

MINUTES OF THE SENATE FEDERAL AND STATE AFFAIRS COMMITTEE

The meeting was called to order by Chairman Pete Brungardt at 8:30 a.m. on March 28, 2007 in Room 241-N of the Capitol.

All members were present.

Committee staff present:

Kathie Sparks, Kansas Legislative Research Department
Dennis Hodgins, Kansas Legislative Research Department
Mary Ann Torrence, Revisor of Statutes Office
Connie Burns, Committee Assistant

Conferees appearing before the committee:

Others attending:

See attached list.

Briefing and Discussion on: **Lottery Renewal and Expanded Gaming Proposal (Substance of SB 66)**

Staff provided the committee with an overview on Substitute for **SB 66** as amended by the House. (Attachment 1) The information was also provided in a table format. (Attachment 2)

SB 66 as amended would create Kansas Expanded Lottery Act which would authorize the following:

Casinos:

- Create "Gaming Zones" (casinos):
 - Northeast Kansas Gaming Zone - Wyandotte County
 - Southeast Kansas Gaming Zone - Crawford and Cherokee Counties
 - South Central Gaming Zone - Sedgwick and Sumner Counties
 - Southwest Kansas Gaming Zone - Ford County
- County vote of approval required
- An invest in infrastructure, including ancillary lottery gaming facility operations of at least \$225,000,000 in the northeast, southeast and south central gaming zones, and \$50,000,000 in the southwest gaming zone.
- Establishes a gaming privilege fee of \$25,000,000 to be paid by the prospective lottery gaming manager except the privilege fee for the southwest gaming facility zone manager of \$5,500,00
- Establish the disposition of revenues as follows:
 - not less than 22.0 percent of the gaming revenues to the state
 - 2.0 percent to the Problem Gambling and Addictions Fund which may be used to treat alcoholism, drug abuse and other addictive behaviors
 - 1.5 percent to the city
 - 1.5 percent to the county (3.0 percent if the casino is located in a gaming zone of only one county and is not located in the city)
 - 1.0 percent to the host county (2.0 percent if the casino is located in a gaming zone consisting of more than one county and is not located in a city)
 - 1.0 percent to the non-host county if the casino is located in a gaming zone consisting of more than one county
- Approved contracts from casinos would then be submitted to the county where an election would be held to approve or disapprove the contracts

Racetrack Gaming Facilities:

The Kansas Lottery would be responsible for considering and approving proposed racetrack gaming facility management contracts with one or more prospective racetrack gaming facility managers. The prospective managers would have to have sufficient financial resources, and would have to be current in filing taxes to the state and local governments.

The main provisions are:

- 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

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- to authorization of placement of electronic gaming machines
- Establish the distribution of electronic gaming revenues as follows:
 - 25.0 percent to the racetrack gaming facility manager
 - 7.0 percent to the Live Greyhound Racing Purse Supplement Fund (not more than \$3,750 per machine)
 - 7.0 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 (3.0 percent if the track is not in a city)
 - 2.0 percent to the Problem Gambling and Addictions Grant Fund which may be used to treat alcoholism, drug abuse and other addictive behaviors
 - 1.0 percent to the Kansas Horse Fair Racing Benefit Fund
 - 40.0 percent to the state
 - 15.0 percent for expenses
 - \$2,500 per electronic gaming machine
- Electronic gaming machines would be required to pay out not less than 87 percent of the amount wagered per machine, the machines would be linked to a central Lottery communications system to provide monitoring and auditing procedures to take place
- Approved contract from racetracks would then be submitted to the county where an election would be held to approve or disapprove the contracts

Prohibitions:

- State Legislators and other state officials and their spouses and immediate family until they have been out of office for five years from working with a gambling company.
- Eminent domain, revenue bonds, tax-increment financing, and STAR bonds can not be used to acquire any interest in real property for use in a lottery gaming enterprise or used to finance any part of any lottery gaming enterprise or racetrack gaming facility
- The State would be prohibited from entering into management contracts from more than four lottery gaming facilities for additional areas or operating more than 2,800 electronic gaming machines at parimutuel tracks for 25 years.

Court Action

- Any action challenging the constitutionally or otherwise arising out of the Act would be required to be brought in the district court of Shawnee County and the final decision of the district court to be appealed to the Kansas Supreme Court

Some of the concerns asked by the committee and responses by staff:

Are there other states that are owner/operators of casinos?

Kansas is the first, but West Virginia just passed legislation that allows the state to own and operate table games which includes electronic games.

How many states have table games? How many states have Constitutional Amendments for expanded gaming?

Staff will research and get back to the committee.

Who would do the training of the employees? Would they be state employees?

There would be negotiations for the management contract and the bill does not specify that the employees have to be state employees.

The meeting was adjourned at 9:25 am.