

Approved: 2-28-07

Date

## MINUTES OF THE SENATE FEDERAL AND STATE AFFAIRS COMMITTEE

The meeting was called to order by Chairman Pete Brungardt at 10:30 a.m. on January 10, 2007 in Room 231-N of the Capitol.

All members were present except:

Senator Barnett  
Senator Vratil

Committee staff present:

Ken Wilke, Revisor of Statutes Office  
Theresa Kiernan, Revisor of Statutes Office  
Dennis Hodgins, Kansas Legislative Research Department  
Kathie Sparks, Kansas Legislative Research Department  
Connie Burns, Committee Secretary

Conferees appearing before the committee:

Stephen Martino, Kansas Racing and Gaming Commission  
Ed VanPetten, Kansas Lottery  
John McElroy, State Gaming Agency

Others attending:

See attached list.

Stephen Martino, Executive Director, Kansas Racing Gaming Commission, provided the committee with an update and oversight of the four parimutuel facilities in Kansas. (Attachment 1) The general overview of the racing and gaming industry in the state is grim; there has been a steady decline in the pari-mutuel industry. Live racing was passed by the legislature in 1992, which is the live running of races like the Kentucky Derby. The commission receives audited financial statements and in 2005 The Woodlands had reported a loss of \$1.6 million and the Wichita Greyhound a loss of \$1.273 million. The question was raised if they do any marketing, and the Commissioner said they are not there to market but regulate.

The commission has been proactive in conducting a listening tour to try and figure out what is going on in Kansas Racing and Gaming at a grass roots level, establishing an internal controls policy, and a comprehensive regulation policy review, inviting stake holders in the industry to come forward and talk to the commission about regulations, some which have been on the books since 1989.

Racing Commission organization chart and budget and historical information was also provided

Ed Van Petten, Executive Director, Kansas Lottery, provided the committee with an overview of the Kansas Lottery. (Attachment 2) Sales, transfers, and new games were discussed. One off the primary concerns is security both in the gaming system and field operations.

The lottery continues to develop marketing partnerships with Kansas businesses and industries. There are a number of businesses in the lottery industry that license certain products for use of logos and their merchandise for prizes in conjunction with lottery games and our intent with these games is to increase the exposure of Kansas business, industry and tourism, as well as to generate enthusiasm in Kansas citizens for the different lottery games.

The Veteran's Benefit Games should result in a transfer for those programs in excess of \$900,000, and the funds are distributed one-half to the National Guard Scholarship fund and one-half to the Veterans Commission to assist with maintenance of the Soldier's Homes and Veteran's Cemeteries.

Currently the Lottery has a request for proposal (RFP) issued, the bids are for the online gaming system and communications system for the gaming system, and due the end of January 2007.

The Legislative Issues is the extension of the lottery and will have to be done in the 2007. The lottery is

## CONTINUATION SHEET

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proposing eliminating the sunset provision altogether, as oversight is accomplished annually by this committee, and the Legislature has the authority to end the lottery operations at any time.

The introduction of a bill was requested that would eliminate the sunset provision. (Attachment 3)

Senator Reitz made the motion that the request should be introduced as a committee bill. Senator Hensely seconded the motion. The motion carried.

John E. McElroy, Executive Director, Kansas State Gaming Agency. There are four casinos in Kansas, the agency does background investigations on casino employees, inspects gaming tables, games and slot machines, and new this last year is a program for training the tribal employees at the four casino locations.

The meeting was adjourned at 11:45 am. The next scheduled meeting is January 11, 2007.