

Approved: 3-8-95
Date

MINUTES OF THE SENATE COMMITTEE ON FEDERAL AND STATE AFFAIRS.

The meeting was called to order by Senator Lana Oleen at 11:05 a.m. on February 16, 1995 in Room 254-E of the Capitol.

All members were present.

Committee staff present: Mary Galligan, Legislative Research Department
Mary Ann Torrence, Revisor of Statutes
Kim Perkins, Committee Secretary

Conferees appearing before the committee: Gary Toebben, Pres. & CEO of Lawrence Chamber of Commerce
Dr. Ed Berger, Pres. of Hutchinson Community College
Susie Frisbie, Owner of EZ Convenient Stores
Dan Cain, Kansas Corn Commission
Perry Beemis, Kansas Manufacturers Association
Jim Edwards, Kansas Chamber of Commerce and Industry
Charles Warren, Kansas Inc.
Richard Bendis, KTEC
Gary Sherrer, Secretary of Commerce
Dr. Manoj Jain, BIOCORE
Representative Kenny Wilk
Dave Schneider, Kansans for Life at its Best
Glen Thompson, Stand Up for Kansas
Frances Wood, Woman's Christian Temperance Union

Others attending: See attached list

Sen. Oleen called for bill introductions. Sen. Jones made a motion to introduce a bill, requested by the railroad industry, concerning taxing railroads and Sen. Ramirez seconded the motion. The motion passed. Continuing with bill introductions, Sen. Oleen explained a bill request by the county treasurers concerning delinquent property taxes. Sen. Vidricksen made a motion that the bill be introduced and the motion was seconded by Sen. Ramirez. The motion passed.

Sen. Oleen announced that the committee would begin hearings on **SB 27**, an act relating to the Kansas Lottery, and stated that the committee would hear alternating testimony between proponents and opponents. Sen. Oleen introduced Representative Kenny Wilk to testify in support of **SB 27** and Dave Schneider to testify as an opponent (Attachment 1 & 2). Sen. Ramirez commented to Mr. Schneider that he believed that the reason the lottery passed initially was not because of EDIF, but instead because voters wanted to play the lottery.

Sen. Oleen announced that, due to the number of people who wish to testify, the committee would hold questions to the end of the hearing. Sen. Oleen introduced Garry Sherrer, Secretary of the Department of Commerce and Housing, to speak as a proponent to **SB 27** (No attachment). Sec. Sherrer stated that he came before the committee, on behalf of the Department of Commerce and on behalf of Governor Bill Graves to stress to the committee how critical the money is that is generated by the Kansas Lottery. He continued to say that, by repealing the lottery, the ability of the state of Kansas to compete economically would be seriously jeopardized. The programs administered through EDIF did not exist before the Lottery and will not exist again if the lottery is terminated because the state will not be able to come up with the \$50 million needed to continue funding. Sec. Sherrer continued to say the he could document companies who would not be doing business in the state of Kansas today if the funds generated by the lottery had not been available.

Sen. Oleen introduced Glen Thompson, Stand Up for Kansas, to speak as an opponent and Jim Edwards,

CONTINUATION SHEET

MINUTES OF THE SENATE COMMITTEE ON FEDERAL AND STATE AFFAIRS, Room 254-E Statehouse, at 11:00 a.m. on February 16, 1995.

Kansas Chamber of Commerce and Industry, to testify as a proponent to **SB 27** (Attachment 3 & 4).

Mr. Edwards introduced Gary Toeppen, Pres. and CEO of the Lawrence Chamber of Commerce, who discussed the economic need for the Kansas Lottery (No attachment). He stated that because of the money generated by the Kansas Lottery, Kansas has a growing economy which can compete for new businesses nation-wide. Mr. Toeppen gave Eudora, Kansas which competed for a printing company in 1988 as an example of economic success. In 1988, the company employed 60 people and today the company employs 170 people. Mr. Toeppen stressed that without the \$750,000 loan from a program called the Partnership Fund, which is funded by EDIF, Eudora would have never won the bid for the production site.

Sen. Oleen introduced Frances Wood, Woman's Christian Temperance Union, as an opponent to the bill (Attachment 5); and Dr. Ed Berger, Pres. of Hutchinson Community College, and Susie Frisbie, owner of EZ convenient stores as proponents to **SB 27** (Attachments 6 & 7).

Sen. Oleen called for conferees from outside the city of Topeka and Perry Beemis, from Wichita, came forward to testify as a proponent (No attachment). Mr. Beemis spoke of several businesses supported by lottery proceeds. For example, he discussed the Kansas Manufacturers Association (KMA), which is a manufacturing network formed to assure the members that they could continue to be competitive in the international market place. The intent of the KMA is to market services in such a way that they attract jobs that are too large or too complex for any one individual to perform. Mr. Beemis stressed that KMA has assured the development of a very competitive group of manufacturers largely as a result of the assistance by KTEC which is funded by the lottery.

With no other opponents to the bill, Sen. Oleen introduced Richard Bendis, KTEC, and Charles Warren, Kansas Inc. to testify as proponents (Attachment 8 & 9); and Dan Cain, Kansas Corn Commission, and Dr. Manoj Jain, businessman, who provided verbal testimony in support of **SB 27**.

Sen. Oleen called for questions, and seeing none the meeting was adjourned at 12:15 p.m.

The next meeting is scheduled for February 17, 1995.

GUEST LIST

COMMITTEE: Senate Federal & State Affairs

DATE: Feb. 16, 1995

NAME (PLEASE PRINT)	ADDRESS	COMPANY/ORGANIZATION
RICHARD SIDZES	1922 MAIN GREAT BEND ⁶⁷⁵³⁰	WESTERN KANSAS TECH CORP.
Martin Jackson	6506 W 91 ST OVERLAND PARK ⁶⁶²¹²	ALLIED SIGNAL
Dennis Stittsworth	1550+ W. 89 TH TER. Lenexa, Ks. 66219	Allied Signal
Dave Schneider	Topeka	Kansas For Life At Its Best
BETTIE THOMPSON	WICHITA	PRIVATE
Glenn O. Thompson	Wichita	Stand Up FOR KANSAS
Kristi Jiny	Topeka	KTEC
Mary Sieskin	Topeka	KTEC
Nancy Cording	Pittsburg	COOP/PSU
BOB KEARN	LENEXA	MAMTC
Cindy Diehl	Topeka	KTEC
Kevin Carr	Topeka	KTEC
Tim Johnson	Lenexa	CECASE
JAKE MACZUGA	LAWRENCE	KANSAS INNO CENTER
Curtis Marsh	Lawrence	Kansas Innovation Ctr
George PARKER	"	KS Innov Corp.
RICH BENDIS	TOPEKA	KTEC
Jim Edwards	Topeka	KCCI
Ivan Smith	Lenexa	TIC
R.W. TREWYN	Manhattan	KSU
David Huft	Manhattan	KVAC
WM G. ROBINSON	Wichita	Wichita State Univ
ANDREW F. STONE	WICHITA	NIAR/WSU
Betsy Boone	Wichita	Wichita Technology Corporation
ROBERT ROSANDER	WICHITA	WICHITA TECHNOLOGY CORP.

(2)

<u>NAME</u>	<u>ADDRESS</u>	<u>Co. / ORG.</u>
Patti Klinko	4747 Troost K.C., Mo	Center for Business Innovation
Frances Wood	4724 SE37 Topeka	Women's Christian Temperance Union
Jeffery D. Webb	1321 Wakarusa #2102	Campbell-Becker, Inc.
Julie Love	Lawrence KS 1321 Wakarusa #2102 Lawrence, Ks.	Campbell-Becker, Inc.
Penny Bemis	1330 E 1st Wichita Ks 67214	Enterprise Place
Lloyd T. Silver	2700 W. 70th Terr MISSION HILLS, KS 66208	K-TEC BOARD
Howard Mossberg	1632 Abnormal Dr. Lawrence KS 66047	Univ. of Kansas.
Carl E Locke	1331 Ranchero Dr Lawrence KS 66049	Univ. of Kansas
CHARLES J. DECEDEUE	1902 MEADOWLARK LN LAWRENCE, KS 66047	HIGUCHI BIOSCIENCES CENTER (U. OF KANSAS)
KESHAVA N. KUMAR	2520 W. 34th Ave #2D KANSAS CITY, KS 66103	HIGUCHI BIOSCIENCES CENTER (UNIV. OF KANSAS)
David B. Dallam	State Capitol	Division of the Budget
Randy Martin	2934 Nevada, Manhattan	Manhattan Chapter of Commerce
DON RATHBONE	2813 Brad Ln, Manhattan	Kansas State Un.
Julian Holtzman	3013 Trail RD. Lawrence KS	CECASE
Sheila Meyer	112 W 6th	KTEC
Ellin Mason	112 W 6th	KTEC
Clyde Engert	2311 Burnett Rd. Tur.	KTEC
Tom Bruno	Topeka	Allent Assoc.
Tom Burgess	Topeka	Sunflower
Ed Berger	Hutchinson	Hutchinson Com College

2

<u>NAME</u>	<u>ADDRESS</u>	<u>Co. / ORG.</u>
Patti Klinko	4747 Troost K.C., Mo	Center for Business Innovation
Frances Wood	4724 SE37 Topeka	Woman's Christian Temperance Union
Jeffery D. Webb	1321 Wakarusa #2102 Lawrence KS	Campbell-Becker, Inc.
Julie Love	1321 Wakarusa #2102 Lawrence, Ks.	Campbell-Becker, Inc.
Penny Bemis	1330 E 1st Wichita Ks 67214	Enterprise Place
Lloyd T. Silver	2700 W. 70th Terr MISSION HILLS, KS 66208	K-TEC BOARD
Howard Mossberg	1632 Abnormal Dr. Lawrence KS 66047	Univ of Kansas.
Carl E Locke	1331 Ranchero Dr Lawrence KS 66049	Univ. of Kansas
CHARLES J. DECEDUE	1902 MEADOWLARK LN LAWRENCE, KS 66047	HIGUCHI BIOSCIENCES CENTER (U. OF KANSAS)
KESHAVA N. KUMAR	2520 W. 34th Ave #2D KANSAS CITY, KS 66103	HIGUCHI BIOSCIENCES CENTER (UNIV. OF KANSAS)
David B. Dallam	State Capitol	Division of the Budget
Randy Martin	2934 Nevada, Manhattan	Manhattan Chamber of Commerce
DON RATHBONE	2813 Brad Ln, Manhattan	Kansas State Un.
Johan Holtzman	3013 Trail RD. Lawrence KS	CECASE
Stepila Meyer	112 W 6th	KTEC
Kim Mason	112 W 6th	KTEC
Clyde Engert	2311 Burnett Rd., Tur.	KTEC
Tom Bruno	Topeka	Allent ASSOC.
Tom Burgess	Topeka	Sunflower
Ed Berger	Hutchinson	Hutchinson Com College

<u>NAME</u>	<u>ADDRESS</u>	<u>CO. / ORGANIZATION</u>
KENT HEERMAN	P.O. Box 417, Emporia, KS	Regional Development Co.
DONNA NEWKIRK	P.O. Box 417 Emporia KS	Emporia Chamber of Commerce
MIKE MILLER	632 SW Van Buren	Kansas Inc
TIMOTHY PAIS	632 SW Van Buren	Kansas, Inc
DAN HERMES	TOPEKA	BUDGET DIVISION
JEAN BARBA	Topeka	Travel Industry Assn of KS
ALAN KISOLEY	Topeka	Ks Oil Marketers Assn
SUSIE FRISBIE-COLEMAN	TOPEKA	E-Z SHOP, INC.
STEVE KEANEY	TOPEKA	KOMA
CHRISTY GRAY	Topeka	Topeka Chamber of Com.
JAMES T JANOWSKI	TOPEKA	KDOC+H
ANNA JANEY	Box 747 Winfield, 67156	Strother Field Airport
SHAUNNA WABAINSEE	10637 S. Rd. Hoyt, KS	Prairie Band Potawatomi Gaming Commission
LAURA ALBERTS	P.O. Box 12 Mayetta KS	P.B.P. Gaming Commission
JANE ELLIOTT	123 N. Kansas, Topeka	Kansas Lottery
BERTIE JOHNSON	"	"
ALBERT J. ZEMEK	"	"
ALAN WEIS	Topeka	KTEC
JANET MAUER	Overland Park	OP Chamber of Commerce
ROB WEINMEISTER	Topeka	Kansas Industrial Dev. Assn.
CLITA RENSER	Sabetha	R. to F. of Ks

KENNY A. WILK
REPRESENTATIVE, 42ND DISTRICT
LEAVENWORTH COUNTY
701 S. DeSOTO RD.
LANSING, KANSAS 66043
(913) 727-2453
ROOM 174-W, CAPITOL BLDG.
TOPEKA, KANSAS 66612-1504
(913) 296-7655



TOPEKA

COMMITTEE ASSIGNMENTS
MEMBER: APPROPRIATIONS
SUBCOMMITTEES:
EDUCATION
K-12 SCHOOL FINANCE

House of Representatives

Testimony for SB 27
Senate Federal & State Affairs Committee
February 16, 1995

Madam Chair and members of the committee. Thank you for the opportunity to speak in support of SB 27.

SB 27 is a bill of few words, but a bill that can make a difference in both the long and short term future of Kansas. I support the Kansas lottery for a number of reasons, but let me share just three of the solid reasons to continue the lottery.

1. The people of the state voted for the lottery as a constitutional amendment in 1986, the measure passed with overwhelming support. Most Kansan are not aware the legislature can undo what they approved in the ballot box.
2. We need to continue the EDIF (Economic Development Initiative Fund).
3. Need the continue funding the CIBF (Correctional Institutional Building Fund). 10% of gaming revenues fund capital improvement at the state correctional facilities.

I know in recent weeks there's been talk of opposition to the lottery in the House of Representatives. There are few proposal that come through the House that someone does not oppose. I want to assure the Senate that there's considerable support for the lottery in the House of Representatives and we are anxious to take up action of the bill after Senate approval.

Madam Chair I would be happy to stand for questions.

Sen. Fed & State
2-16-95
Attachment ①

"All that glitters is not gold."

--William Shakespeare, The Merchant of Venice

Testimony Before The Senate Committee on Federal and State Affairs
Senate Bill No. 27.

Dave Schneider, President
Kansans For Life At Its Best
February 16, 1995

Chairman Oleen, Members of the Committee:

Since previous testimony before this committee by lottery proponents argued that the lottery was created for the purpose of economic development and that it probably wouldn't have passed if the money hadn't been earmarked for economic development, it seems appropriate to look closer at the economic development issue.

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.)

Charles Warren, "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."

Sen Fed & State
2-16-95
Attachment (2)

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

Therefore, since the lottery was created for the purpose of economic development and wouldn't have passed in 1986 without the money being earmarked for economic development, it seems only appropriate that before the lottery is extended the lottery proponents should prove that the state government has created more wealth with the approximately \$105 million dollars it received for economic development than the free market would have created with the approximately \$613 million dollars had that money not been used to purchase lottery tickets. If the proponents cannot prove that, then it is reasonable to believe that the lottery has not delivered on its basic purpose and should therefore close its doors on July 1, 1996.

The proponents should also figure in a very important intangible. 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? To inspire them in that task, here's some quotes:

"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 on 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 must the state government prove that it can create more wealth than the free market, but also that it can overcome the damage it causes to the work ethic. You see, 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.

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. It's somewhat counterproductive, don't you think, to designate lottery revenues towards economic development on one hand, and then work against economic development on the other through the promotion of the lottery?



Citizens for Stable Economic Growth and Quality of Life in Kansas

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

**TESTIMONY TO
SENATE 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

February 16, 1995

INTRODUCTION

Good morning Chairperson Oleen 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 27.**

Proponents of continuing the lottery often cite the fact that in 1986, 64 percent of the voters favored a constitutional amendment to legalize the lottery. However, these proponents fail to mention the numerous studies that have been conducted since that time nine year ago showing the adverse economic and social impact of lotteries on states and communities.

Fortunately, the Aspen Institute and the Ford Foundation have funded a research team at the University of Massachusetts to collect and summarize results of these many studies. In 1994 Robert Goodman, Director of

Sen. Fed & State
2-16-95
Attachment 3

the team, published the findings in an outstanding document "Legalized Gambling As A Strategy for Economic Development." (Ref. 1) This report is extremely comprehensive --- in fact, the bibliography is 28 pages long --- and is directly relevant to Senate Bill 27. During these next few minutes I would like to summarize several key points Goodman makes with respect to state lotteries.

(1) **LOTTERIES ENCOURAGE CITIZENS TO GAMBLE**

"In the process of going into the gambling business, governments have also become more gambling dependent and have shifted from being gambling regulators **to being the leading promoters of gambling in this country.** p. 8

"In the late 1980's, Charles Clotfelter and Philip Cook, two researchers at Duke University, analyzed data from what they described as 'the most complete survey of gambling participation ever conducted.' They concluded that the creation of lotteries by state governments **was encouraging people into other forms of gambling ... We conclude with considerable confidence that the lottery is a powerful recruiting device...**" p. 89

(2) **STATE GOVERNMENTS BECOME ADDICTED TO GAMBLING REVENUES**

"Funding specific state programs with gambling revenues has tended to make (those state programs) **gambling-dependent.** It has also tended to make those groups who benefit from them part of pro-gambling political constituencies. As growing numbers of people work in the gambling industry, and come to be economically dependent on it, new pro-gambling constituencies will develop to protect these jobs." p. 18

When a state official says we need to continue the lottery for the revenues, that official is admitting the state has already become addicted to gambling.

(3) **LOTTERIES CREATES ECONOMIC PROBLEMS**

"By diverting consumer dollars into gambling, the gambling industry has been ... **responsible for the decline of jobs and revenues in other businesses.**" p. 8

Further, "a number of studies have shown that lower income people spend a higher percentage of their incomes playing state lotteries, **in effect making lotteries a regressive tax on a state's poorer citizens.**" p. 95

(4) **LOTTERIES CREATE SOCIAL PROBLEMS**

"As states legalize and promote more gambling ventures, the number of people who gamble is increasing and the amount of personal income being spent on gambling is also rising. **This is increasing the costs of dealing with gambling-related problems.**" p. 17

Further, "Researchers now call **gambling the fastest growing teenage addiction, with the rate of pathological gambling among high school and college-age youth about twice that of adults.** According to Howard J. Shaffer, Director of the Harvard Medical School Center for Addiction Studies, 'We will face in the next decade or so more problems with youth gambling than we'll face with drug use'." pp. 91-92

"Shaffer found that although prohibited by law, there was extensive lottery play among underage children and adolescents. Almost 70 percent of seventh graders have purchased lottery tickets and by their senior year, nearly 90 percent have purchased them." p. 92

"As state budgets become more gambling-dependent, legislators are tending to legalize higher revenue producing games, like video lottery terminals (slot machines) and keno at dispersed locations. **These constant, quick action games are considered highly addictive by counseling professionals.**" p. 17

"Electronic gambling machines are a quantum step towards increasing the social and economic costs of dealing with problem gambling. For most people, traditional lottery games involve going to a store, buying tickets and then stopping, at least until the next day. By contrast, **keno and VLT's are constant quick action games with a calculated amount of payback to encourage more play.**" pp. 105-106

(5) **THE VISION OF THE GAMBLING INDUSTRY: A VIDEO LOTTERY TERMINAL IN EVERY HOME**

"In the future, as revenues from existing gambling ventures are unable to keep pace with government gambling dependence, the gambling industry and legislators are likely to look towards expansion **through the use of (home) telephone and (home) interactive TV betting.**" p. 17

"In September 1991, the state of Minnesota attempted to cross a threshold in decentralizing gambling when it announced a joint plan with the Nintendo Company and the Control Data Company of Minneapolis to test market **lottery betting accessing people's homes through the use of new and**

retrofitted Nintendo machines. Massachusetts also tried a one year experiment in a telephone lottery system. Although the Minnesota project was canceled as the result of public protest, and the Massachusetts one ended with disappointing revenues, **the future prospect of widespread at-home gambling could have profound social and economic impacts."** p. 107

ECONOMIC DEVELOPMENT

Now, let me comment on the alleged need for maintaining the Kansas Lottery to support economic development and prison construction.

The Legislature approved a budget of \$48.6 million for the Economic Development Initiative Fund (EDIF) in FY 95. A review of the budget indicates:

- (1) Many of the line items appear to have questionable value for state economic development. How many of these line items would pass a tough scrutiny based on true economic development?
- (2) The Kansas Lottery appears to be buying constituency support from numerous state departments and other organizations by including these organizations in the budget.

DEPENDING ON GAMBLING REVENUES TO OPERATE STATE GOVERNMENT IS BAD

PUBLIC POLICY. If a line item in the EDIF budget or the prison construction budget is indeed needed, then put the item in the state general budget request and let the request go through the normal budget justification process. If the item is really needed for effective state government, it will stand the scrutiny of tough budget reviews.

CLUB KENO

Now, before closing, let me discuss one other factor that needs to be considered with respect to continuing the lottery game Club Keno.

In California, Indian tribes are using Keno, the same lottery game as Club Keno in Kansas, to justify legalization of electronic casino games on Indian lands. (Ref. 2 and 3) Attorneys for Indian tribes are arguing in the courts that electronic casino games such as video pulltab, video blackjack, video poker and video slot machines should be permitted in Indian casinos since these games are "indistinguishable" from the lottery electronic Keno game. Since the Federal Indian Gaming Regulatory Act (IGRA) requires a state to negotiate a casino compact for all Class III games permitted in the state, lottery Keno has become a major legal battleground in California courts.

As you may realize, Congress created a multitude of legal problems for both states and Indian tribes when IGRA was enacted in 1988. Indian tribes in almost every state in the Union, including Kansas, have challenged states in the courts to negotiate compacts for operation of casino games normally considered illegal by citizens. If the Kansas legislature continues to permit Kansas Lottery to operate Club Keno, or any other lottery game using video terminals, the legislature is exposing the state to the risk of a lawsuit similar to the one in California and increasing the probability of forced legalization of Indian casinos.

SUMMARY

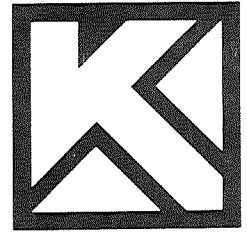
In summary, numerous studies have shown the adverse economic and social impact of state lotteries. We urge you to **LET THE KANSAS LOTTERY DIE** and fund items absolutely needed for economic development and prison construction from the state general fund. Further, we urge you to enact legislation this session that would make Club Keno and other lottery games using video terminals illegal.

REFERENCE

1. Goodman, Robert, "Legalized Gambling as a Strategy for Economic Development" United States Gambling Study, Center for Economic Development, University of Massachusetts, Amherst, March, 1994
2. Ramsey Indian Rancheria, et al v. Gov. Pete Wilson, State of California, U. S. Federal District Court for the Eastern District of California, July 1993
3. Ramsey Indian Rancheria, et al v. Gov. Pete Wilson, State of California, U. S. Court of Appeals for the Ninth Circuit, written by Judge Diarmuid F. O'Scannlain, late 1994

LEGISLATIVE TESTIMONY

Kansas Chamber of Commerce and Industry



835 SW Topeka Blvd. Topeka, Kansas 66612-1671 (913) 357-6321 FAX (913) 357-4732
SB 27

February 16, 1995

KANSAS CHAMBER OF COMMERCE AND INDUSTRY

Testimony Before the

Senate Federal and State Affairs Committee

by

Jim Edwards

Director, Chamber and Association Relations

Madam Chair and members of the Committee:

I appear before you today also representing the Kansas Industrial Developers Association (KIDA). I am pleased to have this opportunity to reaffirm KCCI's and KIDA's support for the Kansas Lottery and its continuation. We support wholeheartedly SB 27. KCCI and KIDA were the first groups to endorse a proposal which would create a state-owned and operated lottery in Kansas and we have appeared at every sunset review for the Lottery since that time.

The Kansas Chamber of Commerce and Industry (KCCI) is a statewide organization dedicated to the promotion of economic growth and job creation within Kansas, and to the protection and support of the private competitive enterprise system.

KCCI is comprised of more than 3,000 businesses which includes 200 local and regional chambers of commerce and trade organizations which represent over 161,000 business men and women. The organization represents both large and small employers in Kansas, with 55% of KCCI's members having less than 25 employees, and 86% having less than 100 employees. KCCI receives no government funding.

The KCCI Board of Directors establishes policies through the work of hundreds of the organization's members who make up its various committees. These policies are the guiding principles of the organization and translate into views such as those expressed here.

My purpose here today will be to quickly review the history of the Lottery and then introduce two individuals to you who can further speak to the merits of this funding source for economic development and job creation.

*Sen Fed & State
2-16-95
Attachment 4*

In 1985, Kansas was being faced with some very big questions dealing with its economic future. At that time, the Kansas Legislature appropriated \$40,000 for a comprehensive study of Kansas. This was subsequently matched by \$40,000 from the private sector and the study began. From this report came a vision. A vision for Kansans and their economic well-being.

There was one small problem though. Every time any of the issues were discussed in this vision statement, most everyone agreed on what needed to be done, they just could not find the money in a tight state budget for it. Also in 1985, Senator Bill Morris (Wichita) and others started talking about a state-owned and operated lottery in Kansas and had introduced, towards the end of the session, a measure which would provide for such an operation. This issue was not formally addressed in the 1985 session.

The 1986 session started and so once again did the discussion on the vision statement for Kansas as well as that big looming question..."How do we fund it?" That is where the Kansas Chamber of Commerce and Industry, the Kansas Industrial Developers Association, local chambers of commerce and the Kansas Arts Commission got into the act. For many years, these four groups saw very little of State General Fund moneys going towards projects that they thought were deserving. There was some hope though because the issue of a state-owned and operated lottery was still on the table. In Topeka, legislative and government leaders shepherded the issue through the Statehouse, along with the help of the four groups, where it received approval for submission to the state's voters. These four groups then mounted the grassroots efforts to sell the issue to Kansans who ultimately passed it by 64% in the 1986 General Election. A vision for Kansas had not only been created but had finally been financed.

Since that time, close to \$225 million has been invested in projects that have helped and continue to help address the vision created by this body in 1985. The moneys have helped create jobs for Kansans, developed market opportunities for Kansas products, trained and retrained Kansas workers, provided seed capital for high tech operations and assisted many rural

ommunities with tourism and small business opportunities. Lottery has created indirect revenues for the state and local units of government because it has helped create, as well as retain, taxpayers. If the Kansas Lottery is eliminated, you probably are not talking about only a \$40 million loss in revenue. Just as the Lottery has helped create and retain taxpayers, elimination of the Lottery could mean the exact opposite.

I have the pleasure of introducing two person who join me today in recognizing the positive aspects of the Kansas Lottery. First will be Gary Toebben, President and CEO of the Lawrence Chamber of Commerce and second will be Dr. Ed Berger, President of Hutchinson Community College.

Thank you for the opportunity to visit with you about the Lottery. The other proponents will explain in more detail the need to pass SB 27 favorably. I would be pleased to answer any questions you might have for me after other conferees have spoken.

Madam Chairwoman Oleen and Committee Members:

My name is Frances Wood, a volunteer lobbyist for Woman's Christian Temperance Union of Kansas. From articles in the Capital Journal, it would seem useless for me to appear before this committee to oppose SB 27. However, my sense of duty compels me to state some reasons for this opposition.

Figures released indicate \$152.3 million was spent on the lottery in 1994. Of that, 48 million came back to the state - 90% going for economic development. I'll admit, those figures seem impressive at first, but let me ask you, without the lottery how would the \$152.3 million dollars be spent? Wouldn't it be for items of economic development - groceries, cars, repairs, savings, education - you name it. So instead of \$43.2 million helping our state economy, we would have \$152.3 million helping our state economy. Ten percent went to prisons as it well should have. In addition, if the lottery is retained, you should set aside a certain amount for addictive gambling treatment centers as that need is sure to follow. We're fast becoming a state of gamblers - The net sales of the lottery in 1988 was \$65.8 million and that amount has more than doubled in 1994.

Andy Rooney on 60 Minutes, November 6, 1994, had comments about state lotteries. He said they should list the names of the losers along with the winners. He also questioned why does the lottery spend so much money advertising if the people are going to gamble anyway. Mr. Rooney said, "Trying to acquire money through luck instead of work is a bad idea to promote, and gambling is a business no government should encourage."

Finally, my opposition would not be complete without saying something about the moral issue. Do we really want to raise a whole generation of kids to believe there is nothing wrong with gambling? That is surely what we are doing - with state sanctions. I cringe when I hear those lottery ads on the KU radio broadcasts of the basketball games and when I the cute (?) lottery ads on the TV. I hope you will have the time to read my attachment before you vote on the bill. Perhaps, for the sake of our youth and all other Kansans you will decide to vote "NO" on SB 27.

Sen. Fed. & State
2-16-95
Attachment 5

JANUARY 9, 1994

pg 1

Gambling by youths compulsive

■ As opportunities to bet grow, problems of young gamblers becoming an epidemic

By PAM SCHMID
The Associated Press

MINNEAPOLIS — Jay Faherty's gambling habit began innocently enough, watching a church bingo game from his mother's side at age 12. It ended nearly a decade later with a trail of bad checks and maxed-out credit cards.

Like many gamblers, he was drawn by the lure of easy money.

"Whether you play 15 minutes or three hours, it's the same adrenaline rush," he says. "But the second you get away from the table, it's gone."

And, like a growing number of compulsive gamblers, Faherty was hooked on betting before he was old enough to buy a drink.

Gambling by youths compulsive

Continued from page 1-A

"We have an epidemic in America, a little-noticed epidemic," said Dr. Durand Jacobs, a clinical psychologist in Redland, Calif., and a pioneer in treatment of compulsive gambling.

Experts say compulsive gambling among teens is growing along with the gambling industry in the United States. Lotteries are operating in 37 states and the District of Columbia. Greyhound tracks have sprung up from Texas to Wisconsin. And in the past five years alone, casinos have spread from Nevada and New Jersey to 15 additional states.

The amount of money wagered legally in the United States has also grown dramatically — to an estimated \$330 billion in 1992, an increase of 162 percent in a decade, according to Gaming & Wagering Business Magazine.

While gambling becomes more accepted and accessible, experts say little is being done to warn teens about its hidden perils. Some researchers say kids run a greater risk of getting hooked than adults.

"Some of these kids are going to wind up having disastrous gambling careers, and it's preventable," said Henry Lesieur, chair of the criminal justice department at Illinois State University. He has spent two decades studying gambling's effects.

Statistics are scarce, but experts

say anecdotal evidence is building that more teens are becoming problem gamblers. Valerie Lorenz, executive director of the Compulsive Gambling Center in Baltimore, has seen a regular increase in the number of calls from teens since its national hotline started in 1987.

"The percentages are still small, but the point is, five years ago they weren't calling at all," she said.

Jacobs says the rate of problem gambling among youths who gamble is at least 10 percent, twice that of adults.

"We're finding that the very young are far more affected by the changing scene of gambling in America than are the adults," he said. "As you come down the age brackets, we're finding more and more problem gambling among the younger and younger."

Minnesota is a prime example of the growth of legal gambling. In the past three years, the state began a lottery and signed compacts with Indian tribes that opened the way for video poker, slot machines and blackjack. Today, 16 Las Vegas-style casinos dot the state, and spending on legal gambling has more than doubled — to \$3.4 billion in 1992 from \$1.6 billion in 1990.

Although gamblers must be 18 years or older to enter most Minnesota casinos, some teens boast about the ease with which their friends have been able to sneak past securi-

ty guards.

"Just go with a friend who's old enough, and walk in while he's showing his ID to the guard," said one teen who was playing blackjack — and losing — recently at Treasure Island Casino in Red Wing.

Specialists say the constant barrage of casino advertisements has seduced teens into thinking gambling is as harmless as a Nintendo game.

Billboards promoting Treasure Island boast of "more ways to play and win." Television ads for Mystic Lake casino in the Minneapolis suburb of Prior Lake tell viewers, "You're a lot luckier than you think." The Minnesota Twins even had a tie-in with casino gambling last season, promising a chosen few a free turn at Treasure Island's "cash tornado" if the home team won.

And because gambling has all the properties kids love — instant gratification, blood-pumping excitement — some experts believe they're more liable to get into trouble once they start.

"Teens who win just get an enormous ego boost from gambling," Lesieur said. "A teen can hope to work at maybe \$4.50 an hour if they're lucky. Here, they gamble and can win \$80 on a pulltab. That's big money."

A Minnesota study has found young gamblers are increasingly raising their sights — from sports and other informal betting to lottery playing, scratch tabs and video gambling.

TRANSCRIPT

of presentation given

to the

Kansas State Legislature's

Senate Federal and State Affairs
Committee

presented by:

Dr. Edward E. Berger

President

**Hutchinson Community College/
Area Vocational School**

February 16, 1995

*Sen. Fed. & State
2-16-95
Attachment 6*

Good morning. I am Ed Berger, President of Hutchinson Community College/Area Vocational School. I am speaking on behalf of continuing the lottery because of the multifaceted economic development benefits that it provides to the state of Kansas through the Economic Development Initiative Fund.

According to Charles Krider and Dan Roehler, in an article last fall in the Kansas Business Review, Kansas faces a critical decision, either develop a high skill and high wage strategy or depend on a pool of low skilled labor which will negatively impact on the standard of living in the state. The critical component is the increased need for technical training. Krider and Roehler further indicate that 52 percent of new jobs will require some post secondary education with there being decreased demand in the work place for the individual who has no post secondary education.

The need to stay current in teaching the necessary technologies for industry has been a cost that has increased most dramatically for community colleges and vocational schools. Community colleges and vocational technical schools in Kansas have been able to keep up with the equipment demands of these technological changes in part because of the availability of the Economic Development Initiative Fund for technical education programming and equipment. Statewide there is 1.5 million dollars available for vocational schools for capital expenditures that have a 50 per cent local match.

Hutchinson Community College/Area Vocational School received approximately \$100,000 in capital outlay funds this year that allowed the College to purchase technical equipment that is used for training and retraining the work force in South Central Kansas.

Additionally, funding has been available through the Kansas Technology Enterprise Corporation for grants that have encouraged partnering between business and industry and technical innovation. These partnerships have provided input from industry on their industry's training needs and the purchase of equipment by colleges and vocational schools that is used in expanding training technology for the work force.

An example of a KTEC training equipment grant received by Hutchinson Community College, through a partnership with Master Machine Corporation, was a grant for a computerized integrated manufacturing training center. The center was designed to provide a linkage between computer assisted drafting, computer numerical control, and the manufacturing process. The project provided a system to train students and retrain the existing work force in current technologies.

Another KTEC project was a partnership between Collins Industries and Hutchinson Community College. Collins provided support in equipment and consulting services for a mobile computer lab that enables the college to take computer course work directly

to the work site. This program, only eight months from inception, has already allowed the College to deliver instruction to nearly 150 students.

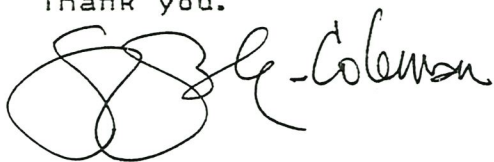
In addition to these grant projects, Area Vocational Technical School post secondary funding for programs that range from electronics to licensed practical nursing, receive approximately 25 per cent of their state support from the Economic Development Initiative Fund.

If Kansas is to continue to attract new industry and serve the expanding technological needs of existing industry, a high skill work force is essential. The training and equipment that have been made available through the EDIF are essential for educational institutions to stay current with these changes and insure that Kansas does not become a low skill and low wage state that competes economically with third world countries. The various initiatives that have created the strong economy that Kansas currently enjoys must be maintained.

THANK YOU FOR ALLOWING THE TIME for me to talk to you today about the Kansas Lottery. My name is Susie Frisbie-Coleman, I am the General Manager, Vice President of the EZ Shop chain of convenience stores, of which there are currently 24 stores in Kansas and seven in Missouri. For the calendar year 1994 our 24 stores sold over 4 million lottery tickets with the highest net sales coming from our store in Holton. Most importantly, our stores which are within a short driving distance to Missouri (a fellow lottery state) ranked in the top ten of all our stores in sales. If you look at the total lottery sales for Leavenworth, Atchison and Johnson Counties (over 20 million) you can bet that money will drive right across the state line to play the lotto, just like it did before we were lucky enough to have the lottery. It is very difficult to compete against our neighbors in Missouri who already have gas taxes three cents a gallon cheaper, and cigarette taxes .20 cents per carton cheaper, not to mention the river boats. The retailers need the lottery to compete. In talking to many state representatives about this issue I have heard comments ranging from "people shouldn't spend their money on the lottery", "the only people who play use our welfare dollars to play it with" and then there's the question about where the money goes.

As you know, the Lottery does not choose where the money goes, you do. The \$48 million the Lottery gave the State last year can be put to some very popular uses, how about reducing vehicle taxes? Why not introduce a bill for a percentage of the money to go to reducing taxes if you don't like the economic development path. As for the other comments about who's playing and who's not, I readily invite you to come down and visit a store with me or anyone from our company and see who it is that's playing; watch and see that we're not out here twisting anyone's arm to play, plus I think you would be very surprised at who it is that buys tickets. The people of this great State voted for the Lottery, please don't vote it out. I am not sure the retailers and businesses can survive without it. We ask you to vote yes on Senate Bill No. 27.

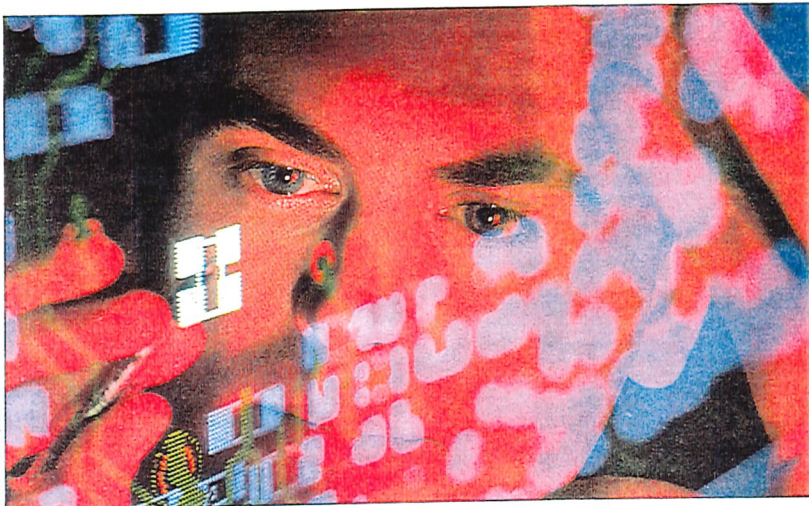
Thank you.



Sen. Fed. & State
2-16-95
Attachment 7

AND THE WINNER IS . . . KANSAS

LUCKY NUMBERS ADD UP TO MORE JOBS AND INCREASED REVENUES IN THE SUNFLOWER STATE.



KTEC can provide as much as 40% of the funds for basic-research projects and gets a royalty if the project yields a successful product.

YOUR DREAM HOUSE, WORLD TRAVEL, A NEW CAR, all your wildest fantasies fulfilled, if only you would win the lottery. Ticket in hand, glued to the TV set, your heart pounds as the balls bounce around, then shoot up those tubes. "The winning numbers are 5,487 and \$118 million."

Huh? You better believe it. In Kansas everyone wins the lottery, even those who don't play. There, technology-transfer programs are funded with proceeds from the state lottery. And those winning numbers are the new jobs and new revenues created by lottery-funded programs since their inception in 1987.

In 1993 alone, \$33 million was attracted into the state via grants, industry matches, and venture capital, a 4:1 leverage of program spending. These numbers are that much more impressive considering Kansas has a population of just 2.5 million and receives little federal assistance.

"Kansas is not a major recipient of federal grants, and there are no federal labs here, so we had to do it the old-

fashioned way and fund programs with our own imagination and creativity," says Rich

Bendis, president of Topeka-based Kansas Technology Enterprise Corp. (KTEC). A private-sector-driven company charged with establishing and funding programs to foster innovation and commercialization of new technology, KTEC was established by legislators in 1987 as part of a new economic-development initiative. "Our mission is basically to create jobs around technology in the state of Kansas," says Mr. Bendis.

Funding began when the state lottery was voted in by the general public in 1988, with proceeds mandated for economic-development initiatives. "By statute, a minimum of 85% of lottery proceeds are divided among three different economic-development agencies," says Mr. Bendis. KTEC has the tech-

nology mission, and in 1993 received \$11.1 million from the pot of \$42.6 million.

"We believe Kansas has created one of the most comprehensive infrastructures for tech transfer, innovation, and commercialization of technologies in the country," states Mr. Bendis, "but it's one of the best kept secrets. Now we're going to start telling our story to people outside Kansas, because we know if you make an investment here, the money will be well spent."

Some key KTEC programs include:

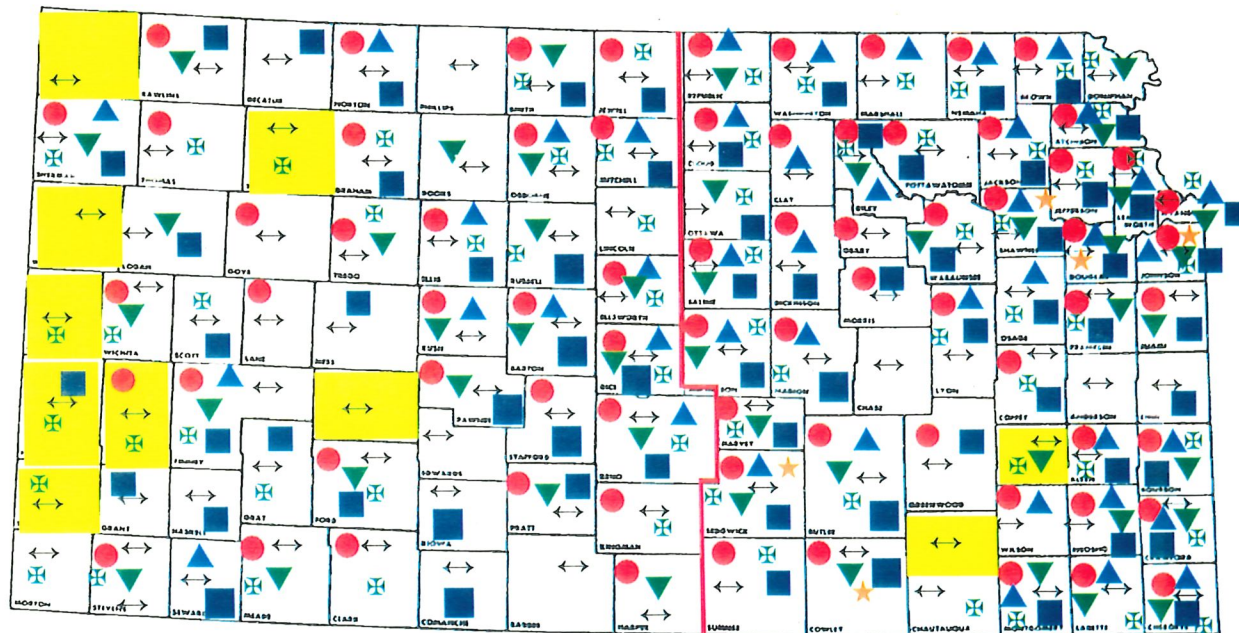
- **Centers of Excellence.** University-based, these centers team academia's scientists with industry researchers to conduct joint experimentation and basic research. Three biotech/pharmaceutical companies have spun out of the center at the University of Kansas, Lawrence.
- **Applied research matching-grant fund.** KTEC co-funds applied research up to 40%, with 60% contributed by the industry partner. In return, KTEC gets a royalty on sales if technology is commercialized successfully. "Since 1992 we've developed royalty positions with 80 companies," says Mr. Bendis. "Our goal in 1994 is to generate about \$100,000 in royalties."
- **A seed capital fund.** Operating like venture capital, matching funds from the private sector, institutions, and foundations help finance early-stage technology start-ups for entrepreneurs, inventors, corporate projects, or through technology transfers from the universities. Examples include companies in 3-D biomedical imaging, superconductivity, medical diagnostics, and drug delivery.
- **Training-equipment grants.** With these funds community colleges and vocational/technical schools buy state-of-the-art equipment that the institutions, generally located in rural areas, could not normally afford. The equipment must be accessible to industry in the local community for training as well.
- **NIST manufacturing-extension partnerships.** These matching grants from the U.S. Dept. of Commerce program "are designed to upgrade the technical capabilities and processes of small manufacturers, making certain they remain competitive," says Mr. Bendis.
- **Innovation and commercialization corporations.** "One of our latest initiatives," says Mr. Bendis. Private/public partnerships are formed including KTEC, a university, and the private sector in the local community, with the goal to accelerate the rate of successful commercialization of technologies. "What we have is scientific, education, and business-planning services combined with a ready source of capital to provide jump-starts to emerging entrepreneurs in the technology field," says Mr. Bendis. ◀

By **TIM STEVENS**



KANSAS
TECHNOLOGY
ENTERPRISE
CORPORATION

Statewide Projects by County



★ Ad Astra

▲ Centers

■ Counties with
no manufacturers

▼ Grants

↔ KICIN

⊞ KVIC

■ Inventors Assisted

● MAMTC

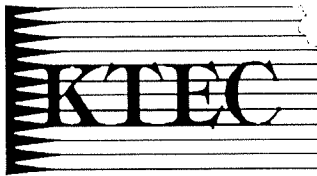
Population:	422,670	(16.8%)
Employees:	123,592	(14.2%)
Est. Firms:	14,451	(20.7%)
KTEC Projects:	274	(17.5%)

Population:	2,092,650	(83.2%)
Employees:	747,922	(85.8%)
Est. Firms:	55,263	(79.3%)
KTEC Projects:	1287	(82.5%)

Data as of 2/95.

KTEC™1995

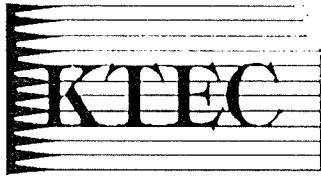
2-2



KTEC Funding

**KTEC's funding is 100% from the
Economic Development Initiatives Fund (EDIF)
= proceeds from the Kansas Lottery
and parimutuel racing revenues.**

**KTEC receives no money from the
State General Fund.**

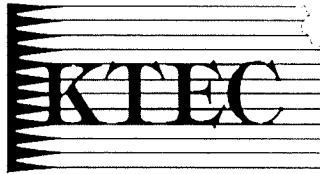


KTEC™ Mission:

**“Foster technological innovation
and the creation, growth, and
expansion of Kansas enterprises.”**

©KTEC 1995

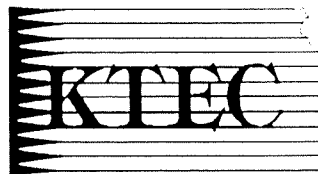
8-4



Economic Overview

- **Kansas is now recognized as one of the leading states in the U S with a comprehensive science and technology and commercialization infrastructure which can support technology through every stage of evolution**

8-5



Kansas Economic Development Organizations



Kansas Technology
Enterprise Corporation

Kansas Governor
and Legislature

Kansas, Inc.

Kansas Department
of Commerce & Housing



Presentation to

**Senate Federal and State
Affairs Committee
February 16, 1995**

by

Richard A. Bendis, President

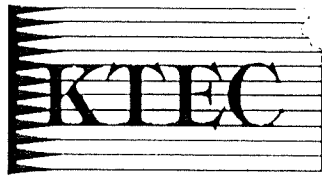
Kansas Technology Enterprise Corporation

112 SW 6th, Suite 400, Topeka, KS 66603

913/296-2120

©KTEC 1995

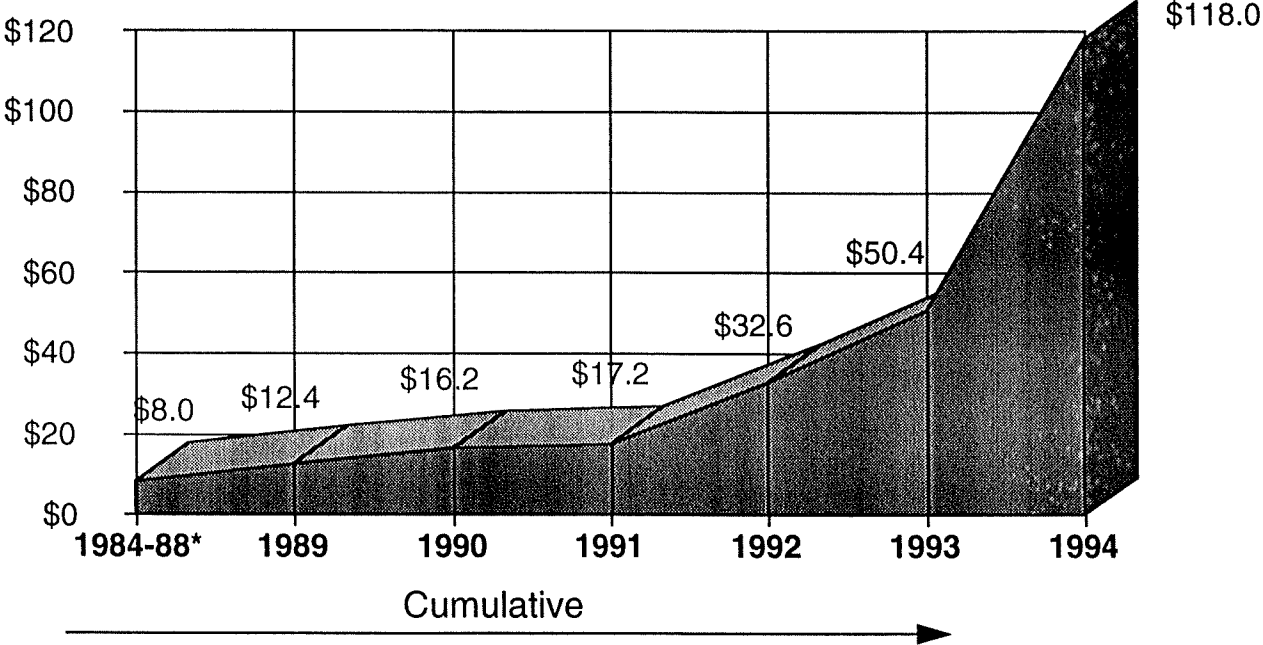
8-8
7



Economic Overview

- **Kansas is a small business state**
 - **Kansas has 73,716 businesses**
 - **64,888 have 19 or fewer employees**
 - **161 businesses have 500 or more employees**

Increased Sales Reported by Companies Associated with KTEC



*Includes activities of KTEC's predecessor, the Kansas Advanced Technology Commission.

8-8
6



Economic Development Recommendations

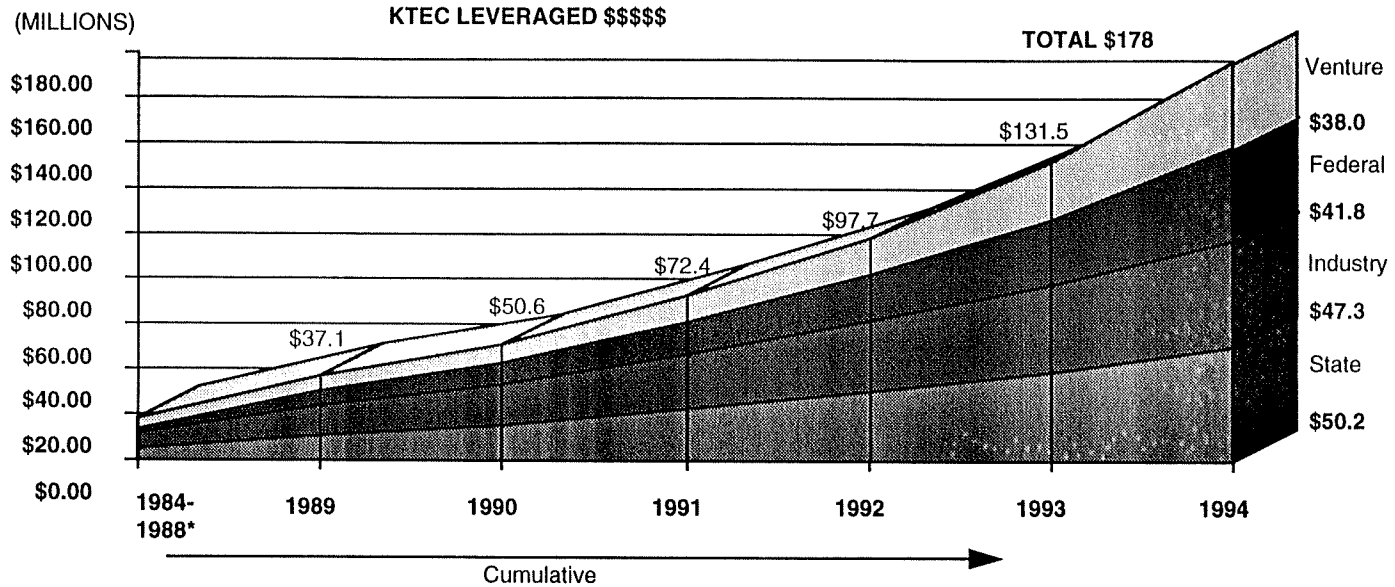
- **Economic Development is critical to the State of Kansas;**
- **KTEC, KDOC & H, and Kansas Inc. represent one of the best economic development infrastructures in the United States;**
- **It's imperative to have continuity in funding for economic development programs;**
- **Unless an alternative can be established as a funding source for the programs, the EDIF must be maintained.**

8-10



Summary Report

11
#8



1984-1994 Accomplishments

Investments

\$50.1 million in state funding
 \$47.3 million in industry funding
 \$41.8 million in federal funding
 \$38 million venture capital
 \$.8 million in institutional funding

TOTAL \$178.0 Million

Results

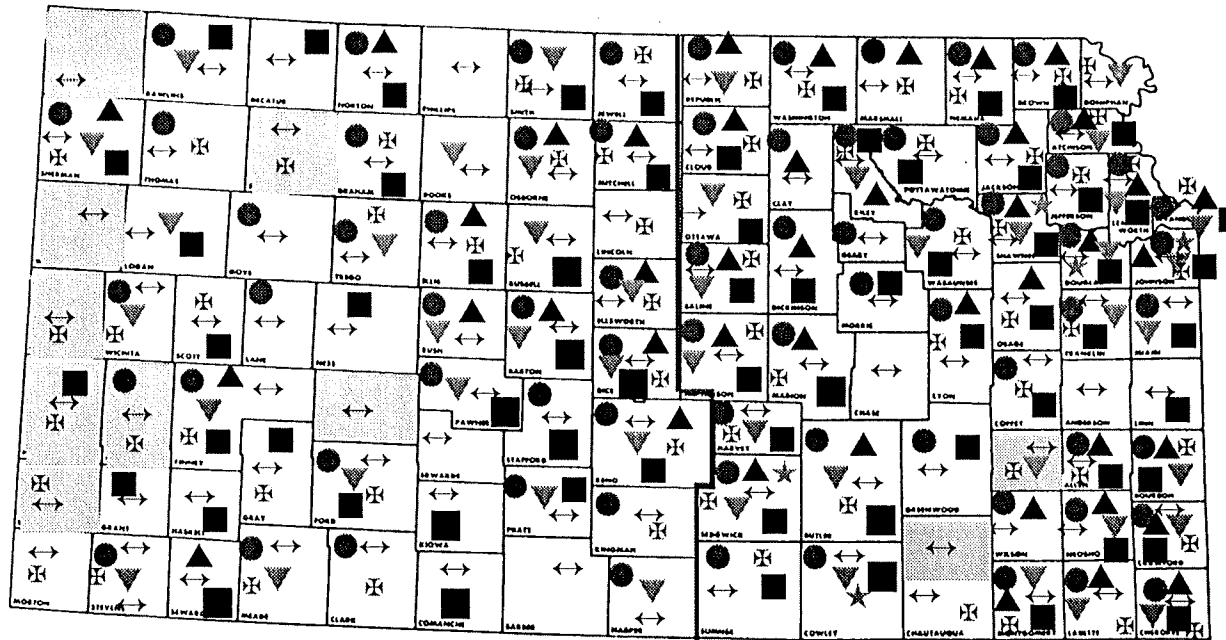
\$118.4 million in increased sales
 114 company start-ups
 36 company expansions
 5,187 jobs created
 6,642 industry employees trained
 2,228 manufacturing plan visits

252 technologies developed
 95 patents issued
 447 inventors assisted

12-8-8



Statewide Projects by County



★ Ad Astra

▲ Centers

■ Counties with no manufacturers

▼ Grants

↔ KICIN

⊞ KVAC

■ Inventors Assisted

● MAMTC

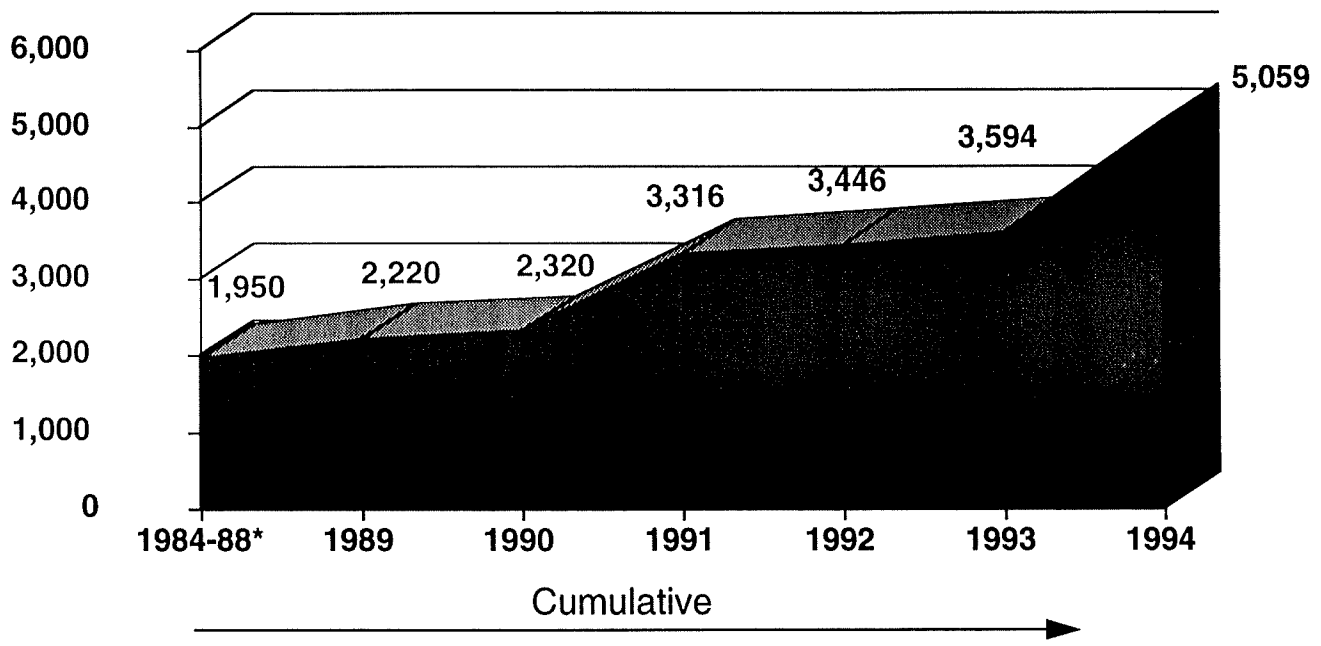
Population:	422,670	(16.8%)	Population:	2,092,650	(83.2%)
Employees:	123,592	(14.2%)	Employees:	747,922	(85.8%)
Est. Firms:	14,451	(20.7%)	Est. Firms:	55,263	(79.3%)
KTEC Projects:	274	(17.5%)	KTEC Projects:	1287	(82.5%)

Data as of 2/95.

KTEC™1995

#-B
13

Jobs Created Through KTEC Programs



*Includes activities of KTEC's predecessor, the Kansas Advanced Technology Commission.

**Testimony on
Senate Bill No. 27**

Continuation of the Kansas Lottery

Charles Warren, President, Kansas Inc.
February 16, 1995

Senate Federal-State Affairs Committee

Madame Chair, members of the Committee. I am testifying today in support of continuing the Kansas Lottery and the dedication of the funds to economic development.

Kansas can be proud of its accomplishments in economic development. The Kansas Lottery has provided significant new resources to create jobs and help business grow throughout Kansas.

This year alone, because of lottery dollars, the Department of Commerce and Housing has:

- o saved 300 jobs at a factory in Great Bend,
- o worked with Cessna to create 1,000 jobs in Independence that will provide \$26 million of new income to Southeast Kansas for the next 20 years.
- o assisted Wichita in recovering from the Boeing Layoffs through retraining and micro-lending to create new, small businesses.
- o provided the resources to train thousands of workers through the KIT/KIR program.

KTEC and the Value Added Center have used lottery dollars to help entrepreneurs create new businesses and transfer technology to small manufacturing firms. Because of the Lottery, a family in Bucklin, Kansas has a thriving home-based business called, "The Pickle Cottage."

Today, Lottery dollars are helping save the \$500 million payroll of Fort Riley.

Russell Stover built a new candy factory in Abilene because the city and state government worked together and had lottery dollars to help train the new workers. When Russell Stover advertised for employees, 3,000 people showed up to apply for 200 jobs. These Kansans wanted a good job that paid a "family wage."

In every corner of Kansas, The Department of Commerce and KTEC and many other state and local agencies have assisted communities and citizens by bringing new pride to main street and good wages to their households.

*Sen Fed & State
2-16-95
Attachment 9*

The Economic Development Initiatives Fund has been an investment in the future of Kansas. Because of the Kansas Lottery and the programs it funds, Kansas enjoys low unemployment, an increase in personal income, and we have generated new tax dollars from these investments. We are justified in calling economic development a program of investment rather than a spending program. We expect a return on these investments and we have contributed to the growth of state revenues. Every time we help create a new job or new business investment, we create an additional taxpayer or additional wealth that brings new revenues to state and local government.

It is also clear that the linkage between the lottery and economic development, especially in its formative period, was important to the success of the games. The theme was clearly articulated that buying a lottery ticket was also an investment in the future of the state -- that the purchaser would always win. Clearly, we have demonstrated that everybody does win.

If the lottery is not continued, our success in creating jobs and preserving communities will suffer. Because of the Lottery, Kansas has one of the best and most sophisticated economic development systems in the nation. Because of the Kansas Lottery we have the resources to compete with other states and to build our communities' capacity to compete. Because of the Lottery, we were able to provide money to rural counties to plan for their future, and today, 85 of our 105 counties have designed their own strategies for success.

If funding for economic development is reduced dramatically because of the loss of lottery dollars, the smaller, rural communities will suffer disproportionately. Our larger cities have the resources, the staff and the expertise to compete for new businesses. It is the small cities and counties that depend on state funding for assistance. Our rural areas rely on economic development assistance from the State of Kansas. Their very futures depend on it.

We cannot tell Great Bend, Independence, Abilene, Junction City, and Bucklin that economic development is unnecessary and that lottery dollars are no longer needed. We cannot tell the father and mother that are still looking for a decent job that economic development is no longer needed.

The people of Kansas support the Lottery. That support was demonstrated by their approval of the Lottery in 1986, and is reaffirmed every day through ticket sales. The people of Kansas want good jobs and more economic development. I urge this committee to continue the Kansas Lottery.