

MINUTES OF THE SENATE FEDERAL AND STATE AFFAIRS COMMITTEE

The meeting was called to order by Chairman Pete Brungardt at 10:40 a.m. on Wednesday, January 26, 2005, in Room 231-N of the Capitol.

All members were present.

Committee staff present:

Athena Andaya, Kansas Legislative Research Department  
Dennis Hodgins, Kansas Legislative Research Department  
Mary Ann Torrence, Revisor of Statutes Office  
Dee Woodson, Committee Secretary

Conferees appearing before the committee:

Matt All, Chief Counsel, Governor's Office  
John McElroy, Executive Director, Kansas State Gaming Agency

Others attending:

See attached list.

Chairman Brungardt called upon Matt All, Chief Counsel for the Governor's Office, to present a briefing and update on the Governor's Tribal Gaming and Reactivation of the Compact. Mr. All testified that the Governor continues to believe that gaming has the potential to encourage investment, create jobs, and attract tourists to Kansas. He included with this written testimony copies of the executive summaries of the reports covering the Governor's appointed 2003 committee to study gaming and make recommendations for the best approach for Kansas and the Kansas Lottery commissioned study by Christiansen Capital Advisers of the potential gaming market in Kansas. He stated that both studies made it clear that the best way to expand gaming in Kansas was to open a limited number of destination resort casinos, and to supplement them with slot machines at the state's parimutuel race tracks. (Attachment 1)

Mr. All said that the destination casinos should be high-quality tourist attractions, with lodging, dining, entertainment, and other resort amenities that would attract tourists from beyond the immediate region. He explained that by focusing on a few destination casinos, rather than many smaller, lower-quality gaming venues, the state would increase its ability to attract investment and infuse new dollars into our state, rather than simply shuffling around dollars that are already here. It would also mitigate the negative effects of gaming by isolating them to a few locations, where they can be managed and minimized. Mr. All told the Committee that based on this information, last year the Governor proposed a plan to allow a limited number of state-owned destination casinos, along with slot machines at the parimutuel race tracks and fraternal and veteran's organizations. That plan was changed substantially in committee, and was then defeated on the Senate floor.

Mr. All reviewed the Governor's negotiations on a state-tribal gaming compact with the Sac & Fox Nation and Kickapoo Tribe which would allow these tribes to open a destination casino near the Kansas Speedway in Kansas City. Following approval by the Joint Committee on State-Tribal Relations, the compact was advanced to the Legislative Coordinating Council (LCC) for final approval which is required by Kansas law. The LCC did not vote on the compact, so it must be resubmitted to the joint Committee if it is to go into effect.

The Governor's plans for the compact during this legislative session, according to Mr. All, is to advance the compact at some point during the session, and wait until other gaming bills have been heard in committee. The Governor will then decide whether she will advance the compact under the same terms as last fall, and all interested parties will be notified. She also has decided to stay out of the middle of this year's gaming debate, and focus her staff time and resources on issues she considers more important to Kansans, including education, health care, and creating jobs. Mr. All also stated that the Governor would like to sign a gaming bill, but it must meet at least the following two criteria: (1) it must promote destination resort casinos; and (2) it must be constitutional.

## CONTINUATION SHEET

MINUTES OF THE Senate Federal and State Affairs Committee at 10:40 a.m. on Wednesday, January 26, 2005, in Room 231-N of the Capitol.

Committee questions and discussion pertained to clarifying the definition of a destination casino relating to mileage boundaries of casino locations, how the compact would work with the Department of Interior, whether the lands would be put into a trust for gaming by the Department of Interior, whether a precedent would be set for other tribes with lands going into a trust, what the response of other tribes not included in the compact would possibly be, approximately \$50M plus dollars coming into the state funds, and if the Kansas Congressional Delegation were in favor of the compact as the views are very complex and evolving.

Chairman Brungardt expressed his appreciation to Mr. All for his briefing, and this subject would be revisited when the Governor chooses to resubmit it.

The Chair called for bill introductions. Senator Goodwin requested a bill be introduced concerning the Kansas Commission on Veterans Affairs in allowing them to have control over all improvements, repairs, reconstruction and maintenance of memorials for veterans. The proposed legislation would prescribe certain guidelines and procedures, and establish the Kansas Veterans Memorials Fund.

Senator Hensley made a motion to introduce the drafted bill, seconded by Senator Gilstrap, and the motion carried.

Senator Vratil requested a bill be introduced concerning gaming compacts; relating to the procedure for the approval thereof; amending K.S.A. 46-2302 and repealing the existing section.

Senator Barnett moved to introduce the requested bill, seconded by Senator Reitz, and the motion carried.

Chairman Brungardt introduced John McElroy, Executive Director, Kansas State Gaming Agency, to give an overview and update of his agency. He explained that in Kansas, the Iowa Tribe of Kansas and Nebraska, the Prairie Band Potawatomi Nation of Kansas, the Kickapoo Tribe in Kansas, and the Sac and Fox Nation of Missouri in Kansas and Nebraska each have a reservation and a casino. Each casino operates through the terms of a Tribal State Compact. State Statute, K.S.A. 74-9805, limits the jurisdiction of the Agency to Oversight and investigations concerning tribal gaming operations in Kansas carried out in connection with Tribal Compacts. He said that the Agency is charged specifically with monitoring gaming activities at the casinos and doing background investigations of vendors who do significant business with casinos, gaming personnel and tribal gaming inspectors.

Mr. McElroy said that licensing is done by the individual Tribal Gaming Commissions who are also designated in the Compacts as the primary regulators. The Agency has no jurisdiction over any other type of gaming, legal or illegal. The Agency was officially designated a part of the Kansas Racing and Gaming Commission in the Tribal Gaming Oversight Act in 1996. He explained that the Commission approves the Agency's budget, the number and qualifications of its employees and any expenditures for arbitration. He said that the Agency is entirely funded by contributions from the four recognized Kansas tribes, and that the budget for FY 2005 was \$1,650,758. Mr. McElroy said that State General Funds are only used in the case of an arbitration award if the State is ordered to pay any costs of arbitration. (Attachment 2)

The meeting was adjourned at 11:15 a.m. The next meeting is scheduled for January 27, 2005, at 10:30 a.m.