

MINUTES OF THE HOUSE FEDERAL AND STATE AFFAIRS COMMITTEE

The meeting was called to order by Chairman Arlen Siegfroid at 1:30 P.M. on January 22, 2008, in Room 313-S of the Capitol.

All members were present except:

Nile Dillmore
Oletha Faust-Goudeau - Excused
Robert Olson - Excused
Michael Peterson - Excused

Committee staff present:

Kathie Sparks, Kansas Legislative Research Department
Dennis Hodgins, Kansas Legislative Research Department
Mike Heim, Revisor of Statutes Office
Jason Long, Revisor of Statutes Office
Jeannie Dillon, Committee Assistant

Conferees: Ed Van Petten, Executive Director, Kansas Lottery
Keith Kocker, Director of Gaming Facilities

Others attending:

See attached list.

Chairman Siegfroid opened the floor for bill introductions and recognized Representative Mah who requested a bill to expand the Veteran's benefit game on the scratch-off tickets. With no objection, this bill was accepted. as a Committee bill.

Chairman Siegfroid introduced Ed Van Petten, Executive Director Kansas Lottery who addressed the committee regarding the Lottery and SB 66. (Attachment 1)

Mr. Van Petten gave an overview and updated the committee on the traditional lottery. He stated that the Kansas Lottery would not be proposing any additional legislation for this session. He related that in 2007 the Kansas Lottery set another record with regards to sales of 240,000,000 dollars. This year's sales are running about 1.63 below where they were last year at this time.

Mr. Van Petten stated that traditionally February and March see the largest increase in sales, even more so than the holiday games which give them a bump during November and December. The Kansas Lottery launched the first time ever multi-scratch ticket. Although this has been done between provincial provinces in Canada, it had never been done in the United States. It has proven to be a very successful game for Kansas.

He stated that their primary concern continues to be security, both in the gaming system and field operations. He noted that 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.

He spoke to the issue of the Veteran's Benefit games as mentioned by Representative Mah, and said that they limited the sale of these games from May 1 until November 30th. Last year they sold three million dollars in Veteran's Benefit games which will amount to a transfer of almost 900,000 dollars for the fiscal year.

He concluded by noting the development of new game concepts which includes the Electronic Scratch Ticket.

A committee member asked if Mr. Van Petten had any reports regarding the partnership with the different Kansas companies and the Kansas Lottery and if they have seen an increase in their sales with some of these items.

Mr. Van Petten answered by saying that it is a little hard to tell with some of them. He stated that they have had a very good reaction from the commerce community statewide and that he would think that it is a good match.

CONTINUATION SHEET

MINUTES OF THE House Federal and State Affairs Committee at 1:30 P.M. on January 22, 2008, in Room 313-S of the Capitol.

A committee member asked Mr. Patten to break down the distribution of sales.

Mr. Van Petten said that he would not be exact but that administrative costs run about 4 percent of sales. The cost of prizes last year was either 54 or 56 percent. Online sales, which is terminal issue tickets, were at 5.1 percent and that goes down in conversion to 4.999. He noted that retailers receive 5 percent for the selling commission on all tickets, 1 percent for cashing winning tickets and 2 percent for cashing winning keno and Kansas Holdem' tickets.

A committee member asked Mr. Van Petten how much money is spent on advertising.

Mr. Van Petten said that advertising was part of the administrative costs and it runs approximately 3 million dollars a year.

A committee member stated that there was 3 million dollars in advertising for the lottery but the tourism budget for Kansas went from 4.1 to 3.4 million for the entire state for tourism. The Committee member questioned the states priorities regarding the cost of the lottery compared to the cost of supporting tourism which is supposedly bringing money in from out of state.

The Chairman asked Mr. Patten if the 1.63 drop in sales was related to the weather or the economy.

Mr. Van Petten said that the last few weeks could be weather related. He noted that there is always a spike in sales when the jackpots are larger.

The Chairman complimented Mr. Van Petten on his high security standard and thanked him for coming.

Mr. Van Petten introduced Keith Kocker, Director of Gaming Facilities, Steve Darrell, Assistant Attorney General for the Lottery and Sally Lundsford, Director of Communications at the Kansas Lottery.

A committee member was concerned that there was a perception that the Sumner County commission made recommendations and the appearance that some people decided that they wanted a larger proposal at the Sumner exit, implying that they favored a Mulvane exit site because it would generate more revenue being closer to Wichita.

Mr. Van Petten stated that he was positive that the Kansas Lottery had never made that comment. Maximizing revenue is one of the major factors to be considered and that he stood by that. He stated that is what Senate Bill 66 tells them to do but he does not think that is the only factor that they consider.

Responding to a question from a Committee member concerning the city of Mulvane, Mr. Van Patten replied that the Lottery does not have discretion as to who to negotiate with or who to forward to the Lottery Gaming Facility Review Board. He noted that the review board makes the final determination as to what is in the best interest of the state of Kansas.

Keith Kocker, Director of Gaming Facilities, gave an overview of the Kansas Lottery implementation of the Kansas Expanded Lottery Act as created by Senate Bill 66. The overview included casino information, rules and regulations regarding racinos and the litigation now pending in the District Court of Shawnee County, Kansas. (Attachment 2)

After answering all questions asked by the committee regarding SB66, the Chairman thanked Mr. Kocker for his testimony.

With no further business before the Committee, the Chair adjourned the meeting. The next scheduled meeting will be January 24, 2008.