

Approved: _____

Date

MINUTES OF THE SENATE COMMITTEE ON FEDERAL AND STATE AFFAIRS.

The meeting was called to order by Senator Lana Oleen at 10:05 a.m. on April 28, 1995 in Room 254-E of the Capitol.

All members were present.

Committee staff present: Mary Galligan, Legislative Research Department
Mary Ann Torrence, Revisor of Statutes
Kim Perkins, Committee Secretary

Conferees appearing before the committee: Mary Ann Torrence, Revisor of Statutes
Gregory Ziemak, Executive Director, Kansas Lottery

Others attending: See attached list

Sen. Oleen asked the committee to direct its attention to **SB 27**, an act concerning the Kansas lottery; authorizing electronic games of chance at certain locations; relating to abolition of the Kansas lottery. Sen. Oleen called on Mary Torrence, Revisor of Statutes, to review the bill for the committee (Attachment 1). Sen. Hensley asked whether the lottery, under current law, has contracts which extend past the Sunset date of July 1, 1996. Mary Torrence answered affirmatively based on testimony by the lottery which was heard in the House Federal and State Affairs Committee. Sen. Oleen asked Mary Torrence to explain the Sunset as outlined in the bill. Mary Torrence stated that if there are contracts entered into under this act which would allow electronic games of chance then the Sunset would be 1998 and that otherwise the Sunset would be in 2002.

Sen. Gooch questioned how the money generated by electronic games would be distributed. Mary Torrence stated that 1% would go to the largest city of the county and that 79% would be returned to the racing industry. Sen. Gooch clarified that the industry receives 79% in order to distribute however they choose to outline in their contract and Mary Torrence answered affirmatively. Sen. Walker stated that page 25 of the bill specifically outlines all of those participants of the racing industry.

Sen. Tillotson asked Mary Torrence if every track, with county approval, could have electronic games and Mary Torrence answered that all tracks could have electronic games except those counties which have county fairs with racing. Sen. Tillotson clarified that the electronic games of chance would be allowed open any day when there is live racing or simulcast racing.

Sen. Oleen introduced Gregory Ziemak to speak to the amendments by the House of Representatives to **SB 27**. Gregory Ziemak reviewed several problems that the lottery would have in its day to day operations due to amendments to the bill. For example, the bill requires that the Lottery Commission adopt rules and regulations in accordance with the Rules and Regulations Filing Act. The bill would specify several items that would have to be included in rules and regulation, including types of lottery games conducted and these could not become effective until they have been submitted to the House and Senate Committees on Federal and State Affairs for approval. Gregory Ziemak stated that this process would severely restrict the on-going operations.

Gregory Ziemak continued to say that the bill would also prohibit the lottery from conducting casino games in which revenues to the Lottery are dependent on the outcome of the game. An example of this type of game, he continued, is Keno which generates approximately \$42 million year. Sen. Oleen asked if Keno is a game which has sales which continue to rise and Gregory Ziemak answered affirmatively and stated that the game has potential to only improve its sales and generate more revenue.

Sen. Oleen called for further questions, and seeing none, the meeting was adjourned at 11:00 a.m.

The next meeting is scheduled for April 28, 1995.

SENATE FEDERAL AND STATE AFFAIRS COMMITTEE GUEST LIST

DATE: 4-28-95 11:00 a.m.

NAME	REPRESENTING
Bill Henry	KTA
Helen Stout	KGA
RICHARD A. NELSON	KGA
Craig Shelton	KGA
Bette Swanson	KCK
Jim Swanson DUM	KCK / VETERINARIANS /
Nancy Burns	KCK County Commissioner WyCo
Carl Anderson	Kansas Lottery
Kevin Scott	KANSAS Lottery
David Dalton	DOB
Merle Free	KACC
Christy Young	Ok. Topoka Chamber of Com
AND GRAND	KCC
Jenny Lauer	OP Chamber
Wright	Eagle
M. Haaver	Haaver's Capital Review

PRESIDENT
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REVISED MEMORANDUM

To: Senate Committee on Federal and State Affairs
From: Mary Torrence, Assistant Revisor of Statutes
Date: April 28, 1995
Subject: Summary of Senate Bill No. 27, as Amended by House
Committee of the Whole

Electronic Games of Chance

Senate Bill No. 27, as amended by House Committee of the Whole, authorizes the Kansas Lottery to operate electronic games of chance at parimutuel racetracks in counties where the voters have approved the operation of those games. The bill authorizes the Lottery to enter into contracts with racetrack facility owners and managers for that purpose, and many aspects of the operation of such games would be determined by the terms of the contracts.

The bill requires the machines operated to be certified by the Lottery. It also requires the machines to pay out an average of 90% to 97.5% of the amount wagered and to be linked under a central computer system.

The bill limits the maximum wagered on electronic games of chance at any one location by any one person to \$500 and prohibits parimutuel licensees from allowing minors to play such games.

The bill provides that not less than 20% of net income (amount wagered minus prizes paid out) from electronic games of chance would be paid to the state. Moneys remaining after paying the Lottery's expenses are allocated: 70% to the Board of Regents' building fund; 25% to community colleges; and 5% to Washburn University.

One percent of net machine income would be paid to the

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largest city in the county where the machines are located, for use in providing low interest loans to business and industry for urban redevelopment in blighted areas of the city.

The bill provides that voters of a county must approve the operation of electronic games of chance in a county before the Lottery can operate those games in the county. A special election for that purpose could be called by the county commission or by petition of the voters. Individuals or entities that campaign to promote or oppose the question at the election would be required to report contributions received and expenditures made if they receive contributions or expend more than \$1,000.

Sunset

The bill contains several sunset provisions. One provision abolishes the Kansas Lottery in 2002. Another abolishes the Lottery in 2002 unless the Lottery operates electronic games of chance, in which case it is abolished in 1998. Another provision prohibits the operation of electronic games of chance after 1998 but does not abolish the Kansas Lottery at that time.

Other Provisions

The bill also:

(1) Requires Lottery Rules and regulations to be adopted in accordance with the Rules and Regulations Filing Act.

(2) Requires Lottery rules and regulations providing for new on-line games to be submitted to the legislature before taking effect.

(3) Prohibits the sale of lottery tickets by a machine which is operated by the insertion of cash.

(4) Prohibits the Lottery from operating certain casino games, as defined in the bill.