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Testimony Before
The House Federal and State Affairs Committee
January 14, 2016

Presented By:
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Madame Chair and members of the Committee:

Traditional Lottery Sales

Net sales for the “traditional” Lottery for FY 2015 totaled \$250,025,840. This was the largest annual sales amount for Kansas Lottery tickets and nearly \$5 million higher (2%) than in FY 2014. One of the brightest spots in the sales numbers continues to be the Lottery’s instant game category which grew by almost 10 percent in FY 2015.

This record sales achievement was despite another challenging year for online/draw games like Powerball and Mega Millions. Plus, a new national game from which the Lottery anticipated millions of dollars in sales collapsed in other states before Kansas could even begin selling it.

In FY 2015, the Lottery paid out about \$144.9 million in prizes to lottery players, along with retailer commissions of \$14.8 million.

So far in Fiscal Year 2016, the Lottery’s instant game category continues to perform very strongly with sales pacing more than 5% ahead of FY 2015 sales. Across all games, year-to-date sales total \$124.8 million, which is about \$2.2 million (1.79%) ahead of the same period in FY 2015.

Transfers

As a result of the strong sales year, the Lottery transferred to the State’s financial coffers \$75,020,240 in FY 2015, more than \$1 million more than requested by the Kansas Legislature and setting a new transfer record amount. In addition, the State of Kansas collected \$720,552 in state income taxes withheld from prizes paid. Also, Lottery prize winners paid \$189,413 owed to the State through the Department of Administration Debt Set-Off Program.

Through the first six months of Fiscal Year 2016, the Lottery has transferred \$32,201,600 to the State.

Veterans Benefit Games

In FY 2015, we transferred \$1.6 million from the sale of special \$1 and \$2 Veterans Benefit tickets for veterans' programs, bringing the total to more than \$13.6 million since legislation authorizing these games was passed in 2003. Presently, the transfer goes 40 percent for National Guard Educational Assistance Act scholarships, 30 percent to Veterans Homes and Cemeteries and 30 percent to the Veterans Enhanced Service Delivery Program.

Special Events/Partnerships/Marketing

In FY 2015, the Lottery continued to capitalize on the popularity and success of the Kansas City Chiefs with the second year of the \$5 Kansas City Chiefs instant game with a second-chance drawing. Online partnerships with the Kansas City Royals, Sporting Kansas City and Kansas Speedway gave lottery players a chance to win amazing fan experience prize packages.

The Kansas-only Holiday Millionaire Raffle sold out for the sixth year in a row, with the Lottery selling 175,000 tickets. The popular Kansas Hold'Em virtual poker game celebrated its 1 millionth hand by offering players a "Buy One Get One" deal. Monthly lottery "flash sales" also debuted in FY 2015, giving players the chance to experience different draw games when they purchased a featured draw game.

The Lottery launched a \$5 Cabela's instant scratch game with a second-chance prize of a \$20,000 shopping spree. The Lottery also launched a \$20 Crossword instant scratch game as well as a new family of instant games, the X-Family, at all price points.

The Kansas State Fair was again a big success, with record sales of more than \$270-thousand during the 10-day event. The Lottery also partnered with the 3i Show, Kansas Sampler, Wichita Riverfest, Country Stampede and various other smaller venues located across the state.

The Lottery expanded its marketing efforts in FY 2015, developing radio and television commercials emphasizing that any jackpot is a great jackpot – it doesn't have to be hundreds of millions of dollars to be life-changing. We also provided hundreds of our top retailers with highly visible electronic jackpot signs to draw players into their stores.

Legislation

FY 2015 also saw the passage of a bill by the Legislature that allows the Kansas Lottery to be its own retailer at promotional events, streamlining accounting and ticket tracking processes. The bill also allows the Lottery to advertise onsite during sporting events at Board of Regents institutions, which will increase the return on investment in our marketing efforts.

Cumulative Traditional Lottery Figures

The Lottery's accomplishments in its first 28 years of existence include (not including casino revenues):

- Net sales of \$5.15 billion
- More than \$2.8 billion in game prizes
- More than 80 millionaires created
- Retailer commissions of \$293 million
- Transfers to the State of \$1.5 billion

EXPANDED GAMING

SOUTHEAST GAMING ZONE (Crawford and Cherokee Counties)

In 2014 the Legislature amended the Kansas Expanded Lottery Act (KELA) by lowering the minimum investment in infrastructure in the Southeast Kansas Gaming Zone to \$50 million (originally \$225 million) and decreasing the privilege fee from \$25 million to \$5.5 million.

The Lottery received four applications from prospective managers at the end of January 2015, with one withdrawing in early March. The Lottery successfully negotiated contracts with the three remaining applicants (two in Crawford County and one in Cherokee County) and turned the contracts over to the Lottery Gaming Facility Review Board.

Following a series of public hearings in the spring and summer of 2015, in June the Review Board selected “Kansas Crossing Casino” in Crawford County as the apparent successful applicant by a vote of five to two (“Castle Rock Casino” in Cherokee County received two votes, and “Camptown Casino” in Crawford County received no votes). In early July the Kansas Racing and Gaming Commission (KRGK) approved the Review Board’s selection and Kansas Crossing Casino’s contract.

Subsequently, the Cherokee County Board of County Commissioners and Castle Rock Casino filed lawsuits challenging the selection of Kansas Crossing Casino, which litigation is currently pending before the District Court of Shawnee County, Kansas.

In the meantime, construction on the Kansas Crossing Casino has been postponed.

SOUTH CENTRAL GAMING ZONE (Sumner and Sedgwick Counties)

The “Kansas Star Casino” is currently managed by Boyd Gaming Corporation. The casino opened to the general public in its temporary facility in December of 2011

Construction of the permanent casino structure was substantially completed by December of 2012 when the new casino floor and all amenities were fully opened to the public (about two months ahead of schedule). The casino currently houses over 1,700 slot machines and 60 table games (including an 8-table dedicated poker room), with a 300-room hotel and five restaurants. Other amenities include an indoor arena and events center, horse stalls, equestrian practice arena, and 11,000 square foot meeting and convention space.

Total gaming facility revenue for FY15 was approximately \$181.8 million. “Gaming facility revenues” are all amounts wagered less prizes paid, which revenue is then available for distribution as follows:

- State of Kansas: 22%
- Casino manager: 73% (from which it pays all expenses)
- City of Mulvane: 1%
- Sumner County: 1%
- Sedgwick County: 1%
- Problem Gambling and Addictions Grant Fund: 2%

NORTHEAST GAMING ZONE (Wyandotte County)

Kansas Entertainment is a partnership between Penn National Gaming and International Speedway Corporation. Kansas Entertainment constructed the “Hollywood Casino at Kansas Speedway” on the second turn of Kansas Speedway in Kansas City, Kansas. The casino opened to the general public on February 3, 2012.

The casino currently houses approximately 2,000 slot machines and 52 table games. Amenities include covered parking, several restaurants, and retail.

Gaming facility revenue for the facility was approximately \$142.8 million in FY15. Again, “gaming facility revenues” are all amounts wagered less prizes paid, which revenue is then available for distribution as follows:

- State of Kansas: 22%
- Casino manager: 73% (from which it pays all expenses)
- Unified Government of Wyandotte County and Kansas City, KS: 3%
- Problem Gambling and Addictions Grant Fund: 2%

SOUTHWEST GAMING ZONE (Ford County)

Boot Hill Casino & Resort opened to the general public on December 15, 2009.

The current total number of slot machines on the floor is approximately 650 with 21 table games. Amenities include a full-service restaurant, a snack bar, a “saloon”, and a banquet/meeting room.

In 2012 a 108-room “Hampton Inn & Suites” hotel situated right next to the casino opened its doors. On the other side of the casino the arena and convention center jointly built by Dodge City and Ford County have continued in full operation.

Gaming facility revenues at Boot Hill Casino for FY15 were about \$40.5 million. In the Southwest Gaming Zone “gaming facility revenues” are distributed as follows:

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| • State of Kansas: 22% | • Ford County: 1.5% |
| • Casino manager: 73% (from which it pays all expenses) | • Problem Gambling and Addictions Grant Fund: 2% |
| • City of Dodge City: 1.5% | |

TOTAL CASINO REVENUE FUND TRANSFERS IN FY15

- State of Kansas for FY15 - \$80.3 million
 - Cumulative to State through FY15 - \$294.3 million
- Problem Gambling and Addictions Grant Fund FY15 - \$7.3 million
 - Cumulative to PGAGF through FY15 - \$26.7 million
- City and County Recipients FY15 - \$11 million
 - Cumulative to City and County Recipients through FY15 - \$40.1 million

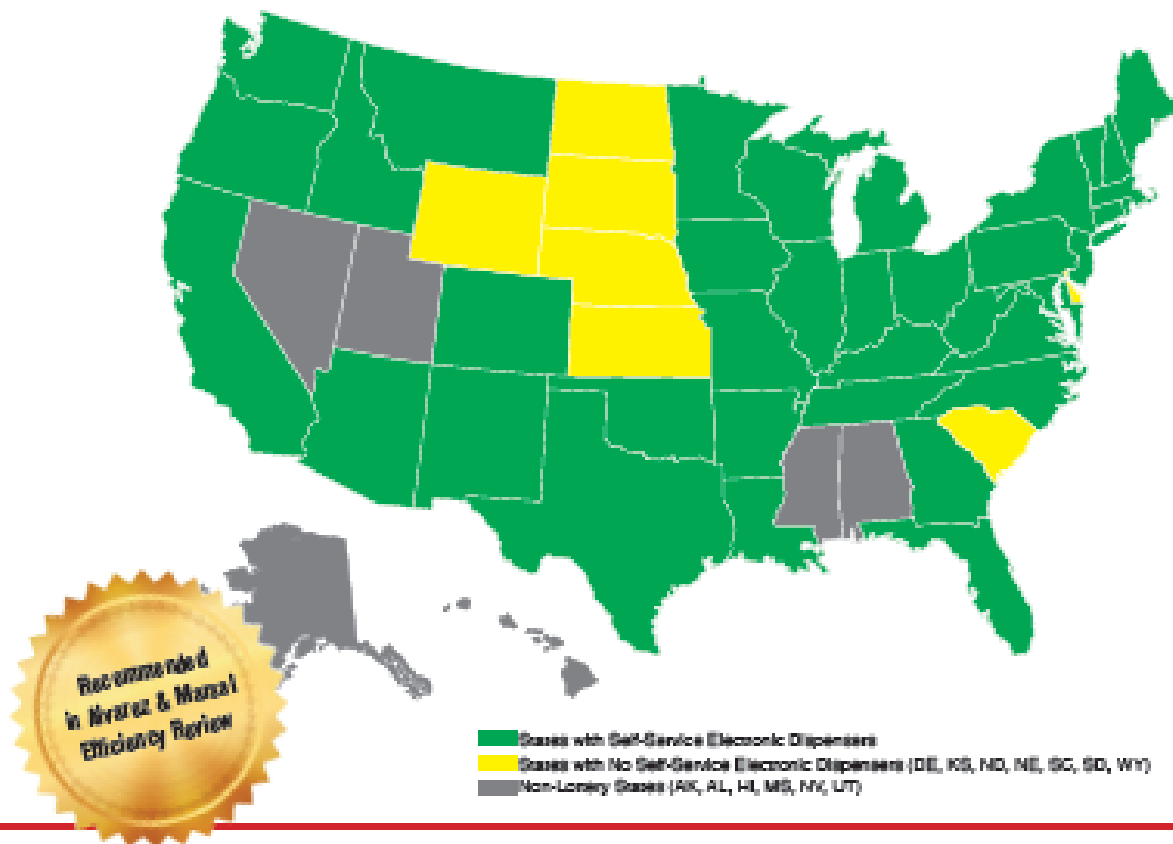
RACETRACK GAMING FACILITIES

The Lottery received no inquiries regarding racetrack gaming facilities in FY 2015.

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KANSAS LOTTERY ELECTRONIC DISPENSERS

Electronic Dispensers are an Industry Best Practice utilized in 38 U.S. Lotteries.



STATE BENEFITS:

Estimated increase of \$30 Million in annual lottery sales

Estimated additional \$8-\$10 Million in annual transfers to the state

RETAILER BENEFITS:

Increased \$1.3 - \$1.5 million in retailer profit annually

Increased player attraction

Responsible age verification controls

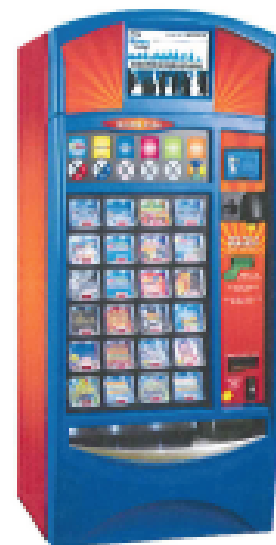
Reduced lines, labor, and loss

Enhanced retailer inventory controls and accounting

PLAYER BENEFITS:

Player convenience

User-friendly and secure



For more information contact Sherriene Jones-Sontag at Sherriene.Jones-Sontag@kslottery.net

FOOD FOR THOUGHT



**ELECTRONIC DISPENSERS COULD
INCREASE ANNUAL LOTTERY
TRANSFERS TO THE STATE BY UP TO**

\$10 MILLION!

That's a lot of cherries on top!