

MINUTES OF THE SENATE FEDERAL AND STATE AFFAIRS

The meeting was called to order by Chairman Pete Brungardt at 10:30 a.m. on January 14, 2009 in Room 136-N of the Capitol.

All members were present.

Committee staff present:

Connie Burns, Administrative Assistant  
Julian Efird, Kansas Legislative Research  
Dennis Hodgins, Kansas Legislative Research  
Jason Long, Kansas Legislative Revisor

Conferees appearing before the committee:

Stephen Martino, Kansas Racing and Gaming Commission  
Thomas Groneman, Alcohol and Beverage Control

Others attending:

See attached list.

Stephen Martino, Executive director, Kansas Racing and Gaming Commission, provided the committee an update on the annual report of the Kansas Racing and Gaming Commission. (Attachment 1) The core aspects of KELA for race tracks:

- Kansas Lottery owner of gaming
- 2220 slot machines authorized between three race tracks
- No table games allowed
- Lottery allowed to distribute games between tracks
- \$2500 one time fee per slot paid by tracks

The three things needed to manage slots at track is affirmative vote by county, contract with Kansas Lottery Commission, and KRGC approval of contract. The county votes for slot machines at tracks:

- Crawford County/Camptown - Yes 61% No 39%
- Wyandote County/Woodlands - Yes 82% No 18%
- Sedgwick County/Wichita Greyhound Park - Yes 49.88% No 50.12%

The race track gross gaming revenue distribution is:

- 25% to manager
- 15% to manager for Lottery approved expenses
- 7% to horse purse supplements
- 7% to grehound purse supplements
- 3% to local units of government
- 2% to state problem gambling fund
- 1% to fair racing supplement fund
- 40% to state

Kansas rates 10<sup>th</sup> at 40%; in revenue retained by race track operators compared to other states that have gaming at race tracks.

The seven member Lottery Gaming Facility Review Board panel was set up by statute under the Expanded Lottery Act; three members were appointed by the Governor, two members by the Speaker of the House, and two members by the President of the Senate. The Review Board panel members are:

- Matt All, Chairman - Lawrence
- Jim Bergfalk - Mission
- Bob Bodldin - Elkhart
- Garry Boston - Newton
- Jack Brier - Topeka
- Dean Ferrell - Topeka
- Jackie Vietti - El Dorado

The Review Board meetings were held in Emporia, Topeka, Columbus, Belle Plaine, Dodge City and Kansas City; the Board met from December 2007 to September 2008. Highlights of the Review Board process:

- All information considered by the board was publicly available on the KRGC website except for some

## CONTINUATION SHEET

MINUTES OF THE Senate Federal And State Affairs at 10:30 a.m. on January 14, 2009, in Room 136-N of the Capitol.

- protected financial data and background investigation reports
- All discussion except for legal or background executive sessions were done in public
- Board information totaled 4,000 pages of applicant and consultant produced information and public comment
- Board operated under strict Code of Conduct

The Review Board voted for the Southeast zone for Penn National Gaming by a 5-2 vote; South central zone for Sumner Gaming and Resorts (Harrah's) by a 4-2-1 vote, Northeast zone for Kansas Entertainment (Hard Rock) by a 4-3 vote, and Southwest zone for Butler National Service Corp (Boot Hill) by a 5-2 vote. Penn National Gaming withdrew its application to be a casino manager on September 11, 2008, for the Southeast gaming zone. On November 17, Sumner Gaming and Resorts (Harrah's) withdrew its application to be the casino manager for the South central gaming zones and on December 4<sup>th</sup>, Kansas Entertainment (Hard Rock) withdrew its application in the Northeast zone.

The current KRGC responsibilities are:

- Review Board activities in 2009
- Fair meets in Eureka and Anthony
- Preparation for opening of Boot Hill casino
- Working with and investigation of gaming suppliers who will sell/lease products
- Legislative session responsibilities
- Illegal gaming investigations and reviews

Thomas Groneman, Director, Alcohol and Beverage Control, provided the committee a brief overview of the Alcoholic Beverage Control Division (ABC) (Attachment 2) The number one priority of the ABC is to fairly administer and enforce the liquor laws in Kansas and to ensure compliance and to maintain a level playing field among all licensees. It is ABC's duty as part of the Department of Revenue to see that all applicable liquor taxes due and owing are collected. The division is divided into three organizational units: licensing, administration and enforcement. In 2008, licensing processed in excess of 4,100 renewal and new license applications for retail liquor stores, distributors, manufacturers, farm wineries, micro breweries, on-premise establishments (class "A" clubs, class "B" clubs and Drinking Establishments), caterers, suppliers, winery shipping permits and temporary permit holders; licenses are renewed on an annual basis.

In addition, licensing collects gallonage taxes, liquor enforcement taxes, liquor excise taxes, sales taxes and withholding taxes; 10% of gallonage tax on alcohol and spirits goes to SRS Community Alcoholism and Intoxication Program and the remainder to the state general fund and 70% of Liquor Excise Tax goes to Local Alcoholic Liquor fund, 5% goes to the SRS Community Intoxication Program and 25% to the State General Fund. The ABC administrative unit performs general staff support for the Director and Chief Enforcement Officer and related work such as budget preparation, personnel record keeping, property management, records management, performs background investigations on licenses and coordinates the division's activities. The Enforcement Unit provides investigative support for the ABC Director and Chief Enforcement Officer; Enforcement agents are certified law enforcement officers. The Licensee Administrative Action (LAA) section is staffed by the Assistant Attorney General (AAG) assigned to the ABC, the AAG reviews the cases presented by the enforcement section and local law enforcement agencies to determine the appropriateness of the charges and administratively prosecutes violations of the liquor laws before the Director or his designee.

ABC and SRS have entered into a Memorandum of Agreement (MOA) creating a Cigarette and Tobacco Enforcement Team (CATE). The objective of the CATE team is to strengthen the enforcement of cigarette and tobacco laws, ensure compliance with the Synar Amendment and protect federal block grant funds received by SRS. In addition ABC agents are responsible for levying drug tax assessments across the state.

The Director provided maps of Kansas Liquor-by-the-Drink, Active Liquor Licenses: Off-Premise Retailers, On-Premise Retailers, Distributors, Farm Wineries and Outlets, and Microbreweries.

The next meeting is scheduled for January 23, 2009. The meeting was adjourned at 11:45 am