

## Kansas Lottery

Expenditure	Actual FY 2014	Approved FY 2015	Approved FY 2016	Approved FY 2017
<b>All Funds:</b>				
State Operations	\$ 281,108,308	\$ 289,010,854	\$ 290,246,336	\$ 314,222,895
Aid to Local Units	10,666,940	10,776,000	10,758,000	11,694,000
Other Assistance	36,679,438	37,795,010	41,055,282	42,542,281
<i>Subtotal - Operating</i>	<u>\$ 328,454,686</u>	<u>\$ 337,581,864</u>	<u>\$ 342,059,618</u>	<u>\$ 368,459,176</u>
Capital Improvements	-	-	-	-
<b>TOTAL</b>	<u><u>\$ 328,454,686</u></u>	<u><u>\$ 337,581,864</u></u>	<u><u>\$ 342,059,618</u></u>	<u><u>\$ 368,459,176</u></u>
<b>State General Fund:</b>				
State Operations	\$ -	\$ -	\$ -	\$ -
Aid to Local Units	-	-	-	-
Other Assistance	-	-	-	-
<i>Subtotal - Operating</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Capital Improvements	-	-	-	-
<b>TOTAL</b>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>
<b>Percent Change:</b>				
Operating Expenditures				
All Funds	- %	2.8 %	1.3 %	7.7 %
State General Fund	-	-	-	-
FTE Positions	90.0	74.9	74.9	74.9
Non-FTE Unclass. Perm. Pos.	16.5	26.5	28.5	28.5
<b>TOTAL</b>	<u><u>106.5</u></u>	<u><u>101.4</u></u>	<u><u>103.4</u></u>	<u><u>103.4</u></u>

The approved budget for the Kansas Lottery in FY 2015 is \$337.6 million, all from special revenue funds. This is an increase of \$9.1 million, or 2.8 percent, above FY 2014 actual expenditures and is attributable largely to higher payments to gaming facility managers at the three state-owned casinos. Lottery gaming facility managers receive 73.0 percent of all expanded gaming revenue. In FY 2014 gaming facility managers received \$257.4 million, and in FY 2015 they are projected to receive \$262.2 million, an increase of \$4.8 million, or 1.9 percent, above the FY 2014 actual amount. Other increases were due to the approval of the agency's FY 2015 supplemental requests that totaled \$1.8 million. These included \$800,000 for a branding campaign and \$641,755 for a restoration of salaries and wages shrinkage. Cost of sales also increased

by \$1.7 million because the Kansas Lottery sold more tickets in FY 2015 and paid out more prizes to players, compared to FY 2014. The FY 2015 approved budget includes 74.9 FTE and 26.5 non-FTE positions, a decrease of 15.1 FTE positions, and an increase of 10.0 non-FTE positions. The 2014 Legislature deleted 5.0 FTE positions for FY 2015, while the agency shifted 10.1 FTE positions to non-FTE positions. The agency noted that the shift in positions gives it greater flexibility in employee staffing, compensation, and retention.

The FY 2016 approved budget totals \$342.1 million, all from special revenue funds. This is an increase of \$4.5 million, or 1.3 percent,

above the FY 2015 approved budget, and is primarily attributable to a projected increase in the sale of traditional lottery products. As ticket sales are projected to increase, the cost of sales and prizes paid to players will also increase. The agency also increased expenditures in the Administration program, specifically to pay unclassified regular employees. The FY 2016 approved budget includes 74.9 FTE and 28.5 non-FTE positions, an increase of 2.0 non-FTE positions. The increase is due to the agency's approved FY 2016 enhancement request for 2.0 non-FTE Gaming Facilities Analysts who will be responsible for the auditing and oversight of gaming facility operations in the Southeast Gaming Zone.

The FY 2017 approved budget totals \$368.5 million, all from special revenue funds. This is an increase of \$26.4 million, or 7.7 percent, above the FY 2016 approved budget. The increase is attributable

primarily to increased expenditures related to the anticipated opening of a gaming facility in the Southeast Gaming Zone. (The Kansas Lottery projects payments of \$21.9 million to the lottery gaming facility manager, and \$900,000 to the local governments housing the gaming facility). Additional expenditure increases resulted from the anticipated increase in the sale of traditional lottery products. As ticket sales are projected to increase, the cost of sales and prizes paid to players will also increase. The FY 2016 approved budget includes 74.9 FTE and 28.5 non-FTE positions, which is unchanged from the FY 2016 approved budget.

In addition to fiscal changes, 2015 HB 2155 amended the Kansas Lottery Act to allow the Kansas Lottery to advertise at amateur athletic and sporting events where the majority of participants are over the age of 18; to be a retailer and sell Lottery products; and prevent anyone under the age of 18 from being able to redeem a winning lottery ticket.

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	FY 2015			FY 2016			FY 2017		
	SGF	All Funds	FTE	SGF	All Funds	FTE	SGF	All Funds	FTE
<b>Agency Estimate/Request</b>	\$ -	\$ 343,162,343	74.9	\$ -	\$ 351,251,956	74.9	\$ -	\$ 356,804,526	74.9
<b>Governor's Changes:</b>									
1. Consensus Revenue Estimate Adjustment	\$ -	\$ (9,876,000)	-	\$ -	\$ (14,206,000)	-	\$ -	\$ (778,000)	-
2. KPERS Employer Contribution Rate Reduction	-	(59,479)	-	-	-	-	-	-	-
3. Health Insurance Reduction	-	-	-	-	(72,080)	-	-	(73,522)	-
4. GBA No. 1, Item 2	-	4,400,000	-	-	5,174,000	-	-	12,666,000	-
<b>Total Governor's Recommendation</b>	\$ -	\$ 337,626,864	74.9	\$ -	\$ 342,147,876	74.9	\$ -	\$ 368,619,004	74.9
Change from Agency Est./Req.	\$ -	\$ (5,535,479)	-	\$ -	\$ (9,104,080)	-	\$ -	\$ 11,814,478	-
Percent Change from Agency Est./Req.	-%	(1.6)%	-%	-%	(2.6)%	-%	-%	3.3%	-%
<b>Legislative Action:</b>									
5. Video Conferencing Equipment	\$ -	\$ (45,000)	-	\$ -	\$ -	-	\$ -	\$ -	-
6. Transfer to State Gaming Revenues Fund	-	-	-	-	-	-	-	-	-
KPERS Employer Contribution Rate Reduction	-	-	-	-	(72,821)	-	-	(142,902)	-
8. KPERS Death and Disability	-	-	-	-	(15,437)	-	-	(16,926)	-
9. Newspapers and Magazines Prohibition	-	-	-	-	-	-	-	-	-
<b>TOTAL APPROVED</b>	<u>\$ -</u>	<u>\$ 337,581,864</u>	<u>74.9</u>	<u>\$ -</u>	<u>\$ 342,059,618</u>	<u>74.9</u>	<u>\$ -</u>	<u>\$ 368,459,176</u>	<u>74.9</u>
Change from Gov. Rec.	\$ -	\$ (45,000)	-	\$ -	\$ (88,258)	-	\$ -	\$ (159,828)	-
Percent Change from Gov. Rec.	-%	(0.0)%	-%	-%	(0.0)%	-%	-%	(0.0)%	-%
Change from Agency Est./Req.	\$ -	\$ (5,580,479)	-	\$ -	\$ (9,192,338)	-	\$ -	\$ 11,654,650	-
Percent Change from Agency Est./Req.	-%	(1.6)%	-%	-%	(2.6)%	-%	-%	3.3%	-%

1. The Governor's recommendation included adjustments to reflect October 2014 estimates of gaming revenues. Estimated decreases, all from special revenue funds, included \$9.9 million in FY 2015, \$14.2 million for FY 2016, and \$778,000 for FY 2017.
2. The Governor deleted \$59,479, all from special revenue funds, to reduce the Kansas Public Employees Retirement System employer contribution rate (excluding KPERS Death and Disability) from 11.27 percent to 8.65 percent in FY 2015.

3. The Governor deleted \$72,080 for FY 2016 and \$73,522 for FY 2017, all from special revenue funds, to reduce employer contributions for state employee health insurance.
4. The Legislature concurred with GBA No. 1, Item 2 and added, all from special revenue funds, \$4.4 million in FY 2015, \$5.2 million for FY 2016, and \$12.7 million for FY 2017, as a result of the April 2015 consensus revenue group's estimate that projected higher expanded gaming revenue. GBA No. 1, Item 2, also reduced the Kansas Lottery's transfer to the State Gaming Revenues Fund by \$800,000 for FY 2016 and \$2.7 million for FY 2017. Additionally, the GBA recommended, and the Legislature approved,

the inclusion of proviso language in 2015 SB 112 transferring the unencumbered balance from the Expanded Lottery Act Revenues Fund to the State General Fund for FY 2016 and FY 2017.

5. The Legislature deleted \$45,000, all from special revenue funds, to partially fund the agency's supplemental request for video conferencing equipment in FY 2015.
6. The Legislature increased the Kansas Lottery's transfer to the State Gaming Revenues Fund by \$1.0 million for FY 2016.
7. The Legislature reduced the Kansas Public Employees Retirement System employer contribution rate (excluding KPERs Death and Disability) from 12.37 percent to 10.91 percent for FY 2016 and from 13.57 percent to

10.81 percent for FY 2017. **For this agency, the reductions totaled \$72,821 for FY 2016 and \$142,902 for FY 2017, all from special revenue funds.**

8. The Legislature deleted \$15,437 for FY 2016 and \$16,926 for FY 2017, all from special revenue funds, to suspend employer contributions to the Kansas Public Employees Retirement System Group Insurance Fund, or Death and Disability Fund, for the final seven pay periods for FY 2016 and FY 2017.
9. The Legislature prohibited agencies from making expenditures on newspapers and magazines, including electronic subscriptions, for FY 2016 and FY 2017.