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**Testimony Before
The Senate Federal and State Affairs Committee
Senate Bill 61**

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Mr. Vice Chairman and Members of the Committee:

Thank you for your consideration of Senate Bill 61, known as the Kansas Lottery Modernization Bill. SB 61 proposes four minor changes to the Kansas Lottery Act regarding the selling and advertising of traditional lottery products. This bill does not "expand" the reach of the Kansas Lottery, as it will only allow the Lottery to implement industry best practices and further modernize its operations to become more efficient and effective in today's business environment. Furthermore, these changes have nothing to do with the Kansas Expanded Lottery Act and that act remains untouched by these requested changes.

Allow Kansas Lottery to be a retailer

The bill amends K.S.A. 74-8718(a)(2) to clarify that the Kansas Lottery is able to sell its own products. As part of the Lottery's efforts to support state, regional and local events as well as promote its products and brand, the Lottery sponsors and participates in a number of events across the state including the Wichita RiverFest, races at Kansas Speedway, Country Stampede in Manhattan, the 3i Show in Dodge City and the Park City Chill.

Currently, to sell Lottery products at the events, the Lottery must identify a willing lottery retailer to sell tickets through, go through a detailed accounting process of tracking the tickets sold and returned and then pay the retailer the commission earned from the sales. The Lottery's ability to sell its own products will eliminate a great deal of unnecessary paperwork and reduce staff time by streamlining the accounting and ticket tracking process.

In CY 2014, the Lottery sponsored or participated in 17 events and promotions across the state with sales totaling \$105,718.

Make purchases by a minor expressly prohibited.

The Lottery also proposes to make it a criminal offense for a person under the age of 18 to "purchase, or attempt to purchase" Kansas Lottery products.

Under current law, it is only a crime for a retailer to sell a Lottery ticket to someone less than 18 years of age. While minors purchasing lottery products is not, nor has it historically been a problem, the Kansas Lottery takes the issue of underage gaming very seriously and wants to try to prevent that action when

possible. This change along with a robust education campaign targeted at minors, their parents and clerks will help to continue to deter minors from purchasing lottery products.

Making it a fineable offense of up to \$500, or making up to 40 hours of community service possible would mirror Kansas penalties for underage purchases of alcohol. This change does not lessen the responsibilities of lottery retailers not to sell lottery products to minors.

Allow the Lottery to advertise at amateur athletic and sporting events.

The bill updates K.S.A 74-8704(b) which currently prohibits the on-site advertising and promotion of Lottery products at all amateur athletic and sporting events including those held at universities and colleges under the jurisdiction of the Kansas Board of Regents. The bill clarifies that the prohibition applies specifically to sporting events in the state where the majority of participants are under the age of 18. Although we receive many requests for sponsorships, the Lottery is very careful not to promote its products at or sponsor any event where the majority of participants are minors. This change ratifies this practice into law.

This change to K.S.A. 74-8704(b) also allows the Lottery to get the best return on its advertising investment at sporting events held at Board of Regents universities and other colleges. Currently, the Lottery is able to use traditional lottery revenues to sponsor men's and women's teams and coaches' shows through advertising on radio and television broadcasts as well as on websites. This bill allows the Lottery to additionally promote its products and branding on electronic billboards and other signage displayed in stadiums and arenas as well as sponsor promotions and events held in these facilities. We are regularly requested by these institutions to advertise on-site, but cannot because of this prohibition.

Similar to what is allowed at dozens of other universities including the Big XII's Texas and West Virginia as well as neighboring Nebraska and Missouri, advertising on-site will tremendously increase the overall advertising impressions with lottery players attending the game or watching it on television. It is estimated that basketball TV impressions over the course of a season in the Kansas City, Wichita and Topeka markets alone are 1,444,420 for Kansas State University and 1,946,120 for the University of Kansas.

Allow the Lottery to invest in and use electronic product dispensers.

The Lottery proposes amending K.S.A. 74-8702(q) to allow the use of electronic dispensers in the state if the Lottery decides they are feasible and secure. As an industry best practices standard, 38 U.S. lotteries including Missouri, Oklahoma and Colorado use electronic dispensers to deliver and sell their lottery products.

The Lottery is frequently asked by lottery retailers if such dispensers are available in Kansas because they want a better way to track inventory and sales as well as reduce customer wait times and specifically labor costs. Lottery retailers who have locations in other states where electronic dispensers are used report their sales increased by 30% to 50% and have cut their lottery labor costs in half.

Once fully implemented, estimates project the use of electronic dispensers in Kansas would increase sales by \$25 to \$30 million and increase transfers to the state by \$8 to \$9 million annually.

Again, thank you Vice Chairman LaTurner and Committee Members for consideration of Senate Bill 61.

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SELF-SERVICE ELECTRONIC DISPENSERS IN THE U.S.

