Approved: May 6, 2003

## MINUTES OF THE SENATE FEDERAL AND STATE AFFAIRS COMMITTEE

The meeting was called to order by Chairperson Nancey Harrington at 10:45 a.m. on March 11, 2003 in Room 245-N of the Capitol.

All members were present except:

Senator Gilstrap, excused

Senator O'Connor, excused

Committee staff present:

Russell Mills, Legislative Research Department

Dennis Hodgins, Legislative Research Department

Theresa Kiernan, Office of the Revisor Nikki Kraus, Committee Secretary

Others attending:

Please see attached.

Chairperson Harrington spoke to the committee about a previously discussed committee resolution to protect the Pledge of Allegiance and the national motto "In God We Trust".

Senator Teichman made a motion to introduce a committee resolution to protect the Pledge and national motto. Senator Lyon seconded the motion. The resolution was introduced.

Chairperson Harrington opened the confirmation hearing for:

## Beth M. Bradrick, Ph.D., Member on the Kansas Human Rights Commission

The committee was presented copies of Dr. Bradrick's Confirmation Information Summary.(Attachment 1)

Senator Gooch made a motion to reappoint Dr. Bradrick as a member on the KS Human Rights Commission. Senator Brungardt seconded the motion. The motion passed.

Ms. Kiernan presented the committee with a copy of a balloon amendment to **SB 108–Lottery; operation** of video lottery machines. (Attachment 2)

Ms. Kiernan then briefed the committee on each of the gaming bills and their origins. She presented a sheet from the Kansas Legislative Research Department entitled, "Comparison of Selected Bills Concerning Gaming". (Attachment 3)

Following discussion, Senator Gooch asked the Chair how she planned to proceed with the hearings.

Chairperson Harrington stated that she would allow time to hear testimony with written testimony to reference, and that this issue would be treated like other weighty issues. The Chair stated that she was confident that those that are here can work within the time frame.

The meeting was adjourned at 11:15 a.m.

# SENATE FEDERAL AND STATE AFFAIRS COMMITTEE GUEST LIST

DATE: March 11, 2003

NAME	REPRESENTING
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Mark Tomb	League of Kansas Municipalines
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James E. Butter	X.S. Human Lights Comm
Brandon My Prs	KHRC
Robert M Hollar	1111
LEON GRAVES	self
TRACY Die	KRGC
Sentiter Grow	Dovernia office
Connie Burns	Whitney B. Damron
Here Johnson	Kansas Gas Service
ED VAN PETTEN	KANSAS LOTTERY
J- Geordan	11 4
Wagne Bolles	KC VA
Steve blookington	K.D.O.T.
Jalynn Copp .	Governor
Lehen Rice	By Clubs & Assec.
Phil Bradly	Ks Licensed Reverage ASSN.
Mutres James	Kicaportribe / Sacifox Maton
Ron Hein	Prairie Band Potawatumi Nation

# SENATE FEDERAL AND STATE AFFAIRS COMMITTEE GUEST LIST

DATE:	March	11.	2003	
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NAME	REPRESENTING
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# Attachment 1 Not Scanned Due to Confidential Content

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## SENATE BILL No. 108

By Committee on Federal and State Affairs

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AN ACT concerning the Kansas lottery; authorizing the operation of video lottery machines; amending K.S.A. 74-8701, 74-8702, 74-8710, 74-8711 and 74-8721 and repealing the existing sections.

Be it enacted by the Legislature of the State of Kansas:

New Section 1. (a) The Kansas lottery is hereby authorized to conduct video lottery games and operate video lottery machines.

- (b) The executive director may enter into contracts for the placement of video lottery machines at a facility owned by any lottery retailer who has been a lottery retailer for at least three consecutive years prior to entering a contract for the placement of video lottery machines under this section.
- (c) (1) The executive director shall allow no more than five video lottery machines per facility.
- (2) All video lottery machines shall be placed in an area where the admission of minors is restricted.
- (d) The lottery shall have direct control of all video lottery machines and shall operate the same from a central processing unit at the lottery. All video lottery machines shall be linked to a central computer for the purposes of security, monitoring and auditing.
- (e) The executive director shall provide technology services for video lottery machines or shall enter into contracts with a technology services provider for the provision of such services.
- (f) No less than 87% of the money wagered shall be paid out in the form of prizes
  - (g) Of the net proceeds, after payment of prizes:
  - (1) Twenty percent shall be paid to the technology services provider;
  - (2) thirty percent shall be paid to the video lottery retailer; and
- (3) the balance shall be deposited in the lottery operating fund established by K.S.A. 74-8711, and amendments thereto.
- (h) The video lottery retailer shall provide, without compensation or reimbursement, the retailer's own license fees, electrical and telephone service to the machines, floor space and labor to pay prizes and such other services as required pursuant to such retailer's contract with the lottery.

A video lottery machine shall payout an average of not less than 87% of the amount wagered over the life of the machine.

Senate Fed & State
Date: 03 / 11 / 2003

Attachment # 2

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- Sec. 2. K.S.A. 74-8701 is hereby amended to read as follows: 74-8701. K.S.A. 74-8701 through 74-8721 and section 1, and amendments thereto, shall be known as and may be cited as the Kansas lottery act.
- Sec. 3. K.S.A. 74-8702 is hereby amended to read as follows: 74-8702. As used in the Kansas lottery act, unless the context otherwise requires:
  - (a) "Commission" means the Kansas lottery commission.
- (b) "Executive director" means the executive director of the Kansas lottery.
- (c) "Gaming equipment" means any electric, electronic or mechanical device, video lottery machine or other equipment unique to the Kansas lottery used directly in the operation of any lottery and in the determination of winners pursuant to this act.
- (d) "Kansas lottery" means the state agency created by this act to operate a lottery or lotteries pursuant to this act.
- (e) "Lottery retailer" means any person with whom the Kansas lottery has contracted for the placement of video lottery machines for operation by the public or to sell lottery tickets or shares, or both, to the public.
- (f) "Lottery" or "state lottery" means the lottery or lotteries and video lotteries operated pursuant to this act.
- (g) "Major procurement" means any gaming product or service or video lottery machine, product or service, including but not limited to facilities, advertising and promotional services, annuity contracts, prize payment agreements, consulting services, equipment, tickets and other products and services unique to the Kansas lottery, but not including materials, supplies, equipment and services common to the ordinary operations of state agencies.
- (h) "Person" means any natural person, association, corporation or partnership.
- (i) "Prize" means any prize paid directly by the Kansas lottery pursuant to its rules and regulations.
- (j) "Share" means any intangible manifestation authorized by the Kansas lottery to prove participation in a lottery game.
- (k) "Ticket" means any tangible evidence issued by the Kansas lottery to prove participation in a lottery game.
- "Vendor" means any person who has entered into a major procurement contract with the Kansas lottery.
- (m) "Returned ticket" means any ticket which was transferred to a lottery retailer, which was not sold by the lottery retailer and which was returned to the Kansas lottery for refund by issuance of a credit or otherwise.
- (n) "Video lottery machine" means any electronic video game machine that, upon insertion of eash, is available to play or simulate the play

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 of a video game authorized by the commission, including but not limited to bingo, poker, black jack and keno, and which uses a video display and microprocessors and in which, by chance, the player may receive free games or credits that can be redeemed for eash.

(n) (1) "Video lottery machine" means any electronic, electro-mechanical, video or computerized device, contrivance or machine authorized by the commission which, upon the insertion of cash, tokens, electronic cards or any consideration, is available to play, operate or simulate the play of, a game authorized by the commission, including but not limited to, bingo, poker, blackjack and keno and which may deliver or entitle the player operating the machine to receive cash, tokens, merchandise or credits that may be redeemed for cash. Video lottery machines may use bill validators and may be single-position reel-type, single or multigame video and single-position multigame video electronic games including, but not limited to, bingo, poker, blackjack and keno.

(2) "Video lottery machine" shall not include any casino table game, such as craps, poker, blackjack, roulette, keno, layout, numbers, tickets, baccarat, Klondike table, punchboard, punch cards, faro layout, ticket or

pull tab.

(o) (1) "Lottery machine" means any machine or device that allows a player to insert cash or other form of consideration and may deliver as the result of an element of chance, regardless of the skill required by the player, a prize or evidence of a prize, including, but not limited to:

(A) Any machine or device in which the prize or evidence of a prize is determined by both chance and the player's or players' skill, including, but not limited to, any machine or device on which a lottery game or lottery games, such as poker or blackjack, are played;

(B) any machine or device in which the prize or evidence of a prize is determined only by chance, including, but not limited to, any slot machine or bingo machine; or

(C) any lottery ticket vending machine, such as a keno ticket vending machine, pull-tab vending machine or an instant-bingo vending machine.

(2) "Lottery machine" shall not mean:

- (A) Any food vending machine defined by K.S.A. 36-501, and amendments thereto;
- (B) any nonprescription drug machine authorized under K.S.A. 65-650, and amendments thereto;
- (C) any machine which dispenses only bottled or canned soft drinks, chewing gum, nuts or candies; or
- (D) any machine excluded from the definition of gambling devices under subsection (d) of K.S.A. 21-4302, and amendments thereto; or
- (E) any video lottery machine authorized under K.S.A. 74-8701 et seq., and amendments thereto.

tokens or credits that may be redeemed for cash or merchandise

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- (p) "Technology services provider" means any person or entity that designs, manufacturers, installs, operates, distributes, supplies or replaces a video lottery machine for sale, lease or use in accordance with the Kansas lottery act.
- Sec. 4. K.S.A. 74-8710 is hereby amended to read as follows: 74-8710. (a) The commission, upon the recommendation of the executive director, shall adopt rules and regulations governing the establishment and operation of a state lottery as necessary to carry out the purposes of this act. Temporary rules and regulations may be adopted by the commission without being subject to the provisions and requirements of K.S.A. 77-415 through 77-438, and amendments thereto, but shall be subject to approval by the attorney general as to legality and shall be filed with the secretary of state and published in the Kansas register. Temporary and permanent rules and regulations may include but shall not be limited to:
- (1) Subject to 'the provisions of subsection (c) and section 1, and amendments thereto, the types of lottery games to be conducted, including but not limited to instant lottery, on-line and traditional games, but not including and games on video lottery machines or but not including lottery machines.
- (2) The manner of selecting the winning tickets or shares, except that,. If a lottery game utilizes a drawing of winning numbers, a drawing among entries or a drawing among finalists, such drawings shall always shall be open to the public and shall be recorded on both video and audio tape.
- (3) The manner of payment of prizes to the holders of winning tickets or shares.
- (4) The frequency of the drawings or selections of winning tickets or shares or winners of video lottery games.
- (5) The type or types of locations at which tickets or shares may be sold or which video lottery machines may be placed.
- (6) The method or methods to be used in selling tickets or shares *or video lottery games*.
- (7) Additional qualifications for the selection of lottery retailers and the amount of application fees to be paid by each.
- (8) The amount and method of compensation to be paid to lottery retailers, including special bonuses and incentives.
- (9) Deadlines for claims for prizes by winners of each lottery game and video lottery game.
- (10) Provisions for confidentiality of information submitted by vendors pursuant to K.S.A. 74-8705, and amendments thereto.
- (11) Information required to be submitted by vendors, in addition to that required by K.S.A. 74-8705, and amendments thereto.

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- (12) The major procurement contracts or portions thereof to be awarded to minority business enterprises pursuant to subsection (a) of K.S.A. 74-8705, and amendments thereto, and procedures for the award thereof.
- (b) No new lottery game shall commence operation after the effective date of this act unless first approved by the governor or, in the governor's absence or disability, the lieutenant governor.
- (c) The lottery commission shall adopt rules and regulations concerning the game of keno. Such rules and regulations shall require that the amount of time which elapses between the start of games shall not be less than four minutes.
- (d) In addition to rules and regulations adopted under subsection (a), the commission may adopt any other rules and regulations concerning video lottery machines, video lottery games and video lottery retailers which the commission deems necessary.
- Sec. 5. K.S.A. 74-8711 is hereby amended to read as follows: 74-8711. (a) There is hereby established in the state treasury the lottery operating fund.
- (b) The executive director shall remit all moneys collected from the sale of lottery tickets and shares, the operation of video lottery machines and any other moneys received by or on behalf of the Kansas lottery to the state treasurer in accordance with the provisions of K.S.A. 75-4215, and amendments thereto. Upon receipt of each such remittance, the state treasurer shall deposit the entire amount in the state treasury to the credit of the lottery operating fund. Moneys credited to the fund shall be expended or transferred only as provided by this act. Expenditures from such fund shall be made in accordance with appropriations acts upon warrants of the director of accounts and reports issued pursuant to vouchers approved by the executive director or by a person designated by the executive director.
  - (c) Moneys in the lottery operating fund shall be used for:
- (1) The payment of expenses of the lottery, which shall include all costs incurred in the operation and administration of the Kansas lottery; all costs resulting from contracts entered into for the purchase or lease of goods and services needed for operation of the lottery, including but not limited to supplies, materials, tickets, independent studies and surveys, data transmission, advertising, printing, promotion, incentives, public relations, communications and distribution of tickets and shares; and reimbursement of costs of facilities and services provided by other state agencies;
  - (2) the payment of compensation to lottery retailers;
- (3) transfers of moneys to the lottery prize payment fund pursuant to K.S.A. 74-8712, and amendments thereto;

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- 1 (4) transfers to the state general fund pursuant to K.S.A. 74-8713, 2 and amendments thereto;
  - (5) transfers to the state gaming revenues fund pursuant to subsection
     (d) of this section and as otherwise provided by law; and
    - (6) transfers to the county reappraisal fund as prescribed by law-; and
  - (7) transfers to the problem gambling grant fund pursuant to this section.
  - (d) The director of accounts and reports shall transfer moneys in the lottery operating fund to the state gaming revenues fund created by K.S.A. 79-4801, and amendments thereto, on or before the 15th day of each month in an amount certified monthly by the executive director and determined as follows, whichever is greater:
  - (1) An amount equal to the moneys in the lottery operating fund in excess of those needed for the purposes described in subsections (c)(1) through (c)(4); or
  - (2) except for pull-tab lottery tickets and shares, an amount equal to not less than 30% of total monthly revenues from the sales of lottery tickets and shares less estimated returned tickets. In the case of pull-tab lottery tickets and shares, an amount equal to not less than 20% of the total monthly revenues from the sales of pull-tab lottery tickets and shares less estimated returned tickets.
  - (e) On July 1 of each year or as soon thereafter as sufficient moneys are available, an amount equal to 1/10 of 1% of the moneys derived from the operation of video lottery machines during the preceding fiscal year or \$1,000,000, whichever is less, shall be transferred and credited to the problem gambling grant fund established by K.S.A. 2002 Supp. 79-4805, and amendments thereto.
  - Sec. 6. K.S.A. 74-8721 is hereby amended to read as follows: 74-8721. All sales of lottery tickets and shares and all sales of video lottery machine games shall be exempt from retailers' sales taxes imposed pursuant to K.S.A. 12-187 et seq., and amendments thereto, and from the tax imposed by the Kansas retailers' sales tax act.
  - Sec. 7. K.S.A. 74-8701, 74-8702, 74-8710, 74-8711 and 74-8721 are hereby repealed.
  - Sec. 8. This act shall take effect and be in force from and after its publication in the statute book.

Kansas register

## COMPARISON OF SELECTED BILLS CONCERNING GAMING

	SB 108	SB 207		SB 208		SB 226	
Games Authorized	Video lottery games	Electronic gaming machines	Elec	ctronic gaming mach	ines	Electronic gaming mach	nines
Authorized Locations	Lottery retailers	Parimutuel tracks; plus an un specified number of "at-large facilities	Pari facil	imutuel tracks; one " lity	at-large"	Parimutuel tracks	
Regulatory Agencies	Kansas Lottery	Kansas Lottery; Racing and Gaming Commission		sas Lottery; Racing ning Commission	and	Kansas Lottery; Racing Gaming Commission	and o
County Election Required	No	Yes	Yes	Yes		Yes	[-
Required Payout	At least 87 percent	At least 87 percent	At le	east 87 percent		At least 87 percent	
Limits on Number of Machines	5 per retailer	No	No			No	
Sales Tax Exempt	Yes	Yes	Yes			Yes	
Effective Date	Statute Book	Kansas Register	Kan	sas Register		Kansas Register	
Disposition of Net Gaming Revenue	Technology Provider Retailer 30.0% Lottery Operating Fund 50.0% 100.0%  Also, annual transfer of 1/10 of 1% of video lottery moneys to the Problem Gambling Grant Fund	State General Fund Nonprofit Organizations City County Dog Supplements Horse Supplements Regulation 1.00.4 At-Large Facilities: Gaming Contractor  20. 1.00. 1.00. 4.00.	% Regument of the state of the	profit Organizations Supplements See Supplements See General Fund hine Operators  arge Facilities: ulation ning Revenue Fund olem Gambler Supplements See Supplement See General Fund hine Operator	1.5% 1.5% 1.5% 1.0% 1.5% 5.0% 5.0% 5.0% 58.5% 100.0% 1.5% 6.5% 2.0% 5.0% 5.0% 6.5% 48.0% 100.0%	Parimutuel Licensees: Regulation Problem Gambler County City State General Fund Horse Supplements Dog Supplements Nonprofit Organizations Machine Operators	1.0 0.5 1.5 1.5 20.0 3.5 3.5

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## COMPARISON OF SELECTED BILLS CONCERNING GAMING

	SB 249		HB 2340		HB 2372		HB 2405		
Games Authorized	Electronic gaming machines; other lottery games		Electronic gaming machines		Electronic gaming machines		Electronic gaming machines		
Authorized Locations	Parimutuel tracks; "at-large" facilities		Parimutuel tracks; "at-large" facilities		Boot Hill Gaming, Ford County		Parimutuel Tracks		
Regulatory Agencies			Kansas Lottery; Racing and Gaming Commission		Kansas Lottery; Racing and Gaming Commission		Kansas Lottery; Racing and Gaming Commission		
County Election Required	Yes		Yes	Yes		Yes		Yes	
Required Payout	At least 87 percent		At least 87 percent	87 percent At le		At least 87 percent		At least 87 percent	
Limits on Number of Machines	No		No		No		No		
Sales Tax Exempt	Yes		Yes		Yes		Yes		
Effective Date	Kansas Register		Kansas Register		Kansas Register		Kansas Register		
Disposition of Net Gaming Revenue	Parimutuel Licensees: Machine Operators Problem Gambler State General Fund Nonprofit Organizations City County Dog Supplements Horse Supplements Regulation  At-Large Facilities: Machine Operator Regulation Problem Gambler State Tourism Fund State General Fund City/County (if contract)	65.5% 0.5% 20.0% 1.0% 1.0% 4.0% 6.0% 1.0% 100.0% 73.5% 1.0% 0.5% 5.0% 20.0% ?	Parimutuel Licensees: Problem Gambler City County Dog Supplements Horse Supplements Nonprofit Organizations State General Fund Machine Operators Regulation At-Large Facilities: Machine Operator Regulation Problem Gambler State Tourism Fund State General Fund City/County (if contract)	0.5% 1.0% 1.0% 4.0% 6.0% 1.0% 20.0% 66.0% 1.0% 100.5% 60.0% 1.0% 0.5% 10.0% 25.0%  96.5%	Machine Operators Problem Gambler Tourism Fund State General Fund City County Regulation	65.0% 0.5% 5.5% 25.0% 1.5% 1.0% 100.0%	Problem Gambler State General Fund Nonprofit Organizations City County Dog Supplements Machine Operator Regulation	0.5% 20.0% 1.0% 1.5% 3.5% 71.0% 	