

KANSAS LOTTERY

FY 2021 – FY 2023 BUDGET ANALYSIS

FIGURE 1
BUDGET OVERVIEW, FY 2021 – FY 2023

	Actual FY 2021	Agency FY 2022	Governor FY 2022	Agency FY 2023	Governor FY 2023
Operating Expenditures:					
State General Fund	\$ -	\$ -	\$ -	\$ -	\$ -
Federal Funds	-	-	-	-	-
All Other Funds	354,097,296	375,316,768	375,316,768	376,421,496	376,233,632
<i>Subtotal</i>	<u>\$ 354,097,296</u>	<u>\$ 375,316,768</u>	<u>\$ 375,316,768</u>	<u>\$ 376,421,496</u>	<u>\$ 376,233,632</u>
Capital Improvements:					
State General Fund	\$ -	\$ -	\$ -	\$ -	\$ -
Federal Funds	-	-	-	-	-
All Other Funds	-	-	-	-	-
<i>Subtotal</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
TOTAL	<u>\$ 354,097,296</u>	<u>\$ 375,316,768</u>	<u>\$ 375,316,768</u>	<u>\$ 376,421,496</u>	<u>\$ 376,233,632</u>
Percentage Change:					
State General Fund	-- %	-- %	-- %	-- %	-- %
All Funds	12.0 %	6.0 %	6.0 %	0.3 %	0.2 %
FTE Positions	90.0	90.0	90.0	93.0	90.0

For purposes of this analysis, full-time equivalent (FTE) positions include non-FTE permanent unclassified positions but continue to exclude temporary employees. FTE positions reflect permanent state positions equating to a 40-hour work week.

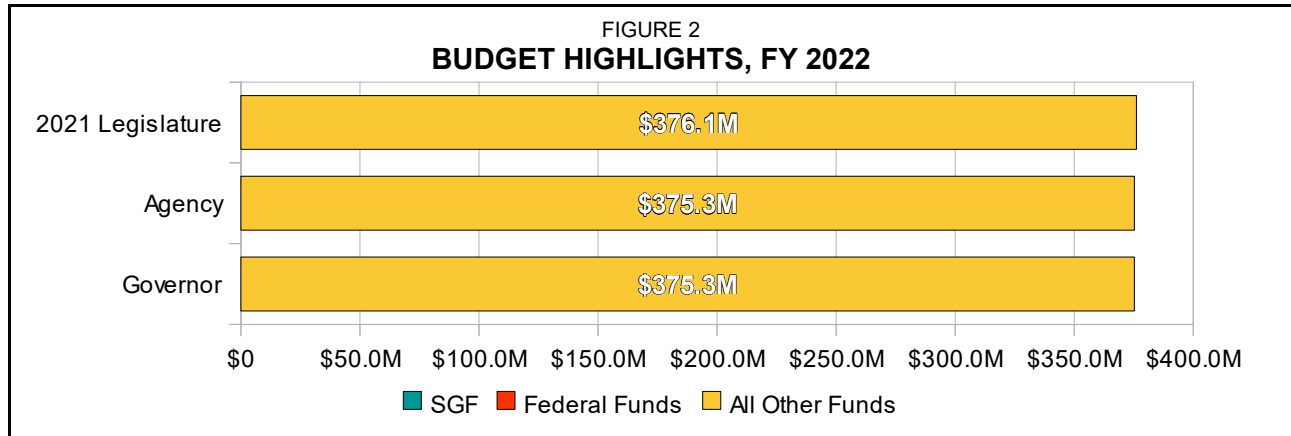
Article 15, Section 3c of the *Kansas Constitution* authorizes a lottery that is owned and operated by the State. KSA 74-8710(a) allows, by rule and regulation, the establishment of the types of lottery games to be conducted, including, but not limited to, instant lottery, online, and traditional games. The Kansas Lottery has established multiple types of traditional games, including instant tickets, Powerball, Mega Millions, Super Kansas Cash, 2 by 2, Keno, Racetrax, Lucky for Life, and Pick 3. The agency also engages in partnerships, including with the Kansas City Chiefs, Sporting Kansas City, Kansas City Royals, Kansas Speedway, and the Kansas State Fair for special instant games and second chance prize drawings.

The 2007 Legislature repealed a provision prohibiting games on video lottery machines and established the Expanded Lottery Act to provide for gaming at racetracks and casinos in limited jurisdictions where approved by local voters. This allows the Kansas Lottery to own and operate electronic gaming machines at designated locations. The Kansas Racing and Gaming Commission is given authority to regulate the gaming activities at racetracks and casinos.

The agency has seven budget programs that support its operations. These programs are Administration, Information Technology, Sales, Security, Cost of Sales, Expanded Lottery Act, and Marketing. All are detailed in this budget analysis.

EXECUTIVE SUMMARY

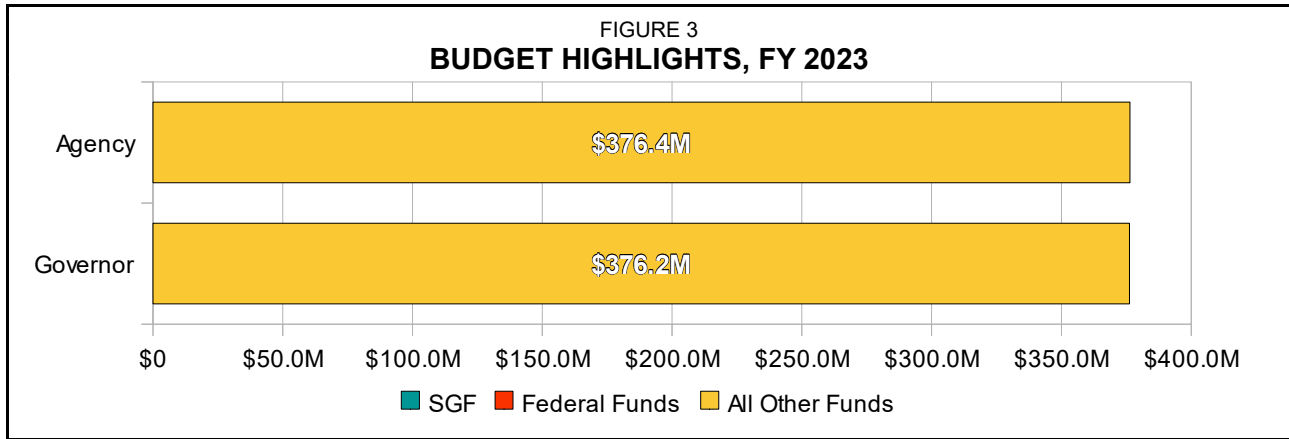
The 2021 Legislature approved a budget of \$376.1 million, all from special revenue funds, for the Kansas Lottery for FY 2022. No adjustments have been made subsequently to that amount.



The **agency** requests a revised estimate of \$375.3 million, all from special revenue funds, in FY 2022. This is a decrease of \$812,250, or 0.2 percent, below the FY 2022 approved amount. The agency estimates a decrease in Expanded Lottery revenue from the four state-owned casinos of \$912,000 below the FY 2022 approved amount. This decrease is primarily attributable to a decrease in the Gaming Facility Manager Fee expenditures, which are proportional to total sales and are paid to casino operators. The estimate for this expenditure was lowered from the original estimate due to unknown conditions related to the COVID-19 pandemic at the state-owned casinos. This estimate will be reevaluated during subsequent consensus revenue estimates. The remaining adjustments include an increase of \$99,750, which is primarily attributable to an increase in ticket printing and shipping costs based on increased ticket sales in FY 2022.

The agency revised estimate also includes 90.0 FTE positions, which is unchanged from the FY 2022 approved number.

The **Governor** concurs with the agency's revised estimate in FY 2022.



The **agency** requests \$376.4 million, all from special revenue funds, for FY 2023. This is an increase of \$1.1 million, or 0.3 percent, above the FY 2022 revised estimate. The agency estimates \$38.0 million in lottery prizes paid by the State, which is an increase of \$1.0 million above the FY 2022 revised estimate. The agency requests additional increases of \$104,728, all from special revenue funds, for FY 2023. These adjustments primarily comprise increases in salaries and wages expenditures (\$377,928) and contractual services (\$926,000). However, these increases are partially offset by a decrease of \$1.2 million for capital outlay expenditures due to the purchase of additional lottery vending machines in FY 2022 that does not reoccur for FY 2023.

The **agency** request also includes 93.0 FTE positions, which is an increase of 3.0 FTE positions above the FY 2022 revised estimate.

The **Governor** recommends expenditures of \$376.2 million, all from special revenue funds, for FY 2023. This is a decrease of \$187,864, or less than 0.1 percent, below the agency's FY 2023 request. This decrease is due to the Governor directing the agency to use existing resources and vacant FTE positions, rather than additional expenditures, to support the enhancement request for 3.0 additional FTE positions in the Administration program.

The **Governor's** recommendation includes 90.0 FTE positions, which is a decrease of 3.0 FTE positions below the agency's FY 2023 request. The decrease is due to the Governor not recommending the enhancement request for an additional 3.0 FTE positions in the Administration program.

EXPENDITURES AND FINANCING

FIGURE 4
BUDGET SUMMARY BY CATEGORY OF EXPENDITURE, FY 2021 – FY 2023

	Actual FY 2021	Agency FY 2022	Governor FY 2022	Agency FY 2023	Governor FY 2023
Category of Expenditure:					
Salaries and Wages	\$ 6,504,696	\$ 7,420,968	\$ 7,420,968	\$ 7,798,896	\$ 7,611,032
Contractual Services	296,534,150	316,491,900	316,491,900	317,417,900	317,417,900
Commodities	320,172	737,200	737,200	737,200	737,200
Capital Outlay	84,900	1,702,700	1,702,700	467,500	467,500
Debt Service Interest	-	-	-	-	-
<i>Subtotal</i>	<u>\$ 303,443,918</u>	<u>\$ 326,352,768</u>	<u>\$ 326,352,768</u>	<u>\$ 326,421,496</u>	<u>\$ 326,233,632</u>
Aid to Local Units	11,096,672	11,964,000	11,964,000	12,000,000	12,000,000
Other Assistance	39,556,706	37,000,000	37,000,000	38,000,000	38,000,000
<i>Subtotal—Operating</i>	<u>\$ 354,097,296</u>	<u>\$ 375,316,768</u>	<u>\$ 375,316,768</u>	<u>\$ 376,421,496</u>	<u>\$ 376,233,632</u>
Capital Improvements	-	-	-	-	-
Debt Service	-	-	-	-	-
Principal	-	-	-	-	-
TOTAL	<u>\$ 354,097,296</u>	<u>\$ 375,316,768</u>	<u>\$ 375,316,768</u>	<u>\$ 376,421,496</u>	<u>\$ 376,233,632</u>
Financing:					
State General Fund	\$ -	\$ -	\$ -	\$ -	\$ -
Expanded Lottery	282,268,759	303,088,000	303,088,000	304,000,000	304,000,000
Receipts Fund	-	-	-	-	-
Lottery Prize	39,471,936	37,000,000	37,000,000	38,000,000	38,000,000
Payment Fund	-	-	-	-	-
Lottery Operating	32,356,601	35,228,768	35,228,768	34,421,496	34,233,632
Fund	-	-	-	-	-
Federal Funds	-	-	-	-	-
All Other Funds	-	-	-	-	-
TOTAL	<u>\$ 354,097,296</u>	<u>\$ 375,316,768</u>	<u>\$ 375,316,768</u>	<u>\$ 376,421,496</u>	<u>\$ 376,233,632</u>
FTE Positions	90.0	90.0	90.0	93.0	90.0

FY 2022 ANALYSIS

FIGURE 5
SUMMARY OF BUDGET REQUEST, FY 2022

	SGF	Special Revenue Funds	All Funds	FTE
Legislative Approved:				
Amount Approved by 2021 Legislature	\$ -	\$ 376,129,018	\$ 376,129,018	90.0
1. No Changes	-	-	-	--
<i>Subtotal—Legislative Approved</i>	\$ -	\$ 376,129,018	\$ 376,129,018	90.0
Agency Revised Estimate:				
2. IT Software	\$ -	\$ 100,000	\$ 100,000	--
3. All other adjustments	-	(912,250)	(912,250)	--
<i>Subtotal—Agency Revised Estimate</i>	\$ -	\$ 375,316,768	\$ 375,316,768	90.0
Governor’s Recommendation:				
4. No Changes	\$ -	\$ -	\$ -	--
TOTAL	\$ -	\$ 375,316,768	\$ 375,316,768	90.0

LEGISLATIVE APPROVED

- NO CHANGES.** Subsequent to the 2021 Session, no adjustments were made to the \$376.1 million FY 2022 approved amount.

AGENCY ESTIMATE

The **agency** requests a revised estimate of \$375.3 million, all from special revenue funds, in FY 2022. This is a decrease of \$812,250 below the FY 2022 approved amount.

The **agency** estimate includes the following adjustments:

- IT SOFTWARE.** The agency requests \$100,000, all from special revenue funds, for information technology (IT) software updates for FY 2022. The agency anticipates updating IT software to support continued remote work for FY 2022.
- ALL OTHER ADJUSTMENTS.** The agency estimates a decrease in Expanded Lottery revenue from the four state-owned casinos of \$912,000 below the FY 2022 approved amount. This resulted in a decrease in the Gaming Facility Manager Fee expenditures, which are proportional to total sales and are paid to casino operators. The estimate for this expenditure was lowered from the original estimate due to unknown conditions related to COVID-19 at the state-owned casinos. This estimate will be reevaluated during subsequent consensus revenue estimates. The remaining adjustments include a decrease of \$250, which is primarily attributable to a decrease in salaries and wages expenditures.

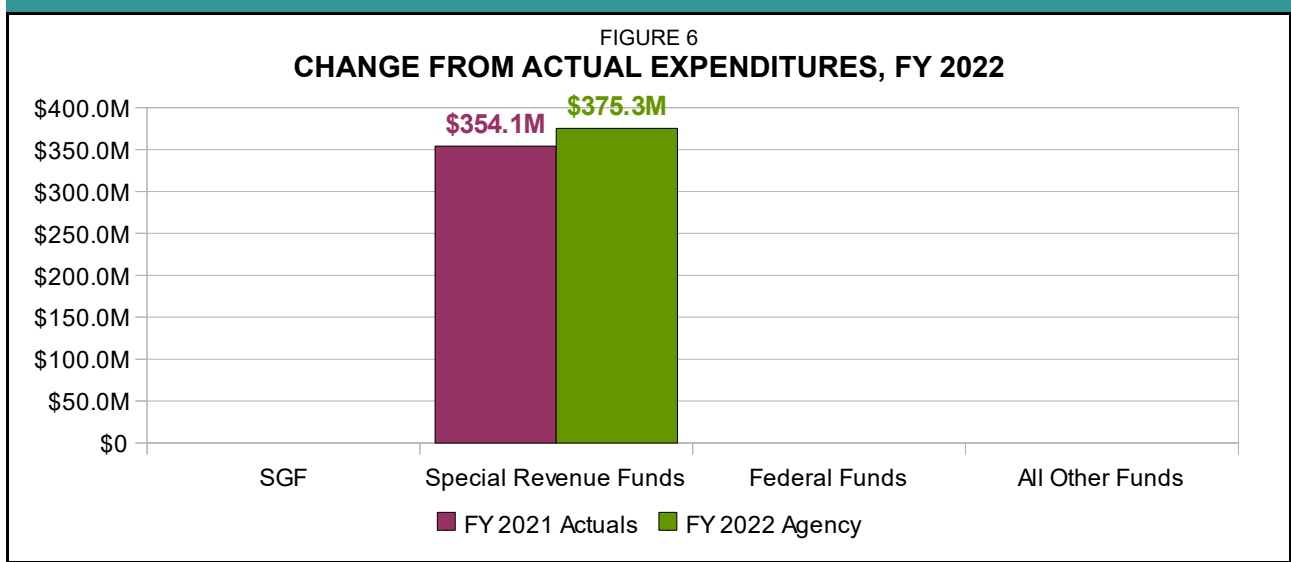
The **agency** estimate also includes 90.0 FTE positions, which is unchanged from the FY 2022 approved number.

GOVERNOR’S RECOMMENDATION

The **Governor** concurs with the agency’s revised estimate in FY 2022.

- NO CHANGES.** The Governor recommends no changes to the agency’s FY 2022 revised estimate.

FY 2022 CHANGE FROM ACTUAL EXPENDITURES



The agency requests \$375.3 million, all from special revenue funds, in FY 2022. This is an increase of \$21.2 million above the FY 2021 actual amount. This increase is primarily attributable to an increase of \$20.0 million in Gaming Facility Manager Fee, which is proportional to total sales and is paid to casino operators as part of the Expanded Lottery Act. Increased expenditures for lottery operating costs, including lottery ticket printing and shipping, as well as an increase in salaries and wages expenditures for merit-based adjustments and expected increases in fringe benefits costs, comprise the majority of the remaining adjustment.

FY 2023 ANALYSIS

FIGURE 7
SUMMARY OF BUDGET REQUEST, FY 2023

	SGF	Special Revenue Funds	All Funds	FTE
Agency Revised Estimate, FY 2022	\$ -	\$ 375,316,768	\$ 375,316,768	90.0
Agency Request:				
1. Lottery Prize Payments	\$ -	\$ 1,000,000	\$ 1,000,000	--
2. Enhancement–New FTE Positions	-	187,864	187,864	3.0
3. All Other Adjustments	-	(83,386)	(83,386)	--
<i>Subtotal–Agency Request</i>	\$ -	\$ 376,421,246	\$ 376,421,246	93.0
Governor’s Recommendation:				
4. Enhancement–New FTE Positions	\$ -	\$ (187,864)	\$ (187,864)	(3.0)
TOTAL	\$ -	\$ 376,233,382	\$ 376,233,382	90.0

AGENCY REQUEST

The **agency** requests \$376.4 million, all from special revenue funds, for FY 2023. This is an increase of \$1.1 million above the FY 2022 revised estimate.

The **agency** request includes the following adjustments:

- LOTTERY PRIZE PAYMENTS.** The agency estimates \$38.0 million in lottery prizes paid by the State, which is an increase of \$1.0 million above the FY 2022 revised estimate.
- ENHANCEMENT—NEW FTE POSITIONS.** The agency requests \$187,864 for 3.0 FTE positions for FY 2023. These additional FTE positions would include an additional Casino Audit Manager, a Sales and Marketing Program Associate, and an Administration and Business Operations Program Specialist.
- ALL OTHER ADJUSTMENTS.** All other adjustments include a decrease of \$83,386, all from special revenue funds. This decrease is primarily attributable to a decrease in contractual services expenditures due to a decrease in the Gaming Facility Manager Fee, which is proportional to total sales and is paid to casino operators.

The **agency** request also includes 93.0 FTE positions, which is an increase of 3.0 FTE positions above the FY 2022 revised estimate.

GOVERNOR’S RECOMMENDATION

The **Governor** recommends expenditures of \$376.2 million, all from special revenue funds, for FY 2023. This is a decrease of \$187,864, or less than 0.1 percent, below the agency's request for FY 2023.

- ENHANCEMENT—NEW FTE POSITIONS.** The Governor does not recommend the addition of 3.0 FTE positions. Rather, the recommendation directs the agency to utilize existing resources and vacant FTE positions to hire a Casino Audit Manager, Sales and Marketing Program Associate, and Administration and Business Operations Program Specialist.

The **Governor’s** recommendation includes 90.0 FTE positions, which is a decrease of 3.0 FTE positions below the agency's FY 2023 request. The decrease is due to the Governor not recommending an enhancement for the addition of 3.0 FTE in the Administration program.

SUPPLEMENTAL AND ENHANCEMENT REQUESTS

REQUEST 1 IT REMOTE WORK SUPPORT

The agency requests \$100,000, all from special revenue funds, in FY 2022 for the Information Technology program to purchase hardware and software to support remote work and disaster recovery capabilities. These expenditures include hardware such as servers and laptops, as well as software updates to support secure remote operations with adequate speed and bandwidth.

The Governor recommends adoption of this supplemental request.

REQUEST 2 FTE POSITIONS

The agency requests \$187,864, all from special revenue funds, for the addition of 3.0 FTE positions in the Administration Division, for FY 2023. These positions include a Casino Audits Manager, a Sales and Marketing Program Associate, and an Administration and Business Operations Program Specialist.

FY 2023 ENHANCEMENTS - AGENCY ESTIMATE

Item	SGF	All Funds	FTE
Casino Audits Manager	\$ -	\$ 87,980	1.0
Sales and Marketing Program Associate	-	48,715	1.0
Administration and Business Operations Program Specialist	-	51,169	1.0
TOTAL	\$ -	\$ 187,864	3.0

Casino Audits Manager. Currently, the agency has one Casino Audits Manager that travels weekly to the four state-owned casinos located in Dodge City, Mulvane, Kansas City, and Pittsburg. An additional Casino Audits Manager would provide more targeted supervision and oversight of staff and operations as each Casino Audits Manager would be responsible for two of the four state-owned casinos.

Sales and Marketing Program Associate. Events, promotions, and other activities that enhance player involvement and numbers have increased, and the agency anticipates these activities will continue to grow. This position would provide administrative support to high-level positions including the Sales Support Coordinator and other Sales and Marketing department staff. The position would also have duties related to event planning, coordination, and execution as well as other program-related activities and services.

Administration and Business Operations Program Specialist. This position would be responsible for directly carrying out and overseeing a variety of administrative functions that impact each department and employee in the agency. Responsibilities of this position would include activities related to procurement and contracts, policy development, human resources, audits, and facility and vehicle management.

The Governor does not recommend this enhancement request. The Governor recommends the agency fill the 3.0 FTE positions for FY 2023 using existing resources and vacant FTE positions.

SPECIAL TOPICS

TOPIC 1

EXPANDED LOTTERY ACT REVENUES AND TRANSFERS

FY 2022

The agency estimates revenues of \$398.8 million, which is a decrease of \$1.2 million below the FY 2022 approved amount from the four state-owned casinos due to uncertain revenue projections caused by the COVID-19 pandemic. If revenue targets are achieved, the agency will make the following transfers in FY 2022:

- \$87.7 million to the Expanded Lottery Act Revenues Fund;
- \$8.0 million to the Problem Gambling and Addictions Grant Fund; and
- \$12.0 million to local cities and counties that host gaming facilities.

FY 2023

The agency estimates revenues of \$400.0 million, which is a decrease of \$9.1 million below the FY 2023 approved amount from the four state-owned casinos. If revenue targets are achieved, the agency will make the following transfers in FY 2022:

- \$88.0 million to the Expanded Lottery Act Revenues Fund;
- \$8.0 million to the Problem Gambling and Addictions Grant Fund; and
- \$12.0 million to local cities and counties that host gaming facilities.

SPECIAL TOPICS

TOPIC 2

TRADITIONAL LOTTERY REVENUES AND TRANSFERS

FY 2022

For FY 2022, the agency estimates total net sales of \$317.6 million, which is a decrease of \$8.6 million below the FY 2021 actual amount. This is a net profit ratio of 23.7 percent after player prizes and operating costs. The net profits from the sale of regular lottery tickets are deposited in the following funds:

- \$42.4 million, 85.0 percent, to the Economic Development Initiatives Fund;
- \$7.5 million, 15.0 percent, to the Correctional Institutions Building Fund and Juvenile Alternatives to Detention Fund;
- \$19.6 million to the State General Fund (SGF);
- \$1.3 million to the Kansas Commission on Veterans' Affairs Office; and
- \$80,000 to the Problem Gambling and Addictions Grant Fund.

In addition to the transfers to the SGF and other special revenue funds from traditional lottery sales, up to the first \$8.0 million of the net revenue from lottery ticket vending machines is to be used for mental health programs and is transferred to the Kansas Department for Aging and Disability Services to support the Clubhouse Model (25.0 percent) and Crisis Intervention Centers (75.0 percent). The agency estimates a \$6.0 million transfer to the Kansas Department for Aging and Disability Services to support the Clubhouse Model (\$1.5 million) and Crisis Intervention Centers (\$4.5 million) for FY 2022.

FY 2023

For FY 2023, the agency estimates total net sales of \$319.6 million, which is an increase of \$2.0 million above the FY 2022 revised estimate. This is a net profit ratio of 23.3 percent after player prizes and operating costs. The net profits from the sale of regular lottery tickets are deposited in the following funds:

- \$42.4 million, 85.0 percent, to the Economic Development Initiatives Fund;
- \$7.5 million, 15.0 percent, to to the Correctional Institutions Building Fund and Juvenile Alternatives to Detention Fund;
- \$18.0 million to the SGF;
- \$1.3 million to the Kansas Commission on Veterans' Affairs Office; and
- \$80,000 to the Problem Gambling and Addictions Grant Fund.

In addition to the transfers to the SGF and other special revenue funds from traditional lottery sales, up to the first \$8.0 million of the net revenue from lottery ticket vending machines is to be used for mental health programs and is transferred to the Kansas Department for Aging and Disability Services to support the Clubhouse Model (25.0 percent) and Crisis Intervention Centers (75.0 percent). The agency estimates an \$8.0 million transfer to the Kansas Department for Aging and Disability Services to support the Clubhouse Model (\$2.0 million) and Crisis Intervention Centers (\$6.0 million) for FY 2023.

PROGRAM AND PERFORMANCE MEASURES OVERVIEW

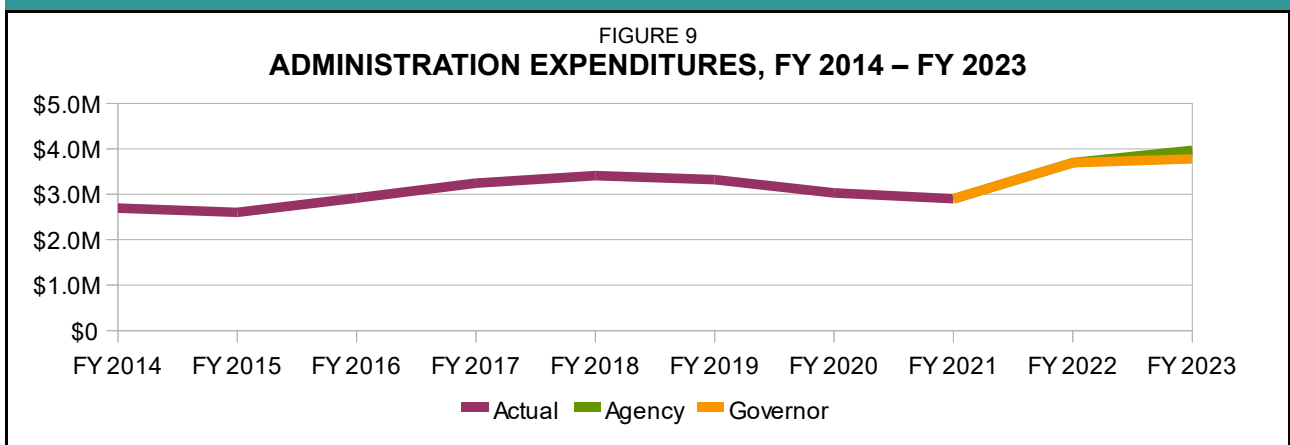
FIGURE 8
EXPENDITURES AND FTE POSITIONS BY PROGRAM, FY 2021 – FY 2023

Programs	Actual FY 2021	Agency FY 2022	Governor FY 2022	Agency FY 2023	Governor FY 2023
Expenditures:					
Administration	\$ 2,901,109	\$ 3,694,838	\$ 3,694,838	\$ 3,966,443	\$ 3,778,579
Cost of Sales	54,929,968	53,080,200	53,080,200	52,845,000	52,845,000
Expanded Lottery Act	286,541,174	307,280,780	307,280,780	308,232,638	308,232,638
Information Technology	1,114,783	1,504,654	1,504,654	1,538,530	1,538,530
Marketing	6,064,223	6,691,187	6,691,187	6,708,661	6,708,661
Sales	2,070,552	2,535,328	2,535,328	2,589,063	2,589,063
Security	475,487	529,781	529,781	541,161	541,161
TOTAL	\$ 354,097,296	\$ 375,316,768	\$ 375,316,768	\$ 376,421,496	\$ 376,233,632
FTE Positions:					
Administration	25.8	25.8	25.8	28.8	25.8
Cost of Sales	-	-	-	-	-
Expanded Lottery Act	17.0	17.0	17.0	17.0	17.0
Information Technology	5.8	5.8	5.8	5.8	5.8
Marketing	7.4	7.4	7.4	7.4	7.4
Sales	28.4	28.4	28.4	28.4	28.4
Security	5.6	5.6	5.6	5.6	5.6
TOTAL	90.0	90.0	90.0	93.0	90.0

PERFORMANCE MEASURES

The 2016 Legislature passed HB 2739, which outlined a three-year process for state agencies to develop and implement a system of performance budgeting using outcome measures to evaluate program effectiveness.

ADMINISTRATION



STATUTORY BASIS: • KSA 74-8701 through 74-8780

PROGRAM GOALS: • There were no goals submitted for this program.

The Administration program is responsible for human resources, procurement, facility and vehicles, and policy information and distribution that supports the Lottery. The program ensures Lottery personnel are knowledgeable of the newest and most effective products,

technologies, security operations, marketing, advertising strategies, and legal issues within the gaming and lottery industry. Additionally, the program provides service, information, and ticket shipments to current retailers.

FIGURE 10
ADMINISTRATION, PERFORMANCE MEASURES

	Actual FY 2020	Actual FY 2021	Actual 3-Year Avg.	Target FY 2022	Target FY 2023
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There were no agency performance measures submitted for this program.

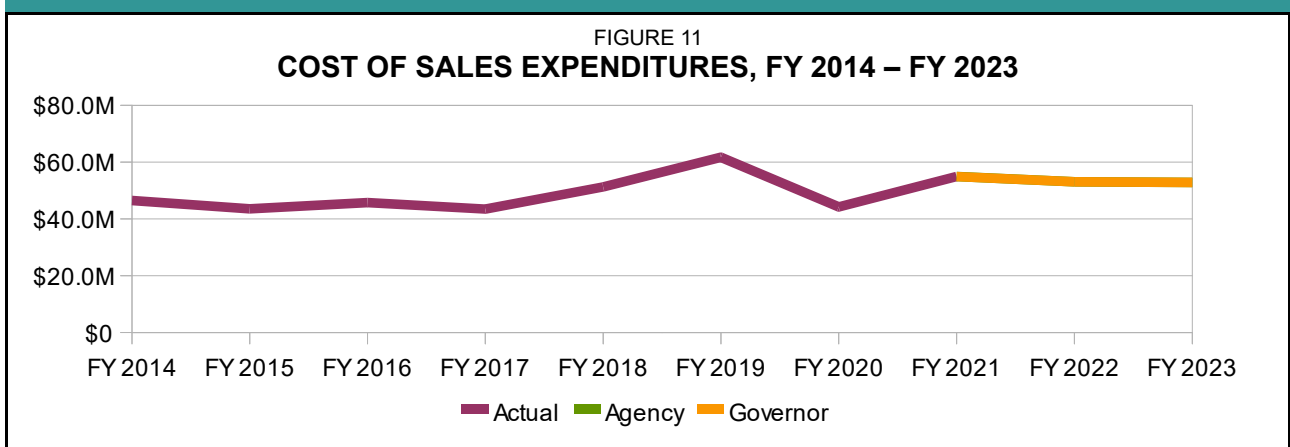
	Actual FY 2020	Actual FY 2021		Governor FY 2022	Governor FY 2023
Financing					
SGF	\$ -	\$ -		\$ -	\$ -
Federal Funds	-	-		-	-
All Other Funds	3,029,630	2,901,109		3,694,838	3,778,579
TOTAL	<u>\$ 3,029,630</u>	<u>\$ 2,901,109</u>		<u>\$ 3,694,838</u>	<u>\$ 3,778,579</u>
Percentage Change:					
SGF	-- %	-- %		-- %	-- %
All Funds	8.8 %	(4.2) %		27.4 %	2.3 %
FTE Positions	31.7	25.8		25.8	25.8

BUDGET ANALYSIS

The **agency** requests FY 2023 expenditures of \$4.0 million, all from special revenue funds, for the Administration program. This is an increase of \$271,605 above the FY 2022 revised estimate. This increase is partially attributable to an increase in salaries and wages expenditures (\$241,605), the employee recognition program (\$51,000) and for increases in employer contributions for fringe benefits such as group health insurance. The remaining increase is due to an increase in rent for the agency's office.

The **Governor** recommends FY 2023 expenditures of \$3.8 million, all from special revenue funds, for the Administration program. This is a decrease of \$187,864 below the agency's request for FY 2023. This decrease is due to the Governor not recommending the agency's request for 3.0 new FTE positions. The recommendation directs the agency to fill the new positions using vacant FTE positions and existing resources.

COST OF SALES



STATUTORY BASIS: • KSA 74-8701 through 74-8780

PROGRAM GOALS: • There were no goals submitted for this program.

The Cost of Sales program captures the contractual services and commodities expenditures necessary to operate a state lottery. Other assistance expenditures within this program are prize claims between \$600 and \$5,000 paid instantly at the Lottery headquarters from the Lottery Prize Payment

Fund. Other assistance expenditures also include the payment of prize claims more than \$5,000 via state checks from the Lottery Prize Payment Fund. Approximately 30.0 percent of player prizes are paid from this fund; the remaining prizes are paid by Lottery retailers.

FIGURE 12
COST OF SALES, PERFORMANCE MEASURES

	Actual FY 2020	Actual FY 2021	Actual 3-Year Avg.	Target FY 2022	Target FY 2023
Output Measure:					
1. Traditional Lottery Ticket Prize Payments (Dollars in Millions)	\$ 166.5	\$ 200.2	\$ 179.8	\$ 194.9	\$ 197.3
2. Commissions Earned by Retailers from Traditional Lottery (Dollars in Millions)*	\$ 16.2	\$ 19.2	\$ 17.6	\$ 18.6	\$ 18.8
Financing	Actual FY 2020	Actual FY 2021		Governor FY 2022	Governor FY 2023
SGF	\$ -	\$ -		\$ -	\$ -
Federal Funds	-	-		-	-
All Other Funds (Dollars in Millions)	44.2	54.1		53.0	52.8
TOTAL	<u>\$ 44.2</u>	<u>\$ 54.1</u>		<u>\$ 53.0</u>	<u>\$ 52.8</u>
Percentage Change:					
SGF	-- %	-- %		-- %	-- %
All Funds	(28.4) %	22.4 %		(2.0) %	(0.4) %
FTE Positions	--	--		--	--
* Indicates performance measure not utilized by the Governor.					

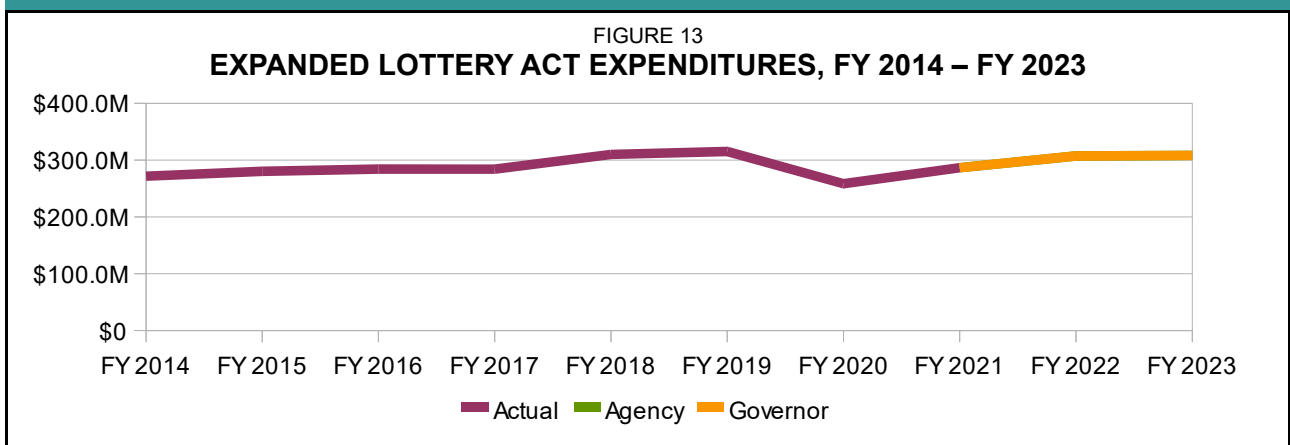
BUDGET ANALYSIS

The **agency** requests \$52.8 million, all from special revenue funds, for the Cost of Sales program for FY 2023. This is a decrease of \$235,200 below the FY 2022 revised estimate. This decrease is due to capital outlay expenditures that occur in FY 2022 for the purchase of lottery vending machines, which

does not reoccur for FY 2023. This program includes lottery prize claim payments of \$38.0 million, which is an increase of \$1.0 million.

The **Governor** concurs with the agency's request for FY 2023.

EXPANDED LOTTERY ACT



STATUTORY BASIS: • KSA 74-8701 through 74-8780

PROGRAM GOALS:

- Maintain public confidence in all casino gaming and provide services that meet or exceed the expectations of the Kansas citizenry.
- Produce the greatest amount of revenue possible for the State of Kansas while ensuring the integrity of all games.

The 2007 Legislature passed SB 66, which authorized expanded gaming activities with the Kansas Lottery designated as the owner and operator of the expanded lottery games. The Expanded Lottery Act program ensures the

integrity of electronic gaming devices, accurate reporting of net expanded gaming revenues, and compliance with management contracts, as well as duties and responsibilities prescribed within the Kansas Expanded Lottery Act.

FIGURE 14
EXPANDED LOTTERY ACT, PERFORMANCE MEASURES

	Actual FY 2020	Actual FY 2021	Actual 3-Year Avg.	Target FY 2022	Target FY 2023
Outcome Measure:					
1. Transfers to the Expanded Lottery Act Revenues Fund (Dollars in Millions)*	\$ 6.7	\$ 7.5	\$ 7.5	\$ 8.0	\$ 8.2
2. Transfers to the Problem Gambling and Addictions Grant Fund (Dollars in Millions)*	\$ 10.0	\$ 11.2	\$ 11.2	\$ 12.0	\$ 12.3
3. Transfers to City and County Governments*	\$ 73.6	\$ 82.4	\$ 82.2	\$ 88.0	\$ 90.0
4. Amounts captured for Setoff (Dollars in Millions)*	\$ -	\$ 3.1	\$ --	\$ 3.0	\$ 3.0
Financing	Actual FY 2020	Actual FY 2021		Governor FY 2022	Governor FY 2023
SGF	\$ -	\$ -		\$ -	\$ -
Federal Funds	-	-		-	-
All Other Funds (Dollars in Millions)	258.5	286.5		307.3	308.2
TOTAL	\$ 258.5	\$ 286.5		\$ 307.3	\$ 308.2
Percentage Change:					
SGF	-- %	-- %		-- %	-- %
All Funds	(18.0) %	10.8 %		7.3 %	0.3 %
FTE Positions	17.4	17.0		17.0	17.0
* Indicates performance measure not utilized by the Governor.					

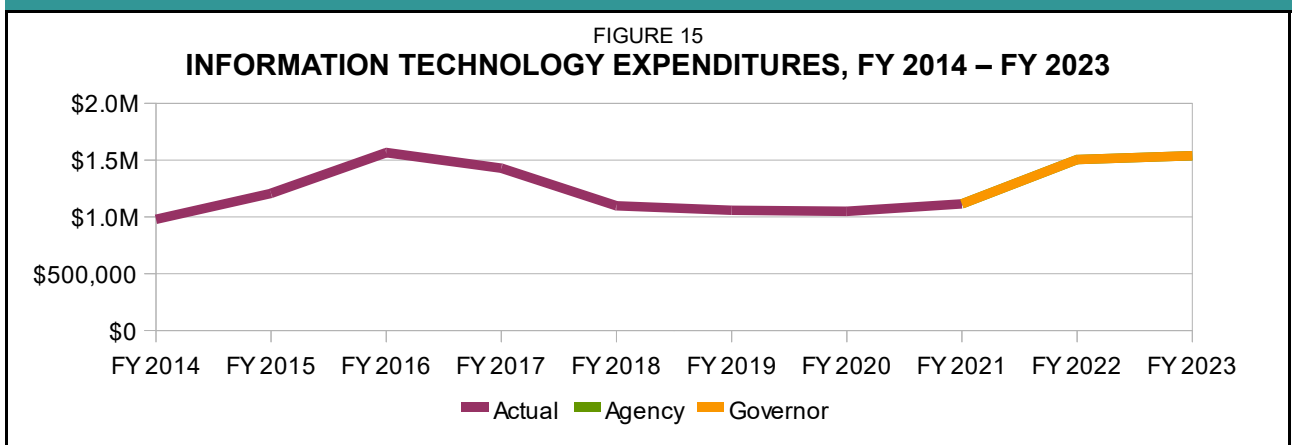
BUDGET ANALYSIS

The **agency** requests \$308.2 million, all from special revenue funds, for the Expanded Lottery Act Program for FY 2023. This is an increase of \$951,858 above the FY 2022 revised estimate. This increase is primarily attributable to \$876,000 in additional contractual services expenditures due to increased revenue estimates made during the April consensus revenue estimating process. The total anticipated amount to be sent to lottery facility managers is \$294.6 million. The remaining increase includes an increase in expenditures

for salaries and wages (\$39,858), which includes \$19,500 for the employee recognition program and increases for employer contributions for fringe benefits such as group health insurance. Additionally, there is an increase of \$36,000 due to revenue estimates, which is to be paid to local governments. The total anticipated moneys to be sent to local governments is \$12.0 million for FY 2023.

The **Governor** concurs with the agency's request for FY 2023.

INFORMATION TECHNOLOGY



STATUTORY BASIS: • KSA 74-8701 through 74-8780

PROGRAM GOALS: • There were no goals submitted for this program.

The Information Technology program of all Lottery computer operations to ensure provides technological infrastructure in support retailer and player satisfaction.

FIGURE 16
INFORMATION TECHNOLOGY, PERFORMANCE MEASURES

	Actual FY 2020	Actual FY 2021	Actual 3-Year Avg.	Target FY 2022	Target FY 2023
There were no agency performance measures submitted for this program.					
Financing	Actual FY 2020	Actual FY 2021		Governor FY 2022	Governor FY 2023
SGF	\$ --	\$ --		\$ -	\$ -
Federal Funds	--	--		-	-
All Other Funds (Dollars in Millions)	1.0	1.1		1.5	1.5
TOTAL	\$ 1.0	\$ 1.1		\$ 1.5	\$ 1.5
Percentage Change:					
SGF	-- %	-- %		-- %	-- %
All Funds	5.4 %	10.0 %		36.4 %	-- %
FTE Positions	4.6	5.8		5.8	5.8

BUDGET ANALYSIS

The **agency** requests \$1.5 million, all from special revenue funds, for the Information Technology program for FY 2023. This is an increase of \$33,876 above the FY 2022 revised estimate. The increase is attributable to an increase of \$13,876 in salaries and wages expenditures. Of this increase, \$9,000 is for the employee recognition program.

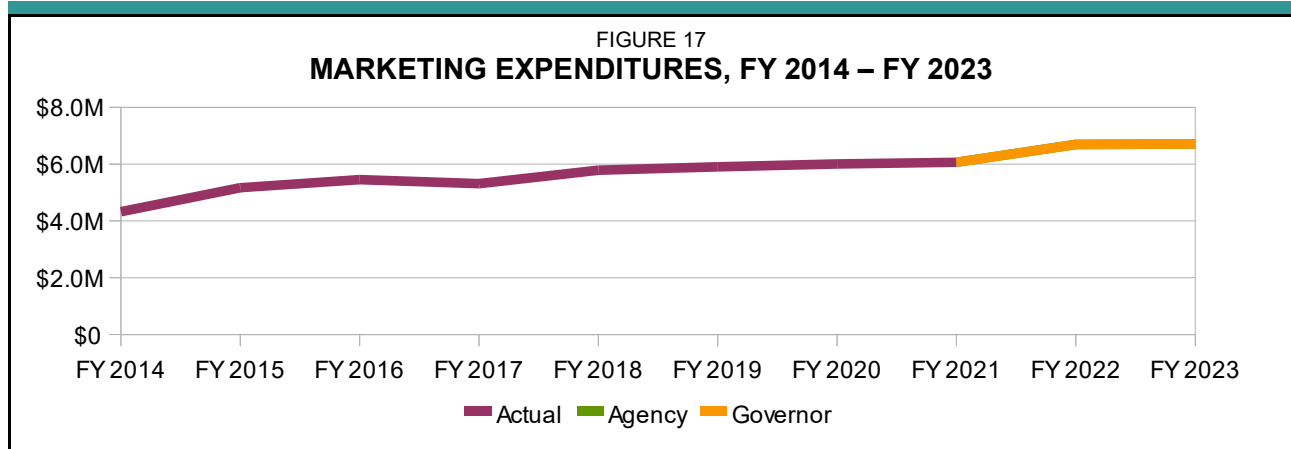
The increase is also attributable to increases in employer contributions for fringe benefits such as group health insurance. The remaining increase is attributable to an increase in

contractual services expenditures for communications and computer maintenance costs.

Other major expenditures in this program include upgrades to security access controls and monitoring equipment, computer supplies, operating costs for three vehicles, and expenditures for repairs, travel, and service fees.

The **Governor** concurs with the agency's request for FY 2023.

MARKETING



STATUTORY BASIS: • KSA 74-8701 through 74-8780
PROGRAM GOALS: • There were no goals submitted for this program.

The Marketing program works to promote the Kansas Lottery and its games in a responsible and effective manner. To achieve this, the program works to produce advertising media messages across a variety of platforms to maximize sales and returns to the state; produce a wide variety of scratch games; and coordinate special events programs, fairs, and other community events.

FIGURE 18
MARKETING, PERFORMANCE MEASURES

	Actual FY 2020	Actual FY 2021	Actual 3-Year Avg.	Target FY 2022	Target FY 2023
Outcome Measure:					
1.PlayOn - Increase in members*	25.0 %	32.0 %	29.0 %	10.0 %	10.0 %
2.PlayOn - Increase in tickets entered*	6.0 %	35.0 %	21.0 %	10.0 %	10.0 %
3.PlayOn - Average monthly engagement*	23.0 %	24.0 %	24.0 %	25.0 %	25.0 %
Financing					
	Actual FY 2020	Actual FY 2021		Governor FY 2022	Governor FY 2023
SGF	\$ --	\$ --		\$ -	\$ -
Federal Funds	--	--		-	-
All Other Funds (Dollars in Millions)	6.0	6.1		6.7	6.7
TOTAL	\$ 6.0	\$ 6.1		\$ 6.7	\$ 6.7
Percentage Change:					
SGF	-- %	-- %		-- %	-- %
All Funds	1.7 %	1.7 %		9.8 %	-- %
FTE Positions	7.4	7.4		7.4	7.4

* Indicates performance measure not utilized by the Governor.

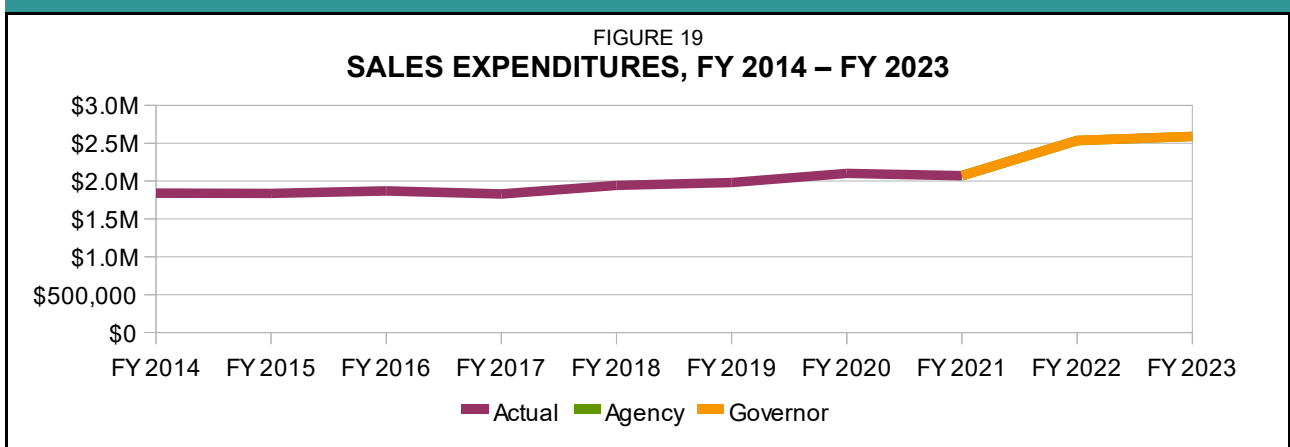
BUDGET ANALYSIS

The **agency** requests \$6.7 million for the Marketing program for FY 2023. This is an increase of \$17,474 above the FY 2022 revised estimate. The increase is attributable to increased salaries and wages expenditures that include \$12,000 for the employee recognition

program and increases for employer contributions for fringe benefits such as group health insurance.

The **Governor** concurs with the agency's request for FY 2023.

SALES



STATUTORY BASIS: • KSA 74-8701 through 74-8780

PROGRAM GOALS: • There were no goals submitted specific to this program.

The Sales program works to increase sales of all Lottery products through the training of sales staff on Lottery products, retailer recruitment and training, promoting player awareness of

available Lottery products, and increasing corporate account involvement in Lottery advertising and promotions.

FIGURE 20
SALES, PERFORMANCE MEASURES

	Actual FY 2020	Actual FY 2021	Actual 3-Year Avg.	Target FY 2022	Target FY 2023
Outcome Measure:					
1. Transfers to State Gaming Revenue Fund and SGF (Dollars in Millions)*	\$ 66.2	\$ 69.7	\$ 69.9	\$ 69.6	\$ 68.0
2. Transfers for Mental Health from Lottery Vending Machines (Dollars in Millions)*	\$ 1.7	\$ 5.6	\$ 2.4	\$ 6.0	\$ 8.0
3. Transfers to Veterans' Programs (Dollars in Millions)*	\$ 1.3	\$ 1.3	\$ 1.2	\$ 1.3	\$ 1.3
4. Total Transfers From the Sale of Lottery Tickets (Dollars in Millions)	\$ 69.2	\$ 76.5	\$ 73.5	\$ 76.8	\$ 77.3
5. Amounts Captured for Setoff Program*	\$ 192,334	\$ 347,149	287,699	250,000	250,000
6. State of Kansas Withholding (Dollars in Millions)*	\$ 0.7	\$ 1.0	\$ 1.0	\$ 1.0	\$ 1.0
7. Sales of lottery tickets (Dollars in Millions)	\$ 273.8	\$ 326.1	\$ 298.8	\$ 317.6	\$ 319.6
8. Lottery Vending Machines in Service*	176	204	129	300	400
Financing	Actual FY 2020	Actual FY 2021		Governor FY 2022	Governor FY 2023
SGF	\$ --	\$ --		\$ -	\$ -
Federal Funds	--	--		-	-
All Other Funds (Dollars in Millions)	2.1	2.1		2.5	2.6
TOTAL	<u>\$ 2.1</u>	<u>\$ 2.1</u>		<u>\$ 2.5</u>	<u>\$ 2.6</u>
Percentage Change:					
SGF	-- %	-- %		-- %	-- %
All Funds	-- %	-- %		19.0 %	4.0 %
FTE Positions	27.4	28.4		28.4	28.4

*The Governor's Office does not utilize this measure for evaluation purposes.

BUDGET ANALYSIS

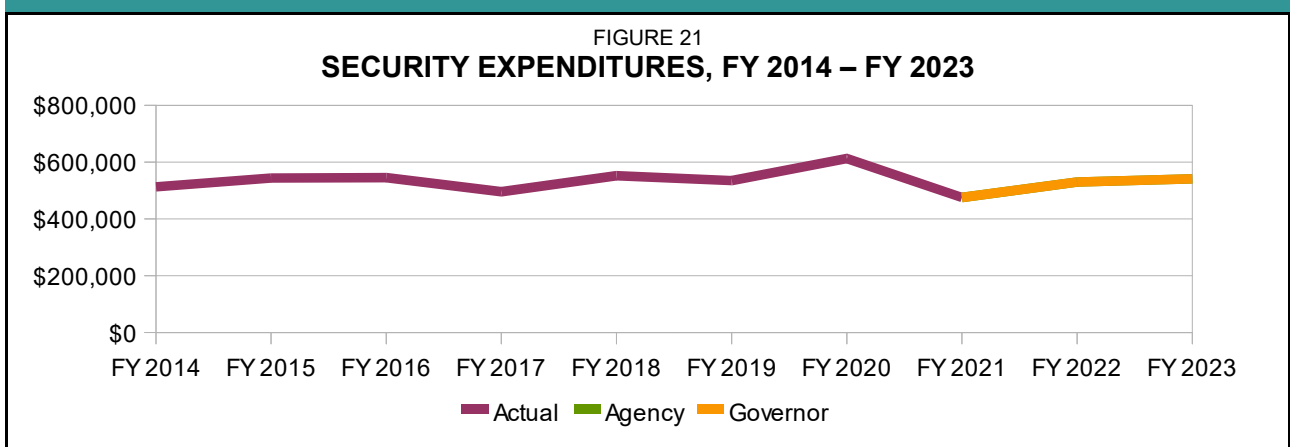
The **agency** requests \$2.6 million, all from special revenue funds, for the Sales program for FY 2023. This is an increase of \$53,735 above the FY 2022 revised estimate. This increase is attributable to increases in salaries and wages expenditures for merit-based salary increases and increases in employer contributions for fringe benefits such as group health insurance.

Beyond salaries and wages, major expenditures include professional supplies to

implement the agency's merchandising standards and to provide new retailers with necessary equipment as well as other supplies needed for promotional efforts. Additionally, the agency has budgeted \$117,500 as part of a two-year vehicle replacement plan involving five minivans that are used by the sales department to service retailer accounts, recruitment, and other Lottery duties.

The **Governor** concurs with the agency's request for FY 2023.

SECURITY



STATUTORY BASIS: • KSA 74-8714

PROGRAM GOALS: • There were no goals submitted for this program.

The Security program provides security to Lottery personnel and property, investigates and prosecutes criminal violations related to the Lottery, and preserves the integrity of the Lottery and all of its activities. To accomplish these goals, the program ensures all enforcement agents receive training and remain

knowledgeable of changing techniques, procedures, and statutes; conducts background investigation on all vendors and retailers; and visits Lottery retail locations to advise and inform retailers of proper security and product inventory practices.

FIGURE 22
SECURITY, PERFORMANCE MEASURES

	Actual FY 2020	Actual FY 2021	Actual 3-Year Avg.	Target FY 2022	Target FY 2023
There were no performance measures submitted for this program.					
Financing	Actual FY 2020	Actual FY 2021		Governor FY 2022	Governor FY 2023
SGF	\$ -	\$ -		\$ -	\$ -
Federal Funds	-	-		-	-
All Other Funds	612,547	475,487		529,781	541,161
TOTAL	\$ 612,547	\$ 475,487		\$ 529,781	\$ 541,161
Percentage Change:					
SGF	-- %	-- %		-- %	-- %
All Funds	14.5 %	(22.4) %		11.4 %	2.1 %
FTE Positions	6.5	5.8		5.8	5.8

BUDGET ANALYSIS

The agency requests \$541,161, all from special revenue funds, for the Security program for FY 2023. This is an increase of \$11,380 above the FY 2022 revised estimate. The increase is attributable to increases in salaries and wages expenditures, which includes \$9,000 for the employee recognition program. The remaining increase in salaries and wages expenditures is for increases in employer contributions for fringe benefits such as group

health insurance. Other major expenditures in this program include building security monitoring and recording equipment, building access control and alarm systems, as well as travel for investigations and costs associated with background checks.

The **Governor** concurs with the agency's request for FY 2023.