			<u>Electronic Gaming Machines at Racetrack</u>		
Yes	45,410	(43.90%)	Yes	51,624	(49.88%)
No	58,035	(56.10%)	No	51,868	(50.12%)

LOTTERY GAMING FACILITY REVIEW BOARD

Matt All, Chairman

Lawrence

Appointed by the Governor

James Bergfalk

Mission

Appointed by the Governor

Bob Boaldin

Elkhart

Appointed by the President of the Senate

Garry Boston

Newton

Appointed by the Speaker of the House

Jack Brier

Topeka

Appointed by the Speaker of the House

Dean Ferrell

Topeka

Appointed by the President of the Senate

Jackie Vietti, Ph.D.

El Dorado

Appointed by the Governor

RESPONSIBLE GAMING

1. Responsible Gaming Plan

- Each licensee will submit responsible gaming plan
- Procedures for compliance with commissions self-exclusion program
- Procedures for creating and disseminating promotional material to educate patrons about responsible gaming
- Details about training employees on responsible gaming matters
- Procedures to prevent underage gambling
- Licensees will report semiannually to commission on the status and success of responsible gaming plan

2. Self exclusion list

The Racing and Gaming Commission is working to develop a state of the art voluntary-exclusion program for the state of Kansas. We have taken the best of what other states are doing and added a step that we think makes our program one of the strongest in the nation.

Persons will be able to voluntarily exclude themselves from state-owned gaming facilities. They will have the choice of applying for either a lifetime ban or a two-year ban. A person who signs for the two-year ban must complete a “re-entry” program including an assessment by a certified gambling counselor before they can come off the list. **This “re-entry” program is unique to the state of Kansas.**

People on the list face possible trespassing charges if they are discovered at a gaming facility, and any winnings would be surrendered to the problem gambling and addictions fund. Gaming facilities also would face sanctions if they knowingly allow a person on the self-exclusion list into a gaming area.

3. Responsible Gaming Alliance

The KRGC is also taking the lead in creating a Responsible Gaming Alliance. The idea is to partner with other state agencies to develop a coordinating body for the state’s responsible and problem gaming initiatives to avoid any duplication of services. Membership would include:

- Kansas Racing and Gaming Commission,
- Kansas Lottery,
- Department of Social and Rehabilitation Services,
- Department of Corrections,
- Coalition on Problem Gambling,
- Gaming industry representatives, and
- Community representatives.

Other stakeholders also would be welcome to be a part of the alliance. Membership would not be binding, and there would not be any budget for the alliance. Each member would have the choice on whether to help fund any particular alliance project.

KANSAS

KANSAS RACING AND GAMING COMMISSION

KATHLEEN SEBELIUS, GOVERNOR

Subject		Number	Draft #
Code of Conduct		1-02	(2007-006)
Adopted	Last Revision	Rescinds	
September 20, 2007			
Executive Director Authorization		Commission Authorization	
Signatures on file.			
Stephen L. Martino, Executive Director	Date	Carol H. Sader, Chairperson, KRGC	Date

A. Purpose/Background

In the discharge of its powers, duties and responsibilities, the Kansas Racing and Gaming Commission (Commission) must conduct itself according to high ethical standards. The Commission’s members, employees and agents are expected to discharge their duties with loyalty and in such a manner to as to promote and preserve public trust and confidence in the Commission and the regulatory process.

It is therefore essential that the Commission’s members, employees and agents must avoid situations where private interest in outside business activities and opportunity for financial or personal gain could influence their decision in giving favored treatment to any organization or person. They must avoid circumstances and conduct in outside activities that appear questionable to the general public.

B. Policy/Procedure

1. Policy and Application.

- a. The purpose of this Code is to assure that the Commission’s members, employees and agents avoid situations, relationships or associations that may lead to or represent a conflict of interest for the Commission or its members, employees and agents. The provisions in this Code are intended to augment statutory provisions. All Commission members, employees and agents should remain aware of their responsibilities under the Kansas Expanded Lottery Act and other statutes governing gaming law and ethical conduct of public officials and state employees and agents. For purposes of this Code the terms “employee” or “agent” shall include all state employees in the service of the Commission. If an employee or agent of the Commission has a question or concern as to the applicability of this Code to a current or prospective situation, relationship or association, that question or concern should be presented to the Executive Director for clarification or guidance.
- b. Each member of the Commission and all of its employees are directed to read and comply with this Code of Conduct. Upon accepting an appointment to the Commission or employment with the Commission, each member or employee shall sign a statement acknowledging that they have read the Code of Conduct, understand its terms and agree

to abide by its terms as currently adopted or as may be amended from time to time. Should a member of the Commission or employee find himself or herself unable or unwilling to comply with the Code of Conduct as adopted herein or as may be amended, such member or employee shall immediately inform the members of the Commission and the Executive Director.

- c. No Commission member, employee or agent shall use or attempt to use his or her official position to secure any privilege, advantage, favor or influence for himself, herself or others.
- d. Commission members, employees and agents of the Commission shall bear responsibility for adherence to this policy and to the specific prohibitions and restrictions set forth in this Code.
- e. Certain of the prohibitions in this Subpart (1) affect or extend to the spouses, parents and children of Commission members, employees or agents. For purposes of this Code, these represent the lineal relations of Commission members, employees and agents and, in the case of children, legally adopted children. It is recognized that in some cases, a Commission member, employee or agent may have limited influence over the decisions of lineal relatives, and that limited influence will be taken into consideration in evaluating the circumstances of an alleged violation.

2. Duty to Avoid Conflict of Interest

- a. Commission members, employees and agents and their respective spouses, parents and children have a duty to avoid relationships that may cause or have the appearance of causing a conflict of interest. A conflict of interest means a situation in which a Commission member's, employee's or agent's private interest, whether personal, financial or otherwise, influences or creates the appearance that it may influence the Commission member's, employee's or agent's judgment in the performance of his or her regulatory duties and responsibilities in a fair and impartial manner.

3. Gambling and Other Restrictions

- a. Except as may be required in the conduct of official duties, a Commission member, employee or agent shall not engage in gambling at any lottery gaming facility or racetrack gaming facility in Kansas, or engage in legalized gambling in any establishment identified by Commission action that, in the judgment of the Commission, could represent a potential for a conflict of interest.¹
- b. Commission members, employees or agents shall not engage in excessive or inappropriate fraternization with licensees and adhere to policies and directives regarding personal conduct while on the premises of any entity subject to licensure or approval by the Commission.
- c. Commission members, employees or agents are prohibited from accepting any complimentary services from any entity or individual licensed by the Commission.
- d. No Commission member, employee or agent shall stay overnight in a guest room at any facility licensed or certified by the Commission except in the normal course of his/her duties.

¹ This section provides for restrictions on gambling in addition to those provided in the Kansas Expanded Lottery Act prohibiting Commission members, employees and agents and their family members from gambling at Kansas lottery gaming facilities and racetrack gaming facilities.

4. Other Employment

- a. Commission members, employees and agents must not hold or pursue employment, office, position, business or occupation that may conflict with the Commission member, employee or agent's official duties. Commission members, employees and agents may engage in other employment so long as it does not interfere or conflict with their duties, provided that such employment is disclosed to the Executive Director of the Commission and approved by the Commission or its designee.
- b. Disclosure of other employment must be made at the time of appointment to the Commission or at the time the employee is hired to work for the Commission or prior to accepting the other employment. Any Commission member who discloses outside employment to the Commission shall recuse himself or herself from any discussion and decision made by the Commission relative to his/her outside employment.
- c. Commission members, employees and agents may not solicit, suggest, request or recommend the appointment of any person to an office, place or position or the hiring of any person for direct or indirect employment to any applicant for or holder of a license issued by the Commission or to any representative or agent of such applicant for or holder of a license issued by the Commission.

5. Restrictions on Receiving Gifts

- a. Commission members, employees and agents and their spouses, children and parents may not, directly or indirectly, accept any gift, gratuity, service, compensation, travel, lodging or any thing of value, with the exception of unsolicited items of an incidental nature, from a Commission licensee, applicant, or their affiliates, key personnel and representatives. This prohibition may be extended by Commission action to any entity or individual that, in the judgment of the Commission, could represent a potential for a conflict of interest.

6. Prohibition on Holding or Acquiring Ownership

- a. Commission members, employees or agents and their spouses, children and parents may not, directly or indirectly, hold or acquire or cause or encourage any other person to acquire any actual or contingent form of ownership interest or other financial interest in a Commission licensee, applicant, or its affiliates, key persons and representatives. This prohibition may extend to the holding or acquisition of an interest in any entity identified by Commission action that, in the judgment of the Commission, could represent the potential for or the appearance of a conflict of interest. The holding or acquisition of an interest in such entities through an indirect means – such as through a mutual fund – shall not be prohibited, except that the Commission may identify specific investments or funds that, in its judgment, are so influenced by gaming holdings as to represent the potential for or the appearance of a conflict of interest.²
- b. A Commission member leaving office, or an employee or agent's termination or resignation from employment with the Commission, is precluded for a period of 1 year from acquiring any actual or contingent form of ownership interest, or other financial interest in, a licensee, applicant, or their affiliates, key personnel and representatives. This prohibition may be extended by Commission action to any entity that, in the judgment of the Commission, could represent a potential for or the appearance of a

² These provisions are in addition to those in the Kansas Expanded Lottery Act making it a criminal offense for Commission members, employees and certain family members to enter into any business dealing, venture or contract with an owner or lessee of a Kansas lottery gaming facility or racetrack gaming facility.

conflict of interest. The holding or acquisition of an interest in such entities through an indirect means – such as through a mutual fund – shall not be prohibited, except that the Commission may identify specific investments or funds that, in its judgment, are so influenced by gaming holdings as to represent the potential for or the appearance of a conflict of interest.

7. Prohibition on Economic Associations

- a. Commission members, employees or agents and their spouses, children and parents shall not be employed by or solicit employment or directly or indirectly under contract with, or have any economic association with:
 - i. licensee,
 - ii. applicant,
 - iii. licensee or applicant affiliates,
 - iv. licensee or applicant key personnel and
 - v. representatives of any race track, racing association or any person, organization or entity engaged in the conducting of greyhound or horse racing in the State of Kansas.

8. Disclosure of Economic Associations

- a. Each Commission member who owns or is employed by a firm or business entity shall, to the best of the member's ability, identify any current economic relationship, whether direct or indirect, which could create the appearance of a conflict of interest that may exist between the Commission member's firm or business entity and any licensee, applicant, their affiliates, key personnel and representatives. The Commission member shall declare his or her intention to refrain from deliberations and voting on questions related to the gaming entity in such relationship. This requirement may be extended by Commission action to any entity or individual that, in the judgment of the Commission, could represent the potential for or the appearance of a conflict of interest.

9. Restrictions on Professional Service Agents

- a. For purposes of this provision, professional service agents of the Commission include any person, corporation or organization providing legal, accounting, financial, public relations, auditing, architectural, data processing, gaming regulatory or management consulting services.
- b. Professional service agents of the Commission may be subject to terms and conditions relating to restrictions or prohibitions in representation, employment and contracting with licensees, applicants, their affiliates, key personnel or representatives. Such restrictions and prohibitions shall be contained in the professional service contracts of the Commission.

10. Disclosure statements

- a. Commission members and employees required by law to submit a Statement of Substantial Interest shall complete and timely file such statements and provide a copy to the Commission for its review in addition to filing with the Office of the Secretary of State. The financial disclosure statements shall be filed with the Executive Director.

11. Restrictive Covenant

- a. Former Commission members, employees or agents shall not for a period of 5 years after termination of their Commission appointment or employment engage in any employment or contractual relations with, or have any financial interest in, any licensee, applicant, their affiliates, key personnel or representatives.

12. Violations

- a. Violation of this Code by a member of the Commission may result in written notification to the Office of the Attorney General for consideration of a possible ouster action, per K.S.A. 74-714. Violation of this Code by a Commission employee or agent may result in discipline up to and including termination. Violation of this Code by professional service agents of the Commission may result in warning letters leading up to termination of the professional service agent contract with the Commission.

13. Ex Parte Communications

- a. No member of the Commission shall knowingly have *ex parte* communications relating to a matter pending before the Commission that may require a public vote of the Commission with any party or any representative or agent of a party to the matter pending before the Commission or any person with a material interest in the outcome of the matter pending before the Commission. As *ex parte* communications, either oral, written, electronic or otherwise communicated, may occur inadvertently, any member of the Commission participating in such communication shall report the details about the communication to the Executive Director.

D. Citations/References

K.S.A. 74-714; Kansas Expanded Lottery Act (2007 S.B. 66)

E. Attachments

Code of Conduct Receipt Form

F. Action

The provisions of this Code shall be effective and binding as of September 20, 2007, upon the Kansas Racing and Gaming Commission's members, employees and agents. Amendments to the Code shall be effective and binding on the date of adoption.

UPDATE ON SENATE BILL 66
TO THE SENATE COMMITTEE ON FEDERAL AND STATE AFFAIRS
January 15, 2007

Robert E. Krehbiel
Chief Gaming Officer
State of Kansas

DISCUSSION OF:

1. SB 66 Statutory and Regulatory Deadlines.
2. 13 Lottery Gaming Facility Applications delivered to the Kansas Lottery.
3. Selecting the Central Computer System.
4. Drafting and Negotiating the Racetrack Management Agreements.
5. Drafting the Lottery Gaming Facility Management Contracts.
6. The Lottery Gaming Facility Review Board.
7. Job Description Attached.

SB 66 TIMELINE

	Date Applications due to Kansas Lottery (as Extended)	Date Action by Kansas Lottery Commission Required	Date Privilege Fees are Due from Applicants	Date Action by Lottery Gaming Facility Review Board Required	Date Action by Kansas Racing & Gaming Commission Required
<u>GAMING ZONE</u>					
Southeast (Cherokee/Crawford)	12/6/2007	3/5/2008	4/4/2008	5/5/2008	5/15/2008
Southwest (Ford County)	12/26/2007	3/25/2008	4/26/2008	5/27/2008	6/6/2008
South Central (Sumner/Sedgwick)	12/28/2007	3/27/2008	4/28/2008	5/26/2008	6/5/2008
Northeast (Wyandotte County)	12/31/2007	3/31/2008	4/30/2008	5/30/2008	6/9/2008

Applications Received by Kansas Lottery by Date Due

	Name of Manager	Planning & Zoning/Local Endorsement	
Southeast (Cherokee County)	Kansas Penn Gaming, LLC	Not Required	Yes, by Cherokee Co Commission
Southwest (Ford County)	Butler National Service Corporation	Yes, conditional	Yes, by Dodge City Commission
	Dodge City Resort and Gaming Company, LLC	No	No, will be sought from Ford County
South Central (Sumner County)	Sumner Gaming Ventures LLC	No	No, annexation by City of Mulvane being sought Alternate site at Wellington Exchange
	Marvel Gaming, LLC	Yes	Yes, by Sumner Co Commission
	Penn Sumner, LLC	Yes	Yes, by Sumner Co Commission
	Sumner Gaming Joint Venture, LLC	No, in progress	No, annexation by City of Mulvane being sought
Northeast (Wyandotte County)	Legends Sun, LLC	Yes	Yes, by Unified Government of Wyandotte County
	Kansas Entertainment, LLC	Yes	Yes, by Unified Government of Wyandotte County
	PNK-Kansas, LLC	Yes	Yes, by Unified Government of Wyandotte County
	Goldern Heartland, Inc.	Yes	Yes, by City of Edwardsville and City of Bonner Springs
	Sands Kansas, LLC	No	No, both will be sought from City of Edwardsville
	Sands Kansas, LLC	No	No, both will be sought from Unified Government of Wyandotte County

POSITION DESCRIPTION

AGENCY: KANSAS RACING AND GAMING COMMISSION
POSITION TITLE: CHIEF GAMING OFFICER
STATUS: UNCLASSIFIED

FUNCTIONS:

- Serve as the State of Kansas' coordinating authority on issues involving state-owned-and-operated casino and race track gambling, tribal gambling, lottery, pari-mutuel wagering and charitable bingo.
- Serve as the primary interagency liaison between the Racing and Gaming Commission, the Lottery Commission and the State Gaming Agency.
- Be empowered to initiate meetings of state gaming agency heads to address emerging issues with gaming activity and regulation.
- Have access to all necessary information within the Racing and Gaming Commission to evaluate and comment on proposed and enacted regulatory standards and actions by the agency.
- Have access to all necessary information within the Lottery Commission to evaluate and comment on proposed and enacted regulatory standards and actions by the agency.
- Report to the Racing and Gaming Commission and attend commission meetings as necessary or requested by the commission.
- Be available to the Lottery Commission and attend commission meetings as necessary or requested by the commission.
- Work with local units of government to ensure proper application of the Expanded Lottery Act.
- Monitor ownership and operational activity of casino and race track gaming facilities, as provided for in the Expanded Lottery Act, in coordination with the executive director of the Kansas Lottery Commission.
- Monitor regulation of lottery gaming facilities and race track gaming facilities, as provided for in the Expanded Lottery Act, in coordination with the executive director of the Kansas Racing and Gaming Commission.
- Coordinate gaming ownership and regulatory activity to ensure the state manages and regulates all forms of gaming permitted uniformly and efficiently.
- Monitor the preparation and implementation of the regulatory framework for casinos and slot machines at the racetracks, in coordination with the executive director of the Racing and Gaming Commission.

- Serve as a liaison with the Legislature and Office of the Governor on issues regarding gaming.
- Monitor regulation of tribal casinos in coordination with the executive director of the State Gaming Agency.