

Kansas Racing and Gaming Commission



2009 Annual Report



Stephen Martino
Executive Director

The Kansas Racing and Gaming Commission



Carol Sader (Chair) of Prairie Village moved to Kansas in 1976. She was raised in Brooklyn, New York, graduated from Barnard College, Columbia University in 1957 with a major in Government. She taught elementary school and later went on to attend law school in Chicago and Cincinnati where she became a legal editor. In 1981, she became actively involved in public service when she was elected to the Board of Trustees of Johnson County Community College and served as Chair from 1984-1986. In 1986, she was elected to the Kansas Legislature as the State Representative for the 22nd Legislative District and served for eight years in the Kansas House. In 1994, she unsuccessfully ran for Lt. Governor of Kansas. Since 1995, she has continued her public service with appointments to the Kansas Commission on Judicial Qualifications and the Kansas State Board of Healing Arts. Ms. Sader was appointed to the Kansas Racing and Gaming Commission in 2003 and has been serving as Chair of the Commission since 2005.



Glenn Braun (Vice-Chair and Chief Hearing Officer) of Hays is a partner in Glassman, Bird, Braun & Schwartz, LLP where he has practiced law for the past 26 years. He serves as the City of Hays prosecutor. He is a graduate of Kansas State University and received his juris doctorate in 1981 from Washburn University School of Law. He is a member of the Ellis County Bar Association. He is the District 10 Governor for the KBA and has served on the Executive Committee. He was twice selected for a position with the Kansas Court of Appeals. He has been a public servant for numerous agencies including CASA, Big Brothers Big Sisters, St. John's Rest Home Endowment Assoc., Thomas More Prep-Marian High School Council of Education, and Immaculate Heart of Mary. As an adjunct professor at Fort Hays State, he has taught criminal law, criminal procedure and introduction to law. Mr. Braun was appointed to the Kansas Racing and Gaming Commission in 2005.



William Falstad of Fredonia has been the president of Kansas Bank Note Co. since 1963. KBNC is a printing company with customers throughout the United States, specializing in printed products for banks. He holds a Business Administration degree from the University of Wisconsin. After graduation, he worked in Chicago as a Certified Public Accountant for Arthur Anderson, 1956-1962, specializing in public utility audits, accounting systems and rate regulation. His public service began in 1970 when he became the Mayor of Fredonia, 1970-1978. He has also served on the Board of Directors of the National Printing Association, Fredonia Regional Hospital and First National Bank of Fredonia. He has been a member of and has served on the Board for the Kansas Chamber of Commerce. He has also served on the Kansas Performance Review Board and the Kansas Lottery Commission. Mr. Falstad was appointed to the Kansas Racing and Gaming Commission in 2005.



Barry Schwan of Wichita has been President of House of Schwan since 1985. He graduated with a Bachelor of Science degree from the University of Colorado in 1975. He has always taken an active role in business and community affairs. He is the current President of the Kansas Sports Hall of Fame, founding member of the Greater Wichita Area Sports Commission, serves on the Boards of the Kansas Humane Society, and Sedgwick County Zoological Society and Foundation. He has served on the Boards of Heartspring, National Beer Wholesalers Association, Wichita Chamber of Commerce, Wichita State University Foundation, Wichita Children's Home, Crestview Country Club, Kansas Beer Wholesalers Association, Chamber Pro Sports Committee and the Wichita/Sedgwick County Alcohol and Drug Abuse Advisory Board. Mr. Schwan was appointed to the Kansas Racing and Gaming Commission in 2007.



Kristine McKechnie of Arcadia owns and operates Horse Creek Ranch Quarter Horses. She graduated from the University of Kansas 1988 and from Kansas State University with her Masters of Public Administration degree in 1990. She has served on a number of Boards and Commissions including Governor Bill Graves Early Childhood Care, Education and Health Subcommittee, Leadership Kansas Board of Trustees, City of Pittsburg Planning and Zoning Commission, Board of Zoning Appeals, 11th Judicial District Juvenile Corrections Advisory Board, and currently serves as Vice-Chair of the Kansas Mentors Council. She co-owned and operated a weekly newspaper, the Girard Press, while serving as Director of Development at the Southeast Kansas Education Service Center. While at Greenbush she directed the Community Resources Department and dedicated her time to help create a Kansas Mentoring Partnership. Ms. McKechnie was appointed to the Kansas Racing and Gaming Commission in 2005.

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Executive Director's Report

The Honorable Mark Parkinson
Governor, State of Kansas
Statehouse, Room 212-S
Topeka, Kansas 66612-1590

Dear Governor Parkinson,
This is the 2009 Annual Report of the Kansas Racing and Gaming Commission (KRGCC/commission). The report is a narrative and statistical summary of the KRGCC's regulatory responsibilities for calendar and fiscal year 2009.



Stephen Martino
Executive Director

Parimutuel Racing

Commercial Tracks

No racing was conducted at any of the commercial tracks in calendar year 2009.

On September 9, 2008, the KRGCC sent a notice to cure to each of the racetracks and non-profit organizational licensees for their failure to run live horse and greyhound races. As a result of these notices, each licensee was subject to having its license revoked. On December 5, 2008, the KRGCC issued an Administrative Order extending the licenses until 30 days after the Sine Die close of the 2009 Kansas Legislative Session, or July 5, 2009.

During the interim period, none of the tracks re-opened, none of the tracks began negotiating a contract with the Kansas Lottery to have electronic gaming machines at the tracks, and no race dates or re-opening plans were submitted to the KRGCC. However, the tracks requested an extension of the deadline for all licensees until July 21, 2009. This extension was granted.

At the Commission's meeting during the Anthony Downs fair meet, individuals from across the state, including several state legislators, as well as their constituents spoke to the Commission, requesting another extension, until September 21, 2009, to give the licensees time to submit re-opening plans to the KRGCC. This extension was also granted.

As of September 21, 2009, the Commission had received re-opening plans from each of the three parimutuel tracks, contingent on Legislative changes during the 2010 Kansas Legislative Session to make parimutuel racing more profitable in the state of Kansas. The new deadline for license revocation is 30 days after the Sine Die of the 2010 Legislative Session.

Fair Meets

K.S.A. 74-8813 and 74-8814 give the KRGC the authority to regulate fair meets in the state. In 2009, two fair meets were held, one at Anthony Downs and one at Eureka Downs. In 2009, the Eureka meet was held for ten days, beginning May 25 and 30, and continuing June 6, 13, 14, 20, 21, 27, 28 and July 4, with post times for all live race days at 1:30 p.m. The Anthony meet was held for six days – July 10, 11, 12, 17, 18, and 19 with post times at 5:30 p.m. on Fridays and 2:00 p.m. on Saturdays and Sundays.

Expanded Gaming

In 2007, the Kansas Legislature passed the Kansas Expanded Lottery Act, establishing four commercial casino licenses in four gaming zones. The act gave the Kansas Racing and Gaming Commission the responsibility for regulating the operation of expanded lottery gaming facilities in Kansas.

Review Board Activities

The Kansas Lottery Gaming Facility Review Board (Review Board) was organized under K.S.A. 74-8735. Under this section, the Review Board was placed within the Kansas Racing and Gaming Commission for staffing purposes.

The Review Board is comprised of seven members. The current membership is as follows:

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

As in 2008, the purpose of the Review Board is to review the applications forwarded from the Lottery Commission to determine the “best possible contract” in each gaming zone.

In 2009, the Review Board received contracts in the Northeast and South Central zones. Initially, the Lottery Commission approved two contracts in the Northeast zone – one by Penn National Gaming and a separate contract from Kansas Entertainment. However, prior to the in-zone meeting, Penn National Gaming joined the Kansas Entertainment application, taking the place of the Cordish Company.

In determining the best possible contract, the Review Board held five live meetings and two teleconferences, all of which were public meetings. The live meetings took place in three cities (Kansas City, Wellington and Topeka) from April 24, 2009, until December 1, 2009.

During the course of the Review Board’s work, the Board retained a team of consultants to assist the Board in evaluating the contracts. These consultants possessed expertise in areas such as gaming revenue projections, financial stability, fiscal impact analysis and ancillary development and construction cost analysis. The Board retained Dr. William Eadington as a general consultant as well as Will Cummings and Richard Wells to provide gaming revenue projections and gaming market studies. Meridian Business Advisors was once again hired to perform a fiscal impact analysis for the local governments. Civic Economics was once again retained to determine what the cannibalization effects of the new facilities would be on existing businesses in the community. In addition, the Board retained several new consultants. Union Gaming Group was hired to examine the financial sustainability of the manager applicants. Raving Consulting was retained to analyze the ancillary development of the management applications. Finally Construction Cost Systems was hired to perform a construction cost analysis of the applicants’ proposals.

KRGC staff hosted, staffed and planned all Review Board meetings, as well as compiling all information that the Review Board requested during the process. In addition, KRGC staff processed all incoming correspondence for the Review Board and maintained (and continues to maintain) all records of Review Board activities.

On December 1, 2009, the Review Board voted 7-0 in favor of the Kansas Entertainment contract as the “best possible contract” in the Northeast zone. That contract was subsequently forwarded to the KRGC for the Commission to perform background investigations on the applicant and its key employees.

The Board, however, was not able to find that the Chisholm Creek contract was the “best possible contract” in the South Central zone and, as a result, sent the Chisholm Creek contract back to the Lottery Commission for renegotiation,

consistent with K.S.A. 74-8736(d)(2). Those negotiations were still pending at the close of the calendar year.

The Review Board is once again dormant and will remain as such until the Lottery Commission agrees to a contract with the Chisholm Creek group, re-opens bidding in the South Central zone, or until a new bidder emerges in the Southeast zone.

Casino Regulation

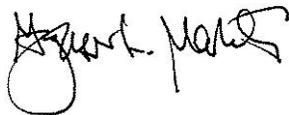
The Boot Hill Casino and Resort was scheduled to open in December 2009, consistent with its contract with the Kansas Lottery Commission. In preparation for this opening, KRGC staff:

- tested and approved the central computer system, as well as 1,089 electronic gaming machines and their related software,
- required two controlled demonstrations to ensure regulatory compliance, during which a 421 point audit checklist was verified,
- reviewed 337 temporary license applications, approving 302 and denying 35,
- reviewed 23 permanent license applications, approving 18 and denying 5,
- distributed responsible gaming materials in the Ford County area, and
- oversaw responsible gaming training for all casino employees.

The Boot Hill Casino and Resort opened to the public December 15, 2009. The KRGC has a licensed law enforcement officer on site at the facility whenever the facility is open to the public.

In addition, the KRGC oversaw the development of gaming regulations. In total, 243 gaming regulations were heard and enacted during the 2009 calendar year.

Respectfully Submitted,

A handwritten signature in black ink, appearing to read "Stephen Martino". The signature is stylized with a large, looped initial "S" and a cursive "Martino".

Stephen Martino
Executive Director

Legal Division

The KRGC is statutorily assigned two assistant attorney generals “to assist it in all matters.” These two attorneys, along with a legal assistant, comprise the Legal Division. The work of the Legal Division can generally be divided into three areas: administrative, criminal and civil. Administratively, the KRGC’s attorneys research and prepare parimutuel and gaming regulations and also prosecute violations of those regulations in administrative hearings.



Patrick Martin
Asst. Attorney General/
Chief Counsel

Because the KRGC is also a law enforcement agency, the KRGC’s attorneys assist in criminal matters. Specifically, attorneys coordinate the KRGC’s response to complaints and information related to illegal gaming issues and act as counsel for the agency’s enforcement agents when necessary.

On civil issues, the KRGC’s attorneys assume both litigation and transactional roles – that is, the attorneys prepare contracts and represent the agency in law suits. The attorneys also act as in-house counsel providing research, analysis and communication necessary to either represent the agency or resolve any legal issues it has.

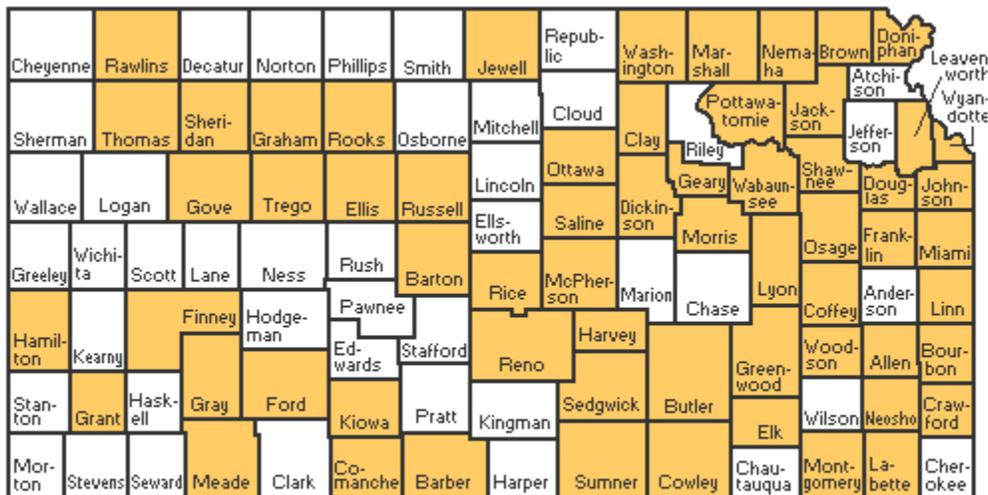
Illegal Gambling

Beginning in 2007 with the passage of the Kansas Expanded Lottery Act, the KRGC was designated the coordinating agency for all illegal gambling complaints. Since that time, the KRGC has received over 500 complaints and calls regarding illegal gaming.

To maximize the limited resources of all law enforcement and other state and local agencies regarding illegal gambling, the KRGC has worked with local law enforcement and prosecutors throughout the state to educate the public and gain compliance with state law regarding illegal gambling devices. The KRGC oversaw the destruction of 61 quarter pusher devices during calendar year 2009 as part of its illegal gaming education and enforcement program.

The KRGC also assisted the Attorney General's Office in the successful closing and litigation of the illegal "Kandu" poker game in Wichita.

In addition to this, the KRGC has continued to pursue illegal gaming enforcement up through the supplier level to prevent illegal gaming devices from being brought into the state.



**Map of Complaints since January 2008
62 Counties as of 02.25.2010**

Responsible Gambling

Together with the Kansas Responsible Gambling Alliance, the KRGC developed a new problem gambling website www.ksgamblinghelp.com. In addition to the website, the Alliance and the KRGC have endorsed and aggressively marketed the national Problem Gambling Helpline, 800-522-4700.



Mike Deines
Director
Communications/Responsible Gambling

The KRGC worked closely with the Boot Hill Casino & Resort to ensure the facility appropriately addressed the dangers of problem gambling. In addition to signage in many parts of the facility, the KRGC was also able to have the problem gambling helpline and website advertised directly on the slot machines, as well as on billboards around the area.

The KRGC coordinated training for gambling counselors in the Dodge City area to assist them with identifying problems encountered by clients, as well as overseeing training for casino employees to identify early warning signs of potential problem gambling behavior.

In 2009, the KRGC kicked off the statewide Voluntary Exclusion Program. The program allows anyone who thinks they might have a gambling problem to exclude themselves from the state-owned casinos. Persons have an option of excluding themselves for a term of two years or for life. Those who choose the two year option must complete a series of healthy choices classes and undergo an assessment from a certified problem gambling counselor before the commission will consider taking them off the list.

Security and Licensing Division



Don Brownlee
Deputy Director
Security and Licensing

Security personnel are vested with the power and authority of law enforcement officers in the execution of the duties vested in the Commission by provisions of the Parimutuel Racing Act and the Expanded Lottery Act. The division's goals are:

- to ensure the integrity of racing and gaming in Kansas,
- to ensure racing and gaming sites are a safe entertainment venue for patrons and employees,
- to be proactive and responsive to racing and gaming laws and regulations, and
- to protect the interests of the public and the State as they relate to racing and gaming.

Security personnel work toward these goals by monitoring activities in the racing and gaming properties, and investigating criminal and regulatory violations of the acts. They serve as the on-site regulatory staff for the Kansas Racing and Gaming Commission (KRGC) to ensure operations comply with Kansas law and Commission regulations.

Security personnel also conduct background investigations of KRGC employees, management companies, racing and gaming facility employees, and vendors. Backgrounds are conducted to protect the public interest by maintaining a legitimate and viable gaming industry assuring honesty, good character and integrity of racing and gaming facility operators, employees, and vendors.

BACKGROUND INVESTIGATIONS	
Backgrounds Completed	207
Backgrounds in Process	
Corporate	32
Corporate Employees	324
Boot Hill Casino and Resort	346
LICENSES	
Parimutuel Licenses Issued	
Eureka Downs	410
Anthony Downs	167
Gaming Licenses Issued	
Corporate	28
Corporate Employees	140
Boot Hill Casino and Resort Employee Licenses Issued	
Commission Approved	18
Denied	5
Temporary	302
Denied	35

Audit and Electronic Security Division

The Audit and Electronic Security Division is comprised of two sub-units, the audit unit and electronic security unit, each containing their own unique duties and functions. Both work to accomplish the goals of ensuring that the parimutuel and expanded gaming industries are held to the highest accounting and internal control standards and that the electronic systems used in those industries are accurate, secure and reliable.



Charles LaBoy
Deputy Director
Audit and Electronic Security

The Division is comprised of experts in their fields such as certified public accountants and certified information system security professionals who work diligently to ensure the commission has the best information available to make appropriate regulatory decisions. Services provided by the department include financial and compliance audits, certification of electronic gaming devices, information system security audits and consultation to the commission and the parimutuel and gaming industries in Kansas.

In 2009, the Audit and Electronic Security division tested and approved the central computer system, as well as 1,089 electronic gaming machines and their related software.

Administration Division

The Administration Division provides support services for the entire agency. These services include accounting, purchasing, budgeting, human resources, information technology and records management. The Division is also responsible for managing space and facilities, travel coordination, legislative tracking and fiscal note responses, the creation and management of formal agency policies, and the production of agency forms.



Don Cawby
Deputy Director
Administration

In 2009, the Division was responsible for the implementation of the agency's new gaming regulatory system. The system, acquired through a contract with IDPoint, Ltd., is a fully integrated regulatory software system that has been operating in other jurisdictions for over 10 years. The IDPoint system is a comprehensive regulatory system that allows the following to be performed on one system:

- processing gaming licenses and ID card issuance,
- electronic fingerprint processing,
- electronic document storage and management,
- gaming machine hardware and software inventory tracking, and
- electronic incident reporting and security logs.

In 2009, the Division was responsible for implementing and managing the agency's lay-off plan. Because of delays in the implementation of the Kansas Expanded Lottery Act, the KRGC had to make the difficult decision of laying off 11 classified employees, three unclassified employees, and a reduction to part-time status for another nine agency employees. The lay-offs resulted in a savings of more than \$460,000 for the year. At year's end, all part-time reductions had been restored to full-time status, and due to the increased workloads associated with the opening of Boot Hill Casino and Resort and the selection of the Hollywood Casino at the Kansas Speedway, the KRGC was able to hire back four of the employees that were laid off.

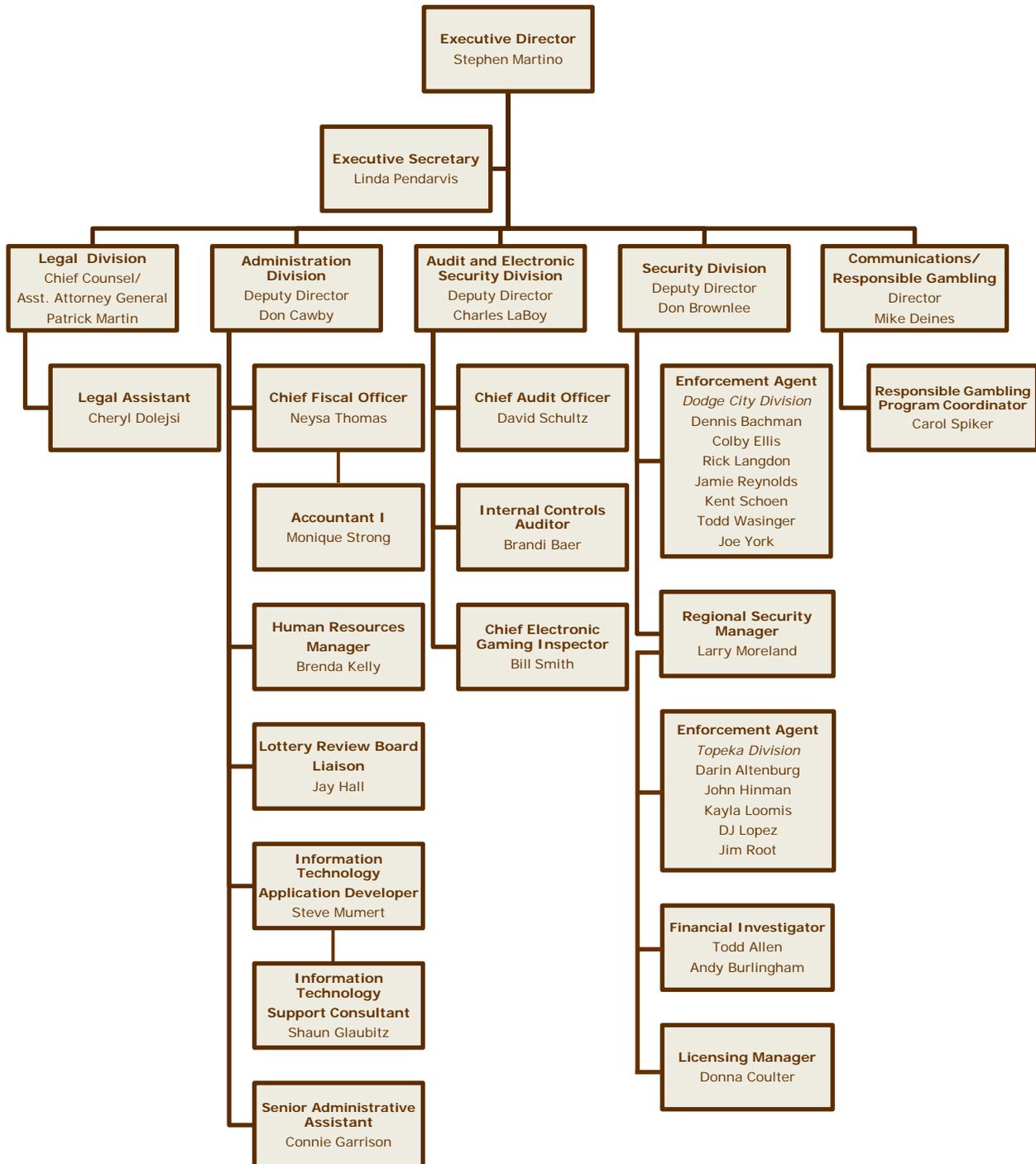
Revenue and Expenditures

REVENUES	FY 2008	FY 2009
RACING		
Parimutuel Tax	\$ 1,946,409	\$ 261,757
Admissions Tax	1,270	2,601
Unclaimed Winning Tickets	409,027	188,273
Breakage	144,227	29,337
License Fees & Fines	142,419	15,276
Operating Reimbursements	548,458	169,133
Fingerprint Fees	26,067	850
Transfers	47,442	(47,847)
Miscellaneous	69,785	(61,844)
Subtotal - Revenues	3,335,104	557,537
GAMING		
Loan Proceeds	\$ 2,632,000	\$ 2,368,000
Review Board Charges	1,650,000	0
Background Reimbursements	0	785,536
Transfers	0	(35,424)
Subtotal – Revenues	4,282,000	3,118,112
TOTAL REVENUES	\$ 7,617,104	\$ 3,675,649

EXPENDITURES	FY 2008	FY 2009
RACING		
Grants for Fair Meets	\$ 442,739	\$ 131,579
Racing Operations	2,100,642	898,549
Breed Supplements	585,595	277,055
Research Grants	0	0
Subtotal – Expenditures	3,128,976	1,307,183
GAMING		
Gaming Operations	\$ 2,338,321	\$ 2,096,844
Review Board Expenses	378,589	1,282,664
Research Grants	0	0
Subtotal – Expenditures	2,716,910	3,379,508
TOTAL EXPENDITURES	\$ 5,845,886	\$ 4,686,691

REVENUES AND EXPENDITURES	FY2008	FY2009
TOTAL REVENUES	\$ 7,617,104	\$ 3,675,649
TOTAL EXPENDITURES	\$ 5,845,886	\$ 4,686,691

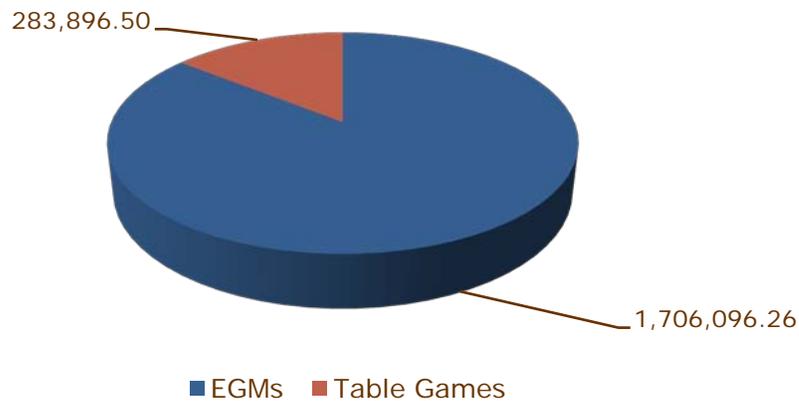
Organizational Chart



Boot Hill Casino and Resort

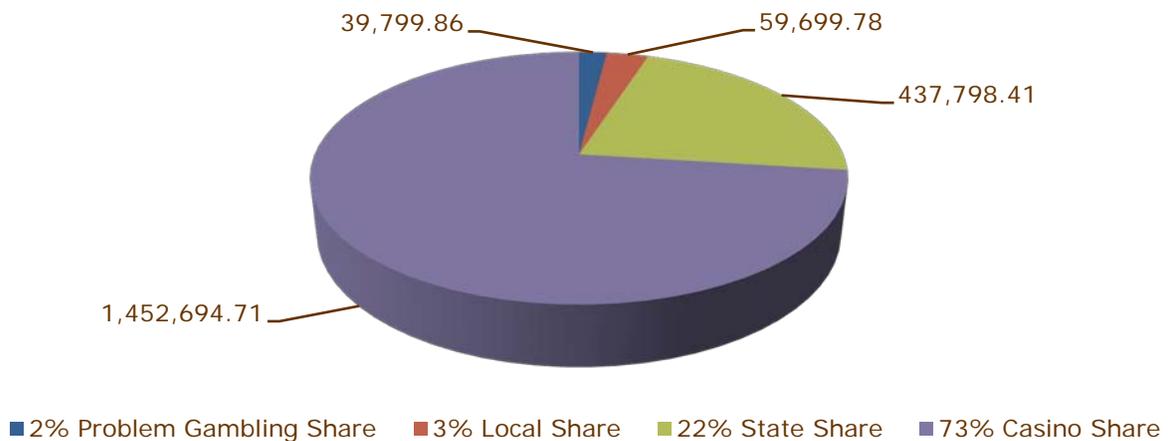
Boot Hill Casino and Resort is located at 4000 West Comanche in Dodge City. The casino opened to the public December 15, 2009. It houses 585 slot machines, 13 table games and 2 restaurants. The revenue figures represent total dollars from December 15-31, 2009.

**Boot Hill Casino and Resort
December 2009 Revenue***



(*as reported by the Kansas Lottery's central computer system)

Gaming Revenue Report



Hollywood Casino

Hollywood Casino at the Kansas Speedway is located at 400 Speedway Boulevard in Kansas City. It will be located just off the second turn of the speedway. The casino will house 2,300 slot machines, 86 table games, three restaurants and one coffee shop. It is expected to open late 2011 or early 2012.



Tracks and Racing

The Woodlands

The Woodlands racetrack in Kansas City features both a horse track and a greyhound track. No racing has been held at the Woodlands since August 23, 2008. As a result, the Woodlands' parimutuel license is currently subject to revocation.

Wichita Greyhound Park

Wichita Greyhound Park in Valley Center features a greyhound track. No racing has been held at Wichita Greyhound Park since October 6, 2007. As a result, Wichita Greyhound Park's parimutuel license is subject to revocation.

Camptown Greyhound Park

Camptown Greyhound Park in Frontenac features a greyhound track. No racing has been held at Camptown since November 13, 2000. As a result, Camptown's parimutuel license is currently subject to revocation.

Fair Meets

Eureka Downs (10-Day Meet)

Handle	\$	272,745
Purses		19,738
Attendance		4,782
Parimutuel Tax		9,869

Anthony Downs (6-Day Meet)

Handle	\$	
Horse		366,891
Greyhound		35,149
Purse		
Horse		13,268
Greyhound		1,745
Attendance		2,966
Parimutuel Tax		
Horse		6,634
Greyhound		1,309



Kansas Racing and Gaming Commission

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