

Approved 3-18-91  
Date

MINUTES OF THE Senate COMMITTEE ON Federal and State Affairs

The meeting was called to order by Sen. Edward F. Reilly, Jr. at  
Chairperson

11:00 a.m./~~p.m.~~ on March 13, 1991 in room 254-E of the Capitol.

All members were present ~~except~~:

Committee staff present:

Mary Galligan, Legislative Research Department  
Mary Torrence, Office of Revisor of Statutes  
Deanna Willard, Committee Secretary

Conferees appearing before the committee:

A motion was made by Senator Morris and seconded by Senator Strick to introduce a committee bill, Draft 1 RS 1314, which would make essentially technical changes amending the Kansas lottery act and to request that the bill be referred back to this committee for hearing. The motion carried. (Attachment 1)

A motion was made by Senator Bond and seconded by Senator Strick to introduce a bill amending K.S.A. 41-703 to provide that a distributor (of intoxicating liquors and beverages) shall not be prevented from being interested . . . in the licensed premises of any such licensee or retailer whose licensed premises are located outside the geographic territory of the distributor's franchise. The motion carried. (Attachment 2)

Action on: SB 7 - Relating to disposition of state historical society property.

A motion was made by Senator Bond and seconded by Senator Morris to recommend the bill favorably. A substitute motion was made by Senator Walker and seconded by Senator Vidricksen that families, if they are known, be given first rights to any item before it is deaccessioned. The motion carried.

A motion was made by Senator Bond and seconded by Senator Strick to recommend the bill favorably as amended. The motion carried.

The minutes of the March 8 and March 11, 1991, meetings were approved.

The meeting was adjourned at 11:50 a.m.



**§ 41-703(a)(5)**

41-703. Gifts, loans and interest in customer's business by manufacturer or distributor prohibited, exceptions. (a) Except as provided by subsection (d), no manufacturer or distributor shall directly or indirectly: (1) Sell, supply, furnish, give, pay for, loan or lease any furnishing, fixture or equipment on the premises of a place of business of a licensee under the club and drinking establishment act or a retailer licensed under the Kansas liquor control act or under K.S.A. § 41-2702 and amendments thereto; (2) pay for any such licensee's or retailer's license, or advance, furnish, lend or give money for payment of such license; (3) purchase or become the owner of any note, mortgage or other evidence of indebtedness of any such licensee or retailer or any form of security therefor; (4) be interested in the ownership, conduct or operation of the business of any such licensee or retailer; or (5) be interested, directly or indirectly, or as owner, part owner, lessee or lessor thereof, in the licensed premises of any such licensee or retailer,

except that a distributor shall not be prevented from being interested, directly or indirectly, or as owner, part owner, lessee or lessor thereof, in the licensed premises of any such licensee or retailer whose licensed premises are located outside the geographic territory of the distributor's franchise.

PROPOSED TECHNICAL LEGISLATIVE CHANGES - 1991

The proposed legislative changes are essentially technical in nature, and none will have an adverse fiscal impact. The proposed changes are being presented pursuant to the January 11, and February 4, 1991, memoranda from Governor Joan Finney's Chief of Staff, Susan Seltsam.

I. Eliminate the need for annual renewal of retailer contracts - K.S.A. 1989 Supp., 74-8708(c)

1. SUMMARY. The proposed legislative change will eliminate the need for the annual renewal of Lottery retailer contracts issued after July 1, 1991. The initial application fee will be the only fee paid by Lottery retailers. Subsection (c) of K.S.A. 1989 Supp. 74-8708 should be amended to eliminate or limit renewals.
2. FISCAL IMPACT. There would be a substantial reduction in staff time and expense involving Lottery staff (security and retail coordinator) because of considerable reduction in written and telephone communications necessary to perform criminal background checks and to determine the tax status of potential retailers.
3. BACKGROUND. In the past, upon renewal, the Lottery has reinvestigated the retailer to determine that it still meets the qualifications for selection as a Lottery retailer, which among other things includes further checking of criminal records and the taxing subdivisions where the Lottery retailer will sell tickets. With over 2,000 retailers, contract renewal has been a very time-consuming routine for Lottery staff, has aggravated numerous retailers, has irritated county treasurers, and has resulted in the non-renewal of virtually no retailers. Although we feel that a periodic check staggered over a three-year period may be warranted, the current renewal has had nothing but negative results.
4. IMPACT ON OTHER STATE AGENCIES. There should be no impact on any other agencies.

II. Fraternal Organizations - K.S.A. 1989 Supp. 74-8708(k)

Senate F&SA  
3-13-91  
Att. 2

1. SUMMARY. We currently have as retailers, fraternal organizations which may be corporations or unincorporated associations with numerous officers and directors who have no direct control

over the operation of the organization. The purpose of the proposed change is to limit the number of people currently required to meet the standards of this statute, to those who may exercise some control over the association or organization seeking to become a retailer. Subsection (k) of K.S.A. 1989 Supp. 74-8708 should be amended to appropriately deal with fraternal organizations which are corporations or unincorporated associations.

2. FISCAL IMPACT. There would be a substantial reduction in staff time and expense involving Lottery staff (security and retail coordinator) because of considerable reduction in written and telephone communications necessary to perform criminal background checks and to determine the tax status of potential retailers.
3. BACKGROUND. We are presently required to do background checks on all officers and directors of a corporation or unincorporated association to determine whether or not the entity they represent meets the qualifying standards of K.S.A. 1989 Supp. 74-8708(j) or (k). Background checks on all those members of a fraternal organization who bear the title of an officer or director, creates a considerable amount of unnecessary work for not only the Lottery staff but the Department of Revenue and the taxing subdivisions of the state and does nothing beneficial as far as the security or integrity of the Lottery is concerned.
4. IMPACT ON OTHER STATE AGENCIES. There should be no impact on other agencies.

### III. Prize Payment - K.S.A. 1989 Supp. 74-8720

1. SUMMARY. In 1988 K.S.A. 74-8720 was amended twice with one new section entitled K.S.A. 74-8720, and the other, 74-8720a. Since the two statutes cover identical subject matter, but differ somewhat, there is currently confusion which needs to be eliminated. Thus, K.S.A. 1989 Supp. 74-8720a should be repealed and K.S.A. 1989 Supp. 74-8720 should be amended at subsection (b) to include the language currently provided by the corresponding subsection at K.S.A. 1989 Supp. 74-8720a. Subsection (d) concerning assignment also needs to be amended to be consistent, since it does appear to conflict with subsection (b).

2. FISCAL IMPACT. We anticipate no fiscal impact with reference to this change.
3. BACKGROUND. The purpose of the change at subsection (b) of K.S.A. 1989 Supp. 74-8720 is basically to eliminate an unnecessary statute and eliminate confusion. Since subsection (b) and (d) of the statutes conflict as far as assignments are concerned, subsection (d) requires restricting language.
4. IMPACT ON OTHER STATE AGENCIES. There should be no impact on other agencies.

IV. Non-Monetary Prizes - K.S.A. 1989 Supp. 74-8712(b)

1. SUMMARY. Currently, the Lottery is not permitted to pay the holders of valid winning lottery tickets anything other than monetary prizes. We believe that it would be beneficial to be able to actually offer prizes other than cash prizes on occasion.
2. FISCAL IMPACT. For non-monetary prizes purchased there would be a very positive fiscal impact because purchases would be at costs substantially below the retail value of the products.
3. BACKGROUND. In the past we have advertised certain prizes, such as automobiles or vacation packages as prizes, however, in actuality we paid monetary prices which would permit the purchase of an automobile or a vacation package at a favorable price we had previously negotiated with vendors. One significant problem encountered with a cash payment in lieu of a non-monetary prize (automobile) was the fact that we are required by law to withhold state and federal income taxes from cash payments in excess of \$5,000, which necessitated a payment to the winner of 31.6% more than the actual cost of the automobile after withholding tax was withheld. We strongly feel that being able to purchase non-monetary prizes from the prize payment fund, where we could obtain major discounts in price under the state's purchasing system, would benefit the State of Kansas, the Lottery and prize winners.
4. IMPACT ON OTHER STATE AGENCIES. There would be no impact on any agency benefiting from the state gaming revenues fund under K.S.A. 79-4801 et seq. The proposal would actually have a positive effect because it would allow more

effective use of the moneys in the prize payment fund.

V. Commission Authorization to Enter Written Agreement  
- K.S.A. 1989 Supp. 74-8709(g)

1. SUMMARY. This proposed change broadens the authority of the Lottery Commission to permit it to enter into agreements with corporations comprised of representatives of one or more other state lotteries and to participate in the operation, marketing and promotion of a joint lottery, or joint lottery games currently provided by subsection (g) of K.S.A. 1989 Supp. 74-8709.
2. FISCAL IMPACT. The costs of incorporating the MUSL or any other entity lottery states deemed necessary for the operation, marketing and promotion of a joint lottery or joint lottery games should be borne by the current MUSL without without additional assessments from the member states. Thus, it is not presently anticipated that additional funds from the lottery operating fund will be necessary to fund such a change.
3. BACKGROUND. The MUSL currently is contemplating incorporating as well as forming, new and separate corporations for new games which may be developed. The provisions of subsection (g) of K.S.A. 1989 Supp. 74-8709 do not permit the Kansas Lottery Commission to enter into agreements with a corporation made up of representatives of other lottery states and the District of Columbia, and it is the belief of the MUSL members that incorporating the MUSL, as well as other entities formed to develop and market new multi-state games would be in the best interests of all participants. Such corporations would not have members but would be represented by a board of directors comprised of a representative of each lottery state choosing to participate. The role of the corporation will be virtually identical to that now authorized by the MUSL agreement. (K.S.A. 1989 Supp. 74-8731).
4. IMPACT ON OTHER STATES AGENCIES. The only impact on other agencies would be to increase revenue available for those agencies receiving benefits from the state gaming revenues fund pursuant to K.S.A. 79-4801 et seq.