

MINUTES OF THE SENATE FEDERAL AND STATE AFFAIRS

The meeting was called to order by Chairman Pete Brungardt at 10:40 a.m. on Wednesday, January 12, 2005, in Room 231-N of the Capitol.

All Committee members were present

Committee staff present: Athena Andaya, Kansas Legislative Research Department
Dennis Hodgins, Kansas Legislative Research Department
Mary Ann Torrence, Revisor of Statutes Office
Dee Woodson, Committee Secretary

Others attending: See attached list.

Conferees appearing before the committee: Ed Van Petten, Executive Director, Kansas Lottery

Chairman Brungardt reviewed the responsibilities of the Senate Federal and State Affairs Committee (SF&SA). He said that this was a standing committee having direct oversight during the Session for the Department of Corrections, the Division of Alcoholic Beverage Control of the Department of Revenue, the Kansas Lottery Commission, Kansas Racing Commission and the National Guard. The committee considers legislative areas involving alcoholic beverage control, parimutuel wagering, operation of state lottery, corrections issues, and matters specifically concerning federal-state relations.

He announced the schedule for next week's meetings which included hearings on three bills set for Thursday, January 20. He asked Mary Torrence, Revisor's Office, to give a review of SB 499 gaming bill from the 2004 Legislative Session. She said that SB 499 was proposed by Governor Sebelius, and would have enacted the Kansas Expanded Gaming Opportunity Act. This would have authorized the operation of state owned and operated destination casinos and video lottery terminals in counties where the voters had voted to allow the casinos and/or video lottery terminals in the county. The SF&SA Committee struck the provisions of HB 2053 and amended it into a revised version of SB 499, but was not passed by the Senate Committee of the Whole. (Attachment 1)

Ms. Torrence gave the history of SB 499 and HB 2053. SB 499 was amended into HB 2053, and which both bills provided for the establishment of a destination casino commission. Under both bills, a portion of the revenues from destination casinos would be designated for use by cities and counties where the casinos are located and, if the casino is operated by a parimutuel licensee, for use to support horse and/or greyhound racing. She said that in addition to receiving revenues for gaming oversight, the state would receive revenues to be used for educational scholarships and grants and for retirement of bonds issued to support KPERS.

The Revisor further explained that both SB 499 and HB 2053, as amended, would authorize the Kansas Lottery to operate video lottery terminals at parimutuel racetracks and specified veterans and fraternal clubs which have been in operation for five years. She also talked about amendments added to HB 2053 which authorized video lottery terminals at recreational sports facilities. Ms. Torrence spoke about the different limitations placed on the number of terminals at parimutuel racetracks under both bills.

Chairman Brungardt called upon Dennis Hodgins, Legislative Research Department, to review for the committee the 2004 Interim Indian Gaming Compact, and give an overview of gaming in Kansas. (Attachment 2)

Mr. Hodgins stated that on October 18, 2004, the Governor entered a compact with the Sac and Fox Nation and the Kickapoo Tribes in the State of Kansas to form a gaming compact. He explained the provisions of the compact which are contained in the Governor's Executive Summary distributed to committee members. (Attachment 3) As information, copies of the Joint Committee on State-Tribal Relations 2004 Report were disseminated to committee members. Mr. Hodgins pointed out that the Joint Committee on State-Tribal Relations reported the proposed tribal gaming compact without recommendation to the Legislative Coordinating Council (LCC). (Attachment 4)

CONTINUATION SHEET

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Mr. Hodgins reviewed the Gaming History in Kansas Brief that was created by the Legislative Research Department. (Attachment 5)

Discussion and questions followed regarding possible projection of revenue from the Governor's Office and how long it would take to build the new casino. Senator Vratil inquired as to what were the revenue projections on SB 499. The Revisor responded that she would look those up, and get back with the projected figures. Brief discussion followed regarding projections of revenue.

Committee questions and discussion continued regarding: limitation on number of slot machines within a certain number of miles from the compact; Indian Gaming Revenue Act (IGRA); and whether revenue would be considered a proceeds tax and be prohibited by the federal government. Mr. Hodgins stated that IGRA would not allow a state to tax; however, revenue sharing may not be a tax by the federal government. The Revisor clarified the interpretation of the tax issue.

Inquiry was made as to what has happened in other states in regard to revenue sharing. The Chairman asked Mr. Hodgins to check into that issue and furnish summary sheets for the committee members.

Chairman Brungardt called upon Ed Van Petten to give an overview of the Kansas 2004 Lottery Budget and new developments in the Kansas Lottery 2004-2005. Mr. Van Petten furnished members with a packet of various publications of the Kansas Lottery which are distributed to players and retailers, as well as historical and current information on sales, prizes, commissions and transfers. He talked about lottery sales which have shown an increase the last three fiscal years, after decreases in FY00 and FY01. Sales figures along with Retailer Commissions and Bonuses were detailed in his written testimony.

(Attachment 6)

Mr. Van Petten explained the various lottery games and sales totals between the different games. He said that the Casey's stores are again participating in the sale of lottery tickets at the start of this fiscal year. He outlined the change in monthly transfers through the Omnibus bill which allowed for minimum monthly transfers of \$4.5 million and a minimum annual total of \$59 million. There had been a statutory provision of transferring 30% of gross sales each month. He added that last year the Lottery transferred \$70.2 million.

Mr. Van Petten talked briefly on lottery operations and partnerships with Kansas businesses and industries. He concluded his presentation by explaining the Veterans Benefit Games, and that the projected total transfer for this fiscal year would be approximately \$785,000. These dollars fund the National Guard scholarships and assistance to the Veterans' Cemetery System in the State of Kansas.

A committee member asked what effect the Oklahoma Lottery would have on Kansas' sales. Mr. Van Petten said Kansas could decrease sales in Oklahoma residents from \$12 -\$15M per year.

Chairman Brungardt expressed the committee's appreciation for his presentation.

The meeting was adjourned at 11:40 a.m. The next meeting is scheduled for January 18, 2005, at 10:30 a.m.