

February 13, 2017

The Honorable John Barker, Chairperson
House Committee on Federal and State Affairs
Statehouse, Room 285-N
Topeka, Kansas 66612

Dear Representative Barker:

SUBJECT: Fiscal Note for HB 2313 by House Committee on Federal and State Affairs

In accordance with KSA 75-3715a, the following fiscal note concerning HB 2313 is respectfully submitted to your committee.

HB 2313 would authorize the Kansas Lottery to use lottery ticket vending machines to sell lottery tickets. The lottery ticket vending machines, also known as electronic product dispensers, would also allow a purchaser to manually check the status of a lottery ticket and could be used to display advertising, promotions, and other information pertaining to the Kansas Lottery. The Kansas Lottery would be authorized to rent or buy lottery ticket vending machines to place at lottery retailer locations. The bill would also eliminate the sunset provision in the statute governing the operation of the Kansas Lottery. Under current law, the agency will be abolished on July 1, 2022.

The Kansas Lottery indicates the use of lottery ticket vending machines at lottery retailer locations has the potential to increase sales by improving product availability and efficiently delivering lottery products to its customers. The Kansas Lottery indicates that 38 other lottery jurisdictions in the United States use lottery ticket vending machines and this method of dispensing lottery products to customers is often requested by lottery retailers. The Kansas Lottery indicates that allowing lottery ticket vending machines is estimated to increase the Kansas Lottery's year end transfer to the State General Fund by \$4.0 million in FY 2018 and by \$8.0 million in FY 2019. The Kansas Lottery is unable to estimate the additional expenses for this program because it has not determined the most cost efficient method to acquire lottery ticket vending machines and to place them at lottery retailer locations. In other lottery jurisdictions, lottery ticket vending machines have been purchased, leased, or acquired from a revenue sharing agreement.

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The Kansas Lottery indicates eliminating the sunset provision would have no fiscal effect unless the sunset provision takes effect on July 1, 2022. The sunset date for the operation of the Kansas Lottery was created by the 1992 Legislature to occur on July 1, 1996 and was extended by the 1995 Legislature (until July 1, 2002), the 2001 Legislature (until July 1, 2008), and by the 2007 Legislature (until July 1, 2022). The Kansas Lottery indicates that if it were to be abolished on July 1, 2022, sales of on-line lottery games would end July 1, 2021 and instant lottery ticket sales would end January 1, 2022, to allow the required time for lottery players to redeem winning tickets. Proceeds from lottery tickets sales support economic development initiatives, prison construction and maintenance projects, local juvenile detention facilities, treatment of problem gambling and other addictions, veterans programs, and the State General Fund. On behalf of the state, the Kansas Lottery is also the owner of gaming operations at the four state-owned casinos and contractual obligations with Expanded Lottery Gaming Facility managers extend past the current sunset date. Proceeds from state-owned gaming operations are used to reduce state debt, reduce KPERs actuarial liability, increase the number of engineering graduates from the state's universities, and the treatment of problem gambling and other addictions.

The Kansas Lottery indicates that by eliminating the sunset date, the bill has the potential to reduce costs by allowing it to negotiate longer term contracts with vendors. The Kansas Lottery indicates that its vendors make significant financial investments to provide services and products to the Kansas Lottery. The sunset date may occur prior to expiration of the contract between the Kansas Lottery and its vendors or before the vendor has recovered initial upfront investments which creates uncertainty in the contract negotiating process. Eliminating the sunset date would eliminate this uncertainty. Any fiscal effect associated with HB 2313 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: Stephen Durrell, Lottery