

KANSAS RACING AND GAMING COMMISSION

FY 2021 – FY 2023 BUDGET ANALYSIS

FIGURE 1
BUDGET OVERVIEW, FY 2021 – FY 2023

	Actual FY 2021	Agency FY 2022	Governor FY 2022	Agency FY 2023	Governor FY 2023
Operating Expenditures:					
State General Fund	\$ -	\$ -	\$ -	\$ -	\$ -
Federal Funds	18,989	-	-	-	-
All Other Funds	7,526,779	8,951,810	8,951,810	8,963,708	8,963,708
<i>Subtotal</i>	<u>\$ 7,545,768</u>	<u>\$ 8,951,810</u>	<u>\$ 8,951,810</u>	<u>\$ 8,963,708</u>	<u>\$ 8,963,708</u>
Capital Improvements:					
State General Fund	\$ -	\$ -	\$ -	\$ -	\$ -
Federal Funds	-	-	-	-	-
All Other Funds	-	-	-	-	-
<i>Subtotal</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
TOTAL	<u>\$ 7,545,768</u>	<u>\$ 8,951,810</u>	<u>\$ 8,951,810</u>	<u>\$ 8,963,708</u>	<u>\$ 8,963,708</u>
Percentage Change:					
State General Fund	-- %	-- %	-- %	-- %	-- %
All Funds	(3.0) %	18.6 %	18.6 %	0.1 %	0.1 %
FTE Positions	99.5	99.5	99.5	99.5	99.5

For purposes of this analysis, full-time equivalent (FTE) positions include non-FTE permanent unclassified positions but continue to exclude temporary employees. FTE positions reflect permanent state positions equating to a 40-hour work week.

In 1986, Kansas voters approved Article 15, Section 3b of the *Kansas Constitution*, which authorizes the regulation, licensing, and taxation of horse and dog racing and parimutuel wagering. The Legislature established the Kansas Racing Commission in 1987 as the entity charged with implementing provisions of the Kansas Parimutuel Racing Act. The Kansas Racing Commission was redesignated as the Kansas Racing and Gaming Commission (KRG) on July 1, 1996, when the State Gaming Agency was attached for administrative and budgetary purposes. A portion of the budget request reflects the expenditures associated with this agency and the oversight of tribal casinos. The 2007 Legislature expanded the authority of KRG by assigning regulatory duties with respect to expanded gaming activities defined in 2007 SB 66 and by appropriating expenditures from the Expanded Lottery Act Regulation Fund for staffing. The agency's budget includes the following three programs:

- **Expanded Gaming Regulation Program.** The Kansas Racing and Gaming Commission regulates each gaming facility, including oversight of internal controls, security, and background checks and auditing gaming facility revenues. The Kansas Expanded Lottery Act requires lottery and racetrack gaming facility managers to pay for all costs of oversight and regulation;
 - **Gaming Regulation Subprogram.** The Gaming Regulation Subprogram provides internal support and monitors compliance with gaming operations rules and regulations. Enforcement agents investigate alleged violations of gaming statutes and regulations and conduct background investigations of licensees;
 - **Responsible Gaming Subprogram.** The Responsible Gaming Subprogram administers the voluntary exclusion program for people with gambling problems in the state of Kansas. The subprogram also audits and approves each lottery gaming

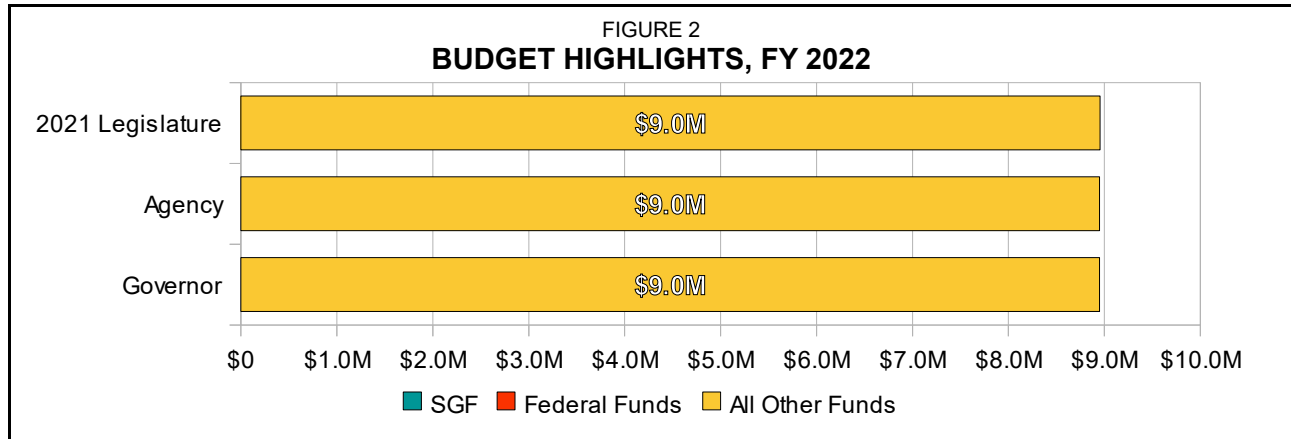
facility's responsible gaming plan and ensures the facility's advertising satisfies KRGC regulations;

- **Illegal Gaming Subprogram.** The Illegal Gaming Subprogram focuses on the reduction and elimination of illegal gaming activity; and
- **Parimutuel Gaming Program.** KRGC administers provisions of the Parimutuel Racing Act and serves as the regulatory entity for horse and greyhound racing. Although there currently are no operating racetracks in the state, the KRGC has the authority to issue racing dates, promulgate racing regulations as required to maintain public confidence in the parimutuel wagering system, ensure the safety and welfare of racing animals, monitor the public health and safety at Kansas racetracks, and encourage the growth of the horse and greyhound breeding industry; and
- **Tribal Gaming Regulation Program.** The 1996 Tribal Gaming Oversight Act created the State Gaming Agency in order to fulfill the duties in the gaming compacts and to enforce the provisions of the compacts and state laws, including general criminal statutes and specific criminal gaming statutes in the Tribal Gaming Oversight Act. The agency performs all necessary background investigations prior to licensing for casino employees, management contractors, manufacturers, and distributors at gaming facilities. In addition, the agency ensures gaming is conducted in accordance with the tribal compacts as well as applicable state and federal laws. The agency's staff may examine and inspect all tribal gaming facilities as well as the records, books, papers, machines, equipment, electronic records, surveillance and security tapes, and logs.

Four casinos have been opened in Kansas under provisions of the compacts: the Kickapoo Nation of Kansas casino, located on the tribe's land in southern Brown County, east of U.S. 75 on K-20; the Prairie Band Potawatomi Nation casino, located on tribal land in Jackson County off U.S. 75; the Sac and Fox Nation of Missouri casino in Brown County on U.S. 75; and the Iowa Tribe of Kansas and Nebraska casino near White Cloud in the northeast corner of the state.

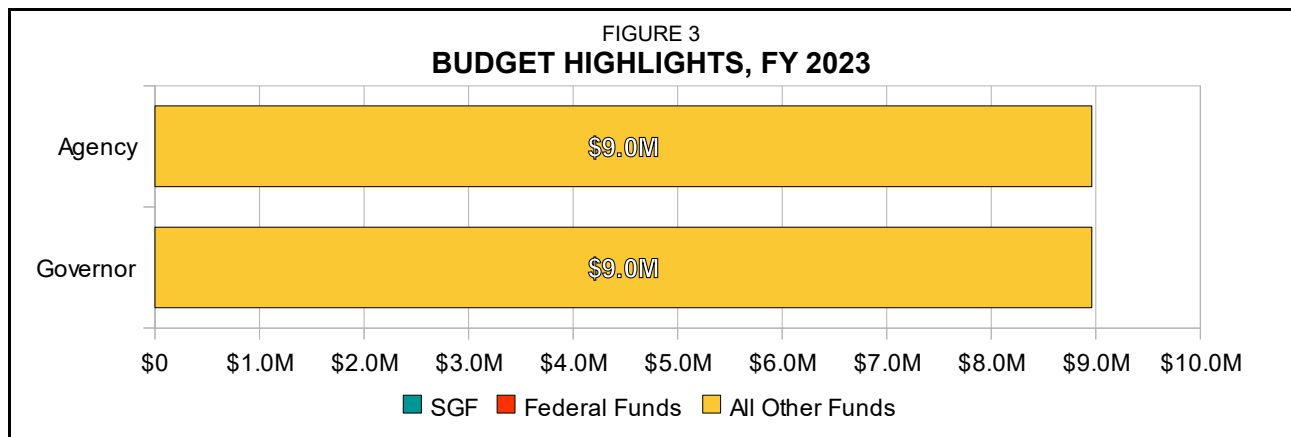
EXECUTIVE SUMMARY

The 2021 Legislature approved a budget of \$9.0 million, all from special revenue funds, for the Kansas Racing and Gaming Commission for FY 2022.



The **agency** requests \$9.0 million, all from special revenue funds, in FY 2022. This is a decrease of \$3,457 below the FY 2022 approved amount. This decrease is due to a decrease of \$5,938 in salaries and wages expenditures, which is partially offset by an increase of \$2,481 in contractual services expenditures. The agency's revised estimate includes 99.5 FTE positions, which is unchanged from the FY 2022 approved number.

The **Governor** concurs with the agency's revised estimate in FY 2022.



The **agency** requests \$9.0 million, all from special revenue funds, for FY 2023. This is an increase of \$11,898 above the FY 2022 revised estimate. This increase is primarily attributable to increased expenditures for employer contributions for fringe benefits such as group health insurance. The agency request also includes 99.5 FTE positions, which is unchanged from the FY 2022 revised estimate.

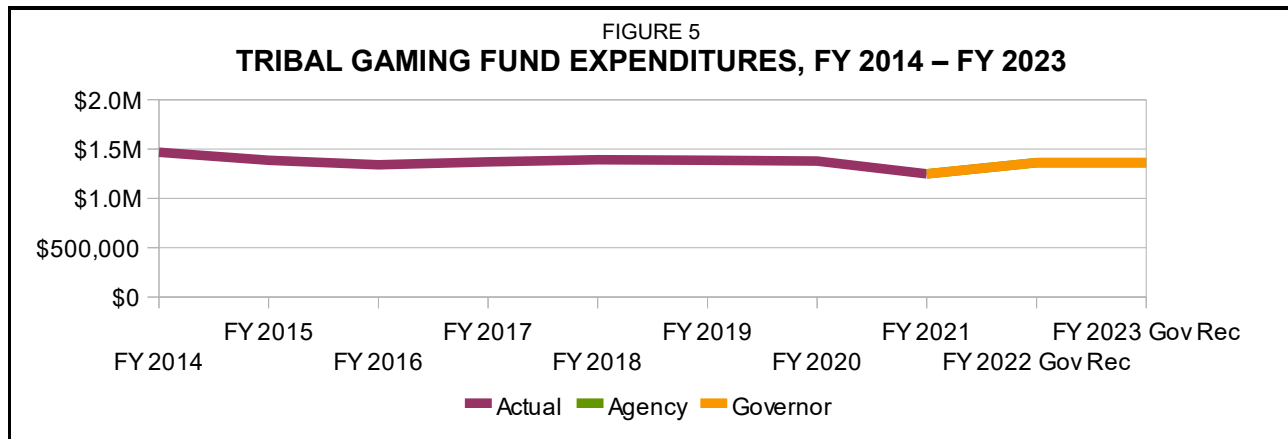
The **Governor** concurs with the agency's request for FY 2023.

EXPENDITURES AND FINANCING

FIGURE 4
BUDGET SUMMARY BY CATEGORY OF EXPENDITURE, FY 2021 – FY 2023

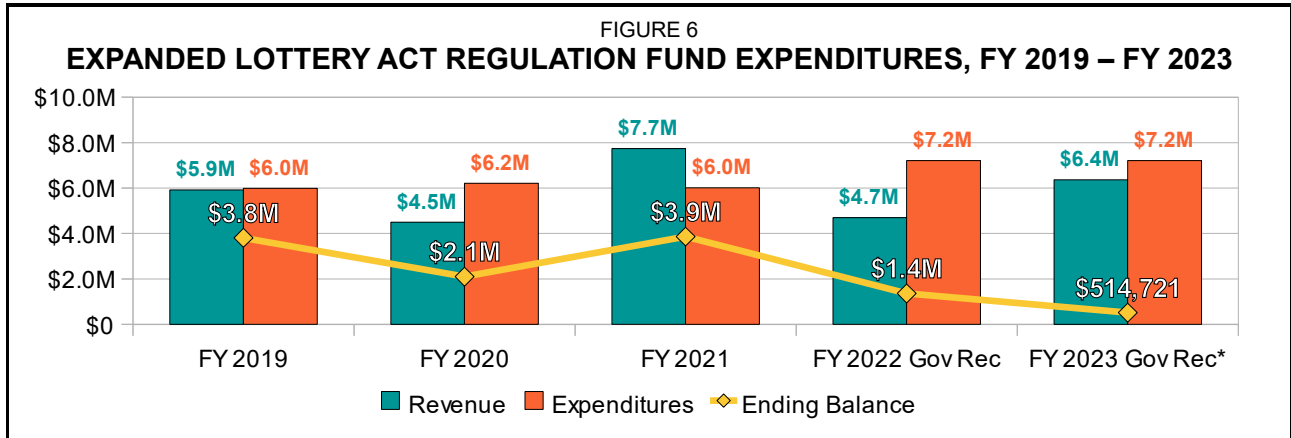
	Actual FY 2021	Agency FY 2022	Governor FY 2022	Agency FY 2023	Governor FY 2023
Category of Expenditure:					
Salaries and Wages	\$ 6,515,416	\$ 7,351,254	\$ 7,351,254	\$ 7,363,152	\$ 7,363,152
Contractual Services	909,378	1,271,286	1,271,286	1,271,286	1,271,286
Commodities	33,327	164,620	164,620	164,620	164,620
Capital Outlay	87,647	164,650	164,650	164,650	164,650
Debt Service Interest	-	-	-	-	-
<i>Subtotal</i>	<u>\$ 7,545,768</u>	<u>\$ 8,951,810</u>	<u>\$ 8,951,810</u>	<u>\$ 8,963,708</u>	<u>\$ 8,963,708</u>
Aid to Local Units	-	-	-	-	-
Other Assistance	-	-	-	-	-
<i>Subtotal—Operating</i>	<u>\$ 7,545,768</u>	<u>\$ 8,951,810</u>	<u>\$ 8,951,810</u>	<u>\$ 8,963,708</u>	<u>\$ 8,963,708</u>
Capital Improvements	-	-	-	-	-
Debt Service	-	-	-	-	-
Principal	-	-	-	-	-
TOTAL	<u>\$ 7,545,768</u>	<u>\$ 8,951,810</u>	<u>\$ 8,951,810</u>	<u>\$ 8,963,708</u>	<u>\$ 8,963,708</u>
Financing:					
State General Fund	\$ -	\$ -	\$ -	\$ -	\$ -
Federal Funds	18,989	-	-	-	-
All Other Funds	7,526,779	8,951,810	8,951,810	8,963,708	8,963,708
TOTAL	<u>\$ 7,545,768</u>	<u>\$ 8,951,810</u>	<u>\$ 8,951,810</u>	<u>\$ 8,963,708</u>	<u>\$ 8,963,708</u>
FTE Positions	99.5	99.5	99.5	99.5	99.5

TRIBAL GAMING FUND



The Tribal Gaming Fund is funded by assessments paid three times a year by the four tribal casinos. On July 1 of each fiscal year, the State Gaming Agency receives \$450,000, all from the State General Fund, to cover operational costs for July, August, and September before the first assessments are submitted from the tribes in September. As revenues become available, the State General Fund cash advance is repaid.

EXPANDED LOTTERY ACT REGULATION FUND



* For FY 2023, the lowest month ending balance for the Expanded Lottery Act Regulation Fund will occur in July, with a balance of \$1.4 million.

The Expanded Lottery Act stipulates the cost of regulation is to be incurred by the lottery gaming facility managers. Revenue to the Expanded Lottery Act Regulation Fund includes billings and payments from the currently operating state-owned casinos for KRGC's direct and indirect costs associated with the operations of the casinos. Payments are received in advance of expenditures on a quarterly billing cycle.

FY 2022 ANALYSIS

FIGURE 7 SUMMARY OF BUDGET REQUEST, FY 2022				
	SGF	Special Revenue Funds	All Funds	FTE
Legislative Approved:				
Amount Approved by 2021 Legislature	\$ -	\$ 8,955,267	\$ 8,955,267	99.5
1. No changes			-	
<i>Subtotal—Legislative Approved</i>	\$ -	\$ 8,955,267	\$ 8,955,267	99.5
Agency Revised Estimate:				
2. All Other Adjustments	-	(3,457)	(3,457)	--
<i>Subtotal—Agency Revised Estimate</i>	\$ -	\$ 8,951,810	\$ 8,951,810	99.5
Governor's Recommendation:				
3. No Changes	\$ -	\$ -	\$ -	--
TOTAL	\$ -	\$ 8,951,810	\$ 8,951,810	99.5

LEGISLATIVE APPROVED

1. **NO CHANGES.** Subsequent to the 2021 Session, no adjustments were made to the \$9.0 million appropriated to the Kansas Racing and Gaming Commission in FY 2022.

AGENCY ESTIMATE

The agency requests \$9.0 million, all from special revenue funds, which is a decrease of \$3,457, or less than 0.1 percent, below the FY 2022 approved budget.

The **agency** request includes the following adjustments:

2. **ALL OTHER ADJUSTMENTS.** Other adjustment includes a decrease of \$5,938 in salaries and wages expenditures, primarily relating to employer contributions to the Kansas Public Employees Retirement System (KPERs) and group health insurance. This decrease is partially offset by an increase of \$2,481 in contractual services expenditures.

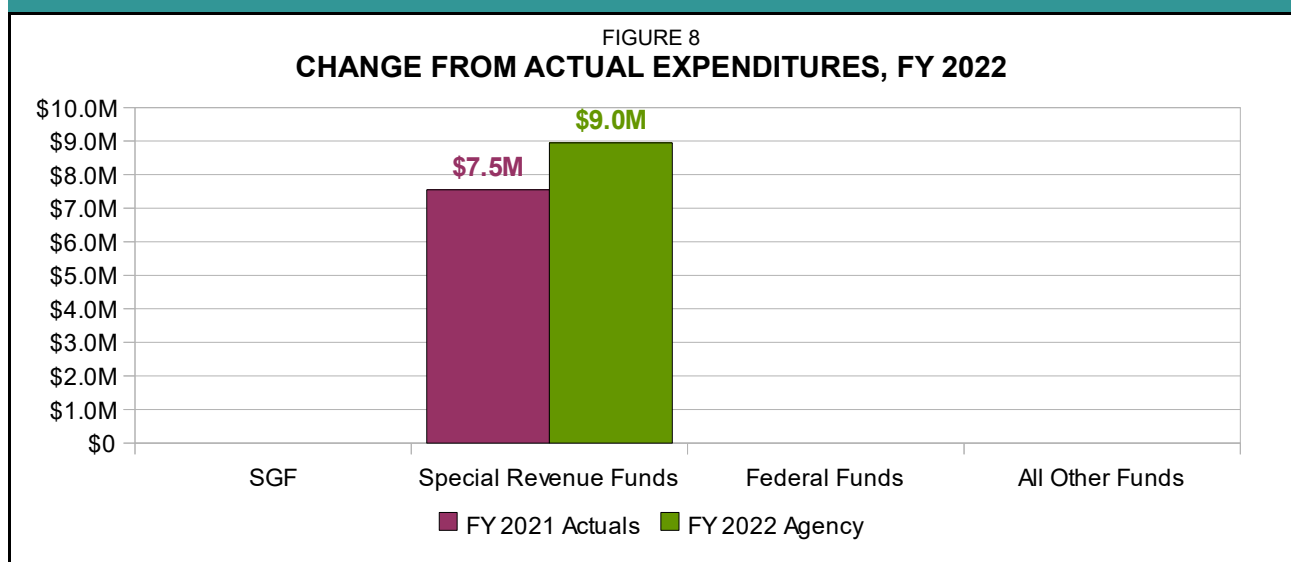
The agency request also includes 99.5 FTE positions, which is unchanged from the FY 2022 approved number.

GOVERNOR'S RECOMMENDATION

The **Governor** concur with the agency's revised estimate in FY 2022.

3. **NO CHANGES.** The Governor recommends no changes to the agency's revised estimate.

FY 2022 CHANGE FROM ACTUAL EXPENDITURES



The agency requests \$9.0 million, all from special revenue funds, in FY 2022. This is an increase of \$1.4 million above the FY 2021 actual amount. This increase is primarily attributable to an increase of \$835,838 for salaries and wages expenditures. The agency had a decrease in salaries and wages expenditures in FY 2021 due to unfilled positions that have since been filled. The remaining increase is primarily attributable to an increase in contractual services (\$361,908) for rent and the State Building Capital Charge, and other fees related to background investigations.

FY 2023 ANALYSIS

FIGURE 9
SUMMARY OF BUDGET REQUEST, FY 2023

	SGF	Special Revenue Funds	All Funds	FTE
Agency Revised Estimate, FY 2022	\$ -	\$ 8,951,810	\$ 8,951,810	99.5
Agency Request:				
1. All Other Adjustments	-	11,898	11,898	--
<i>Subtotal—Agency Estimate</i>	<u>\$ -</u>	<u>\$ 8,963,708</u>	<u>\$ 8,963,708</u>	<u>99.5</u>
Governor's Recommendation:				
2. No Changes	\$ -	\$ -	\$ -	--
TOTAL	<u><u>\$ -</u></u>	<u><u>\$ 8,963,708</u></u>	<u><u>\$ 8,963,708</u></u>	<u><u>99.5</u></u>

AGENCY REQUEST

The **agency** requests \$9.0 million, all from special revenue funds, for FY 2023. This is an increase of \$11,898 above the FY 2022 revised estimate.

The **agency** request includes the following adjustments:

1. **ALL OTHER ADJUSTMENTS.** The agency requests an increase of \$11,898 for salaries and wages expenditures. This increase is primarily attributable to an increase in expenditures for employer contributions to employee fringe benefits such as group health insurance.

The **agency** request also includes 99.5 FTE positions, which is unchanged from the FY 2022 revised estimate.

GOVERNOR'S RECOMMENDATION

The **Governor** concurs with the agency's request for FY 2023.

2. **NO CHANGES.** The Governor recommends no changes to the agency's request.

PROGRAM AND PERFORMANCE MEASURES OVERVIEW

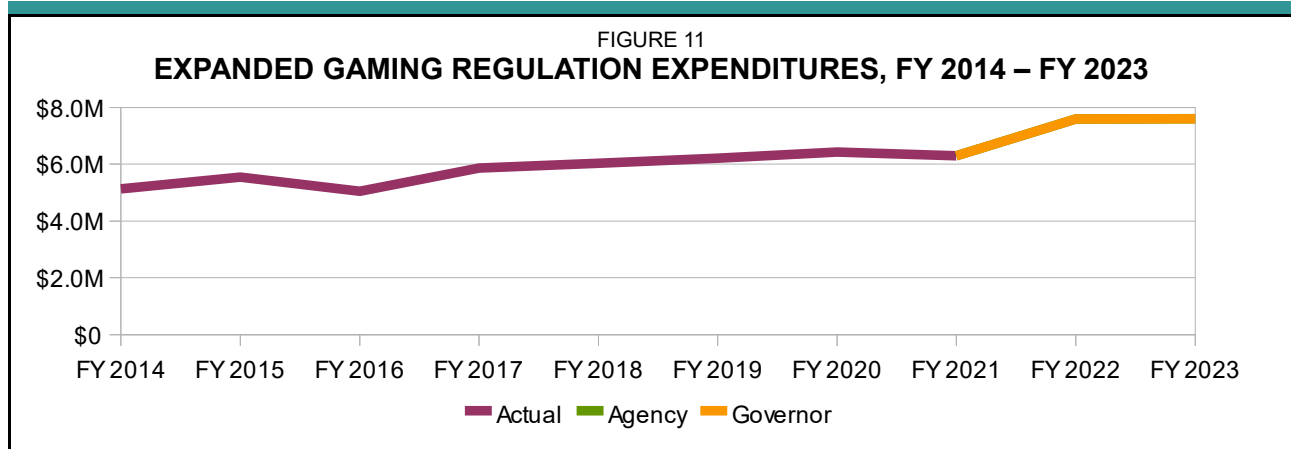
FIGURE 10
EXPENDITURES AND FTE POSITIONS BY PROGRAM, FY 2021 – FY 2023

Programs	Actual FY 2021	Agency FY 2022	Governor FY 2022	Agency FY 2023	Governor FY 2023
Expenditures:					
Gaming Regulation	\$ 6,293,285	\$ 7,586,794	\$ 7,586,794	\$ 7,597,167	\$ 7,597,167
Parimutuel Racing	2,826	3,972	3,972	3,986	3,986
Tribal Gaming	1,249,657	1,361,044	1,361,044	1,362,555	1,362,555
TOTAL	\$ 7,545,768	\$ 8,951,810	\$ 8,951,810	\$ 8,963,708	\$ 8,963,708
FTE Positions:					
Gaming Regulation	86.5	86.5	86.5	86.5	86.5
Parimutuel Racing	0.1	0.1	0.1	0.1	0.1
Tribal Gaming	13.0	13.0	13.0	13.0	13.0
TOTAL	99.5	99.5	99.5	99.5	99.5

PERFORMANCE MEASURES

The 2016 Legislature passed HB 2739, which outlined a three-year process for state agencies to develop and implement a system of performance budgeting using outcome measures to evaluate program effectiveness.

EXPANDED GAMING REGULATION



- STATUTORY BASIS:** • KSA 74-8733 through 74-8773
- PROGRAM GOALS:**
- Uphold and promote the integrity of gaming at lottery and racetrack gaming facilities.
 - Protect gaming operations from the influence of individuals or entities seeking to harm the integrity of gaming in Kansas.
 - Protect the state of Kansas and its citizens from criminal activity and other potential issues related to the operation of lottery and racetrack gaming facilities.
 - Investigate complaints and alleged violations of KRGC rules and regulations and applicable state and federal laws.
 - Coordinate with other state agencies and local authorities to reduce and minimize illegal gaming in Kansas.
 - Promote responsible gambling in the state of Kansas.

The Expanded Gaming Regulation program provides regulatory oversight of lottery and racetrack gaming facility managers and their operations in Kansas. There currently are no operating racetrack gaming facilities. There are, however, four lottery gaming facilities: the Northeast Gaming Zone in Wyandotte County houses the Hollywood Casino; the South

Central Gaming Zone located in Sedgwick and Sumner counties houses the Kansas Star Casino; the Southwest Gaming Zone located in Ford County houses the Boot Hill Casino & Resort; and the Southeast Gaming Zone located in Crawford and Cherokee counties houses the Kansas Crossing Casino.

FIGURE 12
EXPANDED GAMING REGULATION, PERFORMANCE MEASURES

	Actual FY 2020	Actual FY 2021	Actual 3-Year Avg.	Target FY 2022	Target FY 2023
Outcome Measure:					
1. Percentage of Employee Licenses Denied by the Commission*	1.0 %	0.5 %	0.8 %	2.0 %	2.0 %
2. Number of Voluntary Exclusion Program (VEP) Enrollees Granted Access to Lottery Gaming*	86	99	90	95	95
3. Improper Gaming Outcomes Discovered After Complaint*	0	0	0	0	0

FIGURE 12
EXPANDED GAMING REGULATION, PERFORMANCE MEASURES

	Actual FY 2020	Actual FY 2021	Actual 3-Year Avg.	Target FY 2022	Target FY 2023
Output Measure:					
4. Number of Criminal Case Reports*	409	457	451	550	550
5. Number of Background Investigations Completed (Individual and Corporate)	927	606	885	1,260	1,260
6. Number of initial Electronic Gaming Machine (EGM) Inspections and Certifications	375	108	425	300	500
7. Illegal Gaming Machines Seized*	39	6	31	25	25
8. Illegal Gambling Complaints Received*	143	145	155	157	160
9. Number of New VEP Enrollments*	200	174	221	200	200
10. EGM Hardware/Software Components Tested and Approved*	2,683	1,706	2,341	2,400	2,400
Financing	Actual FY 2020	Actual FY 2021		Governor FY 2022	Governor FY 2023
SGF	\$ -	\$ -		\$ -	\$ -
Federal Funds	-	-		-	-
All Other Funds	6,426,922	6,275,022		7,586,794	7,597,167
TOTAL	<u>\$ 6,426,922</u>	<u>\$ 6,275,022</u>		<u>\$ 7,586,794</u>	<u>\$ 7,597,167</u>
Percentage Change:					
SGF	-- %	-- %		-- %	-- %
All Funds	3.5 %	(2.4) %		20.9 %	0.1 %
FTE Positions	86.5	86.5		86.5	86.5

The Governor's Office does not utilize this measure for evaluation purposes.

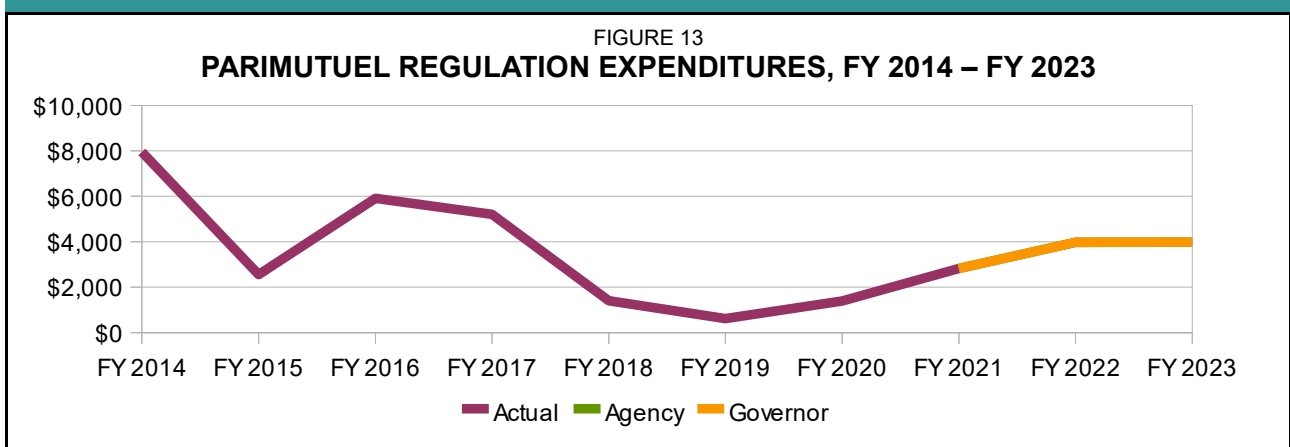
BUDGET ANALYSIS

The **agency** requests \$7.6 million, all from special revenue funds, for the Expanded Gaming Regulation program for FY 2023. This is an increase of \$10,373 above the FY 2022 revised estimate. This increase is attributable to an increase in salaries and wages expenditures for employer contributions to employee fringe benefits such as group health insurance. The program includes 86.5 FTE positions, which is unchanged from the FY 2021 revised estimate. Major expenditures in this program are for professional services largely consisting of

Kansas Bureau of Investigation database access fees related to background checks of vendors who provide goods and services to gaming facilities. Other major expenditures are for repairing and servicing of electronic gaming equipment.

The **Governor** concurs with the agency's request for the Expanded Gaming Regulation program for FY 2023.

PARIMUTUEL REGULATION



STATUTORY BASIS: • KSA 74-8801 through 74-8842

PROGRAM GOALS: • Maintain the integrity of parimutuel wagering systems and protect the public.
• Protect the health, safety, and welfare of the racing animal.

The Parimutuel Regulation program provides oversight for the parimutuel racing industry and racetracks. The Racing and Gaming Commission is the legal authority for such regulation, and staff in this program to carry out the Commission’s policies and procedures. There currently are no parimutuel racetracks operating in Kansas. All funding for the program is supported by the State Racing Fund, which is currently being funded by horse registration fees. The Parimutuel Gaming program budget

for FY 2022 through FY 2023 is built on the assumption that no parimutuel racing will occur in Kansas during that period. The agency will continue to administer the Kansas-Bred Registry program. Currently, there are breeders of horses and greyhounds that continue to register their animals as Kansas-bred. This program ensures breeders are able to register their animals and historic records are maintained.

FIGURE 14
PARIMUTUEL REGULATION, PERFORMANCE MEASURES

	Actual FY 2020	Actual FY 2021	Actual 3-Year Avg.	Target FY 2022	Target FY 2023
There were no performance measures submitted for this program.					
Financing	Actual FY 2020	Actual FY 2021		Governor FY 2022	Governor FY 2023
SGF	\$ -	\$ -		\$ -	\$ -
Federal Funds	-	-		-	-
All Other Funds	1,388	2,826		3,927	3,986
TOTAL	<u>\$ 1,388</u>	<u>\$ 2,826</u>		<u>\$ 3,927</u>	<u>\$ 3,986</u>
Percentage Change:					
SGF	-- %	-- %		-- %	-- %
All Funds	127.5 %	103.6 %		39.0 %	1.5 %
FTE Positions	0.1	0.1		0.1	0.1

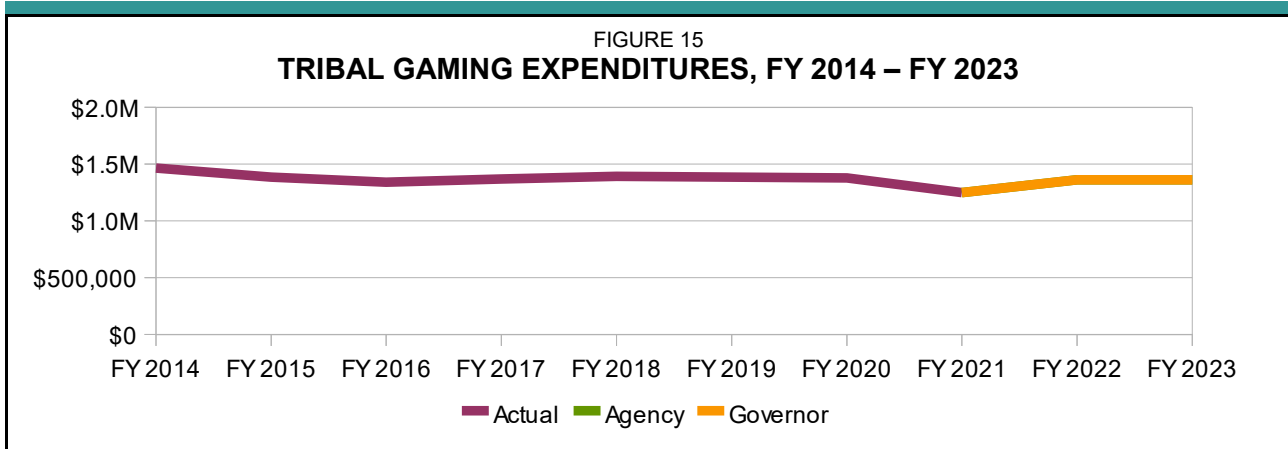
BUDGET ANALYSIS

The **agency** requests \$3,986, all from special revenue funds, for the Parimutuel Racing program for FY 2023. This is an increase of \$14 above the FY 2022 revised estimate. This increase is attributable to increased salaries and wages expenditures for employer contributions to employee fringe benefits. This

program includes less than 0.1 FTE positions, which is unchanged from the FY 2022 revised estimate.

The **Governor** concurs with the agency's request for the Parimutuel Regulation program for FY 2023.

TRIBAL GAMING



- STATUTORY BASIS:** • KSA 74-9801 through 74-9809
- PROGRAM GOALS:**
- Ensure compliance with the four tribal-state compacts and the Tribal Gaming Oversight Act and that gaming is conducted in accordance with said compacts and applicable state and federal laws.
 - Protect the state of Kansas and its citizens from criminal activity in the Tribal gaming arena.
 - Ensure accurate and complete information is provided to the different tribal gaming commissions for licensing purposes and review all licensing decisions to ensure compliance.
 - Conduct thorough background investigations on all gaming employees, management contractors, manufacturers, and distributors of gaming devices seeking licensure at gaming facilities located in the state.
 - Investigate any alleged violations of the tribal-state compacts and the Tribal Gaming Oversight Act.

The Tribal Gaming program is responsible for the oversight, monitoring, and compliance of class III gaming conducted pursuant to the four tribal-state compacts and the Tribal Gaming Oversight Act. The program ensures gaming is conducted in accordance with compacts and applicable state and federal laws, protects citizens from criminal activity in the tribal

gaming arena, ensures accurate and complete information is provided to the different tribal gaming commissions for licensing purposes, conducts background investigations, and can review all licensing and disciplinary actions and reports of noncompliance with the tribal-state compacts.

FIGURE 16
TRIBAL GAMING, PERFORMANCE MEASURES

	Actual FY 2020	Actual FY 2021	Actual 3-Year Avg.	Target FY 2022	Target FY 2023
Outcome Measure:					
1. Average Days to Complete Background Investigations*	40	31	37	45	45
2. Average Days to Preliminary Suitability*	2.0	2.3	1.8	2.0	2.0
Output Measure:					
3. Number of Internal Control Inspections*	2,316	1,903	2,497	2,750	2,750
4. Number of Background Investigations	432	470	472	470	470
5. Number of Official Slot Machine	318	400	353	400	400

FIGURE 16
TRIBAL GAMING, PERFORMANCE MEASURES

	Actual FY 2020	Actual FY 2021	Actual 3-Year Avg.	Target FY 2022	Target FY 2023
Inspections					
6.Number of Compliance Inspections*	457	183	290	200	200
7.Number of Outside Agency Personnel Trained*	10	0	16	25	25
Financing	Actual FY 2020	Actual FY 2021		Governor FY 2022	Governor FY 2023
SGF	\$ -	\$ -		\$ -	\$ -
Federal Funds	-	-		-	-
All Other Funds	1,378,569	1,249,657		1,361,044	1,362,555
TOTAL	<u>\$ 1,378,569</u>	<u>\$ 1,249,657</u>		<u>\$ 1,361,044</u>	<u>\$ 1,362,555</u>
Percentage Change:					
SGF	-- %	-- %		-- %	-- %
All Funds	(0.5) %	(9.4) %		8.9 %	0.1 %
FTE Positions	14.0	13.0		13.0	13.0
*The Governor's Office does not utilize this measure for evaluation purposes.					

BUDGET ANALYSIS

The **agency** requests \$1.4 million, all from special revenue funds, for the Tribal Gaming program for FY 2023. This is an increase of \$1,511 above the FY 2022 revised estimate. This increase is attributable to an increase in salaries and wages expenditures for employer contributions to employee fringe benefits such as group health insurance. This program includes 13.0 FTE positions, which is unchanged from the FY 2022 revised estimate.

Major expenditures in this program are for salaries and wages, rents, and other fees related to record checks of the Kansas tribal gaming facilities.

The **Governor** concurs with the agency's request for the Tribal Gaming program for FY 2023.