

KANSAS RACING AND GAMING COMMISSION

Expenditure	Actual FY 2015	Agency Est. FY 2016	Gov. Rec. FY 2016	Agency Est. FY 2017	Gov. Rec. FY 2017
Operating Expenditures:					
State General Fund	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Other Funds	6,935,786	8,811,132	8,811,132	8,955,418	8,955,418
TOTAL	\$ 6,935,786	\$ 8,811,132	\$ 8,811,132	\$ 8,955,418	\$ 8,955,418
Capital Improvements:					
State General Fund	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Other Funds	0	0	0	0	0
TOTAL	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
GRAND TOTAL	\$ 6,935,786	\$ 8,811,132	\$ 8,811,132	\$ 8,955,418	\$ 8,955,418

Percentage Change:

Operating Expenditures					
State General Fund	-- %	-- %	-- %	-- %	-- %
All Funds	4.9	27.0	27.0	1.6	1.6
FTE Positions	93.5	110.5	110.5	110.5	110.5
Non-FTE Perm.Uncl.Pos.	7.5	0.0	0.0	0.0	0.0
TOTAL	101.0	110.5	110.5	110.5	110.5

AGENCY OVERVIEW

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 originally 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 re-designated as the Kansas Racing and Gaming Commission on July 1, 1996, when the State Gaming Agency was attached for administrative and budget 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 the Kansas Racing and Gaming Commission 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, 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.

Parimutuel Gaming Program. The Kansas Racing and Gaming Commission administers provisions of the Parimutuel Racing Act and serves as the regulatory entity for

horse and greyhound racing. Although there are currently no operating racetracks in the state, the Commission 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 race tracks, and encourage the growth of the horse and greyhound breeding industry.

Tribal Gaming Regulation Program. The 1996 Tribal Gaming Oversight Act statutorily 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 that 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.

MAJOR ISSUES FROM PRIOR YEARS

Tribal Gaming Transfers. Assessments from the tribes are paid to the State Gaming Agency to finance its operations. A \$450,000 transfer authorized annually in appropriations bills from the State General Fund to the Tribal Gaming Fund at the start of each fiscal year provides advance cash financing for the State Gaming Agency until the first assessments from the four tribes are submitted in September. Two additional assessments are due from the tribes later in each fiscal year. As revenues allow, the State General Fund cash advance is repaid.

PMIB Loans and Expanded Lottery Regulation. The Legislature authorized the agency to borrow up to \$5.0 million from the Pooled Money Investment Board (PMIB) for start-up costs related to implementing expanded lottery (gaming) before revenues were sufficient to support operational costs. The loan was then repaid with interest when money was available from the expanded lottery receipts. The Expanded Gaming Regulation program was established during FY 2008 and this funding provided an initial source of financing for its operations and staff.

Board Member Compensation. The 2013 Legislature added language in FY 2013 through FY 2015 directing the agency that no funds shall be expended for compensation of Kansas Racing and Gaming Commission Board members exceeding that described in KSA 75-3223. The 2014 Legislature added a proviso in Senate Sub. for HB 2231 increasing compensation to that described in KSA 46-137(a) in FY 2015.

LGFRB and SE Gaming Zone Expenses. The 2015 Legislature added \$1.4 million for FY 2016 and \$1.3 million for FY 2017 for expenses related to the opening of a gaming facility in the Southeast Gaming Zone. The additional funding supported the Lottery Gaming Facility

Review Board that was responsible for the selection of a facility manager and additional employee positions needed for the regulation of the new gaming facility.

Gaming Machine Examination Fund. The 2015 Legislature appropriated the Gaming Machine Examination Fund with no-limit expenditure authority for FY 2016 and FY 2017. Revenues to the fund include gaming machine manufacturers' deposits required for the testing of gaming machines. Expenditures from the fund include payments to laboratories that examine and certify gaming machines placed in the state-owned casinos.

BUDGET SUMMARY AND KEY POINTS

FY 2016 – Current Year. The **agency** requests a revised estimate totaling \$8.8 million, all from special revenue funds, in FY 2016. This is a decrease of \$1.4 million, or 13.7 percent, below the amount approved by the 2015 Legislature, and is largely due to the Racing and Gaming Commission's decision to not implement the gaming machine examination enhancement for which the 2015 Legislature approved additional expenditures in FY 2016. The revised estimate includes 110.5 FTE positions and no non-FTE positions, which is a reduction of 2.0 FTE positions and 7.5 non-FTE positions from the approved amount.

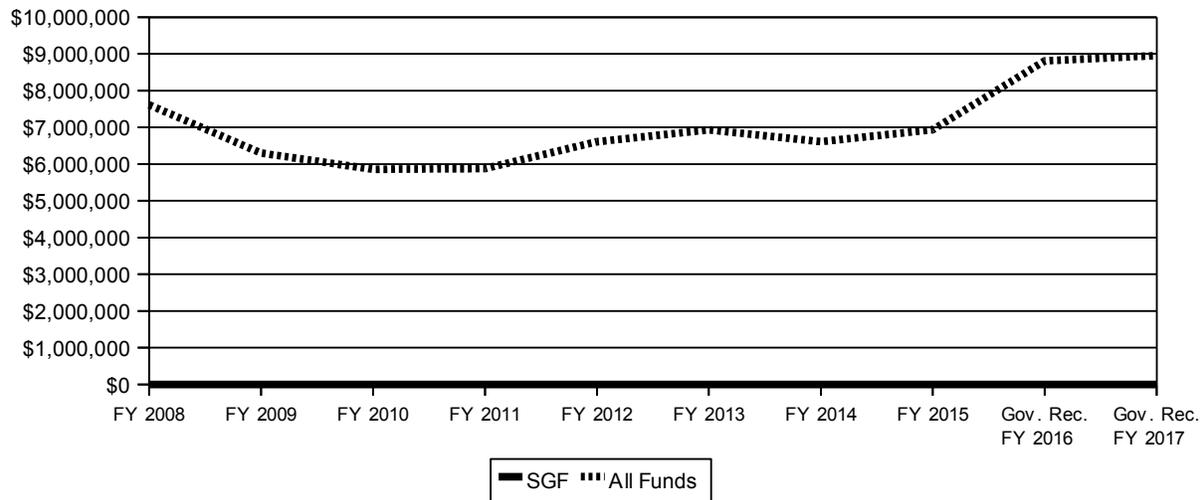
The **Governor** concurs with the agency's FY 2016 revised estimate.

FY 2017 – Budget Year. The **agency** requests a revised estimate totaling \$8.96 million, all from special revenue funds, for FY 2017. This is a decrease of \$1.4 million, or 13.5 percent, below the amount approved by the 2015 Legislature, and is largely due to the Racing and Gaming Commission's decision to not implement the gaming machine examination enhancement for which the 2015 Legislature approved additional expenditures for FY 2017. The revised estimate includes 110.5 FTE positions, which is a reduction of 2.0 positions from the approved amount.

The **Governor** concurs with the agency's FY 2017 revised estimate.

BUDGET TRENDS

OPERATING EXPENDITURES FY 2008 – FY 2017



OPERATING EXPENDITURES FY 2008 – FY 2017

Fiscal Year	SGF	% Change	All Funds	% Change	FTE
2008	\$ 0	0.0 %	\$ 7,614,951	34.5 %	67.0
2009	0	0.0	6,299,242	(17.3)	73.5
2010	0	0.0	5,858,720	(7.0)	80.0
2011	0	0.0	5,877,410	0.3	73.5
2012	0	0.0	6,609,144	12.4	99.5
2013	0	0.0	6,932,712	4.9	98.0
2014	0	0.0	6,610,135	(4.7)	91.5
2015	0	0.0	6,935,786	4.9	93.5
2016 Gov. Rec.	0	0.0	8,811,132	27.0	110.5
2017 Gov. Rec.	0	0.0	8,955,418	1.6	110.5
Ten-Year Change Dollars/Percent	\$ 0	0.0 %	\$ 1,340,467	17.6 %	43.5

Summary of Operating Budget FY 2015 - FY 2017

	Actual 2015	Agency Estimate				Governor's Recommendation			
		Estimate FY 2016	Estimate FY 2017	Dollar Change from FY 16	Percent Change from FY 16	Rec. FY 2016	Rec. FY 2017	Dollar Change from FY 16	Percent Change from FY 16
By Program:									
Expanded Gaming Regulation	\$ 5,547,908	\$ 7,250,627	\$ 7,302,762	\$ 52,135	0.7 %	\$ 7,250,627	\$ 7,302,762	\$ 52,135	0.7 %
Tribal Gaming Regulation	1,385,329	1,556,785	1,648,842	92,057	5.9	1,556,785	1,648,842	92,057	5.9
Parimutuel Gaming	2,549	3,720	3,814	94	2.5	3,720	3,814	94	2.5
TOTAL	\$ 6,935,786	\$ 8,811,132	\$ 8,955,418	\$ 144,286	1.6 %	\$ 8,811,132	\$ 8,955,418	\$ 144,286	1.6 %
By Major Object of Expenditure:									
Salaries and Wages	\$ 5,325,630	\$ 6,784,562	\$ 7,384,172	\$ 599,610	8.8 %	\$ 6,784,562	\$ 7,384,172	\$ 599,610	8.8 %
Contractual Services	1,450,734	1,595,808	1,240,608	(355,200)	(22.3)	1,595,808	1,240,608	(355,200)	(22.3)
Commodities	61,238	177,620	163,460	(14,160)	(8.0)	177,620	163,460	(14,160)	(8.0)
Capital Outlay	91,328	246,146	160,182	(85,964)	(34.9)	246,146	160,182	(85,964)	(34.9)
Debt Service	0	0	0	0	--	0	0	0	--
Subtotal - Operations	\$ 6,928,930	\$ 8,804,136	\$ 8,948,422	\$ 144,286	1.6 %	\$ 8,804,136	\$ 8,948,422	\$ 144,286	1.6 %
Aid to Local Units	0	0	0	0	--	0	0	0	--
Other Assistance	6,856	6,996	6,996	0	0.0	6,996	6,996	0	0.0
TOTAL	\$ 6,935,786	\$ 8,811,132	\$ 8,955,418	\$ 144,286	1.6 %	\$ 8,811,132	\$ 8,955,418	\$ 144,286	1.6 %
Financing:									
State General Fund	\$ 0	\$ 0	\$ 0	\$ 0	-- %	\$ 0	\$ 0	\$ 0	-- %
Expanded Lottery Regulation Fund	5,289,507	6,948,372	6,991,831	43,459	0.6	6,948,372	6,991,831	43,459	0.6
Tribal Gaming Fund	1,385,329	1,556,785	1,648,842	92,057	5.9	1,556,785	1,648,842	92,057	5.9
All Other Funds	260,950	305,975	314,745	8,770	2.9	305,975	314,745	8,770	2.9
TOTAL	\$ 6,935,786	\$ 8,811,132	\$ 8,955,418	\$ 144,286	1.6 %	\$ 8,811,132	\$ 8,955,418	\$ 144,286	1.6 %

BUDGET OVERVIEW

A. FY 2016 – Current Year

CHANGE FROM APPROVED BUDGET					
	Legislative Approved FY 2016	Agency Estimate FY 2016	Agency Change from Approved	Governor Rec. FY 2016	Governor Change from Approved
State General Fund	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
All Other Funds	10,212,900	8,811,132	(1,401,768)	8,811,132	(1,401,768)
TOTAL	\$ 10,212,900	\$ 8,811,132	\$ (1,401,768)	\$ 8,811,132	\$ (1,401,768)
FTE Positions	112.5	110.5	(2.0)	110.5	(2.0)

The **agency** requests a revised estimate totaling \$8.8 million, all from special revenue funds, in FY 2016. This is a decrease of \$1.4 million, or 13.7 percent, below the amount approved by the 2015 Legislature, and is largely attributable to reduced expenditures on contractual services within the Expanded Gaming Regulation program. Reduced expenditures are partially offset by an increase in capital outlay expenditures in the same program. The revised estimate includes 110.5 FTE positions and no non-FTE positions, which is a reduction of 2.0 FTE positions and 7.5 non-FTE positions from the approved amount. The FTE reduction is in the Tribal Gaming Program due to the elimination of two agent positions. The reduction of 7.5 non-FTE positions is due to the Lottery Gaming Facility Review Board completing its work in FY 2015. Major objects of expenditures are detailed below.

- Salaries and Wages.** The FY 2016 revised estimate includes \$6.8 million for salaries and wages expenditures. This is an all funds decrease of \$99,984, or 1.5 percent, below the approved amount. The reduction is largely attributable to reduced expenditures on pay to classified regular and unclassified temporary employees in the Expanded Gaming and Tribal Regulation programs. Reductions are offset by increased expenditures on group health hospitalization and pay to unclassified regular employees in the Expanded Gaming Regulation program.
- Contractual Services.** The FY 2016 revised estimate includes \$1.6 million for contractual services expenditures. This is an all funds decrease of \$1.3 million, or 45.7 percent, below the approved amount. The reduction is largely attributable to the agency’s decision to not implement the gaming machine examination process for which the 2015 Legislature approved additional expenditures in the Expanded Gaming Regulation program. The agency noted that it plans to offer additional training to casino staff and to work with laboratories to develop a more effective notification system regarding the certification of electronic gaming machines.
- Commodities.** The FY 2016 revised estimate includes \$177,620 for commodities expenditures. This is an all funds increase of \$505, or 0.3 percent, above the approved amount. Increased expenditures occur only in the Expanded Gaming Regulation program largely for office supplies and are offset by reduced

expenditures in the Tribal Gaming Regulation program for fuel and office supplies.

- **Capital Outlay.** The FY 2016 revised estimate includes \$246,146 for capital outlay expenditures. This is an all funds increase of \$41,350, or 20.2 percent, above the approved amount. Increased expenditures in the Expanded Gaming Regulation Program for computer equipment, office supplies, and its supplemental request for one vehicle. The increases are offset by expenditures in the Tribal Gaming Regulation program for computing equipment, software, and professional and scientific equipment.
- **Other Assistance.** The FY 2016 revised estimate includes \$6,996 for other assistance expenditures. This is unchanged from the approved budget and includes expenditures for health insurance costs related to the Voluntary Retirement Incentive Program and petty cash advances used for illegal gambling enforcement initiatives.

The **Governor** concurs with the agency's FY 2016 revised estimate.

Supplemental Detail

FY 2016 SUPPLEMENTALS						
Supplementals	Agency Estimate			Governor's Recommendation		
	SGF	All Funds	FTE	SGF	All Funds	FTE
Vehicle	\$ 0	\$ 25,000	0.0	\$ 0	\$ 25,000	0.0

The **agency** requests \$25,000, all from the Expanded Lottery Regulation Fund, for one vehicle for employees working at the Southeast Gaming Zone facility. The agency states that the vehicle will be used for travel related to law enforcement issues, training, and court appearances in the Expanded Gaming Regulation program.

The **Governor** recommends the agency's supplemental request totaling \$25,000, all from special revenue funds, in FY 2016.

B. FY 2017 – Budget Year

CHANGE FROM APPROVED BUDGET					
	Legislative Approved FY 2017	Agency Estimate FY 2017	Agency Change from Approved	Governor Rec. FY 2017	Governor Change from Approved
State General Fund	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
All Other Funds	10,349,209	8,955,418	(1,393,791)	8,955,418	(1,393,791)
TOTAL	\$ 10,349,209	\$ 8,955,418	\$ (1,393,791)	\$ 8,955,418	\$ (1,393,791)
FTE Positions	112.5	110.5	(2.0)	110.5	(2.0)

The **agency** requests a revised estimate totaling \$8.96 million, all from special revenue funds, for FY 2017. This is a decrease of \$1.4 million, or 13.5 percent, below the amount approved by the 2015 Legislature, and is largely attributable to reduced expenditures on contractual services within the Expanded Gaming Regulation program. The revised estimate includes 110.5 FTE positions, which is a reduction of 2.0 positions from the approved amount. The FTE reduction occurred in the Tribal Gaming Program due to the elimination of two agent positions. Major objects of expenditures are detailed below.

- **Salaries and Wages.** The FY 2017 revised estimate includes \$7.4 million for salaries and wages expenditures. This is an all funds decrease of \$35,007, or 0.5 percent, below the approved amount. The reduction is largely attributable to reduced expenditures on pay to employees and employer contributions to group health hospitalization in the Tribal Gaming Regulation program, offset by increased expenditures on overtime pay and pay to unclassified employees in the Expanded Gaming Regulation program.
- **Contractual Services.** The FY 2017 revised estimate includes \$1.2 million for contractual services expenditures. This is an all funds decrease of \$1.3 million, or 52.0 percent, below the approved amount. The reduction is largely attributable to the agency's decision to not implement the gaming machine examination process for which the 2015 Legislature approved additional expenditures in the Expanded Gaming Regulation program. The agency noted that it plans to offer additional training to casino staff and to work with laboratories to develop a more effective notification system regarding the certification of electronic gaming machines.
- **Commodities.** The FY 2017 revised estimate includes \$163,460 for commodities expenditures. This is an all funds decrease of \$6,495, or 3.8 percent, below the approved amount. Reduced expenditures occur only in the Tribal Gaming Regulation program for fuel, office supplies, and professional supplies.
- **Capital Outlay.** The FY 2017 revised estimate includes \$160,182 for capital outlay expenditures. This is an all funds decrease of \$8,650, or 5.1 percent, below the approved amount. Reduced expenditures occur only in the Tribal Gaming Regulation program largely for computing equipment, software, and professional and scientific equipment.
- **Other Assistance.** The FY 2017 revised estimate includes \$6,996 for other assistance expenditures. This is unchanged from the approved budget and includes expenditures for health insurance costs related to the Voluntary Retirement Incentive Program and petty cash advances used for illegal gambling enforcement initiatives.

The **Governor** concurs with the agency's FY 2017 revised estimate.

Funding Sources

Funding Source	Agency Est. Percent of Total FY 2017	Gov. Rec. Percent of Total FY 2017
State General Fund	0.0 %	0.0 %
Expanded Lottery Regulation Fund	78.1	78.1
Tribal Gaming Fund	18.4	18.4
All Other Funds	3.5	3.5
TOTAL	100.0 %	100.0 %

Note: Details may not add to totals due to rounding.

Expanded Lottery Regulation Fund

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

Resource Estimate	Actual FY 2015	Agency Estimate FY 2016	Gov. Rec.. FY 2016	Agency Estimate FY 2017	Gov. Rec. FY 2017
Beginning Balance	\$ 2,603,583	\$ 3,049,688	\$ 3,049,688	\$ 2,646,799	\$ 2,646,799
Revenue	5,735,612	6,545,483	6,545,483	7,115,531	7,115,531
Transfers in	0	0	0	0	0
Total Funds Available	\$ 8,339,195	\$ 9,595,171	\$ 9,595,171	\$ 9,762,330	\$ 9,762,330
Less: Expenditures	5,289,507	6,948,372	6,948,372	6,991,831	6,991,831
Transfers Out	0	0	0	0	0
Off Budget Expenditures	0	0	0	0	0
Ending Balance	<u>\$ 3,049,688</u>	<u>\$ 2,646,799</u>	<u>\$ 2,646,799</u>	<u>\$ 2,770,499</u>	<u>\$ 2,770,499</u>
Ending Balance as Percent of Expenditures	57.7%	38.1%	38.1%	39.6%	39.6%
Month Highest Ending Balance	May <u>\$ 4,052,406</u>	November <u>\$ 3,232,693</u>	November <u>\$ 3,232,693</u>	February <u>\$ 3,500,000</u>	February <u>\$ 3,500,000</u>
Month Lowest Ending Balance	January <u>\$ 2,166,709</u>	January <u>\$ 2,200,000</u>	January <u>\$ 2,200,000</u>	July <u>\$ 2,300,000</u>	July <u>\$ 2,300,000</u>

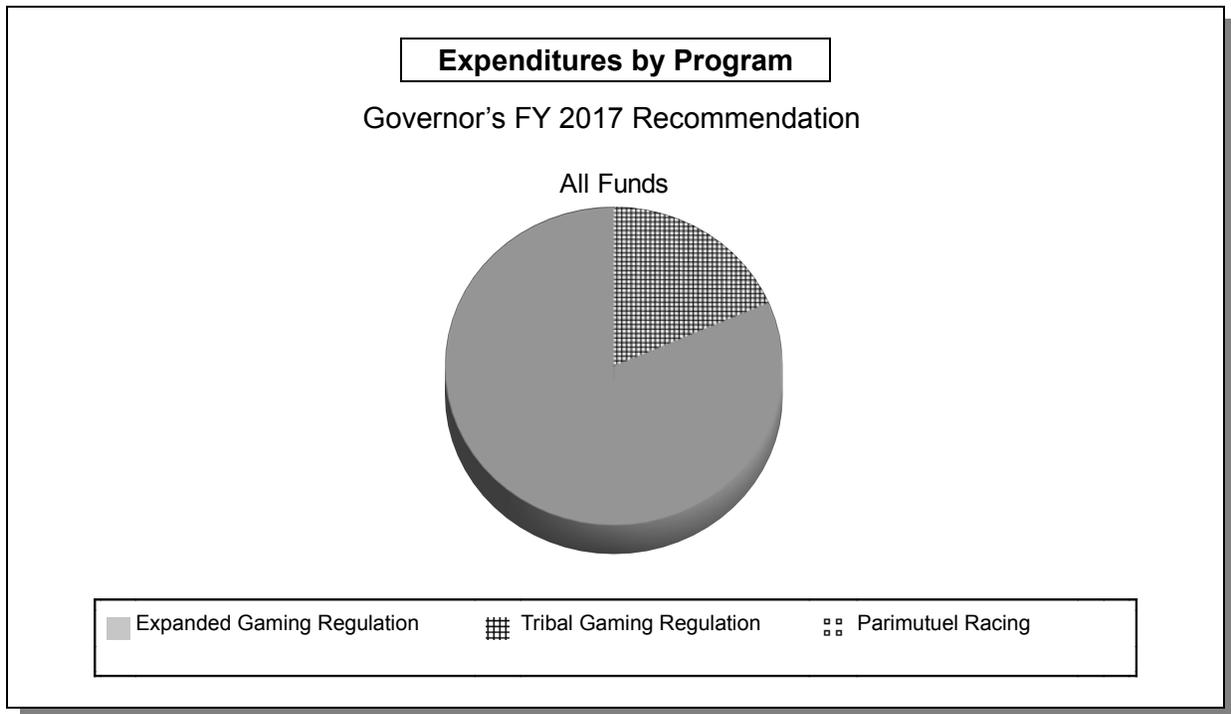
Tribal Gaming Regulation Fund

The Tribal Gaming Fund is funded by assessments paid three times a year by the four tribal casinos. On July 1st 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.

Resource Estimate	Actual FY 2015	Agency Estimate FY 2016	Gov. Rec. FY 2016	Agency Estimate FY 2017	Gov. Rec. FY 2017
Beginning Balance	\$ 421,579	\$ 430,359	\$ 430,359	\$ 18,000	\$ 18,000
Revenue	1,394,109	1,144,426	1,144,426	1,648,842	1,648,842
Transfers in	450,300	450,000	450,000	450,000	450,000
Total Funds Available	\$ 2,265,988	\$ 2,024,785	\$ 2,024,785	\$ 2,116,842	\$ 2,116,842
Less: Expenditures	1,385,329	1,556,785	1,556,785	1,648,842	1,648,842
Transfers Out	450,300	450,000	450,000	450,000	450,000
Off Budget Expenditures	0	0	0	0	0
Ending Balance	<u>\$ 430,359</u>	<u>\$ 18,000</u>	<u>\$ 18,000</u>	<u>\$ 18,000</u>	<u>\$ 18,000</u>
Ending Balance as Percent of Expenditures	31.1%	1.2%	1.2%	1.1%	1.1%
Month Highest Ending Balance	September <u>\$ 922,289</u>	September <u>\$ 887,728</u>	September <u>\$ 887,728</u>	September <u>\$ 980,000</u>	September <u>\$ 980,000</u>
Month Lowest Ending Balance	June <u>\$ 409,966</u>	June <u>\$ 18,000</u>	June <u>\$ 18,000</u>	June <u>\$ 18,000</u>	June <u>\$ 18,000</u>

PROGRAM DETAIL



Program	Gov. Rec. All Funds FY 2017	Percent of Total	Gov. Rec. SGF FY 2017	Percent of Total
Expanded Gaming Regulation	\$ 7,302,762	81.5 %	\$ 0	-- %
Tribal Gaming Regulation	1,648,842	18.4	0	--
Parimutuel Gaming	3,814	0.0	0	--
TOTAL	\$ 8,955,418	100.0 %	\$ 0	-- %

FTE POSITIONS BY PROGRAM FY 2015 – FY 2017

Program	Actual FY 2015	Agency Est. FY 2016	Gov. Rec. FY 2016	Agency Est. FY 2017	Gov. Rec. FY 2017
Expanded Gaming Regulation	72.45	91.45	91.45	91.45	91.45
Tribal Gaming Regulation	21.00	19.00	19.00	19.00	19.00
Parimutuel Gaming	0.05	0.05	0.05	0.05	0.05
TOTAL	93.50	110.50	110.50	110.50	110.50

A. Expanded Gaming Regulation

This program provides regulatory oversight of lottery and racetrack gaming facility managers and their operations in Kansas. There are currently no operating racetrack gaming facilities; however there are four lottery gaming facilities. The Northeast Gaming Zone in Wyandotte County houses the Hollywood Casino. The Southcentral 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. The Southeast Gaming Zone located in Crawford and Cherokee counties will house the Kansas Crossing Casino, pending the outcome of current litigation. Expanded Gaming Regulation Program goals include the following.

- **Integrity of Gaming.** Uphold and promote the integrity of gaming at lottery and racetrack facilities, protect gaming operations from those seeking to harm the integrity of gaming, and protect Kansas and its citizens from criminal activity related to operation of gaming facilities.
- **Accountability and Compliance.** Ensure Kansas is receiving its fair share of gaming revenue and patrons are receiving the gaming experience according to state law, and ensure compliance with Kansas Racing and Gaming Commission rules and regulations and other applicable state and federal laws.
- **Illegal Gaming Enforcement.** Coordinate with state agencies and local authorities to reduce and minimize illegal gaming in Kansas.
- **Responsible Gaming.** Promote responsible gambling in Kansas via the Voluntary Exclusion Program (VEP) and approve each lottery gaming facility's responsible gambling plan.

**EXPANDED GAMING REGULATION
SUMMARY OF EXPENDITURES FY 2015 – FY 2017**

Item	Actual FY 2015	Agency Est. FY 2016	Gov. Rec. FY 2016	Agency Est. FY 2017	Gov. Rec. FY 2017
Expenditures:					
Salaries and Wages	\$ 4,202,979	\$ 5,552,672	\$ 5,552,672	\$ 6,060,131	\$ 6,060,131
Contractual Services	1,206,115	1,323,893	1,323,893	968,693	968,693
Commodities	44,707	146,270	146,270	132,110	132,110
Capital Outlay	87,250	220,796	220,796	134,832	134,832
Debt Service	0	0	0	0	0
<i>Subtotal - Operations</i>	<u>\$ 5,541,051</u>	<u>\$ 7,243,631</u>	<u>\$ 7,243,631</u>	<u>\$ 7,295,766</u>	<u>\$ 7,295,766</u>
Aid to Local Units	0	0	0	0	0
Other Assistance	6,856	6,996	6,996	6,996	6,996
TOTAL	<u>\$ 5,547,907</u>	<u>\$ 7,250,627</u>	<u>\$ 7,250,627</u>	<u>\$ 7,302,762</u>	<u>\$ 7,302,762</u>
Financing:					
State General Fund	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
All Other Funds	5,547,908	7,250,627	7,250,627	7,302,762	7,302,762
TOTAL	<u>\$ 5,547,908</u>	<u>\$ 7,250,627</u>	<u>\$ 7,250,627</u>	<u>\$ 7,302,762</u>	<u>\$ 7,302,762</u>
FTE Positions	72.5	91.5	91.5	91.5	91.5
Non-FTE Uncl. Perm. Pos.	7.5	0.0	0.0	0.0	0.0
TOTAL	<u>80.0</u>	<u>91.5</u>	<u>91.5</u>	<u>91.5</u>	<u>91.5</u>

The **agency** requests a revised estimate totaling \$7.3 million for FY 2017. This is an all funds decrease of \$1.3 million, or 14.8 percent, below the FY 2017 approved amount. The revised estimate includes 91.5 FTE positions, which is unchanged from the approved amount. The reduction is due to the agency's decision to not implement the gaming machine examination process for which the 2015 Legislature approved additional expenditures. Major objects of expenditure are detailed below.

- **Salaries and Wages.** The program's revised estimate includes \$6.0 million for salaries and wages expenditures, which is an increase of \$44,128, or less than 1.0 percent, above the amount approved by the 2015 Legislature. The increase is attributable largely to increased expenditures for pay to unclassified regular employees and overtime pay, partially offset by reduced expenditures for pay to classified employees and unclassified temporary employees.
- **Contractual Services.** The program's revised estimate includes \$968,693 for contractual services expenditures. This is a reduction of \$1.3 million, or 57.6 percent, below the approved amount. The reduction is due to the agency's decision to not implement the gaming machine examination process for which the 2015 Legislature approved additional expenditures. The agency noted that it plans to offer additional training to casino staff and to work with laboratories to develop a more effective notification system regarding the certification of electronic gaming machines.

- **Commodities.** The program's revised estimate includes \$132,110 for commodities expenditures. This is unchanged from the approved amount and the highest expenditures include those office supplies, data processing supplies, and fuel.
- **Capital Outlay.** The program's revised estimate includes \$134,832 for capital outlay expenditures. This is unchanged from the approved amount and the majority of expenditures are for computing equipment.
- **Other Assistance.** The program's revised estimate includes \$6,996 for other assistance expenditures. This is unchanged from the approved amount and includes expenditures for health insurance costs related to the Voluntary Incentive Retirement Program and petty cash advances used for illegal gambling enforcement initiatives.

The **Governor** concurs with the agency's FY 2017 revised estimate for the Expanded Gaming Regulation program.

B. Tribal Gaming Regulation

The Kansas State Gaming agency 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 agency ensures that 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 non-compliance with the tribal-state compacts.

**TRIBAL GAMING REGULATION
SUMMARY OF EXPENDITURES FY 2015 – FY 2017**

Item	Actual FY 2015	Agency Est. FY 2016	Gov. Rec. FY 2016	Agency Est. FY 2017	Gov. Rec. FY 2017
Expenditures:					
Salaries and Wages	\$ 1,120,524	\$ 1,229,170	\$ 1,229,170	\$ 1,321,227	\$ 1,321,227
Contractual Services	244,197	270,915	270,915	270,915	270,915
Commodities	16,531	31,350	31,350	31,350	31,350
Capital Outlay	4,077	25,350	25,350	25,350	25,350
Debt Service	0	0	0	0	0
<i>Subtotal - Operations</i>	<u>\$ 1,385,329</u>	<u>\$ 1,556,785</u>	<u>\$ 1,556,785</u>	<u>\$ 1,648,842</u>	<u>\$ 1,648,842</u>
Aid to Local Units	0	0	0	0	0
Other Assistance	0	0	0	0	0
TOTAL	<u>\$ 1,385,329</u>	<u>\$ 1,556,785</u>	<u>\$ 1,556,785</u>	<u>\$ 1,648,842</u>	<u>\$ 1,648,842</u>
Financing:					
State General Fund	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
All Other Funds	<u>1,385,329</u>	<u>1,556,785</u>	<u>1,556,785</u>	<u>1,648,842</u>	<u>1,648,842</u>
TOTAL	<u>\$ 1,385,329</u>	<u>\$ 1,556,785</u>	<u>\$ 1,556,785</u>	<u>\$ 1,648,842</u>	<u>\$ 1,648,842</u>
FTE Positions	21.0	19.0	19.0	19.0	19.0
Non-FTE Uncl. Perm. Pos.	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>
TOTAL	<u>21.0</u>	<u>19.0</u>	<u>19.0</u>	<u>19.0</u>	<u>19.0</u>

The **agency** requests a revised estimate totaling \$1.6 million for FY 2017. This is an all funds decrease of \$120,440, or 6.8 percent, below the FY 2017 approved amount. The revised estimate includes 19.0 FTE positions, a reduction of 2.0 FTE positions, due to the elimination of two agent positions. Reductions are anticipated in all areas of state operations; the largest of which occurs in salaries and wages. Major objects of expenditure are detailed below.

- **Salaries and Wages.** The program’s revised estimate includes \$1.3 million for salaries and wages expenditures, which is a decrease of \$79,131, or 5.7 percent, below the amount approved by the 2015 Legislature. The decrease is attributable largely to reduced expenditures for pay to classified regular employees and employer contributions to group health hospitalization.
- **Contractual Services.** The program’s revised estimate includes \$270,915 for contractual services expenditures. This is a reduction of \$26,164, or 8.8 percent, below the approved amount. The reduction is largely due to reduced expenditures on other fees and services. Items in these categories include fees for the building surcharges, record and credit checks, and employment and degree verifications. Vehicle insurance and agency membership costs are also included.
- **Commodities.** The program’s revised estimate includes \$31,350 for commodities expenditures, which is a decrease of \$6,495, or 17.2 percent, below the approved amount. The reduction is largely due to decreased expenditures on fuel, office supplies, and professional supplies.

- **Capital Outlay.** The program's revised estimate includes \$25,350 for capital outlay expenditures, which is a decrease of \$8,640, or 25.4 percent, below the approved amount. The reduction is largely due to decreases expenditures on computing equipment and software.

The **Governor** concurs with the agency's FY 2017 revised estimate for the Tribal Gaming regulation program.

C. Parimutuel Racing

This program provides oversight for the parimutuel racing industry and race tracks. The Racing and Gaming Commission is the legal authority for regulation and staff in this program to carry out the Commission's policies and procedures. There are currently 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.

PARIMUTUEL GAMING SUMMARY OF EXPENDITURES FY 2015 – FY 2017					
Item	Actual FY 2015	Agency Est. FY 2016	Gov. Rec. FY 2016	Agency Est. FY 2017	Gov. Rec. FY 2017
Expenditures:					
Salaries and Wages	\$ 2,127	\$ 2,720	\$ 2,720	\$ 2,814	\$ 2,814
Contractual Services	422	1,000	1,000	1,000	1,000
Commodities	0	0	0	0	0
Capital Outlay	0	0	0	0	0
Debt Service	0	0	0	0	0
<i>Subtotal - Operations</i>	<u>\$ 2,549</u>	<u>\$ 3,720</u>	<u>\$ 3,720</u>	<u>\$ 3,814</u>	<u>\$ 3,814</u>
Aid to Local Units	0	0	0	0	0
Other Assistance	0	0	0	0	0
TOTAL	<u>\$ 2,549</u>	<u>\$ 3,720</u>	<u>\$ 3,720</u>	<u>\$ 3,814</u>	<u>\$ 3,814</u>
Financing:					
State General Fund	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
All Other Funds	2,549	3,720	3,720	3,814	3,814
TOTAL	<u>\$ 2,549</u>	<u>\$ 3,720</u>	<u>\$ 3,720</u>	<u>\$ 3,814</u>	<u>\$ 3,814</u>
FTE Positions	0.05	0.05	0.05	0.05	0.05
Non-FTE Uncl. Perm. Pos.	0.00	0.00	0.00	0.00	0.00
TOTAL	<u>0.05</u>	<u>0.05</u>	<u>0.05</u>	<u>0.05</u>	<u>0.05</u>

The **agency** requests \$3,814, all from special revenue fund, for FY 2017, which is \$4 less than the FY 2017 approved amount. Expenditures in this program are related to the storage of racing programs and salaries and wages related to the 0.05 FTE position requested to administer the Kansas Horse Registry. The agency anticipates that it will maintain the registry for Kansas bred greyhounds in the future.

The **Governor** concurs with the agency's FY 2017 revised estimate for the Parimutuel Gaming program.

PERFORMANCE MEASURES				
Measure	Gov. Rec. for FY 2015	Actual FY 2015	Gov. Rec. FY 2016	Gov. Rec. FY 2017
Slot Machine Inspections:				
Tribal Gaming Regulation Program	450	405	450	450
Expanded Gaming Regulation Program	700	1,002	1,600	800
Number of background investigations completed				
Tribal Gaming Regulation Program	500	460	500	500
Expanded Gaming Regulation Program	1,025	1,214	1,025	775