

FY 2013, FY 2014, and FY 2015

General Government Budget Committee

Kansas Lottery  
Kansas Racing and Gaming Commission



Representative Pete DeGraaf, Chair



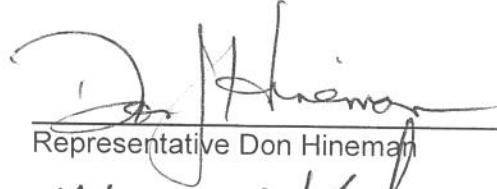
Representative Jim Howell, Vice-Chair



Representative Harold Lane, Ranking  
Minority Member



Representative Tom Burroughs



Representative Don Hineman



Representative Mark Kahrs



Representative Craig McPherson



Representative Virgil Peck, Jr.



Representative William Sutton

## Explanation of Vote

While I oppose gambling and its adverse effects on the Kansas economy and its citizens, I voted to pass this budget out of committee because I feel it necessary to ensure all forms of gambling are held in check. It is very unfortunate that since the passage of SB 66 "the Expanded Lottery Act Bill" in 2007 our regulators have been forced into an inherent conflict of interest. I am greatly concerned that Kansas is the only State in the Union to own and operate gambling establishments. Instead of State agencies being in a position to protect the public, the State is now a partner who has the potential of profiting from the abuses casinos, animal races, and other forms of gambling are so well known for. How does the State hold itself and its partners accountable when relationships are enmeshed and traditional boundaries have become blurred or non-existent? It is therefore all the more important that legislators be vigilant and hold our state agencies accountable to ensure all forms of gambling be held to the highest standards possible and that all transactions be above reproach. I join a host of Representatives who voiced their opposition, when called to vote on SB 66, stating among other things that gambling will damage our economy, prey upon the elderly, and will increase crime, poverty, broken homes, bankruptcies and job losses. The State of Kansas should be doing all it can to not just regulate the practice, but find ways to eradicate it.

Respectfully,

*Pete DeGraaf*

Representative Pete DeGraaf  
Kansas House of Representatives, 82<sup>nd</sup> District

## House Budget Committee Report

**Agency:** Kansas Lottery

**Bill No.** HB 2088

**Bill Sec.** 65

**Analyst:** Dear

**Analysis Pg. No.** 459

**Budget Page No.** 88

Expenditure Summary	Agency Estimate FY 2013	Governor Recommendation FY 2013	House Budget Committee Adjustments
<b>Operating Expenditures:</b>			
State General Fund	\$ 0	\$ 0	\$ 0
Other Funds	351,779,945	322,038,954	(60,000)
Subtotal	<u>\$ 351,779,945</u>	<u>\$ 322,038,954</u>	<u>\$ (60,000)</u>
<b>Capital Improvements:</b>			
State General Fund	\$ 0	\$ 0	\$ 0
Other Funds	0	0	0
Subtotal	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
<b>TOTAL</b>	<u><u>\$ 351,779,945</u></u>	<u><u>\$ 322,038,954</u></u>	<u><u>\$ (60,000)</u></u>
FTE positions	95.0	90.0	0.0
Non FTE Uncl. Perm. Pos.	15.0	15.0	0.0
<b>TOTAL</b>	<u><u>110.0</u></u>	<u><u>105.0</u></u>	<u><u>0.0</u></u>

### Agency Estimate

The **agency** requests a revised FY 2013 budget totaling \$351.8 million, all from special revenue funds, a decrease of \$6.3 million, or 1.8 percent below the approved amount. The agency estimates operating expenditures will increase by \$1.5 million. The operating expenditure increase is offset by a change in the Lottery Prize Payment fund reserve account of \$7.8 million. The agency reclassified \$7.9 million in the Prize Payment Fund as non-expense items by increasing the amount set-aside for federal taxes by \$8.2 million and reducing the amount set aside for state taxes by \$381,559. The reclassification removes the funds from the reportable portion of the agency budget.

The agency requests 95.0 FTE positions and 15.0 Non-FTE unclassified permanent positions. This is a decrease of 1.0 FTE positions and an increase of 10.0 Non-FTE positions from the approved number.

### Governor's Recommendation

The **Governor** recommends a FY 2013 budget of \$322.0 million, all from special revenue funds, a decrease of \$29.7 million, or 8.5 percent, below the FY 2013 revised estimate. The reduction is attributable to revised consensus revenue estimates for expanded gaming (\$29.3 million) and the elimination of 5.0 vacant funded FTE positions and increasing the salaries and wages shrinkage rate (\$493,011). The reductions are partially offset by the addition

## House Budget Committee Report

**Agency:** Kansas Lottery

**Bill No.** HB 2231

**Bill Sec.** 65

**Analyst:** Dear

**Analysis Pg. No.** 459

**Budget Page No.** 88

Expenditure Summary	Agency Request FY 2014	Governor Recommendation FY 2014	House Budget Committee Adjustments
<b>Operating Expenditures:</b>			
State General Fund	\$ 0	\$ 0	\$ 0
Other Funds	377,514,706	343,157,756	0
Subtotal	<u>\$ 377,514,706</u>	<u>\$ 343,157,756</u>	<u>\$ 0</u>
<b>Capital Improvements:</b>			
State General Fund	\$ 0	\$ 0	\$ 0
Other Funds	0	0	0
Subtotal	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
<b>TOTAL</b>	<u><u>\$ 377,514,706</u></u>	<u><u>\$ 343,157,756</u></u>	<u><u>\$ 0</u></u>
FTE positions	95.0	90.0	0.0
Non FTE Uncl. Perm. Pos.	15.0	15.0	0.0
<b>TOTAL</b>	<u><u>110.0</u></u>	<u><u>105.0</u></u>	<u><u>0.0</u></u>

### Agency Request

The **agency** requests a FY 2014 budget totaling \$377.5 million, an increase of \$25.7 million, or 7.3 percent, above the FY 2013 revised request. The majority of the increase is attributable to facility manager fees (\$24.0 million), G-tech fees for processing gaming facility funds (\$99,500), expanded lottery transfers to local units of government (\$987,000), printing and on-line vendor commissions (\$373,862), the reserve in the lottery prize payment fund (\$124,518), and fees for a security audit from Legislative Post Audit (\$114,000). The agency requests 95.0 FTE positions and 15.0 Non-FTE unclassified permanent positions.

### Governor's Recommendation

The **Governor** recommends a FY 2014 budget of \$343.2 million, all from special revenue funds, a decrease of \$34.4 million, or 9.1 percent, below the FY 2014 agency request. The reduction is attributable to adoption of revised consensus revenue estimates for expanded gaming (\$33.9 million), the elimination of 5.0 vacant funded FTE positions and increasing the shrinkage rate (\$496,813), a decrease of \$7,005, all from special revenue funds, to reflect the Governor's recommendation to reduce the Kansas Public Employees Retirement System (KPERS) death and disability employer contribution from the statutory 1.0 percent to 0.85 percent for FY 2014.

The reductions are partially offset by the addition of \$76,868 in approved expenditures from the lottery prize payment fund to correct a technical error in the agency budget submission. The Governor recommends 90.0 FTE positions, a reduction of 5.0 FTE from the agency request.

The Governor also recommends increasing the State Gaming Revenue Fund transfer by \$500,000 to \$73.5 million for FY 2014. Monies transferred to the State Gaming Revenue Fund in excess of \$50.0 million are deposited in the State General Fund.

#### **House Budget Committee Recommendation**

The **Budget Committee** concurs with the Governor's recommendation.

## House Budget Committee Report

**Agency:** Kansas Lottery

**Bill No.** HB 2231

**Bill Sec.** 66

**Analyst:** Dear

**Analysis Pg. No.** 459

**Budget Page No.** 88

Expenditure Summary	Agency Request FY 2015	Governor Recommendation FY 2015	House Budget Committee Adjustments
<b>Operating Expenditures:</b>			
State General Fund	\$ --	\$ 0	\$ 0
Other Funds	--	356,853,298	0
Subtotal	\$ --	\$ 356,853,298	\$ 0
<b>Capital Improvements:</b>			
State General Fund	\$ --	\$ 0	\$ 0
Other Funds	--	0	0
Subtotal	\$ --	\$ 0	\$ 0
<b>TOTAL</b>	<b>\$ --</b>	<b>\$ 356,853,298</b>	<b>\$ 0</b>
FTE positions	--	90.0	0.0
Non FTE Uncl. Perm. Pos.	--	15.0	0.0
<b>TOTAL</b>	<b>--</b>	<b>105.0</b>	<b>0.0</b>

### Agency Request

There were no **agency** budget requests made for FY 2015 by any state agencies other than those agencies designated in statute as biennial budget agencies. The Governor's budget recommendations to the 2013 Legislature do, however, include funding recommendations for each state agency for FY 2015.

### Governor's Recommendation

The **Governor** recommends a FY 2015 budget of \$356.9 million, all from special revenue funds, an increase of \$13.7 million, or 4.0 percent, above the FY 2014 Governor's recommendation. The consensus revenue group for the expanded lottery act revenue fund does not have official estimates for FY 2015; however, using the tentative projections the Governor recommends increasing the revenue by \$13.0 million over FY 2014. The Governor also recommends adding \$50,799, all from special revenue funds, for employer contributions to the Kansas Public Employee Retirement System, \$500,000 for the G-tech on-line vendor fees, and \$146,743 in ticket printing costs. The recommendation continues to reflect the Governor's recommendation to reduce the Kansas Public Employees Retirement System (KPERS) death and disability employer contribution from the statutory 1.0 percent to 0.85 percent for FY 2014. The Governor recommends 90.0 FTE positions.

The Governor also recommends a State Gaming Revenue Fund transfer of \$74.0 million for FY 2015, an increase of \$500,000 above the FY 2014 recommended transfer. Monies transferred to the State Gaming Revenue Fund in excess of \$50.0 million are deposited in the State General Fund.

**House Budget Committee Recommendation**

The **Budget Committee** concurs with the Governor's recommendation.



# House Budget Committee Report

**Agency:** Kansas Racing and Gaming  
Commission

**Bill No.** HB 2088

**Bill Sec.** 67

**Analyst:** Dear

**Analysis Pg. No.** 480

**Budget Page No.** 90

Expenditure Summary	Agency Estimate FY 2013	Governor Recommendation FY 2013	House Budget Committee Adjustments
<b>Operating Expenditures:</b>			
State General Fund	\$ 0	\$ 0	\$ 0
Other Funds	7,738,308	7,688,249	0
Subtotal	<u>\$ 7,738,308</u>	<u>\$ 7,688,249</u>	<u>\$ 0</u>
<b>Capital Improvements:</b>			
State General Fund	\$ 0	\$ 0	\$ 0
Other Funds	0	0	0
Subtotal	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
<b>TOTAL</b>	<u><u>\$ 7,738,308</u></u>	<u><u>\$ 7,688,249</u></u>	<u><u>\$ 0</u></u>
FTE positions	93.5	93.5	0.0
Non FTE Uncl. Perm. Pos.	0.0	0.0	0.0
<b>TOTAL</b>	<u><u>93.5</u></u>	<u><u>93.5</u></u>	<u><u>0.0</u></u>

## Agency Estimate

The **agency** estimates a revised FY 2013 budget totaling \$7,738,308, all from special revenue funds. The revised estimate is an increase of \$395,354, or 5.4 percent, above the approved amount. The revised estimate includes 98.0 FTE positions, a reduction of 4.5 FTE positions below the approved number.

## Governor's Recommendation

The **Governor** recommends a FY 2013 operating budget of \$7.7 million, all from special revenue funds. The recommendation is a decrease of \$50,059, or 0.6 percent, below the FY 2013 agency request. The decrease is attributable to increasing the agency salaries and wages shrinkage rate to 3.0 percent for all programs. The current shrinkage rate is approximately 2.2 percent. The Governor recommends 93.5 FTE positions, the same as the agency request.

## House Budget Committee Recommendation

The **Budget Committee** concurs with the Governor's recommendation.



## House Budget Committee Report

**Agency:** Kansas Racing and Gaming  
Commission

**Bill No.** HB 2231

**Bill Sec.** 67

**Analyst:** Dear

**Analysis Pg. No.** 480

**Budget Page No.** 90

Expenditure Summary	Agency Request FY 2014	Governor Recommendation FY 2014	House Budget Committee Adjustments
<b>Operating Expenditures:</b>			
State General Fund	\$ 0	\$ 0	\$ 0
Other Funds	7,654,315	7,590,381	0
Subtotal	<u>\$ 7,654,315</u>	<u>\$ 7,590,381</u>	<u>\$ 0</u>
<b>Capital Improvements:</b>			
State General Fund	\$ 0	\$ 0	\$ 0
Other Funds	0	0	0
Subtotal	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
<b>TOTAL</b>	<u><u>\$ 7,654,315</u></u>	<u><u>\$ 7,590,381</u></u>	<u><u>\$ 0</u></u>
FTE positions	93.5	93.5	0.0
Non FTE Uncl. Perm. Pos.	0.0	0.0	0.0
<b>TOTAL</b>	<u><u>93.5</u></u>	<u><u>93.5</u></u>	<u><u>0.0</u></u>

### Agency Request

The **agency** requests a FY 2014 budget totaling \$7.7 million, all from special revenue funds. The request is a decrease of \$83,933, or 1.1 percent, below the agency's FY 2013 revised budget estimate. The request includes 93.5 FTE positions, the same as FY 2013.

### Governor's Recommendation

The **Governor** recommends a FY 2014 operating budget of \$7.6 million, all from special revenue funds. The recommendation is a decrease of \$63,934, or 0.8 percent, below the FY 2014 agency request. The decrease is attributable to increasing the agency salaries and wages shrinkage rate to 3.0 percent for all programs (\$57,436). The FY 2014 shrinkage rate is approximately 2.2 percent. The Governor further recommends deleting \$6,498, all from special revenue funds, to reduce the Kansas Public Employees Retirement System (KPERS) death and disability employer contribution from the statutory 1.0 percent to 0.85 percent for FY 2014. The Governor recommends 93.5 FTE positions, the same as the agency request.

### House Budget Committee Recommendation

The **Budget Committee** concurs with the Governor's recommendation.

## House Budget Committee Report

**Agency:** Kansas Racing and Gaming  
Commission

**Bill No.** HB 2231

**Bill Sec.** 68

**Analyst:** Dear

**Analysis Pg. No.** 480

**Budget Page No.** 90

Expenditure Summary	Agency Request FY 2015	Governor Recommendation FY 2015	House Budget Committee Adjustments
<b>Operating Expenditures:</b>			
State General Fund	\$ --	\$ 0	\$ 0
Other Funds	--	7,634,574	0
Subtotal	\$ --	\$ 7,634,574	\$ 0
<b>Capital Improvements:</b>			
State General Fund	\$ --	\$ 0	\$ 0
Other Funds	--	0	0
Subtotal	\$ --	\$ 0	\$ 0
<b>TOTAL</b>	<b>\$ --</b>	<b>\$ 7,634,574</b>	<b>\$ 0</b>
FTE positions	--	93.5	0.0
Non FTE Uncl. Perm. Pos.	--	0.0	0.0
<b>TOTAL</b>	<b>--</b>	<b>93.5</b>	<b>0.0</b>

### Agency Request

There were no **agency** budget requests made for FY 2015 by any state agencies other than those agencies designated in statute as biennial budget agencies. The Governor's budget recommendations to the 2013 Legislature do, however, include funding recommendations for each state agency for FY 2015.

### Governor's Recommendation

The **Governor** recommends a FY 2015 operating budget of \$7.6 million, all from special revenue funds. The recommendation is an increase of \$44,193, or 0.6 percent, above the FY 2014 Governor's recommendation. The Governor maintains the salaries and wages shrinkage rate at 3.0 percent and reduces the KPERs death and disability employer contribution from the statutory 1.0 to 0.85 percent, the same as FY 2014. The recommendation recommends adding \$44,193, all from special revenue funds, to fund the statutory formula for employer contribution to the Kansas Public Employee Retirement System. The Governor recommends 93.5 FTE positions.

**House Budget Committee Recommendation**

The **Budget Committee** concurs with the Governor's recommendation.

# House Budget Committee Report

**Agency:** Kansas Lottery

**Bill No.** HB 2088

**Bill Sec.** 65

**Analyst:** Dear

**Analysis Pg. No.** 459

**Budget Page No.** 88

Expenditure Summary	Agency Estimate FY 2013	Governor Recommendation FY 2013	House Budget Committee Adjustments
<b>Operating Expenditures:</b>			
State General Fund	\$ 0	\$ 0	\$ 0
Other Funds	351,779,945	322,038,954	(60,000)
Subtotal	<u>\$ 351,779,945</u>	<u>\$ 322,038,954</u>	<u>\$ (60,000)</u>
<b>Capital Improvements:</b>			
State General Fund	\$ 0	\$ 0	\$ 0
Other Funds	0	0	0
Subtotal	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
<b>TOTAL</b>	<u><u>\$ 351,779,945</u></u>	<u><u>\$ 322,038,954</u></u>	<u><u>\$ (60,000)</u></u>
FTE positions	95.0	90.0	0.0
Non FTE Uncl. Perm. Pos.	15.0	15.0	0.0
<b>TOTAL</b>	<u><u>110.0</u></u>	<u><u>105.0</u></u>	<u><u>0.0</u></u>

## Agency Estimate

The **agency** requests a revised FY 2013 budget totaling \$351.8 million, all from special revenue funds, a decrease of \$6.3 million, or 1.8 percent below the approved amount. The agency estimates operating expenditures will increase by \$1.5 million. The operating expenditure increase is offset by a change in the Lottery Prize Payment fund reserve account of \$7.8 million. The agency reclassified \$7.9 million in the Prize Payment Fund as non-expense items by increasing the amount set-aside for federal taxes by \$8.2 million and reducing the amount set aside for state taxes by \$381,559. The reclassification removes the funds from the reportable portion of the agency budget.

The agency requests 95.0 FTE positions and 15.0 Non-FTE unclassified permanent positions. This is a decrease of 1.0 FTE positions and an increase of 10.0 Non-FTE positions from the approved number.

## Governor's Recommendation

The **Governor** recommends a FY 2013 budget of \$322.0 million, all from special revenue funds, a decrease of \$29.7 million, or 8.5 percent, below the FY 2013 revised estimate. The reduction is attributable to revised consensus revenue estimates for expanded gaming (\$29.3 million) and the elimination of 5.0 vacant funded FTE positions and increasing the salaries and wages shrinkage rate (\$493,011). The reductions are partially offset by the addition

of \$50,018 in approved expenditures from the lottery prize payment fund to correct a technical error in the agency budget submission. The Governor recommends 90.0 FTE positions, a reduction of 5.0 FTE from the agency request.

### House Budget Committee Recommendation

The **Budget Committee** concurs with the Governor's recommendation with the following adjustment:

1. Delete \$60,000, all from special revenue funds, for the purchase of three vehicles substantially below 150,000 miles in FY 2013.