



Sam Brownback
Governor

**Testimony Before
The Senate Federal and State Affairs Committee
Agency Update 2015**

Presented By:
Terry Presta, Executive Director
Kansas Lottery

Mr. Chairman and members of the Committee:

I. Lottery Senior Leadership Team Introductions

- Sherriene Jones-Sontag, Deputy Executive Director
- Keith Kocher, Director of Gaming Facilities

II. Traditional Lottery Sales

Sales for the “traditional” Lottery for FY 2014 totaled \$245,708,290. This was the second largest annual sales amount for Kansas Lottery tickets and nearly \$1 million higher than in FY 2013. One of the brightest spots in the sales numbers was a 15 percent increase in our instant game category in the last quarter of FY 2014, compared to the same period the previous year. That was the largest increase posted by any of the 45 U.S. lotteries in that quarter.

In FY 2014, the Lottery paid out about \$138.7 million in prizes, along with retailer commissions of \$14.1 million.

III. Transfers

As a result of the strong sales year the Lottery was able to transfer to the State’s financial coffers \$74.3 million in FY 2014, just short of a new record amount. In addition, the State of Kansas received \$1,150,959 state income taxes withheld from prizes paid. Finally, from Lottery prize winners the State was able to collect \$202,410 owed to it through the Department of Administration Debt Set-Off Program that matches outstanding debts owed to the State prior to paying out funds to those owed monies by the State.

IV. Security Operations

Lottery staff takes pride in its commitment to security and as such, security continues to be our primary focus, both in the gaming system and field operations.

The Lottery completed the transition of adding a new and faster validation process called keyless validation to all of its instant games. The state of the art barcode can be found under the latex on instant scratch tickets and under the tabs on instant pull tab tickets. Keyless validation allows players to win-check and retailers to validate instant tickets by simply scanning the new barcode (a function that was formerly only available for on-line games).

We also continue to operate the successful Retailer Honesty Assurance Program, which helps ensure our players are treated fairly by retailers.

V. Partnerships

In FY 2014, the Kansas Lottery again partnered with the Kansas City Chiefs on a \$5 instant scratch game. The game offered a second-chance drawing in which five players won Chiefs prize packages. It was the second time the Lottery had partnered with the Chiefs. A launch party to help publicize the game was held at Hollywood Casino at Kansas Speedway.

The Lottery also teamed up with Sporting Kansas City, offering for the first time in the country an instant game with a professional soccer theme. The \$2 Sporting KC game was a real hit with soccer fans. It offered a second-chance drawing in which one player won a VIP Soccer Experience Prize Package that included season tickets for the 2015 season.

The Lottery also continued its long-standing partnerships with Kansas Speedway, holding two second-chance drawings to give 60 players and their guests a chance to enjoy the spring and fall NASCAR races with VIP racing weekend prize packages.

The 2014 Kansas State Fair was the most successful yet for the Kansas Lottery. We set a new record of more than \$272,000 in sales for the 10-day event. We also partnered with the 3i Show, Wichita Riverfest and various other smaller venues.

VI. Veteran's Benefit Games

In FY 2014 we transferred a new record of \$1.8 million for Veteran's programs, bringing the total to more than \$12 million since legislation authorizing these games was passed in 2003. Presently the transfer goes 40 percent for National Guard Educational Assistance Act scholarships, 30 percent to Veterans Homes and Cemeteries and 30 percent to the Veteran's Enhanced Service Delivery Program.

VII. New Games for FY 2014

In FY2014, we increased the number of tickets for the popular “Holiday Millionaire Raffle” from 150,000 to 175,000 raffle tickets. The game which features a \$1 million grand prize, sold out for the fifth year in a row. There were also thousands of other prizes ranging from 2,500 \$100 prizes clear up to 25 \$5,000 prizes. To maintain excitement for the game, ten \$10,000 “Early Bird” prizes also were offered, along with thousands of \$50 “instant cash bonus prizes”.

VIII. CUMULATIVE FIGURES

The Lottery’s accomplishments in its first 27 years of existence include (not including casino revenues):

- A. Net sales of \$4.9 billion
- B. More than \$2.6 billion in game prizes
- C. More than 75 millionaires created
- D. Retailer commissions of \$278million
- E. Transfers to the State of \$1.48 billion

IX. EXPANDED GAMING

A. SOUTHEAST GAMING ZONE (Crawford and Cherokee Counties)

The Lottery received no viable applications to become a Lottery Gaming Facility Manager in the Southeast Gaming Zone since 2008, which applicant later withdrew. This prompted the 2014 Legislature to amend the Kansas Expanded Lottery Act (KELA) by lowering the minimum investment in infrastructure to \$50 million (originally \$225 million) and decreasing the privilege fee from \$25 million to \$5.5 million. The Lottery is currently accepting applications from prospective managers through the end of January. The Lottery Gaming Facility Review Board has also been reconstituted and conducted its first organizational meeting on January 7, 2015.

B. SOUTH CENTRAL GAMING ZONE (Sumner and Sedgwick Counties)

The Lottery Gaming Facility Review Board selected Peninsula Gaming’s “Kansas Star Casino” from among three applicants with which the Lottery had negotiated contracts. As planned, Peninsula constructed an interim facility housing approximately 1,310 slot machines (later increased to over 1,425), 32 table games (increased to 35 tables and 5 poker tables), and three restaurants. This interim structure was designed to eventually become the permanent indoor equestrian and events center. Following all applicable approvals the interim casino opened to the general public in December of 2011.

In mid-2012 a proposal was announced whereby Peninsula Gaming Partners would be purchased by, or merged with, Boyd Gaming Corporation. By

November of 2012 the transfer was completed. Addition of Peninsula's casinos brought the total number of casinos owned by Boyd Gaming to 22.

Construction of the permanent casino structure was substantially completed by December of 2012 when the new casino floor and all amenities were fully opened to the public (about two months ahead of schedule). The permanent casino currently housed over 1,800 slot machines and 60 table games (including a 13-table dedicated poker room), with a 150-room hotel that opened in the late fall of 2012. It also offered five restaurants.

Conversion of the area previously containing the interim casino into an indoor arena and events center was then completed. The final contractually obligated phase of the project was scheduled to be completed by February of 2015, but actually opened ahead of time. An additional 150 rooms of the hotel (bringing the total to 300 rooms) was opened last summer. This is now the largest "Hampton Inn & Suites" in the world. In addition, the official grand opening of the newly completed 11,000 square foot meeting and convention center, approximately 180 permanent horse stalls, and a roofed equestrian practice arena will be conducted on January 22, 2015.

Total gaming facility revenue for FY14 was approximately \$181 million. "Gaming facility revenues" are all amounts wagered less prizes paid, which revenue is then available for distribution as follows:

- State of Kansas: 22%
- Casino manager: 73% (from which it pays all expenses)
- City of Mulvane: 1%
- Sumner County: 1%
- Sedgwick County: 1%
- Problem Gambling and Addictions Grant Fund: 2%

C. NORTHEAST GAMING ZONE (Wyandotte County)

Kansas Entertainment is a partnership between Penn National Gaming and International Speedway Corporation. Kansas Entertainment constructed the "Hollywood Casino at Kansas Speedway" on the second turn of Kansas Speedway in Kansas City, Kansas. The permanent casino was constructed, with no intervening "interim" or other temporary facility. The casino opened to the general public on February 3, 2012.

The casino currently houses approximately 2,000 slot machines and 52 table games. Amenities include covered parking, several restaurants, and retail.

The Unified Government of Wyandotte County and Kansas City, Kansas, are currently in discussions with Kansas Entertainment regarding the possibility of construction of a hotel on or about the Hollywood Casino property.

Gaming facility revenue for the facility was approximately \$132 million in FY14. Again, “gaming facility revenues” are all amounts wagered less prizes paid, which revenue is then available for distribution as follows:

- State of Kansas: 22%
- Casino manager: 73% (from which it pays all expenses)
- Unified Government of Wyandotte County and Kansas City, KS: 3%
- Problem Gambling and Addictions Grant Fund: 2%

D. SOUTHWEST GAMING ZONE (Ford County)

Boot Hill Casino & Resort opened to the general public on December 15, 2009. “Phase I” of the gaming facility included approximately 584 slot machines and 12 table games. Amenities include a full-service restaurant, a snack bar, a “saloon”, and a retail shop.

“Phase II” of the casino project was completed in the fall of 2012. The current total number of slot machines on the floor is approximately 689 with 18 table games (including a 5-table dedicated poker room). In 2012 a 108-room “Hampton Inn & Suites” hotel situated right next to the casino opened its doors. On the other side of the casino the arena and convention center jointly built by Dodge City and Ford County have continued in full operation.

Gaming facility revenues at Boot Hill Casino for FY14 were about \$40 million. In the Southwest Gaming Zone “gaming facility revenues” are distributed as follows:

- State of Kansas: 22%
- Casino manager: 73% (from which it pays all expenses)
- City of Dodge City: 1.5%
- Ford County: 1.5%
- Problem Gambling and Addictions Grant Fund: 2%

E. TOTAL CASINO REVENUE FUND TRANSFERS

State of Kansas for FY14 - **\$78 million**
Cumulative to State through FY14 - **\$214.2 million**

Problem Gambling and Addictions Grant Fund FY14 - **\$7 million**
Cumulative to PGAGF through FY14 - **\$19.4 million**

City and County Recipients FY14 - **\$10.6 million**
Cumulative to City and County Recipients through FY14 - **\$29.2 million**

F. RACETRACK GAMING FACILITIES

The Lottery received no inquiries regarding racetrack gaming facilities in FY 2014.