

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

KSA 74-8768 provides that the ELARF funding shall be used for "...reduction of state debt, state infrastructure improvements, the university engineering initiative act, reduction of local ad valorem tax, and reduction of the unfunded actuarial liability of the system attributable to the state of Kansas and participating employers under K.S.A. 74-4931, and amendments thereto, by the Kansas public employees retirement system." 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.

Kansas law requires 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. The Act was further amended to require that 50.0 percent of revenue credited to the ELARF shall be transferred to the KPERS Trust Fund, commencing quarterly transfers in FY 2014, after other obligations totaling \$10.5 million have been met.

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 (Except Dodge City which has a \$5.0 million privilege fee)	\$2,500 per electronic gaming machine with a minimum of 600 machines at each track

Senate Ways and Means Committee
 Date: 01-15-2013
 Attachment #: 5

Expanded Lottery Act Revenue Fund Table

FY 2011 - 2013

Expanded Lottery Act Revenue Fund	Actual FY 2011	Actual FY 2012	Legislative Approved FY 2012	Actual FY 2012	Legislative Approved FY 2013	Revised Leg. Approved FY 2013
Kansas Department of Corrections						
Labette Elderly Correctional Facility	\$ -	\$ 1,695,150	\$ 1,695,150	\$ -	\$ -	\$ -
State Fair						
Capital Improvement Master Plan Debt Service	-	-	-	11,182,256	11,182,256	11,182,256
Department of Wildlife, Parks and Tourism						
Kansas Wildscape Cabin Debt	-	-	-	1,785,473	1,785,473	1,785,473
Department of Agriculture						
Wichita Aquifer Storage and Recovery *	-	-	-	500,000	-	-
Department of Administration						
KPERs Bonds Debt Service	-	-	-	36,142,328	36,142,328	36,142,328
Statehouse Debt Service	-	-	-	19,399,139	19,399,139	19,399,139
Public Broadcasting Council Bonds	-	-	-	1,695,523	1,695,523	1,695,523
Judicial Center Bonds	-	-	-	445,297	445,297	445,297
Subtotal - DoA Debt Service	-	-	-	57,682,287	57,682,287	57,682,287
Transfers to Other Funds						
Kan-Grow Engineering Funds	-	-	-	10,500,000	10,500,000	10,500,000
Local Ad Valorem Tax Reduction Fund	-	-	-	-	-	-
State General Fund	33,874,217	42,590,850	42,590,850	40,411,025	5,000,000	5,000,000
Subtotal - Transfers	33,874,217	42,590,850	42,590,850	40,411,025	15,500,000	15,500,000
TOTAL TRANSFERS AND EXPENDITURES	\$ 33,874,217	\$ 44,286,000	\$ 44,286,000	\$ 42,106,175	\$ 86,650,016	\$ 86,150,016
ELARF Resource Estimate						
Beginning Balance	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Gaming Revenues	8,874,217	42,106,175	42,106,175	42,106,175	87,722,000	79,290,000
Privilege Fees	25,000,000	-	-	-	-	-
Total Available	\$ 33,874,217	\$ 42,106,175	\$ 42,106,175	\$ 42,106,175	\$ 87,722,000	\$ 79,290,000
Less: Expenditures and Transfers	33,874,217	44,286,000	44,286,000	42,106,175	86,650,016	86,150,016
ENDING BALANCE	\$ -	\$ (2,179,825)	\$ -	\$ -	\$ 1,071,984	\$ (6,860,016)

* The appropriation to the Wichita Aquifer Storage and Recovery Fund was vetoed by the Governor. The Revised Legislative Approved column also provides updated revenue projections for the Expanded Lottery Act Revenue Fund from the Fall Consensus Revenue Estimate.

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Consensus Revenue Estimate for ELARF October 2012

Revenue Source	FY 2009	FY 2010	FY 2011	(See Note 1)		April 2012	October 2012	October 2012	October 2012	October 2012
	Actual	Actual	Actual	FY 2012	Actual	Estimate	FY 2015	Estimate	Estimate	Estimate
Lottery Gaming Facility Privilege Fees										
NE - Hollywood Casino (Kansas Entertainment, LLC)	\$ 5,500,000	\$ 25,000,000	\$ 25,000,000	\$ 25,000,000	\$ 25,000,000	\$ 157,700,000	\$ 137,100,000	\$ 139,900,000	\$ 142,600,000	\$ 145,500,000
SW - Boot Hill Casino & Resort (Butler National Corp.)	\$ -	\$ -	\$ 25,000,000	\$ 25,000,000	\$ 25,000,000	\$ -	\$ -	\$ -	\$ -	\$ -
SE - 272	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Transfer to ELARF (100%)	\$ 5,500,000	\$ 25,000,000	\$ 25,000,000	\$ 25,000,000	\$ 25,000,000	\$ -	\$ -	\$ -	\$ -	\$ -
NE Gaming Zone - Net Revenue Estimate (see Note 2)										
Transfer to ELARF (22%)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 54,622,687	\$ 137,100,000	\$ 139,900,000	\$ 142,600,000	\$ 145,500,000
Problem Gambling & Addictions Grant Fund (2%)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 11,554,738	\$ 30,162,000	\$ 30,776,000	\$ 31,372,000	\$ 32,010,000
Cities & Counties (3%)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,050,431	\$ 2,742,000	\$ 2,798,000	\$ 2,852,000	\$ 2,910,000
Lottery Gaming Facility Manager (73%)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,638,681	\$ 4,113,000	\$ 4,197,000	\$ 4,278,000	\$ 4,365,000
SW Gaming Zone - Net Revenue Estimate (see Note 2)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 39,874,561	\$ 100,083,000	\$ 102,127,000	\$ 104,098,000	\$ 106,215,000
Transfer to ELARF (22%)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 43,886,501	\$ 47,300,000	\$ 48,200,000	\$ 49,200,000	\$ 50,200,000
Problem Gambling & Addictions Grant Fund (2%)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 9,483,467	\$ 10,406,000	\$ 10,604,000	\$ 10,824,000	\$ 11,044,000
Cities & Counties (3%)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 862,133	\$ 946,000	\$ 964,000	\$ 984,000	\$ 1,004,000
Lottery Gaming Facility Manager (73%)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,316,595	\$ 1,419,000	\$ 1,448,000	\$ 1,476,000	\$ 1,505,000
SE Gaming Zone - Net Revenue Estimate (see Note 2)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 29,172,657	\$ 34,529,000	\$ 35,188,000	\$ 35,916,000	\$ 36,646,000
Transfer to ELARF (22%)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 21,067,970	\$ 218,800,000	\$ 230,700,000	\$ 235,300,000	\$ 240,000,000
Problem Gambling & Addictions Grant Fund (2%)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,915,270	\$ 48,912,000	\$ 51,982,000	\$ 53,178,000	\$ 54,400,000
Cities & Counties (3%)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,965,678	\$ 4,376,000	\$ 4,614,000	\$ 4,709,000	\$ 4,800,000
Lottery Gaming Facility Manager (73%)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 72,164,828	\$ 158,948,000	\$ 167,183,000	\$ 170,357,000	\$ 173,600,000
SE Gaming Zone - Net Revenue Estimate (see Note 2)										
Transfer to ELARF (22%)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 98,855,928	\$ 218,800,000	\$ 230,700,000	\$ 235,300,000	\$ 240,000,000
Problem Gambling & Addictions Grant Fund (2%)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 42,600,000	\$ 48,912,000	\$ 51,982,000	\$ 53,178,000	\$ 54,400,000
Cities & Counties (3%)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,915,270	\$ 4,376,000	\$ 4,614,000	\$ 4,709,000	\$ 4,800,000
Lottery Gaming Facility Manager (73%)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,965,678	\$ 4,376,000	\$ 4,614,000	\$ 4,709,000	\$ 4,800,000
Distribution of Lottery Gaming Facility Revenue										
Transfer to ELARF	\$ -	\$ 4,484,021	\$ 8,874,217	\$ 42,106,175	\$ 87,722,000	\$ 89,480,000	\$ 8,084,000	\$ 8,376,000	\$ 8,542,000	\$ 8,714,000
Problem Gambling & Addictions Grant Fund	\$ -	\$ 378,487	\$ 806,747	\$ 3,827,834	\$ 7,982,000	\$ 12,096,000	\$ 12,564,000	\$ 12,813,000	\$ 13,071,000	\$ 13,329,000
Cities & Counties	\$ -	\$ 649,071	\$ 1,201,658	\$ 5,920,954	\$ 11,928,000	\$ 17,920,000	\$ 18,430,000	\$ 18,890,000	\$ 19,350,000	\$ 19,810,000
Lottery Gaming Facility Managers (see Note 5)	\$ -	\$ 15,152,408	\$ 29,172,657	\$ 144,076,535	\$ 289,998,000	\$ 293,560,000	\$ 304,498,000	\$ 310,371,000	\$ 316,461,000	\$ 322,551,000
Lottery Gaming Facility Privilege Fees	\$ 5,500,000	\$ 25,000,000	\$ 25,000,000	\$ 42,106,175	\$ 87,722,000	\$ 89,480,000	\$ 8,084,000	\$ 8,376,000	\$ 8,542,000	\$ 8,714,000
Lottery Gaming Facility Revenue-ELARF	\$ 5,500,000	\$ 25,000,000	\$ 25,000,000	\$ 42,106,175	\$ 87,722,000	\$ 89,480,000	\$ 8,084,000	\$ 8,376,000	\$ 8,542,000	\$ 8,714,000
Total Available in ELARF	\$ 5,500,000	\$ 29,484,021	\$ 33,874,217	\$ 42,106,175	\$ 87,722,000	\$ 89,480,000	\$ 93,864,000	\$ 95,374,000	\$ 97,454,000	\$ 99,534,000

Assumptions:

Note 1 - Actual distributions of net gaming revenue in FY 2012 will not add up to the total amount of net gaming revenues at each gaming facility because transfers to the ELARF and Problem Gambling & Addictions Grant Fund occur on a weekly basis and the final weekly transfer to these funds occurred prior to the end of the fiscal year.

Note 2 - 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 3 - Boot Hill Casino & Resort opened on December 15, 2009 and full operations began 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 4 - 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 \$160.0 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 5 - 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 6 - 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.

Note 7 - Revenue estimates for FY 2015, FY 2016, FY 2017 and FY 2018 are for planning purposes only and are not an official estimate. FY 2016 and beyond estimates assume a 2.0 percent growth rate.

Problem Gambling Cities & Counties	ELARF	FY 2013 Change
\$ (1,195,000)	\$ (8,432,000)	\$ (9,627,000)
\$ (28,143,000)	\$ (170,000)	\$ (28,313,000)
\$ (38,500,000)	\$ (1,195,000)	\$ (39,695,000)
Total Gaming Revenue	\$ (38,500,000)	\$ (39,695,000)

