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**Testimony Before
The House Committee on Federal And State Affairs
House Bill 2313
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Mr. Chairman and Members of the Committee:

Thank you for your consideration of House Bill 2313. HB 2313 would repeal K.S.A. 2016 Supp. 74-8723 of the Kansas Lottery Act, which is the sunset statute that abolishes the Kansas Lottery, the office of executive director of the Kansas Lottery, and the Kansas Lottery commission on July 1, 2022. It also would amend K.S.A. 2016 Supp. 74-8702 to authorize the use of electronic product dispensers (also known as vending machines) to dispense Kansas Lottery products at select Lottery retailer locations.

Repeal the Sunset of the Kansas Lottery Act

Eliminating sunset of the Kansas Lottery Act would strengthen the Lottery's ability to negotiate long-term contracts with vendors, especially with those who must make significant financial investments at the beginning of the contract.

For instance, the Lottery recently issued a Request for Proposals for new gaming and back office systems. The Lottery anticipates the winning vendor will potentially invest \$30 to \$35 million dollars before the new systems are online and the Lottery begins to pay the vendor. The 2022 sunset on the Lottery Act would potentially fall in year four of the ten year contract.

The Lottery's negotiating position is arguably weakened because of a vendor's uncertainty that the sunset of the Lottery may occur prior to expiration of its contract with the Lottery and/or before the vendor has even recovered its initial upfront investment. This strengthened position for the Lottery and added comfort level for vendors gained from eliminating the sunset could translate into reduced operational expenses and other costs for the Lottery over the long term.

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Additionally, the Lottery already has contractual obligations which extend past the current sunset dates. Prime examples include the Expanded Lottery Gaming Facility Contracts which will expire between 2024 and 2032.

Allow Electronic Dispensers

Once fully implemented, conservative estimates project the use of electronic dispensers in Kansas would initially increase lottery sales by \$25 to \$30 million annually, increase retailer commissions by \$1.3 to \$1.5 million annually, and increase transfers to the state by \$8 to \$10 million annually.

As an industry best practices standard, 38 out of 44 U.S. lotteries including Missouri, Oklahoma and Colorado have used electronic dispensers for years to deliver and sell their lottery products. The 2016 Efficiency Review by Alvarez & Marsal recommends the Kansas Lottery be allowed to invest in and install electronic dispensers.

The Lottery is frequently asked by its lottery retailers if such dispensers are available in Kansas because they want a better way to track inventory, sales, to reduce customer wait times and specifically labor costs. Lottery retailers who have locations in other states where electronic dispensers are used report better lottery sales by 30% to 50% and have cut their lottery labor costs in half.

The dispensers also would improve the delivery of lottery instant scratch and draw games to lottery players as they would serve as another point of purchase location in a lottery retail location. This additional point of purchase is especially critical during times of high jackpots when casual or infrequent players want to play, sometimes jamming sales lines to the frustration of our retailers. Sales and transfers grow at a much quicker pace in states with electronic dispensers.

And finally, it is important to note this bill does not "expand" the reach of the Kansas Lottery, but simply allows the Lottery to implement an industry best practice and further modernize its operations to become more efficient and effective in today's business environment. Furthermore, this change has nothing to do with the Kansas Expanded Lottery Act and that act remains untouched by these requested changes.

Again, thank you Chairman Barker and Committee Members for consideration of House Bill 2313.

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