

MINUTES OF THE SENATE FEDERAL AND STATE AFFAIRS COMMITTEE.

The meeting was called to order by Chairperson Senator Nancey Harrington at 10:35 a.m. on January 25, 2001 in Room 245-N of the Capitol.

All members were present.

Committee staff present: Russell Mills, Legislative Research Department
 Dennis Hodgins, Legislative Research Department
 Theresa Kiernan, Revisor of Statutes
 Judy Glasgow, Secretary

Conferees appearing before the committee: Edwin A. Van Petten, Acting Executive Director, KS Lottery
 Barbara J. Hinton, Legislative Post Auditor

Others attending: See Attached Sheet

Chairman Harrington announced that after the meeting yesterday she had received a letter by fax from Automated Wagering International (AWI) a division of Anchor Gaming on competitive bidding with regard to the Kansas Lottery contract. A copy was provided for each committee member. (Attachment 1).

Chairman Harrington opened the hearing:

Confirmation hearing on Edwin Van Petten, Director of the Lottery.

Mr. Van Petten addressed the committee and provided a brief history of his background and experience. He stated that he had been in government service in various capacities since 1981. (Attachment 2). He noted that his experience in the Attorney General's Office in 1988 provided him with experience of supervision of staff and the development of policy within the department. Mr. Van Petten stated that he is looking forward to working with Governor Graves and the entire legislature to make certain that the Kansas Lottery runs smoothly, ethically, economically and with integrity. Mr. Van Petten stated that he is aware that this type of agency requires hands on management but it is important to have mid level management that can be trusted to carry out internal programs. He stated that upon his appointment on October 2nd as Acting Director he spent 75 to 80% of his time at the beginning working on security issues; especially issues concerning computer security. Mr. Van Petten reported that at this time he believes the Kansas Lottery is where it should be in regard to these security issues but security must be diligently maintained in order to keep it relevant. He addressed the issue of personnel and his concern that some legislators are asking for the firing of employees without being aware of the entire facts. He stated that these incidents were from as far back as four to five years ago and because of statute of limitations these employees had been dealt with appropriately considering the time frame of the incidents. Mr. Van Petten stated that he would deal with issues as he feels appropriate and he stated that he would give his upmost effort to bring honesty and integrity to the personnel of the Kansas Lottery as well as its operation. Mr. Van Petten then stood for questions from the committee.

Senator Brungardt questioned Mr. Van Petten about GTECH and their role in the electronic games and asked if Kansas citizens can count on honesty and integrity in the lottery games. Mr. Van Petten stated that GTECH provides the on-line system that administers the electronic aspects of the games. The Kansas Lottery or Multi State Lottery (Power ball) set up the rules, develop format, and the winning structures. He stated that the system in place now would address the concerns of honesty and integrity, but in matters like this there cannot be a 100% guarantee.

Senator Gilstrap questioned Mr. Van Petten about the computer files that were altered, what type of files and how this matter had been addressed. Mr. Van Petten stated that he had would honor the court rules in the pending

criminal case, but the computer files that had been altered were gaming tapes. He stated that when

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instant games are received from a vender, game tapes are supplied that correspond with the bar coding on the tickets. He stated that this matter had been addressed.

In response to questions from Senator Vratil and Senator Gooch, Mr. Van Petten stated that when he worked in the State Attorney's General's office he supervised 22 individuals and there are 82 employees at the Kansas Lottery. Mr. Van Petten stated that the Executive Director should have the authority to hire and fire employees in the best interest of the agency and he hoped that the legislature would not try to micro manage the lottery.

Senator Gooch questioned the conferee about the radio ad that had been pulled recently and what was being done to correct incidents of this nature in the future. Mr. Van Petten stated that in the future he will personally review and approve all ads before they are aired. He also replied to a concern Senator Gooch had raised previously about the employment of minorities in the agency and stated that he will work on this in the future.

Mr. Van Petten responded to questions from Senator Teichman concerning his financial experience in handling a business this large and also about the need for updating security on GTECH's current management. He stated that he did have the financial experience from running a private practice along with running an insurance agency, but that he has faith in the financial division of the Kansas Lottery and would rely heavily on their expertise. The updated security on GTECH officials was necessary because of new personnel in upper management positions at GTECH.

There being no further questions committee Senator Harrington ask for Committee action.

Senator Brungardt moved to favorably recommend to the full senate that Edwin Van Petten be confirmed as Executive Director of the Kansas Lottery. Senator Vratil seconded the motion. The motion unanimously carried.

Chairman Harrington opened hearing on:

SB 32 K-GOAL; clean up amendments

Theresa Kiernan stated that this was a bill cleaning up some technical items and to make grammatical changes to a bill concerning K-GOAL that was passed by the 2000 Legislature.

Chairman Harrington recognized Barbara Hinton, Legislative Post Auditor, who gave a brief description of the purpose of the Kansas Governmental Operation Accountability Law (K-GOAL). She stated that K-GOAL provides for periodic review of certain state agencies to see if operations are being conducted efficiently. These audits are on an 8 year cycle and was renewed last year. **SB 32** makes a number of technical changes to the Kansas Governmental Operations Accountability Law that while necessary are non-substantive. The bill also make a number of language and grammatical changes. Ms. Hinton asked that **SB 32** be passed by this committee.

Written only was provided by Senator Lana Oleen, Chair of the Legislative Post Audit Committee as a proponent of **SB 32**. (Attachment 3).

Senator O'Connor moved that SB 32 be reported favorably to the full Senate and placed on the consent calender. Senator Vratil seconded the motion. The motion unanimously passed.

Chairman Harrington asked for introduction of bills. Mr. Bob Longino, Acting Director of Alcoholic Beverage Control requested the introduction of a bill concerning the regulations of certain liquor licenses and the regulations of employees of the agency.

Senator Gooch moved for the introduction of the bill, Senator Barnett seconded the motion. The motion passed.

The meeting adjourned at 11:30 a.m. The next meeting is scheduled for 10:30 a.m. on January 30, 2001.