

KANSAS LOTTERY

	Actual FY 2014	Agency Est. FY 2015	Gov. Rec. FY 2015	Agency Req. FY 2016	Gov. Rec. FY 2016	Agency Req. FY 2017	Gov. Rec. FY 2017
Operating Expenditures:							
State General Fund	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Other Funds	328,454,686	343,162,343	333,226,864	351,251,956	336,973,876	356,804,526	355,953,004
TOTAL	\$ 328,454,686	\$ 343,162,343	\$ 333,226,864	\$ 351,251,956	\$ 336,973,876	\$ 356,804,526	\$ 355,953,004
Capital Improvements:							
State General Fund	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Other Funds	0	0	0	0	0	0	0
TOTAL	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
GRAND TOTAL	\$ 328,454,686	\$ 343,162,343	\$ 333,226,864	\$ 351,251,956	\$ 336,973,876	\$ 356,804,526	\$ 355,953,004
Percentage Change:							
Operating Expenditures							
State General Fund	-- %	-- %	-- %	-- %	-- %	-- %	-- %
All Funds	(0.0)	4.5	1.5	2.4	1.1	1.6	5.6
FTE Positions	90.0	74.9	74.9	74.9	74.9	74.9	74.9
Non-FTE							
Perm.Uncl.Pos.	16.5	26.5	26.5	28.5	28.5	28.5	28.5
TOTAL	106.5	101.4	101.4	103.4	103.4	103.4	103.4

AGENCY OVERVIEW

Article 15, Section 3c of the *Kansas Constitution* authorizes a state-owned and operated lottery. The Legislature provided for the Kansas Lottery by statutory enactment that included a sunset date. The 2007 Legislature extended the agency until July 1, 2022, at which time it will be abolished unless continued by an act of the Legislature. K.S.A. 74-8710(a) allows, by rule and regulation, the establishment of the types of lottery games to be conducted, including but not limited to instant lottery, on-line, and traditional games.

The 2007 Legislature repealed a provision that prohibited games on video lottery machines and established the Expanded Lottery Act to provide for gaming at race tracks and casinos in

limited jurisdictions where approved by local voters. The new law allows the Kansas Lottery to own and operate electronic gaming machines at designated locations. The Kansas Racing and Gaming Commission is given authority to regulate the gaming activities at race tracks and casinos.

The Kansas Lottery has established multiple types of traditional games: instant tickets, Powerball, Mega Millions, Super Kansas Cash, 2x2, Keno, Hot Lotto, Kansas Hold'Em, and Pick 3. The agency engages in partnerships including the Kansas City Chiefs, Sporting Kansas City, and the Kansas State Fair, with promotions for special instant games and second chance prize drawings.

MAJOR ISSUES FROM PRIOR YEARS

The 2001 Legislature:

- Provided for the operation of the Kansas Lottery until July 1, 2008. The 2007 Legislature continued the operation of the Kansas Lottery until July 1, 2022; and
- Initiated a one-year modification of the statutory provision for State Gaming Revenue Fund transfers to be not less than \$4.5 million per month and not less than a grand total of at least \$59.0 million. This same modification has been approved in subsequent fiscal years. (There is a statutory minimum of 30.0 percent of lottery sales reserved for transfer to the State Gaming

Revenues Fund, except for sales of pull-tabs which are set at 20.0 percent.)

The 2003 Legislature:

- Statutorily authorized special veterans benefit games to generate additional funding for certain programs.

The 2007 Legislature:

- Enacted 2007 SB 66 which authorized expanded lottery (gaming) activities at race tracks and casinos in certain areas after local voter approval, and authorized expenditures for

implementation from the Lottery Operating Fund in FY 2008, but did not approve specific expenditures or staff levels for activities related to implementation.

The 2008 Legislature:

- Enacted 2008 HB 2923, which expanded the veterans' benefits games from six months to year round to generate additional revenue, and added funding from the net profits to the Museum of the Kansas National Guard for the expansion of its facility to include a 35th Infantry Division Museum through FY 2010. In FY 2011, the net profits transferred to the Museum were redirected to the Veterans Enhanced Service Delivery program.

The 2010 Legislature:

- Increased the agency salaries and wages shrinkage rate from 2.0 percent to 5.0 percent

and deleted \$162,500 from the agency operating budget in FY 2009 and 2010.

The 2013 Legislature:

- Increased the statutory transfer from the State Gaming Revenue Fund by 4.0 percent, or \$2.4 million, for a transfer of \$75.7 million in FY 2014.

The 2014 Legislature:

- Enacted HB 2272 that reduced the privilege fee in the Southeast gaming zone from \$50.0 million to \$5.5 million. The bill also reduced investment fees from \$225.0 million to \$50.0 million.
- Deleted 5.0 FTE positions in FY 2015.
- Deleted \$13.6 million in FY 2014 and \$12.1 million in FY 2015, all from special revenue funds, to adjust for the April 2014 consensus revenue estimating group's projections of lower gaming revenues.

BUDGET SUMMARY AND KEY POINTS

FY 2015 Agency Estimate

The **agency's** revised estimate totals \$343.2 million, all from special revenue funds, in FY 2015. This is an increase of \$2.0 million, or 0.6 percent, above the amount approved by the 2014 Legislature. The increase is largely attributable to higher expenditures on salaries and wages, contractual services, and

capital outlay related to the agency's supplemental requests. The FY 2015 estimate includes 74.9 FTE and 26.5 non-FTE positions, which is a decrease of 10.1 FTE and an increase of 10.1 non-FTE positions.

FY 2015 Governor Recommendation

The **Governor** recommends \$333.2 million, all from special revenue funds, in FY 2015. This is a decrease of \$7.9 million, or 2.3 percent, below the agency's FY 2015 revised estimate. The decrease is largely attributable to reduced expenditures on contractual services and aid to local units of government as a

result of lower than anticipated expanded gaming revenues from the state's three casinos. The Governor's recommendation includes 74.9 FTE and 26.5 non-FTE positions, which is unchanged from the agency's FY 2015 revised estimate.

FY 2016 Agency Request

The **agency** requests \$351.3 million, all from special revenue funds, for FY 2016. This is an all funds increase of \$8.1 million, or 2.4 percent, and is attributable to higher expenditures on salaries and wages, contractual services, commodities, aid to local units of government, and other assistance, offset by

reduced capital outlay expenditures. The FY 2016 request includes 74.9 FTE and 28.5 non-FTE positions, which is an increase of 2.0 non-FTE positions above the FY 2015 revised estimate.

FY 2016 Governor Recommendation

The **Governor** recommends \$337.0 million, all from special revenue funds, for FY 2016. This is a decrease of \$14.3 million, or 4.1 percent, below the agency's FY 2016 request. The Governor recommends \$337.0 million, all from special revenue funds, for FY 2016. The decrease is largely attributable to reduced expenditures on contractual services and aid to local

units of government as a result of lower than anticipated expanded gaming revenues from the state's three casinos. The Governor's recommendation includes 74.9 FTE and 28.5 non-FTE positions, which is unchanged from the agency's FY 2016 request.

FY 2017 Agency Request

The **agency** requests \$356.8 million, all from special revenue funds, for FY 2017. This is an increase of \$5.5 million, or 1.6 percent, above the FY 2016 request. The increase is attributable to higher expenditures on salaries and wages,

contractual services, commodities, aid to local units, and other assistance, offset by reduced capital outlay expenditures. The FY 2017 request includes 74.9 FTE and 28.5 non-FTE positions, which is no change from the FY 2016 request.

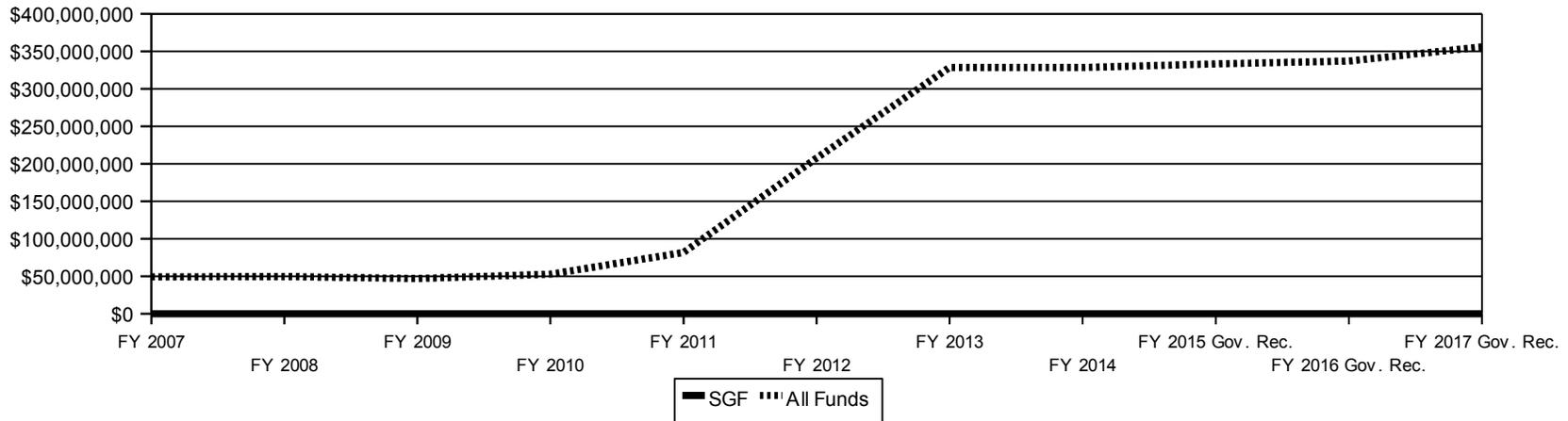
FY 2017 Governor Recommendation

The **Governor** recommends \$355.9 million, all from special revenue funds, for FY 2017. This is a decrease of \$851,522, or 0.2 percent, below the agency's FY 2017 request. The decrease is largely attributable to reduced expenditures on contractual services and aid to local units of government as a result of lower

than anticipated expanded gaming revenues from the state's three casinos. The Governor's recommendation includes 74.9 FTE and 28.5 non-FTE positions, which is unchanged from the agency's FY 2017 request.

BUDGET TRENDS

OPERATING EXPENDITURES FY 2007 – FY 2017



Fiscal Year	SGF	% Change	All Funds	% Change	FTE
2007	\$ 0	-- %	\$ 49,020,053	(7.4)%	87.0
2008	0	--	49,602,578	1.2	89.0
2009	0	--	46,917,281	(5.4)	89.0
2010	0	--	52,668,717	12.3	89.0
2011	0	--	81,650,571	55.0	99.0
2012	0	--	207,662,071	154.3	96.0
2013	0	--	328,536,485	58.2	90.0
2014	0	--	328,454,686	(0.0)	90.0
2015 Gov. Rec.	0	--	333,226,864	1.5	74.9
2016 Gov. Rec.	0	--	336,973,876	1.1	74.9
2017 Gov. Rec.	0	--	355,953,004	5.6	74.9
Eleven-Year Change	\$ 0	-- %	\$ 306,932,951	626.1 %	(12.1)

Summary of Operating Budget FY 2014 - FY 2016

	Actual 2014	Agency Estimate				Governor's Recommendation			
		Estimate FY 2015	Request FY 2016	Dollar Change from FY 15	Percent Change from FY 15	Rec. FY 2015	Rec. FY 2016	Dollar Change from FY 15	Percent Change from FY 15
By Program:									
Administration	\$ 2,695,770	\$ 3,457,063	\$ 4,015,070	\$ 558,007	16.1 %	\$ 3,437,164	\$ 3,989,002	\$ 551,838	16.1 %
Information Technology	979,358	1,463,146	1,396,481	(66,665)	(4.6)	1,457,490	1,390,572	(66,918)	(4.6)
Sales	1,839,860	2,204,017	2,252,865	48,848	2.2	2,190,547	2,234,562	44,015	2.0
Security	512,975	554,057	595,000	40,943	7.4	549,235	590,098	40,863	7.4
Cost of Sales	46,485,777	48,186,510	52,192,282	4,005,772	8.3	48,186,510	52,192,282	4,005,772	8.3
Expanded Lottery Act	271,618,018	282,014,136	285,393,708	3,379,572	1.2	272,127,322	271,176,260	(951,062)	(0.3)
Marketing	4,322,928	5,283,414	5,406,550	123,136	2.3	5,278,596	5,401,100	122,504	2.3
TOTAL	\$ 328,454,686	\$ 343,162,343	\$ 351,251,956	\$ 8,089,613	2.4 %	\$ 333,226,864	\$ 336,973,876	\$ 3,747,012	1.1 %
By Major Object of Expenditure:									
Salaries and Wages	\$ 5,411,829	\$ 6,440,196	\$ 7,449,709	\$ 1,009,513	15.7 %	\$ 6,380,717	\$ 7,377,629	\$ 996,912	15.6 %
Contractual Services	274,987,853	286,785,937	290,616,405	3,830,468	1.3	277,308,937	276,980,405	(328,532)	(0.1)
Commodities	570,686	711,200	723,060	11,860	1.7	711,200	723,060	11,860	1.7
Capital Outlay	137,940	429,000	283,500	(145,500)	(33.9)	429,000	283,500	(145,500)	(33.9)
Debt Service	0	0	0	0	--	0	0	0	--
Subtotal - Operations	\$ 281,108,308	\$ 294,366,333	\$ 299,072,674	\$ 4,706,341	1.6 %	\$ 284,829,854	\$ 285,364,594	\$ 534,740	0.2 %
Aid to Local Units	10,666,940	11,001,000	11,124,000	123,000	1.1	10,602,000	10,554,000	(48,000)	(0.5)
Other Assistance	36,679,438	37,795,010	41,055,282	3,260,272	8.6	37,795,010	41,055,282	3,260,272	8.6
TOTAL	\$ 328,454,686	\$ 343,162,343	\$ 351,251,956	\$ 8,089,613	2.4 %	\$ 333,226,864	\$ 336,973,876	\$ 3,747,012	1.1 %
Financing:									
State General Fund	\$ 0	\$ 0	\$ 0	\$ 0	-- %	\$ 0	\$ 0	\$ 0	-- %
Lottery Operating Fund	23,954,883	26,907,333	28,658,674	1,751,341	6.5	26,847,854	28,586,594	1,738,740	6.5
Expanded Lottery Receipts	268,113,365	278,460,000	281,538,000	3,078,000	1.1	268,584,000	267,332,000	(1,252,000)	(0.5)
Lottery Prize Payment Fund	36,386,438	37,795,010	41,055,282	3,260,272	8.6	37,795,010	41,055,282	3,260,272	8.6
TOTAL	\$ 328,454,686	\$ 343,162,343	\$ 351,251,956	\$ 8,089,613	2.4 %	\$ 333,226,864	\$ 336,973,876	\$ 3,747,012	1.1 %

Summary of Operating Budget FY 2016 - FY 2017

	Agency Estimate				Governor's Recommendation			
	Request FY 2016	Request FY 2017	Dollar Change from FY 16	Percent Change from FY 16	Rec. FY 2016	Rec. FY 2017	Dollar Change from FY 16	Percent Change from FY 16
By Program:								
Administration	\$ 4,015,070	\$ 4,344,638	\$ 329,568	8.2 %	\$ 3,989,002	\$ 4,318,048	\$ 329,046	8.2 %
Information Technology	1,396,481	1,459,967	63,486	4.5	1,390,572	1,453,940	63,368	4.6
Sales	2,252,865	2,346,599	93,734	4.2	2,234,562	2,327,930	93,368	4.2
Security	595,000	616,917	21,917	3.7	590,098	611,917	21,819	3.7
Cost of Sales	52,192,282	54,261,856	2,069,574	4.0	52,192,282	54,261,856	2,069,574	4.0
Expanded Lottery Act	285,393,708	288,236,669	2,842,961	1.0	271,176,260	287,446,992	16,270,732	6.0
Marketing	5,406,550	5,537,880	131,330	2.4	5,401,100	5,532,321	131,221	2.4
TOTAL	\$ 351,251,956	\$ 356,804,526	\$ 5,552,570	1.6 %	\$ 336,973,876	\$ 355,953,004	\$ 18,979,128	5.6 %
By Major Object of Expenditure:								
Salaries and Wages	\$ 7,449,709	\$ 7,812,915	\$ 363,206	4.9 %	\$ 7,377,629	\$ 7,739,393	\$ 361,764	4.9 %
Contractual Services	290,616,405	294,210,720	3,594,315	1.2	276,980,405	293,471,720	16,491,315	6.0
Commodities	723,060	744,020	20,960	2.9	723,060	744,020	20,960	2.9
Capital Outlay	283,500	259,590	(23,910)	(8.4)	283,500	259,590	(23,910)	(8.4)
Debt Service	0	0	0	--	0	0	0	--
Subtotal - Operations	\$ 299,072,674	\$ 303,027,245	\$ 3,954,571	1.3 %	\$ 285,364,594	\$ 302,214,723	\$ 16,850,129	5.9 %
Aid to Local Units	11,124,000	11,235,000	111,000	1.0	10,554,000	11,196,000	642,000	6.1
Other Assistance	41,055,282	42,542,281	1,486,999	3.6	41,055,282	42,542,281	1,486,999	3.6
TOTAL	\$ 351,251,956	\$ 356,804,526	\$ 5,552,570	1.6 %	\$ 336,973,876	\$ 355,953,004	\$ 18,979,128	5.6 %
Financing:								
State General Fund	\$ 0	\$ 0	\$ 0	-- %	\$ 0	\$ 0	\$ 0	-- %
Lottery Operating Fund	28,658,674	29,952,245	1,293,571	4.5	28,586,594	29,878,723	1,292,129	4.5
Expanded Lottery Receipts	281,538,000	284,310,000	2,772,000	1.0	267,332,000	283,532,000	16,200,000	6.1
Lottery Prize Payment Fund	41,055,282	42,542,281	1,486,999	3.6	41,055,282	42,542,281	1,486,999	3.6
TOTAL	\$ 351,251,956	\$ 356,804,526	\$ 5,552,570	1.6 %	\$ 336,973,876	\$ 355,953,004	\$ 18,979,128	5.6 %

BUDGET OVERVIEW

A. FY 2015 – Current Year

	CHANGE FROM APPROVED BUDGET				
	Legislative Approved FY 2015	Agency Estimate FY 2015	Agency Change from Approved	Governor Rec. FY 2015	Governor Change from Approved
State General Fund	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
All Other Funds	341,170,195	343,162,343	1,992,148	333,226,864	(7,943,331)
TOTAL	<u>\$ 341,170,195</u>	<u>\$ 343,162,343</u>	<u>\$ 1,992,148</u>	<u>\$ 333,226,864</u>	<u>\$ (7,943,331)</u>
FTE Positions	85.0	74.9	(10.1)	74.9	(10.1)

The **agency's** revised estimate totals \$343.2 million, all from special revenue funds, in FY 2015. This is an increase of \$2.0 million, or 0.6 percent, above the amount approved by the 2014 Legislature. The increase is attributable to higher expenditures on salaries and wages, contractual services, commodities, and capital outlay. The FY 2015 revised estimate includes 74.9 FTE and 26.5 non-FTE positions, which is a decrease of 10.1 FTE and an increase of 10.1 non-FTE positions from the FY 2015 approved amount. Changes from the FY 2015 approved budget include the following.

- **Salaries and Wages.** The agency's revised estimate totals \$6.4 million, all from special revenue funds, in FY 2015. This is an increase of \$641,755, or 11.1 percent, above the FY 2015 approved amount. The increase is due to the

agency's supplemental request for a shrinkage adjustment in the amount of \$641,755.

- **Contractual Services.** The agency estimates \$286.8 million, all from special revenue funds, in FY 2015. This is an increase of \$1.1 million, or 0.4 percent, above the FY 2015 approved amount. The increase is largely attributable to the agency's FY 2015 supplemental requests for a branding campaign and sales force automation system. The additional increases are related to computer maintenance in the Information Technology program.
- **Commodities.** The agency estimates \$711,200, all from special revenue funds, for FY 2015. This

is an increase of \$100,705, or 16.5 percent, above the FY 2015 approved amount. The increase is largely attributable to higher expenditures in the Sales program. The agency notes that the amount requested is to maintain current operations, continue to implement the Lottery's Excellence of Standards program, replenish depleted promotional items, and purchase signage. Another larger increase was in the Administration program which is responsible for the maintenance of Lottery vehicles and the purchase of office supplies for most of the agency's programs. The agency notes that the requested expenditures will allow the Lottery to maintain adequate supplies.

- **Capital Outlay.** The agency's revised estimate totals \$429,000, all from special revenue funds, in FY 2015. This is an increase of \$196,834, or 84.8 percent, above the FY 2015 approved amount. The increase is largely attributable to the agency's FY 2015 supplemental requests for sales force automation hardware, software, and electronic devices, and video conferencing equipment to improve the agency's communications with the public and Lottery Commission, and to reduce agency travel.

The **Governor** recommends \$333.2 million, all from special revenue funds, in FY 2015. This is a decrease of \$7.9 million, or 2.3 percent, below the agency's FY 2015 revised estimate. The decrease is attributable to reduced expenditures on salaries and wages, contractual services, and aid to local units of government as detailed below.

- **Salaries and Wages.** The Governor recommends \$6.4 million, all from special revenue funds, in FY 2015. This is a decrease of \$59,479, or 0.9 percent, below the agency's FY 2015 revised estimate and is attributable to reduced employer contributions to KPERS. The Governor's recommendation includes 74.9 FTE and 26.5 non-FTE positions, which is unchanged from the agency's FY 2015 revised.
- **Contractual Services.** The Governor recommends \$277.3 million, all from special revenue funds, in FY 2015. This is a decrease of \$8.4 million, or 2.9 percent, below the agency's FY 2015 revised estimate. The decrease is attributable to lower payments to facility managers due to a projected reduction of gaming revenues based on the 2014 fall revenue estimates.
- **Aid to Local Units.** The Governor recommends \$10.6 million, all from special revenue funds, in FY 2015. This is a decrease of \$399,000, or 3.6 percent, below the agency's FY 2015 revised estimate. The decrease is attributable to lower payments to local units of governments housing the state's three casinos due to a projected reduction of gaming revenues based on the 2014 fall revenue estimates.

Transfers to the State

- **State Gaming Revenues Fund.** Each year the Legislature establishes a minimum transfer from the proceeds of regular lottery program sales to

the State Gaming Revenues Fund while maintaining an adequate cash balance necessary to make expenditures for prize payments and operating costs. By statute, annually, the first \$50.0 million is split between the Problem Gambling and Addictions Grant Fund (\$80,000), 85.0 percent to the Economic Development Initiatives Fund (EDIF), 10.0 percent to the Correctional Institutions Building Fund (CIBF), and 5.0 percent to the Juvenile Detention Facilities Fund (JDFF). The remainder is transferred into the State General Fund.

- **In FY 2015**, the agency estimates sales totaling \$252.5 million. The 2013 Legislature established the Lottery's transfer at \$73.5 million. The agency's revised estimate proposes a transfer of \$74.0 million. The Lottery will transfer \$50.0 million to the State Gaming Revenues Fund, and the remaining \$24.0 million will be transferred to the State General Fund.

- **The Governor** concurs with the agency's proposed transfers to the state.
- **Expanded Lottery Act Revenues Fund.** A consensus gaming revenue estimating group comprised of representatives from the Kansas Lottery, Racing and Gaming Commission, Legislative Research Department, and the Division of the Budget met in April 2014, and adopted preliminary revenue projections of \$80.9 million to the Expanded Lottery Act Revenues Fund (ELARF) in FY 2015. The group met again in October 2014 and reduced the estimated transfer to \$77.7 million. The fall 2014 estimate is a decrease of \$3.2 million, or 3.9 percent, below the April 2014 estimate due to lower than anticipated expanded gaming revenues from the Southwest and Southcentral gaming zones.
- **The Governor** concurs with the agency's proposed transfers to the state.

Supplemental Detail

Supplementals	FY 2015 SUPPLEMENTALS					
	Agency Estimate			Governor's Recommendation		
	SGF	All Funds	FTE	SGF	All Funds	FTE
Shrinkage Adjustment	\$ 0	\$ 641,755	0.0	\$ 0	\$ 641,755	0.0
Sales Force Automation	0	286,375	0.0	0	286,375	0.0
Video Conferencing Equipment	0	65,000	0.0	0	65,000	0.0
Branding Campaign	0	800,000	0.0	0	800,000	0.0
TOTAL	\$ 0	\$ 1,793,130	0.0	\$ 0	\$ 1,793,130	0.0

The **agency** requests FY 2015 supplemental expenditures totaling \$1.8 million, all from special revenue funds. These include the following items.

- **Shrinkage Adjustment.** The agency requests \$641,755, all from special revenue funds, in FY 2015 to restore funding for salaries and wages. The agency notes that an adjustment to the shrinkage amount will make funding available to expend for critical vacant positions in field and office positions.

The **Governor** recommends the agency's supplemental request.

- **Sales Force Automation.** The agency requests \$286,375, all from special revenue funds, in FY 2015 for a software program that will provide up to date sales and product information to team members working with retailers. The agency notes that the program will provide management tools, currently unavailable, to improve tracking of equipment, sales trends, and retailer recruitment efforts. The software will also provide retailers with direct access to sales, commission, and billing information.

The **Governor** recommends the agency's supplemental request.

- **Video Conferencing Equipment.** The agency requests \$65,000, all from special revenue funds, in FY 2015 for the purchase of video conferencing equipment for the public conference room to improve the agency's communications with the public and Lottery Commission, and to reduce agency travel.

The **Governor** recommends the agency's supplemental request.

- **Branding Campaign.** The agency requests \$800,000, all from special revenue funds, in FY 2015 for a branding campaign that will engage a broader demographic through new games and social media. The campaign will include on-going media levels of TV, radio, and web ads to increase sales of all products.

The **Governor** recommends the agency's supplemental request.

The **Governor** recommends four operating enhancements totaling \$1,793,130, all from special revenue funds, in FY 2015.

B. FY 2016 – Budget Year

FY 2016 OPERATING BUDGET SUMMARY			
	Agency Request	Governor's Recommendation	Difference
Total Request/Recommendation	\$ 351,251,956	\$ 336,973,876	\$ (14,278,080)
FTE Positions	74.9	74.9	0.0
<i>Change from FY 2015:</i>			
<i>Dollar Change:</i>			
State General Fund	\$ 0	\$ 0	
All Other Funds	8,089,613	3,747,012	
TOTAL	<u>\$ 8,089,613</u>	<u>\$ 3,747,012</u>	
<i>Percent Change:</i>			
State General Fund	0.0 %	0.0 %	
All Other Funds	2.4	1.1	
TOTAL	<u>2.4 %</u>	<u>1.1 %</u>	
Change in FTE Positions	0.0	0.0	

The **agency** requests \$351.3 million, all from special revenue funds, for FY 2016. This is an all funds increase of \$8.1 million, or 2.4 percent, above the FY 2015 revised estimate. This increase is attributable to higher expenditures on salaries and wages, contractual services, commodities, aid to local units of government, and other assistance, offset by reduced capital outlay expenditures. The FY 2016 request includes 74.9 FTE and 28.5 non-FTE positions, which is an increase of 2.0 non-FTE positions due to the agency's FY 2016 enhancement

request for 2.0 non-FTE Gaming Facilities Analysts. Changes from the FY 2015 revised estimate includes the following.

- **Salaries and Wages.** The agency requests \$7.5 million, all from special revenue funds, for FY 2016. This is an increase of \$1.0 million, or 15.7 percent, above the FY 2015 revised estimate. The increase in salaries and wages occurs in all of the agency's programs, the largest of which

occur in the Administration and Expanded Lottery Act programs. A portion of the increase in all of the programs is associated with the agency's FY 2016 enhancement request for the Employee Incentive and Reward Program, and higher employer contributions to KPERS and group health hospitalization. Within the Administration program, there are additional increases in pay to unclassified regular employees, offset by reduced expenditures on pay to classified regular employees. Within the Expanded Lottery Act program, there are increased expenditures on unclassified employee salary and fringe benefits related to the agency's FY 2016 enhancement request for 2.0 non-FTE Gaming Facilities Analysts.

- **Contractual Services.** The agency requests \$290.6 million, all from special revenue funds, for FY 2016. This is an increase of \$3.8 million, or 1.3 percent, above the FY 2015 revised estimate. The increase is largely attributable to higher expenditures on contractual services in the Expanded Lottery Act program. These include higher payments to lottery gaming facility managers who receive 73.0 percent of all expanded gaming revenues. The projected increase of expanded gaming revenue for FY 2016, compared to FY 2015, will in turn increase payments to facility managers. Also included in the Expanded Lottery Act program are increased expenditures for the Gtech Central System. Contractual services included in the cost of sales for traditional lottery products, such as the the costs of ticket printing, ticket shipment, and on-line vendor fees, are set to increase given the agency's projected increase in ticket sales.

- **Commodities.** The agency requests \$723,060, all from special revenue funds, for FY 2016. This is an increase of \$11,860, or 1.7 percent, above the FY 2015 revised estimate. The increase is largely attributable to higher expenditures on commodities within the Sales program to continue to implement the Lottery's Excellence of Standards program, replenish depleted promotional inventories, and purchase signage. The agency budgeted for an increase in commodities expenditures in the Expanded Lottery Act program due to the potential opening of a gaming facility in the Southeast gaming zone. The commodities increases are offset by a decrease in the Security program due to the agency purchasing RHAP game tickets for use in future sting operations, which are not included in the FY 2016 request.
- **Capital Outlay.** The agency requests \$283,500, all from special revenue funds, for FY 2016. This is a decrease of \$145,500, or 33.9 percent, below the FY 2015 revised estimate. The decrease is attributable to the agency's FY 2015 supplemental request for sales force automation hardware, software, and electronic devices and video conferencing equipment, which are not included in the FY 2016 request. The decrease is also attributable to the agency's planned purchase of two intermediate sedans in FY 2015 for the the Expanded Lottery Act program which are also not included in the FY 2016 request.
- **Aid to Local Units of Government.** The agency requests \$11.1 million, all from special revenue funds, for FY 2016. This is an increase of

\$123,000, or 1.1 percent, above the FY 2015 revised estimate. This category of expenditure includes payments to the cities and counties housing the state-owned casinos that receive 3.0 percent of all expanded gaming revenue. The projected increase of expanded gaming revenue for FY 2016, compared to FY 2015, will concurrently increase the payments to the cities and counties.

- **Other Assistance.** The agency requests \$41.1 million, all from special revenue funds, for FY 2016. This is an increase of \$3.3 million, or 8.6 percent, above the FY 2015 revised estimate. Expenditures in other assistance include retailer paid and prizes paid by the Lottery. As ticket sales are projected to increase in FY 2016, the cost of sales and prizes paid are projected to increase in kind.

The **Governor** recommends \$337.0 million, all from special revenue funds, for FY 2016. This is a decrease of \$14.3 million, or 4.1 percent, below the agency's FY 2016 request. The decrease is attributable to reduced expenditures on salaries and wages, contractual services, and aid to local units of government as detailed below.

- **Salaries and Wages.** The Governor recommends \$7.4 million, all from special revenue funds, for FY 2016. This is a decrease of \$72,080, or 1.0 percent, below the agency's FY 2016 request, and is attributable to reduced employer contributions for state employee health insurance. The Governor's recommendation includes 74.9 FTE and 28.5 non-FTE positions,

which is unchanged from the agency's FY 2016 request.

- **Contractual Services.** The Governor recommends \$277.0 million, all from special revenue funds, for FY 2016. This is a decrease of \$13.6 million, or 4.7 percent, below the agency's FY 2016 request. The decrease is attributable to lower payments to facility managers due to a projected reduction of gaming revenues based on the fall 2014 revenue estimates.
- **Aid to Local Units.** The Governor recommends \$10.6 million, all from special revenue funds, for FY 2016. This is a decrease of \$570,000, or 5.1 percent, below the agency's FY 2016 request. The decrease is attributable to lower payments to local units of governments housing the state's three casinos due to a projected reduction of gaming revenues based on the fall 2014 revenue estimates.

Transfers to the State

- **State Gaming Revenues Fund.** Each year the Legislature establishes a minimum transfer from the proceeds of regular lottery program sales to the State Gaming Revenues Fund while maintaining an adequate cash balance necessary to make expenditures for prize payments and operating costs. By statute, the first \$50.0 million is split between the Problem Gambling and Addictions Grant Fund (\$80,000), 85.0 percent to the EDIF, 10.0 percent to the CIBF, and 5.0 percent to the JDFF. The

remainder is transferred into the State General Fund.

- **For FY 2016**, the agency proposes sales totaling \$265.5 million. The Lottery will transfer \$50.0 million to the State Gaming Revenues Fund, and proposes that \$26.0 million be transferred to the State General Fund.
- The **Governor** concurs with the agency's proposed transfers to the state.
- **Expanded Lottery Act Revenues Fund.** A consensus gaming revenue estimating group comprised of representatives from the Kansas Lottery, Racing and Gaming Commission,

Legislative Research Department, and the Division of the Budget met in April 2014, and adopted preliminary revenue projections of \$81.8 million to the ELARF for FY 2016. The group met again in October 2014 and reduced the estimate to a transfer of \$77.4 million. The fall 2014 estimate is a decrease of \$4.4 million, or 5.4 percent, below the spring 2014 estimate due to lower than anticipated expanded gaming revenue in all of the gaming zones. The fall 2014 estimate includes the payment of a \$5.5 million privilege fee by a facility manager in the Southeast gaming zone.

- The **Governor** concurs with the agency's proposed transfers to the state.

Enhancements Detail

Enhancements	FY 2016 ENHANCEMENTS					
	Agency Request			Governor's Recommendation		
	SGF	All Funds	FTE	SGF	All Funds	FTE
Employee Incentive Program						
Administration	\$ 0	\$ 104,993	0.0	\$ 0	\$ 104,993	0.0
Information Technology	0	21,975	0.0	0	21,975	0.0
Sales	0	54,260	0.0	0	54,260	0.0
Security	0	19,534	0.0	0	19,534	0.0
Expanded Lottery Act	0	34,183	0.0	0	34,183	0.0
Marketing	0	19,534	0.0	0	19,534	0.0
<i>Subtotal</i>	\$ 0	\$ 254,479	0.0	\$ 0	\$ 254,479	0.0
Retailer Recruitment						
Commission	\$ 0	\$ 36,567	0.0	\$ 0	\$ 36,567	0.0
Gaming Facilities Analysts	0	120,994	0.0	0	120,994	0.0
TOTAL	\$ 0	\$ 412,040	0.0	\$ 0	\$ 412,040	0.0

The **agency** requests FY 2016 enhancement expenditures totaling \$412,040, all from special revenue funds. These include the following items.

- **Employee Incentive Program.** The agency requests \$254,479, all from special revenue funds, for the Employee Incentive Award and Recognition Program for FY 2016. The program was approved by the Department of Administration in 2013 and rewards employees for specific achievements, including distinguished accomplishment, meritorious service, innovation, and exceeding quarterly and annual transfer targets.

The Governor recommends the agency's enhancement request.

- **Retailer Recruitment Commission.** The agency requests \$36,567, all from special revenue funds, for the New Retailer Recruitment Incentive-Based Compensation Program for FY 2016. The agency notes that the program will help the Lottery identify and target qualified retailers and to ensure they have successful sales.

The **Governor** recommends the agency's enhancement request.

- Gaming Facilities Analysts.** The agency requests \$120,994, all from special revenue funds, and 2.0 non-FTE positions for Gaming Facilities Analysts for FY 2016. The analysts will be responsible for the auditing and oversight of gaming facility operations, specifically regarding the certification of revenues and the gaming

facility's compliance with the Kansas Expanded Lottery Act.

The **Governor** recommends the agency's enhancement request.

The **Governor** recommends three operating enhancements totaling \$412,040, all from special revenue funds, for FY 2016.

C. FY 2017 – Budget Year

FY 2017 OPERATING BUDGET SUMMARY			
	Agency Request	Governor's Recommendation	Difference
Total Request/Recommendation	\$ 356,804,526	\$ 355,953,004	\$ (851,522)
FTE Positions	74.9	74.9	0.0
<i>Change from FY 2016:</i>			
<i>Dollar Change:</i>			
State General Fund	\$ 0	\$ 0	
All Other Funds	5,552,570	18,979,128	
TOTAL	<u>\$ 5,552,570</u>	<u>\$ 18,979,128</u>	
<i>Percent Change:</i>			
State General Fund	0.0 %	0.0 %	
All Other Funds	1.6	5.6	
TOTAL	<u>1.6 %</u>	<u>5.6 %</u>	
Change in FTE Positions	0.0	0.0	

The **agency** requests \$356.8 million, all from special revenue funds, for FY 2017. This is an increase of \$5.6 million, or 1.6 percent, above the FY 2016 request. The increase is attributable to higher expenditures on salaries and wages, contractual services, commodities, aid to local units, and other assistance, offset by reduced capital outlay expenditures. The FY 2017 request includes 74.9 FTE and 28.5 non-FTE positions, which is no change from the FY 2016 request and continues the enhancement request for 2.0 non-FTE Gaming Facilities Analysts. Changes from the FY 2016 request include the following items.

- **Salaries and Wages.** The agency requests \$7.8 million, all from special revenue funds, for FY 2017. This is an increase of \$363,206, or 4.9 percent, above the FY 2016 request. The increase in salaries and wages occurs in all of the agency's programs, and is primarily attributable to higher employer contributions to KPERS, the 27th payroll period, and the agency's enhancement request for the Employee Incentive and Reward Program.
- **Contractual Services.** The agency requests \$294.2 million, all from special revenue funds, for FY 2017. This is an increase of \$3.6 million, or 1.2 percent, above the FY 2016 request. The increase is largely attributable to higher expenditures on contractual services in the Expanded Lottery Act program. These include higher payments to lottery gaming facility managers who receive 73.0 percent of all expanded gaming revenues. The projected increase of expanded gaming revenue for FY 2017, compared to FY 2016, will increase the payments to facility managers. Also included in

the Expanded Lottery Act program are increased expenditures for the Gtech Central System. Contractual services included in the cost of sales for traditional lottery products, such as the the costs of ticket printing, ticket shipment, and on-line vendor fees are estimated to increase along with the agency's projected increase in ticket sales. Within the Administration program, contractual services also increase to provide for a security audit that is required to be performed every three years

- **Commodities.** The agency requests \$744,020 all from special revenue funds, for FY 2017. This is an increase of \$20,960, or 2.9 percent, above the FY 2016 request. The increase is largely attributable to higher expenditures on the cost of sales that includes the shipping of traditional lottery products. The agency also requested higher expenditures in the Sales program to continue to implement the Lottery's Excellence of Standards program, replenish depleted promotional inventories, and purchase signage. As ticket sales are projected to increase for FY 2017, commodities expenditures associated with the sale of traditional lottery products are estimated to increase accordingly.
- **Capital Outlay.** The agency requests \$259,590 all from special revenue funds, for FY 2017. This is a decrease of \$23,910, or 8.4 percent, below the FY 2016 request. The decrease is attributable to lower expenditures on the replacement of one mini-van and expenditures for record retention purchases in the Administration program which

are included as part of the FY 2016 request, but not in the FY 2017 request.

- **Aid to Local Units of Government.** The agency requests \$11.2 million, all from special revenue funds, for FY 2017. This is an increase of \$111,000, or 1.0 percent, above the FY 2016 request. This category of expenditure includes payments to cities and counties housing state-owned casinos and whom receive 3.0 percent of all expanded gaming revenue. The projected increase of expanded gaming revenue for FY 2017, compared to FY 2016, will increase the payments to these cities and counties.
- **Other Assistance.** The agency requests \$42.5 million, all from special revenue funds, for FY 2017. This is an increase of \$1.5 million, or 3.6 percent, above the FY 2016 request. Expenditures in other assistance include retailer paid and prizes paid by the Lottery. As ticket sales are projected to increase in FY 2017, the cost of sales and prizes paid will increase accordingly.

The **Governor** recommends \$355.9 million, all from special revenue funds, for FY 2017. This is a decrease of \$851,522, or 0.2 percent, below the agency's FY 2017 request. The decrease is attributable to reduced expenditures on salaries and wages, contractual services, and aid to local units of government as detailed below.

- **Salaries and Wages.** The Governor recommends \$7.7 million, all from special revenue funds, for FY 2017. This is a decrease of \$73,522, or 0.9 percent, below the agency's FY

2017 request, and is attributable to reduced employer contributions for state employee health insurance. The Governor's recommendation includes 74.9 FTE and 28.5 non-FTE positions, which is unchanged from the agency's FY 2017 request.

- **Contractual Services.** The Governor recommends \$293.5 million, all from special revenue funds, for FY 2017. This is a decrease of \$739,000, or 0.3 percent, below the agency's FY 2017 request. The decrease is attributable to lower payments to facility managers due to a projected reduction of gaming revenues based on the fall 2014 revenue estimates.
- **Aid to Local Units.** The Governor recommends \$11.2 million, all from special revenue funds, for FY 2017. This is a decrease of \$39,000, or 0.3 percent, below the agency's FY 2017 request. The decrease is attributable to lower payments to local units of governments housing the state's three casinos due to a projected reduction of gaming revenues based on the fall 2014 revenue estimates.

Transfers to the State

- **State Gaming Revenues Fund.** Each year the Legislature establishes a minimum transfer from the proceeds of regular lottery program sales to the State Gaming Revenues Fund while maintaining an adequate cash balance necessary to make expenditures for prize payments and operating costs. By statute, the

first \$50.0 million is split between the Problem Gambling and Addictions Grant Fund (\$80,000), 85.0 percent to the EDIF, 10.0 percent to the CIBF, and 5.0 percent to the JDF. The remainder is transferred into the State General Fund.

- **For FY 2017**, the agency proposes sales totaling \$275.5 million. The Lottery will transfer \$50.0 million to the State Gaming Revenues Fund, and proposes that \$30.0 million be transferred to the State General Fund.
- The **Governor** concurs with the agency's proposed transfers to the state.
- **Expanded Lottery Act Revenues Fund.** A consensus gaming revenue estimating group

comprised of representatives from the Kansas Lottery, Racing and Gaming Commission, Legislative Research Department, and the Division of the Budget met in April 2014, and adopted preliminary revenue projections of \$82.7 million to the ELARF for FY 2017. The group met again in October 2014 and reduced the estimate to a transfer of \$82.2 million. The October 2014 estimate is a decrease of \$496,000, or 0.6 percent, below the April 2014 consensus estimate due to lower than anticipated expanded gaming revenue in all of the gaming zones. The October 2014 estimate includes partial year operations of a facility in the Southeast gaming zone.

- The **Governor** concurs with the agency's proposed transfers to the state.

Enhancements Detail

Enhancements	FY 2017 ENHANCEMENTS					
	Agency Request			Governor's Recommendation		
	SGF	All Funds	FTE	SGF	All Funds	FTE
Employee Incentive Program						
Administration	\$ 0	\$ 116,669	0.0	\$ 0	\$ 116,669	0.0
Information Technology	0	31,154	0.0	0	31,154	0.0
Sales	0	67,831	0.0	0	67,831	0.0
Security	0	21,706	0.0	0	21,706	0.0
Expanded Lottery Act	0	37,986	0.0	0	37,986	0.0
Marketing	0	24,419	0.0	0	24,419	0.0
<i>Subtotal</i>	\$ 0	\$ 299,765	0.0	\$ 0	\$ 299,765	0.0
Retailer Recruitment						
Commission	\$ 0	\$ 36,930	0.0	\$ 0	\$ 36,930	0.0
Gaming Facilities Analysts	0	126,508	0.0	0	126,508	0.0
TOTAL	\$ 0	\$ 463,203	0.0	\$ 0	\$ 463,203	0.0

The **agency** requests FY 2017 enhancement expenditures totaling \$463,203, all from special revenue funds. These include the following item.

- **Employee Incentive Program.** The agency requests \$299,765, all from special revenue funds, for FY 2017 for the Employee Incentive Award and Recognition Program. The program was approved by the Department of Administration in 2013 and rewards employees for specific achievements, including distinguished accomplishment, meritorious service, innovation, and exceeding quarterly and annual transfer targets.

The Governor recommends the agency's enhancement request as follows.

- **Retailer Recruitment Commission.** The agency requests \$36,930, all from special revenue funds, for FY 2017 for the New Retailer Recruitment Incentive-Based Compensation Program. The agency notes the program will help the Lottery identify and target qualified retailers and to ensure they have successful sales.

The **Governor** recommends the agency's enhancement request.

- **Gaming Facilities Analysts.** The agency requests \$126,508, all from special revenue funds, and 2.0 non-FTE positions, for Gaming Facilities Analysts for FY 2017. The analysts will be responsible for the auditing and oversight of gaming facility operations, specifically regarding the certification of revenues and the gaming facility's compliance with the Kansas Expanded Lottery Act.

The **Governor** recommends the agency's enhancement request.

The **Governor** recommends three operating enhancements totaling \$463,203, all from special revenue funds, for FY 2017.

Governor's Recommended Salary and Wage Adjustments

State Employee Pay Increases. The 2014 Legislature approved funding of \$11.3 million, including \$4.5 million from the State General Fund, in FY 2015 for a \$250 bonus for all full-time employees except elected officials who were employed on December 6, 2013, and which was paid December 6, 2014. **For this agency, the FY 2015 bonus totals \$22,650, all from special revenue funds, and affects 73 employees.**

Longevity Bonus Payments. For FY 2016 and FY 2017, the Governor recommends funding longevity bonus payments for eligible state employees at the statutory rate of \$40 per year of service, with a 10-year minimum (\$400), and a 25-year maximum (\$1,000). Classified employees hired after June 15, 2008 are not eligible for longevity bonus payments. The estimated cost for the recommended FY 2016 payments is \$7.2 million, including \$2.8 million from the State General Fund. For FY 2017, the estimated cost for the payments is \$7.7 million, including \$3.0 million from the State General Fund. **For this agency, FY 2016 longevity payments total \$8,480, all from special revenue funds, and FY 2017 longevity payments total \$8,800, all from special revenue funds.**

Group Health Insurance. The Governor recommends Group Health and Hospitalization employer contributions of \$282.8 million, including \$108.2 million from the State General Fund, for FY 2016 and \$289.2 million, including \$110.7 million from the State General Fund, for FY 2017. For FY 2016 and FY 2017, the Governor recommends reducing the employer contributions for group health insurance by 8.5 percent. **For this agency this is a reduction of \$72,080, all from special revenue funds, for FY 2016. This is a reduction of \$73,522, all from special revenue funds, for FY 2017.**

Kansas Public Employees Retirement System (KPERs) Rate Adjustments. The FY 2015 employer retirement contribution for KPERs regular and school members was scheduled to be 11.27 percent, an increase of 1.0 percent from 10.27 in FY 2014. The Governor reduced the employer contribution rate from 11.27 percent to 8.65 percent for the second half of FY 2015, for an effective contribution rate of 9.96 percent as part of the Governor's allotment plan. For FY 2016, the Governor recommends the retirement rate increase by 2.41 percent from 9.96 percent to 12.37 percent. For FY 2017, the Governor recommends the retirement rate increase by 1.2 percent from 12.37 percent to 13.57 percent. This increase is attributable to the annual statutory increase for financing the unfunded liability of the KPERs fund.

In addition, the employer contribution for the KPERs death and disability insurance rate will be increased to 1.0 percent, from 0.85 percent, for FY 2016 and for FY 2017.

The Governor further proposes offering \$1.5 billion in Pension Obligation Bonds, backed by the State General Fund, to be paid back over 30 years and extending the amortization on the current bonds by ten years to 2043. The proceeds of the bonds would be used to help reduce the future employer contribution rates of the State/School Group. The Kansas Public Employee Retirement System estimates this plan could reduce employer contributions by \$68.43 million in FY 2016 and \$132.85 in FY 2017. The Kansas Development Finance Authority estimates that the bond service would be \$90.3 million in FY 2016 through FY 2017, assuming the Kansas credit ratings are not downgraded.

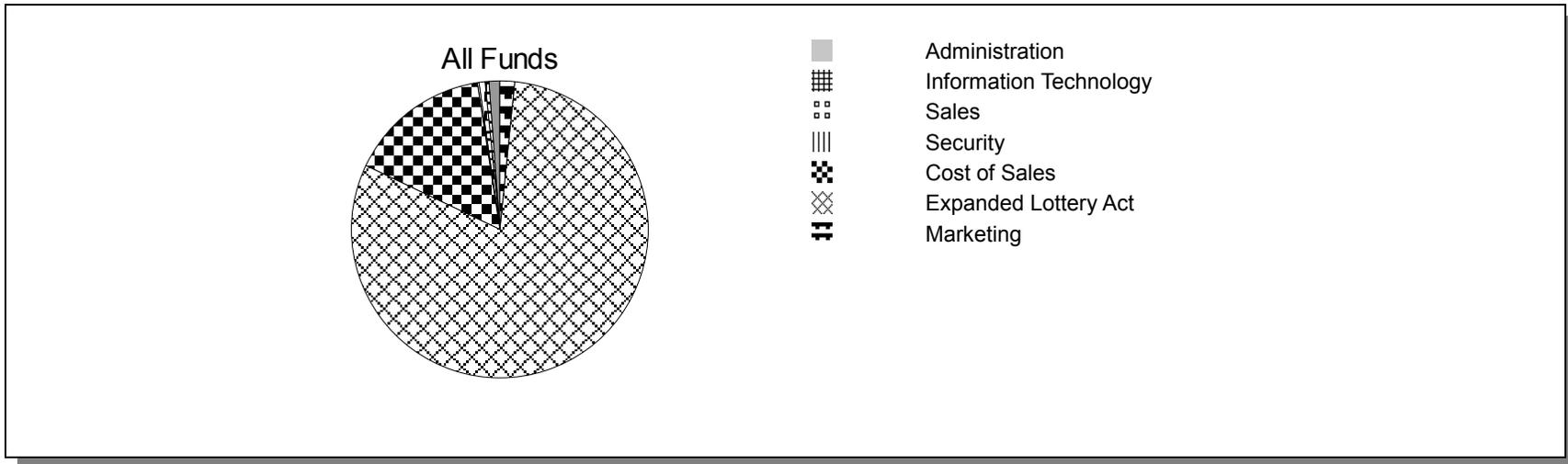
Funding Sources

Funding Source	Agency Req. Percent of Total FY 2016	Gov. Rec. Percent of Total FY 2016	Agency Req. Percent of Total FY 2017	Gov. Rec. Percent of Total FY 2017
Lottery Operating Fund	8.2 %	8.5 %	8.4 %	8.4 %
Expanded Lottery Receipts Fund	80.2	79.3	79.7	79.7
Lottery Prize Payment Fund	11.7	12.2	11.9	12.0
TOTAL	100.0 %	100.0 %	100.0 %	100.0 %

Note: Percentages may not add due to rounding.

PROGRAM DETAIL

EXPENDITURES BY PROGRAM-- GOVERNOR'S FY 2016 RECOMMENDATION



Program	Gov. Rec. All Funds FY 2016	Percent of Total	Gov. Rec. SGF FY 2016	Percent of Total
Administration	\$ 3,989,002	1.2 %	\$ 0	-- %
Information Technology	1,390,572	0.4	0	--
Sales	2,234,562	0.7	0	--
Security	590,098	0.2	0	--
Cost of Sales	52,192,282	15.5	0	--
Expanded Lottery Act	271,176,260	80.5	0	--
Marketing	5,401,100	1.6	0	--
TOTAL	\$ 336,973,876	100.0 %	0	100.0 %

FTE POSITIONS BY PROGRAM FY 2014 – FY 2017							
<u>Program</u>	<u>Actual FY 2014</u>	<u>Agency Est. FY 2015</u>	<u>Gov. Rec. FY 2015</u>	<u>Agency Req. FY 2016</u>	<u>Gov. Rec. FY 2016</u>	<u>Agency Req. FY 2017</u>	<u>Gov. Rec. FY 2017</u>
Administration	25.85	28.65	28.65	28.65	28.65	28.65	28.65
Information Technology	11.75	6.75	6.75	6.75	6.75	6.75	6.75
Sales	25.00	25.00	25.00	25.00	25.00	25.00	25.00
Security	8.80	1.75	1.75	1.75	1.75	1.75	1.75
Cost of Sales	--	--	--	--	--	--	--
Expanded Lottery Act	7.00	4.25	4.25	4.25	4.25	4.25	4.25
Marketing	11.60	8.50	8.50	8.50	8.50	8.50	8.50
TOTAL	<u>90.00</u>	<u>74.90</u>	<u>74.90</u>	<u>74.90</u>	<u>74.90</u>	<u>74.90</u>	<u>74.90</u>

A. Administration

The Administration program is responsible for human resources, procurement, facility and vehicles, and policy information and distribution that supports the Lottery. The program also ensures that Lottery personnel are knowledgeable of the newest and most effective products, technologies,

security operations, marketing and advertising strategies, and legal issues within the gaming and lottery industry. Additionally, the program provides service, information, and ticket shipments to current retailers.

ADMINISTRATION
SUMMARY OF EXPENDITURES FY 2014 – 2017

Item	Actual FY 2014	Agency Est. FY 2015	Gov. Rec. FY 2015	Agency Req. FY 2016	Gov. Rec. FY 2016	Agency Req. FY 2017	Gov. Rec. FY 2017
Expenditures:							
Salaries and Wages	\$ 1,470,887	\$ 2,218,301	\$ 2,198,402	\$ 2,650,460	\$ 2,624,392	\$ 2,773,528	\$ 2,746,938
Contractual Services	1,187,818	1,159,662	1,159,662	1,258,260	1,258,260	1,486,260	1,486,260
Commodities	28,218	69,100	69,100	69,350	69,350	73,850	73,850
Capital Outlay	1,852	10,000	10,000	37,000	37,000	11,000	11,000
Debt Service	0	0	0	0	0	0	0
Subtotal - Operations	\$ 2,688,775	\$ 3,457,063	\$ 3,437,164	\$ 4,015,070	\$ 3,989,002	\$ 4,344,638	\$ 4,318,048
Aid to Local Units	0	0	0	0	0	0	0
Other Assistance	6,995	0	0	0	0	0	0
TOTAL	<u>\$ 2,695,770</u>	<u>\$ 3,457,063</u>	<u>\$ 3,437,164</u>	<u>\$ 4,015,070</u>	<u>\$ 3,989,002</u>	<u>\$ 4,344,638</u>	<u>\$ 4,318,048</u>
Financing:							
State General Fund	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
All Other Funds	2,695,770	3,457,063	3,437,164	4,015,070	3,989,002	4,344,638	4,318,048
TOTAL	<u>\$ 2,695,770</u>	<u>\$ 3,457,063</u>	<u>\$ 3,437,164</u>	<u>\$ 4,015,070</u>	<u>\$ 3,989,002</u>	<u>\$ 4,344,638</u>	<u>\$ 4,318,048</u>
FTE Positions	25.9	28.7	28.7	28.7	28.7	28.7	28.7
Non-FTE Uncl. Perm. Pos.	1.8	6.8	6.8	6.8	6.8	6.8	6.8
TOTAL	<u>27.7</u>	<u>35.5</u>	<u>35.5</u>	<u>35.5</u>	<u>35.5</u>	<u>35.5</u>	<u>35.5</u>

The **agency** requests \$4.0 million, all from special revenue funds, for FY 2016. This is an increase of \$558,007, or 16.1 percent, above the agency's FY 2015 revised estimate. The increase is attributable to higher expenditures on salaries and wages, contractual services, commodities, and capital outlay. The FY 2016 request includes 28.7 FTE and 6.8 non-FTE positions, which is unchanged from the FY 2015 revised estimate. Changes from the FY 2015 revised estimate include the following items.

- **Salaries and Wages.** The agency requests \$2.7 million, all from special revenue funds, for FY 2016. This is an increase of \$432,159, or 19.5 percent, above the FY 2015 revised estimate. The increase is largely attributable to higher expenditures on pay to unclassified regular employees, offset by reduced expenditures on pay to classified regular employees.

- **Contractual Services.** The agency requests \$1.3 million, all from special revenue funds, for FY 2016. This is an increase of \$98,598, or 8.5 percent, above the FY 2015 revised estimate. The increase is largely attributable to higher expenditures on rent, communications including postage for sending weekly retailer statements, and dues and periodical subscriptions
- **Commodities.** The agency requests \$69,350, all from special revenue funds, for FY 2016. This is an increase of \$250, or 0.4 percent, above the FY 2015 revised estimate. The agency notes that expenditures in this category are to allow the Lottery to maintain the same inventory level of office supplies and material needed to sustain on-going operations, vehicles expenses, and replace equipment as needed.
- **Capital Outlay.** The agency requests \$37,000, all from special revenue funds, for FY 2016. This is an increase of \$27,000, or 270.0 percent, above the FY 2015 revised estimate. The increase is attributable to the replacement of one mini-van used by retailer services to recruit new retailers, and increased expenditures for record retention purchases.

The **Governor** recommends \$4.0 million, all from special revenue funds, for FY 2016. This is a decrease of \$26,068, or 0.6 percent, below the agency's FY 2016 request and is attributable to reduced employer contributions to state health insurance. The Governor's recommendation includes 28.7 FTE and 6.8 non-FTE positions, which is unchanged from the agency's FY 2016 request.

For FY 2017, the agency requests \$4.3 million, all from special revenue funds, which is an increase of \$329,568, or 8.2 percent, above the FY 2016 request. The increase is due to higher expenditures on salaries and wages, contractual services, and commodities, offset by reduced capital outlay expenditures. The FY 2017 request includes 28.7 FTE and 6.8 non-FTE positions, which is unchanged from the FY 2016 request. Changes from the FY 2016 request include the following items.

- **Salaries and Wages.** The agency requests \$2.8 million, all from special revenue funds, for FY 2017. This is an increase of \$123,068, or 4.6 percent, above the FY 2016 request. The increase is attributable to higher expenditures on pay for unclassified and classified regular employees included as part of the agency's FY 2017 enhancement request for the Employee Incentive and Reward Program. Other expenditure increases include higher employer contributions to KPERS and costs associated with the 27th payroll period.
- **Contractual Services.** The agency requests \$1.5 million, all from special revenue funds, for FY 2017. This is an increase of \$228,000, or 18.1 percent, above the FY 2016 request. The increase is largely attributable to higher expenditures on professional service fees for a security audit that is required to be performed every three years. Higher expenditures on rent also contribute to the increase.
- **Commodities.** The agency requests \$73,850, all from special revenue funds, for FY 2017. This is an increase of \$4,500, or 6.5 percent, above the

FY 2016 request. The agency notes that expenditures in this category are to allow the Lottery to maintain the same inventory level of office supplies and material needed to sustain on-going operations, vehicles expenses, and replace equipment as needed.

- **Capital Outlay.** The agency requests \$11,000, all from special revenue funds, for FY 2017. This is a decrease of \$26,000, or 70.3 percent, below the FY 2016 request. The decrease is attributable to lower expenditures on the replacement of one

mini-van and increased expenditures for record retention purchases, which were one-time expenditures included in the FY 2016 request that are not included in the FY 2017 request.

The **Governor** recommends \$4.3 million, all from special revenue funds, for FY 2017. This is a decrease of \$26,590, or 0.6 percent, below the agency's FY 2017 request and is attributable to reduced employer contributions to state health insurance. The Governor's recommendation includes 28.7 FTE and 6.8 non-FTE positions, which is unchanged from the agency's FY 2017 request.

B. Information Technology

The Information Technology program provides technological infrastructure in support of all Lottery computer operations to ensure retailer and player satisfaction.

**INFORMATION TECHNOLOGY
SUMMARY OF EXPENDITURES FY 2014 – 2017**

Item	Actual FY 2014	Agency Est. FY 2015	Gov. Rec. FY 2015	Agency Req. FY 2016	Gov. Rec. FY 2016	Agency Req. FY 2017	Gov. Rec. FY 2017
Expenditures:							
Salaries and Wages	\$ 550,118	\$ 588,271	\$ 582,615	\$ 658,876	\$ 652,967	\$ 697,422	\$ 691,395
Contractual Services	333,903	582,075	582,075	596,295	596,295	615,635	615,635
Commodities	38,500	37,800	37,800	38,310	38,310	40,820	40,820
Capital Outlay	56,837	255,000	255,000	103,000	103,000	106,090	106,090
Debt Service	0	0	0	0	0	0	0
Subtotal - Operations	\$ 979,358	\$ 1,463,146	\$ 1,457,490	\$ 1,396,481	\$ 1,390,572	\$ 1,459,967	\$ 1,453,940
Aid to Local Units	0	0	0	0	0	0	0
Other Assistance	0	0	0	0	0	0	0
TOTAL	<u>\$ 979,358</u>	<u>\$ 1,463,146</u>	<u>\$ 1,457,490</u>	<u>\$ 1,396,481</u>	<u>\$ 1,390,572</u>	<u>\$ 1,459,967</u>	<u>\$ 1,453,940</u>
Financing:							
State General Fund	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
All Other Funds	979,358	1,463,146	1,457,490	1,396,481	1,390,572	1,459,967	1,453,940
TOTAL	<u>\$ 979,358</u>	<u>\$ 1,463,146</u>	<u>\$ 1,457,490</u>	<u>\$ 1,396,481</u>	<u>\$ 1,390,572</u>	<u>\$ 1,459,967</u>	<u>\$ 1,453,940</u>
FTE Positions	11.8	6.8	6.8	6.8	6.8	6.8	6.8
Non-FTE Encl. Perm. Pos.	1.0	2.0	2.0	2.0	2.0	2.0	2.0
TOTAL	<u>12.8</u>	<u>8.8</u>	<u>8.8</u>	<u>8.8</u>	<u>8.8</u>	<u>8.8</u>	<u>8.8</u>

The **agency** requests \$1.4 million, all special revenue funds, for the Information Technology program, for FY 2016. This is an all funds decrease of \$66,665, or 4.6 percent, below the FY 2015 revised estimate. The decrease is attributable to lower expenditures on capital outlay, partially offset increased expenditures on salaries and wages, contractual services, and commodities. The FY 2016 request includes 6.8 FTE and 2.0 non-FTE positions, which is no change from the FY 2015

revised estimate. Changes from the FY 2015 revised estimate include the following items.

- **Salaries and Wages.** The agency requests \$658,876, all from special revenue funds, for FY 2016. This is an increase of \$70,605, or 12.0 percent, above the FY 2015 revised estimate. The increase is attributable to higher

expenditures on unclassified regular pay and the agency's FY 2016 enhancement request for the Employee Incentive Award and Recognition Program.

- **Contractual Services.** The agency requests \$596,295, all from special revenue funds, for FY 2016. This is an increase of \$14,220, or 2.4 percent, above the FY 2015 revised estimate. The increase is largely attributable to the annual license and maintenance of the sales force automation system.
- **Commodities.** The agency requests \$38,310, all from special revenue funds, for FY 2016. This is an increase of \$510, or 1.3 percent, above the FY 2015 revised estimate. The agency notes the increase is attributable to office and data supplies needed for the replacement of equipment.
- **Capital Outlay.** The agency requests \$103,000, all from special revenue funds, for FY 2016. This is a decrease of \$152,000, or 59.6 percent, below the FY 2015 revised estimate. The decrease is due to the lottery including FY 2015 supplemental expenditures for sales force automation hardware, software, and electronic devices and video conferencing equipment, which are not included in the FY 2016 request.

The **Governor** recommends \$1.4 million, all from special revenue funds, for FY 2016. This is a decrease of \$5,909, or 0.4 percent, below the agency's FY 2016 request and is attributable to reduced employer contributions to state health insurance. The Governor's recommendation includes 6.8 FTE and 2.0 non-

FTE positions, which is unchanged from the agency's FY 2016 request.

For FY 2017, the agency requests \$1.5 million, all from special revenue funds, which is an increase of \$63,486, or 4.5 percent, above the FY 2016 request. The increase is largely attributable to higher expenditures on salaries and wages, contractual services, commodities, and capital outlay. The FY 2017 request includes 6.8 FTE and 2.0 non-FTE positions, which is no change from the FY 2016 request. Changes from the FY 2016 request include the following items.

- **Salaries and Wages.** The agency requests \$697,422, all from special revenue funds, for FY 2017. This is an increase of \$38,546, or 5.9 percent, above the FY 2016 request. The increase is largely attributable to higher employer contributions to KPERs, group health and hospitalization, and the 27th payroll period.
- **Contractual Services.** The agency requests \$615,635 all from special revenue funds, for FY 2017. This is an increase of \$19,340, or 3.2 percent, above the FY 2016 request. The increase is largely attributable to higher expenditures on computer maintenance, communication, and Office of Information Technology Services costs.
- **Commodities.** The agency requests \$40,820, all from special revenue funds, for FY 2017. This is an increase of \$2,510, or 6.6 percent, above the FY 2016 request. The increase is largely attributable to increased costs for repair and servicing of Lottery computer equipment.

- **Capital Outlay.** The agency requests \$106,090, all from special revenue funds, for FY 2017. This is an increase of \$3,090, or 3.0 percent, above the FY 2016 request. The agency notes that the increase is attributable to the purchase of computer hardware and software to improve agency efficient, security, and integrity.

C. Sales

The Sales program works to increase sales of all Lottery products through the training of sales staff on Lottery products, retailer recruitment and training, promoting player awareness of

The **Governor** recommends \$1.5 million, all from special revenue funds, for FY 2017. This is a decrease of \$6,027, or 0.4 percent, below the agency's FY 2017 request and is attributable to reduced employer contributions to state health insurance. The Governor's recommendation includes 6.8 FTE and 2.0 non-FTE positions, which is unchanged from the agency's FY 2017 request.

all Lottery products available, and increasing corporate account involvement in Lottery advertising and promotions.

SALES
SUMMARY OF EXPENDITURES FY 2014 – 2017

Item	Actual FY 2014	Agency Est. FY 2015	Gov. Rec. FY 2015	Agency Req. FY 2016	Gov. Rec. FY 2016	Agency Req. FY 2017	Gov. Rec. FY 2017
Expenditures:							
Salaries and Wages	\$ 1,369,356	\$ 1,454,017	\$ 1,440,547	\$ 1,620,565	\$ 1,602,262	\$ 1,702,999	\$ 1,684,330
Contractual Services	90,341	277,500	277,500	146,800	146,800	147,000	147,000
Commodities	298,361	357,500	357,500	370,500	370,500	378,600	378,600
Capital Outlay	81,802	115,000	115,000	115,000	115,000	118,000	118,000
Debt Service	0	0	0	0	0	0	0
Subtotal - Operations	\$ 1,839,860	\$ 2,204,017	\$ 2,190,547	\$ 2,252,865	\$ 2,234,562	\$ 2,346,599	\$ 2,327,930
Aid to Local Units	0	0	0	0	0	0	0
Other Assistance	0	0	0	0	0	0	0
TOTAL	\$ 1,839,860	\$ 2,204,017	\$ 2,190,547	\$ 2,252,865	\$ 2,234,562	\$ 2,346,599	\$ 2,327,930
Financing:							
State General Fund	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
All Other Funds	1,839,860	2,204,017	2,190,547	2,252,865	2,234,562	2,346,599	2,327,930
TOTAL	\$ 1,839,860	\$ 2,204,017	\$ 2,190,547	\$ 2,252,865	\$ 2,234,562	\$ 2,346,599	\$ 2,327,930
FTE Positions	25.0	25.0	25.0	25.0	25.0	25.0	25.0
Non-FTE Uncl. Perm. Pos.	0.0	0.0	0.0	0.0	0.0	0.0	0.0
TOTAL	25.0	25.0	25.0	25.0	25.0	25.0	25.0

The **agency** requests \$2.3 million, all from special revenue funds, for the Sales program for FY 2016. This is an all funds increase of \$48,848, or 2.2 percent, above the FY 2015 revised estimate. The increase is attributable to higher expenditures on salaries and wages and commodities, offset by lower expenditures on contractual services. The FY 2016 request includes 25.0 FTE positions which is unchanged from the FY 2015 revised estimate. Changes from the FY 2015 revised estimate include the following items.

- **Salaries and Wages.** The agency requests \$1.6 million, all from special revenue funds, for FY 2016. This is an increase of \$166,548, or 11.5 percent, above the FY 2015 revised estimate. The increase is due to the agency's FY 2016 enhancement requests for the Employee Incentive Award and Recognition Program and the Retailer Recruitment Incentive-Based

Compensation Program. Additional increases that occur within salaries and wages are attributable to higher pay to unclassified regular employees, employer contributions to KPERs, and Medicare costs.

- **Contractual Services.** The agency requests \$146,800, all from special revenue funds, for FY 2016. This is a decrease of \$130,700, or 47.1 percent, below the FY 2015 revised estimate. The decrease is attributable to reduced expenditures on training for the sales force automation system that is included in the FY 2015 revised estimate, but not included in the FY 2016 request.
- **Commodities.** The agency requests \$370,500, all from special revenue funds, for FY 2016. This is an increase of \$13,000, or 3.6 percent, above the FY 2015 revised estimate. The increase is attributable to the continued implementation of the Lottery's Excellence of Standards program, the replenishment of depleted promotional inventories, and the purchase of signage.

The **Governor** recommends \$2.2 million, all from special revenue funds, for FY 2016. This is a decrease of \$18,303, or 0.8 percent, below the agency's FY 2016 request and is attributable to reduced employer contributions to state health insurance. The Governor's recommendation includes 25.0 FTE positions, which is unchanged from the agency's FY 2016 request.

For FY 2017, the agency requests \$2.3 million, all from special revenue funds. This is an increase of \$93,734, or 4.2 percent, above the FY 2016 request. The increase is

attributable to higher expenditures on salaries and wages, contractual services, commodities, and capital outlay. The FY 2017 request includes 25.0 FTE positions which is unchanged from the FY 2016 request. Changes from the FY 2016 request include the following items.

- **Salaries and Wages.** The agency requests \$1.7 million, all from special revenue funds, for FY 2017. This is an increase of \$82,434, or 5.1 percent, above the FY 2016 request. The increase is largely attributable to the 27th payroll period and higher employer contributions to KPERs.
- **Contractual Services.** The agency requests \$147,000, all from special revenue funds, for FY 2017. This is an increase of \$200, or 0.1 percent, above the FY 2016 request. The increase is largely attributable higher expenditures on other contractual services.
- **Commodities.** The agency requests \$378,600, all from special revenue funds, for FY 2017. This is an increase of \$8,100, or 2.2 percent, above the FY 2016 request. The increase is largely attributable the continued implementation of the Lottery's Excellence of Standards program, the replenishment of depleted promotional inventories, and the purchase of signage.
- **Capital Outlay.** The agency requests \$118,000 all from special revenue funds, for FY 2017. This is an increase of \$3,000, or 2.6 percent, above the FY 2016 request. The increase is largely attributable to the continued replacement of five

mini-vans used for recruitment and to service retailer accounts.

The **Governor** recommends \$2.3 million, all from special revenue funds, for FY 2017. This is a decrease of \$18,669, or

D. Security

The Security program provides security to Lottery personnel and property; investigates and prosecutes criminal violations related to the Lottery; and preserves the integrity of the Lottery and all of its activities. To accomplish these goals, the program ensures that all Enforcement Agents receive training and remain

0.8 percent, below the agency's FY 2017 request and is attributable to reduced employer contributions to state health insurance. The Governor's recommendation includes 25.0 FTE positions, which is unchanged from the agency's FY 2017 request.

knowledgeable of changing techniques, procedures, and statutes; conducts background investigation on all vendors and retailers, and visits Lottery retail locations to advise and inform retailers of proper security and product inventory practices.

SECURITY
SUMMARY OF EXPENDITURES FY 2014 – 2017

Item	Actual FY 2014	Agency Est. FY 2015	Gov. Rec. FY 2015	Agency Req. FY 2016	Gov. Rec. FY 2016	Agency Req. FY 2017	Gov. Rec. FY 2017
Expenditures:							
Salaries and Wages	\$ 455,822	\$ 502,757	\$ 497,935	\$ 535,100	\$ 530,198	\$ 559,517	\$ 554,517
Contractual Services	41,684	23,600	23,600	24,800	24,800	24,800	24,800
Commodities	19,054	27,700	27,700	13,100	13,100	15,600	15,600
Capital Outlay	(3,585)	0	0	22,000	22,000	17,000	17,000
Debt Service	0	0	0	0	0	0	0
Subtotal - Operations	\$ 512,975	\$ 554,057	\$ 549,235	\$ 595,000	\$ 590,098	\$ 616,917	\$ 611,917
Aid to Local Units	0	0	0	0	0	0	0
Other Assistance	0	0	0	0	0	0	0
TOTAL	<u>\$ 512,975</u>	<u>\$ 554,057</u>	<u>\$ 549,235</u>	<u>\$ 595,000</u>	<u>\$ 590,098</u>	<u>\$ 616,917</u>	<u>\$ 611,917</u>
Financing:							
State General Fund	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
All Other Funds	512,975	554,057	549,235	595,000	590,098	616,917	611,917
TOTAL	<u>\$ 512,975</u>	<u>\$ 554,057</u>	<u>\$ 549,235</u>	<u>\$ 595,000</u>	<u>\$ 590,098</u>	<u>\$ 616,917</u>	<u>\$ 611,917</u>
FTE Positions	8.8	1.8	1.8	1.8	1.8	1.8	1.8
Non-FTE Uncl. Perm. Pos.	3.0	6.0	6.0	6.0	6.0	6.0	6.0
TOTAL	<u>11.8</u>	<u>7.8</u>	<u>7.8</u>	<u>7.8</u>	<u>7.8</u>	<u>7.8</u>	<u>7.8</u>

The **agency** requests \$595,000, all from special revenue funds, for the Security program for FY 2016. This is an increase of \$40,943, or 7.4 percent, above the FY 2015 revised estimate. The increase is attributable to higher expenditures on salaries and wages, contractual services, and capital outlay, offset by reduced commodities expenditures. The FY 2016 request includes 1.8 FTE and 6.0 non-FTE positions, which is unchanged from the FY 2015 revised estimate. Changes from the FY 2015 revised estimate include the following items.

- **Salaries and Wages.** The agency requests \$535,100, all from special revenue funds, for FY 2016. This is an increase of \$32,343, or 6.4 percent, above the FY 2015 revised estimate. The increase is largely attributable to the agency's FY 2016 enhancement request for the Employee Incentive and Reward Program, and

higher expenditures on group health and hospitalization.

- **Contractual Services.** The agency requests \$24,800, all from special revenue funds, for FY 2016. This is an increase of \$1,200, or 5.1 percent, above the FY 2015 revised estimate, and is largely attributable to higher expenditures on travel for background investigations and training to support agency activities.
- **Commodities.** The agency requests \$13,100, all from special revenue funds, for FY 2016. This is a decrease of \$14,600, or 52.7 percent, below the FY 2015 revised estimate. The increase is largely attributable to the agency purchasing RHAP game tickets for use in future sting operations, which are not included in the FY 2016 request.
- **Capital Outlay.** The agency requests \$22,000, all from special revenue funds, for FY 2016, which is a 100.0 percent increase above the FY 2015 revised estimate. The increase is due to the purchase of a new vehicle for use by enforcement agents.

The **Governor** recommends \$590,098, all from special revenue funds, for FY 2016. This is a decrease of \$4,902, or 0.8 percent, below the agency's FY 2016 request, and is attributable to reduced employer contributions to state health insurance. The Governor's recommendation includes 1.8 FTE and 6.0 non-FTE positions, which is unchanged from the agency's FY 2016 request.

For FY 2017, the agency requests \$616,917, all from special revenue funds. This is an increase of \$21,917, or 3.7 percent, above the FY 2016 request. The increase is due to higher expenditures on salaries and wages and commodities, offset by lower expenditures on capital outlay. The FY 2017 request includes 1.8 FTE positions and 6.0 non-FTE positions, which is unchanged from the FY 2016 request. Changes from the FY 2016 request include the following items.

- **Salaries and Wages.** The agency requests \$559,517, all from special revenue funds, for FY 2017. This is an increase of \$24,417, or 4.6 percent, above the FY 2016 request, and is largely attributable to the agency's FY 2017 enhancement request for the Employee Incentive and Reward Program, and the 27th payroll period.
- **Commodities.** The agency requests \$15,600, all from special revenue funds, for FY 2017. This is an increase of \$2,500, or 19.1 percent, above the FY 2016 request. The increase is attributable to higher expenditures on vehicles parts, supplies, and accessories, and materials needed for repairing and replacing controlled entry points.
- **Capital Outlay.** The agency requests \$17,000, all from special revenue funds, for FY 2017. This is a decrease of \$5,000, or 22.7 percent, below the FY 2016 request. The decrease is largely attributable to the agency including a new vehicle for use by enforcement agents, that was not included in the FY 2016 request. The agency notes the FY 2017 expenditures will be used to upgrade technical equipment to update the surveillance system and purchase a security server.

The **Governor** recommends \$611,917, all from special revenue funds, for FY 2017. This is a decrease of \$5,000, or 0.8 percent, below the agency's FY 2017 request, and is attributable to reduced employer contributions to state health

insurance. The Governor's recommendation includes 1.8 FTE and 6.0 non-FTE positions, which is unchanged from the agency's FY 2017 request.

E. Cost of Sales

The Cost of Sales program captures the contractual service and commodities expenditures necessary to operate a state-

owned Lottery. Prize payments to individuals are reflected as Other Assistance expenditures within this program.

COST OF SALES SUMMARY OF EXPENDITURES FY 2014 – 2017							
Item	Actual FY 2014	Agency Est. FY 2015	Gov. Rec. FY 2015	Agency Req. FY 2016	Gov. Rec. FY 2016	Agency Req. FY 2017	Gov. Rec. FY 2017
Expenditures:							
Salaries and Wages	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Contractual Services	9,754,948	10,340,000	10,340,000	11,082,000	11,082,000	11,659,575	11,659,575
Commodities	58,386	51,500	51,500	55,000	55,000	60,000	60,000
Capital Outlay	0	0	0	0	0	0	0
Debt Service	0	0	0	0	0	0	0
Subtotal - Operations	\$ 9,813,334	\$ 10,391,500	\$ 10,391,500	\$ 11,137,000	\$ 11,137,000	\$ 11,719,575	\$ 11,719,575
Aid to Local Units	0	0	0	0	0	0	0
Other Assistance	36,672,443	37,795,010	37,795,010	41,055,282	41,055,282	42,542,281	42,542,281
TOTAL	<u>\$ 46,485,777</u>	<u>\$ 48,186,510</u>	<u>\$ 48,186,510</u>	<u>\$ 52,192,282</u>	<u>\$ 52,192,282</u>	<u>\$ 54,261,856</u>	<u>\$ 54,261,856</u>
Financing:							
State General Fund	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
All Other Funds	46,485,777	48,186,510	48,186,510	52,192,282	52,192,282	54,261,856	54,261,856
TOTAL	<u>\$ 46,485,777</u>	<u>\$ 48,186,510</u>	<u>\$ 48,186,510</u>	<u>\$ 52,192,282</u>	<u>\$ 52,192,282</u>	<u>\$ 54,261,856</u>	<u>\$ 54,261,856</u>

The **agency** requests \$52.2 million, all from special revenue funds, for FY 2016, which is an increase of 4.0 million, or 8.3 percent, above the FY 2015 revised estimate.

The **Governor** concurs with the agency's FY 2016 request.

The **agency** requests \$54.3 million, all from special revenue funds for FY 2017, which is an increase of \$2.1 million, or 4.0 percent, above the FY 2016 request.

The **Governor** concurs with the agency's FY 2017 request.

F. Expanded Lottery Act

The 2007 Legislature enacted SB 66 which authorized expanded gaming activities, with the Kansas Lottery designated as the owner and operator of the expanded lottery games. The Expanded Lottery Act program ensures the integrity of electronic

In both fiscal years, contractual service expenditures include the costs of ticket printing, ticket shipment, and on-line vendor fees. Commodities expenditures include the cost of the packaging and supplies necessary for the shipment of tickets. Expenditures in other assistance include retailer paid and prizes paid by the Lottery. As ticket sales are projected to increase in FY 2016 and FY 2017, the cost of sales will also increase accordingly.

gaming devices, accurate reporting of net expanded gaming revenues, and compliance with management contracts as well as duties and responsibilities prescribed within the Kansas Expanded Lottery Act.

**EXPANDED LOTTERY ACT
SUMMARY OF EXPENDITURES FY 2014 – 2017**

Item	Actual FY 2014	Agency Est. FY 2015	Gov. Rec. FY 2015	Agency Req. FY 2016	Gov. Rec. FY 2016	Agency Req. FY 2017	Gov. Rec. FY 2017
Expenditures:							
Salaries and Wages	\$ 1,121,855	\$ 1,163,836	\$ 1,153,022	\$ 1,456,858	\$ 1,445,410	\$ 1,524,469	\$ 1,512,792
Contractual Services	259,823,407	269,796,400	260,319,400	272,796,450	259,160,450	275,463,550	274,724,550
Commodities	4,782	7,900	7,900	13,900	13,900	11,150	11,150
Capital Outlay	1,034	45,000	45,000	2,500	2,500	2,500	2,500
Debt Service	0	0	0	0	0	0	0
Subtotal - Operations	\$ 260,951,078	\$ 271,013,136	\$ 261,525,322	\$ 274,269,708	\$ 260,622,260	\$ 277,001,669	\$ 276,250,992
Aid to Local Units	10,666,940	11,001,000	10,602,000	11,124,000	10,554,000	11,235,000	11,196,000
Other Assistance	0	0	0	0	0	0	0
TOTAL	\$ 271,618,018	\$ 282,014,136	\$ 272,127,322	\$ 285,393,708	\$ 271,176,260	\$ 288,236,669	\$ 287,446,992
Financing:							
State General Fund	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
All Other Funds	271,618,018	282,014,136	272,127,322	285,393,708	271,176,260	288,236,669	287,446,992
TOTAL	\$ 271,618,018	\$ 282,014,136	\$ 272,127,322	\$ 285,393,708	\$ 271,176,260	\$ 288,236,669	\$ 287,446,992
FTE Positions	7.0	4.3	4.3	4.3	4.3	4.3	4.3
Non-FTE Uncl. Perm. Pos.	10.8	11.8	11.8	13.8	13.8	13.8	13.8
TOTAL	17.8	16.1	16.1	18.1	18.1	18.1	18.1

The **agency** requests \$285.4 million, all from special revenue funds, for the Expanded Lottery Act program for FY 2016. This is an all funds increase of \$3.4 million, or 1.2 percent, above the agency's FY 2015 revised estimate. The increase is attributable to higher expenditures on salaries and wages, contractual services, commodities, and aid to local units, offset by lower expenditures on capital outlay. The FY 2016 estimate includes 4.3 FTE and 13.8 non-FTE positions, which is an increase of 2.0 non-FTE positions. The increase is

attributable to the agency's FY 2016 enhancement request for 2.0 non-FTE Gaming Facilities Analysts. Changes from the FY 2015 revised estimate include the following items.

- **Salaries and Wages.** The agency requests \$1.5 million, all from special revenue funds, for FY 2016. This is an increase of \$293,022, or 25.2 percent, above the FY 2015 revised estimate.

The increase is largely attributable to the agency's FY 2016 enhancement requests for 2.0 non-FTE positions for Gaming Facility Analysts and the Employee Incentive and Reward Program.

- **Contractual Services.** The agency requests \$272.8 million, all from special revenue funds, for FY 2016. This is an increase of \$3.0 million, or 1.1 percent, above the FY 2015 revised estimate. The increase is attributable to higher payments to lottery gaming facility managers who receive 73.0 percent of all expanded gaming revenues. The projected increase of expanded gaming revenue for FY 2016, compared to FY 2015, will increase the payments to facility managers. The contractual services increase also includes fees for the Gtech Central System.
- **Commodities.** The agency requests \$13,900, all from special revenue funds, for FY 2016. This is an increase of \$6,000, or 75.9 percent, above the FY 2015 revised estimate. The increase is attributable to providing supplies to existing staff, maintaining Lottery owned vehicles, and budgeting for the potential opening of a gaming facility in the Southeast gaming zone.
- **Capital Outlay.** The agency requests \$2,500, all from special revenue funds, for FY 2016. This is a decrease of \$42,500, or 94.4 percent, below the FY 2015 revised estimate. The decrease is attributable to the agency's planned purchase of two sedans in FY 2015 that are not included in the FY 2016 request.

- **Aid to Local Units.** The agency requests \$11.1 million, all from special revenue funds, for FY 2016. This is an increase of \$123,000, or 1.1 percent, above the FY 2015 revised estimate. The increase is attributable to payments to the cities and counties housing the state-owned casino. Local governments receive 3.0 percent of all expanded gaming revenue. The projected increase of expanded gaming revenue for FY 2016, compared to FY 2015, will increase the payments to the cities and counties.

The **Governor** recommends \$271.2 million, all from special revenue funds, for FY 2016. This is an all funds decrease of \$14.2 million, or 5.0 percent, below the agency's FY 2016 request. The decrease is attributable to reduced expenditures on salaries and wages, contractual services, and aid to local units of government as detailed below.

- **Salaries and Wages.** The Governor recommends \$1.4 million, all from special revenue funds, for FY 2016. This is a decrease of \$11,448, or 0.8 percent, below the agency's FY 2016 request, and is attributable to reduced employer contributions for state employee health insurance. The Governor's recommendation includes 4.3 FTE and 13.8 non-FTE positions, which is unchanged from the agency's FY 2016 request.
- **Contractual Services.** The Governor recommends \$259.2 million, all from special revenue funds, for FY 2016. This is a decrease of \$13.6 million, or 5.0 percent, below the agency's FY 2016 request. The decrease is attributable to lower payments to facility managers due to a

projected reduction of gaming revenues based on the fall 2014 revenue estimates.

- **Aid to Local Units.** The Governor recommends \$10.6 million, all from special revenue funds, for FY 2016. This is a decrease of \$570,000, or 5.1 percent, below the agency's FY 2016 request. The decrease is attributable to lower payments to local units of governments housing the state's three casinos due to a projected reduction of gaming revenues based on the fall 2014 revenue estimates.

For FY 2017, the agency requests \$288.2 million, all from special revenue funds. This is an increase of \$2.8 million, or 1.0 percent, above the FY 2016 request. The increase is attributable to higher expenditures on salaries and wages, contractual services, and aid to local units, offset by reduced expenditures on commodities. The FY 2017 request includes 4.3 FTE and 13.8 non-FTE positions, which is unchanged from the FY 2016 request. Changes from the FY 2016 request include the following items.

- **Salaries and Wages.** The agency requests \$1.5 million, all from special revenue funds, for FY 2017. This is an increase of \$67,611, or 4.6 percent, above the FY 2016 request, and is attributable to higher employer contributions to KPERS, the 27th payroll period, and the agency's FY 2017 enhancement request for the Employee Incentive and Reward Program.
- **Contractual Services.** The agency requests \$275.5 million, all from special revenue funds, for FY 2017. This is an increase of \$2.7 million, or 1.0 percent, above the FY 2016 request. The

increase is attributable to higher payments to lottery gaming facility managers who receive 73.0 percent of all expanded gaming revenues. The projected increase of expanded gaming revenue in FY 2017, compared to FY 2016, will increase the payments to facility managers. The contractual services increase also includes fees for the Gtech Central System.

- **Commodities.** The agency requests \$11,150 all from special revenue funds, for FY 2017. This is a decrease of \$2,750, or 19.8 percent, below the FY 2016 request. The decrease is attributable to lower expenditures on professional supplies and clothing.
- **Aid to Local Units.** The agency requests \$11.2 million, all from special revenue funds, for FY 2017. This is an increase of \$111,000, or 1.0 percent, above the FY 2016 request. The increase is attributable to increases to payments to the cities and counties housing the state-owned casino. Local governments receive 3.0 percent of all expanded gaming revenue. The projected increase of expanded gaming revenue for FY 2017, compared to FY 2016, will increase the payments to the cities and counties.

The **Governor** recommends \$287.4 million, all from special revenue funds, for FY 2017. This is an all funds decrease of \$789,677, or 0.3 percent, below the agency's FY 2017 request. The decrease is attributable to reduced expenditures on salaries and wages, contractual services, and aid to local units of government as detailed below.

- **Salaries and Wages.** The Governor recommends \$1.5 million, all from special revenue funds, for FY 2017. This is a decrease of \$11,677, or 0.8 percent, below the agency's FY 2017 request, and is attributable to reduced employer contributions for state employee health insurance. The Governor's recommendation includes 4.3 FTE and 13.8 non-FTE positions, which is unchanged from the agency's FY 2017 request.
- **Contractual Services.** The Governor recommends \$274.7 million, all from special revenue funds, for FY 2017. This is a decrease of

\$739,000, or 0.3 percent, below the agency's FY 2017 request. The decrease is attributable to lower payments to facility managers due to a projected reduction of gaming revenues based on the fall 2014 revenue estimates.

- **Aid to Local Units.** The Governor recommends \$11.2 million, all from special revenue funds, for FY 2017. This is a decrease of \$39,000, or 0.3 percent, below the agency's FY 2017 request. The decrease is attributable to lower payments to local units of governments housing the state's three casinos due to a projected reduction of gaming revenues based on the fall 2014 revenue estimates.

G. Marketing

The Marketing program works to promote the Kansas Lottery and its games in a responsible and effective manner. To achieve this, the program works to produce advertising media messages across a variety of platforms to maximize sales and

returns to the state; produce a wide variety of scratch games; and, coordinate special events programs, fairs, and other community events.

MARKETING
SUMMARY OF EXPENDITURES FY 2014 – 2017

Item	Actual FY 2014	Agency Est. FY 2015	Gov. Rec. FY 2015	Agency Req. FY 2016	Gov. Rec. FY 2016	Agency Req. FY 2017	Gov. Rec. FY 2017
Expenditures:							
Salaries and Wages	\$ 443,791	\$ 513,014	\$ 508,196	\$ 527,850	\$ 522,400	\$ 554,980	\$ 549,421
Contractual Services	3,755,752	4,606,700	4,606,700	4,711,800	4,711,800	4,813,900	4,813,900
Commodities	123,385	159,700	159,700	162,900	162,900	164,000	164,000
Capital Outlay	0	4,000	4,000	4,000	4,000	5,000	5,000
Debt Service	0	0	0	0	0	0	0
Subtotal - Operations	\$ 4,322,928	\$ 5,283,414	\$ 5,278,596	\$ 5,406,550	\$ 5,401,100	\$ 5,537,880	\$ 5,532,321
Aid to Local Units	0	0	0	0	0	0	0
Other Assistance	0	0	0	0	0	0	0
TOTAL	<u>\$ 4,322,928</u>	<u>\$ 5,283,414</u>	<u>\$ 5,278,596</u>	<u>\$ 5,406,550</u>	<u>\$ 5,401,100</u>	<u>\$ 5,537,880</u>	<u>\$ 5,532,321</u>
Financing:							
State General Fund	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
All Other Funds	4,322,928	5,283,414	5,278,596	5,406,550	5,401,100	5,537,880	5,532,321
TOTAL	<u>\$ 4,322,928</u>	<u>\$ 5,283,414</u>	<u>\$ 5,278,596</u>	<u>\$ 5,406,550</u>	<u>\$ 5,401,100</u>	<u>\$ 5,537,880</u>	<u>\$ 5,532,321</u>
FTE Positions	11.6	8.5	8.5	8.5	8.5	8.5	8.5
Non-FTE Uncl. Perm. Pos.	0.0	0.0	0.0	0.0	0.0	0.0	0.0
TOTAL	<u>11.6</u>	<u>8.5</u>	<u>8.5</u>	<u>8.5</u>	<u>8.5</u>	<u>8.5</u>	<u>8.5</u>

The **agency** requests \$5.4 million, all from special revenue funds, for the Marketing program for FY 2016. This is an all funds increase of \$123,136, or 2.3 percent, above the FY 2015 revised estimate. The increase is attributable to higher expenditures on salaries and wages, contractual services, and commodities. The FY 2016 request includes 8.5 FTE positions, which is unchanged from the FY 2015 revised estimate. Changes from the FY 2015 revised estimate include the following items.

- **Salaries and Wages.** The agency requests \$527,850, all from special revenue funds, for FY 2016. This is an increase of \$14,836, or 2.9 percent, above the FY 2015 revised estimate and is attributable to the agency's FY 2016 enhancement request for the Employee Incentive and Reward Program.

- **Contractual Services.** The agency requests \$4.7 million, all from special revenue funds, for FY 2016. This is an increase of \$105,100, or 2.3 percent, above the FY 2015 revised estimate and is attributable to fees for professional services which include advertising agency fees, production costs, and media placement costs of Lottery advertising. The agency notes that expenditures increase with the volume of partnerships and sponsorships in which the Lottery participates.
- **Commodities.** The agency requests \$162,900, all from special revenue funds, for FY 2016. This is an increase of \$3,200, or 2.0 percent, above the FY 2015 revised estimate, and is attributable to professional supplies and materials needed for player events, and repair of vehicles used in the Sales program.

The **Governor** recommends \$5.4 million, all from special revenue funds, for FY 2016. This is an all funds decrease of \$5,450, or 0.1 percent, below the agency's FY 2016 request. The decrease is entirely attributable to reduced employer contributions for state employee health insurance. The Governor's recommendation includes 8.5 FTE positions, which is unchanged from the agency's FY 2016 request.

For FY 2017, the agency requests \$5.5 million, all from special revenue funds. This is an increase of \$131,330, or 2.4 percent, above the FY 2016 request. The increase is due to higher expenditures on salaries and wages, contractual services, commodities, and capital outlay. The FY 2017 request includes 8.5 FTE positions, which is unchanged from the FY 2016 request. Changes from the FY 2016 request include the following items.

- **Salaries and Wages.** The agency requests \$554,980, all from special revenue funds, for FY 2017. This is an increase of \$27,130, or 5.1 percent, above the FY 2016 request and is largely attributable to the 27th payroll period, higher employer contributions to KPERs, and the FY 2017 enhancement request for the Employee Incentive and Reward program.
- **Contractual Services.** The agency requests \$4.8 million, all from special revenue funds, for FY 2017. This is an increase of \$102,100, or 2.2 percent, above the FY 2016 request and is attributable to contractual service expenditures associated with the advertising agency fees, productions costs, and media placement costs of Lottery advertising.
- **Commodities.** The agency requests \$164,000, all from special revenue funds, for FY 2017. This is an increase of \$1,100, or 0.7 percent, above the FY 2016 request. The agency notes that additional expenditures are needed to enhance players experience, and will include promotional games, a mobile sales unit, and materials for the Players Club and Facebook and Twitter contesting.
- **Capital Outlay.** The agency requests \$5,000, all from special revenue funds, for FY 2017. This is an increase of \$1,000, or 25.0 percent, above the FY 2016 request and is attributable to expenditures on information processing equipment.

The **Governor** recommends \$5.5 million, all from special revenue funds, for FY 2017. This is an all funds decrease of \$5,559, or 0.1 percent, below the agency's FY 2017 request. The decrease is entirely attributable to reduced employer

contributions for state employee health insurance. The Governor's recommendation includes 8.5 FTE positions, which is unchanged from the agency's FY 2017 request.

PERFORMANCE MEASURES (IN MILLIONS)					
Measure	Gov. Rec. for FY 2014	Actual FY 2014	Gov. Rec. FY 2015	Gov. Rec. FY 2016	Gov. Rec. FY 2017
Receipts from the sale of lottery tickets	\$245.5	\$246.4	\$253.0	\$265.0	\$275.0
Receipts transferred to the Gaming Revenues Fund	\$75.7	\$74.3	\$74.0	\$76.0	\$80.0
Prize payments	\$137.9	\$139.8	\$144.3	\$151.3	\$157.0
State-owned gaming facility revenue	\$375.6	\$53.0	\$353.4	\$351.8	\$373.2