

Approved April 7, 1992

MINUTES OF THE SENATE COMMITTEE ON FEDERAL AND STATE AFFAIRS.

The meeting was called to order by Sen. Edward F. Reilly, Jr. at 11:00 a.m. on March 6, 1992 in Room 254-E of the Capitol.

All members were present except:
Sens. Daniels and McClure were excused

Committee staff present:
Mary Galligan, Legislative Research Department
Mary Torrence, Office of Revisor of Statutes
Jeanne Eudaley, Committee Secretary

Conferees appearing before the committee:
See attached list

Others attending: See attached list

Sen. Reilly called the meeting to order and announced the committee would hear opponents on SB 695. He introduced the Attorney General, Robert Stephan, who presented testimony to the committee (Attachment 1). Attorney General Stephan remarked he is neither a proponent nor opponent.

The following persons appeared opposing SB 695:

Bishop Kenneth W. Hicks, Kansas Area United Methodist Church (Attachment 2);
Rob Gaskell, People Against Casinos, (Attachment 3);
Carol W. Christensen, (Attachment 4);
Pete McGill, Wichita Greyhound Park, (Attachment 5);
Rev. Troy Bowers, Commission on Church and Society, United Methodist Church (Attachment 6).

The following did not appear before the committee, but submitted written testimony:

Staci Charles, People Against Casinos, (Attachment 7);
Ruth Picton, Hiawatha, (Attachment 8).

Rev. Taylor, who is ill, requested that the newspaper article (Attachment 9), be made a part of the record, with these two questions: "How many millions would go to rich clients of gambling lobbyists? If the state would make \$65.8 million, how many millions would the people lose?"

The Chairman announced the committee will continue to hear the remaining proponents on Monday, March 9.

The meeting adjourned at 12:00.

GUEST LIST

COMMITTEE: Senate Federal & State Affairs

DATE: MARCH 6, 1992

NAME (PLEASE PRINT)	ADDRESS	COMPANY/ORGANIZATION
J. D. Pinegar	Topeka	Pinegar + Smith
Joshua Eby	Topeka	:
Greg Barnes ✓	WICHITA	
Charles Wilson	Topeka	Unit. Meth. Church
Kenneth W. Hicks ✓	Topeka	U. Methodist Church
Tom Conant	"	ABC
Robert Engler	"	ABC
James Koresch	"	"
Mick Roemer	LV, NV	16T
Dan Hamer	Topeka	Heartland Progress
Grant Glenn	Topeka	Heartland Products
Albert Lollar	TOPEKA	LOTTERY RETAILERS ASSOC.
Jim Langford	"	DOB
DARRELL ADKINS	TOPEKA	LOTTERY
Derrieth L. Sutton	Topeka	Kansas Lottery
Ken Kubi	Topeka	4th. Enroll. USIP's
Charleson Yankes	Topeka	Ks. Am. Legion
Julie Klein	Top	Klein Ekert
Carol Christensen ✓	Topeka	
Ruth Pictou	Hiawatha - K-3	P.A.C.
Staci Charles ✓	Hiawatha, KS.	People Against Casinos
Rob Gaskell ✓	Horton KS	People Against Casinos
Charles H. Nicolay	Topeka	KOMA
Whitney Dambon	Topeka	Pete McMillan Associate
Tamara Hurley	Topeka	Negotiation

Attach 1



STATE OF KANSAS

OFFICE OF THE ATTORNEY GENERAL

2ND FLOOR, KANSAS JUDICIAL CENTER, TOPEKA 66612-1597

ROBERT T. STEPHAN
ATTORNEY GENERAL

Statement of
ATTORNEY GENERAL ROBERT T. STEPHAN

MAIN PHONE: (913) 296-2215
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TELECOPIER: 296-6296

before the
Senate Committee of Federal & State Affairs
Re: 1992 Senate Bill No. 695
March 6, 1992

Mr. Chairman and Members of the Committee:

I have been asked to testify before you with regard to video gambling devices now present in Kansas, the law's treatment of such machines and enforcement action. While I understand I am testifying on the day reserved for opponents, I do not consider myself either an opponent or a proponent of Senate Bill No. 695. I am here today because my schedule only allowed for my appearance today.

In 1982, it was brought to my attention that video poker machines were being placed in bars, taverns and arcades in Kansas. Enforcement actions were taken to seize these machines both because winners were being paid off in cash for their winning of credits on the machines and because the devices were considered "gambling devices per se." That is, even if no cash or merchandise pay-off occurred, all of the elements of gambling -- prize, chance and consideration -- were considered to be present in the video poker machine itself. Prosecutors considered the awarding of credits which could be used for free games to be "something of value" or prize. I concurred and circulated a memorandum to Kansas county and district attorneys requesting their assistance in stopping the proliferation of these machines.

A supplier of video poker machines sued Sedgwick County law enforcement officers and myself. Games Management, Inc., sought to determine that its machines were not per se illegal. In 1983, the Kansas Supreme Court held that a machine offering only free replays as a prize does not constitute a gambling device. With that decision, it has been necessary for law enforcement to actually demonstrate that someone is paying off for wins on the machines.

Today, video poker machines are scattered throughout this state in bars, taverns, restaurants, convenience stores, truck stops and arcades. I do not profess to know how many there are in Kansas. The Division of Alcoholic Beverage Control of the Department of Revenue has estimated, based on an informal survey, that there are 3,000 such

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machines in its licensees' premises. That is only a part of the picture. Thousands more exist elsewhere.

Machines have become more attractive to the player and more sophisticated. I understand from the Kansas Bureau of Investigation that many machines allow personnel to turn a key or other switch and zero out credits won. This provides for an ability to clear the machine at the time of pay-off. I am informed machines may award 2,000 credits or more for a royal flush, for example, and pay-offs typically are 25 cents a credit. Last year, 304 machines were seized in Kansas in a single raid led by federal officials on 66 establishments in the Kansas City area. At this time, I am unaware that any charges have been filed, and I understand the civil seizure action is proceeding in federal court. The KBI advises me that these machines would accept \$5 and \$10 bills. It would be naive to believe such machines are used for mere amusement.

It has been the policy of the KBI and my office generally to refer information on video poker machines to local authorities. Since we are required by the Games Management case to prove that pay-offs are occurring in connection with the machines, making a gambling case on one of these machines in a local bar is much like making a drug case. Agents must work undercover and build confidence with the bar management before they can secure the necessary evidence to prove a case. With increasing violent crime and increasing efforts in drug law enforcement, such cases simply have not been a high priority to which to commit the required substantial resources.

Senate Bill No. 695 would make the video poker machines I have been discussing gambling devices per se, and prosecution and confiscation could result from their mere possession outside of those placed and regulated through the Kansas Lottery.

In concluding, I want to again emphasize that I do not intend to support or oppose Senate Bill No. 695. I do want you to be aware of the status of video gambling in Kansas today. Finally, I would add one comment with regard to the bill. The KBI indicates to me that the bill would have a fiscal impact on its operations, the extent of which would depend on the duties the KBI is expected to perform. No information has been requested from the KBI by the Division of Budget as to this fiscal impact.

I would be pleased to respond to your questions.

TESTIMONY ON SENATE BILL 695

Senate Committee on Federal and State Affairs
March 6, 1992

by
Bishop Kenneth W. Hicks
Kansas Area United Methodist Church

Mr. Chairman and Members of the Committee:

Thank you for the opportunity to appear before your committee today. I am Kenneth Hicks, Bishop of the Kansas Area United Methodist Church which is comprised of nearly 200 thousand Kansans. I appear before you today in opposition to Senate Bill 695, which would authorize video lottery, in addition to the current games of keno, lotto, and instant lottery.

We clearly understand that current law, as voted on by the electorate in 1986, does not restrict the types of games the Kansas lottery can conduct, however, given the amount of controversy over the gambling issue that has surfaced recently, an effort within the legislature to further define what is and what isn't permissible in this state is now well under way.

The United Methodist Church opposes all forms of gambling. The *Book of Discipline* of the United Methodist Church, which is the fundamental book outlining the law, doctrine, administration and organizational work and procedures for the United Methodist Church, clearly states, and I quote, that "gambling is a menace to society, deadly to the best interests of moral, social, economic, and spiritual life, and destructive of good government..." It goes on to say... "Community standards and personal life styles should be such as would make it unnecessary and undesirable to resort to

commercial gambling, including public lotteries, as a recreation, as an escape, or as a means of producing public revenue or funds for support of charities or government."

We stand firm on the belief that gambling can be destructive to human nature, and for this reason not only oppose gambling but also oppose legislation which would further enhance gambling opportunities in Kansas.

Gambling is viewed by many as a legitimate source of income to fund state government programs, and for that reason legalized gambling has increased significantly over the past decade. However, concurrent with that increase is the reality that the primary social cost of this growth of legalized gambling has been the creation of a new generation of compulsive gamblers.

While many consider gambling to be a harmless form of recreation, undeniably some people become caught in the vicious cycle of compulsive gambling, often times with devastating consequences. You have heard, in earlier committee briefings on video lottery, that the percentage of compulsive gamblers is relatively small. But I would urge you, as you consider this legislation, which has the potential of destroying a human life or fragmenting a family, to very carefully weigh both sides of the issue. Is the sacrifice of a human life or even one family worth the relatively few dollars that would be generated? I think not.

Furthermore, self-destructive gambling behavior is not restricted only to adults. We all know that adolescents are particularly vulnerable to developing addictions, of which gambling is one. Dr. Durand Jacobs, an authority on adolescent gambling was

quoted in the late 80's stating that "by the '90s gambling will be the major form of teen recreation in the U.S."

According to the American Psychiatric Association, gambling has been identified as the fastest growing and most neglected form of addiction in the U.S. today - another fact which cannot be overlooked as you debate this bill.

Several states that also have legalized gambling, have found that it can produce harmful consequences for certain players, and those states are now finding it necessary to make efforts to help the victims of compulsive gambling addictions. It seems somewhat irresponsible to implement further gambling opportunities that we know will be destructive to some for whom we will then find it necessary to provide funding for rehabilitation programs.

The fact that the lottery has not been affected by the recent recessionary period - a statement supported by the fact that lottery revenues exceeded estimates for 1991 - shows that the lottery is attractive to those who can least afford it at a time when their personal income is threatened by the possibility of layoffs and unemployment. In times of recession, the lottery exploits those most susceptible to taking ultimate risks to survive.

We hear a great deal these days in our state about "listening to the people." If our people want the benefits of a strong society, good education, adequate health care, etc. - and I believe they do - then let there be designed a format of just taxation that will care for these matters; let such a support base be shaped in a statesmanlike way and let the people say whether they want the

features and benefits or not. If they do, it would be supported in a just and responsible manner. If not, then we will live with the consequences of the choice our people make.

But friends, what is proposed here by further extending what is offered by the lottery is shabby politics; a shabby treatment of family values; a shabby method of revenue raising that appeals to the ignoble inclinations of human behavior; a shabby modeling of values for families. This is subterfuge that takes money from the pockets of the public, and runs that money through the hands of gaming interests, with the ultimate aim of some of it getting into the state coffers. The high intention is to enable the state to do things which ought to be done, but which we think the populous will not let the state do in a reasoned, responsible, legislative process. This is patronization, not persuasion.

I was raised in depression times in this state. I wouldn't want us to return to those conditions and those days, however Kansas in that time would not do what is being proposed that Kansas do today.

Let us raise our revenues by permitting our people to participate in the process rather than using our people, our families, and our youth. That is not the role of responsible state legislative process. The role should be to lead; to point out the benefits and the consequences of having a progressive solid system of society and to interpret the fact that you seldom get something for nothing.

In closing, we appreciate the position you are in with regard to the task of finding new ways to support government programs,

however we do not feel legalized gambling is a responsible nor legitimate source of this funding. We ask that you look beyond the dollars this new form of lottery could raise -- look beyond to the human factor that is also a very real part of the equation. Are the few dollars this form of lottery could generate worth more than the victims and the families of the victims that may be destroyed as the result of the harmful consequences of yet one more gambling opportunity in our state?

TESTIMONY TO SENATE FEDERAL AND STATE AFFAIRS COMMITTEE

Presented by Rob Gaskell, Horton, KS

March 6, 1992

Senator Reilly, members of this committee, staff, and guests as well: I would like to share with you concerns that I, and many people whom I represent in my area have with SB 695, or "Video Lottery" and why we oppose it.

First of all, it seems to me quite a reach to put any faith at all in numbers of dollars which we heard yesterday would be realized through this venture, yet to be tried in Kansas.

In fact when pressed, the distinguished professor from Wichita State University admitted to you, Mr. Chairman, that while he does not know just how long interest in video lottery would last, interest in Pari-mutual and the Lottery's various forms, no matter what they are called, has waned. People are tired of it. A couple of year's play seems like a poor prospect, indeed. It is as if we as state government, and we all are responsible, that we are trading gimmick for gimmick, just to keep people gambling. We've sanctioned the Lottery for over 5 years now, and we are all the way up to 20 million dollars! Sounds like a lot until you compare it to the State budget. I am convinced that lottery is no longer economically feasible, nor is it worth the hassle.

Why are we expected to believe video lottery has suddenly become the answer to our funding woes? Don't you buy it! I also see trouble, big trouble, with what I perceive to be an orchestrated, structured, and patterned advertising campaign aimed

toward the young people of Kansas.

Please look in my handouts, to the newspaper article from the Wed. January 29 edition of the Capital Journal entitled "Nintendo generation game for video lotters". The following quotes are courtesy of Mr. Ralph Decker, executive director of the Kansas Lottery. "From Nintendo to PAC Man, players are familiar and comfortable with this type of gambling device. They produce instant gratification."

Some of you may still have the brochures for the terminals from a prior hearing. Look at this - designed with the players in mind. What players are they talking about here? It is the kids who play the highest percentage of these types of arcade games, and as soon as they turn of age, this entity the Kansas Lottery wants you to allow them to step up from "Super Mario" to "Super Slots". It would be only natural, according to them.

As I cited in an earlier hearing, a study conducted by St. Johns University found college students were 8 times more likely to become addicted to gambling as those other members of adult populations. With the given ratio of 1 in 20 adults becoming compulsive gamblers, you have 8 in 20 or close to half of the college students who would gamble at risk for problematic addiction. Are we to embrace that as an acceptable factor in this, for there will surely be a good many of these slot machines placed in our college towns, within easy access of students. In fact, what I foresee would be almost worse than a casino here or there, but literally hundreds or thousands of miniature streetcorner casinos, should this bill pass.

Also, regarding lottery advertising, I found out some things last week during the House Federal and State Affairs hearing on Rep. Bishop's bill to ban such advertising at college sports

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events. The fact is, the Kansas Lottery already has conducted promotions both at K-State and Wichita State Universities, consisting of flinging those foam can coolers up into the stands, the sale of actual lottery tickets by licensed vendors, and the handing out of flyers promoting their "pick 3" game. At least 3 representatives present for the hearing, as I recall, the bill's sponsor Rep. Bishop, Rep. Elizabeth Baker, and Rep. Don Smith all shared that they observed numbers of younger children, clearly under age for lottery activity, possessing these flyers and in some cases, being presented them directly by lottery officials. This bothered one of those representatives enough that he asked Mr. Decker if this behavior couldn't cease and desist immediately. I was elated to hear that Bob Fredrick, the University of Kansas Athletic Director, thought this type of promotion to be not appropriate for the University of Kansas.

However, the Jayhawk Radio Network does have the Kansas Lottery sponsor the trivia question each game. The thing that bothers me the most about that is, the slogan, "Somebody's always winning the Kansas Lottery". If officials of the Lottery followed the same code of ethics which the bankers of Kansas must follow in Truth in Lending, the slogan would correctly read, "Somebody's always losing the Kansas Lottery". That is the reality of gambling. Lots of losers, and few winners. We believe video and other forms of lottery should have no place on or near the college campuses of this state. In the Time Magazine's article of a year ago, "The Rise of Teenage Gambling", which is also attached, it is mentioned (highlight #2) part of the problem is that states are promoting gambling not as a vice, but as a normal form of entertainment. In addition, there in Atlantic City, they have a terrible time keeping underage "teen" gamblers out of the

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playing areas. Some 29,000 are removed or turned away each month from those gambling floors.

Down toward the bottom of the same article; "Public understanding of gambling is where our understanding of alcoholism was some 40 years ago. Unless we wake up soon to gambling's darker side, we're going to have a whole new generation lost to this addiction." (California psychologist Durand Jacobs)

About alcoholism - it's spring break time, and what special effort was made to help our college students more clearly understand the dangers of drunk driving? Wednesday's front page of the Capital Journal shows a full scale accident rescue demonstration at K.U., all in the name of prevention. We've come a long way in addressing this problem. We need to do some catching up it seems, with gambling. Even the small bets can wreck lives, or nearly so, as Christine Shuckmann shared with you last week. She nearly lost it all, her husband, children, everything that mattered. But she got help. Now she's recovering, and it gets easier every year. We'll have to look at funding some rehab centers and treatment programs pretty soon, in the millions of dollars, if this sort of widespread gambling is allowed.

We could very likely save many Kansans the anguish and pain of addiction to gambling, Senator Reilly, if you and your fellow senators would not approve this video lottery measure, SB 695. Thank you all for your kind attention.

Sincerely,

Rob Gaskell
Chairman, People Against Casinos

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The Rise of Teenage Gambling

A distressing number of youths are bitten early by the betting bug

By RICARDO CHAVIRA WASHINGTON

Amid the throngs of gamblers in Atlantic City, Debra Kim Cohen stood out. A former beauty queen, she dropped thousands of dollars at blackjack tables. Casino managers acknowledged her lavish patronage by plying her with the perks commonly accorded VIP customers: free limo rides, meals, even rooms. Cohen, after all, was a high roller. It apparently did not disturb casino officials that she was also a teenager and—at 17—four years shy of New Jersey's legal gambling age.

Finally, Kim's father, Atlantic City de-

on Problem Gambling, based in New York City. "Now we are finding that adolescent compulsive gambling is far more pervasive than we had thought."

Just 10 years ago, teenage gambling did not register even a blip on the roster of social ills. Today gambling counselors say an average of 7% of their case loads involve teenagers. New studies indicate that teenage vulnerability to compulsive gambling hits every economic stratum and ethnic group. After surveying 2,700 high school students in four states, California psychologist Durand Jacobs concluded that students are 2½ times as likely as adults to be-

bookies threatened me. One said he would cut off my mother's legs if I didn't pay." Still Greg continued to gamble. Now 23, he was recently fired from his job after his employer caught him embezzling.

Why does gambling fever run so high among teens? Researchers point to the legitimization of gambling in America, noting that it is possible to place a legal bet in every state except Utah and Hawaii. Moreover, ticket vendors rarely ask to see proof of age, despite lottery laws in 33 states and the District of Columbia requiring that customers be at least 18 years old. "You have state governments promoting lotteries," says Valerie Lorenz, director of the National Center for Pathological Gambling, based in Baltimore. "The message they're conveying is that gambling is not a vice but a normal form of entertainment." Researchers also point to unstable families, low self-esteem and a societal obsession with money. "At the casinos you feel very important," says Rich of Bethesda, Md., a young recovering addict. "When you're spending money at the tables, they give you free drinks and call you Mister."

Efforts to combat teen problem gambling are still fairly modest. Few states offer educational programs that warn young people about the addictive nature of gambling; treatment programs designed for youths are virtually nonexistent. In Minnesota, where a study found that more than 6% of all youths between 15 and 18 are problem gamblers, \$200,000 of the expected income from the state's new lottery will go toward a youth-education campaign. That may prove to be small solace. Betty George, who heads the Minnesota Council on Compulsive Gambling, warns that the lottery and other anticipated legalized gambling activities are likely to spur youth gambling.

Security guards at casinos in Atlantic City and Nevada have been instructed to be on the alert for minors. But it is a daunting task. Each month some 29,000 underage patrons are stopped at the door or ejected from the floors of Atlantic City casinos. "We can rationally assume that if we stop 29,000, then a few hundred manage to get through," says Steven Perskie, chairman of New Jersey's Casino Control Commission. Commission officials say they may raise the fines imposed on casinos that allow customers under 21 to gamble.

Counselors fear that little will change until society begins to view teenage gambling with the same alarm directed at drug and alcohol abuse. "Public understanding of gambling is where our understanding of alcoholism was some 40 or 50 years ago," says psychologist Jacobs. "Unless we wake up soon to gambling's darker side, we're going to have a whole new generation lost to this addiction."

SHE'S ONLY SIXTEEN.
SHE DOESN'T DO DRUGS.
BUT SHE DOES HAVE A DEALER.

TWENTY-ONE IS NOT JUST A GAME. IT'S THE LAW.

PLEASE ASK TO SEE A LICENSE. IF YOU DON'T WE COULD LOSE OURS.



BOB ADVERTISING BAITINGER

Harrah's

project 21

In Atlantic City, billboards warn parents and youths of the lurking danger

Of the estimated 8 million compulsive gamblers in America, fully 1 million are teenagers.

tective Leonard Cohen, complained to authorities. Kim was subsequently barred from casinos. But by then the damage had been done. "She was an addicted gambler," Cohen says of his daughter. Moreover, Kim had squandered all her money, including funds set aside for college. Officials at the five casinos where she gambled claimed that her case was an anomaly.

On the contrary, Kim's sad case is only too common. Gambling researchers say that of the estimated 8 million compulsive gamblers in America, fully 1 million are teenagers. Unlike Kim, most live far from casinos, so they favor sports betting, card playing and lotteries. Once bitten by the gambling bug, many later move on to casinos and racetrack betting. "We have always seen compulsive gambling as a problem of older people," says Jean Falzon, executive director of the National Council

come problem gamblers. In another study, Henry Lesieur, a sociologist at St. John's University in New York, found eight times as many gambling addicts among college students as among adults.

Experts agree that casual gambling, in which participants wager small sums, is not necessarily bad. Compulsive betting, however, almost always involves destructive behavior. Last fall police in Pennsauken, N.J., arrested a teenage boy on suspicion of burglary. The youth said he stole items worth \$10,000 to support his gambling habit. Bryan, a 17-year-old from Cumberland, N.J., recently sought help after he was unable to pay back the \$4,000 he owed a sports bookmaker. Greg from Philadelphia says he began placing weekly \$200 bets with bookies during his sophomore year in college. "Pretty soon it got to the point that I owed \$5,000," he says. "The

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Wednesday, January 29, 1992 1-D

Nintendo generation game for video lottery

The Capital-Journal

What is the allure of video lottery that has produced spectacular revenues for South Dakota and generated such glowing revenue estimates for Kansas?

Ralph Decker, executive director of the Kansas Lottery, said it is because the machines produce instant gratification, and they have surfaced at the same time a generation of video game players has come of age.

From Nintendo to PAC Man, players are familiar and comfortable with this type of gambling device, he said.

"It has a better pay-back," Decker said. Video lottery machines return an average of 55 percent to 65 percent of what is wagered, he said.

Video lottery generates huge revenues because most players put most of their winnings back into the machines.

It is easy and relaxing to play, said Kevin Scott, a Kansas Lottery accountant who demonstrated a video lottery machine to the House and Senate Federal and State Affairs Committees Tuesday.

You can stand pat or take a hit on the electronic blackjack game by pressing a box on the screen. The machine will even advise you whether to stand pat or take a card. It will also advise you which cards to hold, and which ones to fold, in an electronic poker game.

And, Scott pointed out, it will take your money from a quarter to a \$20 bill.

After 32 years, judge tells state

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Att 4-4

Testimony of Carol W. Christensen in Opposition to S.B. 695

It is a privilege to be able to address you today. My name is Carol Christensen. I am from Topeka and am here to speak in opposition to S.B. 695.

From the start, I want you to know that I am not being paid by anyone to give this testimony, and I have no vested financial interest in this bill. I speak as a private individual and concerned Kansas citizen. Since you may wonder why a "layperson" such as I should have the information I wish to share with you today, I need also to explain that, as a trained professional librarian, I maintain files on many topics of personal interest and do have access through a personal computer and modem to various databases.

A little personal information: my husband, son, and I moved to Kansas in 1979, intending to stay here 3-5 years. We came to love our adopted state, found it an excellent place in which to raise a family, and have been here ever since. In the past few years, though, I have been disturbed by several recent developments in Kansas, one of which is gambling's legalization and the many proposals to extend it.

Having seen and heard some of the proponents of S.B. 695 at yesterday's hearing, I must say that I feel a little as though I'm David squaring off against Goliath! Yet, though I may be one small person--and a novice in the hearings process at that--I hope that the "sling" and "stones" I bring with me today will make a deep impression.

As we all know, S.B. 695 intends to legalize what is euphemistically called "video lotteries." One Canadian newspaper calls them "high-tech slot machines" ("Editorial: There's a Sucker Born Every Minute," Calgary Herald, November 29, 1991, page A4). Forbes calls them "the old one-armed bandit updated" ("Legalizing the Slots," March 2, 1992, page 78). Though video gambling is considered to be one of the most profitable forms of gambling for states, I think that it would be a grave mistake to legalize it in Kansas.

Glowing reports were given yesterday about video gambling in South Dakota. However, a Washington Post article, significantly titled "Video Gambling Sweeps South Dakota; Some Begin to Question Success of State's New Electronic Compulsion" (August 20, 1991, page A8) tells of some of the problems that have been caused by video gambling's legalization there: i.e. losses by individuals of "too much money, often tens of thousands of dollars in months, playing games of electronic poker, blackjack, bingo and keno legalized by the state Legislature." The article further states, "Monitored through the South Dakota Lottery's computer network, losses in the machines average about \$2.4 million a week, in a state whose approximately 700,000 residents annually rank among the nation's least wealthy." A South Dakota attorney is quoted as saying, "People who have never written a bad check now do it....People with zero criminal history are getting caught embezzling. People who would never gamble if it were an illegal act are spending hours at it."

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The article also describes the almost-inevitable escalation and proliferation of gambling activity--and greed--once video gambling was legalized in South Dakota:

Originally envisioned as a legal replacement in bars where customers gambled illegally on "gray-market" poker machines, video gambling terminals have spread by the hundreds into convenience stores, restaurants, truck stops and service stations--any place that can obtain a local license to sell alcohol for on-site consumption.

Nearly 5,000 terminals are operating statewide. While state law limits establishments to a maximum of 10 machines apiece, the market is so lucrative in some communities that businesses are trying to get more by obtaining multiple licenses.

"You've got to do something to stop this," said Watertown Mayor Herb Jenson, whose city commission recently voted to stop issuing new alcohol licenses unless the recipients agree to not install video lottery games.

In a Gannett News Service article ("Oregon Braces for Video Power," September 16, 1991), a Sioux Falls bartender also speaks of the "significant rise in bad checks and gambling addiction since video power began in South Dakota. He claimed that there was no place in Sioux Falls that was more than a mile from a video poker machine. 'Video poker in South Dakota is greed run amok,' he said."

Do we want these problems in Kansas? I certainly don't!

As I listened yesterday to the testimony in favor of S.B. 695, I thought, "What is the purpose of this legislation? Who is video gambling intended to benefit?"

Certainly not individuals and families as a whole. Not once did a proponent mention the good that people would reap from legalizing video gambling, though there was some suggestion that video gambling would provide "entertainment." But the social costs are too great to justify this so-called "entertainment."

Dr. Richard Rosenthal, a psychiatrist and president of the California Council on Compulsive Gambling, says that video gambling is "the most addictive form of gambling we've seen" ("Oregon Braces for Video Power," Gannett News Service, September 16, 1991). He considers the machines especially dangerous because they appeal to people who otherwise wouldn't gamble. An article in Time mentions that gambling researchers estimate that there are 8 million compulsive gamblers--one million of whom are teenagers--in the United States ("The Rise of Teenage Gambling," February 25, 1991, page 78). We don't need to add to those numbers by legalizing video gambling in Kansas.

One doesn't have to become addicted to gambling to be hurt by it. Very often the people who can least afford to lose money gamble on the chance of winning big and lose. Gambling, though acting like a voluntary tax, is regressive, taking a larger percentage from the poor than from the middle-class. It promotes the philosophy of something for nothing, which in turn undermines

the important values of work, industry, thrift, service to others, and education. By encouraging greed, governments that legalize gambling in any form exploit the weaknesses of their citizens.

The proponents of video gambling spoke yesterday about how lucrative this form of gambling would be for the state. Perhaps it would be--for a while--but another Washington Post article ("States Increasingly Betting on Gambling for Revenue," October 8, 1991, page A1) suggests that gambling revenues can't be relied upon to grow or even stay the same year to year:

Gambling has boomed so strongly that many officials said that it is at or near the saturation point in some places. In Iowa, which has more forms of legalized gambling than Nevada, there is ominous early evidence of a downturn in gambling revenue because of competition from other states that have jumped into the wagering business and from intrastate competition among Iowa's various gambling enterprises.

Whatever funds come into the state treasury from video gambling wouldn't be all profit either. Money would have to be spent for the bureaucracy and equipment needed to oversee that new form of gambling and for social services needed by individuals and families hurt by gambling.

Who would be the biggest winners if video gambling is legalized? It seems clear to me from the people attending the hearing for proponents that it would be the manufacturers, distributors, and operators of video gambling equipment themselves. An article appeared in the Star Tribune on September 6, 1991, about Minnesota's Attorney General Hubert Humphrey III and his proposed moratorium on new forms of gambling in Minnesota. It states, "Although Humphrey has anti-gambling allies in the Legislature, the pressures from video slot machine manufacturers, distributors, bars and others to expand gaming is enormous." ("Humphrey Proposes Moratorium, New Laws to Keep Gambling Clean," page 1A).

I urge you all to resist the pressure to escalate the level of gambling in Kansas and ask you to vote "no" on S.B. 695. If additional revenues have to be raised, I would rather see the money come from a slight increase in income tax, rather than the legalization of video gambling.

Thank you.

**TESTIMONY
FROM
PETE MCGILL
OF
PETE MCGILL & ASSOCIATES**

**ON BEHALF OF
WICHITA GREYHOUND PARK**

**PRESENTED BEFORE
THE SENATE
FEDERAL AND STATE AFFAIRS
COMMITTEE**

March 6, 1992

RE: SB 695

Good morning Chairman Reilly and members of the Senate Federal & State Affairs Committee, I am Pete McGill of Pete McGill & Associates appearing before you today on behalf of our client, Wichita Greyhound Park, to address a few comments to you on SB 695 on video lottery.

First of all let me say that we do not wish to be characterized as an opponent of video lottery. However we do have some concerns that we believe the legislature should be aware of prior to the enactment of a statewide video lottery program.

No one can precisely predict what impact video lottery will have on our state's parimutuel industry but I'm sure all would agree that the industry will be negatively impacted without adequate protections. Video lottery closed down a greyhound track in South Dakota and also negatively impacted the handle at a West Virginia horse racing facility when it was the only location of machines in the state.

We don't appear before you today attempting to derail this issue. We merely request that you take into consideration the substantial economic impact the horse and greyhound industry has upon the State of Kansas. Wichita Greyhound Park and The Woodlands provide over one thousand jobs in the state in addition to horse & greyhound owners, breeders, trainers, jockeys and various industry support personnel which make their living off of these two tracks.

Governor Finney is on record supporting the racetracks and has promised to protect them from the adverse impacts of video lottery. With that in mind, the legislature may want to consider a video lottery pilot project and restrict the location of machines to existing racetrack facilities and fraternal organizations, which continue to suffer from the effects of classification and reappraisal. The legislature may also wish to consider enacting a lower tax rate on machines located at racetrack facilities. And finally, we appeared before this committee several weeks ago in support of SB 516 which would freeze the state greyhound tax rate at 3/18. SB 516, which remains in this committee, was requested by WGP due to the anticipated promulgation of video lottery, Indian gaming and riverboat gambling.

Enactment of SB 695 in its present form would have a devastating impact upon the parimutuel industry in Kansas. Wichita Greyhound Park would respectfully request this Committee and the Legislature to keep in mind the investment that thousands of Kansans have in our states' parimutuel industry when considering video lottery for the State of Kansas.

Thank you for your consideration of this testimony. I would be happy to stand for questions.

Rev. Troy Bowers
Chair - Commission on Church and Society
Kansas West Conference, United Methodist Church
1601 S. Main, Wichita, Ks. 67213

A Time to Ask Ten Serious Questions about the video lottery.

1. Has our current lottery every lived up to its expectation in terms of revenue or funding of proposed projects.

Answer: No. Lottery promoters predicted annual revenue of 30 million. Kansas has never gotten close to this amount, the most productive year has netted only 21 million.

When lottery was introduced, it was touted as the savior for highway development, teacher's salaries and to reduce property taxes. What happened?? A large tax increase was passed to build highways, teachers salaries are still underpaid and property taxes are out of control.

2. Is there a correlation between the increase in gambling and the decrease in productivity across our country.

Answer: You decide. George Will contends, "The more people believe in the importance of luck, chance, randomness, fate, the less they believe in the importance of virtues such as industriousness, thrift, deferral of gratification, diligence, studiousness. It is understandable why lotteries - skill-less gambling; gambling for the lazy - are booming at a time when the nation's productivity, competitiveness, savings rate and academic performance are poor.

3. What is gambling doing to our youth?

Answer: The National Council on Problem Gambling has estimated that out of 8 million compulsive gamblers in America, fully 1 million are teenagers. Gambling Counselors say that 10% of their case loads involve teenagers.

A survey of Southern California high school students found that the percentage who participate in gambling in any form rose by 40 percent after the California lottery was introduced in 1985. They had obviously gotten the message of the lottery ads in their state. If the government says it's OK, then it's OK.

4. Will video lottery be tightly monitored to prevent youth from participating?

Answer: That is what the lottery lobbyist will tell you. However, this is not the reality. Alcohol and cigarettes are also closely monitored in our society to keep them out of the hands of our youth. Of course we all know how well this works.

Also, if this activity is so bad for our people under 21, it must be outlawed to prevent them from participating, then this activity is equally as bad for those over 21.

5. We all know that the lottery for its very survival depends on Kansans losing money. Who then loses the most with the lottery?

Answer: More and more research is being conducted on lottery losers. One such report by two Duke University economists, Charles Clotfelter and Philip Cook, authors of Selling Hope: State Lotteries in America, offer conclusive evidence that lotteries place a heavy tax on those who can least afford to pay. According to Clotfelter's study of the Maryland lottery, people earning less than \$10,000 buy more tickets than any other income group. Even in states like California, where it is claimed that rich and poor spend roughly the same amount on tickets, those at the lower end of the income scale spend a far larger percentage of their incomes on the lottery.

6. When Kansas voted for the lottery in 1986, was there any notion or mention of video lottery?

Answer: No. This is not what Kansans envisioned when they approved the lottery in 1986. Given the current level of dis-satisfaction of Kansans and the ineptness of the lottery to produce revenue and support programs, I feel Kansans would not support or desire video lottery.

7. Is the lottery a dependable and reliable source of revenue.

Answer: No. There is no accurate way to project the amount of money a lottery can win or lose for an entity. (If the Kansas Governor and lawmakers are sold on the video lottery I would propose that we would proportionally fund their salaries and expenses with this lottery. If lottery lobbyists estimate 50 million in revenue and the state receives 50 million then the Governor and legislators receive 100% of their salaries. If the lottery only makes 30 million, then legislators only receive 60% of their salaries. If you believe in the video lottery enough to vote for it, then you should be the ones who put your funding on the line. Whatever we do let us not be shortsighted enough to budget any lottery money for our children's education. Then indeed we would be blindly betting our future.

8. What is the incentive of the lottery lobbyist? Do they really have the good of the state and public as their number one priority?

Answer: No. This is their job. Their first concern is in making money for themselves and those that they represent. And they will make literally millions. No wonder they lobby so long and hard and have the time and money to do so.

9. Will video lottery have any truth in advertising guidelines?

Answer: Probably not. The persistent theme of most lottery advertising is that any player has a chance to become rich and famous. While that is technically true, lotteries go to great lengths to conceal just how small that chance is. Clotfelter and Cook studied a large sample of ads and found that only 20% gave any information on the odds of winning. That figure dropped to 12% among TV and radio ads.

Of course this is not surprising. In the case of the big-prize lotto games, a players chance of winning is as low as one in 14 million in California, one in 12.3 million in New York and rarely better than one in 4 million.

10. A final comment that needs to made is this. "For many years we have been debating gambling laws in our state, and it's never been fueled by concern for what's good for the people. It's always been fueled by what's good for revenue. Isn't it time that this legislature started putting the people and their good first, over irresponsible forms of revenue.

*(Did not
APPEAR
RECORD)*

I come in complete opposition to video lottery. "Video Lottery" is just a euphemism for slot machines. Slot machines have not been approved by Kansans. Video slot machines are designed to be addictive - to keep the victim captive. Kansas is one of the few states which is not listed in the directory for Gamblers Anonymous. I hope we have the sense to get out of the gambling business, and never have to get on the list for gambling addiction programs. However, if Kansas gets further into the business of fostering gambling addiction, Kansas needs to be prepared to put millions of dollars into treatment programs which attempt to help those who become victims of this escalating mental illness.

I am here in a humble attempt to represent the many parents with young children in Kansas today. We have a long way to go yet in raising our children to be responsible citizens. Many of you have reaped the benefits of raising children in one of the most family-oriented states in the union. We ask you to give us that same opportunity. Keep Kansas a great place to raise a family.

I ask you to take stock of those who have come before this committee in support of Video Lottery. Could it be that some of those who support video lottery do so in support of their own financial gain? Those of us who oppose video lottery do so at our own cost, with no financial gain. We are simply citizens concerned for the future of Kansas. We are not paid lobbyists. We are the people you are here to protect - as lawmakers - from those who seek to profit from the losses of others. I leave with you a copy of a petition containing the signatures of over 1,200 Kansans opposed to more gambling in Kansas.

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I am Ruth Fictor Nawatha, Kan R.T. 3

Gambling has been presented as a way of life for our state and community.

We are putting at risk our children, schools, community and our State with Video Gambling.

Gambling is a get rich quick, get something for nothing theory, without work, without thrift and without skills. Is this the American Dream?

Could our form of Government survive while operating under this theory. We would not produce anything, but would rely on gambling for our income, living and survival. A society built on this theory surely will fail. So would ~~we~~ our State with these values. It is pure folly to take this route. Our State and its people will decay from within.

Success comes from our own resources and not by waving a magic wand, or Prantom.

We are only fooling our selves if we take this route. When our society is bankrupt, so will be our State.

Let's forget Fairy Tales and Get back to reality. If you want Success you have to earn it.

Do we want to become a bunch of Okies of the 30's? There won't be enough freight cars to hold all the bums we will produce.

Let's roll up our sleeves and make Kansas the Great State that she really is! Att. 8

Video lottery success detailed

■ Based on South Dakota's experience, economist projects video lottery would mean \$65 million for Kansas

By MARTIN HAWVER
The Capital-Journal

A former South Dakota senator said Thursday his state's regulation of video lottery machines includes nightly monitoring of money won or lost and determines if the machines have been tinkered with.

"All 6,270 machines are telephoned each night by our lottery computer," said Bob Williams, the former senator and consultant for Video Insights, a Sioux Falls video lottery manufacturer. "We get all the information on the play of the machine, the amount put in, the amount paid out, the profit,

even whether anyone opened the machine to empty its cash box or make changes in its electronics."

He said the centralized computer monitoring of each machine is so accurate that every 15 days the state is able to sweep from lottery machine operators' bank accounts the amount of tax received from machine profits.

"The computers with which the machines are monitored are so accurate that we don't bother recomputing the taxes. We just check to make sure that the right machines are listed on the tax statement," Williams said.

He testified before the Senate Federal and State Affairs Committee on a bill that would allow the Kansas Lottery to operate a video lottery.

If Kansas started similar lottery games by October, it would likely make \$65.8 million by June 30, 1993, said William T. Terrell, a Wichita State University economist. He based his projections on the South Dakota experience with video lottery.

"In the next full fiscal year, our extrapolations from South Dakota's experience indicates we

would make the state \$151.8 million," Terrell said.

He proposed Kansas might want to follow another South Dakota pattern — of starting video lottery with a relatively low tax rate and then gradually expanding the state's share of video lottery revenues.

"It would be in the interest of state revenues. It would be best to get the games off the ground with a roaring start before you start taxing them too heavily," Terrell said.

The bill before the Senate committee proposes the state take 40 percent of the net revenues of the machines.

The bill would allow a maximum of 10 machines, which in South Dakota average about \$400 a week in net revenues, in any establishment except a race track. The bill presumes that the owner of the bar, club or liquor store in which the machines are placed would make 30 percent of that revenue and the machine's owners the other 30 percent.

Opponents of video lottery will testify today.

Rev. Taylor

Att. March 19

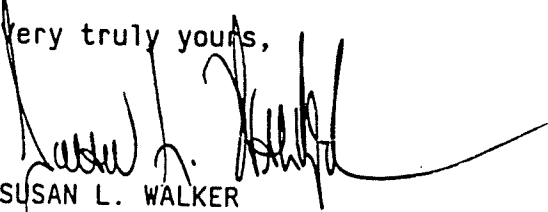
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TIS, Anthony
April 10, 1991
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In summary, video lottery has proved profitable and successful in the State of South Dakota. All machines are linked to a central computer system, which provides daily accounting and security information. South Dakota pioneered the first state video lottery program on October 16, 1989. Since that time, video lottery has generated \$29 million to the state general fund. The South Dakota lottery legislation and regulations have provided a strong, comprehensive regulatory framework for an efficient and successful state and private sector partnership.

Thank you for allowing me this opportunity to share with you information regarding South Dakota's video lottery program.

Very truly yours,



SUSAN L. WALKER
EXECUTIVE DIRECTOR
SOUTH DAKOTA LOTTERY

SLW:jr

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