

MINUTES OF THE SENATE FEDERAL AND STATE AFFAIRS COMMITTEE.

The meeting was called to order by Chairperson Senator Nancey Harrington at 10:30 a.m. on January 22, 2002 in Room 245-N of the Capitol.

All members were present.

Committee staff present: Russell Mills, Legislative Research Department
 Dennis Hodgins, Legislative Research Department
 Theresa Kiernan, Office of the Revisor
 Nikki Kraus, Committee Secretary

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

Others attending: Please see attached

Chairperson Harrington started the meeting by asking if the committee or audience had any bill introductions. Theresa Kiernan, Office of the Revisor, introduced three bills. She stated that the first bill would authorize the consumption of alcoholic liquor on the fair grounds. She stated that it is currently authorized on a limited basis but that it would give the fair board the authority to establish by rules and regulations policies governing consumption of alcoholic beverages year-round. She stated that the second bill was Senator Barnett's keg registration bill. She stated that it was a re-cut of a bill from last year which had been worked on with members of the industry. Chairperson Harrington stated that the committee would let Senator Barnett speak further about the bill. Ms. Kiernan stated that the third bill up for introduction concerned the executive director of the racing and gaming commission's position. She stated that the goal of the bill was to allow the executive director to split his time between the commission and the tribal relations. She stated that the law would also allow the director to appoint a deputy director who would serve at the pleasure of the executive director and would have to have a background check and hold an unclassified position; the director would no longer have to devote his full time to the commission.

Senator Vratil made a motion to introduce the bills. Senator Gooch seconded that motion. The bills were introduced.

Senator Barnett expressed his thanks to the director of Alcoholic Beverage Control and the industry representatives who worked on the bill. Chairperson Harrington thanked Senator Barnett for continuing to work with people in the industry this summer.

Chairperson Harrington introduced Ed Van Petten, Executive Director of the Kansas Lottery. Mr. Van Petten presented testimony on the state of the lottery. **(Attachment 1)**

Chairperson Harrington asked Mr. Van Petten if he knew anything about Mexico wanting to become involved in the lottery. He stated that Mexico had voiced an interest, but that the constitutional amendment which allows the Kansas lottery to participate in a state owned and operated lottery may not extend to include Mexico because it may not refer to the United States of America as a state. He stated that he did not know the answer right now, but he has contacted the governor's office and would look into whether or not additional legislation is needed for getting a formal interpretation. He stated that Puerto Rico has also expressed some interest. Mr. Van Petten pointed out that the District of Columbia participates in the lottery although it is not a state per say.

Chairman Harrington asked the committee for questions. In response to a question from Senator Gooch, Mr. Van Petten stated that the lottery monitors ticket sales and that if all of the top prizes have been won for each game, then the lottery immediately sends out a message to all sellers to shut down those games and then credits sellers for unsold tickets so that they do not lose any money, and the players are not misled. He stated that the tickets would be repossessed by 9:00 to 9:30 a.m., but he could at least honestly guarantee that they could all be gotten by the following day. He stated that this was still better response time than any other state in the nation. He stated that the Kansas Lottery had started that policy last May, as soon as they became aware of lawsuits which had been filed in other states concerning the same issue.

CONTINUATION SHEET

MINUTES OF THE SENATE FEDERAL AND STATE AFFAIRS COMMITTEE at on January 22, 2002 in Room 245-N of the Capitol.

Senator Gooch stated that he was not aware that any lawsuits had been filed, but he was glad to hear that Kansas had a way to regulate it. Mr. Van Petten stated that there have been lawsuits in four different states including California, Arizona, Colorado, and Washington state, although the California suit has been dismissed. He stated that most of the other jurisdictions had dismissed the cases because the plaintiffs had not fulfilled all potential administrative remedies. He stated that the courts had not really ruled on the merits of the cases. Mr. Van Petten stated that if the ticket states that a player can win twenty thousand or fifty thousand dollars, and if that was not the case, then his organization did not feel that it ought to be marketing that ticket.

Senator Gooch stated that he appreciated hearing that. In response to a security question from Senator Gooch, Mr. Van Petten stated that the Kansas Lottery was audited by a third party audit firm named RMS McGladrey out of Minneapolis, Minnesota. He stated that the firm made a few suggestions but no items which they considered to be a breach in security. He stated that while he may not be able to say a great deal to put the committee at ease, he can assure them that the lottery is secure.

Chairperson Harrington stated that since Mr. Van Petten was appointed Executive Director of the lottery things have been relatively calm. She stated that he had come in under a cloud of controversy and that the lottery was in a much better place this year than it was last year.

Mr. Van Petten stated that in regard to the Richard Knowlton case, there had been a lapse in the security tapes which had been eliminated even before the audit took place. He stated that the game tapes are now delivered directly to vendors in tamper-proof containers to eliminate any risk. Mr. Van Petten also stated that no one can even request access to the gaming system without going through security.

Russell Mills, Legislative Research Department, presented an informational packet about the Kansas Lottery. **(Attachment 2)** Following his presentation, Chairperson Harrington asked the committee for questions. Senator O'Connor asked Mr. Mills how much of the ten million dollars was dedicated to K-12 education. Mr. Mills responded that he did not have the exact statistics, but he would get that information to her. He stated that most of the money was used for post secondary education, technological innovation grants, and other grant programs.

Mr. Mills then presented "Kansas Lottery and Wagering Tax Revenue Transfers". **(Attachment 3)**

In response to a question from Chairperson Harrington, Mr. Van Petten stated that the lottery sales since September 11, 2001 have declined in the period two to three weeks afterward, but sales have since rebounded. He stated that Keno was still down.

The meeting was adjourned at 11:20 a.m. The next meeting will be held at 10:30 a.m. on January 23, 2002.