

KANSAS LOTTERY

Expenditure	Actual FY 2017	Agency Est. FY 2018	Gov. Rec. FY 2018	Agency Est. FY 2019	Gov. Rec. FY 2019
Operating Expenditures:					
State General Fund	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Other Funds	339,826,175	365,652,026	364,773,992	369,713,176	368,705,553
<i>Subtotal</i>	<i>\$ 339,826,175</i>	<i>\$ 365,652,026</i>	<i>\$ 364,773,992</i>	<i>\$ 369,713,176</i>	<i>\$ 368,705,553</i>
Capital Improvements:					
State General Fund	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Other Funds	0	0	0	0	0
<i>Subtotal</i>	<i>\$ 0</i>	<i>\$ 0</i>	<i>\$ 0</i>	<i>\$ 0</i>	<i>\$ 0</i>
TOTAL	<u>\$ 339,826,175</u>	<u>\$ 365,652,026</u>	<u>\$ 364,773,992</u>	<u>\$ 369,713,176</u>	<u>\$ 368,705,553</u>

Percentage Change:

Operating Expenditures

State General Fund	-- %	-- %	-- %	-- %	-- %
All Funds	(0.7)	7.6	7.3	1.1	1.1
FTE Positions	104.0	105.0	95.0	105.0	95.0

About This Analysis. For purposes of this analysis, full-time equivalent (FTE) positions now include non-FTE permanent unclassified positions but continue to exclude temporary employees. FTE positions reflect permanent state positions equating to a 40-hour work week.

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, which included a sunset date. The 2007 Legislature extended agency operations until July 1, 2022, at which time it will be abolished unless continued by an act of the Legislature. KSA 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, online, and traditional games. The Kansas Lottery has established multiple types of traditional games including instant tickets, Powerball, Mega Millions, Kansas Cash, 2 by 2, Keno, Hot Lotto, Kansas Hold'Em, and Pick 3. The agency continues to engage in partnerships including the Kansas City Chiefs, Sporting Kansas City, Kansas City Royals, Kansas Speedway, and the Kansas State Fair for special instant games and second chance prize drawings.

The 2007 Legislature repealed a provision prohibiting games on video lottery machines and established the Expanded Lottery Act to provide for gaming at racetracks and casinos in limited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 racetracks and casinos.

The agency has seven budget programs that support its operations. These programs are Administration, Information Technology, Sales, Security, Cost of Sales, Expanded Lottery Act, and Marketing. All are detailed in the final pages of this budget analysis.

MAJOR ISSUES FROM PRIOR YEARS

The **2007 Legislature** continued the operation of the Kansas Lottery until July 1, 2022, and passed SB 66, which authorized expanded lottery activities at racetracks and casinos in certain areas after local voter approval.

The **2008 Legislature** passed HB 2923, which expanded the veterans benefit games from six months to year round to generate additional revenue. The Legislature directed funding from the net profits of the games to benefit 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, net profits transferred to the Museum were then redirected to the Veterans Enhanced Service Delivery program.

The **2010 Legislature** increased the agency's 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 FY 2010.

The **2013 Legislature** increased the statutory transfer from the State Gaming Revenues Fund by 4.0 percent, or \$2.4 million, for a transfer of \$75.7 million for FY 2014.

The **2014 Legislature** passed HB 2272, which reduced the privilege fee in the Southeast Gaming Zone from \$50.0 million to \$5.5 million. The bill also reduced investment fees in the Zone from \$225.0 million to \$50.0 million. The Legislature also deleted 5.0 FTE positions for FY 2015.

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

The **2015 Legislature** also included proviso language in SB 112 to transfer the unencumbered balance of the Expanded Lottery Act Revenues Fund to the State General Fund for FY 2016 and FY 2017.

The **2015 Legislature** increased the Kansas Lottery's transfer to the State Gaming Revenues Fund by \$1.0 million for FY 2016.

BUDGET SUMMARY AND KEY POINTS

FY 2018 – Current Year. The **agency** requests a revised estimate of \$365.7 million, all from special revenue funds, in FY 2018 operating expenditures. The revised estimate is a decrease of \$11.5 million, or 3.1 percent, below the amount approved by the 2017 Legislature. Of the decrease, \$6.3 million is attributable to reduced contractual services, specifically payments to gaming facility managers, and reduced aid to local units of government from expanded gaming revenue that pass through the Lottery operating budget. This is a result of reduced estimates for expanded gaming revenue. The revised estimate includes a decrease of

\$6.1 million in cost of sales expenditures, specifically lower-than-approved prize payouts, below the approved amount. These decreases are partially offset by increased salary and wage expenditures. The agency's FY 2018 budget is composed of roughly 95.8 percent of pass-through revenue distributed from expanded gaming and traditional gaming receipts.

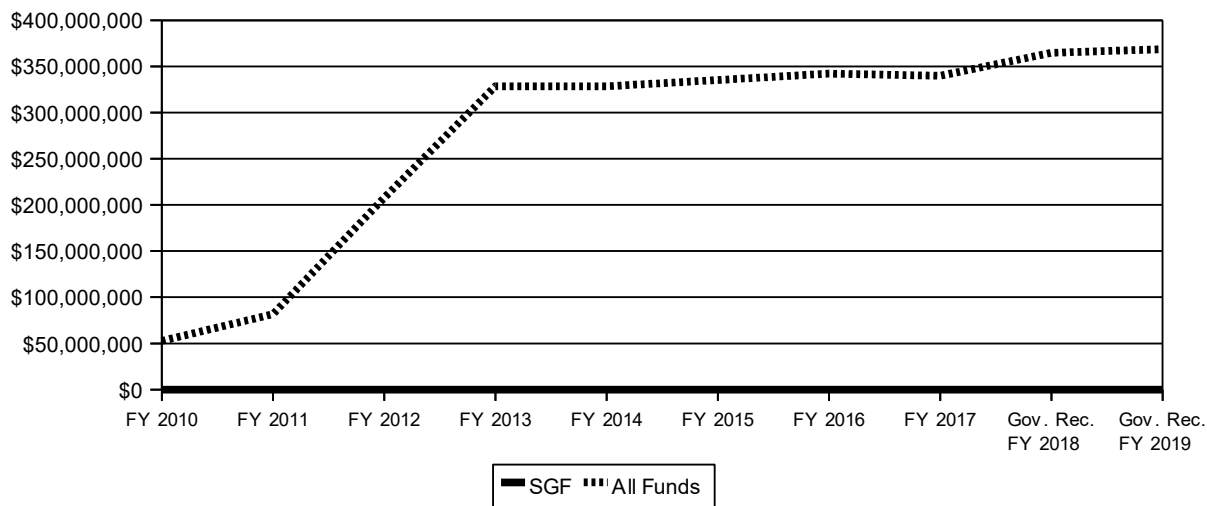
The **Governor** recommends expenditures of \$364.8 million, all from special revenue funds, in FY 2018. This is a decrease of \$878,034, or 0.2 percent, and 10.0 FTE positions below the FY 2018 agency request. The recommendation eliminates funding and FTE for positions that are currently vacant.

FY 2019 – Budget Year. The **agency** requests a revised estimate of \$369.7 million, all from special revenue funds, for FY 2019 operating expenditures. The revised estimate is a decrease of \$9.8 million, or 2.6 percent, below the amount approved by the 2017 Legislature. Of the decrease, \$5.4 million is attributable to reduced payments to gaming facility managers and local units of government that pass through the Lottery operating budget. This is a result of reduced estimates for expanded gaming revenue. The revised estimate includes a decrease of \$5.5 million in cost of sales expenditures, specifically lower-than-approved prize payouts, below the approved amount. These decreases are partially offset by increased salary and wage expenditures.

The **Governor** recommends expenditures of \$368.7 million, all from special revenue funds, for FY 2019. This is a decrease of \$1.0 million, or 0.3 percent, and 10.0 FTE positions below the FY 2019 agency request. The recommendation eliminates funding and FTE for positions that are currently vacant.

BUDGET TRENDS

OPERATING EXPENDITURES FY 2010 – FY 2019



OPERATING EXPENDITURES FY 2010 – FY 2019

Fiscal Year	SGF	% Change	All Funds	% Change	FTE
2010	\$ 0	-- %	\$ 52,668,171	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	0	--	335,251,277	2.1	74.9
2016	0	--	342,237,089	2.1	76.0
2017	0	--	339,826,175	(0.7)	104.0
2018 Gov. Rec.	0	--	364,773,992	7.3	95.0
2019 Gov. Rec.	0	--	368,705,553	1.1	95.0
Ten-Year Change Dollars/Percent	\$ 0	-- %	\$ 316,037,382	600.1 %	6.0

Summary of Operating Budget FY 2017 - FY 2019

Kansas Lottery

	Actual FY 2017	Agency Estimate				Governor's Recommendation			
		Estimate FY 2018	Estimate FY 2019	Dollar Change from FY 18	Percent Change from FY 18	Rec. FY 2018	Rec. FY 2019	Dollar Change from FY 18	Percent Change from FY 18
By Program:									
Administration	\$ 3,244,745	\$ 4,820,137	\$ 4,933,050	\$ 112,913	2.3 %	\$ 3,942,103	\$ 3,925,427	\$ (16,676)	(0.4)%
Information Technology	1,428,485	1,436,196	1,441,830	5,634	0.4	1,436,196	1,441,830	5,634	0.4
Sales	1,829,993	2,086,901	2,178,705	91,804	4.4	2,086,901	2,178,705	91,804	4.4
Security	495,680	620,161	615,026	(5,135)	(0.8)	620,161	615,026	(5,135)	(0.8)
Cost of Sales	43,464,592	47,237,640	49,780,000	2,542,360	5.4	47,237,640	49,780,000	2,542,360	5.4
Expanded Lottery Act	284,049,686	303,090,906	304,141,339	1,050,433	0.3	303,090,906	304,141,339	1,050,433	0.3
Marketing	5,312,994	6,360,085	6,623,226	263,141	4.1	6,360,085	6,623,226	263,141	4.1
TOTAL	\$ 339,826,175	\$ 365,652,026	\$ 369,713,176	\$ 4,061,150	1.1 %	\$ 364,773,992	\$ 368,705,553	\$ 3,931,561	1.1 %
By Major Object of Expenditure:									
Salaries and Wages	\$ 6,199,304	\$ 8,153,014	\$ 8,465,674	\$ 312,660	3.8 %	\$ 7,274,980	\$ 7,458,051	\$ 183,071	2.5 %
Contractual Services	288,338,564	310,344,197	313,084,802	2,740,605	0.9	310,344,197	313,084,802	2,740,605	0.9
Commodities	508,550	604,400	626,800	22,400	3.7	604,400	626,800	22,400	3.7
Capital Outlay	501,522	559,775	446,900	(112,875)	(20.2)	559,775	446,900	(112,875)	(20.2)
Debt Service	0	0	0	0	--	0	0	0	--
<i>Subtotal-Operations</i>	<i>\$ 295,547,940</i>	<i>\$ 319,661,386</i>	<i>\$ 322,624,176</i>	<i>\$ 2,962,790</i>	<i>0.9 %</i>	<i>\$ 318,783,352</i>	<i>\$ 321,616,553</i>	<i>\$ 2,833,201</i>	<i>0.9 %</i>
Aid to Local Units	11,049,560	11,793,000	11,829,000	36,000	0.3	11,793,000	11,829,000	36,000	0.3
Other Assistance	33,228,675	34,197,640	35,260,000	1,062,360	3.1	34,197,640	35,260,000	1,062,360	3.1
TOTAL	\$ 339,826,175	\$ 365,652,026	\$ 369,713,176	\$ 4,061,150	1.1 %	\$ 364,773,992	\$ 368,705,553	\$ 3,931,561	1.1 %
Financing:									
State General Fund	\$ 0	\$ 0	\$ 0	\$ 0	-- %	\$ 0	\$ 0	\$ 0	-- %
Lottery Operating Fund	26,505,745	32,698,386	34,785,176	2,086,790	6.4	31,820,352	33,777,553	1,957,201	6.2
Expanded Lottery Act Receipts Fund	280,390,403	298,756,000	299,668,000	912,000	0.3	298,756,000	299,668,000	912,000	0.3
Lottery Prize Payment Fund	32,930,027	34,197,640	35,260,000	1,062,360	3.1	34,197,640	35,260,000	1,062,360	3.1
TOTAL	\$ 339,826,175	\$ 365,652,026	\$ 369,713,176	\$ 4,061,150	1.1 %	\$ 364,773,992	\$ 368,705,553	\$ 3,931,561	1.1 %

BUDGET OVERVIEW

A. FY 2018 – Current Year

Adjustments to Approved State General Fund Budget

The agency's revised estimate does not include any State General Fund expenditures.

CHANGE FROM APPROVED BUDGET					
	Legislative Approved FY 2018	Agency Estimate FY 2018	Agency Change from Approved	Governor Rec. FY 2018	Governor Change from Approved
State General Fund	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
All Other Funds	377,188,648	365,652,026	(11,536,622)	364,773,992	(12,414,656)
TOTAL	\$ 377,188,648	\$ 365,652,026	\$ (11,536,622)	\$ 364,773,992	\$ (12,414,656)
FTE Positions	105.0	105.0	(0.0)	95.0	(10.0)

The **agency** requests a revised estimate of \$365.7 million, all from special revenue funds, in FY 2018 operating expenditures. The revised estimate is a decrease of \$11.5 million, or 3.1 percent, below the amount approved by the 2017 Legislature. Of the decrease, \$6.3 million is attributable to reduced contractual services, specifically payments to gaming facility managers, and reduced aid to local units of government from expanded gaming revenue that pass through the Lottery operating budget. This is a result of reduced estimates for expanded gaming revenue. The revised estimate includes a decrease of \$6.1 million in cost of sales expenditures, specifically lower-than-approved prize payouts, below the approved amount. These decreases are partially offset by increased salary and wage expenditures. The agency's FY 2018 budget is composed of roughly 95.8 percent of pass-through revenue distributed from expanded gaming and traditional gaming receipts. The request is detailed below by category of expenditure:

- **Salaries and Wages.** The agency requests expenditures of \$8.2 million, all from special revenue funds, for salaries and wages. The request is an increase of \$878,034, or 12.1 percent, above the approved amount. The increase is attributable to reduced shrinkage, specifically in the administration program, as the agency is budgeting for positions to be filled for the entire fiscal year;
- **Contractual Services.** The agency requests expenditures of \$310.3 million, all from special revenue funds, for contractual services. The request is a decrease of \$6.1 million, or 1.9 percent, below the approved amount. The decrease is attributable to payments to gaming facility managers as a result of reduced estimates for expanded gaming revenue as agreed to by the Fall 2017 Consensus Gaming Revenue Estimating Group;
- **Commodities.** The agency requests expenditures of \$604,400, all from special revenue funds, for commodities. The request is the same as the approved amount;

- **Capital Outlay.** The agency requests expenditures of \$559,775, all from special revenue funds, for capital outlay. The request is the same as the approved amount;
- **Aid to Local Units of Government .** The agency requests expenditures of \$11.8 million, all from special revenue funds, for aid to local units of government. The request is a decrease of \$249,000, or 2.1 percent, below the approved amount. The decrease is attributable to reduced aid to local units of government from expanded gaming revenue that pass through the Lottery operating budget. This is a result of reduced estimates for expanded gaming revenue as agreed to by the Fall 2017 Consensus Gaming Revenue Estimating Group; and
- **Other Assistance.** The agency requests expenditures of \$34.2 million, all from special revenue funds, for other assistance. The request is a decrease of \$6.1 million, or 15.2 percent, below the approved amount. The decrease is attributable to reduced cost of sales expenditures, specifically lower-than-approved prize payouts. This is a result of reduced estimates for traditional gaming revenue as agreed to by the Fall 2017 Consensus Gaming Revenue Estimating Group.

The **Governor** recommends expenditures of \$364.8 million, all from special revenue funds, in FY 2018. This is a decrease of \$878,034, or 0.2 percent, and 10.0 FTE positions below the FY 2018 agency request. The recommendation eliminates funding and FTE for positions that are currently vacant.

B. FY 2019 – Budget Year

Adjustments to Approved State General Fund Budget

The agency's revised estimate does not include any State General Fund expenditures.

CHANGE FROM APPROVED BUDGET					
	Legislative Approved FY 2019	Agency Estimate FY 2019	Agency Change from Approved	Governor Rec. FY 2019	Governor Change from Approved
State General Fund	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
All Other Funds	379,558,022	369,713,176	(9,844,846)	368,705,553	(10,852,469)
TOTAL	\$ 379,558,022	\$ 369,713,176	\$ (9,844,846)	\$ 368,705,553	\$ (10,852,469)
FTE Positions	105.0	105.0	0.0	95.0	(10.0)

The **agency** requests a revised estimate of \$369.7 million, all from special revenue funds, for FY 2019 operating expenditures. The revised estimate is a decrease of \$9.8 million, or 2.6 percent, below the amount approved by the 2017 Legislature. Of the decrease, \$5.4 million is attributable to reduced payments to gaming facility managers and local units of government that pass through the Lottery operating budget. This is a result of reduced estimates for expanded gaming revenue. The revised estimate includes a decrease of \$5.5 million in cost of sales expenditures, specifically lower-than-approved prize payouts, below the approved amount. These decreases are partially offset by increased salary and wage expenditures. The request is detailed below by category of expenditure:

- **Salaries and Wages.** The agency requests expenditures of \$8.5 million, all from special revenue funds, for salaries and wage. The request is an increase of \$1.0 million, or 13.5 percent, above the approved amount. The increase is attributable to reduced shrinkage, specifically in the administration program, as the agency is budgeting for positions to be filled for the entire fiscal year;
- **Contractual Services.** The agency requests expenditures of \$313.1 million, all from special revenue funds, for contractual services. The request is a decrease of \$5.2 million, or 1.6 percent, below the approved amount. The decrease is attributable to payments to gaming facility managers as a result of reduced estimates for expanded gaming revenue as agreed to by the Fall 2017 Consensus Gaming Revenue Estimating Group;
- **Commodities.** The agency requests expenditures of \$626,800, all from special revenue funds, for commodities. The request is the same as the approved amount;
- **Capital Outlay.** The agency requests expenditures of \$446,900, all from special revenue funds, for capital outlay. The request is the same as the approved amount;

- **Aid to Local Units of Government.** The agency requests expenditures of \$11.8 million, all from special revenue funds, for aid to local units of government. The request is a decrease of \$213,000, or 1.8 percent, below the approved amount. The decrease is attributable to reduced aid to local units of government from expanded gaming revenue that pass through the Lottery operating budget. This is a result of reduced estimates for expanded gaming revenue as agreed to by the Fall 2017 Consensus Gaming Revenue Estimating Group;
- **Other Assistance.** The agency requests expenditures of \$35.3 million, all from special revenue funds, for other assistance. The request is a decrease of \$5.5 million, or 13.4 percent, below the approved amount. The decrease is attributable to reduced cost of sales expenditures, specifically lower-than-approved prize payouts. This is a result of reduced estimates for traditional gaming revenue as agreed to by the Fall 2017 Consensus Gaming Revenue Estimating Group.

The **Governor** recommends expenditures of \$368.7 million, all from special revenue funds, for FY 2019. This is a decrease of \$1.0 million, or 0.3 percent, and 10.0 FTE positions below the FY 2019 agency request. The recommendation eliminates funding and FTE for positions that are currently vacant.

Governor's Recommended Salary and Wage Adjustments

State Employee Pay Increases. The Governor's recommendation for FY 2019 appropriates \$1.5 million, all from the State General Fund, to the Pay Plan Equalization Fund. The Director of the Budget could transfer funds from the Pay Plan Equalization Fund to the State General Fund accounts of any agency.

Longevity Bonus Payments. In FY 2018 and for FY 2019, 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 2018 payment is \$4.3 million, including \$1.7 million from the State General Fund. For FY 2019, the estimated cost is \$4.6 million, including \$1.7 million from the State General Fund. **For this agency, FY 2018 longevity payments total \$3,680, all from special revenue funds, and FY 2019 longevity payments total \$3,720, all from special revenue funds.**

Kansas Public Employees Retirement System (KPERs) Adjustments. The employer retirement contribution rate for KPERs State and School is scheduled to be 11.78 percent in FY 2018 and 13.21 percent for FY 2019. The 2017 Legislature approved reducing KPER School employer contributions by \$194.0 million for FY 2019. Like FY 2017, the Legislature required the contribution reduction to be layered as a level dollar amount over 20 years, with the first payment of \$19.4 million beginning for FY 2020.

Death and Disability. The 2017 Legislature approved a moratorium on employer contributions to the Group Insurance Reserve Fund for the first quarter of FY 2018. This will provide savings of \$10.1 million from the State General Fund and \$12.6 million from all funds.

Funding Sources

Funding Source	Agency Est. Percent of Total FY 2019	Gov. Rec. Percent of Total FY 2019
State General Fund	0.0 %	0.0 %
Lottery Operating Fund	9.4	9.4
Expanded Lottery Act Receipts Fund	81.1	81.1
Lottery Prize Payment Fund	9.5	9.5
TOTAL	100.0 %	100.0 %

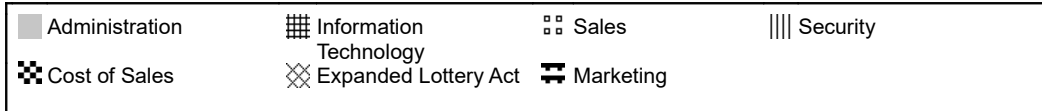
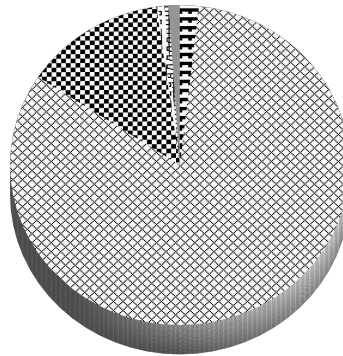
Note: Details may not add to totals due to rounding.

PROGRAM DETAIL

Expenditures by Program

Governor's FY 2019 Recommendation

All Funds



Program	Gov. Rec. All Funds FY 2019	Percent of Total	Gov. Rec. SGF FY 2019	Percent of Total
Administration	\$ 3,925,427	1.1 %	\$ 0	-- %
Information Technology	1,441,830	0.4	0	--
Sales	2,178,705	0.6	0	--
Security	615,026	0.2	0	--
Cost of Sales	49,780,000	13.5	0	--
Expanded Lottery Act	304,141,339	82.5	0	--
Marketing	6,623,226	1.8	0	--
TOTAL	\$ 368,705,553	100.0 %	\$ 0	-- %

FTE POSITIONS BY PROGRAM FY 2017 – FY 2019					
Program	Actual FY 2017	Agency Est. FY 2018	Gov. Rec. FY 2018	Agency Est. FY 2019	Gov. Rec. FY 2019
Administration	41.3	42.7	32.8	42.7	32.8
Information Technology	7.8	6.8	6.8	6.8	6.8
Sales	24.0	23.0	23.0	23.0	23.0
Security	6.5	6.5	6.5	6.5	6.5
Cost of Sales	0.0	0.0	0.0	0.0	0.0
Expanded Lottery Act	16.8	17.3	17.3	17.3	17.3
Marketing	7.8	8.8	8.8	8.8	8.8
TOTAL	104.0	105.0	95.0	105.0	95.0

Note: For purposes of this analysis, full-time equivalent (FTE) positions now include non-FTE permanent unclassified positions but continue to exclude temporary employees. FTE positions reflect permanent state positions equating to a 40-hour work week.

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 Lottery personnel are knowledgeable of the newest and most effective products, technologies, security operations, marketing, 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 2017 – FY 2019					
Item	Actual FY 2017	Agency Est. FY 2018	Gov. Rec. FY 2018	Agency Est. FY 2019	Gov. Rec. FY 2019
Expenditures:					
Salaries and Wages	\$ 1,924,017	\$ 3,146,087	\$ 2,268,053	\$ 3,253,600	\$ 2,245,977
Contractual Services	1,270,530	1,553,450	1,553,450	1,597,900	1,597,900
Commodities	26,990	50,800	50,800	51,550	51,550
Capital Outlay	21,640	69,800	69,800	30,000	30,000
Debt Service	0	0	0	0	0
<i>Subtotal - Operations</i>	<i>\$ 3,243,177</i>	<i>\$ 4,820,137</i>	<i>\$ 3,942,103</i>	<i>\$ 4,933,050</i>	<i>\$ 3,925,427</i>
Aid to Local Units	0	0	0	0	0
Other Assistance	1,568	0	0	0	0
TOTAL	\$ 3,244,745	\$ 4,820,137	\$ 3,942,103	\$ 4,933,050	\$ 3,925,427
Financing:					
State General Fund	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
All Other Funds	3,244,745	4,820,137	3,942,103	4,933,050	3,925,427
TOTAL	\$ 3,244,745	\$ 4,820,137	\$ 3,942,103	\$ 4,933,050	\$ 3,925,427
FTE Positions	41.3	42.7	32.8	42.7	32.8

The **agency** requests operating expenditures of \$4.8 million, all from special revenue funds, for Administration in FY 2018. The request is an increase of \$848,767, or 21.4 percent, above the amount approved by the 2017 Legislature. The increase is attributable to increased salary and wage expenditures. The agency requests 42.7 FTE positions, which is an increase of 1.5 FTE positions above the approved number.

The **Governor** recommends operating expenditures of \$3.9 million, all from special revenue funds, for Administration in FY 2018. The recommendation is a decrease of \$878,034, or 18.2 percent, and an FTE decrease of 10.0 positions. The decrease is attributable to the Governor recommending the agency not fund or fill currently vacant positions.

The **agency** requests operating expenditures of \$4.9 million, all from special revenue funds, for Administration for FY 2019. The request is an increase of \$832,137, or 20.3 percent, above the amount approved by the 2017 Legislature. The increase is attributable to increased salary and wage expenditures. The agency requests 42.7 FTE positions, which is an increase of 1.5 FTE positions above the approved number. Major changes from the approved amounts include the following:

- **Salaries and Wages.** The agency requests \$3.3 million, all from special revenue funds, for salaries and wages for FY 2019. The request is an increase of \$832,137, or 34.4 percent, above the approved amount. The increase is attributable to reduced shrinkage as the agency is budgeting for positions to be filled for the entire fiscal year.

The **Governor** recommends operating expenditures of \$3.9 million, all from special revenue funds, for Administration for FY 2019. The recommendation is a decrease of \$1.0 million, or 20.4 percent, and an FTE decrease of 10.0 positions. The decrease is attributable to the Governor recommending the agency not fund or fill currently vacant positions.

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 2017 – FY 2019					
Item	Actual FY 2017	Agency Est. FY 2018	Gov. Rec. FY 2018	Agency Est. FY 2019	Gov. Rec. FY 2019
Expenditures:					
Salaries and Wages	\$ 529,323	\$ 555,200	\$ 555,200	\$ 573,530	\$ 573,530
Contractual Services	520,406	622,621	622,621	585,800	585,800
Commodities	24,015	31,500	31,500	36,500	36,500
Capital Outlay	354,741	226,875	226,875	246,000	246,000
Debt Service	0	0	0	0	0
<i>Subtotal - Operations</i>	<u>\$ 1,428,485</u>	<u>\$ 1,436,196</u>	<u>\$ 1,436,196</u>	<u>\$ 1,441,830</u>	<u>\$ 1,441,830</u>
Aid to Local Units	0	0	0	0	0
Other Assistance	0	0	0	0	0
TOTAL	<u>\$ 1,428,485</u>	<u>\$ 1,436,196</u>	<u>\$ 1,436,196</u>	<u>\$ 1,441,830</u>	<u>\$ 1,441,830</u>
Financing:					
State General Fund	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
All Other Funds	1,428,485	1,436,196	1,436,196	1,441,830	1,441,830
TOTAL	<u>\$ 1,428,485</u>	<u>\$ 1,436,196</u>	<u>\$ 1,436,196</u>	<u>\$ 1,441,830</u>	<u>\$ 1,441,830</u>
FTE Positions	7.8	6.8	6.8	6.8	6.8

The **agency** requests operating expenditures of \$1.4 million, all from special revenue funds, for Information Technology in FY 2018. The request is a decrease of \$78,482, or 5.2 percent, below the amount approved by the 2017 Legislature. The decrease is attributable to decreased salary and wage expenditures. The agency requests 6.8 FTE positions, which is a decrease of 1.0 FTE position below the approved number.

The **Governor** concurs with the agency's FY 2018 revised estimate.

The **agency** requests operating expenditures of \$1.4 million, all from special revenue funds, for Information Technology for FY 2019. The request is a decrease of \$81,534, or 5.4 percent, below the amount approved by the 2017 Legislature. The decrease is attributable to decreased salary and wage expenditures. The agency requests 6.8 FTE positions, which is a decrease of 1.0 FTE position below the approved number. Major changes from the approved amounts include the following:

- **Salaries and Wages.** The agency requests \$573,530, all from special revenue funds, for salaries and wages for FY 2019. The request is a decrease of \$81,534, or 12.4 percent, below the approved amount. The decrease is attributable to a shift in wages from this program to the administration program.

The **Governor** concurs with the agency's FY 2019 revised estimate.

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

SALES					
SUMMARY OF EXPENDITURES FY 2017 – FY 2019					
Item	Actual FY 2017	Agency Est. FY 2018	Gov. Rec. FY 2018	Agency Est. FY 2019	Gov. Rec. FY 2019
Expenditures:					
Salaries and Wages	\$ 1,450,028	\$ 1,614,601	\$ 1,614,601	\$ 1,684,205	\$ 1,684,205
Contractual Services	90,279	112,000	112,000	123,500	123,500
Commodities	195,686	242,800	242,800	250,000	250,000
Capital Outlay	94,000	117,500	117,500	121,000	121,000
Debt Service	0	0	0	0	0
<i>Subtotal - Operations</i>	<u>\$ 1,829,993</u>	<u>\$ 2,086,901</u>	<u>\$ 2,086,901</u>	<u>\$ 2,178,705</u>	<u>\$ 2,178,705</u>
Aid to Local Units	0	0	0	0	0
Other Assistance	0	0	0	0	0
TOTAL	<u>\$ 1,829,993</u>	<u>\$ 2,086,901</u>	<u>\$ 2,086,901</u>	<u>\$ 2,178,705</u>	<u>\$ 2,178,705</u>
Financing:					
State General Fund	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
All Other Funds	1,829,993	2,086,901	2,086,901	2,178,705	2,178,705
TOTAL	<u>\$ 1,829,993</u>	<u>\$ 2,086,901</u>	<u>\$ 2,086,901</u>	<u>\$ 2,178,705</u>	<u>\$ 2,178,705</u>
FTE Positions	24.0	23.0	23.0	23.0	23.0

The **agency** requests operating expenditures of \$2.1 million, all from special revenue funds, for Sales in FY 2018. The request is a decrease of \$23,354, or 1.1 percent, below the amount approved by the 2017 Legislature. The decrease is attributable to reduced salary and wage expenditures. The agency requests 23.0 FTE positions, which is a decrease of 1.0 FTE positions below the approved number.

The **Governor** concurs with the agency's FY 2018 revised estimate.

The **agency** requests operating expenditures of \$2.2 million, all from special revenue funds, for Sales for FY 2019. The request is an increase of \$27,145, or 1.3 percent, above the amount approved by the 2017 Legislature. The increase is attributable to increased salary and wage expenditures. The agency requests 23.0 FTE positions, which is a decrease of 1.0 FTE positions below the approved number. Major changes from the approved amounts include the following:

- **Salaries and Wages.** The agency requests \$1.7 million, all from special revenue funds, for salaries and wages for FY 2019. The request is a decrease of \$27,145, or 1.6 percent, above the approved amount. The increase is attributable to a shift in wages from this program to the administration program.

The **Governor** concurs with the agency's FY 2019 revised estimate.

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 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 2017 – FY 2019					
Item	Actual FY 2017	Agency Est. FY 2018	Gov. Rec. FY 2018	Agency Est. FY 2019	Gov. Rec. FY 2019
Expenditures:					
Salaries and Wages	\$ 449,330	\$ 528,311	\$ 528,311	\$ 549,976	\$ 549,976
Contractual Services	26,613	25,400	25,400	25,800	25,800
Commodities	15,790	13,150	13,150	14,250	14,250
Capital Outlay	3,947	53,300	53,300	25,000	25,000
Debt Service	0	0	0	0	0
<i>Subtotal - Operations</i>	<u>\$ 495,680</u>	<u>\$ 620,161</u>	<u>\$ 620,161</u>	<u>\$ 615,026</u>	<u>\$ 615,026</u>
Aid to Local Units	0	0	0	0	0
Other Assistance	0	0	0	0	0
TOTAL	<u>\$ 495,680</u>	<u>\$ 620,161</u>	<u>\$ 620,161</u>	<u>\$ 615,026</u>	<u>\$ 615,026</u>
Financing:					
State General Fund	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
All Other Funds	495,680	620,161	620,161	615,026	615,026
TOTAL	<u>\$ 495,680</u>	<u>\$ 620,161</u>	<u>\$ 620,161</u>	<u>\$ 615,026</u>	<u>\$ 615,026</u>
FTE Positions	6.5	6.5	6.5	6.5	6.5

The **agency** requests operating expenditures of \$620,161, all from special revenue funds, for Security in FY 2018. The request is a decrease of \$14,156, or 2.2 percent, below the amount approved by the 2017 Legislature. The decrease is attributable to decreased salary and wage expenditures.

The **Governor** concurs with the agency's revised estimate in FY 2018.

The **agency** requests operating expenditures of \$615,026, all from special revenue funds, for Security for FY 2019. The request is a decrease of \$595, or 0.1 percent, below the amount approved by the 2017 Legislature. The decrease is attributable to decreased salary and wage expenditures. Major changes from the approved amounts include the following:

- **Salaries and Wages.** The agency requests \$549,976, all from special revenue funds, for salaries and wages for FY 2019. The request is a decrease of \$595, or 0.1 percent, below the approved amount.

The **Governor** concurs with the agency's revised estimate for FY 2019.

E. Cost of Sales

The Cost of Sales program captures the contractual services and commodities expenditures necessary to operate a state lottery. Other assistance expenditures within this program are prize claims between \$600 and \$5,000 paid instantly at the Lottery Headquarters from the Lottery Prize Payment Fund. Other assistance expenditures also include the payment of prize claims over \$5,000 *via* state checks from the Lottery Prize Payment Fund.

Approximately 33.0 percent of player prizes are paid from this fund; the remaining prizes are paid by Lottery retailers.

COST OF SALES					
SUMMARY OF EXPENDITURES FY 2017 – FY 2019					
Item	Actual FY 2017	Agency Est. FY 2018	Gov. Rec. FY 2018	Agency Est. FY 2019	Gov. Rec. FY 2019
Expenditures:					
Salaries and Wages	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Contractual Services	10,180,237	12,975,000	12,975,000	14,450,000	14,450,000
Commodities	57,248	65,000	65,000	70,000	70,000
Capital Outlay	0	0	0	0	0
Debt Service	0	0	0	0	0
<i>Subtotal - Operations</i>	<u>\$ 10,237,485</u>	<u>\$ 13,040,000</u>	<u>\$ 13,040,000</u>	<u>\$ 14,520,000</u>	<u>\$ 14,520,000</u>
Aid to Local Units	0	0	0	0	0
Other Assistance	33,227,107	34,197,640	34,197,640	35,260,000	35,260,000
TOTAL	<u>\$ 43,464,592</u>	<u>\$ 47,237,640</u>	<u>\$ 47,237,640</u>	<u>\$ 49,780,000</u>	<u>\$ 49,780,000</u>
Financing:					
State General Fund	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
All Other Funds	43,464,592	47,237,640	47,237,640	49,780,000	49,780,000
TOTAL	<u>\$ 43,464,592</u>	<u>\$ 47,237,640</u>	<u>\$ 47,237,640</u>	<u>\$ 49,780,000</u>	<u>\$ 49,780,000</u>
FTE Positions	0.0	0.0	0.0	0.0	0.0

The **agency** requests operating expenditures of \$47.2 million, all from special revenue funds, for Cost of Sales in FY 2018. The request is a decrease of \$6.1 million, or 11.4 percent, below the amount approved by the 2017 Legislature. The decrease is attributable to reduced other assistance, namely lottery prize claims paid. This is a result of reduced estimates for traditional gaming revenue as agreed to by the Fall 2017 Consensus Gaming Revenue Estimating Group.

The **Governor** concurs with the agency's revised estimate in FY 2018.

The **agency** requests operating expenditures of \$49.8 million, all from special revenue funds, for Cost of Sales for FY 2019. The request is a decrease of \$5.5 million, or 9.9 percent, below the amount approved by the 2017 Legislature. The decrease is attributable to reduced other assistance, namely lottery prize claims paid. Major changes from the approved amounts include the following:

- **Other Assistance.** The agency requests \$35.3 million, all from special revenue funds, for other assistance for FY 2019. The request is a decrease of \$5.5 million, or 13.4 percent, below the approved amount. The decrease is attributable to reduced cost of sales expenditures, specifically lower-than-approved prize payouts. This is a result of reduced estimates for traditional gaming revenue as agreed to by the Fall 2017 Consensus Gaming Revenue Estimating Group.

The **Governor** concurs with the agency's revised estimate for FY 2019.

F. Expanded Lottery Act

The 2007 Legislature passed 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 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 2017 – FY 2019					
Item	Actual FY 2017	Agency Est. FY 2018	Gov. Rec. FY 2018	Agency Est. FY 2019	Gov. Rec. FY 2019
Expenditures:					
Salaries and Wages	\$ 1,310,374	\$ 1,531,380	\$ 1,531,380	\$ 1,597,887	\$ 1,597,887
Contractual Services	271,657,330	289,732,276	289,732,276	290,679,052	290,679,052
Commodities	5,228	9,950	9,950	10,500	10,500
Capital Outlay	27,194	24,300	24,300	24,900	24,900
Debt Service	0	0	0	0	0
<i>Subtotal - Operations</i>	<u>\$ 273,000,126</u>	<u>\$ 291,297,906</u>	<u>\$ 291,297,906</u>	<u>\$ 292,312,339</u>	<u>\$ 292,312,339</u>
Aid to Local Units	11,049,560	11,793,000	11,793,000	11,829,000	11,829,000
Other Assistance	0	0	0	0	0
TOTAL	<u>\$ 284,049,686</u>	<u>\$ 303,090,906</u>	<u>\$ 303,090,906</u>	<u>\$ 304,141,339</u>	<u>\$ 304,141,339</u>
Financing:					
State General Fund	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
All Other Funds	284,049,686	303,090,906	303,090,906	304,141,339	304,141,339
TOTAL	<u>\$ 284,049,686</u>	<u>\$ 303,090,906</u>	<u>\$ 303,090,906</u>	<u>\$ 304,141,339</u>	<u>\$ 304,141,339</u>
FTE Positions	16.8	17.3	17.3	17.3	17.3

The **agency** requests operating expenditures of \$303.1 million, all from special revenue funds, for the Expanded Lottery Act in FY 2018. The request is a decrease of \$6.3 million, or 2.0 percent, below the amount approved by the 2017 Legislature. The decrease is attributable to reduced contractual services, specifically, payments to gaming facility managers and reduced aid to local units of government from expanded gaming revenue that pass through the Lottery operating budget. This is as a result of reduced estimates for expanded gaming revenue. These reductions are slightly offset by increased salary and wage expenditures. The agency requests 17.3 FTE positions, which is a decrease of 0.5 FTE positions below the approved number.

The **Governor** concurs with the agency's revised estimate in FY 2018.

The **agency** requests operating expenditures of \$304.1 million, all from special revenue funds, for the Expanded Lottery Act for FY 2019. The request is a decrease of \$5.3 million, or 1.7 percent, below the amount approved by the 2017 Legislature. The decrease is attributable to reduced contractual services, specifically, payments to gaming facility managers and, reduced aid to local units of government from expanded gaming revenue that pass through the Lottery operating budget. This is as a result of reduced estimates for expanded gaming revenue. These reductions are slightly offset by increased salary and wage expenditures. The agency requests 17.3 FTE positions, which is a decrease of 0.5 FTE positions below the approved number.

Major changes from the approved amounts include the following:

- **Salaries and Wages.** The agency requests \$1.6 million, all from special revenue funds, for salaries and wages for FY 2019. The request is an increase of \$70,204, or 4.6 percent, above the approved amount. The increase is attributable to increased fringe benefit expenditures, specifically group health insurance;
- **Contractual Services.** The agency requests \$290.7 million, all from special revenue funds, for contractual services for FY 2019. The request is a decrease of \$5.2 million, or 1.8 percent, below the approved amount. The decrease is attributable to payments to gaming facility managers as a result of reduced estimates for expanded gaming revenue as agreed to by the Fall 2017 Consensus Gaming Revenue Estimating Group; and
- **Aid to Local Units of Government.** The agency requests \$11.8 million, all from special revenue funds, for aid to local units of government for FY 2019. The request is a decrease of \$213,000, or 1.7 percent, below the approved amount. The decrease is attributable to reduced aid to local units of government from expanded gaming revenue that pass through the Lottery operating budget. This is a result of reduced estimates for expanded gaming revenue as agreed to by the Fall 2017 Consensus Gaming Revenue Estimating Group.

The **Governor** concurs with the agency's revised estimate for FY 2019.

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 2017 – FY 2019					
Item	Actual FY 2017	Agency Est. FY 2018	Gov. Rec. FY 2018	Agency Est. FY 2019	Gov. Rec. FY 2019
Expenditures:					
Salaries and Wages	\$ 536,232	\$ 777,435	\$ 777,435	\$ 806,476	\$ 806,476
Contractual Services	4,593,169	5,323,450	5,323,450	5,622,750	5,622,750
Commodities	183,593	191,200	191,200	194,000	194,000
Capital Outlay	0	68,000	68,000	0	0
Debt Service	0	0	0	0	0
<i>Subtotal - Operations</i>	<u>\$ 5,312,994</u>	<u>\$ 6,360,085</u>	<u>\$ 6,360,085</u>	<u>\$ 6,623,226</u>	<u>\$ 6,623,226</u>
Aid to Local Units	0	0	0	0	0
Other Assistance	0	0	0	0	0
TOTAL	<u>\$ 5,312,994</u>	<u>\$ 6,360,085</u>	<u>\$ 6,360,085</u>	<u>\$ 6,623,226</u>	<u>\$ 6,623,226</u>
Financing:					
State General Fund	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
All Other Funds	5,312,994	6,360,085	6,360,085	6,623,226	6,623,226
TOTAL	<u>\$ 5,312,994</u>	<u>\$ 6,360,085</u>	<u>\$ 6,360,085</u>	<u>\$ 6,623,226</u>	<u>\$ 6,623,226</u>
FTE Positions	7.8	8.8	8.8	8.8	8.8

The **agency** requests operating expenditures of \$6.4 million, all from special revenue funds, for Marketing in FY 2018. The request is an increase of \$6.4 million, or 3.0 percent, above the amount approved by the 2017 Legislature. The increase is attributable to increased salary and wage expenditures. The agency requests 8.8 FTE positions, which is an increase of 1.0 position above the approved number.

The **Governor** concurs with the agency's revised estimate in FY 2018.

The **agency** requests operating expenditures of \$6.6 million, all from special revenue funds, for Marketing for FY 2019. The request is an increase of \$208,014, or 3.2 percent, above the amount approved by the 2017 Legislature. The increase is attributable to increased salary and wage expenditures. The agency requests 8.8 FTE positions, which is an increase of 1.0 FTE position above the approved number. Major changes from the approved amount include the following:

- **Salaries and Wages.** The agency requests \$806,041, all from special revenue funds, for salaries and wages for FY 2019. The request is an increase of \$208,014, or 34.8 percent, above the approved amount. The increase is attributable to increased regular wages, accompanied by increased fringe benefit expenditures associated with those positions.

The **Governor** concurs with the agency's revised estimate for FY 2019.

PERFORMANCE MEASURES

Measure	Gov. Rec. for FY 2017	Actual FY 2017	Gov. Rec. FY 2018	Gov. Rec. FY 2019
Receipts from the sale of lottery tickets (in millions)	\$260.0	\$258.0	\$259.4	\$261.4
Receipts transferred to the State Gaming Fund (in millions)	\$77.3	\$75.3	\$76.5	\$77.5
Prize payments (in millions)	\$150.0	\$149.7	\$151.2	\$152.5
State-owned gaming facility revenue (in millions)	\$377.1	\$370.2	\$393.1	\$394.3