



**C-1
Liquor Laws**

**C-2
Lottery, State-
Owned Casinos,
Parimutuel
Wagering, and
Tribal Casinos**

**C-3
Charitable
Gaming, Bingo,
and Other
Games**

Julian Efirid
Principal Analyst
785-296-3181
Julian.Efirid@klrd.ks.gov

Kansas Legislator Briefing Book 2014

Alcohol, Drugs, and Gaming

C-2 Lottery, State-Owned Casinos, Parimutuel Wagering, and Tribal Casinos

State constitutional amendments permit three types of non-tribal gaming in Kansas:

- The Kansas Lottery (including state-owned casinos);
- Parimutuel wagering on dog and horse races; and
- Charitable bingo (discussed in section C-3).

Revenue. Kansas laws provided for the allocation of revenue to the State General Fund in FY 2013 of \$74.5 million from the lottery, games, and casinos, and none from parimutuel wagering that was inactive.

State-tribal compacts were entered into in 1995 with four resident tribes to allow casino gaming in the state.

Revenue. Under the existing tribal gaming compacts, the state does not receive revenue from the casinos, except for paying its oversight activities. As of 2013, no new compacts with other tribes have been approved.

Kansas Regular Lottery

In 1986, Kansas voters approved a constitutional amendment to provide for:

- A state-owned lottery; and
- A sunset provision prohibiting the operation of the State Lottery unless a concurrent resolution authorizing such operation was adopted by the Kansas Legislature. (The 2007 Legislature extended the lottery until 2022. The bill also required that a security audit of the Kansas Lottery be completed at least once every three years.)

The 1987 Kansas Legislature approved implementing legislation that:

- Created the Kansas Lottery to operate the State Lottery;
- Established a five-member Lottery Commission to oversee operations;

- Required that at least 45 percent of the money collected from ticket sales be awarded as prizes and at least 30 percent of the money collected be transferred to the State Gaming Revenues Fund (SGRF);
- Exempted lottery tickets from the sales tax; and
- Allowed liquor stores, along with other licensed entities, to sell lottery tickets.

Transfer of Revenue. No more than \$50.0 million from both the State Lottery and parimutuel wagering revenue can be transferred to the SGRF in any fiscal year; amounts in excess of \$50 million generally are credited to the SGF, except when otherwise provided by law.

The 2008 Legislature amended the Kansas Lottery Act in various ways:

Receipts from the sale of lottery tickets are deposited by the Executive Director of the Kansas Lottery into the Lottery Operating Fund in the State Treasury. Statutorily, moneys in that fund are used to:

- Support the operation of the lottery;
- Pay prizes to lottery winners by transfers to the Lottery Prize Fund; and
- Provide funding for problem gamblers, correctional facilities, juvenile facilities, economic development, and the State General Fund (SGF) via transfers to the State Gaming Revenues Fund (SGRF).

- Senate Sub. for HB 2923 amended existing law to allow the Kansas Lottery to sell Veterans Benefit Game lottery tickets year round and to change the distribution of net profits for the Veterans Benefit Game. The bill required 40 percent of the net profits to be used for Kansas National Guard scholarships and 30 percent to benefit the Kansas Veterans Home, the Kansas Soldiers Home, and the Veterans Cemetery System. For FY 2009 and FY 2010, the bill directed 30 percent to the Museum of the Kansas National Guard for the expansion of its facility to include a 35th Infantry Division Museum and Education Center. In FY 2011, the 30 percent was to be redirected from the Museum to a veterans enhanced service delivery program.
- Senate Sub. for HB 2946 (Omnibus Appropriations bill) addressed the use of moneys from expanded gaming. The 2007 Legislature in SB 66, which established the expanded gaming provisions for state-owned racinos and casinos, also created the Expanded Lottery Act Revenues Fund (ELARF) to receive the state's share of the revenues after disposition of operating expenses and statutory transfers of all other money collected. SB 66 also provided for three statutory uses for money in the ELARF: property tax relief, infrastructure improvements, and debt relief.

Revenue. In FY 2013, revenue from the State Lottery was transferred from the SGRF in the following manner:

Problem Gambling Grant Fund	\$	80,000
Correctional Institutions Building Fund		4,992,000
Juvenile Detention Fund		2,496,000
Economic Development Initiatives Fund		42,432,000
State General Fund		24,522,230
Total	\$	74,522,230

State Casinos

Where can state casinos be located in Kansas?

The passage of 2007 SB 66 created gaming zones for casinos, and one casino may be built in each zone:

- Wyandotte County (Northeast Kansas Gaming Zone);
- Crawford and Cherokee counties (Southeast Kansas Gaming Zone);
- Sedgwick and Sumner counties (South Central Kansas Gaming Zone); and
- Ford County (Southwest Kansas Gaming Zone).

Who owns and operates the casinos?

The Kansas Lottery Commission is responsible for ownership and operational control. In addition, the Lottery is authorized to enter into contracts with the gaming managers for gaming at the exclusive and non-exclusive (parimutuel locations) gaming zones.

Who is responsible for regulation?

The Kansas Racing and Gaming Commission (KRGCC) is responsible for oversight and regulation of lottery gaming facility operations.

What are the required provisions of any Lottery gaming facilities contract?

The law requires that each contract:

- Have an initial term of 15 years from the date of opening the gaming facility;
- Specify the amount to be paid to the manager;
- Establish a mechanism for payment of expenses;
- Include a provision for the lottery gaming manager to pay the costs of oversight and regulation of the operation of the lottery gaming facility by the KRGCC;

- Provide for an investment in infrastructure, including ancillary lottery gaming facility operations, of at least \$225 million in the Northeast, Southeast, and South Central gaming zones and \$50 million in the Southwest gaming zone;
- Establish a gaming privilege fee of \$25 million to be paid by the prospective lottery gaming manager, except the privilege for the Southwest gaming facility zone manager is \$5.5 million; and
- Establish the disposition of revenues as follows:
 - 73 percent to the Lottery Gaming Facility Manager;
 - Not less than 22 percent of the gaming revenues to the state;
 - 2 percent to the Problem Gambling and Addictions Fund;
 - 1.5 percent to the city;
 - 1.5 percent to the county (3 percent if the casino is located in a gaming zone of only one county and is not located in a city);
 - 1 percent to the host county (2 percent if the casino is located in a gaming zone consisting of more than one county and is not located in a city); and
 - 1 percent to the non-host county if the casino is located in a gaming zone consisting of more than one county.

Who decides who receives the casino contracts?

The Lottery is to solicit proposals, approve gaming zone contracts, and submit the contracts to the Lottery Gaming Facility Review Board for consideration and determination of the contract for each zone. The Lottery Gaming Facility Review Board consists of three members appointed by the Governor, two members appointed by the President of the Senate, and two members appointed by the Speaker of the House. The Board is responsible for determining which lottery gaming facility management contract best maximizes revenue, encourages tourism, and serves the best interests of Kansas. The Board is under the control of the KRGCC.

Contracts have been awarded and casinos are in operation in all gaming zones except the southeast gaming zone. No contracts have been submitted for the southeast gaming zone.

Tribal-State Gaming

In 1995, the State of Kansas and each of the four resident tribes in Kansas entered into tribal-state gaming compacts to permit Class III (casino) gaming at tribal casinos.

In accordance with the federal Indian Gaming Regulatory Act (IGRA), all four of the compacts approved by the Kansas Legislature were forwarded to the Bureau of Indian Affairs and were approved. At the present time, all four resident tribes have opened and are operating a casino gaming facilities:

- Kickapoo Tribe (the Golden Eagle Casino) in May 1996;
- Prairie Band Potawatomi Nation opened a temporary facility in October 1996, and then Harrah's Prairie Band Casino in January 1998 (in 2007 Harrah's relinquished operation of the casino to the Prairie Band Potawatomi Nation);
- Sac and Fox Tribe (Sac and Fox Casino) in February 1997;
- Iowa Tribe opened a temporary facility in May 1998, and then Casino White Cloud in December 1998.

Revenue. Financial information concerning the operation of the four casinos is confidential. Under the existing compacts, the state does not receive revenue from the casinos, except for its oversight activities.

The State Gaming Agency (SGA) was created by executive order in August 1995, as required by the tribal-state gaming compacts. During the 1996 Legislative Session, the agency was made a part of the Kansas Racing and Gaming Commission (KRGC) through the passage of the Tribal Gaming Oversight Act. The gaming compacts define the relationship between the SGA and the tribes: the actual day-to-day regulation of the gaming facilities is performed by the tribal

gaming commissions. Enforcement agents of the SGA also are in the facilities on a daily basis and have free access to all areas of the gaming facility. The compacts also require the SGA to conduct background investigations on all gaming employees, manufacturers of gaming supplies and equipment, and gaming management companies and consultants.

The SGA is funded through an assessment process established by the compacts to reimburse the State of Kansas for the costs it incurs for regulation of the casinos.

As of 2012, no new Indian gaming compacts have been approved. The Wyandotte Nation of Kansas is currently negotiating a compact with the State of Kansas.

Racetrack Gaming Facilities

What racetrack facilities are permitted to have slot machines?

The Lottery may place slot machines at the Woodlands in Kansas City, Camptown Greyhound Park in Southeast Kansas, and Wichita Greyhound Park in Valley Center. Camptown closed in 2000, the Wichita Greyhound Park closed in 2007, and the Woodlands closed in 2008.

Who decides who receives the racetrack gaming facility management contract?

The Kansas Lottery is responsible for considering and approving proposed racetrack gaming facility management contracts with one or more prospective racetrack gaming facility managers. The prospective managers must have sufficient financial resources and be current in filing taxes to the state and local governments. The Lottery is required to submit proposed contracts to KRGC for approval or disapproval.

What are the required provisions of any racetrack gaming facilities contract?

The law requires the following main provisions:

- Authorize a maximum of 2,800 electronic gaming machines at all locations;
- Establish the number of live greyhound and horse races to be conducted at each parimutuel track prior to authorization of placement of electronic gaming machines; and
- Establish the distribution of electronic gaming revenue as follows:
 - 25 percent to the racetrack gaming facility manager;
 - 7 percent to the Live Greyhound Racing Purse Supplement Fund (not more than \$3,750 per machine);
 - 7 percent to the Live Horse Racing Purse Supplement Fund (not more than \$3,750 per machine);
 - 1.5 percent to the city;
 - 1.5 percent to the county (3 percent if the track is not in a city);
 - 2 percent to the Problem Gambling and Addictions Grant Fund;
 - 1 percent to the Kansas Horse Fair Racing Benefit Fund;
 - 40 percent to the state;
 - 15 percent for expenses; and
 - \$2,500 per electronic gaming machine to the state.

Parimutuel Wagering

In 1986, voters approved a constitutional amendment authorizing the Legislature to permit, regulate, license, and tax the operation of horse and dog racing by bona fide non-profit organizations and to conduct parimutuel wagering.

The Kansas Parimutuel Racing Act was created by legislation the following year, which:

- Created the Kansas Racing Commission, subsequently renamed the Kansas Racing and Gaming Commission, which is authorized to license and regulate all aspects of racing and parimutuel wagering;
- Permitted only non-profit organizations to be licensed and the licenses may be for an exclusive geographic area;
- Created a formula for taxing the wagering;
- Provided for simulcasting of both interstate and intrastate horse and greyhound races in Kansas and allowed parimutuel wagering on simulcast races in 1992; and
- Provided for the transfer from the State Racing Fund to the SGRF of any moneys in excess of amounts required for operating expenditures.

Revenue. In FY 2013, there was no revenue transfer to the SGRF from racetrack gambling or parimutuel racetracks..

Parimutuel Racetracks. As of 2013, there are no year-round parimutuel racetracks operating in Kansas.

Parimutuel horse racing is offered at two county fair locations for short periods during the year:

- Eureka Downs in Eureka, and
- Anthony Downs in Anthony.

For more information, please contact:

Julian Efird, Principal Fiscal Analyst
Julian.Efird@klrd.ks.gov

Dezeree Hodish, Legislative Fellow
Dezeree.Hodish@klrd.ks.gov

Kansas Legislative Research Department
300 SW 10th Ave., Room 68-West, Statehouse
Topeka, KS 66612
Phone: (785) 296-3181
Fax: (785) 296-3824