

MINUTES OF THE SENATE FEDERAL AND STATE AFFAIRS

The meeting was called to order by Chairman Pete Brungardt at 10:30 a.m. on January 13, 2009 in Room 136-N of the Capitol.

All members were present except:

Senator Steve Abrams- excused
Senator Dennis Pyle- excused

Committee staff present:

Connie Burns, Administrative Assistant
Julian Efird, Kansas Legislative Research
Dennis Hodgins, Kansas Legislative Research
Jason Long, Kansas Legislative Revisor
Theresa Kiernan, Kansas Legislative Revisor

Conferees appearing before the committee:

Ed Van Petten, Kansas Lottery
Keith Kocher, Kansas Lottery

Others attending:

See attached list.

Chairman opened the meeting and welcomed committee members and staff. A list of subject matter which is dealt with by the committee was provided. (Attachment 1)

George Barbee, Board of Technical Professions, requested a bill introduction concerning the State Board of Technical Professions relating to licensure.

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

Ed Van Petten, Executive Director, Kansas Lottery provided an update on the Kansas Lottery. (Attachment 2) The sales for FY 2008 totaled nearly \$237 million, the second highest in Lottery history. Currently sales are about 4.18% behind last year's sales. Florida joined the Powerball games this month bringing the total number of members to 32. In response to adding the large number of Florida players, and in an effort to boost overall Powerball sales, the multi-State Lottery Association also modified the Powerball game this month, whereby the jackpot odds go up, but overall odds are better for players to win a prize.

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. The request was made to give more flexibility in operations and make it possible to increase prize payout to bolster sales.

The primary concern continues to be security, both in the gaming system and field operations; the Lottery has 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; and continued to increase the audit functions, or oversight, on the gaming system. In last year's security audit conducted for Legislative Post Audit, Delehanty Consulting LLC reported, "The Kansas lottery's security culture may set the standard for the U.S. lottery industry."

The Lottery continues to develop marketing partnership with Kansas businesses and industries; and have promoted tourism in the state with "Flint Hills Treasures," "The Great Santa Fe Trail Horse Race" and the "Sunflower State Games"; other partners include the Wichita Riverfest, the 3i Show, Garmin, Cougar Boats, Cabela's and Kansas Department of Wildlife and Parks. The intent with these "made in Kansas" games is to increase the exposure of Kansas business, industry and tourism, and to generate enthusiasm in Kansas citizens for their games. 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.

CONTINUATION SHEET

MINUTES OF THE Senate Federal And State Affairs at 10:30 a.m. on January 13, 2009, in Room 136-N of the Capitol.

The Veteran's Benefit Games tickets are showing an increase in sales, the 2008 Legislature changed the distribution of funds: 30% goes to the National Guard Museum fund (through June 2010) and 40% to Kansas National Guard education Assistance Act scholarships, and 30% will benefit the Kansas Veterans' Home in Winfield, the Kansas Soldiers' Home at Fort Dodge, and the Veterans Cemetery System. Also, games will be sold year round instead of May through November.

In the last year the Lottery has awarded a new contract for advertising; has issued an RFP for the printing of instant tickets and for facilities to house the Lottery headquarters and warehouse. Several proposals were received and the Lottery is currently considering bids and otherwise negotiating with the bidders.

Keith Kocher, Director of Gaming Facilities, Kansas Lottery, provided an update on expanded gaming. The Southeast, South Central, and Northeast gaming zones have re-let bids with application deadlines of January 21, 2009 for South East, April 1, 2009 for South Central and North East gaming zones. The Southwest gaming zone chose Butler National Service Corporation as manager of the "Boot Hill Casino and Resort" to be located on the outskirts of Dodge City, Kansas. The KRGC approved the applicant and their contract became binding on December 4, 2008. The \$5.5 million privilege fee deposited by the applicant has been transferred to the Expanded Lottery Act Revenues Fund, as provided by the KELA.

Racetrack gaming facilities are the other side of the Expanded Lottery Act. The Lottery negotiated extensively with the Woodlands Racetrack in Kansas City but was unable to reach a final contract. Both parimutuel licenses have stated their intent to seek amendments to the KELA during the 2009 Legislative session.

The KELA specifically requires that all electronic gaming machines be connected to a central computer system chosen and controlled by the Lottery for the purposes of security, auditing, monitoring, and deactivation if necessary. The gaming managers must pay for the system.

Bob Krehbiel, Chief Gaming Officer, has retired and the Governor's Chief Counsel, Sally Howard, has assumed those duties on an acting basis. Dan Biles of the law firm Gates, Biles, Shields and Ryan was hired to assist the Lottery in all aspects of the application and approval process for all gaming facilities and on January 7, Governor Sebelius appointed him to the Kansas Supreme Court. At this time the Lottery is anticipating remaining with Mr. Biles' law firm for outside legal counsel needs.

The next meeting is scheduled for January 14, 2009. The meeting was adjourned at 11:30 am