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Testimony before the Senate State and Federal Affairs Committee

**Of Mark Dodd, Executive Director
Kansas State Gaming Agency
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In 1995, 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 a Tribal-State Compact with the State of Kansas. By 1998, each had opened its own casino in Kansas. Each of the casinos continues to operate today. Each is regulated by a Tribal Gaming Commission. The gaming activities of each are 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 we do 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 an enforcement unit and a special investigations unit. The Agency has enforcement agents (sworn law enforcement officers) and special investigators (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. The Agency does original background investigations as well as addenda, upgrades and renewals of investigations which have been done in the past. In FY 2011, the Agency completed 484 individual employee background investigations and 31 vendor background investigations.

Licensing of gaming employees and vendors is done entirely by the Tribal Gaming Commissions. The Agency can and does occasionally object to particular applicants.

Key employee investigations, vendor, and tribal gaming inspector investigations are most commonly completed by enforcement agents. Frequently these investigations involve travel out of state. Vendors typically pay the expenses of the Agency for their background investigations. All other gaming employee investigations are completed by special investigators. The Agency contributes varying amounts of background information on each,

depending on whether they are key employees, standard gaming employees, corporate officers, or of some other status.

Enforcement agents conduct compliance inspections, monitor gaming activity at the four casinos and conduct criminal investigations when needed. In FY 2011 enforcement agents handled 65 criminal cases, conducted 12 compact compliance investigations, and completed 711 slot machine inspections—in addition to routine compliance monitoring of gaming activities. The agency is currently in a process of increasing the number of inspections (more focused and detailed than normal monitoring) of other areas of the gaming facility, in addition to slot machine inspections. Specific reports of all inspections are forwarded to each property's respective Tribal Gaming Commission, and other dissemination is not allowed.

In addition, in FY 2011 agents coordinated check fraud and counterfeit bill identification training to 116 personnel (tribal gaming facility employees and Tribal Gaming Commission staff). So far in FY 2012, the agency has coordinated training relevant to gaming regulation for all four tribes, and agents have provided individualized training in specific areas for Tribal Gaming Commission and facility personnel. This increased emphasis on collaborative training with Tribal personnel is working well, and is hoped it will continue to be mutually beneficial.

Since the Kansas Racing and Gaming Commission (KRGC) is not scheduled to present to this committee today, I would like to give a brief explanation of our relationship to them and our differences. K.S.A. 74-9803 states that the KSGA "is attached to and made a part of the Kansas Racing and Gaming Commission. The budget of the state gaming agency, the number and qualifications of employees of the state gaming agency and expenditures by the state gaming agency for expenses of dispute resolution pursuant to a tribal-state gaming compact shall be subject to approval by the Kansas Racing and Gaming Commission. All other management functions of the state gaming agency shall be administered by the executive director." This is the extent of our relationship. KRGC regulates the State owned casinos and KSGA regulates the Tribal casinos.

The KSGA is funded based on Section 25 of the compacts with the four Kansas tribes. The compacts state "The state shall annually make an assessment sufficient to compensate the State for the reasonable and necessary costs of regulating Class III gaming pursuant to this Compact. Reimbursable regulatory expenses under this Section shall include all necessary regulatory costs of the State Gaming Agency...." Sec. 25(A).

Section 25(B) states in part, "on or before August 1st, annually, the State shall render to the Tribe a verified, detailed statement of expenses with supporting documentation of the total cost of regulation for the preceding fiscal year ending June 30, together with proposed assessments for the forthcoming fiscal year based on the preceding fiscal year's cost...." In practice, each year just before August 1, KSGA prepares an assessment letter for that fiscal year for each Tribe.

Section 25(B) goes on to say, "On September 1st annually, the state, after receiving any objections to the proposed assessments and making such changes or adjustments as may be indicated, shall assess the Tribe for the costs of regulation. The Tribe shall thereafter make a payment representing one-third of the assessment within a 20-day period, and shall make payments thereafter on January 1st and April 1st annually."

After KSGA goes through the assessment process outlined above with the Tribes, the budget of KSGA must be approved by KRGC according to K.S.A. 74-9803. After all of this, the Agency budget is sent for approval through the State's budgetary approval process.

I am unable to share with the members of this committee any specific information about the activities of any particular casino. Such information is not public record and is considered confidential according to the terms of the Tribal-State Compacts.

I am available for information at 785-368-6202 or at Mark.Dodd@ksgaming.org.