

February 6, 2017

The Honorable Les Osterman, Chairperson
House Committee on Veterans and Military
Statehouse, Room 149-S
Topeka, Kansas 66612

Dear Representative Osterman:

SUBJECT: Fiscal Note for HB 2196 by House Committee on Veterans and Military

In accordance with KSA 75-3715a, the following fiscal note concerning HB 2196 is respectfully submitted to your committee.

Under current law, net proceeds from the sale of veterans' benefit lottery tickets are deposited into the State General Fund (SGF). From the SGF, monies are appropriated according to statute; the Kansas Army and Air National Guard and their families receive 40.0 percent of the net proceeds for educational assistance scholarships and the Kansas Commission on Veterans Affairs receives 60.0 percent of the net proceeds for the state nursing homes, cemeteries and the enhanced service delivery program.

HB 2196 would create two new funds in the State Treasury: the Veterans Benefit Lottery Game Fund, as administered by the Kansas Commission on Veterans Affairs and the National Guard Benefit Lottery Game Fund, as administered by the Adjutant General. Net proceeds from the sale of veteran's benefit lottery tickets would be deposited directly into the funds and money deposited into the funds could not be transferred to the SGF. The bill would maintain that 60.0 percent of net proceeds be deposited into the Veterans Benefit Lottery Game Fund and that 40.0 percent of net proceeds be deposited into the National Guard Benefit Lottery Game Fund. Spending from the funds would be limited to certain veteran benefit activities, similar to current restrictions. The bill would also require veterans' benefits tickets be clearly marked on the front of the ticket.

The Kansas Commission on Veterans Affairs Office anticipates no fiscal effect associated with HB 2196. The agency indicates that HB 2196 would not change the amount of money the agency receives, just how the money is received.

The Adjutant General indicates that HB 2196 could increase expenditures for the agency because the Board of Regents currently administers lottery funds for scholarships. Requiring the Adjutant General to take on the responsibilities would increase agency workload and the agency indicates that an additional Accountant I FTE position may need to be hired. The agency did not

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include an estimate for the costs associated with hiring and maintaining an additional FTE position.

The Board of Regents anticipates that HB 2196 would have no net fiscal effect on the Office. The Office currently receives an SGF appropriation for the National Guard Educational Assistance Student Financial Assistance Program. The Office indicates that if the appropriations from the SGF stop, and funding came solely from the new fee funds created by HB 2196, the total amount available for scholarships may decrease. The Division of the Budget notes that this is because appropriations for those scholarships typically include additional SGF appropriations above what is earned by lottery ticket sales.

The Lottery indicates that HB 2196 would have no fiscal effect on Lottery operations; however, the Lottery notes requiring tickets to be clearly marked on the front of the ticket may decrease ticket revenue. In 2012, the Lottery indicated that players thought veterans' benefit scratch tickets paid out less than other instant scratch tickets. After removing "Supporting Kansas Veterans" from the tickets, the Lottery indicated that sales and associated transfers nearly doubled. In 2016, after concerns expressed by veteran support groups, the Lottery added a yellow ribbon to the front of the tickets and average monthly sales dropped by \$411,944 in FY 2016 and average monthly sales dropped by \$305,150 in FY 2017. Any fiscal effect associated with HB 2196 is not reflected in *The FY 2018 Governor's Budget Report*.

Sincerely,

A handwritten signature in black ink, appearing to read "Shawn Sullivan", with a horizontal line extending to the right.

Shawn Sullivan,
Director of the Budget

cc: Mark Heim, Veterans Affairs
Stephen Durrell, Lottery
Cheri Froetschner, Office of the Adjutant General
Kelly Oliver, Board of Regents
Scott Miller, PMIB