

Consensus Revenue Estimate for the Expanded Lottery Act Revenue Fund (ELARF) April 2012

Revenue Source	FY 2010	FY 2011	October 2011	April 2012	October 2011	April 2012
	Actual	Actual	Estimate	Estimate	Estimate	Estimate
Lottery Gaming Facility Privilege Fees						
NE - Hollywood Casino (Kansas Entertainment, LLC)	\$ 25,000,000	\$ -	\$ -	\$ -	\$ -	\$ -
SW - Boot Hill Casino & Resort (Butler National Corp.)	-	25,000,000	-	-	-	-
SC - Kansas Star Casino (Peninsula Gaming, LLC)	-	-	-	-	-	-
Transfer to ELARF (100%)	\$ 25,000,000	\$ 25,000,000	\$ -	\$ -	\$ -	\$ -
NE Gaming Zone - Net Revenue Estimate [See Note 1]	\$ -	\$ -	\$ 68,000,000	\$ 62,300,000	\$ 171,800,000	\$ 157,700,000
Transfer to ELARF (22%)	-	-	14,960,000	13,772,000	37,796,000	34,689,400
Problem Gambling & Addictions Grant Fund (2%)	-	-	1,360,000	1,252,000	3,436,000	3,152,400
Cities & Counties (3%)	-	-	2,040,000	1,878,000	5,154,000	4,751,000
Lottery Gaming Facility Manager (73%)	-	-	49,640,000	45,698,000	125,414,000	115,121,000
SW Gaming Zone - Net Revenue Estimate [See Note 2]	\$ 20,663,987	\$ 40,055,279	\$ 42,900,000	\$ 42,900,000	\$ 47,400,000	\$ 47,400,000
Transfer to ELARF (22%)	4,484,021	8,874,217	9,438,000	9,438,000	10,428,000	10,428,000
Problem Gambling & Addictions Grant Fund (2%)	378,487	806,747	858,000	858,000	948,000	948,000
Cities & Counties (3%)	649,071	1,201,658	1,287,000	1,287,000	1,422,000	1,422,000
Lottery Gaming Facility Manager (73%)	15,152,408	29,172,657	31,317,000	31,317,000	34,602,000	34,602,000
SC Gaming Zone - Net Revenue Estimate [See Note 3]	\$ -	\$ -	\$ 67,600,000	\$ 93,800,000	\$ 146,500,000	\$ 192,500,000
Transfer to ELARF (22%)	-	-	14,872,000	21,076,000	32,230,000	42,600,000
Problem Gambling & Addictions Grant Fund (2%)	-	-	1,352,000	1,916,000	2,930,000	4,185,000
Cities & Counties (3%)	-	-	2,028,000	2,874,000	4,395,000	5,775,000
Lottery Gaming Facility Manager (73%)	-	-	49,348,000	69,934,000	106,945,000	140,275,000
Distribution of Lottery Gaming Facility Revenue						
Transfer to ELARF	\$ 4,484,021	\$ 8,874,217	\$ 39,270,000	\$ 44,286,000	\$ 80,454,000	\$ 87,722,000
Problem Gambling & Addictions Grant Fund	378,487	806,747	3,570,000	4,026,000	7,314,000	7,952,000
Cities & Counties	649,071	1,201,658	5,355,000	6,039,000	10,971,000	11,928,000
Lottery Gaming Facility Managers [See Note 5]	15,152,408	29,172,657	130,305,000	146,629,000	266,961,000	289,998,000
Lottery Gaming Facility Privilege Fees	\$ 25,000,000	\$ 25,000,000	\$ -	\$ 44,286,000	\$ 80,454,000	\$ 87,722,000
Lottery Gaming Facility Revenue-ELARF	4,484,021	8,874,217	39,270,000	44,286,000	80,454,000	87,722,000
Total Available in ELARF	\$ 29,484,021	\$ 33,874,217	\$ 39,270,000	\$ 44,286,000	\$ 80,454,000	\$ 87,722,000

Assumptions:

- Note 1 -** Hollywood Casino opened on February 3, 2012 and no specific date for expanded operations. Contract between the Kansas Lottery and Kansas Entertainment allows the ELARF to receive an additional 3.0 percent (from the manager's share) for net revenues between \$350.0 million and \$400.0 million, and an additional 6.0 percent for amounts above \$400.0 million. It is not estimated that any of the net revenue thresholds will be reached in any of the years estimated.
- Note 2 -** Boot Hill Casino & Resort opened on December 15, 2009. Phase II gaming operations will begin on May 1, 2012; and full operations will begin on September 1, 2012. Contract between the Kansas Lottery and Butler National Corp. allows for part of the manager's share to be redistributed as certain net revenue thresholds are reached. It is not estimated that any of the net revenue thresholds will be reached in any of the years estimated.
- Note 3 -** Kansas Star Casino opened on December 26, 2011; Phase II gaming operations will begin on January 1, 2013; and full operations on January 1, 2015. Contract between the Lottery and Peninsula Gaming allows the ELARF to receive an additional 2.0 percent (from the manager's share) for net revenues between \$180.0 million and \$220.0 million, and an additional 4.0 percent for amounts above \$220.0 million. The first revenue threshold is estimated to be reached in FY 2013.
- Note 4 -** Unknown if there will be a manager willing to pay the \$25.0 million privilege fee and make a minimum investment of \$225.0 million for this zone.
- Note 5 -** Gaming facility managers are responsible for all regulatory and gaming expenses incurred by the Kansas Racing & Gaming Commission and the Kansas Lottery out of their share of net revenue.

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Expanded Lottery Act Revenue Fund Table
FY 2011 - 2013

Expanded Lottery Act Revenue Fund	Actual FY 2011	Gov. Rec. FY 2012	Conference		Gov. Rec. FY 2013	Conference	
			Adjustments FY 2012			Adjustments FY 2012	
Kansas Department of Corrections							
Labette Elderly Correctional Facility	\$ -	\$ 1,695,150	\$ -	\$ -	\$ -	\$ -	\$ -
State Fair							
Capital Improvement Master Plan Debt Service	-	-	-	-	11,182,256	-	-
Department of Wildlife, Parks and Tourism							
Kansas Wildscape Cabin Debt	-	-	-	-	1,785,473	-	-
Adjutant General							
Capital Improvements Projects	-	-	-	-	-	-	-
State Historical Society							
Capital Improvements Expenditures	-	-	-	-	-	-	-
Department of Agriculture							
Infrastructure Projects	-	-	-	-	-	-	-
Department of Administration							
KPERs Bonds Debt Service	-	-	-	-	36,142,328	-	-
Statehouse Debt Service	-	-	-	-	19,064,229	-	-
Public Broadcasting Equipment Enhancement	-	-	-	-	-	-	-
Docking Chillers	-	-	-	-	-	-	-
Capitol Complex Rehab and Repair	-	-	-	-	1,334,417	-	-
Public Broadcasting Council Bonds	-	-	-	-	445,297	-	-
Judicial Center Bonds	-	-	-	-	56,986,271	-	-
Subtotal - DoA Debt Service	-	-	-	-	-	-	-
Transfers to Other Funds							
Kan-Grow Engineering Funds	33,874,217	37,574,850	5,016,000	-	10,500,000	-	-
State General Fund	33,874,217	37,574,850	5,016,000	-	10,500,000	-	-
Subtotal - Transfers	\$ 33,874,217	\$ 37,574,850	\$ 5,016,000	\$ -	\$ 10,500,000	\$ -	\$ -
TOTAL TRANSFERS AND EXPENDITURES	\$ 33,874,217	\$ 39,270,000	\$ 5,016,000	\$ 80,454,000	\$ -	\$ -	\$ -
ELARF Resource Estimate							
Beginning Balance	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Gaming Revenues	8,874,217	39,270,000	5,016,000	80,454,000	7,268,000	-	-
Privilege Fees	25,000,000	-	-	-	-	-	-
Total Available	\$ 33,874,217	\$ 39,270,000	\$ 5,016,000	\$ 80,454,000	\$ 7,268,000	\$ -	\$ -
Less: Expenditures and Transfers	33,874,217	39,270,000	5,016,000	80,454,000	7,268,000	-	-
ENDING BALANCE	\$ -	\$ -	\$ -	\$ -	\$ 7,268,000	\$ -	\$ -

GAMING REVENUES

The Kansas Lottery historically has generated revenue for the state through the sales of lottery tickets and online games most of which is deposited in the Economic Development Initiatives Fund (EDIF). With the passage of 2007 SB 66, the Kansas Lottery will begin transferring new revenue to the state Expanded Lottery Act Revenue Fund that will be in addition to the traditional (or old) lottery revenue (EDIF). The new lottery revenue (ELARF) will be generated by fees and gaming at race track and casino facilities authorized by 2007 SB 66.

Expanded Lottery Act Revenues Fund (ELARF) Overview

The statutes governing the ELARF provide that its funding shall be used for "...reduction of state debt, state infrastructure improvements, the university engineering initiative act, and reduction of local ad valorem tax..." Revenue to the fund is derived from the distribution of receipts from race track gaming facilities and lottery gaming facilities, and from one-time gaming machine privilege fees and one-time lottery gaming facility privilege fees. The ELARF was created by the 2007 legislation (SB 66) and amended by House Sub for Sub for SB 127. The statute further specifies that the first \$10.5 million credited to the ELARF fund each year be transferred to the engineering funds of the University of Kansas, Wichita State University and Kansas State University in equal amounts of \$3.5 million.

Revenue Distribution Agreement in the Expanded Lottery Act

Casinos	Racinos
73.0 % to Lottery Gaming Facility Manager 22.0% to Expanded Lottery Act Revenue Fund 2.0% to Problem Gambling & Addictions Fund 3.0% to Cities and Counties (at facility locations)	25.0 % to Racetrack Gaming Facility Manager 40.0 % to Expanded Lottery Act Revenue Fund 2.0 % to Problem Gambling & Addiction Fund 3.0 % to the Cities and Counties 15.0 % to Gaming Facility Manager for Gaming Expenses 1.0 % to the Horse Fair Benefit Fund 7.0 % to Live Greyhound Racing Purse Supplement Fund (amounts above \$3,750 per machine in 1 fiscal year split between the state and the gaming facility manager) 7.0 % to Live Horse Racing Supplement Fund (amounts above \$3,750 per machine in 1 fiscal year split between the state and the gaming facility manager)
<i>Privilege Fees Revenue (One-Time Payment)</i>	
\$25.0 million per site (<i>Except Dodge City which has a \$5.0 million privilege fee</i>)	\$2,500 per electronic gaming machine with a minimum of 600 machines at each track