



Stephen W. Durrell
Executive Director

Laura Kelly
Governor

**Testimony Before
Legislative Budget Committee
September 28, 2023**

**Presented by
Matt Schwartz, Director of Finance
Keith Kocher, Director of Gaming Facilities
Kansas Lottery**

Mr. Chairman and members of the Committee:

As always, thank you for the invitation and it is a pleasure to appear before your committee.

Casino Gaming Revenues

The Lottery is responsible for distributing the net casino gaming revenues in accordance with the Kansas Expanded Lottery Act.

For fiscal year 2023, casino gaming net revenues totaled \$407.1 million, which is \$6.1 million more than the previous year. Combined transfers totaling \$97.7 million from casino activities were made to the Expanded Lottery Act Revenues Fund (ELARF) and the Problem Gambling and Addictions Grant Fund (PGAGF). This represents a \$1.5 million increase over the previous year.

Boot Hill Casino in Dodge City: As a mature casino in a relatively sparsely populated area, visitation and gaming at the casino had been consistent over the past several years. Casino management has increasingly placed a great deal of emphasis upon attracting visitors from outside the immediate area. In addition, there has been a strengthening of partnerships with other stakeholders interested in generally increasing tourism in the Dodge City area, especially with the Convention Center adjacent to the Casino, which is sponsored by the Casino itself. Boot Hill has faced increased competition from the “Golden Mesa Casino” in Guymon, Oklahoma, that opened in September 2019.

Kansas Star Casino in Mulvane: The Kansas Star Casino once again generated the most gaming revenue of all four casinos with state-owned games. In addition to the gaming facilities themselves, the 300-room hotel, event center, restaurants, and equestrian facilities are being utilized to attract players and other visitors. Under normal circumstances a wide range of entertainment events are held, as well as hosting conventions, wedding receptions, corporate meetings, and similar activities. The Kansas Star Casino experiences a great deal of competition from the numerous tribal casinos in Oklahoma and a tribal facility in Sedgwick County.

Hollywood Casino at Kansas Speedway in Kansas City: Hollywood Casino continues to compete quite favorably with other casinos in the Kansas City metro area, most of which were in business and well-established prior to Hollywood having opened. Hollywood’s interrelationship with Kansas Speedway, the Legends Shopping Center, and the Sporting KC Soccer Arena augment visitation and play at the casino. Hollywood’s market share among the five major casinos has steadily risen from about 14 percent when it opened to around 20 percent.

Kansas Crossing Casino in Pittsburg: Kansas Crossing Casino is the newest (and last) casino to open with state-owned casino gaming, having opened in March 2017. Despite significant competition from pre-existing casinos in Oklahoma and to some extent those in the Kansas City metropolitan area, overall Kansas Crossing has increased its month-over-month gaming revenues.

Actual and Proposed Net Revenue and Transfer Estimate for Casino Gaming Revenues*

	FY 2023	FY 2024	FY 2025
ELARF	<u>\$ 89,563,258</u>	\$ 90,530,000	\$ 89,430,000
Problem Gambling & Addictions	\$ 8,142,115	\$ 8,230,000	\$ 8,130,000
Cities & Counties	<u>\$ 12,213,171</u>	\$ 12,345,000	\$ 12,195,000
Lottery Gaming Facility Managers	<u>\$297,187,177</u>	<u>\$300,395,000</u>	<u>\$296,745,000</u>
Net Casino Gaming Revenues	\$407,105,721	\$411,500,000	\$406,500,000

**Consensus Revenue Estimate for ELARF – April 2023.*

Sports Wagering Revenues

The 2022 Legislature passed Senate Bill 84 (SB 84) authorizing sports wagering under the Kansas Expanded Lottery Act. SB 84 authorizes the Lottery to offer sports wagering through one or more lottery gaming facility managers. Each of the four lottery gaming facility managers may contract with up to three interactive sports wagering platform providers to offer mobile sports wagering throughout the state. Each manager has also chosen to offer retail sports wagering within the casino through one of the approved interactive sports wagering platforms.

The Lottery began sports wagering operations in September 2022. The state share of sports wagering revenues for the first year of operations was more than \$5.8 million and was transferred to the designated beneficiaries in July 2023.

Actual and Proposed Net Revenue and Transfer Estimate for Sports Wagering Revenues**

	FY 2023	FY 2024	FY 2025
White Collar Crime Fund	\$ 750,000	\$ 750,000	\$ 750,000
Problem Gambling & Addictions	\$ 102,452	\$ 185,000	\$ 209,000
Attracting Professional Sports in Kansas	\$ 4,098,097	\$ 7,400,000	\$ 8,360,000
SGRF / SGF	\$ 922,072	\$ 1,665,000	\$ 1,881,000
Lottery Gaming Facility Managers	<u>\$ 52,853,586</u>	<u>\$ 90,000,000</u>	<u>\$100,800,000</u>
Net Sports Wagering Revenues	<u>\$ 58,706,207</u>	\$100,000,000	\$112,000,000

**Consensus Revenue Estimate for ELARF – April 2023.*

***State Share of Revenues is distributed in July of the following fiscal year.*

Action Plan for Expanded Lottery

The goal of the Kansas Expanded Lottery Act (KELA) is to provide increased revenues to the State of Kansas and other funds as set forth in KELA through the operating of electronic gaming machines, table games, sports wagering, and other casino operations within the gaming zones. Objectives associated with this goal include:

- Work with all casino managers to administer and monitor their contracts with the Lottery and with third party sports wagering platform providers.
- Provide a system of review and audit to ensure the integrity of casino gaming devices and the accurate reporting of net casino gaming revenues at all casinos with state-owned and -operated gaming.
- Provide a system of review and audit to ensure the integrity of sports wagering operations and the accurate reporting of net sports wagering revenues at all casinos with state-owned and -operated sports wagering.

Budgeted Expenses for Expanded Lottery

Budgeted expenses for Expanded Lottery can be divided into two categories: contractual distributions of net revenues and operating expenses.

For casino gaming revenues, the distributions to the Facility Managers and the city and county governments are considered budgeted expenses, while the transfer to ELARF and Problem Gambling and Addictions Grant Fund are considered non-budgeted expenses.

For sports wagering revenues, the distributions to the Facility Managers are considered budgeted expenses, while the transfers to the White Collar Crime Fund, Problem Gambling and Addictions Grant Fund, Attracting Professional Sports to Kansas Fund and the State Gaming Revenues Fund are considered non-budgeted expenses.

Total budgeted contractual distributions are \$390,395,000 and \$397,545,000 for FY 2024 and FY 2025, respectively.

The FY 2024 legislative-approved operating expenses total \$4,350,644. Estimated operating expenses are \$4,350,644 and \$4,441,779 in FY 2024 and FY 2025, respectively.

The budgets include salaries and wages for 22.00 FTE positions. Other costs include travel and training for current staff and costs for legal counsel and consultant fees when necessary. Commodities include vehicle expenses and professional and office supplies. Fees for the Central Communications System are included in the above amount and are estimated as a percentage of net electronic gaming machine revenues.

The operating expenses for the Expanded Lottery are to be reimbursed by the Facility Managers as set forth in KELA and contractual agreements.