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Approved: 4-6-93
Date

MINUTES OF THE SENATE COMMITTEE ON FEDERAL AND STATE AFFAIRS

The meeting was called to order by Chairman Lana Oleen at 11:05 a.m. on February 11, 1993 in Room 254-E of the Capitol.

All members were present

Committee staff present: Mary Galligan, Legislative Research Department
Mary Ann Torrence, Revisor of Statutes
Jeanne Eudaley, Committee Secretary

Conferees appearing before the committee:
Ralph Decker, Executive Director, Kansas Lottery
Dave Schneider, Kansans For Life At Its Best

Others attending: See attached list

Sen. Oleen recognized two members of the committee who have pages today, and Sen. Gooch introduced his two pages. Sen. Praeger was meeting with the nurses, so Sen. Oleen introduced her two pages. Sen. Oleen stated this is Kansas State Nurses Association Day.

Sen. Oleen announced the committee will hear testimony on SB 111 and introduced Ralph Decker, who presented testimony (Attachment 1) to the committee. Mr. Decker explained the change in payouts from 30 to 25% and how it would affect the more than 2,000 retailers across the state. He said the Lottery is on track for record sales this year and referred to figures on Page 3 of his testimony. He also stated administrative costs have been reduced and are the lowest ever and the last audit showed zero deficiencies. Committee members asked questions of Mr. Decker, and he discussed bottom line figures and incentive to increase sales and additional marketing tools. Mr. Decker referred to other states who have increased payouts and pointed out increased sales. He attributed the decline in sales in Minnesota to the advent of casinos. He stated that players don't ask what the odds are; however, they do ask who has the big winners. Sens. Gooch and Oleen both commented that the Lottery should campaign to make the public aware of the changes and a better chance to win. Sen. Jones asked how many months are included in FY 93 figures on Page 3, and Mr. Decker stated seven; the figures are through January 31, 1993. January sales were down \$9.5 million, which he attributed to snow storms and bad weather. Mr. Decker also stated that sales drop during the legislative session when talk of abolishing the lottery or a sunset provision for the lottery is discussed. He stated that last year the Lottery suffered a drop of \$2.5 million during the sunset discussions. Sen. Oleen commented those bills and resolutions were discussed in the House. Sen. Vidricksen asked if there was a provision to make up the more than \$40 million dollars the Lottery contributes to the state, which would be lost, if such legislation would pass. There was not a response.

Sen. Oleen introduced Dave Schneider, who gave testimony (Attachment 2) opposing SB 111 and also complimented Mr. Decker, for his hard work for the Lottery and stated that his background in law enforcement is an attribute as Director of the Kansas Lottery.

Sen. Oleen announced that SB 18 has been double referred, and she will have more information on it next week; also, she announced joint hearings with Judiciary on SCR 1608, which has been jointly referred and asked the committee secretary to distribute information to committee members and staff on Indian gaming. She announced the committee will hold hearings on SB 81 and 181, regarding bingo, next week.

Meeting adjourned at 11:35.

GUEST LIST

COMMITTEE: Senate Federal & State Affairs

DATE: Feb. 11, 1993

NAME (PLEASE PRINT)	ADDRESS	COMPANY/ORGANIZATION
Brian Naubert	Lawrence	Pat Hubbard Assoc.
Donna Newell	N. Newton	Woman/Men for Choice
RUTHANN HIEBERT	N. Newton	WOMEN AND MEN FOR CHOICE
Kristin Van Voorst	O.P.	P.P. of KS
Jim Giordano	Topeka	KS. COTTORY
Ralph Decker	Topeka, KS.	KANSAS LOTTERY
Dave Schneider	Topeka	KFLAIB
Derieth L. Sutton	Topeka	Kansas Lottery
Cleta Renyer	Sebeetha	Right to Life of KS.
Barbara Polymark	Leawood	Natl Council of Jewish Women KS. Choice Alliance
Dena Vogler	Wichita	KS Choice Alliance
Jean Potholliant	Wichita	NOW
Janine Norlin	219 W. 7th Concordia	KS. LWVCCA
MARY McDONOUGH HARREN	1407 N. TOPEKA- WICHITA	KS. CATHOLICS for CH.
LORETTA KRAUSE	WICHITA	—
Danae Hannez	7728 Tomahawk Pk. KS	KCA
George Wyatt	Lawrence	Intern
Caleb Kessler	13816 Ely DR KS	Republicans for Choice
Debrae Skarun	Topeka	RCAE Du KS
Sue Ledbetter	Wichita	NOW
Sonia H. Yount	Topeka	R-G H.R. A
Peggy Jarman	Wichita	PCAL
Michelle Rolfe	Topeka	Sen Gorch (intern)
M. Heaven	"	Cambridge

Attach 1



Joan Finney
Governor

Kansas Lottery

Ralph W. E. Decker
Executive Director

THE SAYING IS YOU GET WHAT YOU PAY FOR . . . AND IF THE KANSAS LOTTERY WERE TO PAY A GREATER PERCENTAGE OF ITS SALES IN PRIZES, THE STATE OF KANSAS WOULD GET MORE IN PROCEEDS.

THIS IS BASED ON FINDINGS IN THE MAJORITY OF U. S. LOTTERIES REGARDLESS OF THE LOTTERY'S POPULATIONS, GEOGRAPHICAL LOCATION, DEMOGRAPHIC MAKE-UP, OR PRODUCT MIX. THERE IS A DIRECT RELATIONSHIP BETWEEN THE PRIZE PAYOUT AND SALES. THE KANSAS LOTTERY HAS FOUND THIS TO BE TRUE FIRST HAND.

INCREASING THE PAYOUT FOR THE KANSAS LOTTERY'S INSTANT GAMES WILL INCREASE THE LOTTERY'S SALES AND THEREBY MAXIMIZE REVENUE TO THE STATE.

Sen. Fx SA.
2-11-93
att 1

PAYOUTS INCREASED IN FOLLOWING STATES - SALES INCREASED

KENTUCKY

OREGON

MISSOURI

IOWA

MINNESOTA

WISCONSIN

MICHIGAN

NEW YORK

WEST VIRGINIA

COLORADO

VERMONT

NEW HAMPSHIRE

SOUTH DAKOTA

CONNECTICUT

KANSAS LOTTERY

To Date Activity 01/31/93

Net Sales \$403,018,153

FY 88	\$65,804,532
FY 89	68,188,022
FY 90	64,530,640
FY 91	70,206,003
FY 92	77,039,764
FY 93	57,249,192

Retailer Commissions \$21,211,669

FY 88	\$3,618,110
FY 89	3,602,985
FY 90	3,318,244
FY 91	3,657,131
FY 92	4,065,060
FY 93	2,950,139

Game Prizes \$191,649,665

FY 88	\$30,123,006
FY 89	33,755,427
FY 90	28,941,942
FY 91	32,800,224
FY 92	37,063,757
FY 93	28,965,309

Transfers To State \$120,828,934

FY 88 *	\$11,343,321
FY 89	24,500,950
FY 90	19,259,917
FY 91	19,453,470
FY 92	27,147,019
FY 93	19,124,257

* Includes \$2,843,321 Loan & Interest Payback

FY 92 & FY 93 UNAUDITED

KANSAS LOTTERY

MISCELLANEOUS AMOUNTS GENERATED FOR ADDITIONAL TAX VALUE OR
COLLECTED FOR STATE & FEDERAL GOVERNMENTS

THROUGH DECEMBER 31, 1992

	Set-Off's	State Tax Withheld	Fed Tax Withheld	Est. Tax Value of Retailer Commissions	TOTAL
1988	\$40,668.73	\$201,553.32	\$1,007,766.60	723,622	\$1,973,610.65
1989	27,957.93	184,412.56	939,132.80	720,597	1,872,100.29
1990	13,264.10	313,713.56	1,585,637.80	663,649	2,576,264.26
1991	11,935.57	414,728.89	2,089,214.44	731,426	3,247,305.10
1992	32,491.99	451,391.58	2,269,619.80	813,012	3,566,515.37
1993	13,918.67	0.00	0.00	496,536	510,454.67
TOTAL	\$140,236.99	\$1,565,799.91	\$7,891,371.44	\$4,148,842	\$13,746,250.34

NOTES: 1) The tax withholding information was only available for calendar year
2) The estimated tax value of retailer commissions was calculated using
the actual commissions earned and multiplying by an average 20% rate

Testimony Before the
Senate Federal and State Affairs Committee

Senate Bill 111

February 11, 1993

Dave Schneider
Kansans For Life At Its Best

Chairperson and Members of the Committee,

You may be surprised at this, but I think Ralph Decker is probably correct in his assessment that reducing the take of the state from the sale of lottery tickets will result in increased revenue to the state. This is the Lottery on the Laffer Curve and from economic history it seems there may be some general truth to Lafferian theory. (Maybe my only question in regard to this aspect is whether the governor is aware that supply side economics is being smuggled into her administration via the side door of the Lottery.)

These expected results would certainly fit with the Lottery's vision to become "more fully integrated into the lives of Kansans." And that is why we are opposed.

It is our contention the lottery carries with it an implicit but powerful message: "You can luck into success." This is the wrong message for the state to send.

Sen. Fr. SA.
2-11-93
Att 2

The right message is found in the pages, of all places, the Kansas Legislative Handbook. The profiles on each of you demonstrate that you have gained your success through hard work, ingenuity, and going up the learning curve. Nowhere is there a page with one of your pictures on it along with the words, "Senator So and So lucked into his or her position."

The message the state ought to be putting out to its citizens is nothing less than each of your personal stories. And that message, by the way, ought to be shouted from the rooftops.