

.Approved: 4-26-96
Date

MINUTES OF THE SENATE COMMITTEE ON FEDERAL AND STATE AFFAIRS.

The meeting was called to order by Senator Lana Oleen at 9:00 a.m. on March 29, 1996 in Room 254-E of the Capitol.

Members present were: Senator Oleen, Chair
Senator Tillotson, Vice Chair
Senator Jones, Ranking Minority Member
Senator Gooch
Senator Hensley
Senator Jordan
Senator Papay
Senator Praeger
Senator Ramirez
Senator Vidricksen
Senator Walker

Members not present:

Committee staff present: Mary Galligan, Legislative Research
Mary Torrence, Revisor
Nancy Wolff, Committee Secretary

Conferees Appearing Before the Committee:

Others attending meeting: See attached list

Senator Oleen requested that the committee review HCR 5047 which would create a Gulf War illness registry to track veterans of Desert Storm who exhibit symptoms of such an illness. Senator Hensley made a motion that HCR 5047 be amended to add wording that will solicit the assistance of the VFW, AMVETS, the American Legion and the DAV in contacting veterans to enable the formulation of such a registry and that the resolution be reported favorably. Senator Praeger seconded the motion and the motion carried.

The committee then discussed HB3081, the Kansas athlete agent regulation act. Senator Vidricksen made a motion that HB3081 be passed and Senator Jones seconded the motion. The motion carried.

Consideration was then given to SB754 which would authorize the Kansas lottery to operate certain lottery games at racetracks. Senator Hensley made a motion that SB754 be passed and Senator Papay seconded the motion.

Senator Gooch commented that it was his feeling that SB754 should have a chance on the floor of the Senate and that he had no problem with voting the bill out of committee. Senator Tillotson apologized for not being able to attend the noon meeting on 3/28/96 and commented that it was her understanding that the committee was trying to do something for the good of the racing industry and that SB754 was a fall back position when SCR1621 failed on the floor. She remarked that members of the industry had stated that they would support a bill that took slot machines out of the bill. Senator Tillotson made a substitute motion to amend SB754 with the balloon introduced to the committee on 3/28/96 (Attachment 1). Senator Praeger seconded the motion.

Senator Praeger questioned where SB754 came from. She requested clarification as to whether the industry had input into the bill. Senator Oleen stated that when the casino bill (SB1621) was voted out of committee there was discussion on whether to introduce another bill should SB1621 fail on the floor of the Senate. Consequently when SB1621 did not pass, the industry came back to the committee requesting a new piece of legislation with parameters that were outlined by the industry. When the bill was introduced, it allowed for video lottery games that are located elsewhere in the state. Senator Oleen said that she requested staff to provide a definition of "slot machine" and that was why it was made a part of the bill. It was also heard in testimony and hearing that the one game "pull-tab dispenser" is not allowed according to current statutes. As the industry has repeatedly testified that it was not their intent to do anything not currently allowed, that game would be illegal. As the bill was written, Pull-tab Bingo and Keno would fall totally under the racetracks and would no longer be available anywhere else in the state.

Senator Praeger then requested information as to where the definition of "instant bingo vending machine" and "player station" and why it was put in the bill. Senator Oleen responded that when the bill was drafted, it was unclear as to what should be incorporated in the bill--there were suggestions that were put in the bill and until it is drafted and reviewed, it is not possible to tell if the language is appropriate.

Senator Ramirez stated that he wanted to review what was different now than when SCR 1608 was passed a couple of years ago. SCR1608 passed out of the Senate with 28 votes and nine of those 28 are currently on the Federal and State Affairs Committee.

Senator Jones called for the vote on the substitute motion. The motion failed. Senator Tillotson voted Yes.

Senator Vidricksen made a substitute motion to amend the SB754 on page 5, line 17 that the operating days at a dog track from 65 days to 45 days and from 75 days to 55 days at the horse tracks. Senator Papay seconded the motion and the motion carried.

Senator Hensley made a substitute conceptual motion to rewrite the title to more closely parallel what the bill actually is. Senator Vidricksen seconded the motion. The motion carried.

Senator Gooch made a conceptual substitute motion to delineate the breakdown of the proceeds of revenues to the lottery from the racetracks. The motion died as there was not second.

Senator Hensley made a motion to report SB754 favorable for passage as amended and Senator Jones seconded the motion. The motion carried.

The meeting was adjourned at 9:55 a.m.

1 (h) "Person" means any natural person, association, corporation or
2 partnership.

3 (i) "Prize" means any prize paid directly by the Kansas lottery pur-
4 suant to its rules and regulations.

5 (j) "Share" means any intangible manifestation authorized by the
6 Kansas lottery to prove participation in a lottery game.

7 (k) "Ticket" means any tangible evidence issued by the Kansas lottery
8 to prove participation in a lottery game.

9 (l) "Vendor" means any person who has entered into a major pro-
10 curement contract with the Kansas lottery.

11 (m) "Returned ticket" means any ticket which was transferred to a
12 lottery retailer, which was not sold by the lottery retailer and which was
13 returned to the Kansas lottery for refund by issuance of a credit or oth-
14 erwise.

15 ~~(n)(1) "Video lottery machine" means any electronic video game~~
16 ~~machine that, upon insertion of cash, is available to play or simulate the~~
17 ~~play of a video game authorized by the commission, including but not~~
18 ~~limited to bingo, poker, black jack and keno, and which uses a video~~
19 ~~display and microprocessors and in which, by chance, the player may~~
20 ~~receive free games or credits that can be redeemed for cash.~~

21 ~~(2) "Video lottery machine" does not include any terminal or player~~
22 ~~station used in the conduct of an on-line racetrack lottery game.~~

23 (m) "Central computer" means any computer equipment operated by
24 the lottery to which on-line lottery game equipment communicates for any
25 purpose described in rules and regulations of the commission.

26 (n) "Disable" means the process of executing a shutdown command
27 from the central computer which causes on-line equipment to cease func-
28 tioning.

29 (o) "Instant bingo lottery ticket" means any ticket sold by a racetrack
30 lottery retailer from an instant bingo vending machine to participants in
31 an instant bingo game as defined by subsections (c)(1), (c)(2), (c)(3), (c)(5)
32 and (c)(6) of K.S.A. 79-4701 and amendments thereto and by rules and
33 regulations of the commission.

34 (p) "Instant bingo ticket vending machine" means on-line equipment,
35 including but not limited to electronic or mechanical vending devices,
36 approved by the commission for use at racetrack lottery retailer locations
37 for self-service sale of instant bingo lottery tickets.

38 (q) "Keno" means a game in which a player selects up to 20 numbers
39 from a total of 80 numbers and a computer or other selection device
40 randomly selects up to 20 numbers from the same pool of 80 numbers.
41 Winners are determined by the correct matching of the numbers selected
42 by the player with the numbers randomly selected by the computer or
43 other selection device. If the player wins the game, as determined in ac-

(n) "Slot machine" means a mechanical, electromechanical or computerized device, including a device using a video display, into which coins are placed and play is activated by a bettor and which displays symbols indicating that the bettor has won or lost the wager. If the bettor is a winner, the device distributes the prize, or paper, tokens or other evidence of the prize. "Slot machine" includes, but is not limited to, devices using a video display and simulating games such as bingo, poker, black jack or keno.

an instant ticket dispensing machine that does not validate tickets or include a video display

that is not player activated

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1 cordance with the rules of game adopted by rules and regulations of the
2 commission, the player may be awarded game credits redeemable in cash.

3 (r) "Net income from racetrack lottery games" means all revenue from
4 the sale of racetrack lottery tickets and shares less amounts paid by lottery
5 racetrack retailers or by the lottery as prizes for lottery racetrack games.

6 (s) "On-line equipment" means any commission approved lottery
7 gaming equipment, including but not limited to terminals and player sta-
8 tions, that is connected to and in constant communication with a central
9 computer for any purpose described in rules and regulations of the com-
10 mission including but not limited to security, monitoring, auditing, and
11 execution of activation and disable programs. On-line equipment may be
12 equipped with one or more video display monitors.

13 (t) "On-line lottery game" means any lottery game conducted by util-
14 izing on-line equipment.

15 ~~(u) "Player station" means on-line equipment on which racetrack lot-~~
16 ~~tery games can be played when activated by players by insertion of cash~~
17 ~~or coins. If the player wins the game played on a player station, as de-~~
18 ~~termined in accordance with game rules adopted by rules and regulations~~
19 ~~of the commission, the player shall be awarded game credits redeemable~~
20 ~~in cash.~~

strike and reletter subsections

21 (v) "Racetrack facility" means racetrack facility as defined by K.S.A.
22 74-8802 and amendments thereto.

23 (w) "Racetrack licensee" means: (1) A facility owner or facility man-
24 ager licensee, as defined by K.S.A. 74-8802 and amendments thereto; or
25 (2) an organization licensee that owns a racetrack facility, as authorized
26 pursuant to the Kansas parimutuel racing act.

strike "exclusively"

27 (x) "Racetrack lottery game" means the following lottery games con-
28 ducted by the lottery ~~exclusively~~ at racetrack lottery retailer locations:

29 (1) Call bingo as defined by K.S.A. 79-4701 and amendments thereto;

30 (2) instant bingo using instant bingo lottery tickets;

31 (3) keno; and

played on terminals

32 (4) ~~any on-line lottery game utilizing a horse or greyhound racing~~
33 ~~theme and played on player stations or terminals.~~

34 (y) "Racetrack lottery retailer" means a racetrack licensee with which
35 the executive director has entered into a contract pursuant to section 3.

the game "Royal Ascot" by "Sega" (trademarks of Sega Enterprises, Ltd.).

36 (z) "Racetrack lottery retailer locations" are those locations where
37 racetrack lottery retailers are authorized to sell lottery tickets and sales
38 pursuant to a contract with the lottery.

39 (aa) "Racetrack organization licensee" means an organization licensee
40 as defined by K.S.A. 74-8802 and amendments thereto.

41 (bb) "Terminal" means on-line equipment that is not activated by
42 insertion of cash or tokens and which is used by lottery retailers or their
43 employees to record sales of lottery tickets for purposes of determining

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1 pursuant to vouchers approved by the executive director or by a person
2 designated by the executive director.

3 (c) Moneys in the racetrack lottery operating fund shall be used for:

4 (1) The payment of expenses of the Kansas lottery attributable to the
5 operation of racetrack lottery games and implementation, administration
6 and enforcement of contracts entered into pursuant to section 3;

7 (2) transfers to the lottery operating fund pursuant to subsection (d);

8 (3) transfers to the breed and purse enhancements fund pursuant to
9 subsection (e);

10 (4) payments to organization licensees pursuant to subsection (f); and

11 (5) payments to racetrack lottery retailers pursuant to subsection (g).

12 ~~+(d)(1) Any appropriation or transfer of moneys from the lottery op-~~
13 ~~erating fund for expenses of the Kansas lottery attributable to the oper-~~
14 ~~ation of racetrack lottery games shall be considered a loan and shall be~~
15 ~~repaid with interest to the lottery operating fund in one payment not later~~
16 ~~than 24 months from the effective date of the appropriation or transfer~~
17 ~~of such lottery operating fund moneys. Such loan shall not be considered~~
18 ~~an indebtedness or debt of the state within the meaning of section 6 of~~
19 ~~article 11 of the constitution of the state of Kansas. Such loan shall bear~~
20 ~~interest at a rate equal to the rate prescribed by K.S.A. 75-4210 and~~
21 ~~amendments thereto for inactive accounts of the state effective on the~~
22 ~~first day of the month during which the appropriation or transfer takes~~
23 ~~effect.~~

24 (2) At the time of repayment of a loan pursuant to subsection (d)(1),
25 the executive director shall certify to the director of accounts and reports
26 the amount to be repaid and any interest due thereon. Upon receipt of
27 such certification, the director of accounts and reports shall promptly
28 transfer the amount certified from the racetrack lottery operating fund
29 to the lottery operating fund.

30 (3) Except as specifically authorized by this section, no moneys in the
31 state treasury shall be used or obligated to pay any expenses attributable
32 to the operation of racetrack lottery games or prizes awarded in such
33 games and no claim for the payment of such expenses or prizes shall be
34 made against any moneys other than moneys credited to the racetrack
35 lottery operating fund.

36 (e) On or before the 15th day of each month, commencing with the
37 month following the first month in which moneys are credited to the
38 racetrack lottery operating fund, the director of accounts and reports shall
39 transfer moneys in the fund to the breed and purse enhancements fund
40 established pursuant to section 5, in an amount certified monthly by the
41 executive director and determined as equal to the following percentages:

42 (1) Subject to the provisions of subsection (d)(4), of the proportionate
43 amount of moneys in the racetrack lottery operating fund in excess of the

state gaming revenues

(d) On or before the 15th day of each month following the first month in which moneys are credited to the racetrack lottery operating fund, the director of accounts and reports shall transfer moneys in the racetrack lottery operating fund to the state gaming revenues fund created by K.S.A. 79-4801 and amendments thereto in an amount certified monthly by the executive director as equal to 20% of the moneys in the lottery operating fund less those needed for the purposes described in subsection (c)(1).

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1 or shares projected to be sold.

2 (i) Make provision for the timely and efficient transfer of funds due
3 from lottery retailers *and racetrack lottery retailers* to the lottery oper-
4 ating fund, including the use of electronic funds transfers whenever pos-
5 sible.

6 Sec. 8. K.S.A. 1995 Supp. 74-8710 is hereby amended to read as
7 follows: 74-8710. (a) The commission, upon the recommendation of the
8 executive director, shall adopt rules and regulations governing the estab-
9 lishment and operation of a state lottery as necessary to carry out the
10 purposes of this act. Temporary rules and regulations may be adopted by
11 the commission without being subject to the provisions and requirements
12 of K.S.A. 77-415 through 77-438, and amendments thereto, but shall be
13 subject to approval by the attorney general as to legality and shall be filed
14 with the secretary of state and published in the Kansas register. Tem-
15 porary and permanent rules and regulations may include but shall not be
16 limited to:

17 (1) Subject to the provisions of subsection (b), the types of lottery
18 games to be conducted, including but not limited to instant lottery, on-
19 line ~~and, traditional and racetrack lottery games, but not including games~~
20 ~~on video lottery machines.~~

slot machines

21 (2) The manner of selecting the winning tickets or shares, except that,
22 if a lottery game utilizes a drawing of winning numbers, a drawing among
23 entries or a drawing among finalists, such drawings shall always be open
24 to the public and shall be recorded on both video and audio tape.

25 (3) The manner of payment of prizes to the holders of winning tickets
26 or shares.

27 (4) The frequency of the drawings or selections of winning tickets or
28 shares.

29 (5) The type or types of locations at which tickets or shares may be
30 sold.

31 (6) The method or methods to be used in selling tickets or shares.

32 (7) Additional qualifications for the selection of lottery retailers *and*
33 *racetrack lottery retailers* and the amount of application fees to be paid
34 by each, *which fees shall be sufficient to pay all expenses of any back-*
35 *ground investigation and processing of the application.*

36 (8) The amount and method of compensation to be paid to lottery
37 retailers, including special bonuses and incentives.

38 (9) Deadlines for claims for prizes by winners of each lottery game.

39 (10) Provisions for confidentiality of information submitted by ven-
40 dors pursuant to K.S.A. 74-8705, and amendments thereto.

41 (11) Information required to be submitted by vendors, in addition to
42 that required by K.S.A. 74-8705, and amendments thereto.

43 (12) The major procurement contracts or portions thereof to be

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1 awarded to minority business enterprises pursuant to subsection (a) of
2 K.S.A. 74-8705, and amendments thereto, and procedures for the award
3 thereof.

4 (13) *Minimum and maximum prize pay-outs for racetrack lottery*
5 *games.*

6 (b) No new lottery game shall commence operation after the effective
7 date of this act unless first approved by the governor or, in the governor's
8 absence or disability, the lieutenant governor.

9 Sec. 9. K.S.A. 74-8711 is hereby amended to read as follows: 74-
10 8711. (a) There is hereby established in the state treasury the lottery
11 operating fund.

12 (b) The executive director shall remit at least weekly to the state
13 treasurer all moneys collected from the sale of lottery tickets and shares
14 and any other moneys received by or on behalf of the Kansas lottery,
15 *other than net income from racetrack lottery games.* Upon receipt of any
16 such remittance, the state treasurer shall deposit the entire amount
17 thereof in the state treasury and credit it to the lottery operating fund.
18 Moneys credited to the fund shall be expended or transferred only as
19 provided by this act. Expenditures from such fund shall be made in ac-
20 cordance with appropriations acts upon warrants of the director of ac-
21 counts and reports issued pursuant to vouchers approved by the executive
22 director or by a person designated by the executive director.

23 (c) Moneys in the lottery operating fund shall be used for:

24 (1) The payment of expenses of the lottery, which shall include all
25 costs incurred in the operation and administration of the Kansas lottery;
26 all costs resulting from contracts entered into for the purchase or lease
27 of goods and services needed for operation of the lottery, including but
28 not limited to supplies, materials, tickets, independent studies and sur-
29 veys, data transmission, advertising, printing, promotion, incentives, pub-
30 lic relations, communications, and distribution of tickets and shares; and
31 reimbursement of costs of facilities and services provided by other state
32 agencies;

33 (2) the payment of compensation to lottery retailers;

34 (3) transfers of moneys to the lottery prize payment fund pursuant to
35 K.S.A. 74-8712 and amendments thereto;

36 (4) transfers to the state general fund pursuant to K.S.A. 74-8713 and
37 amendments thereto;

38 ~~[(5) loans to the racetrack lottery operating fund.]~~

39 (6) transfers to the state gaming revenues fund pursuant to subsection
40 (d) of this section and as otherwise provided by law; and

41 (6) (7) the transfers to the county reappraisal fund as prescribed by
42 law.

43 (d) The director of accounts and reports shall transfer moneys in the

— strike and renumber subsections and cross references

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