

Approved: 2-9-12
Date

MINUTES OF THE SENATE FEDERAL AND STATE AFFAIRS COMMITTEE

The meeting was called to order by Chairperson Pete Brungardt at 10:30 a.m. on January 11, 2012, Room 144-S of the Capitol.

All members were present except:

Senator Steve Morris - excused

Committee staff present:

Jason Long, Office of the Revisor of Statutes
Tamera Lawrence, Office of the Revisor of Statutes
Julian Efird, Kansas Legislative Research Department
Dennis Hodgins, Kansas Legislative Research Department
Connie Burns, Committee Assistant

Conferees appearing before the Committee:

Tuck Duncan, KS Wine & Spirits Wholesalers Association
Dennis Wilson, Kansas Lottery Commission
Keith Kocher, Kansas Lottery Commission

Others attending:

See attached list.

Introduction of Bills:

Tuck Duncan, Kansas Wine and Spirits Wholesalers Association, requested a bill introduction relating to alcoholic beverages, in-store tastings.

Senator Ostmeyer moved that this request should be introduced as a committee bill. Senator Reitz seconded the motion. The motion carried.

Presentation:

Dennis Wilson, Executive Director, Kansas Lottery Commission, provided an agency update.

(Attachment 1) Mr. Wilson introduced Lottery Staff: Neysa Thomas, Deputy Executive Director, Keith Kocher, Director of Gaming Facilities, and Carolyn Brock, Director of Finance.

Sales are presently about 1.29% below last year's sales; Instant ticket sales are up 3.53% in 2011, with decreases in Powerball and increases in Mega Millions and Super Kansas Cash. Both Keno and Kansas Hold'em (monitor games) are showing a drop in sales. These games are played mostly in social environments and have been showing slight decreases the last few years. To date, trending is up in overall sales by 1.37 percent for 2012.

Security continues to be the primary focus, both in the gaming system and field operations. Beginning January 2012, select Kansas Lottery instant games will feature a new and faster validation process called keyless validation; a state-of-the-art barcode will be printed on the front of the ticket in the play area. The

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new barcode can be found under the latex on instant scratch tickets and under the tabs on instant pull tab tickets. Players will continue to ask a retailer to check and validate tickets. Lottery security also investigates complaints that involve micro-scratching; this is when a clerk removes a tiny amount of latex from the play area of a scratch ticket, in an effort to determine if the ticket has a prize. If the ticket has a prize, the clerk purchases and cashes the ticket; if there is no prize, the ticket is sold to an unsuspecting customer. These investigations also support the culture of one of the main missions of the Security Division – to maintain the integrity of the Lottery and its' games.

The Lottery continues to develop marketing partnerships for games to increase the exposure of Kansas business, industry and tourism. The Lottery will also be celebrating its silver anniversary by offering players a chance to set sail on a cruise with the \$5 Kansas Lottery 25th Anniversary Cruise instant scratch ticket.

New issues for FY 2012:

- Online Gaming
- 'Gray' Machines

Expanded Gaming

Keith Kocher, Director of Gaming Facilities, Kansas Lottery, updated the Committee on Expanded Gaming.

- Southeast Gaming Zone (Crawford and Cherokee Counties) – The deadline for receipt of applications in this Gaming Zone has been extended indefinitely until such time as the Kansas Lottery receives a properly filed application: when the Kansas Lottery Commission determines that a properly filed application has been received, the deadline for the receipt of a properly filed application will be extended from the date of such determination for an additional period of sixty (60) calendar days.
- South Central Gaming Zone (Sumner and Sedgwick Counties) – In December 2010 the review Board selected Peninsula Gaming's "Kansas Star" Casino; an interim facility housing approximately 1,310 slot machines, 32 table games, three restaurants and other amenities has been constructed. Under the control of the KRGC and Kansas Lottery, Kansas Star conducted a controlled demonstration (test run) on December 16, 2011. The test was successful and the KRGC certified the Kansas Star to open to the general public. Total projected net gaming facility revenue for the interim facility for FY12 is \$75.6 million, and approximately \$163 million in FY13.
- Northeast Gaming Zone (Wyandotte County) – Kansas Entertainment commenced construction of the "Hollywood Casino at Kansas Speedway" on the second turn of the Kansas Speedway in Kansas City, Kansas. Construction has continued on schedule and pending final regulatory approval the casino is tentatively scheduled to open to the public next month on February 3, 2012.
- Southwest Gaming Zone (Ford County) – Boot Hill Casino & Resort opened to the general public on December 15, 2009. During the Phase I period of time the State's 22 percent share amounted to

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approximately \$18 million. Phase II of the casino project is to be completed in the late summer or early fall of this year.

Racetrack Gaming Facilities – All pari-mutuel racetracks closed their doors and subsequently the Kansas Racing and Gaming Commission revoked both pari-mutuel licensees' licenses to conduct races.

The next meeting is scheduled for January 12, 2012. The meeting was adjourned at 11:20 a.m.