

Kansas Racing & Gaming Commission



Neysa Thomas
Interim Executive Director

2010 Annual Report

The Kansas Racing and Gaming Commission



William Falstad (Chair) 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 and was appointed as Chairman by Governor Brownback in January 2011.



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.



Carol Sader 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 served as the Chair of the Commission from 2005 through 2010.



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 Summary 2010

Expanded Gaming

In 2007 the Kansas Legislature passed the Kansas Expanded Lottery Act (KELA), establishing four commercial casino licenses in four gaming zones. The act also authorized electronic gaming machines to be placed at three parimutuel facilities in Kansas. 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
Dr. Jackie Vietti	El Dorado
Jim Bergfalk	Mission
Garry Boston	Newton
Jack Brier	Topeka
Dean Ferrell	Topeka
Bob Boaldin	Elkhart

The purpose of the Review Board as established by KELA 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 reviewed contracts in the Northeast and South Central zones, but by the end of 2009, only Kansas Entertainment, a joint venture with Penn National Gaming and the Kansas Speedway was selected by the Review Board. That contract was subsequently forwarded to the KRGC on December 28, 2009 for the Commission to perform background investigations on the applicant and its key employees. However, the Review Board was not able to find that the Chisholm Creek contract was the “best possible contract” in the southeast zone, and as a result, sent the Chisholm Creek contract back to the Lottery Commission

for renegotiation. In April of 2010, the applicant withdrew from the process prior to approval by the Lottery Review Board.

On October 19, 2010, the Review Board received two contracts in the South Central zone – one by Peninsula Gaming Partners and a separate contract from Global Gaming KS. In determining the best possible contract, the Review Board held 3 live meetings and 3 teleconferences, all of which were public meetings. The live meetings took place in Wellington and Topeka, from October 28 until December 15, 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. All of the consultants hired in this round of work, with one exception, previously consulted for the Review Board in 2009. The Board retained Dr. William Eadington as a general consultant from 2008, as well as Will Cummings and Richard Wells to provide gaming revenue projections and gaming market studies. Civic Economics was tasked with determining what the cannibalization effects of the new facilities would be on existing businesses in the community. Union Gaming Group was hired to examine the financial stability of the manager applicants. Ekay Economic Consultants, which was comprised of the same analysts from Meridian Business Advisors used in previous rounds of work, were responsible for performing fiscal impact analyses for the local governments. Construction Cost Systems was hired to perform a construction cost analysis of the applicants' proposals. The new consultant to the process was Macomber International, who was responsible for analyzing the ancillary developments included in the management applications.

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 15, 2010 the Review Board voted 6-1 in favor of the Peninsula Gaming Partners contract as the "best possible contract" in the South Central zone. That contract was subsequently forwarded to the KRGC the next day, December 16, for the Commission to perform background investigations on the applicant and its key employees. The background was approved by the Commission on January 14, 2011.

The Review Board is once again dormant and will remain as such until the Lottery Commission receives a gaming facility application in the Southeast zone.

Casino Regulation

The Boot Hill Casino and Resort opened to the public on December 15, 2009. The KRGC has a licensed law enforcement officer on site at the facility whenever the facility is open to the public, as required by state regulations. Calendar year 2010 saw the first full year of operations at Boot Hill and the beginning of construction of the Hollywood Casino at Kansas Speedway. The Hollywood Casino is slated to open in the spring of 2012.

In December of 2009, the Boot Hill Casino & Resort began operations in Dodge City, Kansas. The facility currently has 580 electronic gaming machines, 14 table games and 2 poker tables. The United Wireless Arena, a 6,000 seat arena and 10,000 sq. ft. convention center funded through local funds, is nearing completion. The arena, although not owned or operated by Boot Hill, is located adjacent to the facility and will begin hosting events in February 2011. Boot Hill hopes to see increased activity resulting from this new regional attraction.

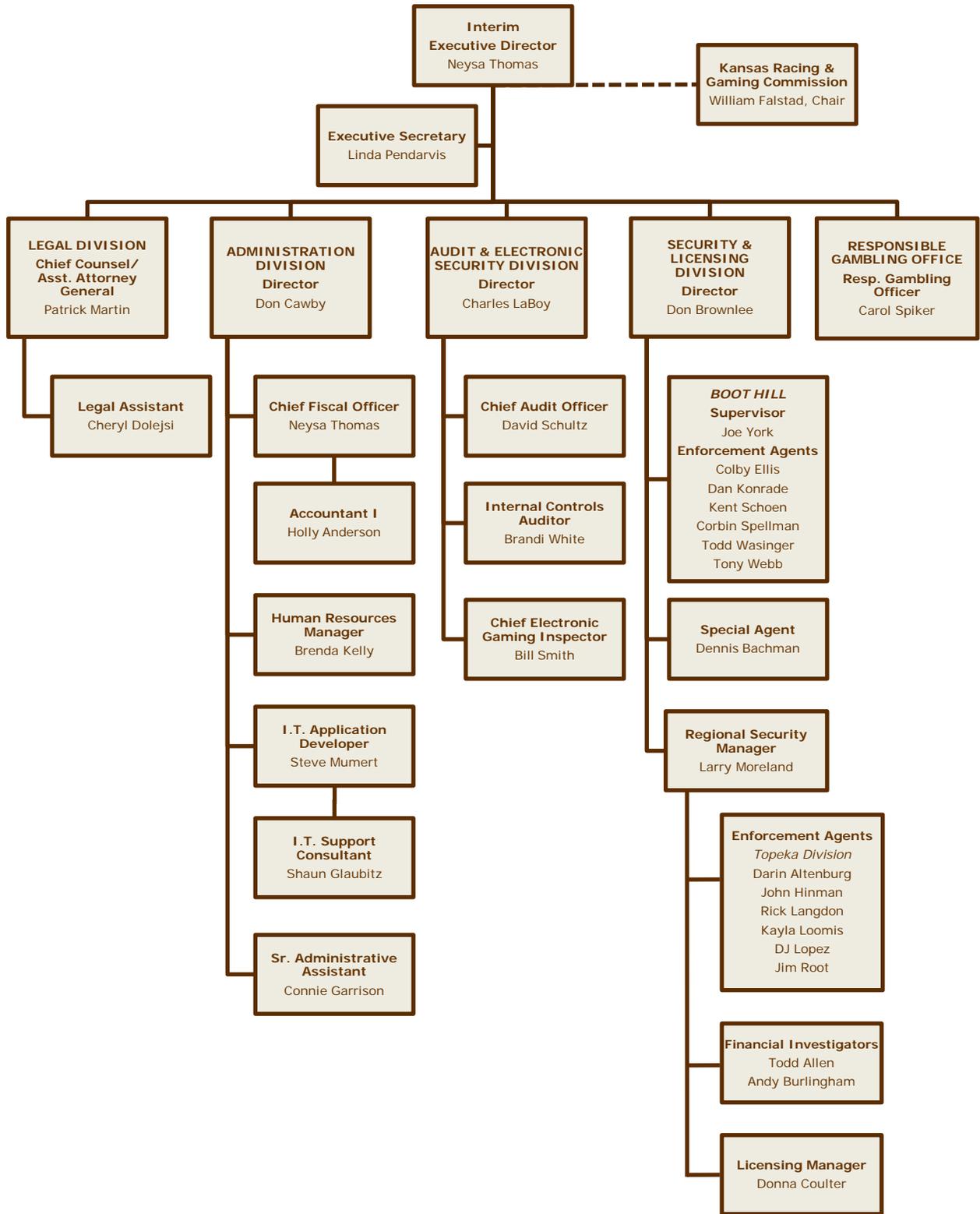
In 2010, the KRGC issued 346 permanent licenses, 302 temporary licenses, completed 449 background investigations, and certified or approved 544 electronic gaming machines or gaming machine components in the performance of its regulatory duties under KELA.

Parimutuel Racing

No racing was conducted at any of the commercial tracks or fair meet tracks in calendar year 2010.

On September 9, 2008, the KRGC 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 KRGC issued an Administrative Order extending the licenses of each licensee until thirty days after the Sine Die close of the 2009 Kansas Legislative Session. This deadline was extended twice in 2009, resulting in an expiration date of 30 days after the final adjournment of the 2010 Legislative Session, to allow for one last attempt to make Legislative changes to make pari-mutuel racing more profitable in the state of Kansas. Those changes failed to pass through the legislature and on June 28, 2010, the licenses of all three racetracks and all three non-profit organizational licensees were revoked.

KRGC Organizational Chart



Legal Division

The KRGC is statutorily assigned two assistant attorney generals “to assist it in all matters.” 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 regulations and conduct administrative hearings.

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 Program

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 800 complaints and calls regarding illegal gaming. Those complaints have come from 69 of the state's 105 counties. The agency has also seen a reduction in formal complaints and questions as a result of developing and maintaining a comprehensive illegal gaming reference page on the KRGC website.

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. Because of the agency's success in removing illegal devices in 2009, the KRGC was able to focus on non-device matters and educational outreach activities in 2010. However, the KRGC still managed to coordinate the removal or destruction of 61 illegal gambling devices in 2010.



Responsible Gambling Office

The Responsible Gambling Office manages activities with the agency's responsible gambling program. The primary responsibility of the office is to operate the statewide Voluntary Exclusion Program (VEP). The VEP 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.

The office is also a major force behind the Kansas Responsible Gambling Alliance. The alliance was formed in 2008 in an effort to provide helpful information and support for Kansans with gambling problems. The Alliance is comprised of the Kansas Lottery, Kansas Racing and Gaming Commission, Kansas Department of Social and Rehabilitation Services, Kansas Coalition on Problem Gambling and Kansas Department of Corrections, along with a member representing the local gaming communities and an operator or supplier of gaming products representative.

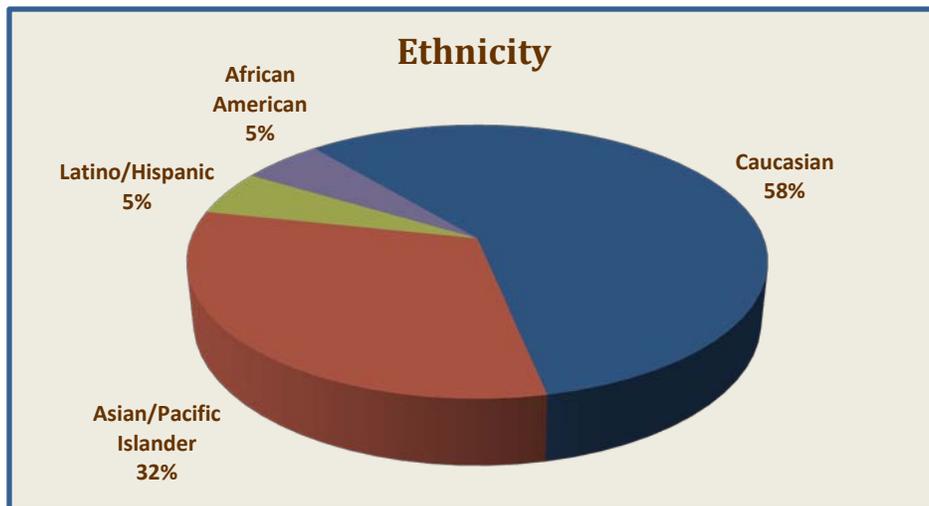
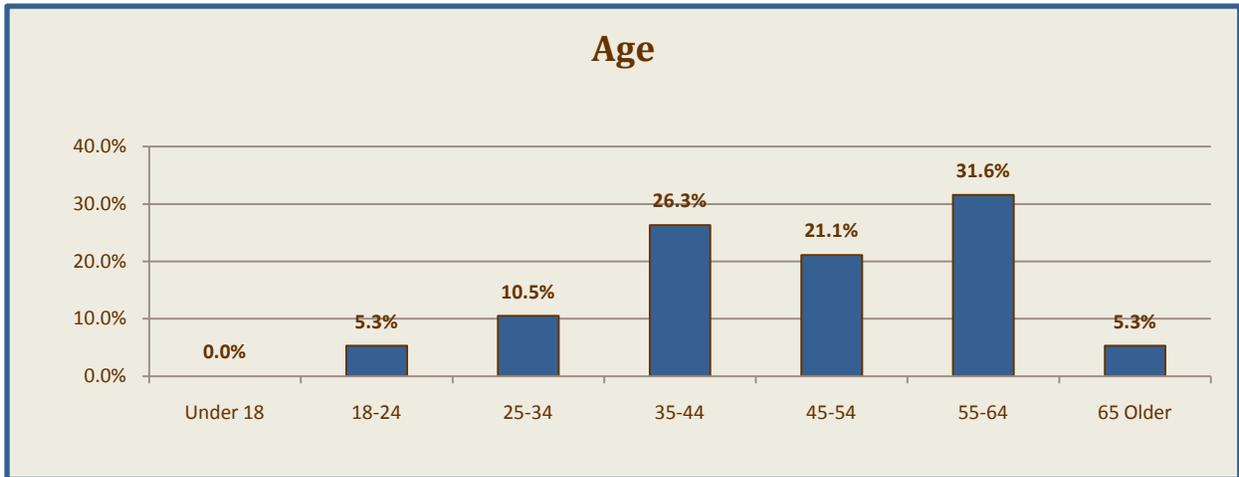
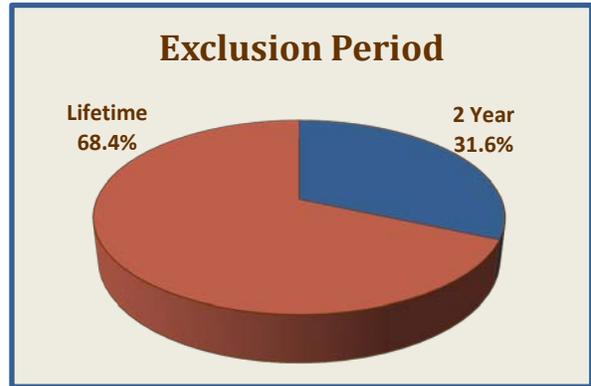
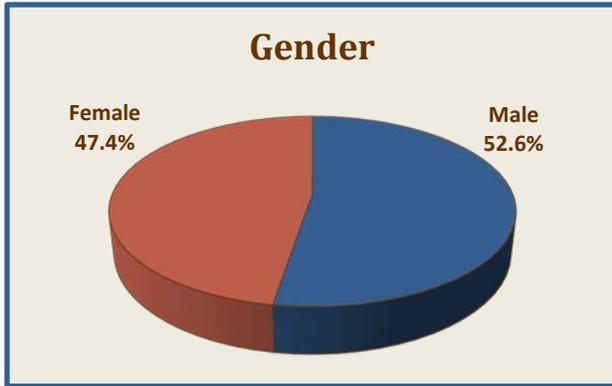
The alliance has developed a problem gambling website, www.ksgamblinghelp.com, to provide resources to individuals with gambling addiction and to raise awareness about problem gambling. In addition to the website, the Alliance and the KRGC have endorsed and aggressively marketed the national Problem Gambling Helpline, 800-522-4700.

The Responsible Gambling Office works closely with the licensed facilities to ensure facility managers appropriately address the dangers of problem gambling. At Boot Hill Casino and Resort, the office was able to have the problem gambling helpline and website advertised directly on the slot machines, as well as on billboards around the area.

The office also assists in education and training for facilities and local communities to assist them in dealing with problem gambling issues. The office continues to coordinate training for gambling counselors in Dodge City and southwest Kansas to assist them with identifying problems encountered by clients. The office also oversees training for casino employees to identify early warning signs of potential problem gambling behavior.

Voluntary Exclusion Program

The following graphs depict the data collection for calendar year 2010.



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.

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.

ELECTRONIC SECURITY	2009	2010
EGM Disputes Investigated	0	3
Reel Inspections	85	40
Machine Software Inspections	0	140
EGM Certifications	584	125
EGM Hardware/Software Components Tested & Approved	857	419
Table Games Tested and Approved	7	5
AUDIT	2009	2010
Internal Control Plans Approved	1	0
Internal Control Plan Amendments Reviewed	53	96
Internal Control Plan Amendments Approved	17	87
Investigations of Variances	0	28
Internal Control Violations Investigated	0	10

Security and Licensing Division

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 (KRGCC) to ensure operations comply with Kansas law and Commission regulations.

Security personnel also conduct background investigations of KRGCC 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	2009	2010	LICENSES	2009	2010
Backgrounds Completed	207	449	Parimutuel Licenses Issued	577	0
Backgrounds in Process			Gaming Licenses Issued		
Corporations	32	17	Corporations	28	10
Corporate Employees	324	229	Corporate Employees	140	121
Boot Hill Casino	346	159	Boot Hill Employee Licenses Issued		
			Commission Approved	18	215
			Denied	5	44
			Temporary	302	223
			Denied	35	38

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.

In 2010, the Division continues to be responsible for the implementation and maintenance of the agency's new gaming regulatory system. 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,
- electronic incident reporting and security logs.

The Division has also worked with the Electronic Security Unit to implement IRIS, a gaming machine hardware and software inventory tracking system, at Boot Hill Casino. This system will be utilized at all facilities and will allow the agency to provide accurate, real-time tracking of all electronic gaming machines, components and any associated issues.

The Division is also responsible for managing the agency's budget and financial management. For FY 2010, the agency was able to reduce central operating costs by 3.4 percent under FY 2009. The agency also spent 8.0 percent less than anticipated for direct regulatory expenses at Boot Hill Casino. Additionally, the KRGC also refunded a total of \$114,715 of unused funds to Lottery Gaming Review Board applicants for FY 2010.

For the upcoming year, the Division plans to retire the entire principal and interest of the \$5.0 million Pooled Money Investment Board loan provided to the agency in FY 2007 and 2008. The loan was provided to the agency to sustain start-up and overhead expenditures until the number of viable facilities could be determined and the facility managers could be selected and billed for those costs.

A summary of actual expenditures for the past two fiscal years can be found on the following page.

Revenue and Expenditures

REVENUES	FY 2009	FY 2010
RACING		
Parimutuel Tax	\$ 261,757	\$ 9,882
Admissions Tax	2,601	1,204
Unclaimed Winning Tickets	188,273	9,334
Breakage	29,337	4,548
License Fees & Fines	15,276	6,803
Operating Reimbursements	169,133	50
Transfers	(47,847)	(123)
Miscellaneous	<u>(60,994)</u>	<u>16,335</u>
Subtotal - Revenues	557,537	48,033
GAMING		
Loan Proceeds	\$ 2,368,000	\$ 0
Review Board Charges	0	884,295
Background Reimbursements	785,536	205,039
Operations Reimbursements	0	3,593,633
EGM Examination Deposits	0	731,311
Transfers	<u>(35,424)</u>	<u>(14,091)</u>
Subtotal – Revenues	3,118,112	5,400,187
TOTAL REVENUES	\$ 3,675,649	\$ 5,448,220

EXPENDITURES	FY 2009	FY 2010
RACING		
Grants for Fair Meets	\$ 131,579	\$ 0
Racing Operations	898,549	130,112
Breed Supplements	277,055	63,510
Research Grants	<u>0</u>	<u>0</u>
Subtotal – Expenditures	1,307,183	193,622
GAMING		
Central Office	\$ 2,096,844	\$ 1,966,381
Review Board	1,282,664	825,106
Boot Hill	0	561,121
Wyandotte	0	26,467
EGM Examinations	<u>0</u>	<u>579,446</u>
Subtotal – Expenditures	3,379,508	3,958,521
TOTAL EXPENDITURES	\$ 4,686,691	\$ 4,152,143

REVENUES AND EXPENDITURES	FY 2009	FY 2010
TOTAL REVENUES	\$ 3,675,649	\$ 5,448,220
TOTAL EXPENDITURES	\$ 4,686,691	\$ 4,152,143

Boot Hill Casino and Resort



Mark Kashuda
General Manager

4000 West Comanche Street
Dodge City, Kansas 66111
(877) 906-0777
www.boothillcasino.com



Facility Information

Opened:
December 5, 2009

Gaming Floor:
580 Electronic Gaming Devices
16 Table Games

Amenities:
Restaurant
Snack Bar

Total Employment:
264 Full-time
39 Part-time

2010 Gaming Revenue

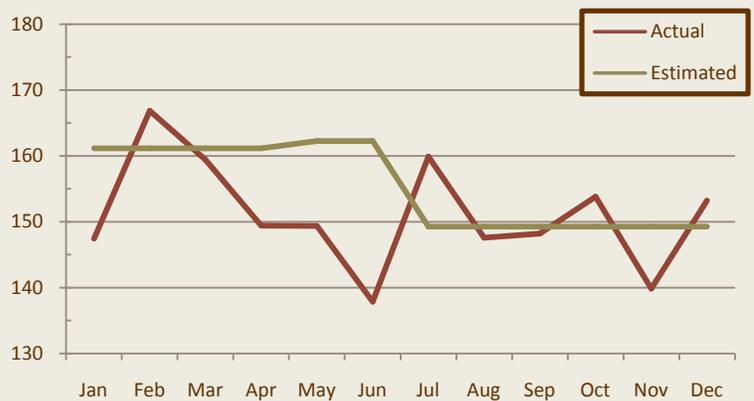
Total Gaming Revenue
\$ 37,787,943

Distribution to Governments:
State (22%): \$ 8,313,347
Locals (3%): \$ 1,113,638
Problem Gambling (2%): \$ 755,759

Employee License Applications



2010 Average Daily Slot Revenue per machine



Hollywood Casino at Kansas Speedway



Marty Naumann
General Manager

777 Hollywood Casino Blvd.
Kansas City, Kansas 66111

www.hollywoodcasinokansas.com

HOLLYWOOD
Casino
AT KANSAS SPEEDWAY

Facility Information

Scheduled Opening:
Spring 2012

Gaming Floor (Phase 1):
2,000 Electronic Gaming Devices
52 Table Games

Amenities (Phase 1):
Steakhouse
Sports Bar
Buffet and Food Court
Parking Garage

Total Est. Employment (Phase 1):
1,043 Full-time Equivalents

No data for 2010

Kansas Star Casino



Scott Cooper
General Manager

I-35 @ exit 33
Mulvane, Kansas 67110
www.kansasstarcasino.com



Facility Information

Scheduled Opening:
February 2012

Gaming Floor (Phase 1a):
1,300 Electronic Gaming Devices
32 Table Games

Amenities (Phase 1a):
Snack Bar

Total Est. Employment (Phase 1a):
481 Full-time Equivalents

No data for 2010



Kansas Racing and Gaming Commission

700 SW Harrison, Suite 500
Topeka, KS 66603-3754
785.296.5800

www.krgc.ks.gov

State Gaming Agency

The State Gaming Agency is attached to the Kansas Racing and Gaming Commission. The budget of the State Gaming Agency, the number and qualifications of employees of the State Gaming Agency and expenditures by the State Gaming Agency for expenses of dispute resolution pursuant to a tribal-state gaming compact shall be subject to approval by the Kansas Racing and Gaming Commission. All other management functions of the State Gaming Agency are administered by the executive director, independent of the Kansas Racing and Gaming Commission.

The State Gaming Agency's mission is to uphold the integrity of Indian gaming operations in Kansas by enforcing the tribal-state compacts and the Tribal Gaming Oversight Act. Four tribes continue to operate casinos in Kansas pursuant to tribal-state gaming compacts, and annual assessments from those tribes finance the agency's operations.

The agency performs background investigations necessary prior to licensing for casino employees, management contractors, manufacturers and distributors for each tribal casino. In addition, the agency conducts inspections and monitors activity for compliance with not only the tribal-state gaming compacts but also applicable state and federal laws.

PERFORMANCE MEASURES	FY 2010
Individual employee background investigations	518
Manufacturer / distributor background investigations	17
Criminal investigations	42
Compact compliance investigations	6
Individual EGD (electronic gaming device) inspections	653

Class III Tribal Gaming Facilities in Kansas

GAMING FACILITY	LOCATION (Closest City)	OPERATING TRIBE/NATION
Casino White Cloud	White Cloud	Iowa Tribe of Kansas and Nebraska
Prairie Band Casino & Resort	Mayetta	Prairie Band Potawatomi Nation in Kansas
Golden Eagle Casino	Horton	Kickapoo Tribe of Indians of the Kickapoo Reservation in Kansas
Sac & Fox Casino	Powhattan	Sac & Fox Nation of Missouri in Kansas and Nebraska