

Approved: 3-20-95
Date

MINUTES OF THE HOUSE COMMITTEE ON FEDERAL AND STATE AFFAIRS.

The meeting was called to order by Chairperson Garry Boston at 1:30 p.m. on March 9, 1995 in Room 313-S of the Capitol.

All members were present except: Representative L. Candy Ruff, Absent
Representative Clyde D. Graeber, Excused

Committee staff present: Mary Galligan, Legislative Research Department
Lynne Holt, Legislative Research Department
June Evans, Committee Secretary

Conferees appearing before the committee: Dave Schneider, Kansans for Life At Its Best
Glenn Thompson, Stand Up For Kansas
Charles W. Wright, Lecompton
Doris J. Wulfkuhle, Capital City Woman's Christian Temperance Union
Jan Powell for Darrell Parnell, K. U. Professor
Richard A. Bendis, Kansas Technology Enterprise Corporation

Others attending: See attached list

The Chairperson asked for bill introductions.

Representative Lawrence requested introduction of the following bills: (1) concerning utilities; creating the citizen advocacy panel and prescribing the powers and duties thereof; abolishing the citizens' utility ratepayer board; amending K.S.A. 66-1502 and 66-1503 and repealing the existing sections; also repealing K.S.A. 66-1222 through 66-1225. (2) regulation of an application of state and local laws, rules, regulations and ordinances to sport shooting ranges; providing civil immunity to persons who operate or use such ranges.

Representative Adkins moved and Representative Vickrey seconded to accept requests as committee bills.

The Chairperson stated accepted by unanimous consent without objection, so ordered.

The Chairperson stated hearings would be held for opponents of **SB 27** today, allowing questions after each person's testimony, and time permitting, will hear the remainder of the proponents from yesterday.

SB 27 - Repeal of statute abolishing state lottery in 1996.

Dave Schneider, President, Kansans For Life At Its Best, testified opposing **SB 27** stating that it is wrong for the state to promote an activity which results in the destructive addiction of some of its citizens.

Mr. Schneider stated by resorting to a lottery to fund "economic development", the state has already put the economic development folks at a disadvantage. The use of a lottery forces them to overcome three obstacles to proving their value: (1) The numbers game (2) value rot, and (3) gambling economics. (See Attachment #1)

Glenn O. Thompson, Chairman, Stand Up For Kansas, opposing **SB 27** stated it is not an option to continuing the lottery in its present form. First, in 1988 the Federal government enacted the Indian Gaming Regulatory Act, IGRA, requiring states to negotiate casino compacts with Indian tribes for all Class III games permitted by the state. Class III games include games such as the lottery, parimutuel racing, and casino games. In other words, under IGRA, Indian Tribes can own and operate, on Indian lands, any Class III game permitted by the state.

Secondly, in January 1994 the Kansas Supreme Court ruled that the term "lottery" is synonymous with the term "gambling". Consequently, in 1986, citizens unknowingly and unintentionally approved the state to own and operate not only a traditional lottery but all forms of gambling games, including slot machines, video

lottery machines and even casino games.

Finally, in the newspapers this week it stated that the Coeur d'Alene Tribe of Idaho unveiled a plan to develop, under IGRA, a nationwide home-phone lottery in the 36 states where the lottery is legal. Kansas is one of those states. Using a toll-free number, players will use their home telephones to buy lottery tickets with their credit cards. These three proposals for expanding gambling in Kansas are possible only because the state owns and operates a lottery. (See Attachment #2)

Frances Wood, Topeka, a volunteer lobbyist for The Woman's Christian Temperance Union of Kansas, testified against **SB 27**, stating the total sales tax collected by the state of Kansas during fiscal 94 was \$1,173,586,371. An increase of .2 of 1% would bring in the \$48 million that the lottery generated last year - this is one penny on \$5.00. In addition, money would not have to be spent on treatment centers for gambling addicts. (See Attachment #3)

Charles W. Wright, Lecompton, Kansas, was an opponent to **SB 27**, stating cannot understand the logic put forth by the Kansas Association of Commerce and Industry and others who say the Lottery really helps our "economic development." With only 30% of the Lottery funds going to that end, it should be well remembered that the millions of dollars wasted (\$693.7 million last fiscal year) on the Kansas Lottery are dollars that never reached the cash registers of any merchant in Kansas, except those who collected a meager commission for sales of Lottery tickets. If the Lottery is continued an amendment would be needed that would allocate some of the lottery revenue go toward addictive gambling treatment centers. Experts tell us that about 5% of those who gamble become compulsive, and of the youths who start the figure is 10%. Thus, the Lottery not only causes our merchants to lose money but our state as well, because of lost sales tax revenue on their merchandise sales.

On the other hand, the \$47.8 million the state receives from the Lottery could be more than replaced if a small, mere 2 tenths of 1 percent increase in the state sales tax was levied. Then, all of us...every Kansan, would have to put money into this "jackpot", and most importantly, all of that money would stay here in Kansas, not just a very small percentage. (See Attachment #4)

Doris J. Wulfkuhle, Capital City Woman's Christian Temperance Union, testified opposing **SB 27**, stating it would be better to pay another half percent tax than have our great state of Kansas leading their people into gambling addictions, while the people running the Lottery make a big profit at the peoples expense. (See Attachment #5)

Jan Powell gave testimony for Darrell R. Parnell opposing **SB 27**. In the whole issue of gambling and the lottery is a sequence of events so subtle and gradual that are not aware of the fact that it constitutes a compromise with blind chance, making gambling, as it were, an economic tool, the answer to fiscal woes.

If gambling is approved the process of compromise with blind chance will have been consummated. (See Attachment #6)

The Chairperson asked if there were any others in the audience that wished to testify and stated we were unable to hear all of the proponents yesterday and will complete that now, and also Greg Ziemack, Executive Director of the Lottery is in attendance and would answer questions.

Laura Abada with the Prairie Band Potawatomi Gaming Commission, not an opponent to the lottery, but stated on Indian issues it has been the practice to go to the source if there are questions on how the lottery concerns the Indian people. Ms. Abada would like to be contacted in regards to those questions rather than everyone elses opinion as to what the Indian issues are. She further stated that one of the speakers said that Coeur d' Alene Tribe of Idaho lottery would put this lottery down, but has the home shopping channels put the retail stores out of business? Basically, if there are questions concerning the Indians, please contact the Indians. (No attachment)

Richard A. Bendis, Kansas Technology Enterprise Corporation, testified in support of **SB 27**, stating KTEC is a quasi-public corporation established in 1987 by the Kansas Legislature with the mission to foster technological economic development. KTEC's funding is 100% from the Economic Development Initiatives Fund (EDIF). KTEC receives no money from the State General Fund. Since 1987, KTEC has received a little over \$50 million from EDIF. KTEC has matched the state's investment with \$47 million in industry funding, \$41 million in federal funding, \$38 million in venture capital funding, and nearly \$1 million in institutional funding.

The results are beginning to grow exponentially. \$118 million in increased sales by companies that have worked with KTEC has been recorded, have assisted with 114 company start-ups and 36 expansions, have documented 5,437 jobs created or saved; more than 6,642 industry employees have been trained or retrained through the grant program and more than 252 technologies have been developed. KTEC truly is a statewide initiative, and have documented activities in every county in the state.

Economic development is critical to the future of Kansas. KTEC, KDOC&H, and Kansas Inc. represent one

of the best economic development infrastructures in the U.S. It is imperative that continuity in funding for economic development programs, and unless an alternative can be established as a funding source for the programs, the EDIF must be maintained. (See Attachment #7)

Representative Vickrey requested that KTEC furnish a breakdown of county by county figures.

The Chairperson closed the hearings on **SB 27**.

There was discussion and the meeting adjourned at 2:50 p.m. The next meeting will be March 13.

HOUSE FEDERAL AND STATE AFFAIRS COMMITTEE
GUEST LIST

DATE: Mar 9, 1995

NAME	REPRESENTING
Glenn O. Thompson	STAND UP FOR KANSAS
Doris J. Wulfkuhle	Woman's Christian Temperance Union
Jan Powell	WCTU
Dave Schneider	Kansas For Life At Its Best
Charles Wright	A Proud Kansan
Frances Wood	Woman's Christian Temperance Union
Clare Allomong	Rep. Toplikar
Rich McCurt	Rep. Ballou
Jim Alley	Camp Casey
John Peterson	Raytheon Aircraft
PHILIP HURLEY	PATRICK J. HURLEY & CO.
Nancy Piret-Hellmuth	Tobacco Free Kansas, Inc
Jim Edwards	KCCZ
Jan Brown	onion-iron lumbermens Assn
Tom Brown	Allen Assoc.
Sharon Longmire	TM Woodlands

Testimony on SB 27
House Federal & State Affairs Committee
March 9, 1995

Dave Schneider, President
Kansans For Life At Its Best

Chairman Boston, Members of the Committee,

We are opposed to the continuation of the Kansas Lottery. As will be argued below, the ends don't justify the means and the means chosen by the state are unable to accomplish the ends.

Why The Ends Don't Justify The Means

1. It is wrong for the state to promote an activity which results in the destructive addiction of some of its citizens.

"State lottery directors are wont to say that lotteries are not addictive, that the games are too passive and do not hold enough excitement to attract the compulsive gambler. This is simply not true. While there may be some general differences between a race track/casino gambling addict and a lottery/bingo/poker machine addict, the differences are in style and level of energy, rather than in reason for gambling and outcome. Both types of gamblers believe they can win money on their wagers, both seek the excitement of making the bet, and both tend to sink into depression once the gambling is over, which leads to a keen craving for more gambling, to which they succumb, in spite of all good intentions not to.

The National Center for Pathological Gambling, Inc., is an organization dedicated to treatment, education and research into compulsive gambling. It has operated a national 24-hour compulsive gambling hotline for nearly three years. During the first contract year of its operation, from December 1, 1987, to June 30, 1988, 9% of the 263 compulsive gamblers who called state they were lottery addicts. During the following fiscal year, callers were asked to name their first and second preferences for types of gambling. Forty-nine (7%) of the 663 compulsive gamblers stated lotteries were their main form of gambling. Thirty (11%) of 264 compulsive gamblers listing a second favored form of gambling stated that lotteries felling this category."

"State Lotteries and Compulsive Gambling", Valerie C. Lorenz, Ph.D., Journal of Gambling Studies, Vol. 6(4), Winter 1990.

"Some treatment specialists blame the recent growth of problem gambling on state lotteries, which they say have given an air of legitimacy to an activity previously considered destructive. Some are particularly scornful of scratch tickets. "It's the worst form of gambling," said Thomas Cummings, executive director of the Massachusetts Council on Compulsive Gambling. "It's cheap, immediate and available everywhere."
--Boston Globe, September 30, 1993.

"Experts say lotteries are easy outlets for compulsive gamblers, because the game is legal and accessible almost anywhere. A lottery ticket -- or two, or three dozen at a time -- can be procured openly, at almost any hour, from convenience stores and pharmacies.

Joe F. was one such gambler who eventually sought help from a Connecticut chapter of Gamblers Anonymous. "I was spending my whole paycheck and more on tickets," he said. "In 1990, I spent \$200 a day, at least. I did it for the high of winning, just the excitement."

It was easy to hide, he said. "I didn't have to worry about going out or finding a bookie," he said. "I sent an employee to get the tickets, and kept them in my attache case. So it was really a closet addiction."

It cost him his marriage and his job, as well as thousands of dollars a year. He won a few times, all small amounts, and spent far more than he ever got back. Now that he is trying to recover, Joe F. said, the availability of lottery tickets is a plague upon his life."

--"Was The State Lottery Too Much Of A Gamble?", Constance Hays, The New York Times, October 18, 1992.

2. The existence and promotion of the lottery make gambling more acceptable in society.

"The real importance of the state lotteries to the casino industry is not that they gave people a new way to gamble, but that they gave people a new way to look at gambling. Instead of getting on your knees and shooting craps behind the candy store, now you walk into the candy store and place a bet with, of all people, the state. The states put the imprimatur of respectability on gambling. Bill Thompson, professor of gaming at the University of Nevada, Las Vegas, says, "The nation's inhibitions toward gambling have been completely broken down, and why not? If your own state approves of gambling in the form of the lottery, then it must be all right." By making gambling mainstream, middle-class, and ordinary, the states have let the genie out of the bottle."

--Gary Provost, *High Stakes: Inside The New Las Vegas*, New York: Dutton, 1994.

3. Government promotion of gambling weakens values which are necessary to both a healthy and stable economy and society.

The health of every economy ultimately depends upon the moral values and virtues its participants adhere to. Michael Novak, the 1994 Templeton Prize winner, points this out in his recent work *The Catholic Ethic and the Spirit of Capitalism*, New York: The Free Press, 1993:

"More than they have so far spelled out in their theories, economists already dimly recognize that a free economy cannot function unless its participants have mastered certain moral virtues."

This same theme is echoed by Daniel Yankelovich (Quoted in *The Index of Leading Cultural Indicators*, William J. Bennett, 1994):

"Americans suspect that the nation's economic difficulties are rooted not in technical economic forces (for example, exchange rates or capital formation) but in fundamental moral causes. There exists a deeply intuitive sense that the success of a market-based economy depends on a highly developed social morality --- trustworthiness, honesty, concern for future generations, an ethic of service to others, a humane society that takes care of those in need, frugality instead of greed, high standards of quality and concern for community."

Unfortunately, this understanding of the connection between moral values and the health of the economy has to a large degree been left out of the debate over gambling. Gambling, by its appeal to greed and the idea that one can get something for nothing, undermines the very values Yankelovich refers to.

For instance, think for a minute about the "something for nothing" ethic. Doesn't it ring a bell in more areas than simply gambling? Where else have you heard this siren song? If your first thought is "crime", go to the head of the class. The something for nothing ethic is deeply woven into its fabric. The criminal is attempting to gain unlawful possession of something for which he did not work. He is trying to get your "something" for which you worked without having to work himself. It's no wonder that criminals have such a difficult time holding jobs. As the following shows, they much prefer the easy life:

"Estimates the professional criminals commit 150 to 175 crimes a year underscore the higher hourly return available through a career in crime. Even if the average crime takes two hours to complete, which is probably an overestimate, that means that the professional criminal works less than an hour a day. To earn an honest living takes eight to ten times as much effort. Count time out for court appearances and occasional trips to jail and crime is still a lifetime of idleness. Pete

Hamill quotes a New York City cop: "Crime isn't a job,...but it is an occupation. So these guys make it their life for a while and then get slammed into the prison system. They're more or less happy there. It's the way they grew up, the state paying everything. Lock-in welfare. In the joint, they don't have to care for women, raise children, open bank accounts, plead for mortgages, bust their asses to make ends meet."

-- James Dale Davidson and Lord William Rees-Mogg, *The Great Reckoning*, Simon & Schuster, 1993.

Sounds almost like the welfare mentality, doesn't it? That's just what it is. Here's the testimony of one welfare recipient:

"A lot of people get the idea of getting something for nothing," says Denise Brown. "I know people who live comfortably on welfare. They're satisfied with the Food Stamps they get. They know the rent is going to get paid. They have that something-for-nothing attitude."

-- *Points of Light: New Approaches to Ending Welfare Dependency*, University Press of America, 1991. Ethics and Public Policy Center. Chapter 7, Ken Auletta, "The 'Welfare Mentality': Insider Views".

That something for nothing attitude. It's the common thread that runs through the gambling mentality, the criminal mentality and the welfare mentality. And it's extremely dangerous. If you doubt that, simply try an experiment for the next few years on your own child. Do all you can to persuade him that he can get something for nothing. And then, after he's reached adolescence, see if you like the result. You probably won't. Your little precious will have grown into a greedy leech and you'll be desperately wishing you could reverse the rot.

And so will the rest of us. Little precious, with his heart full of greed, will either prey on the community or become another constituent of the welfare state. George Gilder explains how this works:

"Greed is a form of waste that undermines capitalist growth rather than fuels it. Real greed and selfishness most often cause people to seek short-term comfort and security first. They turn to the state for benefits that they lacked the moral discipline to earn on their own by serving others. Greed, as I write in *Wealth and Poverty*, leads as by an invisible hand to an ever-growing welfare state -- not to wealth and capitalism, but to poverty and socialism."

-- George Gilder, "Wealth and Poverty Revisited", *The American Spectator*, July 1993.

And the welfare state triumphant is nothing to cheer about. In fact, many of those who have been there warn us not to go down that same road. For instance, in the May 24, 1993 issue of Forbes, Ian Wachtmeister, a Swedish member of parliament, offered this advice from a country where the "welfare state has all but destroyed the country's work ethic":

"Right now I'd rather be in Sweden than in the U.S., because we have seen the problems and are moving away from the welfare state. On your side, you are moving right into it, and you risk destroying your country."

-- Paul Klebnikov, "The Swedish Disease", Forbes, May 24, 1993.

That's a rather pleasant thought, isn't it? While the promotion of the welfare mentality risks the future of our country on one hand, the promotion of the criminal mentality risks it on another. Andrew Peyton Thomas, an Assistant Attorney General of Arizona, in his recent book *Crime and The Sacking of America*, (Washington: Brassey's, 1994), puts it this way:

"I fear that we are witnessing the death of our civilization. We live in a time of random lawlessness that, I believe, is unprecedented in human history. It is a period and condition that I call throughout this book the Great Havoc, as there is no existing term to describe it. This conclusion is simply a matter of mathematics. A democratic nation in which an emerging majority of citizens are unwilling to obey the law cannot survive....Unless drastic changes are made soon, some of which cut to our very soul, it seems doubtful that the United States can remain a stable, viable society very far into the twenty-first century."

If America is to avoid worse trouble than it is already in, we must get the state out of the business of promoting destructive values.

4. It's foolish and wrong for the state to knowingly fund its programs by enticing the poor to gamble.

"State gambling revenues come disproportionately from lower income residents. Problem gambling behaviors are highest among the poor and minorities."

--*Legalized Gambling As A Strategy For Economic Development*, Robert Goodman, United States Gambling Study, Center for Economic Development, University of Massachusetts, Amherst, 1994.

Why it's foolish:

"Those who wish to liberate human beings from poverty within their nation should look to its primary resource, the minds and spirits of citizens *at the bottom* of society. The cause of the wealth of nations is the empowerment of such persons. To empower people is the indispensable first step toward rapid economic development." See Michael Novak, *This Hemisphere of Liberty* (Washington, DC: The AEI Press, 1990), 51.

The heart of the capitalist idea is to begin at the bottom, by releasing the economic creativity of the poor. (Michael Novak, *Will It Liberate? Questions about Liberation Theology* [Mahwah, NJ: Paulist Press, 1986], 90).

--Both of the above quotes are found in Footnote 55, Michael Novak, *The Catholic Ethic and the Spirit of Capitalism*, New York: The Free Press, 1993.

Why it's wrong:

"Nothing should be done under the guise of charity, which tends to break down character. It is the greatest wrong that can be done to him to undermine the character of a poor man."

"The struggle is hard, he needs all his determination and strength of will to fight his way, and nothing that deprives him of these qualities can be 'charitable.'"

--Josephine Shaw Lowell, founder of the Charity Organization Society of New York, in her book *Public Relief and Private Charity* (New York: Putnam's, 1884), quoted in Marvin Olasky, *The Tragedy of American Compassion*, (Wheaton: Crossway Books, 1992).

Why The Means Chosen By The State Are Unable To Accomplish The Ends

1. By resorting to a lottery to fund "economic development", the state has already put the economic development folks at a disadvantage. The use of a lottery forces them to overcome three obstacles to proving their value.

Obstacle #1: The numbers game.

Since FY 1988 lottery sales have totaled approximately \$613 million dollars. (Through FY 1994.) Through FY 1994 transfers to the State Gaming Revenue Fund from the lottery had totaled approximately \$175 million dollars. ("Gambling Revenue", Memorandum by the Kansas Legislative Research Department, January 24, 1995.)

Now according to law, 90% of that \$175 million was supposed to go for economic development. But according to Charles Warren's fascinating paper, "Economic Development Initiatives Fund: Its History and Use for Economic Development" (Charles R. Warren, Ph.D., January 10, 1993):

"The EDIF has been used to fund a wide variety of programs and projects that have had little relationship to economic development.

[W]hile economic development was to receive 90 percent of the funds [from the State Gaming Revenue Fund], it has only been allocated an average of 60 percent over the past several fiscal years....The hypocrisy of the present arrangement is obvious. Kansas elected policy makers continually cite the "fact" that gaming revenues support economic development and job creation. Few among the Kansas public are aware that only little more than half of the funds are used directly for those purposes."

Using Charles Warren's 60 percent figure, we find that only about \$105 million has gone for economic development. (60% of \$175 million.)

Therefore, with only \$105 million at their disposal, they have to prove that they have been able to create more wealth than the free market would have with the \$613 million if there had been no lottery.

Obstacle #2: Value Rot

This may be difficult to quantify, but it's real nonetheless. What is the economic effect of a state government heavily promoting the idea that you can get rich quick? That you can get something for nothing? Here's some quotes you might be interested in:

"Lotteries are played -- and are marketed by states -- not for entertainment, but as a way to get rich quick. As a result, lotteries appeal mainly to the lowest economic levels of society as a way to change their lives."

("The Gaming Industry and Economic Growth," Michael Rose, ALEC Forum, May 1994. Rose is Chairman and CEO of The Promus Companies, Inc., a casino corporation.)

"The primary motivation suggested for the proliferation of lotto purchases is the "get-rich-quick" philosophy that has become pervasive in the United States. The opportunity to be "set for life" through what, on an individual ticket basis, is a minor expenditure is attractive to virtually everyone, except those who are already very rich. For the average household, the opportunity to become rich without serious effort is difficult to ignore. However, it is this issue that is so fundamental in the economic implications of lotteries and the fundamental concern of prior literature on the economics of lotteries."

(*The Economic Consequences of State Lotteries*, Mary O. Borg, Paul M. Mason, and Stephen L. Shapiro, New York: Praeger 1991.)

"Gambling tends to undermine the work ethic. It is particularly questionable for a state government to spend heavily on advertising that encourages "get rich quick" dreams when the odds are heavy that playing a lottery will make one poorer, not richer."

("Gambling is No Panacea for Ailing State Budgets", Steven D. Gold, State Fiscal Brief, Center for the Study of the States, Rockefeller Institute of Government, October 1993, No.13.)

So not only do the eco-devo folks have to do a better job at creating wealth than the free market, but they've also got to be able to pull it off despite the damage the lottery causes to the work ethic. As mentioned elsewhere in this testimony, the health of every economy ultimately depends upon the moral values and virtues its participants adhere to. Michael Novak, the 1994 Templeton Prize winner, points this out in his recent work *The Catholic Ethic and the Spirit of Capitalism*, New York: The Free Press, 1993:

More than they have so far spelled out in their theories, economists already dimly recognize that a free economy cannot function unless its participants have mastered certain moral virtues.

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By its promotion of the something for nothing mentality and the idea that you can get rich quick, the lottery undermines the very values necessary for the success of the free market.

Obstacle #3: Gambling Economics

There are a couple of professors at the University of Illinois who've studied the economics of gambling extensively and have come to the conclusion that gambling doesn't make good economic sense for reasons beyond those already articulated. If you have doubts about the party line on the economic benefits of gambling and want to call them for a second opinion, here's their names and numbers:

Professor John Kindt (217) 333-6018
Professor Earl Grinols (217) 333-4595

They'd be glad to talk with you.

2. "Economic Development" itself is suspect in its origins, assumptions and abilities.

Interesting Origins:

"I was around in 1985 as the legislature struggled with how to bolster our state's sagging economy....Frustration filled the air in both chambers as legislators proposed and debated piece-meal solutions. Everyone agreed, we needed a strategic plan for economic development. In 1986, the Kansas legislature created that plan."

--Gary Toebben, President, Lawrence Chamber of Commerce. Testimony before the House Federal and State Affairs Committee on SB 27, March 8, 1995.

Lenin's death in 1924, along with these uncomfortable results of the New Economic Policy, led to a protracted debate among Soviet economists concerning the path to be followed in industrial development. The debates and controversies of the 1920s contain much that is of importance to economic and intellectual historians. As Alec Nove has pointed out, modern "development economics could be said to have been born here."

--Introduction, Peter J. Boettke, *The Collapse of Development Planning*, Edited by Peter J. Boettke, New York University Press, 1994.

Flawed Assumptions and Abilities:

"The economic future of any state or nation is dependent upon a solid foundation of scientists and engineers."

--William Brundage, President, Kansas Technology Enterprise Corporation, Testimony to The House Economic Development Committee, January 20, 1993.

According to Marx, Engels, and the theoreticians of the "Golden Age" of the Second International, history proceeds basically via changes in the "material productive forces" (the technological base), which render obsolete the existing "mode of production" (the

property system). Because of technological changes, the mode of production is compelled to change; with it, everything else -- the whole legal, political, and ideological "superstructure" of society -- is transformed, as well. As Marx put it aphoristically: "The wind mill yields a society with feudal lords, the steam mill a society with industrial capitalists."

Marxism has, of course, been subjected for generations to withering rebuttal on many different fronts, not least in regard to its philosophy of history. The newer understanding of European history is particularly destructive of its fundamental claims, however, in that it directs attention to the peculiar shallowness of "historical materialism." This newer understanding insists that the colossal growth of technology in the Western world in the past millennium must itself be explained, and the explanation it provides is in term of the *institutional and moral matrix* that emerged in Europe over many centuries. New and more productive machines did not spring forth mysteriously and spontaneously, nor was the spectacular expansion of technical and scientific knowledge somehow inevitable. As Anderson has summed up the evidence, "the scientific and technical stasis that followed the remarkable achievements of the Song dynasty, or of the flowering of early Islam, indicates that scientific inquiry and technology do not necessarily possess in themselves the dynamism suggested by the European experience" (Anderson, 1991, 46.) On the contrary, technology and science emerged out of an interrelated set of political, legal, philosophical, religious, and moral elements in what orthodox Marxism has traditionally disparaged as the "super-structure" of society.

--"The European Miracle," Ralph Raico, *The Collapse of Development Planning*, Edited by Peter J. Boettke, New York University Press, 1994.

"Poverty is no mystery, it has been said. The real wonder is how societies become rich in the first place...What kindles the spirit that conjures up prosperity? The answer is culture -- values and belief -- not economics."

--Myron Magnet, *The Dream and The Nightmare*, William Morrow & Co., 1993.

Key Question: Can The State Economy Grow Without Government Intervention and Planning?

"The Kansas Lottery makes the state a real partner with local communities in economic development. Economic development is still a struggle, but without the legislature's action in 1986 and help from the Kansas lottery, every community and county in this state would be lagging behind where they are today and much less competitive in the future."

--Gary Toebben, President, Lawrence Chamber of Commerce. Testimony before the House Federal and State Affairs Committee on SB 27, March 8, 1995.

"Without those economic development programs, I don't see how we could possibly compete."

--Gary Sherrer, Secretary of Commerce and Housing, Testimony before the House Federal and State Affairs Committee on SB 27, March 8, 1995.

Economic growth in Kansas depends upon economic development programs and without them we will have a static economy.

--Argument made by two Republican Senators on the Senate floor during debate on SB 27 on February 22, 1995.

"As a number of other contributors to this volume have indicated, there are important links between how one views debates over the relative merits of markets and planning and how one views the appropriate policies for economic development. For defenders of planning, government, perhaps in combination with business and labor, both can and should play a major role in directing the path of economic development through particular policies and strategies. For defenders of markets, no such direction is necessary. By simply ensuring the rule of law and the protection of voluntary contract and exchange, governments can cultivate a fertile soil for economic growth and development. As a result, it is crucial to understand theoretical debates over the feasibility of planning before one prescribes development policies.

As Cowen (1985, 73) argues, "The basic problem with foreign aid is that economic growth is not a creature of central planning and direction. Growth is the result of individual initiative and enterprise within a sound legal and economic framework."

Critics might respond by granting those ideas, but still

claiming that Eastern Europe needs capital to kick the process into motion. However, as Peter Bauer has argued, this is a fallacy. If the acquisition of capital preceded economic growth, "the world would still be in the Old Stone Age." Rather the acquisition of capital is the effect of economic development and not the cause. The cause is the set of ideas and practices that allow the creation of capital and thus increase the productivity of human labor and total human wealth. We emerged from the Stone Age by

"unintentionally conforming to certain traditional and largely moral practices, many of which men tend to dislike, whose significance they usually fail to understand, whose validity they cannot prove, and which have nonetheless fairly rapidly spread by means of an evolutionary selection -- the comparative increase of population and wealth -- of those groups that happened to follow them (Hayek 1988, 6.)

The driving force of economic development is the set of ideas embodied in the moral restraint that permits spontaneous processes of social and economic discovery to take their course and lead us into an unknown future. These ideas, and the institutions that result from them, cannot be bought with U.S. tax dollars. In fact, the very premise of using tax dollars to "guide" development directly contradicts those ideas."

--"Does Eastern Europe Need a New (Marshall) Plan?", Steven Horwitz, *The Collapse of Development Planning*, Edited by Peter J. Boettke, New York University Press, 1994.

"Hong Kong is yet another evident refutation of the staples of the dominant mainstream development literature which I have mentioned earlier, such as that ... comprehensive planning and foreign aid are indispensable or even sufficient for economic progress. Hong Kong experience offends respectable opinion in other ways. It shows that planning teams and advisory groups are unnecessary for development...."

--P.T. Bauer, *Equality, the Third World and Economic Delusion*, Harvard University Press, 1981.

Implication: There is good reason to believe the experiment with the lottery has been a failure in terms of the ends which the state was trying to accomplish.

STAND UP FOR KANSAS



Citizens for Stable Economic Growth and Quality of Life in Kansas

P.O. Box 780127 ♦ Wichita, KS 67278 ♦ (316) 634-2674

**TESTIMONY TO
HOUSE FEDERAL AND STATE AFFAIRS COMMITTEE**
regarding

SENATE BILL NO. 27

AN ACT repealing K.S.A. 74-8723, relating to abolition of the Kansas lottery and the office of executive director of the Kansas lottery.

by
Glenn O. Thompson
Chairman, Stand Up For Kansas

March 9, 1995

Good afternoon Chairman Boston and members of the committee. I am Glenn Thompson, Chairman of Stand Up For Kansas. Thank you for this opportunity to speak on Senate Bill No. 27.

Stand Up For Kansas is a state-wide coalition of thousands of grassroots citizens who have a deep conviction that legalized gambling has a severe adverse impact on the economic, social and moral quality of life of our communities. **WE URGE YOU TO VOTE NO ON SENATE BILL No. 27.**

On February 16, I spoke to the Senate Federal and State Affairs committee on the social and economic problems caused by state lotteries, as discussed in the report "Legalized Gambling As A Strategy for Economic Development" prepared by the Aspen Institute and the Ford Foundation. Subsequently, I distributed copies of that testimony to all members of the

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legislature, so I won't repeat the points in that paper. I hope you will take a few minutes to read it, if you have not already done so.

Today, I would like to discuss the real issue before you ... **expansion of gambling in Kansas. You are not voting on continuing the lottery in its present form; that is not an option.** When you cast your vote for or against SB 27, you will be voting on whether to expand gambling in the state under the umbrella of the lottery. A vote **FOR** SB 27 is a vote to expand gambling in the state. A vote **AGAINST** SB 27 is a vote to halt expansion of gambling in the state. **These are the only two choices! You have no other!** Now, let me explain.

After citizens amended the constitution in 1986 to allow the state to own and operate a lottery, **two key legal events occurred that completely changed the intent of the amendment.**

First, in 1988 the Federal government enacted the Indian Gaming Regulatory Act, IGRA, **requiring states to negotiate casino compacts** with Indian tribes for all Class III games **permitted by the state.** Class III games include games such as the lottery, parimutuel racing, and casino games. In other words, under IGRA, Indian Tribes can own and operate, on Indian lands, **any Class III game permitted by the state.**

Secondly, in January 1994 the Kansas Supreme Court ruled that the term "lottery" is **synonymous with the term "gambling"**. Consequently, in 1986, citizens **unknowingly and unintentionally** approved the state to own and operate not only a traditional lottery **but all forms of gambling games, including slot machines, video lottery machines and even casino games.**

As a result of these two legal events, gambling proponents are flooding the legislature with proposals **for expanding gambling far beyond our wildest nightmares.**

For example, during the 1994 legislative session, the four Kansas Indian tribes **forced the state to initiate negotiations for a casino compact**, using IGRA and the state lottery as justification. Although the Senate voted the resolution down, this issue is not dead. The potential for forced legalization of casinos on Indian lands, even in downtown areas, will remain with us **AS LONG AS THE STATE OWNS AND OPERATES A LOTTERY.**

Then, two weeks ago, the Kansas Lottery and the Woodlands Racing succeeded in having a bill, HB 2547, introduced into this committee that would **permit the Kansas Lottery to**

operate slot machines and other video lottery machines at parimutuel racing facilities. For all practical purposes, **the state would be operating a casino**, since most casinos receive approximately 70 percent of revenues from slot machines and other video lottery machines.

Finally, we read in the newspapers this week that the Coeur d'Alene Tribe of Idaho unveiled a plan to develop, under IGRA, a **nationwide home-phone lottery** in the 36 states where the lottery is legal. Kansas is one of those states. Using a toll-free number, players will use their home telephones to buy lottery tickets with their credit cards. Can you imagine the social and economic problems that will result from a lottery connected by telephone to every home in Kansas? The home-phone lottery is expected to generate hundreds of millions of dollars in revenues, which will come right out of the revenues of small businesses in every community in Kansas. The \$50 million that the Kansas Lottery puts into economic development will pale by comparison to the hundreds of millions of dollars this lottery will pull out of Kansas.

THESE THREE PROPOSALS FOR EXPANDING GAMBLING IN KANSAS ARE POSSIBLE ONLY BECAUSE THE STATE OWNS AND OPERATES A LOTTERY!

As you can see, the real issue of this bill is not simply continuation of the lottery in its present form. The real issue is **support of expansion of gambling** in the state, including casinos, slot machines and a home-phone lottery.

The lottery question is complex and cannot be answered simply with a survey of citizens, as advertised by proponents. How many of the respondents have even heard of the Federal Indian Gaming Regulator Act or the Kansas Supreme Court lottery ruling, let alone read them?

Further, the lottery cannot be justified simply to fund economic development. How many proponents who testified before this committee this week have read these two legal documents and understand the long range ramifications of approving this bill?

THE ONLY WAY TO STOP EXPANSION OF GAMBLING IN OUR STATE IS TO LET THE LOTTERY DIE. WE URGE YOU TO VOTE NO ON SENATE BILL 27.

Chairman Boston and Members of the Federal and State Affairs Com.

I am Frances Wood, Topeka, a volunteer lobbyist for The Woman's Christian Temperance Union of Kansas.

Regardless of the glowing testimony as to all the good things economic development "may" have produced, does the end justify the means? It is of great concern to me to have all of this depend on the citizens of Kansas gambling. We seem pleased when the lottery proceeds are increasing - that really translates to the fact that Kansans are gambling more and more. If you as legislators think that is productive, please take a closer look.

According to some, we have now come into the 21st century with our attitude toward alcohol. I hold in my hand a listing of 260 alcohol and other drug treatment and counseling centers that are located in Kansas. I say that to say this, if indeed you do continue the lottery, you need to include an amendment that would allocate some of the lottery revenue to go toward addictive gambling treatment centers. Experts tell us that about 5% of those who gamble become compulsive and of the youths who start the figure is 10%.

Continuing the lottery is much deeper than just one form of gambling. We still have the threat of casino gambling because of the Supreme Court ruling that includes casino under the term lottery. Also, the latest is the National Lottery proposed by an Indian tribe of Idaho that would use toll-free telephone calls and credit cards.

I would plead with you to stop the lottery in 1996 and keep Kansas from becoming deeper ingrained in the gambling trap. Let Kansas be a leader and be the first state to repeal the lottery.

The total sales tax collected by the State of Kansas during fiscal 1994 was \$1,173,586,371. An increase of .2of 1% would bring in the 48 million that the lottery generated last year - this is one penny on \$5.00. Many people do not stoop to pick up a penny on the ground. In addition, you would not need to spend the money on the treatment centers for gambling addicts.

In reference to the testimony given yesterday - if quick stop shops operate on such a small margin that ~~there~~^{their} shops would be endangered without their 5% of lottery tickets, I would suggest they perhaps should consider going into another business.

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Statement made to the House Federal and State Affairs Committee, Thursday, March 9, 1995,
by Charles W. Wright, LeCompton, Kansas, a former Mayor of Topeka, 1965-69,
opposing extension of the Lottery.

I appreciate the opportunity to present the following statement to you in your consideration of extending or abolishing the Kansas Lottery. **I oppose the Lottery for several reasons, which I implore you to consider before making your final decision on this issue.**

I am a native Kansan. I remember years ago when our State of Kansas was revered by other States and their people as a State where no gambling nor alcohol was available. It was a period during which I, along with thousands of other Kansans, were very proud to be a Kansan. Sadly, this has long past and we today not only have both, but also more crime. Could it be that by letting our so-called better judgment get the best of us, we have sacrificed honest principles laid down for us by our predecessors. . . principles they fought for that made Kansas a great State!

I get amused when I hear statements made that if we don't have Lottery, our money will go to other States where they have Lottery. May I ask you where our money went when huge Lottery jack pots were won by people in Wisconsin, Arizona, Indiana and other States? And, now it appears the Idaho Indians are about to get some more of our money because we have a State Lottery.

I simply cannot understand the logic put forth by the Kansas Association of Commerce and Industry and others who say the Lottery really helps our "economic development." With only 30 percent of the Lottery funds going to that end, it should be well remembered that the millions of dollars wasted (\$693.7 million last fiscal year) on the Kansas Lottery are dollars that never reached the cash registers of any merchant in Kansas, except those who collected a meager commission for sales of Lottery tickets. Thus, the Lottery not only causes our merchants to lose money but our State as well, because of lost sales tax revenue on their merchandise sales.

Actually, I feel like laughing at those who want to extend the Lottery. Why? Simply because thousands of people including me in our State have never bought a Lottery ticket, nor do we ever plan to do so, regardless of how huge a jackpot may become. The Lottery isn't about to get any of our money or for that matter, the State of Kansas either!

On the otherhand, the \$47.8 million the State receives from the Lottery could be more than replaced if a small, mere 2 tenths of 1 percent increase in the state sales tax was levied. Then, all of us . . . every Kansan, would have to put money into this "jackpot", and most importantly, all of that money would stay here in Kansas, not just a very small percentage!

Most certainly, this would put more money into State coffers, and every Kansan would take part in playing this "Lottery". None of this money would be shared with Lottery promoters, those who print and sell the tickets, those who air TV spots, or those who win. Every bit of this small sales tax increase could then be spent for economic development and much more, because none of this money would be taken out of our state as it is now.

Let us be leaders in Kansas and not followers! Let us show our young people and the country that we in Kansas are a proud people, and proud of the heritage that once made us the greatest State in the United States. Thus, I ask for your "No" vote on extending the Lottery.

Thank you very much.

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Atch #4

CONCERNING SENATE BILL 27

CHAIRMAN BOSTON AND THE COMMITTEE MEMBERS:

MY REASON FOR BEING AGAINST THE CONTINUATION OF THE LOTTERY IS THIS:

I BELIEVE IN OUR DAY AND AGE WHEN WE HEAR SO MUCH ABOUT PEOPLES RIGHTS, MANY HAVE LOST TRACK OF HARD WORK AND PRIDE FOR DOING A JOB WELL. THE LOTTERY ONLY ADDS TO THIS WHEN PEOPLE BELIEVE AND ARE ENCOURAGED THAT THEY CAN WIN SOMETHING FOR ALMOST NO EFFORT.

A FEW WEEKS AGO, A RELATIVE OF MINE, WHILE WAITING IN A GROCERY LINE, SAW THE PERSON JUST IN FRONT OF HIM, PAY FOR THEIR GROCERIES WITH FOOD STAMPS AND THEN TAKE OUT A \$10 BILL AND BUY LOTTERY TICKETS.

MY FATHER DIED IN 1940 WHEN I WAS JUST SIXTEEN. I HAD TO CARRY A FEW DOZEN EGGS TO THE STORE TO BUY GASOLINE FOR OUR MODEL A FORD. WE DIDN'T HAVE SCHOOL BUSES THEN AND THAT YEAR THAT WAS THE ONLY WAY I COULD GET FIVE MILES TO SCHOOL. TWO YEARS LATER, WHEN I GRADUATED FROM HIGH SCHOOL, I WENT TO WORK TO SUPPORT MY MOTHER AND HELP PUT A YOUNGER SISTER THROUGH HIGH SCHOOL. WE NEVER SPENT MONEY ON THINGS WE DIDN'T HAVE TO HAVE AND WE DIDN'T MIND. LEAST OF ALL DID WE EVER THINK OF NEEDING WELFARE.

I WOULD RATHER PAY ANOTHER HALF PERCENT TAX THAN HAVE OUR GREAT STATE OF KANSAS LEADING THEIR PEOPLE INTO GAMBLING ADDICTIONS, WHILE THE PEOPLE RUNNING THE LOTTERY MAKE A BIG PROFIT AT THE PEOPLE'S EXPENSE. LET'S MAKE THE ADVERTISEMENTS TRUTHFUL. MILLIONS DO NOT WIN MILLIONS!

DORIS J. WULFKUHLE
6950 SE PAULEN ROAD
BERRYTON, KANSAS 66409-9661
CAPITAL CITY WOMAN'S CHRISTIAN TEMPERANCE UNION

FISA

3-9-95

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Knowing that you are aware of all the facts pro and con on this issue, I wish to make some observations as a life-long Kansan.

What I see happening in the whole issue of gambling and the lottery is a sequence of events so subtle and gradual that you are maybe not aware of the fact that it constitutes a compromise with blind chance, making gambling, as it were, an economic tool, the answer to fiscal woes. The sequence goes like this:

The first step has been that you have not only assumed that gambling and games of chance are significant activities, therefore worth acknowledging, but also that they are in some sense superior to human skill, human creativity, human productivity, or just plain old hard work.

The second step has been that you have in effect abandoned, in the face of overwhelming evidence to the contrary, the worth of human productivity and its corresponding dignity. Therefore, whatever does not fit the assumption that gambling is a better economic tool has been either ignored or discounted.

The third step is then the adaptation of your whole way of thinking from that of promoting human skills, creativity, productivity, and commerce, i.e. making hard decisions promoting these ideals, to letting the assumption that gambling is better, gambling is the answer to fiscal difficulties, control your thinking and stifle your own creativity. Instead of spending time making truly hard fiscal decisions, you take the path of least resistance and toy with a non-answer that will only lead to decay in the long term.

Finally, should you approve the continuation of the lottery or provide any means of proliferation of gambling in the state, you will have consummated the process of compromise with blind chance. You will have assimilated the idea of chance as an economic tool into the governmental fiscal process. Would you "spin the wheel" to make decisions on all bills that come before you in the legislative session? Of course not, yet that, in a sense, would be no different than the compromise which is now taking place.

There is a Biblical statement that I think is appropriate and I quote: "For they have sown the wind, and they shall reap the whirlwind." Hosea 8:7.

I am obviously opposed to the continuation of the lottery and all other forms of gambling and in favor of the high ideals of the promotion of human skills, productivity, and commerce as the most fruitful and promising long term economic solution. I respectfully hope you will agree.

Darrell R. Parnell
Darrell R. Parnell
1600 Jewell
Topeka, KS 66604

F-5A
3-9-95
Atch # 6



KANSAS
TECHNOLOGY
ENTERPRISE
CORPORATION

*KTEC's mission is to create and maintain
employment by fostering innovation, stimulating
commercialization, and promoting the
growth and expansion of Kansas businesses.*

**TESTIMONY
HOUSE FEDERAL AND STATE AFFAIRS COMMITTEE
by
Richard A. Bendis**

MARCH 8, 1995

Good afternoon, I am Rich Bendis, President of the Kansas Technology Enterprise Corporation. I am pleased to have an opportunity to address the committee this afternoon.

KTEC is a quasi-public corporation established in 1987 by the Kansas Legislature with the mission to foster technological economic development. We are expected to carry out that charge by utilizing a series of programs designed to help companies get research and development done on new products, and move those products into the marketplace. We work closely with a number of other state agencies and entities to meet our mission.

And, thanks to our successful implementation of our programs, Kansas is now recognized as one of the leading states in the US with a comprehensive science and technology infrastructure which can support technology through every state of a product's evolution.

However, KTEC's funding is 100% from the Economic Development Initiatives Fund (EDIF). KTEC receives no money from the State General Fund. Since 1987, KTEC has received a little over \$50 million from EDIF. We have matched the state's investment with \$47 million in industry funding, \$41 million in federal funding, \$38 million in venture capital funding, and nearly \$1 million in institutional funding. We have leveraged the state's investment 3.5:1.

Our results are beginning to grow exponentially. We have recorded \$118 million in increased sales by companies that have worked with KTEC; we have assisted with 114 company start-ups and 36 expansions; we have documented 5,437 jobs created or saved; more than 6,642 industry employees have been trained or retrained through our training grant program; and more than 252 technologies have been developed. KTEC truly is a statewide initiative, and we have documented activities in every county in the State.

Economic development is critical to the future of Kansas. It is our opinion that KTEC, KDOC &H, and Kansas Inc. represent one of the best economic development infrastructures in the US. It is imperative that we have continuity in funding for economic development programs, and unless an alternative can be established as a funding source for the programs, the EDIF must be maintained.