

Approved: 2-28-07
Date

MINUTES OF THE SENATE FEDERAL AND STATE AFFAIRS COMMITTEE

The meeting was called to order by Chairman Pete Brungardt at 10:30 a.m. on January 10, 2007 in Room 231-N of the Capitol.

All members were present except:

Senator Barnett
Senator Vratil

Committee staff present:

Ken Wilke, Revisor of Statutes Office
Theresa Kiernan, Revisor of Statutes Office
Dennis Hodgins, Kansas Legislative Research Department
Kathie Sparks, Kansas Legislative Research Department
Connie Burns, Committee Secretary

Conferees appearing before the committee:

Stephen Martino, Kansas Racing and Gaming Commission
Ed VanPetten, Kansas Lottery
John McElroy, State Gaming Agency

Others attending:

See attached list.

Stephen Martino, Executive Director, Kansas Racing Gaming Commission, provided the committee with an update and oversight of the four parimutuel facilities in Kansas. (Attachment 1) The general overview of the racing and gaming industry in the state is grim; there has been a steady decline in the pari-mutuel industry. Live racing was passed by the legislature in 1992, which is the live running of races like the Kentucky Derby. The commission receives audited financial statements and in 2005 The Woodlands had reported a loss of \$1.6 million and the Wichita Greyhound a loss of \$1.273 million. The question was raised if they do any marketing, and the Commissioner said they are not there to market but regulate.

The commission has been proactive in conducting a listening tour to try and figure out what is going on in Kansas Racing and Gaming at a grass roots level, establishing an internal controls policy, and a comprehensive regulation policy review, inviting stake holders in the industry to come forward and talk to the commission about regulations, some which have been on the books since 1989.

Racing Commission organization chart and budget and historical information was also provided

Ed Van Petten, Executive Director, Kansas Lottery, provided the committee with an overview of the Kansas Lottery. (Attachment 2) Sales, transfers, and new games were discussed. One off the primary concerns is security both in the gaming system and field operations.

The lottery continues to develop marketing partnerships with Kansas businesses and industries. There are a number of businesses in the lottery industry that license certain products for use of logos and their merchandise for prizes in conjunction with lottery games and our intent with these games is to increase the exposure of Kansas business, industry and tourism, as well as to generate enthusiasm in Kansas citizens for the different lottery games.

The Veteran's Benefit Games should result in a transfer for those programs in excess of \$900,000, and the funds are distributed one-half to the National Guard Scholarship fund and one-half to the Veterans Commission to assist with maintenance of the Soldier's Homes and Veteran's Cemeteries.

Currently the Lottery has a request for proposal (RFP) issued, the bids are for the online gaming system and communications system for the gaming system, and due the end of January 2007.

The Legislative Issues is the extension of the lottery and will have to be done in the 2007. The lottery is

CONTINUATION SHEET

MINUTES OF THE Senate Federal and State Affairs Committee at 10:30 a.m. on January 10, 2007 in Room 231-N of the Capitol.

proposing eliminating the sunset provision altogether, as oversight is accomplished annually by this committee, and the Legislature has the authority to end the lottery operations at any time.

The introduction of a bill was requested that would eliminate the sunset provision. (Attachment 3)

Senator Reitz made the motion that the request should be introduced as a committee bill. Senator Hensely seconded the motion. The motion carried.

John E. McElroy, Executive Director, Kansas State Gaming Agency. There are four casinos in Kansas, the agency does background investigations on casino employees, inspects gaming tables, games and slot machines, and new this last year is a program for training the tribal employees at the four casino locations.

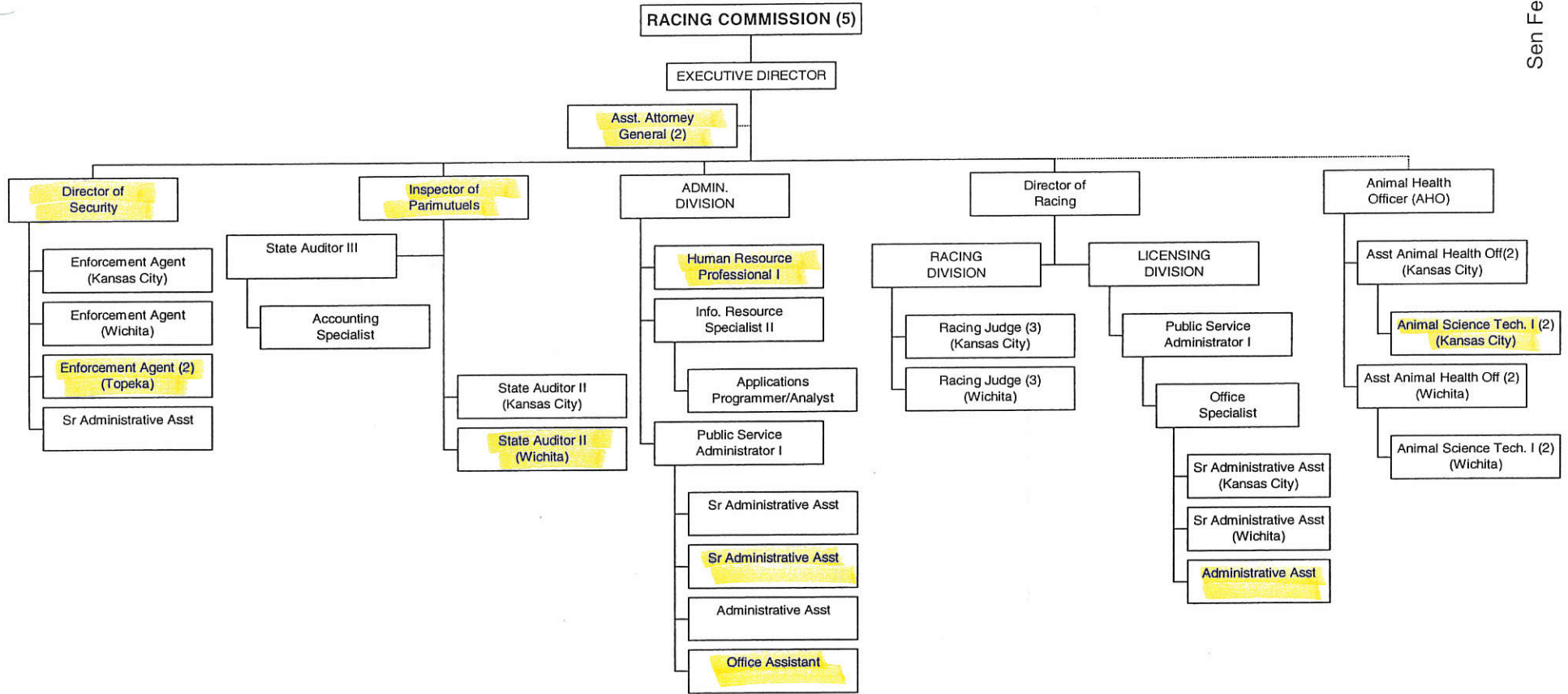
The meeting was adjourned at 11:45 am. The next scheduled meeting is January 11, 2007.

**SENATE FEDERAL AND STATE AFFAIRS COMMITTEE
GUEST LIST**

DATE 1-10-07

NAME	REPRESENTING
John McElroy	KSCA
JOHN C. BOTTEBERG	Woodlands
Ron Seebler	KS PBPV
George Winger	Ruffin Corp
Whitney Danner	Kickapoo Tribe in KS
Patricia Callbreath	Dept of Commerce
Keith Kocher	KS Lottery
Katie Firebaugh	Keamey & Associates
Charles LeZal	Racing & Gaming
Stephen Martino	Racing & Gaming
Sandy Braden	Charles Braden Barber
Kathy Brassley	KICKAPOO TRIBE
Ed Van Hatten	KS Lottery
Katie Knapp	KS Lottery
Bill Baber	Purbar Smith Assoc.
BRANDON BOHNING	KICKAPOO TRIBE

KANSAS RACING AND GAMING COMMISSION



* The Assistant Attorney General positions report to the Attorney General's Office but are counted in the Racing Commission's FTE allotment. The Executive Director supervises the day-to-day legal operation duties.

** The Animal Health Officers are under the direction of the Racing Commission and supervised by the Executive Director.

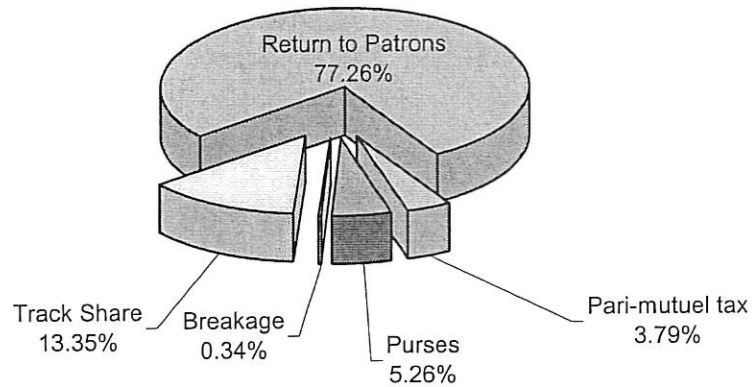
Note: Camptown Greyhound Park in Frontenac, Kansas, ceased operations in November 2000.



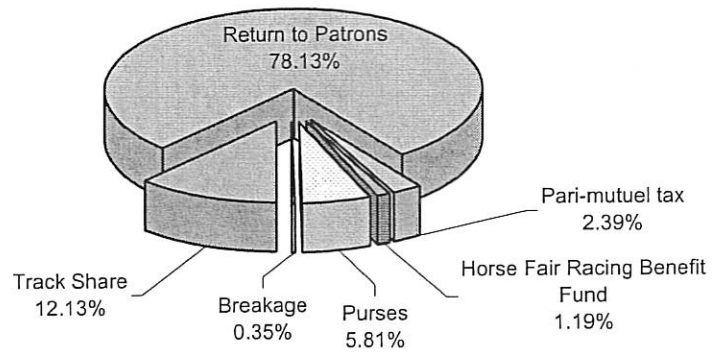
The Wagering Dollar



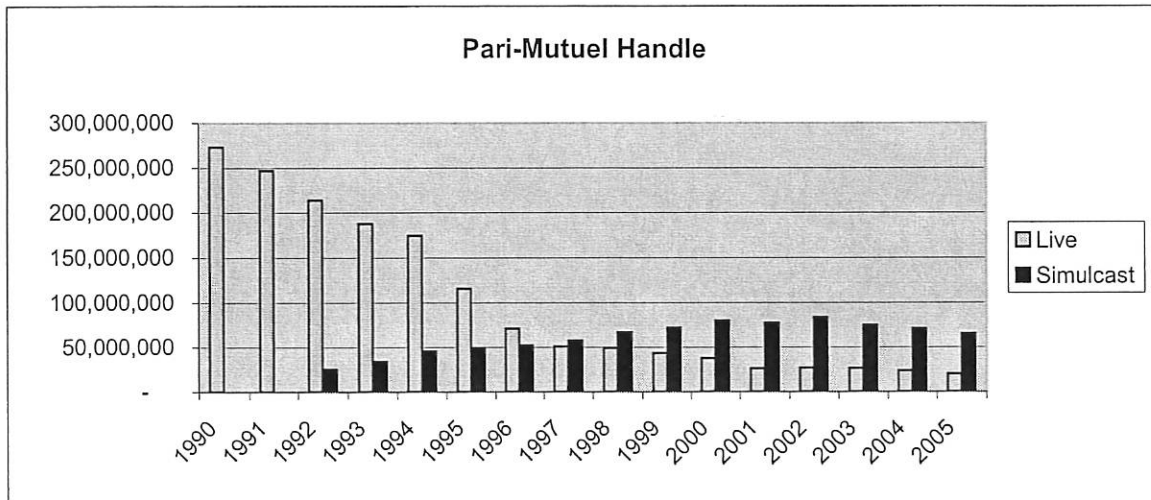
Live Racing - 2005



Simulcast Racing - 2005

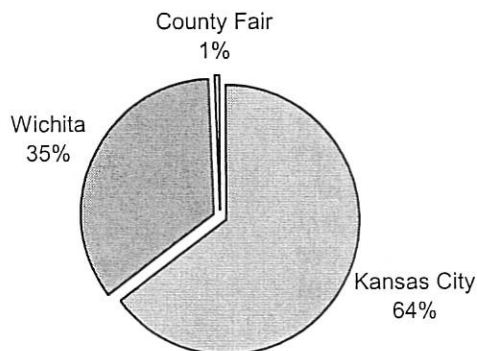


**Kansas Racing and Gaming Commission
Parimutuel Handle
Calendar Years 1990-2005**

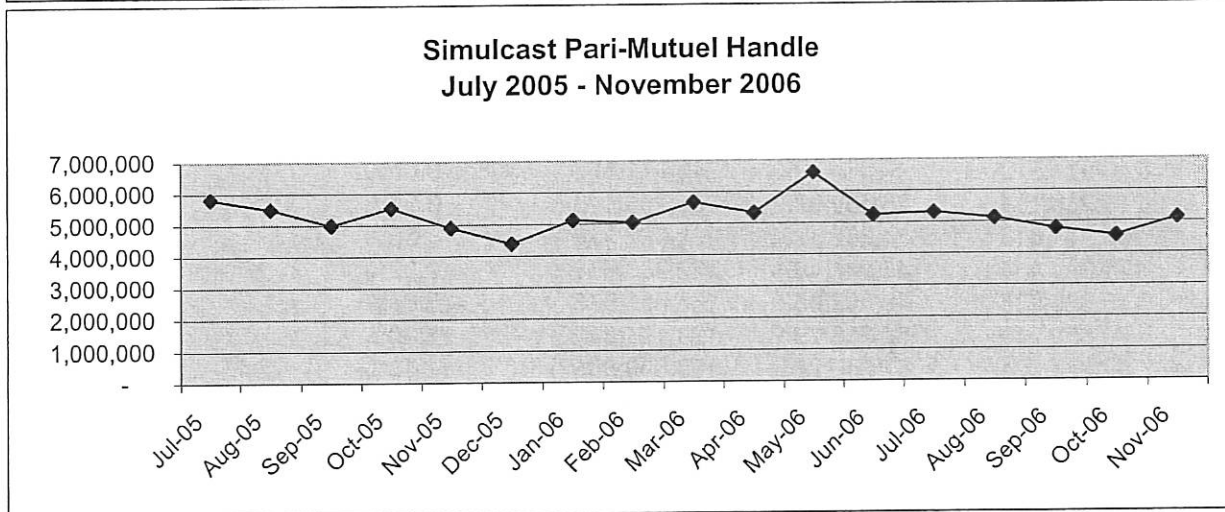
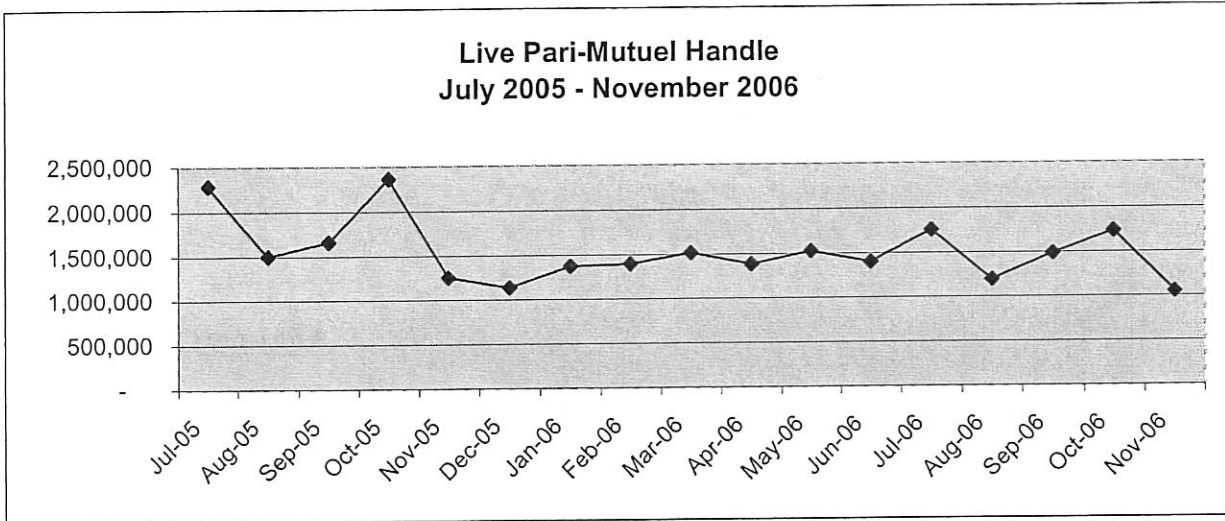


Calendar Year	Live	Simulcast	Total	% Change
1990	273,355,638	-	273,355,638	
1991	246,971,572	-	246,971,572	-9.65%
1992	214,235,214	25,469,929	239,705,143	-2.94%
1993	187,974,813	34,362,423	222,337,236	-7.25%
1994	174,344,451	45,944,187	220,288,638	-0.92%
1995	115,686,926	49,348,652	165,035,578	-25.08%
1996	70,859,045	52,315,297	123,174,342	-25.36%
1997	51,241,024	57,849,781	109,090,805	-11.43%
1998	49,521,893	66,918,833	116,440,726	6.74%
1999	43,743,621	72,112,135	115,855,756	-0.50%
2000	37,698,365	80,089,374	117,787,739	1.67%
2001	26,440,891	77,568,818	104,009,709	-11.70%
2002	27,151,949	83,680,054	110,832,003	6.56%
2003	26,654,689	75,020,803	101,675,492	-8.26%
2004	23,809,254	71,077,462	94,886,716	-6.68%
2005	20,305,725	65,272,302	85,578,027	-9.81%

2005 Handle By Location



Kansas Racing and Gaming Commission



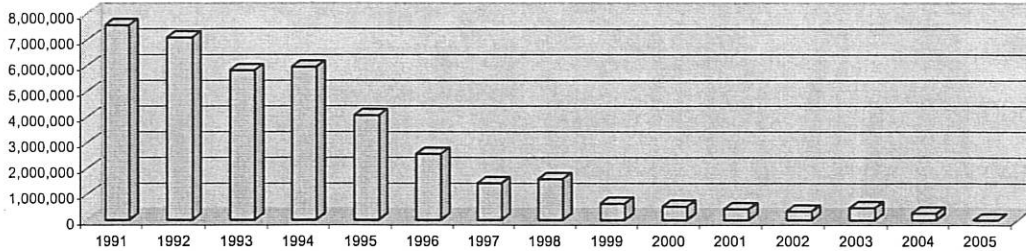
Handle	Live	Simulcast	Total
Jul-05	2,284,240	5,817,913	8,102,153
Aug-05	1,499,446	5,504,869	7,004,315
Sep-05	1,657,486	4,989,018	6,646,504
Oct-05	2,361,764	5,531,487	7,893,251
Nov-05	1,253,398	4,897,736	6,151,134
Dec-05	1,134,781	4,386,351	5,521,131
Jan-06	1,370,634	5,121,602	6,492,236
Feb-06	1,393,298	5,044,713	6,438,011
Mar-06	1,512,857	5,662,827	7,175,683
Apr-06	1,383,452	5,327,959	6,711,411
May-06	1,522,752	6,601,225	8,123,977
Jun-06	1,400,028	5,231,010	6,631,038
Jul-06	1,752,054	5,309,747	7,061,801
Aug-06	1,195,264	5,117,505	6,312,769
Sep-06	1,487,401	4,781,752	6,269,154
Oct-06	1,734,575	4,542,642	6,277,217
Nov-06	1,046,989	5,107,430	6,154,419



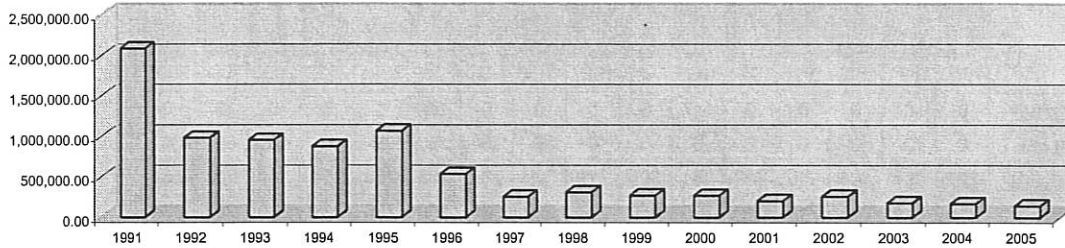
Benefits of Parimutuel Racing



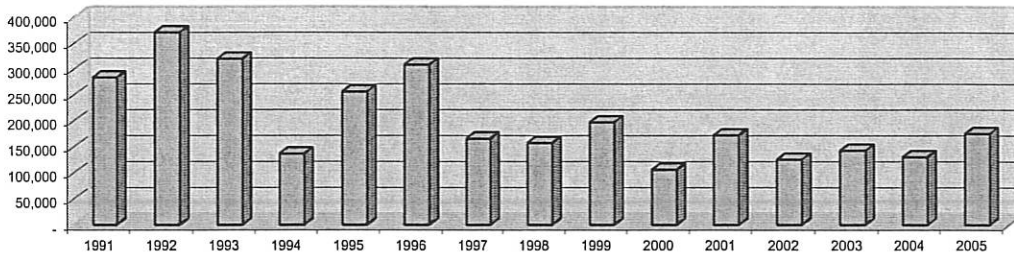
Transfers to State Gaming Revenue Fund



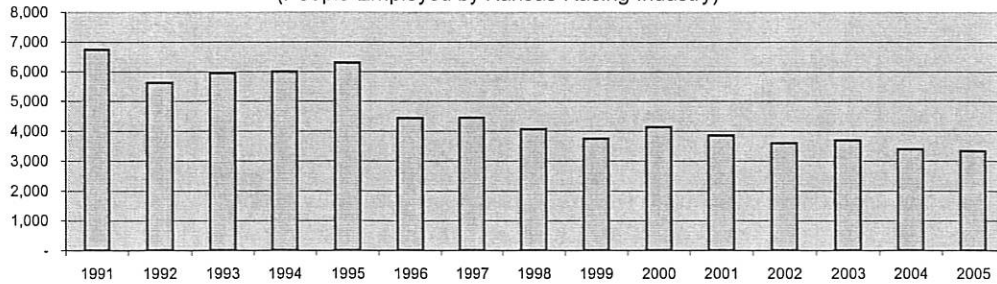
Charitable Contributions



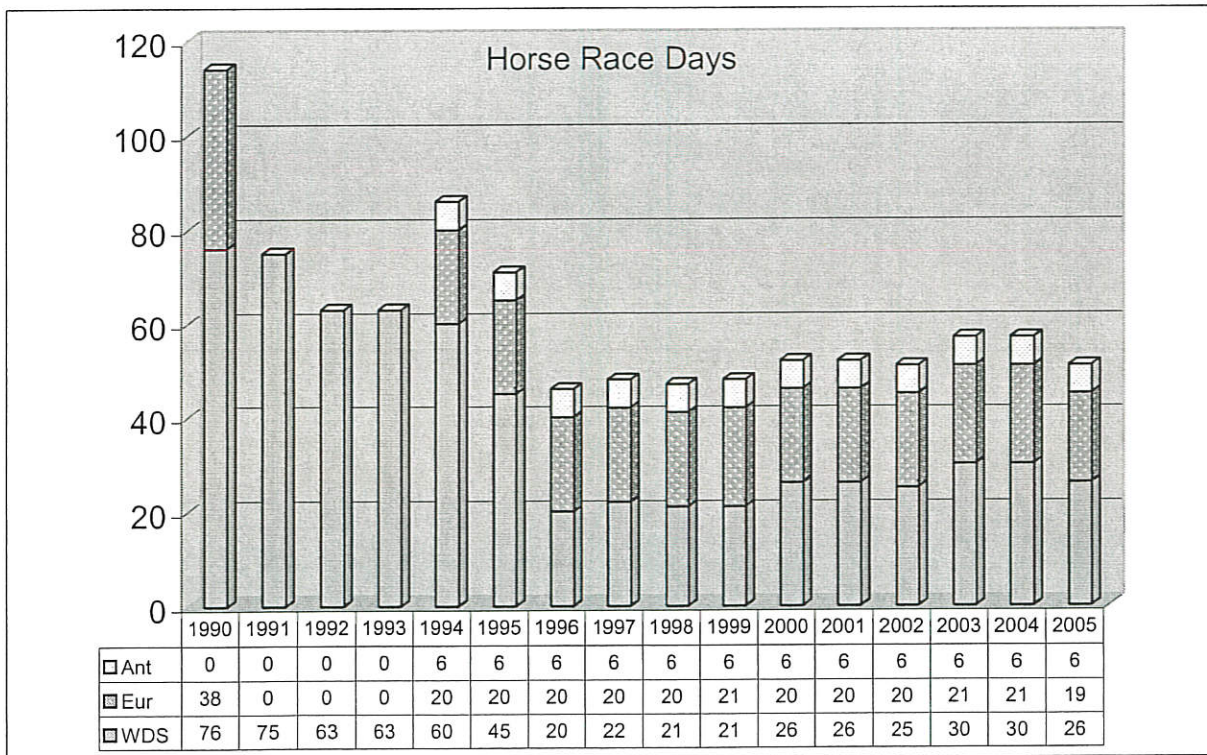
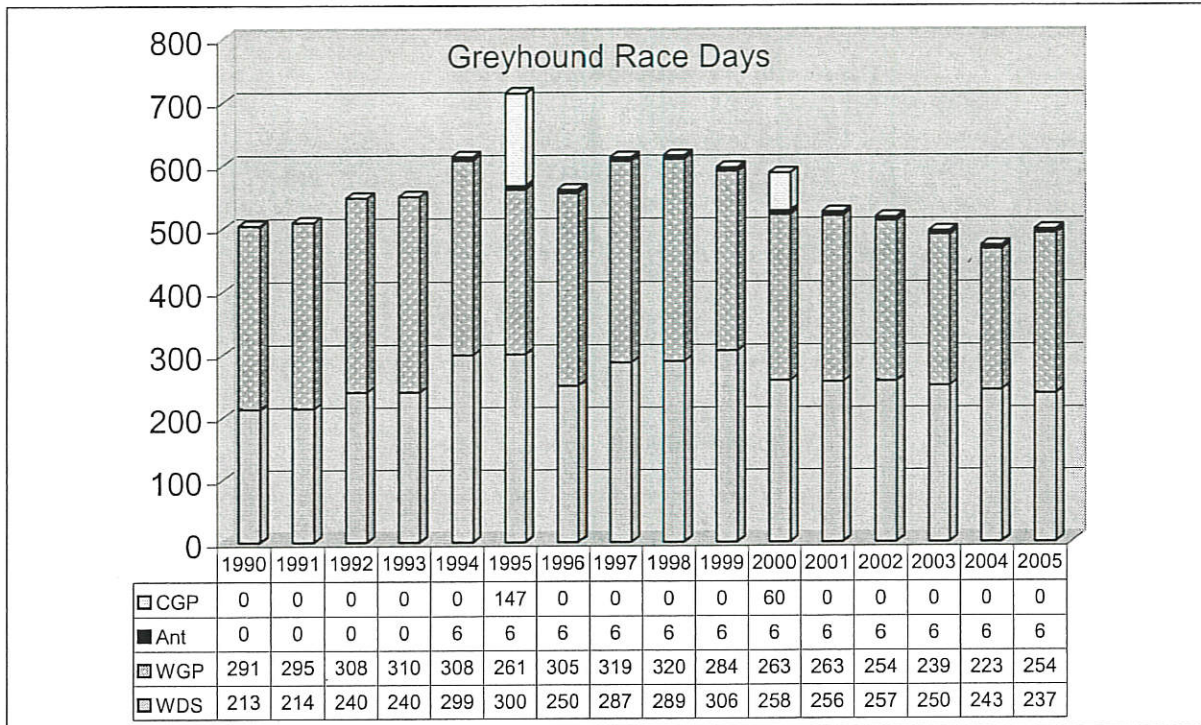
Research Grants Funded



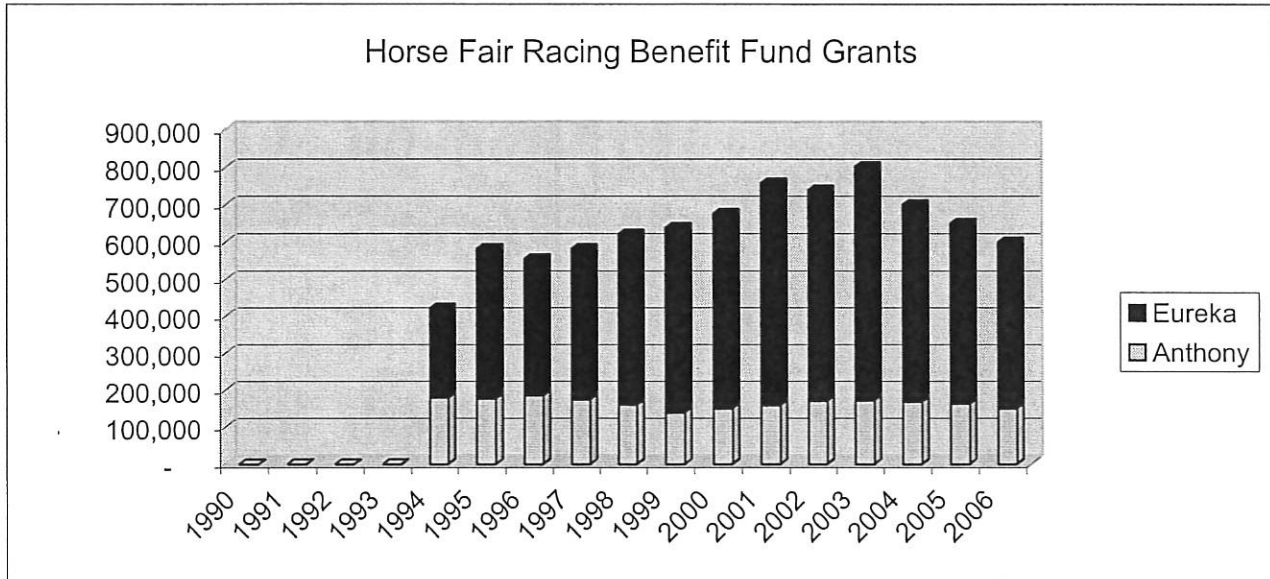
Occupational Licenses Issued (People Employed by Kansas Racing Industry)



Kansas Racing and Gaming Commission Race Days 1990 - 2005



**Kansas Racing and Gaming Commission
Horse Fair Racing Benefit Fund Grant Awards**



	Anthony	Eureka	Total
1990	-	-	-
1991	-	-	-
1992	-	-	-
1993	-	-	-
1994	179,345	242,333	421,678
1995	176,746	405,635	582,381
1996	185,000	370,060	555,060
1997	174,300	407,652	581,952
1998	160,000	461,600	621,600
1999	138,480	500,000	638,480
2000	150,000	526,000	676,000
2001	158,000	600,000	758,000
2002	170,517	568,390	738,907
2003	171,778	630,000	801,778
2004	168,000	532,000	700,000
2005	162,500	487,500	650,000
2006	150,000	450,000	600,000

Kansas Racing and Gaming Commission
 Budget Worksheet - Receipts
 FY 2007 & 2008

5131 - State Racing Fund

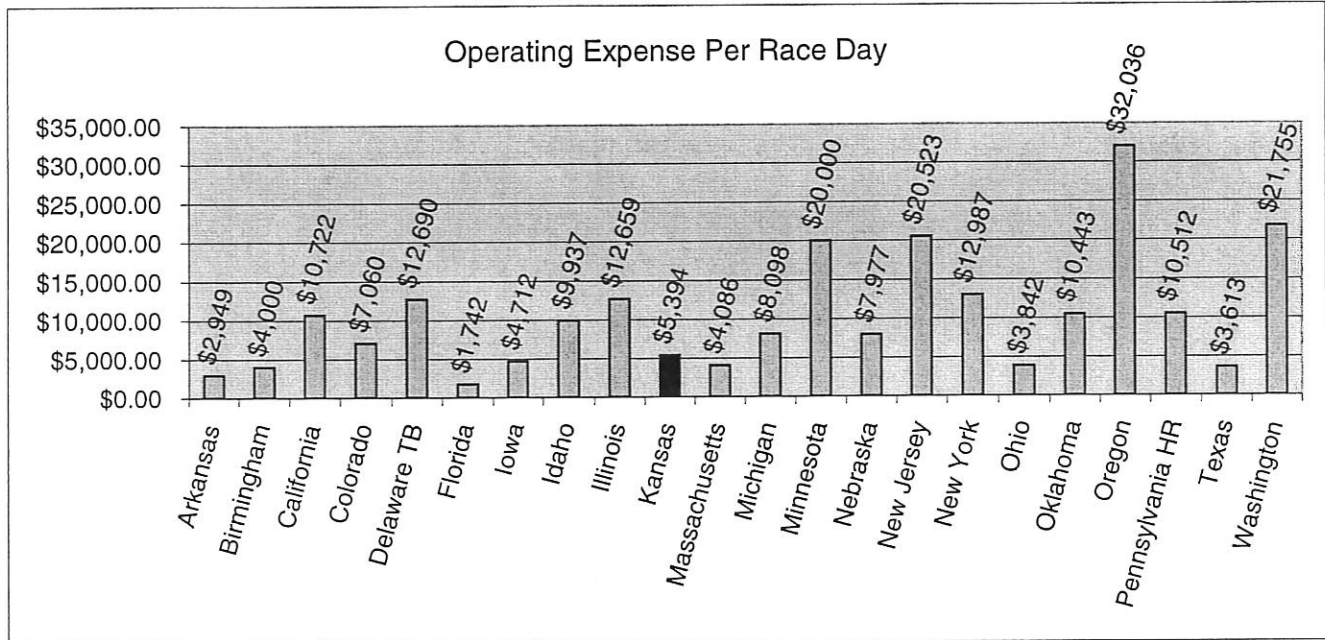
	A	B	C	D	E	F	G	H	I	J	K	L	M	N				
	FY 2006 Actual	FY 2006 Budget	Difference	FY 2007 Approved Budget	FY 2007 Adjustments	Revised FY 2007 Budget	Changes During Budget Process	FY 2007 Final Budget	Change from FY 2007 to FY 2008	FY 2008 Budget	Enhancement FY 2008 Budget	Submitted FY 2008 Budget	Changes During Budget Process	FY 2008 Final Budget				
Receipts																		
Parimutuel tax - live	708,622	721,002	(12,380)	721,002	(85,272)	635,730	-10%	(85,831)	549,899	-22%	(60,079)	575,651	-19%	-	575,651	(147,525)	428,126	-40%
Parimutuel tax - simulcast	1,528,975	1,483,975	45,000	1,483,975	(28,507)	1,455,468	-5%	(66,849)	1,388,619	-9%	(68,585)	1,386,883	-9%	-	1,386,883	(125,965)	1,260,918	-18%
Admissions tax	2,015	3,000	(985)	3,000	(1,000)	2,000	-1%	-	2,000	-	-	2,000	-1%	-	2,000	-	2,000	-1%
License fee - individual	57,566	66,000	(8,434)	66,000	(9,000)	57,000	-1%	-	57,000	-	-	57,000	-1%	-	57,000	-	57,000	-1%
License fee - business	1,741	2,500	(759)	2,500	(800)	1,700	-2%	-	1,700	-	-	1,700	-2%	-	1,700	-	1,700	-2%
Licence fee - daily	137,752	137,400	352	137,400	-	137,400	0%	-	137,400	-	-	137,400	0%	-	137,400	-	137,400	0%
Fines	19,819	30,000	(10,181)	30,000	(10,000)	20,000	1%	-	20,000	-	-	20,000	1%	-	20,000	-	20,000	1%
Miscellaneous revenues	545	3,000	(2,455)	3,000	(2,400)	600	10%	-	600	-	-	600	10%	-	600	-	600	10%
KSIP transfer out	(10,275)	-	(10,275)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Transfer In/SGF Loan	200,000	200,000	-	-	397,468	397,468	-	152,680	550,148	-	280,118	677,586	-	11,738	689,324	273,490	962,814	-
Transfer Out	(26,863)	-	(26,863)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Receipts	2,619,897	2,646,877	(26,980)	2,446,877	260,489	2,707,366			2,707,366		151,454	2,858,820		11,738	2,870,558		2,870,558	
Total Expenses	2,876,094	2,948,155	(72,061)	2,700,000	99,659	2,799,659			2,799,659			2,858,820			2,870,558		2,870,558	
Beginning Cash Balance	348,489					92,292			92,292			(0)			(0)		(0)	
Change in Net Assets	(256,197)	(301,278)	45,081	(253,123)	160,830	(92,293)			(92,293)		151,454	0		11,738	0		0	
Ending Cash Balance	92,292					(0)			(0)			(0)			(0)		(0)	

Kansas Racing and Gaming Commission
 Budget Worksheet - Expenditures
 FY 2007 & 2008

5131 - State Racing Fund

	A	B	C	D	E	F	G	H	I	J	K	L	M	N
	FY 2006 Actual	FY 2006 Budget	Difference	FY 2007 Approved Budget	Suggested Change in FY 2007	Submitted FY 2007 Budget	Changes During Budget Process	FY 2007 Final Budget	Changes from Submitted FY 2007 to FY 2008	FY 2008 Base Budget	Enhancement FY 2008 Budget	Submitted FY 2008 Budget	Changes During Budget Process	Approved FY 2008 Budget
Salaries	2,245,207	2,304,135	(58,928)	2,133,126	10,127	2,143,253	-	2,143,253	54,161	2,197,414	11,738	2,209,152	-	2,209,152
Contractual Services														
Communication	58,480	70,000	(11,520)	67,494	(7,488)	60,006	-	60,006	-	60,006	-	60,006	-	60,006
Freight & express	189	1,300	(1,111)	1,267	(1,067)	200	-	200	-	200	-	200	-	200
Printing & advertising	560	1,000	(440)	571	29	600	-	600	-	600	-	600	-	600
Rents	144,094	158,000	(13,906)	158,000	5,500	163,500	-	163,500	2,500	166,000	-	166,000	-	166,000
Repairing & servicing	10,931	14,000	(3,069)	17,768	(3,768)	14,000	-	14,000	-	14,000	-	14,000	-	14,000
Travel & subsistence	63,723	55,000	8,722	46,160	18,840	65,000	-	65,000	-	65,000	-	65,000	-	65,000
Fees-other services	303,332	290,000	13,332	218,735	76,265	295,000	-	295,000	5,000	300,000	-	300,000	-	300,000
Fees-professional services	8,008	5,700	2,308	5,655	345	6,000	-	6,000	-	6,000	-	6,000	-	6,000
Other contractual services	12,435	14,000	(1,565)	13,704	296	14,000	-	14,000	-	14,000	-	14,000	-	14,000
Total contractual services	601,752	609,000	(7,248)	529,354	88,952	618,306	-	618,306	7,500	625,806	-	625,806	-	625,806
Commodities														
Clothing	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Food	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Maintenance materials, suppli	219	181	38	181	19	200	-	200	-	200	-	200	-	200
Motor vehicle parts, supplies	7,328	6,000	1,328	6,000	2,000	8,000	-	8,000	-	8,000	-	8,000	-	8,000
Professional & scientific suppli	10,914	15,000	(4,086)	15,000	(1,000)	14,000	-	14,000	-	14,000	-	14,000	-	14,000
Stationery & office supplies	10,226	12,439	(2,213)	12,439	(439)	12,000	-	12,000	-	12,000	-	12,000	-	12,000
Other supplies, materials, part	448	1,400	(952)	1,400	-	1,400	-	1,400	-	1,400	-	1,400	-	1,400
Total commodities	29,135	35,020	(5,885)	35,020	580	35,600	-	35,600	-	35,600	-	35,600	-	35,600
Capital outlay	-	-	-	2,500	-	2,500	-	2,500	(2,500)	-	-	-	-	-
Total Expenditures	2,876,094	2,948,155	(72,061)	2,700,000	99,659	2,799,659	-	2,799,659	59,161	2,858,820	11,738	2,870,558	-	2,870,558

Kansas Racing and Gaming Commission Pari-Mutuel Industry Budget Comparison



	Commissioner Pay	Director Pay	Operating Budget	Race Days	FTE	Laboratory Testing	Stewards/Judges	Enforcement Agents	Auditing Staff	Attorneys/Assistant AG's
Arkansas	\$85 + exp/diem	\$72,000	\$1,070,417	363	14			XX		
Birmingham	\$25,000	\$75,000	\$1,200,000	300	11			XX		XX
California	\$100/month	\$108,000	\$10,100,000	942	76					
Colorado	Expenses	\$105,588	\$2,019,113	286	18.5	2 state, 1 track				
Delaware TB	\$150-\$250/meeting	\$81,000 + vehicle	\$1,725,800	136	6			XX		
Florida	N/A	91,187	\$8,698,688	4993	62	1 state, 2 track				XX
Iowa	\$10,000 + exp	\$95,055-\$145,430	\$2,671,520	567	27.53					
Idaho	\$50 + exp/diem	\$60,000	\$814,800	82	3					
Illinois	\$300/meeting	\$103,000	\$7,836,000	619	65					
Kansas	\$24000 + exp	\$78,831	\$2,961,136	549	35					
Massachusetts	\$24,648	\$92,925	\$3,178,591	778	33	2 state, 1 track				
Michigan	N/A	\$88,400	\$3,644,100	450	11	XX		XX		XX
Minnesota	\$55/diem	\$88,000	\$1,360,000	68	8					
Nebraska	Expenses	\$86,264	\$853,579	107	8.5					
New Jersey	No pay	\$113,000	\$9,769,000	476	89					
New York	\$101,600-\$121,000	\$128,000	\$14,052,000	1082	135					
Ohio	\$35.17/hour	\$54,974-\$110,760	\$4,000,000	1041	17	1 state		XX		50% cost
Oklahoma	\$50/diem + exp	\$87,255	\$2,757,000	264	25					XX
Oregon	\$30/mtg + mileage	\$51,800-\$79,176	\$3,427,864	107	14.52					
Pennsylvania HR	\$150/diem + exp	\$81,408	\$4,656,890	443	115					
Texas	Per diem + travel	\$77,760	\$4,632,223	1282	69	XX				
Washington	\$100/diem + exp	\$89,112	\$2,393,000	110	19.2					

XX - not included in budget

**Before the Senate
Federal and State Affairs Committee**

**Ed Van Petten
Executive Director**

**Kansas Lottery
Agency Update 1-10-07**

I. Legislative Issues

KSA 74-8723 provides that the Kansas Lottery is to be abolished on July 1, 2008. The extension of the lottery will have to be done by the 2007 legislature, as online tickets (Powerball, Hot Lotto, Super Kansas Cash, 2by2, Pick 3, Keno and Kansas Hold'Em) do not expire until after a full year from the draw date on the ticket. Therefore sales would have to stop at close of business on June 30, 2007 for these games, if the lottery is not extended in the upcoming session. All instant ticket games (scratch and pulltab) would have to be ended before January 1, 2008, as those tickets expire 180 days after the end date of the particular game.

We propose eliminating the sunset provision altogether. There is no benefit to the provision as oversight is accomplished annually by this committee, and the Legislature has the authority to end the lottery operations at any time. Our proposed legislation also provides for eliminating the requirement that retailers post a certificate at their retail locations, and deleting KSA 74-8705 (e), which prohibits the renewal or extension of major procurement contracts.

II. Sales

Sales for FY 2006 totaled \$235 million, and we are presently 5.41% ahead of last year's sales, despite showing more than a 27% decline thus far in Powerball sales. Instant tickets continue to show the greatest increase, and we simply have not had a real large Powerball jackpot thus far this fiscal year, which I believe is the reason for the decline. It takes a jackpot of over \$100 million to generate the selling frenzies which we experienced last year with two record jackpots over \$300 million.

III. Transfers

The 2002 legislature allowed the Lottery to modify the method of calculating transfers made each month. Rather than the statutory provision of transferring 30% of gross sales each month, the Omnibus bill allowed for minimum monthly transfers of \$4.5 million, and a minimum annual total of \$59 million. This request was made to give us more flexibility in operations and make it possible to increase prize payouts to bolster sales. As a result of these changes, the lottery has been able to boost payouts on our instant products which has helped to boost our sales, and thus the overall amount of money transferred. This has been continued in the Omnibus bill each year since, with the target transfer for this fiscal year being \$71 million. Total transfers through December 15, 2006, were \$948,288,277.

IV. Operations

Our primary concern continues to be security, both in our gaming system and field operations. We have eliminated the ability of programmers to access the gaming system unaudited by adding a test system, detached from the gaming system, for developing new programs. We have also increased the audit functions, or oversight, on the gaming system.

We continue to reduce the use of paper to the greatest degree possible. Daily and weekly sales reports, which formerly were distributed on paper, are now paperless and maintained "on line." All draw information is also maintained paperless, and all investigation reports and work papers are stored electronically.

Our gaming system in the field now operates on a wireless communications system statewide. We utilize both satellite and radio technology, and have increased operations with approximately 99.9% up time. When operating on the telecommunications system, uptime ran approximately 98.5%. Total savings per year will run approximately \$1.6 million.

We are required to survey retailers to ensure compliance with the Americans with Disabilities Act, which is a continuing responsibility. We have enjoyed a good working relationship with Anthony Fadale, State ADA Coordinator. I have assigned all duties in this regard to the Security Division instead of Sales Division as had been done in the past. There appeared to be conflicts in asking Sales Representatives to determine if a potential location could sell lottery products.

Last year we paid retailer commissions of \$13,641,678, with total commissions paid through November 30, 2006, of \$172,273,503.

V. Partnerships

We continue to develop marketing partnerships with Kansas businesses and industries. As you are aware, we market games with Kansas Speedway, the Kansas State Fair, Cabela's and General Motors. We also now have formed marketing partnerships with a number of smaller companies across Kansas such as Land Pride in Salina, TerraTrack in Clay Center, Cobalt Boats in Neodesha and Swartz Motorsports in Strong City. Other partners include Big Dog Motorcycles in Wichita, the Wichita Riverfest, 3i Show, The Great Santa Fe Trail Horse Race, and Kansas Department of Wildlife and Parks. We are presently also selling our first ticket promoting tourism in a particular area of the state with "Flint Hills Treasures." Our intent with these games is to increase the exposure of Kansas business, industry and tourism, as well as to generate enthusiasm in Kansas citizens for our games.

There are a number of businesses in the lottery industry that license certain products for use of logos and use their merchandise for prizes in conjunction with lottery games. These licenses are quite often very expensive, so we have tried to generate the same effect of "brand" or name recognition, and hopefully help a Kansas business in the process. Instead of costing the Lottery extra, the merchandise has been provided at reduced cost, with no charges or minimal charges for the use of logos and names. This seems to be a good way to stimulate economic development in Kansas, while generating revenue for the state.

VI. Veteran's Benefit Games

Unaudited sales figures for the Veteran's Benefit Games are about \$3 million, which should result in a transfer for those programs in excess of \$900,000. These funds are distributed one-half to the National Guard Scholarship fund and one-half to the Veteran's Commission to assist with maintenance of the Soldier's Homes and Veteran's Cemeteries.

VII. 20th Anniversary

Sales of Kansas Lottery tickets began on November 12, 1987. We will launch a \$20.00 scratch ticket tomorrow to commemorate this occasion, and will have a number of birthday-themed games throughout the year. The \$20.00 ticket will have a second-chance drawing to pick 20 players, who will all receive at least \$20,000 and have a chance to come to Topeka for another drawing and an opportunity to win \$200,000. This will take place on Friday, November 9, 2007, hopefully at the Capitol.

VIII. New Games this Year

On March 12, we began sale of "Hot Lotto" and became the ninth state to offer the game. It is similar in play to "Powerball," with players choosing five numbers from a field of 39, and one number from a field of 19. As of last Saturday's draw we have had \$6,499,695 in sales this fiscal year.

In June 2006 we introduced the game Super 7's, which is an Electronic Game Card. We were the second lottery to launch the game, and it was very successful, with most sales being incremental to existing sales. We launched our second shipment December 14, and have ordered a third game to be delivered in the spring.

On September 24, 2006, we went live with a test market of 86 retailers with the new game "Kansas Hold'Em." We selected retail locations based on the highest Keno sales in each retailer type. We chose social environments (bars and clubs), convenience stores, bowling alleys and fraternal organizations. Thus far the social environments and bowling alleys seem to be the strongest markets. However, in some convenience stores, sales are strong. At this time the game is in 93 locations, and sales have surpassed \$860,000.

IX. Current RFP

We presently have a request for proposal (RFP) issued. We anticipate receiving three bids from GTECH (present vendor), Scientific Games and Intralot. The RFP is for our online gaming system and communications system for the gaming system. The bids are due the end of January 2007. The current contract began July 1, 2002.

PROPOSED BILL NO. _____

By

AN ACT concerning the Kansas lottery; amending K.S.A. 74-8705 and 74-8708 and repealing the existing sections; also repealing K.S.A. 74-8723.

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

Section 1. K.S.A. 74-8705 is hereby amended to read as follows: 74-8705. (a) Major procurement contracts shall be awarded in accordance with K.S.A. 75-3738 through 75-3744, and amendments thereto, or subsection (b), as determined by the director, except that:

(1) The contract or contracts for the initial lease of facilities for the Kansas lottery shall be awarded upon the evaluation and approval of the director, the secretary of administration and the director of architectural services;

(2) The commission shall designate certain major procurement contracts or portions thereof to be awarded, in accordance with rules and regulations of the commission, solely to minority business enterprises.

(b) The director may award any major procurement contract by use of a procurement negotiating committee. Such committee shall be composed of: (1) The executive director or a Kansas lottery employee designated by the executive director; (2) the chairperson of the commission or a commission member designated by the chairperson; and (3) the director of the division of purchases or an employee of such division designated by the director. Prior to negotiating a major procurement contract, the committee shall solicit bids or proposals thereon. The division of purchases shall provide staff support for the committee's solicitations. Upon receipt of bids or proposals, the committee may negotiate with one or more of the persons submitting such bids or proposals and select from among

such persons the person to whom the contract is awarded. Such procurements shall be open and competitive and shall consider relevant factors, including security, competence, experience, timely performance and maximization of net revenues to the state. If a procurement negotiating committee is utilized, the provisions of K.S.A. 75-3738 through 75-3744, and amendments thereto, shall not apply. Meetings conducted by the procurement negotiating committee shall be exempt from the provisions of the Kansas open meeting act, K.S.A. 75-4317 through ~~75-4320a~~ 75-4320c, and amendments thereto.

(c) Before a major procurement contract is awarded, the executive director shall conduct a background investigation of: (1) The vendor to whom the contract is to be awarded; (2) all officers and directors of such vendor; (3) all persons who own a 5% or more interest in such vendor; (4) all persons who own a controlling interest in such vendor; and (5) any subsidiary or other business in which such vendor owns a controlling interest. The vendor shall submit appropriate investigation authorizations to facilitate such investigation. The executive director may require, in accordance with rules and regulations of the commission, that a vendor submit any additional information considered appropriate to preserve the integrity and security of the lottery. In addition, the executive director may conduct a background investigation of any person having a beneficial interest in a vendor. The secretary of revenue, securities commissioner, attorney general and director of the Kansas bureau of investigation shall assist in any investigation pursuant to this subsection upon request of the executive director. Whenever the secretary of revenue, securities commissioner, attorney general or director of the Kansas bureau of investigation assists in such an investigation and incurs costs in addition to those attributable to the operations of the office or bureau, such additional costs shall be paid by the Kansas lottery. The furnishing of assistance in such an investigation shall be a transaction between the Kansas

lottery and the respective officer and shall be settled in accordance with K.S.A. 75-5516, and amendments thereto.

Upon the request of the chairperson, the Kansas bureau of investigation and other criminal justice agencies shall provide to the chairperson all background investigation information including criminal history record information, arrest and nonconviction data, criminal intelligence information and information relating to criminal and background investigations of a vendor to whom a major procurement contract is to be awarded. Such information, other than conviction data, shall be confidential and shall not be disclosed, except as provided in this section. In addition to any other penalty provided by law, disclosure of such information shall be grounds for removal from office or termination of employment.

(d) All major procurement contracts shall be subject to approval of the commission.

~~(e) The executive director shall not agree to any renewal or extension of a major procurement contract unless such extension or renewal is awarded in the manner provided by this section.~~

Sec. 2. K.S.A. 74-8708 is hereby amended to read as follows: 74-8708. (a) The executive director shall select as lottery retailers such persons as deemed best able to serve the public convenience and promote the sale of tickets or shares in accordance with marketing plans developed by the Kansas lottery. In the selection of lottery retailers, the executive director shall consider factors such as financial responsibility, security of the applicant's place of business or activity, accessibility of the applicant's place of business or activity, integrity, reputation, volume of expected sales and such other factors as the executive director may deem appropriate. The executive director may select the state fair board as a lottery retailer to sell lottery tickets or shares only on the state fairgrounds and only during the time of the annual state fair. Other persons lawfully engaged in nongovernmental

business on state property may be selected as lottery retailers.

(b) The executive director may charge an application fee to persons applying to become lottery retailers.

(c) All lottery retailer contracts awarded by the Kansas lottery under this act shall be renewable annually after issuance unless sooner canceled or terminated.

(d) No lottery retailer contract awarded under this act shall be transferred or assignable.

~~(e) Each lottery retailer shall be issued a lottery retailer certificate which shall be conspicuously displayed at the place where the lottery retailer is authorized to sell lottery tickets or shares.~~

~~(f)~~ (e) Lottery tickets or shares shall only be sold by the lottery retailer at the location stated on the lottery retailer certificate approved by the Kansas lottery.

~~(g)~~ (f) To be selected as a lottery retailer, a natural person acting as a sole proprietor must:

(1) Be at least 18 years of age;

(2) have sufficient financial resources to support the activities required to sell lottery tickets or shares;

(3) be current in payment of all taxes, interest and penalties owed to any taxing subdivision where the lottery retailer will sell lottery tickets or shares;

(4) be current in filing all applicable tax returns and in payment of all taxes, interest and penalties owed to the state of Kansas, excluding items under formal appeal pursuant to applicable statutes; and

(5) not be engaged exclusively in the sale of lottery tickets and shares.

~~(h)~~ (g) No natural person shall be selected as a lottery retailer who:

(1) Has been convicted of a felony in this or any other jurisdiction, unless at least 10 years have passed since satisfactory completion of the sentence or probation imposed by the court for each such felony;

(2) has been convicted of an illegal gambling activity in this or any other jurisdiction;

(3) has been found to have violated the provisions of this act or any rule and regulation adopted hereunder;

(4) is a vendor or an employee or agent of any vendor doing business with the Kansas lottery;

(5) resides in the same household of an employee of the Kansas lottery or of a member of the commission; or

(6) has made a statement of material fact to the Kansas lottery, knowing such statement to be false.

(~~h~~) (h) For a partnership to be selected as a lottery retailer, the partnership must meet the requirements of subsections ~~(g)(2), (g)(3), (g)(4) and (g)(5)~~ (f)(2), (f)(3), (f)(4) and (f)(5) and each partner must meet the requirements of subsections ~~(g)(1), (g)(3), (g)(4) and (h)(1) through (h)(6)~~ (f)(1), (f)(3), (f)(4) and (g)(1) through (g)(6).

(~~i~~) (i) For a corporation to be selected as a lottery retailer, the corporation must meet the requirements of subsections ~~(g)(2), (g)(3), (g)(4) and (g)(5)~~ (f)(2), (f)(3), (f)(4) and (f)(5) and each officer or director and each stockholder who owns 5% or more of the stock of such corporation must meet the requirements of subsections ~~(g)(3), (g)(4) and (h)(1) through (h)(6)~~ (f)(3), (f)(4) and (g)(1) through (g)(6).

(~~k~~) (j) For an unincorporated association to be selected as a lottery retailer, the association must meet the requirements of subsections ~~(g)(2), (g)(3), (g)(4) and (g)(5)~~ (f)(2), (f)(3), (f)(4) and

(f)(5) and each officer or director must meet the requirements of subsections (g)(1), (g)(3), (g)(4) and (h)(1) through (h)(6) (f)(1), (f)(3), (f)(4) and (g)(1) through (g)(6).

~~(j)~~ (k) The executive director may terminate ~~the certificate of~~ any lottery retailer who fails to meet any of the applicable qualifying standards for selection as a retailer provided in this section or on the grounds for termination provided in the contract pursuant to rules and regulations adopted by the commission.

~~(m)~~ (l) If a lottery retailer's rental payments for the business premises are contractually computed, in whole or in part, on the basis of a percentage of retail sales, and such computation of retail sales is not explicitly defined to include sale of tickets or shares in a state-operated lottery, the compensation received by the lottery retailer from the lottery shall be considered the amount of the retail sale for purposes of computing the rental payment.

Sec. 3. K.S.A. 74-8705, 74-8708 and 74-8723 are hereby repealed.

Sec. 4. This act shall take effect and be in force from and after its publication in the Kansas register.