

KANSAS RACING AND GAMING COMMISSION

	Actual FY 2020	Agency Est. FY 2021	Gov. Rec. FY 2021	Agency Req. FY 2022	Gov. Rec. FY 2022
Operating Expenditures:					
State General Fund	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Other Funds	7,806,879	9,052,049	8,717,537	9,126,351	8,955,267
<i>Subtotal</i>	<i>\$ 7,806,879</i>	<i>\$ 9,052,049</i>	<i>\$ 8,717,537</i>	<i>\$ 9,126,351</i>	<i>\$ 8,955,267</i>
Capital Improvements:					
State General Fund	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Other Funds	0	0	0	0	0
<i>Subtotal</i>	<i>\$ 0</i>	<i>\$ 0</i>	<i>\$ 0</i>	<i>\$ 0</i>	<i>\$ 0</i>
TOTAL	\$ 7,806,879	\$ 9,052,049	\$ 8,717,537	\$ 9,126,351	\$ 8,955,267
Percentage Change:					
Operating Expenditures					
State General Fund	-- %	-- %	-- %	-- %	-- %
All Funds	2.8	15.9	11.7	0.8	2.7
FTE Positions	100.5	99.5	99.5	99.5	99.5

For purposes of this analysis, full-time equivalent (FTE) positions include non-FTE permanent unclassified positions but continue to exclude temporary employees. FTE positions reflect permanent state positions equating to a 40-hour work week.

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 (KRG) 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, and 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;

- **Gaming Regulation Subprogram.** The Gaming Regulation subprogram provides internal support and monitors compliance with gaming operations rules and regulations. Enforcement agents investigate alleged violations of gaming statutes and regulations and conduct background investigations of licensees;
- **Responsible Gaming Subprogram.** The Responsible Gaming Subprogram administers the voluntary exclusion program for the State of Kansas. The subprogram also audits and approves each lottery gaming facility's responsible gaming plan and ensures all lottery gaming facility's advertising satisfies KRGC regulations;
- **Illegal Gaming Subprogram.** The Illegal Gaming Subprogram focuses on the reduction and elimination of illegal gaming activity in the State; and
- **Parimutuel Gaming Program.** KRGC administers provisions of the Parimutuel Racing Act and serves as the regulatory entity for horse and greyhound racing. Although there currently are no operating racetracks in the state, the KRGC 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 racetracks, and encourage the growth of the horse and greyhound breeding industry; and
- **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 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

The **2013 Legislature** added language in fiscal year (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 the \$35 per day of attendance of such board or subcommittee meeting, as described in KSA 75-3223.

The **2014 Legislature** added a proviso in Senate Sub. for HB 2231 increasing compensation to \$88.66 per calendar day and a \$109.00 per calendar day substance of

attendance of such board or subcommittee meeting, as described in KSA 46-137(a), in FY 2015.

The **2015 Legislature** added \$1.4 million in FY 2016 and \$1.3 million in 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.

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

The **2016 Legislature** deleted \$1.6 million, all from special revenue funds, in FY 2016 and FY 2017 due to the agency not implementing the gaming machine examination process for which the 2015 Legislature approved additional expenditures. The Legislature also deleted 7.5 non-FTE positions in FY 2016 due to the Lottery Gaming Facility Review Board completing its work in FY 2015.

The **2017 Legislature** added \$1.3 million, all from special revenue funds, for regulation of the newly approved southeast gaming facility in FY 2017. Also, the Legislature added \$42,280, all from special revenue funds, for a 2.5 percent adjustment for all state employees with less than five years of service (except for Highway Patrol law enforcement personnel, legislators, teachers and licensed personnel and employees at the Schools for the Deaf and the Blind, employees at the Kansas Bureau of Investigation who are part of the Recruitment and Retention Plan, and other statewide elected officials); a 5.0 percent adjustment for state employees who have not had a pay adjustment in five years; and a 2.5 percent adjustment for judges and non-judicial staff in FY 2018 and FY 2019.

The **2018 Legislature** added \$136,289, all from special revenue funds, for salary adjustments in FY 2019 equivalent to two steps on the Statewide Pay Matrix for employees who did not receive a salary adjustment as part of the 2017 Salary Initiatives and one step for employees who received approximately one step on the Statewide Pay Matrix in FY 2018.

The **2019 Legislature** added \$147,201, all from special revenue funds, for a 2.5 percent salary adjustment for most state employees in FY 2020. This adjustment excludes statewide elected officials and employees receiving a salary adjustment approved in another portion of 2019 House Sub. for SB 25. The Governor's recommendation included \$63.5 million, including \$22.3 million from the State General Fund, for salary adjustments. After approval of the plan by the State Finance Council, this will appear as an increase at the agency level but will not increase total spending.

The **2020 Legislature** added \$309,291, all from special revenue funds, to increase law enforcement salaries by 10.0 percent for 46 agents in FY 2021.

BUDGET SUMMARY AND KEY POINTS

FY 2021 – Current Year. The **agency** requests a revised estimate of \$9.1 million, all from special revenue funds, in FY 2021. This is an all funds decrease of \$311,276, or 3.3

percent, below the FY 2021 approved amount. The decrease is primarily attributable to a decrease in expenditures for salaries and wages and employer contributions to employee fringe benefits due to vacant positions within the Expanded Gaming Regulation program.

The agency requests 99.5 FTE positions, which is a decrease of 2.5 FTE positions below the FY 2021 approved number. The decrease is primarily attributable to the elimination of vacant positions.

The **Governor** recommends expenditures of \$8.7 million, all from special revenue funds, in FY 2021. This is a decrease of \$334,512, or 3.7 percent, below the agency's revised estimate. This decrease is primarily attributable to the Governor's recommendation to increase the agency's current 5.0 percent shrinkage rate to 10.0 percent, which decreases expenditures for salaries and wages by \$338,793 in FY 2021. This decrease is partially offset by increases in contractual services (\$4,181) and commodities (\$100).

The Governor concurs with the agency's revised estimate for 99.5 FTE positions in FY 2021.

FY 2022 – Budget Year. The **agency** requests \$9.1 million, all from special revenue funds, for FY 2022. This is an increase of \$74,302, or 0.8 percent, above the FY 2021 revised estimate. The increase is primarily attributable to expected increases in employer contributions to salaries and wages fringe benefits including group health insurance. Additionally, the agency anticipates increased expenditures for computer and professional equipment.

The agency requests 99.5 FTE positions, which is unchanged from the FY 2021 revised estimate.

The **Governor** recommends expenditures of \$9.0 million, all from special revenue funds, for FY 2022. This is a decrease of \$171,084, or 1.9 percent, below the agency's request. This decrease is due to the Governor's recommendation to include a shrinkage rate of 5.0 percent to salaries and wages for FY 2022.

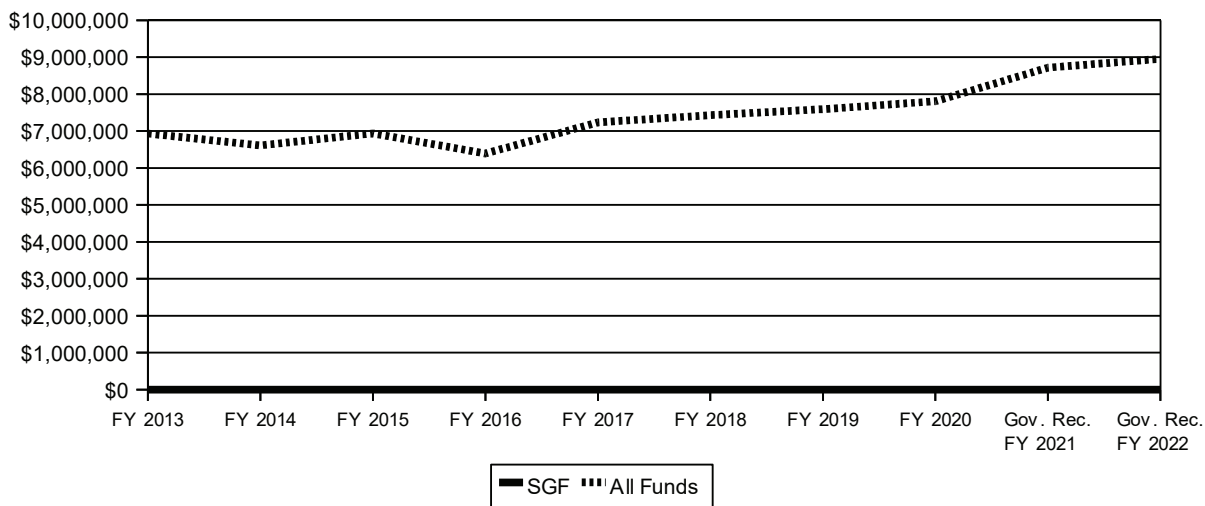
PERFORMANCE MEASURES

The 2016 Legislature passed HB 2739, which outlined a three-year process for state agencies to develop and implement a system of performance budgeting using outcome measures to evaluate program effectiveness. Measures to evaluate agency-wide performance are presented below. Additional measures to evaluate specific programs appear in the relevant program sections.

PERFORMANCE MEASURES						
Measure	Actual FY 2018	Actual FY 2019	Gov. Rec. FY 2020	Actual FY 2020	Gov. Rec. FY 2021	Gov. Rec. FY 2022
Expanded Gaming Regulation						
Number of Background Investigations Completed (Individual and Corporate)	1,199	1,123	1,270	927	1,260	1,260
Corporate Background Completion Rate*	83.0 %	136.0 %	95.0 %	150.0 %	95.0 %	95.0 %
Individual Background Completion Rate*	102.0 %	69.0 %	95.0 %	91.0 %	95.0 %	95.0 %
Local Criminal Prosecutions Initiated with KRGC Assistance*	0	1	2	0	1	2
Number of Voluntary Exclusion Program Enrollees Granted Access to Gaming Facility*	112	85	90	86	95	95
Tribal Gaming Regulation						
Average Days to Complete Background Investigation*	44	41	45	40	45	45
Number of Background Investigations	460	514	470	432	470	470
Number of Official Slot Machine Inspections	391	342	400	318	400	400
Number of Internal Control Inspections* Agency Expenditures	2,711	3,271	2,500	2,316	2,750	2,750
All Funds (Dollars in Thousands)	\$ 7,429.0	\$ 7,593.8	\$ 9,037.8	\$ 7,806.9	\$ 8,717.5	\$ 8,955.3
FTE Positions	103.5	103.5	102.0	100.5	99.5	99.5
*The Governor's Office does not utilize this measure for evaluation purposes.						

BUDGET TRENDS

OPERATING EXPENDITURES FY 2013 – FY 2022



OPERATING EXPENDITURES FY 2013 – FY 2022

Fiscal Year	SGF	% Change	All Funds	% Change	FTE
2013	\$ 0	0.0 %	\$ 6,932,712	4.9 %	98.0
2014	0	--	6,610,135	(4.7)	91.5
2015	0	--	6,935,786	4.9	93.5
2016	0	--	6,392,821	(7.8)	110.5
2017	0	--	7,236,074	13.2	109.5
2018	0	--	7,428,955	2.7	103.5
2019	0	--	7,593,764	2.2	103.5
2020	0	--	7,806,879	2.8	100.5
2021 Gov. Rec.	0	--	8,717,537	11.7	99.5
2022 Gov. Rec.	0	--	8,955,267	2.7	99.5
Ten-Year Change Dollars/Percent	\$ 0	-- %	\$ 2,022,555	29.2 %	1.5

Summary of Operating Budget FY 2020 - FY 2022

	Actual FY 2020	Agency Estimate			Governor's Recommendation				
		Estimate FY 2021	Request FY 2022	Dollar Change from FY 21	Percent Change from FY 21	Rec. FY 2021	Rec. FY 2022	Dollar Change from FY 21	Percent Change from FY 21
By Program:									
Expanded Gaming Regulation	\$ 6,426,922	\$ 7,704,333	\$ 7,768,482	\$ 64,149	0.8 %	\$ 7,369,821	\$ 7,597,398	\$ 227,577	3.1 %
Parimutuel Gaming	1,388	4,026	4,060	34	0.8	4,026	4,060	34	0.8
Tribal Gaming Regulation	1,378,569	1,343,690	1,353,809	10,119	0.8	1,343,690	1,353,809	10,119	0.8
TOTAL	\$ 7,806,879	\$ 9,052,049	\$ 9,126,351	\$ 74,302	0.8 %	\$ 8,717,537	\$ 8,955,267	\$ 237,730	2.7 %
By Major Object of Expenditure:									
Salaries and Wages	\$ 6,575,355	\$ 7,453,974	\$ 7,528,276	\$ 74,302	1.0 %	\$ 7,115,181	\$ 7,357,192	\$ 242,011	3.4 %
Contractual Services	1,033,668	1,268,805	1,268,805	0	0.0	1,272,986	1,268,805	(4,181)	(0.3)
Commodities	63,273	164,620	164,620	0	0.0	164,720	164,620	(100)	(0.1)
Capital Outlay	134,583	164,650	164,650	0	0.0	164,650	164,650	0	0.0
Debt Service	0	0	0	0	--	0	0	0	--
<i>Subtotal - Operations</i>	\$ 7,806,879	\$ 9,052,049	\$ 9,126,351	\$ 74,302	0.8 %	\$ 8,717,537	\$ 8,955,267	\$ 237,730	2.7 %
Aid to Local Units	0	0	0	0	--	0	0	0	--
Other Assistance	0	0	0	0	--	0	0	0	--
TOTAL	\$ 7,806,879	\$ 9,052,049	\$ 9,126,351	\$ 74,302	0.8 %	\$ 8,717,537	\$ 8,955,267	\$ 237,730	2.7 %
Financing:									
State General Fund	\$ 0	\$ 0	\$ 0	\$ 0	-- %	\$ 0	\$ 0	\$ 0	-- %
Tribal Gaming Fund	1,378,569	1,343,690	1,353,809	10,119	0.8	1,343,690	1,353,809	10,119	0.8
Gaming Background Investigations Fund	185,314	348,235	351,380	3,145	0.9	348,235	351,380	3,145	0.9
Expanded Lottery Act Regulation Fund	6,211,385	7,351,898	7,412,902	61,004	0.8	7,013,105	7,241,818	228,713	3.3
All Other Funds	31,611	8,226	8,260	34	0.4	12,507	8,260	(4,247)	(34.0)
TOTAL	\$ 7,806,879	\$ 9,052,049	\$ 9,126,351	\$ 74,302	0.8 %	\$ 8,717,537	\$ 8,955,267	\$ 237,730	2.7 %

BUDGET OVERVIEW

A. FY 2021 – Current Year

Adjustments to Approved State General Fund Budget

The agency’s revised estimate does not include any State General Fund (SGF) expenditures.

	CHANGE FROM APPROVED BUDGET				
	Legislative Approved FY 2021	Agency Estimate FY 2021	Agency Change from Approved	Governor Rec. FY 2021	Governor Change from Approved
State General Fund	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
All Other Funds	9,363,325	9,052,049	(311,276)	8,717,537	(645,788)
TOTAL	\$ 9,363,325	\$ 9,052,049	\$ (311,276)	\$ 8,717,537	\$ (645,788)
FTE Positions	102.0	99.5	(2.5)	99.5	(2.5)

The **agency** requests a revised estimate of \$9.1 million, all from special revenue funds, in FY 2021. This is an all funds decrease of \$311,276, or 3.3 percent, below the FY 2021 approved amount. The decrease is primarily attributable to a decrease in expenditures for salaries and wages and employer contributions to salaries and wages fringe benefits due to vacant positions within the Expanded Gaming Regulation program.

The agency requests 99.5 FTE positions, which is a decrease of 2.5 FTE positions below the FY 2021 approved number. The decrease is attributable to the elimination of vacant positions. The revised estimate is detailed below by category of expenditure:

- Salaries and Wages.** The agency estimates \$7.5 million, all from special revenue funds, for salaries and wages in FY 2021. This is a decrease of \$311,276, or 4.0 percent, below the FY 2021 approved amount. The decrease is primarily attributable to a decrease in salaries and wages and employer contributions to salaries and wages fringe benefits, including group health insurance, due to vacant positions within the Expanded Gaming Regulation program.
- Contractual Services.** The agency estimates \$1.3 million, all from special revenue funds, for contractual services in FY 2021, which is unchanged from the FY 2021 approved amount. Expenditures in this category are primarily related to the regulation of the four lottery gaming facilities including rent and the State Building Capital Charge, and fees related to background investigations;
- Commodities.** The agency estimates \$164,620, all from special revenue funds, for commodities in FY 2021, which is unchanged from the FY 2021 approved amount. Major expenditures in this category include office supplies, professional materials, and fuel and maintenance costs for state-owned vehicles ; and

- **Capital Outlay.** The agency estimates \$164,650, all from special revenue funds, for capital outlay in FY 2021, which is unchanged from the FY 2021 approved amount. Expenditures in this category are primarily for computer equipment, scheduled server replacement, and gaming test equipment.

The **Governor** recommends \$8.7 million, all from special revenue funds, in FY 2021. This is a decrease of \$334,512, or 3.7 percent, below the agency's revised estimate. This decrease is primarily attributable to the Governor's recommendation to increase the agency's current 5.0 percent shrinkage rate to 10.0 percent, which decreases expenditures for salaries and wages by \$338,793 in FY 2021. This decrease is partially offset by increases in contractual services (\$4,181) and commodities (\$100).

B. FY 2022 – Budget Year

FY 2022 OPERATING BUDGET SUMMARY			
	Agency Request	Governor's Recommendation	Difference
Total Request/Recommendation	\$ 9,126,351	\$ 8,955,267	\$ (171,084)
FTE Positions	99.5	99.5	0.0
Change from FY 2021:			
<i>Dollar Change:</i>			
State General Fund	\$ 0	\$ 0	
All Other Funds	74,302	237,730	
TOTAL	\$ 74,302	\$ 237,730	
<i>Percent Change:</i>			
State General Fund	0.0 %	0.0 %	
All Other Funds	0.8	2.7	
TOTAL	0.8 %	2.7 %	
Change in FTE Positions	0.0	0.0	

The **agency** requests \$9.1 million, all from special revenue funds, for FY 2022. This is an increase of \$74,302, or 0.8 percent, above the FY 2021 revised estimate. The increase is primarily attributable to increases in employer contributions to salaries and wages fringe benefits including group health insurance. Additionally, the agency anticipates increased expenditures for computer and professional equipment.

The agency requests 99.5 FTE positions, which is unchanged from the FY 2021 revised estimate. The request is detailed below by category of expenditure:

- **Salaries and Wages.** The agency requests \$7.5 million, all from special revenue funds, for salaries and wages for FY 2022. This is an increase of \$74,302, or 1.0 percent, above the FY 2021 revised estimate. The increase is primarily attributable to increases in employer contributions to salaries and wages fringe benefits including group health insurance;

- **Contractual Services.** The agency requests \$1.3 million, all from special revenue funds, for contractual services for FY 2022. This is the same amount as the FY 2021 revised estimate. Expenditures in this category are primarily related to the regulation of the four lottery gaming facilities including rent and the State Building Capital Charge, and fees related to background investigations;
- **Commodities.** The agency requests \$164,620, all from special revenue funds, for commodities for FY 2022. This is the same amount as the FY 2021 revised estimate. Major expenditures in this category include office supplies, professional materials, and fuel and maintenance costs for state-owned vehicles; and
- **Capital Outlay.** The agency requests \$164,650, all from special revenue funds, for capital outlay for FY 2022. This is the same amount as the FY 2021 revised estimate. Expenditures in this category are primarily for computer equipment, scheduled server replacement, and gaming test equipment.

The **Governor** recommends expenditures of \$9.0 million, all from special revenue funds, for FY 2022. This is a decrease of \$171,084, or 1.9 percent, below the agency's request. This decrease is due to the Governor's recommendation to include a shrinkage rate of 5.0 percent to salaries and wages in FY 2022. The 5.0 percent shrinkage rate decreases salaries and wages by \$171,084 below the agency's request for FY 2022.

Governor's Recommended Salary and Wage Adjustments

For FY 2022, the Governor recommends adding \$31.5 million, including \$11.3 million SGF, for a 2.5 percent state employee base pay adjustment. The plan would increase salaries for classified and unclassified employees in the Executive Branch, Legislative Branch, and Judicial Branch. Legislative and elected officials would be excluded from this salary adjustment. The funds would be appropriated to and certified for distribution by the State Finance Council if approved. Employees of state universities are also not included in the proposed pay plan; however, the Governor recommends adding \$10.4 million, all SGF, to the university operating grants. This amount is equivalent to what the pay plan would have provided for university employees, but the funds are included in the Kansas Board of Regents budget for use at their discretion.

Longevity Bonus Payments. In FY 2021 and for FY 2022, the Governor recommends funding longevity bonus payments for eligible state employees at the statutory rate of \$40 per year of service, with a 10-year minimum (\$400) and a 25-year maximum (\$1,000). Classified employees hired after June 15, 2008, are not eligible for longevity bonus payments. The estimated cost for the recommended FY 2021 payment is \$3.0 million, including \$1.1 million SGF. For FY 2022, the estimated cost is \$3.1 million, including \$1.1 million SGF. **For this agency, FY 2021 longevity payments total \$4,000, and FY 2022 longevity payments total \$4,000, all from special revenue funds.**

Kansas Public Employees Retirement System (KPERs). The employer retirement contribution rate, including Death and Disability contributions, for the KPERs State and School Group is scheduled to be 14.23 percent in FY 2021 and 15.09 percent for FY 2022. The FY 2021 rate excludes the 1.0 percent KPERs Death and Disability contribution that is currently subject to a moratorium described below.

The Governor recommends the KPERs State and School Group be reamortized. The current amortization period was set by the Legislature in 1993 for 40 years. The Governor proposes the new amortization be set for 25 years beginning in FY 2022, an extension of 10 years to the current plan. Reamortization would reduce employer contributions for the KPERs State and School Group in the short term. It is estimated that resetting the amortization period to 25 years could produce budget savings of \$177.3 million, including \$158.7 million SGF, for FY 2022. The Governor's recommendation would also incorporate \$25.8 million in KPERs layering payments into the amortization schedules. **No savings from this policy are currently included in this agency's budget.**

KPERs Death and Disability Group Insurance Fund. During FY 2021, a moratorium on employer contributions to the KPERs Death and Disability Group Insurance Fund was in effect. The fund had a sufficient balance to suspend payments on a temporary basis without affecting employee benefits. The moratorium was implemented *via* the Governor's allotment authority; therefore, the Legislative and Judicial branches are currently excluded from the moratorium. The total savings for the moratorium are estimated at \$46.7 million in contributions from the SGF. Included in this amount were savings of approximately \$40.3 million from KPERs School Group contributions in the Kansas State Department of Education budget. No similar moratorium is proposed for FY 2022, requiring the addition of \$46.7 million to annualize the payments for the full fiscal year.

Funding Sources

Funding Source	Agency Req. Percent of Total FY 2022	Gov. Rec. Percent of Total FY 2022
State General Fund	0.0 %	0.0 %
Expanded Lottery Act Regulation Fund	81.2	80.9
Tribal Gaming Fund	14.8	15.1
Gaming Background Investigation Fund	3.9	3.9
All Other Funds	0.1	0.1
TOTAL	100.0 %	100.0 %

(Note: Totals may not add due to rounding.)

Expanded Lottery Act Regulation Fund Analysis

The Expanded Lottery Act stipulates the cost of regulation is to be incurred by the lottery gaming facility managers. Revenue to the Expanded Lottery Act 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 expenditures on a quarterly billing cycle.

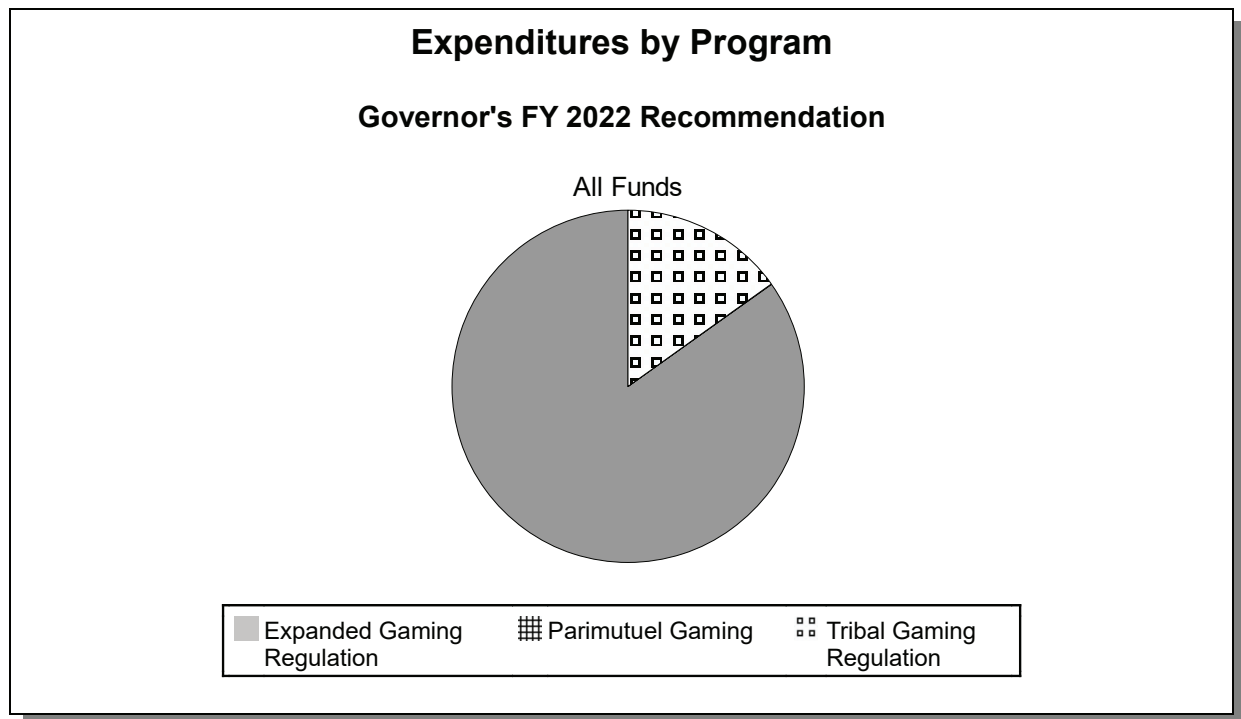
Resource Estimate	Actual FY 2020	Agency Estimate FY 2021	Gov. Rec. FY 2021	Agency Request FY 2022	Gov. Rec. FY 2022
Beginning Balance	\$ 3,816,290	\$ 2,101,572	\$ 2,101,572	\$ 2,025,990	\$ 2,364,783
Revenue	4,496,667	7,278,397	7,278,397	7,339,402	7,339,402
Transfers in	0	0	0	0	0
<i>Funds Available</i>	<u>\$ 8,312,957</u>	<u>\$ 9,379,969</u>	<u>\$ 9,379,969</u>	<u>\$ 9,365,392</u>	<u>\$ 9,704,185</u>
Less:					
Expenditures	\$ 6,211,385	\$ 7,351,898	\$ 7,013,105	\$ 7,412,902	\$ 7,241,818
Transfers Out	0	2,081	2,081	0	0
Off-Budget Expenditures	0	0	0	0	0
Ending Balance	<u>\$ 2,101,572</u>	<u>\$ 2,025,990</u>	<u>\$ 2,364,783</u>	<u>\$ 1,952,490</u>	<u>\$ 2,462,367</u>
Ending Balance as Percent of Expenditures	33.8%	27.6%	33.7%	26.3%	34.0%
Month Highest Ending Balance	August \$ 4,325,360	August \$ 2,381,909	August \$ 2,381,909	August \$ 2,381,909	August \$ 2,296,245
Month Lowest Ending Balance	June \$ 2,100,796	June \$ 1,156,876	June \$ 1,156,876	June \$ 1,115,269	June \$ 1,115,269

Tribal Gaming Fund Analysis

The Tribal Gaming Fund is funded by assessments paid three times a year by the four tribal casinos. On July 1 of each fiscal year, the State Gaming Agency receives \$450,000, all from the SGF, 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 SGF cash advance is repaid.

Resource Estimate	Actual FY 2020	Agency Estimate FY 2021	Gov. Rec. FY 2021	Agency Request FY 2022	Gov. Rec. FY 2022
Beginning Balance	\$ 284,050	\$ 205,009	\$ 205,009	\$ 205,009	\$ 205,009
Revenue	1,299,528	1,343,690	1,343,690	1,353,809	1,353,809
Transfers in	450,052	451,000	451,000	451,000	451,000
<i>Funds Available</i>	<u>\$ 2,033,630</u>	<u>\$ 1,999,699</u>	<u>\$ 1,999,699</u>	<u>\$ 2,009,818</u>	<u>\$ 2,009,818</u>
Less:					
Expenditures	\$ 1,378,569	\$ 1,343,690	\$ 1,343,690	\$ 1,353,809	\$ 1,353,809
Transfers Out	450,052	451,000	451,000	451,000	451,000
Off-Budget Expenditures	0	0	0	0	0
Ending Balance	<u>\$ 205,009</u>	<u>\$ 205,009</u>	<u>\$ 205,009</u>	<u>\$ 205,009</u>	<u>\$ 205,009</u>
Ending Balance as Percent of Expenditures	14.9%	15.3%	15.3%	15.1%	15.1%
Month Highest Ending Balance	July \$ 531,341	July \$ 383,488	July \$ 383,488	July \$ 383,488	July \$ 383,488
Month Lowest Ending Balance	June \$ 190,811	June \$ 137,715	June \$ 137,715	June \$ 137,715	June \$ 137,715

PROGRAM DETAIL



Program	Gov. Rec. All Funds FY 2022	Percent of Total	Gov. Rec. SGF FY 2022	Percent of Total
Expanded Gaming Regulation	\$ 7,597,398	84.8 %	\$ 0	-- %
Parimutuel Gaming	4,060	0.0	0	--
Tribal Gaming Regulation	1,353,809	15.1	0	--
TOTAL	\$ 8,955,267	100.0 %	\$ 0	-- %

FTE POSITIONS BY PROGRAM FY 2020 – FY 2022

Program	Actual FY 2020	Agency Est. FY 2021	Gov. Rec. FY 2021	Agency Req. FY 2022	Gov. Rec. FY 2022
Expanded Gaming Regulation	86.5	86.5	86.5	86.5	86.5
Parimutuel Gaming	0.1	0.1	0.1	0.1	0.1
Tribal Gaming Regulation	14.0	13.0	13.0	13.0	13.0
TOTAL	100.5	99.5	99.5	99.5	99.5

(Note: For purposes of this analysis, full-time equivalent (FTE) positions include non-FTE permanent unclassified positions but continue to exclude temporary employees. FTE positions reflect permanent state positions equating to a 40-hour work week.)

A. Expanded Gaming Regulation

The Expanded Gaming Regulation program provides regulatory oversight of lottery and racetrack gaming facility managers and their operations in Kansas. There currently are no operating racetrack gaming facilities. There are, however, four lottery gaming facilities: the Northeast Gaming Zone in Wyandotte County houses the Hollywood Casino; the South Central 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; and the Southeast Gaming Zone located in Crawford and Cherokee counties houses the Kansas Crossing Casino. 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; and
- **Responsible Gaming.** Promote responsible gambling in Kansas *via* the Voluntary Exclusion Program and approve each lottery gaming facility's responsible gambling plan.

PERFORMANCE MEASURES						
Measure	Actual FY 2018	Actual FY 2019	Gov. Rec. FY 2020	Actual FY 2020	Gov. Rec. FY 2021	Gov. Rec. FY 2022
Number of Background Investigations Completed (Individual and Corporate)	1,199	1,223	1,270	927	1,260	1,260
Corporate Background Completion Rate*	83.0 %	136.0 %	95.0 %	150.0 %	95.0 %	95.0 %
Individual Background Completion Rate*	102.0 %	69.0 %	95.0 %	91.0 %	95.0 %	95.0 %
Percent of Employee Licenses Denied by the Commission*	1.0 %	1.0 %	2.0	1.0 %	2.0 %	2.0 %
Number of Initial EGM Inspections/Certifications*	707	791	850	375	500	500
Number of Criminal Case Reports*	521	500	500	409	356	450
Illegal Gaming Machines Seized (Excludes Components, Prizes, and Other Items)*	14	47	25	39	50	50
Illegal Gambling Complaints Received*	155	176	180	143	157	160
Local Criminal Prosecutions Initiated with KRGK Assistance*	0	1	2	0	1	2
Number of Voluntary Exclusion Program Enrollees Granted Access to Gaming Facility*	112	85	90	86	95	95
Number of New VEP Enrollments*	273	298	287	200	287	287
Agency Expenditures						
All Funds (Dollars in Thousands)	\$ 6,035.9	\$ 6,207.6	\$ 7,487.5	\$ 6,426.9	\$ 7,369.8	\$ 7,597.4
FTE Positions	86.4	86.4	86.4	86.5	86.5	86.5

*The Governor's Office does not utilize this measure for evaluation purposes.

EXPANDED GAMING REGULATION SUMMARY OF EXPENDITURES FY 2020 – FY 2022					
Item	Actual FY 2020	Agency Est. FY 2021	Gov. Rec. FY 2021	Agency Req. FY 2022	Gov. Rec. FY 2022
Expenditures:					
Salaries and Wages	\$ 5,443,540	\$ 6,437,038	\$ 6,098,245	\$ 6,501,187	\$ 6,330,103
Contractual Services	823,199	992,225	996,406	992,225	992,225
Commodities	54,719	139,770	139,870	139,770	139,770
Capital Outlay	105,464	135,300	135,300	135,300	135,300
Debt Service	0	0	0	0	0
<i>Subtotal - Operations</i>	<u>\$ 6,426,922</u>	<u>\$ 7,704,333</u>	<u>\$ 7,369,821</u>	<u>\$ 7,768,482</u>	<u>\$ 7,597,398</u>
Aid to Local Units	0	0	0	0	0
Other Assistance	0	0	0	0	0
TOTAL	<u>\$ 6,426,922</u>	<u>\$ 7,704,333</u>	<u>\$ 7,369,821</u>	<u>\$ 7,768,482</u>	<u>\$ 7,597,398</u>
Financing:					
State General Fund	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
All Other Funds	6,426,922	7,704,333	7,369,821	7,768,482	7,597,398
TOTAL	<u>\$ 6,426,922</u>	<u>\$ 7,704,333</u>	<u>\$ 7,369,821</u>	<u>\$ 7,768,482</u>	<u>\$ 7,597,398</u>
FTE Positions	86.5	86.5	86.5	86.5	86.5

The **agency** requests \$7.8 million, all from special revenue funds, for the Expanded Gaming Regulation program for FY 2022. This is an increase of \$64,149, or 0.8 percent, above the FY 2021 revised estimate. The increase is primarily attributable to expected increases in

employer contributions for salaries and wages fringe benefits. The program includes 86.5 FTE positions, which is unchanged from the FY 2021 revised estimate. Major expenditures in this program are for professional services largely consisting of Kansas Bureau of Investigation database access fees related to background checks of vendors who provide goods and services to gaming facilities. Other major expenditures are for repairing and servicing of electronic gaming equipment.

The **Governor** recommends expenditures of \$7.6 million, all from special revenue funds for FY 2022. This is a decrease of \$171,084, or 2.2 percent, below the agency's request. This decrease is due to the Governor's recommendation to include a shrinkage rate of 5.0 percent to salaries and wages in FY 2022. The 5.0 percent shrinkage rate decreases salaries and wages by \$171,084 below the agency's FY 2022 request.

B. Parimutuel Gaming

The Parimutuel Gaming program provides oversight for the parimutuel racing industry and racetracks. 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 currently are 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. The Parimutuel Gaming program budget for FY 2021 through FY 2022 is built on the assumption that no parimutuel racing will occur in Kansas during that period. The agency will continue to administer the Kansas-Bred Registry program.

PERFORMANCE MEASURES						
Measure	Actual FY 2018	Actual FY 2019	Gov. Rec. FY 2020	Actual FY 2020	Gov. Rec. FY 2021	Gov. Rec. FY 2022
There are no performance measures submitted for this program.						
Agency Expenditures						
All Funds	\$ 1,406	\$ 610	\$ 7,051	\$ 1,388	\$ 4,026	\$ 4,060
FTE Positions	0.1	0.1	0.1	0.1	0.1	0.1

PARIMUTUEL GAMING SUMMARY OF EXPENDITURES FY 2020 – FY 2022					
Item	Actual FY 2020	Agency Est. FY 2021	Gov. Rec. FY 2021	Agency Req. FY 2022	Gov. Rec. FY 2022
Expenditures:					
Salaries and Wages	\$ 1,388	\$ 3,026	\$ 3,026	\$ 3,060	\$ 3,060
Contractual Services	0	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>\$ 1,388</u>	<u>\$ 4,026</u>	<u>\$ 4,026</u>	<u>\$ 4,060</u>	<u>\$ 4,060</u>
Aid to Local Units	0	0	0	0	0
Other Assistance	0	0	0	0	0
TOTAL	<u>\$ 1,388</u>	<u>\$ 4,026</u>	<u>\$ 4,026</u>	<u>\$ 4,060</u>	<u>\$ 4,060</u>
Financing:					
State General Fund	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
All Other Funds	1,388	4,026	4,026	4,060	4,060
TOTAL	<u>\$ 1,388</u>	<u>\$ 4,026</u>	<u>\$ 4,026</u>	<u>\$ 4,060</u>	<u>\$ 4,060</u>
FTE Positions	0.1	0.1	0.1	0.1	0.1

The **agency** requests \$4,060, all from special revenue funds, for the Parimutuel Gaming program for FY 2022, which is an increase of \$34, or 0.8 percent, above the FY 2021 revised estimate. This increase is attributable to salaries and wages and increases in employer contributions to salaries and wages fringe benefits. The program includes less than 0.1 FTE positions, which is the same as the FY 2021 revised estimate.

The **Governor** concurs with the agency's request for FY 2022.

C. 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 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 noncompliance with the tribal-state compacts.

PERFORMANCE MEASURES						
Measure	Actual FY 2018	Actual FY 2019	Gov. Rec. FY 2020	Actual FY 2020	Gov. Rec. FY 2021	Gov. Rec. FY 2022
Average Days to Complete Background Investigation*	44	41	45	40	45	45
Average Days to Preliminary Suitability*	1	1	2	2	2	2
Number of Background Investigations	460	470	470	432	470	470
Number of Official Slot Machine Inspections	391	342	400	318	400	400
Number of Compliance Inspections*	199	230	200	457	200	200
Number of Internal Control Inspections*	2,711	3,271	2,500	2,316	2,750	2,750
Number of Outside Agency Personnel Trained*	16	38	25	10	25	25
Agency Expenditures						
All Funds (Dollars in Thousands)	\$ 1,391.7	\$ 1,385.6	\$ 1,543.2	\$ 1,378.6	\$ 1,343.7	\$ 1,353.8
FTE Positions	17.0	17.0	15.5	14.0	13.0	13.0

*The Governor's Office does not utilize this measure for evaluation purposes.

TRIBAL GAMING REGULATION SUMMARY OF EXPENDITURES FY 2020 – FY 2022					
Item	Actual FY 2020	Agency Est. FY 2021	Gov. Rec. FY 2021	Agency Req. FY 2022	Gov. Rec. FY 2022
Expenditures:					
Salaries and Wages	\$ 1,130,427	\$ 1,013,910	\$ 1,013,910	\$ 1,024,029	\$ 1,024,029
Contractual Services	210,469	275,580	275,580	275,580	275,580
Commodities	8,554	24,850	24,850	24,850	24,850
Capital Outlay	29,119	29,350	29,350	29,350	29,350
Debt Service	0	0	0	0	0
<i>Subtotal - Operations</i>	<i>\$ 1,378,569</i>	<i>\$ 1,343,690</i>	<i>\$ 1,343,690</i>	<i>\$ 1,353,809</i>	<i>\$ 1,353,809</i>
Aid to Local Units	0	0	0	0	0
Other Assistance	0	0	0	0	0
TOTAL	\$ 1,378,569	\$ 1,343,690	\$ 1,343,690	\$ 1,353,809	\$ 1,353,809
Financing:					
State General Fund	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
All Other Funds	1,378,569	1,343,690	1,343,690	1,353,809	1,353,809
TOTAL	\$ 1,378,569	\$ 1,343,690	\$ 1,343,690	\$ 1,353,809	\$ 1,353,809
FTE Positions	14.0	13.0	13.0	13.0	13.0

The **agency** requests \$1.4 million, all from special revenue funds, for the Tribal Gaming Regulation program for FY 2022. This is an increase of \$10,119, or 0.8 percent, above the FY 2021 revised estimate. The increase is primarily attributable to an increase in employer contributions to salaries and wages fringe benefits. The program includes 13.0 FTE positions, which is the same as the FY 2021 revised estimate. Major expenditures in this program are for salaries and wages, rents, and fees related to record checks of the Kansas tribal gaming facilities.

The **Governor** concurs with the agency's request for FY 2022.