

Approved: _____
Date

3/10/99
amended

MINUTES OF THE HOUSE COMMITTEE ON FEDERAL & STATE AFFAIRS.

The meeting was called to order by Chairperson Representative Susan Wagle at 1:30 P.M. on March 4, 1999 in Room 313-S of the Capitol.

All members were present except: Reps. Henderson & Freeborn

Committee staff present: Theresa Kiernan, Revisor of Statutes
Mary Galligan, Legislative Research
Russell Mills, Legislative Research
Judy Swanson, Committee Secretary

Conferees appearing before the committee: Gregory Ziemak, Kansas Lottery

Others attending: See attached list

Chair Wagle asked for bill introductions.

Rep. Hutchins made a motion to introduce a bill concerning financing groundwater management districts. (Same as SB 176) Rep. Mays seconded the motion. The motion passed.

Chair Wagle said the Attorney General's Office has requested a bill concerning amendments to sexually violent predator act. Rep. Gilbert moved to introduce the bill. Rep. Burroughs seconded the motion. The motion carried.

Chair Wagle handed out a proposed Substitute Bill for **HB 2540**, an act concerning firearms. She reviewed changes. Rep. Wagle made a motion to adopt the substitute bill with an amendment that no suit can be brought by the Attorney General without approval of the Legislature.

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Discussion followed. Rep. Vickery wanted to conceptually amend the bill that political subdivisions can be allowed to sue in the case of defective product. Rep. Klein questioned trade associations being in the bill. Rep. Peterson suggested non-profit civic and service organizations be used instead of trade associations. Rep. Rehorn said including trade organizations muddied up the bill.

Rep. Klein made a substitute motion that the Committee adopt the balloon with suggested language as **Substitute House Bill 2540** including an amendment that no suit can be brought by the Attorney General without the approval of the Legislature, and removing the reference to trade associations throughout the bill. Rep. Ruff seconded the motion. The motion carried.

Rep. Mays moved the bill become effective on publication in the Kansas Register. Rep. Dahl seconded the motion. After discussion, Rep. Mays withdrew his motion, and Rep. Dahl withdrew his second.

Rep. Ruff moved to amend **Substitute for HB 2540** by adding "relating to the lawful design, manufacture or marketing or sale of ammunition to the public. Rep. Klein seconded the motion. The motion failed with 5 voting YES, and 10 voting NO.

Rep. Klein moved to strike Section F from **Substitute for HB 2540**. Rep. Ruff seconded the motion. The motion failed with 7 voting YES and 11 voting NO.

Rep. Faber moved to report **Substitute HB 2540** as amended favorable for passage. Rep. Mason seconded the motion. The motion passed with 10 voting YES and 7 voting NO. Rep. Benlon, Peterson, and Gilbert requested to be recorded as voting NO.

Chair Wagle opened hearing on **HB 2535**, State lottery; transfers from lottery operating fund to state gaming revenue fund. Revisor Kiernan gave a brief overview of the bill.

Gregory Ziemak, Executive Director of Kansas Lottery, testified in favor of the bill. (Attachment #1)

He testified that this bill is to increase sales of Kansas Lottery pull-tab products He said pull tabs are the same as instant bingo.

He answered questions from the Committee. He stated they would get the word out on pull tabs by word of mouth. Pull tabs are sold primarily in drinking establishments. It is a profitable game, but one of the least popular lottery games. He thinks that is because of the low payout. He said the payout is about as high as they can give in payouts in most games now. There is one game with a 61% payout currently.

Hearing on **HB 2535** was closed.

Hearing on **HB 2536**, State lottery; use of moneys in lottery prize payment fund; nonmonetary prizes, was opened. Revisor Kiernan explained the bill to Committee members.

Gregory Ziemak, Executive Director, Kansas Lottery, testified in favor of the bill. (Attachment #2) He said this bill would give the Kansas Lottery players more interesting prizes. Passage of this bill would not affect their budget. Again, he answered members' questions. In response to Rep. Faber he said if a winner didn't want the prize, it could be written into the rules that they could take cash. They currently take taxes out of any prize over \$5,000. It would be at the discretion of the Kansas Lottery which games would have prizes, but he said it would probably be the scratch games.

Hearing was closed on **HB 2536**.

Meeting adjourned at 2:40 P.M.

HOUSE FEDERAL & STATE AFFAIRS

GUEST LIST

DATE: 03-04-99

NAME	REPRESENTING
Gregory J. Ziemak	Kansas Lottery
Glenn Thompson	Stand Up For Kansas
Daurie Williams	Governors office
Martin Hawver	Hawvers Capitol Report
Scott Schneider	McGinn, Granger & Assoc.
Karen France	Ks. Assn of REALTORS
Ashley Sherard	Overland Park Chamber
Glenn Sealwell	RTA
Barbara Helmsick	Natl Council of Jewish Women
Patrick J. Lively	OTCA

TESTIMONY ON HOUSE BILL 2535

by: Gregory P. Ziemak, Executive Director - Kansas Lottery

March 4, 1999

House Federal and State Affairs Committee

Madam Chair and Members of the Committee:

I appreciate the opportunity to speak to you today concerning House Bill No. 2535.

My purpose in addressing you today about House Bill No. 2535 is to increase sales of Kansas Lottery pull-tab products. We propose to do this by having the authority to increase the prize payout on the games from 60 percent up to 70 percent. The additional sales caused by this change would benefit the players, lottery retailers and the State of Kansas. The increased payout would result in more revenues transferred to the State Gaming Revenue and General Funds.

Currently, state statutes require that a minimum of 30 percent of Kansas Lottery sales be transferred to the State of Kansas. House Bill 2535 would allow 20 percent to be transferred to the State. We are proposing that the additional 10 percent be given back to lottery players as prizes. This requested change would affect pull-tab tickets only which accounted for less than one percent (\$1,100,000) of total lottery sales (\$192,000,000) in Fiscal Year 1998. If the Lottery could increase the prize payout of pull-tab products from 60 to 70 percent, we believe pull-tab sales would increase from the current estimate of \$1,250,000 to approximately \$2,500,000 in Fiscal Year 2000.

Eleven lottery states currently sell pull-tabs. Kentucky, Missouri and Iowa are the most successful selling \$32.0 million, \$29.1 million and \$27.0 million, respectively, in Fiscal Year 1998. The prize payout in Kentucky is 70 percent. In Missouri and Iowa, the prize payout is approximately 65 percent.

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Attachment #1*

The Kansas Lottery's goal with this proposed bill is to answer Kansas Lottery pull-tab players' major complaint --- *not enough winners*. We can only do this with legislative assistance. An increase in prize payout would benefit Kansas players --- *more prizes*; Kansas retailers --- *more sales, and therefore larger sales commissions*; and the State of Kansas --- *greater sales and larger revenue transfers*.

Thank you for your consideration of House Bill 2535.

TESTIMONY ON HOUSE BILL 2536

by: Gregory P. Ziemak, Executive Director - Kansas Lottery
March 4, 1999
House Federal and State Affairs Committee

Madam Chair and Members of the Committee:

Thank you for the opportunity to speak to you today concerning House Bill No. 2536.

Currently, the Lottery is not permitted to use its prize payment fund to pay the holders of valid winning lottery tickets anything other than monetary prizes. It would be beneficial, on occasion, to be able to actually purchase and offer prizes other than cash prizes, which are purchased from the prize payment fund.

In the past, the Lottery, on a very limited basis, has given non-monetary items such as motor vehicles as prizes. These were funded from the Lottery advertising promotion budget. It is our desire to award non-monetary prizes on a wider scale funded from the prize payment fund. From past experience, we know that non-monetary prizes stimulate interest, thereby increasing sales, which, in turn, increases transfers to the State of Kansas. The majority of the 38 U.S. lottery jurisdictions award non-monetary prizes such as automobiles and vacation packages through the use of prize money. The Missouri Lottery has awarded 25 Ford explorers and 320 vacation packages in two very successful promotions. Being able to purchase non-monetary prizes with the same prize payment fund monies, where major discounts in prices are attainable under the state's purchasing system, would benefit the State of Kansas as well as prize winners.

This bill would enable the Kansas Lottery to offer Kansas players more interesting prizes for which they have been asking, and while doing so, increase lottery sales, lottery retailer commissions and lottery transfers to the State of Kansas.

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Attachment #2