

Approved: 4-26-96
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 March 5, 1996 in Room 313-S of the Capitol.

Members present were: Senator Oleen, Chair
Senator Tillotson, Vice Chair
Senator Jones, Ranking Minority Member
Senator Gooch
Senator Hensley
Senator Jordan
Senator Papay
Senator Praeger
Senator Ramirez
Senator Walker

Members not present: Senator Vidricksen - excused

Committee staff present: Mary Galligan, Legislative Research
Mary Torrence, Revisor
Nancy Wolff, Committee Secretary

Conferees appearing before the committee:

Greg Kooser, a dog trainer from Kansas City
David Tolle, Past President, Kansas Quarter Horse Racing Association
Marshall Barber, a Topeka Realtor
Bert Cantwell, Kansas City, Kansas Chamber of Commerce
H. David Rybolt, Overland Park
Rebecca Rice, Legislative Counsel, Kansas Coalition for Gaming Equity
Dick Kelsey, Kansas Association of Evangelicals
Randy Chilton, Kansas Amusement and Music Owners Association
Chuck Yunker, Kansas Sunflower Club Association

Others attending meeting: See attached list

The hearings for **SCR1621**, the constitutional amendment providing for a state-owned and operated lottery to contract with bona fide nonprofit organizations to operate or conduct electronic games of chance at certain locations in the state and **SB712** which provides for the operation of certain electronic game of chance machines by certain nonprofit organizations contracting with the state.

The first proponent of the bills was Greg Kooser, a trainer with the Roger Sifferman Kennel in Kansas City (Attachment 1). David Tolle, of Overland Park, Director and Past President of the Kansas Quarter Horse Racing Association, testified in support of the legislation (Attachment 2). Also testifying in support of the bills were Marshall Barber, a Topeka Realtor, (Attachment 3) and Bert Cantwell representing the Kansas City, Kansas Chamber of Commerce (Attachment 4). There being no other proponents to appear on the bills, Senator Oleen requested that the opponents begin their testimony.

H. David Rybolt of Overland Park, testified in opposition to increased gaming in the state (Attachment 5). Rebecca Rice, Legislative Counsel for the Kansas Coalition for Gaming Equity, presented testimony in opposition to the current structure of **SCR1621** (Attachment 6 and 7). She stated that the constitutional amendment is not necessary. She urged the committee to read the Supreme Court case as well as the Attorney General's opinion on the subject. Dick Kelsey, representing the Kansas Association of Evangelicals, spoke in opposition to the bills (Attachment 8). Randy Chilton, appearing on behalf of the Kansas Amusement and Music Owners Association, testified in opposition to the bills (Attachment 9). The final opponent to the bill was Chuck Yunker representing the Kansas Sunflower Club Association which is made up of the Moose, Elks, American Legion, Eagles Knights of Columbus, Shrine and Veterans of Foreign Wars. His testimony is attached (Attachment 10).

Senator Ramirez asked Mr. Yunker if there are any slot machines located at any of the organizations that make up the Kansas Sunflower Club. Mr. Yunker replied that such machines are not legal and although he could not speak for any organization other than the American Legion, a letter sent to all Legion posts explained that such gambling devices were subject to losing their charter should such machines be found.

There being no other business, the meeting was adjourned at 12:00 p.m.

FEDERAL & STATE AFFAIRS COMMITTEE
GUEST LIST
DATE: 3-05-96

NAME	REPRESENTING
BUD LOBAN	KCC
Patrick Husley	COBA
But Cantwell	KCKACC
Marshall Barber	Racing Fans #
Gene Elliott	Kansas Lottery
Terry R. Schoeni	Ashbury United Meth Church, P.V. KS
David Ryker	"
Dave Schneider	Kansas For Life Mt Sts Best
Helen Stout	Ks Greyhound Assoc.
Gladys Workman	Self
Richard Surpin	Ks Thoroughbred Assoc
Merle Hill	KACC
Tom Bruno	Allen + Assoc.
Amy Praeger	Sen. Moran
Sue Wayne	The Woodlands-
Denny Burgess	Sunflower
Tom Burgess	Sunflower
FASHAD REZVANI	Sunflower RACING
James White	Sunflower RACING
Dave Robinson	D.V. of Budget
H. Rick Hewson	Sunflower RACING
Bruce Timbo	The Woodlands
Kathy Keersm	Sunflower RACING

FEDERAL & STATE AFFAIRS COMMITTEE
 GUEST LIST
 DATE: 3-05-96

NAME	REPRESENTING
J.P. Small	Ks Quarterhorse Racing Assn.
Rick Fleming	Governor's Office
RANDY CHILTON	Ks. Amusement + music owners
Rebecca P.	Ks Coalition for Gaming Equity
Jeland Co Wood	myself
Wanda Wood	myself
Jim I. Nichols	woodlands
Carrie Oosthuit	woodlands
Mendell E. Muddox, Jr.	The Humane Society of the U.S.
Steve Collier	Woodlands
Leonard Turano	Woodlands/Sunflower
Fred Fred Cairns	✓ ✓
L. Marquis	Woodland
JAMES MILLER	Woodlands
Chester Nelson	Kansans for Para mutual
William J. Dilley	The Woodlands
Edmund Rynkiewicz	Woodlands
Hugh Kroos	Woodlands
Tom Kintley	KANSANS FOR PRIMOTICE/
Mark H. H.	Sunflower Raising
ARTHUR MRARMON	Woodlands
Michael Swenson	myself / woodlands
Bill Cole	my self / WOODLANDS
Ed Ryan	WOODLANDS / THE RIGHT TO VOTE

February 26, 1996

TESTIMONY TO THE SENATE STATE AND FEDERAL AFFAIRS COMMITTEE

By Greg Kooser, Trainer
Roger Sifferman Kennel

Thank you for giving me this opportunity to speak about SCR 1621. This is an issue very important to me because we're talking about my job as a trainer at The Woodlands. I want to talk to you this evening about options.

I was born in Abilene, which is known around the industry as the greyhound capitol of the world. I grew up around greyhound farms and lived two blocks away from the National Greyhound Association headquarters. It's fair to say that my entire life has been in the greyhound racing industry. I attended college at the University of Kansas, and opted to work full-time in the industry in 1989.

I have traveled extensively across the United States, working at ten race tracks in seven states. Everywhere you go in the greyhound industry, Kansas is known as the nation's leader in breeding, raising, and racing greyhounds.

I remember when The Woodlands opened in 1989. It was the spotlight of the greyhound industry. Crowds were huge most every performance, and finally after years of exporting greyhounds to other states, Kansas was supporting this industry internally.

*Attachment
Exhibit 1
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As you know, that has changed. Crowds are not even one-fourth of what they used to be. The money that we receive for winning races is 60% below what it once was. And the reason for the decline isn't because the quality of greyhounds has changed or that trainers like me aren't working as hard as we once did.

The reason that our kennel is no longer showing a profit is because the public has other gaming options. Many prefer to play slot machines over greyhound racing. Not everyone prefers it, but many do. And instead of coming to The Woodlands, those that prefer slot machines are going to riverboat casinos in Missouri.

It seems obvious to me that in order to draw the crowds back to greyhound racing, all you have to do is offer the same slot machines that are available on the riverboats. Then the public would have the OPTION of playing their preferred game at a greyhound track which would supplement this industry that is so important to Kansas.

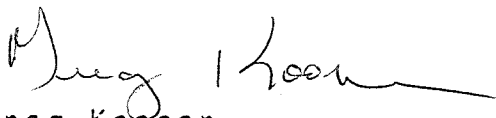
You can look at it in the most simple terms. Right now, as a trainer, I make \$20 in commission for a top grade win. If slot machines were added, I could make as much as \$80 to \$100 for that same win. This financial boost could happen for hundreds of owners, breeders and trainers in Kansas by giving the public the OPTION to play slot machines here instead of Missouri.

There's one more OPTION that I want to call to your attention. That is the public's OPTION to decide the issue at the ballot box. This issue should be left up to the voters of Kansas. It's our OPTION to decide, not yours as politicians to make this decision for us.

In closing. I just want to say that we all work hard at our jobs, pay taxes, and support the state through this business. By not allowing a public vote, you will end my career as a greyhound trainer in my home state and that is the case for many other trainers as well. My job is very important to me.

Please do the right thing by supporting Senate Concurrent Resolution 1621 so that we can give the public the OPTION to decide this issue.

Thank you,



Greg Kooser
Trainer, Roger Sifferman Kennel
1609 W. 69th Terrace #183
Shawnee, Kansas 66217

To: The Senate Federal and State Affairs Committee
Senator Lana Oleen, Chairperson
State Capitol Building
Topeka, Kansas 66612

From: Dave Tolle
Director and Past President
Kansas Quarter Horse Racing Association
Overland Park, Kansas 66213

Members of the Committee:

My name is Dave Tolle. I am Past President of the Kansas Quarter Horse Racing Association and presently serve as Director for Kansas with the American Quarter Horse Association.

I am here today to address an issue whose time has come once again. While my affiliation and interest in this issue is somewhat based upon my association with the Quarter Horse industry and its people in Kansas, there is a much stronger reason that I travel to Topeka tonight.

Although many faces have changed in the Kansas Legislature since I was involved with pari-mutuel legislation in the early and mid 1980's, the real issue we face now has not.

Those of us who supported pari-mutuel legislation for many years told members of Kansas Legislature time and time again:

- *That pari-mutuel wagering would enhance a unique Kansas industry...and it has.
- *That Kansas voters could maturely handle the issue at the ballot box... and they did.
- *That pari-mutuel wagering would not result in organized crime in our great state...and it has not.

Over the past few years, Kansas has enjoyed some huge successes from the decision made by Kansas voters in 1986. We have been able to rejuvenate an industry that was, at best, making a substantial departure from active participation within our state.

We won the race between Kansas and Missouri for the well-regarded Kansas City market. The voters brought an opportunity for the racing industry to return home. They brought an opportunity for the related businesses and services to enhance their chances for growth.

What's happened now is pretty simple. The challenges we face are no different than those faced by most of American business today. With the advent of Missouri riverboats and casino gambling on Indian reservations across this country, there is new competition for the recreational dollar.

Kansas is not in a unique situation. This change is fast moving across the nation. One only needs to spend a couple of days in neighboring states to comprehend the inevitable outcome. Just 20 minutes from the

*Attachment Exhibit 2
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Woodlands in Kansas City are three riverboats that enjoy enormous crowds of people, most of which have been customers of the Woodlands in the past.

Take a trip to Des Moines, Iowa and witness a racetrack that is simply flourishing with the advent of slot machines. We won't take that trip to Omaha this year where the slot machines at Council Bluffs have taken command. Not since World War II has this historic facility been closed.

I know you've heard these issues discussed time and time again. But what remains is that you, as members of the Kansas Legislature, have control of the destiny of the racing industry and its supporters and fans once again. This is an enormous responsibility. In order to survive, the pari-mutuel industry must have the flexibility to meet competitive challenges. The Kansas voters should be the ones to decide whether or not the industry has that flexibility.

It took years and years to convince the legislature to allow a state-wide vote on pari-mutuel wagering. It took one vote of the people to overwhelmingly decide to accept the proposal. The racing greyhound and horse owners are in this state in substantial numbers. Most of them are still supporting the Kansas racetracks, even with the loss in revenues that has occurred. But, if the racetrack doesn't open, as is the case with Aksarben this year, then we don't have much choice except to go out of state or quit.

In either case, the Kansas economy loses. I submit to you that you have an opportunity to allow this industry to survive. You also have an option which will ultimately prevent it from surviving. The Kansas voters are extremely capable of making this decision, given the opportunity. Not unlike the question of pari-mutuel wagering in 1985-1986, this is an issue whose time has come.

Dave Tolle
12744 Reeder
Overland Park, Kansas
February 26, 1996

AS A RACING FAN AND AS A REAL ESTATE AGENT INTERESTED IN PROMOTING THE HEALTH AND WELL-BEING OF KANSAS, I SUPPORT THIS MEASURE AND WOULD LIKE TO OFFER THE FOLLOWING OBSERVATIONS FOR CONSIDERATION BY THE COMMITTEE.

- (1) I AM SPEAKING PRIMARILY AS A PATRON OF THE WOODLANDS BUT HOPE MY COMMENTS ARE RELEVANT TO RACING WHEREEVER IT OCCURS IN KANSAS. THE OPPORTUNITY TO ATTEND BOTH LIVE RACING PROGRAMS AND THE SIMULCAST PROGRAMS FROM TRACKS ALL OVER THE COUNTRY PRESENTS A SIGNIFICANT RECREATIONAL AMENITY FOR A BROAD SPECTRUM OF THE POPULATION. IT IS THE ONLY LINK FOR RACING ENTHUSIASTS TO THE NATIONAL RACING SCENE, INCLUDING BUT NOT LIMITED TO EVENTS SUCH AS THE KENTUCKY DERBY, BREEDERS CUP, AND OTHER WORLD CLASS EVENTS. WHILE ATTENDING EVENTS AT THE WOODLANDS I HAVE NOTICED THAT THERE ARE ALWAYS A LARGE NUMBER OF OUT OF TOWN GUESTS WHO COME TO THE WOODLANDS IN ORDER TO PLAY THEIR FAVORITE TRACK THROUGH SIMULCASTING. I.E., A BUSINESSMAN IN FROM CHICAGO MIGHT STOP BY TO PLAY THE RACES AT ARLINGTON, AND SO FORTH. ONE OF THE ATTRACTIONS OF DOG AND HORSE RACING IS ALSO THAT THE HORSES AND DOGS NEVER GO ON STRIKE AND ARE ALWAYS THERE READY TO GIVE 100%...THE HORSE AND DOG INDUSTRY BOTH MAKE SIGNIFICANT CONTRIBUTIONS TO THE KANSAS ECONOMY AND IF SLOTS ARE WHAT IT TAKES TO HELP RACING THROUGH A ROUGH PERIOD THEN I APPEAL TO YOUR SENSE OF COMMUNITY TO GIVE THIS INDUSTRY A HELPING HAND. I LIVE IN EASTERN KANSAS, BUT IF SOMEONE ELSEWHERE IN THE STATE NEEDS SOME LEGISLATION TO HELP THEIR PARTICULAR SITUATION THEN I AM ALWAYS WILLING TO GIVE MY SUPPORT --THEREFORE IT IS AMAZING TO ME THAT SOME LEGISLATORS FROM THE JOHNSON COUNTY AREA HAVE EXPRESSED INDIFFERENCE TO THE IMPENDING DEMISE OF THE WOODLANDS AND RACING. THE WOODLANDS USED TO BRING MISSOURI PEOPLE AND THEIR MONEY INTO KANSAS. NOW KANSANS ARE GOING TO MISSOURI--BY THE ESTIMATE OF SALOMON BROS. WITH 183 MILLION DOLLARS A YEAR BY 1998 --- AND HOW MUCH MONEY DO YOU THINK THOSE RIVERBOAT OPERATORS ARE GOING TO PUT BACK INTO THE KANSAS ECONOMY AND DONATE TO KANSAS CHARITIES?
- (2) I WOULD ALSO LIKE TO COMMENT ON SOME OF THE RHETORIC AL OVERKILL INDULGED IN BY OPPONENTS OF THIS MEASURE., WHO HAVE FELT IT NECESSARY TO ATTACK THE CHARACTER AND CREDIBILITY OF THE RACING INDUSTRY, THE RACING COMMISSION, GAMBLING INTERESTS IN GENERAL, AND EVEN MANAGEMENT AT THE WOODLANDS. I WOULD BRING YOUR ATTENTION TO THE FACT THAT , YES, THERE HAVE BEEN OCCASIONS IN KANSAS WHEN UNSCRUPULOUS GREEDY INDIVIDUALS HAVE MADE OFF WITH HUNDREDS AND THOUSANDS, EVEN MILLIONS OF DOLLARS THAT DIDN'T BELONG TO THEM. WE ARE ALL FAMILIAR WITH WHAT HAS HAPPENED IN THE SAVINGS AND LOAN INDUSTRY IN THE 80's AND 90's, IN THE KANSAS PUBLIC EMPLOYEES RETIREMENT SYSTEM, AND IN THE AREA OF WORKMANS COMPENSATION. STRANGELY ENOUGH, RACING AND PARAMUTUEL WAGERING, SINCE THEIR INCEPTION IN 1990, DESPITE BEING RIDDLED WITH "PEOPLE OF QUESTIONABLE MORAL CHARACTER" HAS BEEN CONDUCTED WITHOUT ANY SCANDALS-- SO THE OPPONENTS OF THIS MEASURE WHO SAY THAT GAMBLING INTERESTS ARE CORRUPT ARE PROMULGATING UNSUBSTANTIATED GOSSIP--DOES THIS NOT CONSTITUTE BEARING FALSE WITNESS AGAINST THY NEIGHBOR???
- IF YOU'RE WORRIED ABOUT THE CRIMINAL ELEMENT COMING TO KANSAS, THEN PASS A BILL OUTLAWING THE NEBRASKA FOOTBALL TEAM--BUT DON'T BE ACCUSING RACING AND ITS PATRONS OF BEING ANYTHING BUT A HARD WORKING GROUP OF PEOPLE DEDICATED TO IMPROVING THE BREED AND PROVIDING A MENTALLY CHALLENGING FORM OF RECREATIONAL GAMBLING.

PLEASE PAY HEED TO THE FACT THAT AK SAR BEN HAS ANNOUNCED THAT IT WILL NOT BE ABLE TO AFFORD TO CONDUCT THOROUGHBRED RACING THIS SUMMER, CONCLUDE WITH ME THAT RACING NEEDS OUR HELP AND PASS THIS MEASURE. THANK YOU FOR YOUR GOOD ATTENTION.

MARSHALL BARBER
600 S W VAN BUREN
TOPEKA ,KS.
66603



Attachment
~~Exhibit~~ 3
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BERT CANTWELL

TESTIMONY BEFORE THE SENATE FEDERAL
AND STATE AFFAIRS COMMITTEE, FEBRUARY 26, 1996

My name is Bert Cantwell and I am president of the Kansas City Kansas Area Chamber of Commerce. It should come as no surprise I am submitting testimony favoring passage of SB 712 and SCR 1621, which would give the citizens of Kansas the chance to vote on whether to allow slot machines at pari-mutuel racetracks in Kansas.

Kansas pari-mutuel racing, which in Kansas City means The Woodlands, would finally have the ability to compete equally in the marketplace with Missouri's riverboat casinos if voters approve changing the law. Independent polls have shown that an overwhelming majority of our citizens want to vote on this issue and, like Governor Graves, I believe it's past time for them to do just that.

The press is fond of calling the slot machine issue a "bailout". Nothing could be farther from the truth. What is sought is merely the opportunity to make a change in the product line, much like General Motors does every time they decide to introduce a new model or change an old one. The difference is, they don't have to ask the government for permission before they take their new product from the drawing board to the assembly line. There's no middle man. The Woodlands, along with the rest of Kansas racing industry, wants to change their product line to become competitive with Missouri interests that are currently draining their customer base. No bailout, no government or public funding, no TIF financing, just the right to compete on a level playing field with the guy across the river. Without that right, we will continue to see millions of Kansas dollars cross that river every year because Kansans like the product they are able to buy in Missouri.

*Attachment
Exhibit 4
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The Woodlands was once one of the area's top employers. In fact, it was the second largest private employer in Wyandotte County. They were also the leading volume restaurant in the metro area. Missouri's casinos changed all that, but, as we have seen recently in Iowa, we have a chance to reverse the decline. Iowa has shown us that a racing industry can be brought back to life with the addition of slot machines at racetracks and right now in Kansas we have the opportunity to do just that. We can save existing jobs and bring in new ones. We can develop a new source of revenue for breeding programs in the state's racing industry and funding for Kansas' higher education. We can bring an important industry back from the brink of disaster and that's important not only to Kansas City, Kansas and Wyandotte County, but all of Kansas as well.

I urge you to pass Senate Concurrent Resolution 1621 and Senate Bill 712. Don't let this opportunity pass us by.

A Statement Before The
SENATE FEDERAL and STATE AFFAIRS COMMITTEE
STATE of KANSAS

CONCERNING SCR 1621 and SB 712

H. David Rybolt
6501 West 66th Street
Overland Park, Kansas 66202

February 26, 1996

Attachment
~~*Exhibit 5*~~
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I would like to begin by explaining how I came to this issue. It is not out of any long-standing conviction that gambling is "bad" and "Thou shalt not gamble". On the contrary, until a couple of months ago I was a person who had not thought much about it.....perhaps I had an overall feeling of disapproval. I had a vague understanding of the Methodist Church's official stance, but I couldn't articulate that stance. Then, as an ex-officio member of the board of directors of a human services organization I came face-to-face with the question. A related board asked our input as to whether it should apply for money from a fund established by riverboat gambling revenues. I was forced to ask myself hard questions... "It's there, why shouldn't we have it?"... "Couldn't we do good with it?" Looking for an overall frame of reference, I studied the Church's official position--it's very clear--Gambling is a menace to society, destructive of persons, families and community, and corruptive of government. I needed to know more. If that were true, why was it true? I heard that, very coincidentally, an expert on gambling and a consultant to our Church was coming to Johnson County. I had a lengthy telephone conversation with him and I began to learn more. I can tell you that that board of directors, made up of young, influential, visible businesspeople easily came to consensus on the question....it wanted no association with gambling money.

I have learned *from the research* four things about gambling: it imposes a regressive tax on those who can least afford it; it unfailingly leads to increased crime; it fosters a something-for-nothing mentality; and it absolutely costs a government and hence its people *more in hard dollars* than it produces in tax revenue. Point (1)--Regressive Taxes--a Duke University study concludes that people in lower brackets spend four times as much as a percent of income than those in higher brackets. A University of North Florida study by two economics professors concludes that gambling revenues were "an extremely regressive means of financing government activities." A 1992 study by the National Bureau of Economic Research demonstrated that *Kansas* was indeed running a regressive lottery. Point (2)--Crime--Virtually all research shows that 65% of compulsive gamblers sampled admit to criminal activity. If the number of compulsive gamblers triples with the advent of electronic gambling --and all research shows that that is a very real possibility---often it's a four or five fold increase--Kansas would have 25,000 new compulsive gamblers. Ten percent go to jail. The American Insurance Institute states that 40% of all white collar crime has its roots in gambling. A Florida Department of Law Enforcement study concludes that from New Jersey to South Dakota to California crime does

accompany casinos. Any jurisdiction could expect a rise in crime in as many as 14 categories...from robberies, rape and theft to loansharking, credit card scams and counterfeiting. Point (3)--Gambling Fosters a Get-Something-For-Nothing Mentality. This point is intuitive, but supported by a study that found that almost 30% of those who gambled did so, not for entertainment, but rather to get rich. Finally, Point (4)--and one we *must* understand...Increased *Hard Dollar* Costs Will Far Exceed Revenues--Increased costs in the criminal justice system *alone* have been shown to almost offset revenues. In Kansas, this cost alone could approach \$100MM (Ten percent of new compulsive gamblers at a cost of \$20,000-\$50,000 each). When the cost of regulation and the enormous cost of treating compulsive gamblers are added, the costs *swamp* revenues.

Let's now turn to this specific amendment. It obviously provides a subsidy for the breeders' industry. It is an industry specific bail-out...a bail-out for the paramutuel tracks. It is simply *bad constitutional practice*. It would *write into our constitution* the breeders' subsidy and casinos at the tracks. This is an unprecedented use of our Constitution--a radical shift. It opens the door for electronic casinos at locations other than tracks and further, depending on the definition of "horse or dog racing", could lead to an *unlimited* number of locations. And finally--it puts the State of Kansas squarely in the slot and electronic gambling business....in a business which creates human suffering and is destructive of community....not to mention one which is unjustifiable economically, changing the role of the State from regulator to *promoter*.

All this leads me to some questions. It is clear that there is a strong tendency to "let the people vote." This issue is not as simple as "should persons have the right to gamble?" The expansion will impose a regressive tax, it will increase crime, it will *not* create new jobs, it will *not* come close to generating enough revenue to offset costs, and ladies and gentlemen it will *assuredly* create human suffering. And people, the gambling industry will spend *millions* to obscure these issues.

My questions are these: Should our legislators, understanding the potential...rather, almost certain....damage to be done, even send a message that this SCR should be brought to public vote? Or should our elected leaders, those expected to understand the issue and entrusted with the public welfare, act now to protect the Constitution and the people of the State of Kansas? I believe these are important questions.

TESTIMONY PRESENTED TO THE
SENATE FEDERAL AND STATE AFFAIRS COMMITTEE

RE: SCR 1621 & SB 712

February 26, 1996

by: Rebecca Rice
Legislative Counsel for the Kansas Coalition for Gaming Equity

Thank you, Mr. Chairman, and members of the committee. My name is Rebecca Rice and I appear before you today on behalf of the Kansas Coalition for Gaming Equity. We appear as opponents to both SCR 1621 and SB 712.

The Kansas Coalition for Gaming Equity is a coalition formed by the Wyandotte County Private Club Owners Association and the Kansas Amusement and Music Owners Association. The coalition was formed for the purpose of presenting a united front to the Legislature regarding the racetracks continual efforts to obtain a monopoly on future gambling revenues.

The Coalition is opposed to any legislation which is designed to give an advantage to one type of entertainment business over another. We addressed this issue with the Interim Committee on Gaming and offered alternatives if the Legislature is determined to adopt legislation adding additional types of gambling to the present types.

The alternative we presented was based upon the stated goal of the racetracks and the breed groups to design legislation that would renew interest in pari-mutuel racing and bring people back out to the tracks. At that time, the problem was presented as being small *purses*. It was explained that the horses and dogs could not afford to run in and the public was not interested in betting on, races with small purses.

We argued against the monopoly slot machine legislation promoted last year. Part of that argument was that we believed the racetracks were not promoting legislation for the maximum benefit of pari-mutuel participants. Based upon that belief it seemed rather obvious to us that any number of other ideas could be promoted to advance that stated goal more fairly and effectively than a gambling monopoly for racetracks.

So we offered an equity proposal that was essentially two-fold: first, it spread the slot machine option to all entertainment business, not a single, favored group; second, it committed slot machine revenues to be used as purse enhancements for racetracks. Under our plan, *purse pools* would be created to hold the revenues for disbursement to tracks on a proportionate basis. We proposed allowing businesses with liquor licenses to have slot machines with a limitation on the number and location. We also suggested that the state has actual tourist attractions, like Front Street at Dodge City, which could also benefit greatly from slot machines and which actually might attract individuals from out of state. I have provided a copy of the outline which was provided to the interim committee for consideration. It was designed to encourage the racetracks to remain primarily interested in pari-mutuel racing and encourage the creation of increased competition at the racetracks through higher quality animals which we believe would also help to revive interest. It was also designed to protect local mainstreet businesses in those counties which voted to allow the machines.

Neither the racetracks nor the breed groups asked to meet with us to discuss our proposal. They have not expressed any interest, at least publicly, in any other businesses profiting from slot machines despite the fact that our proposal would have dramatically increased the purse potential.

We would like to eliminate one myth that appears to be the primary excuse for creating gambling warehouses to the exclusion of all other businesses. That myth is that if there are electronic gambling machines in numerous locations they cannot be regulated. No empirical data has been presented to any committee of which I am aware, which proves this allegation to be true. The argument sounds good but it has no foundation. I am tired of hearing it and I hope this committee will not accept it without challenge. If it is impossible to regulate

Rebecca Rice
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electronic gambling machines located in every county throughout the state, does it follow that the Kansas Lottery is unregulated and therefore corrupted? I think this myth can be dispelled quite easily by asking the Lottery if electronic games (i.e. Keno) in remote locations can be regulated. If this argument were true, then each state with video lottery machines must be running an unregulated and, therefore, corrupted lottery. Perhaps the authorities in Rhode Island, West Virginia, Montana, Oregon and other states should be notified of this information.

I can not stop this myth from being repeated. However, when such general statements are made for the sole purpose of eliminating another option from consideration, I would ask the committee to draw upon their own knowledge before accepting the statement as accurate.

Interestingly, the Governor and/or the racetracks and breed groups did like some of our ideas. The Governor's proposal and this legislation creates our idea of *purse pools*. Apparently the Governor also agreed that Front Street should not be shut out. However, it is difficult to single out certain areas the legislature wants to assist to the detriment of other areas. Therefore, the Governor changed his mind and decided not to recommend that the racetracks be given a constitutionally protected monopoly but instead suggested that up to two locations per congressional district be considered. This legislation goes back to granting the racetracks a constitutionally protected monopoly while leaving consideration for any other locations ambiguous at best.

We appreciated the fact that some of our suggestions were considered by others. However, we are extremely discouraged by this legislation. We are opposed to the granting of constitutional monopolies to any business and we find it amazing that the Governor and the various chambers of commerce representing businesses would support constitutional monopolies. Although proponents agree the slot machines will have a cannibalizing affect on area businesses, there has been little discussion regarding the impact on current bingo and lottery revenues. Why are chambers of commerce supporting legislation which will take revenues from the lottery which funds the economic development initiatives they appear to support so strongly?

We are opposed to opening the Constitution for an amendment that is not necessary. Staff explained last Friday that the constitutional amendment only allows for an activity that the Supreme Court has already ruled currently permissible under the Kansas constitution. Thus the amendment becomes little more than a voter survey allowing some legislators to avoid a yes or no vote on additional gambling. This is not like liquor by the drink or the lottery or pari-mutuel. It is an amendment that is not needed.

It will be interesting to determine if there is a consistency between allowing the public to vote on slot machine monopolies and allowing initiative and referendum. With that thought, it is also interesting to note that some of the special interest groups who are supporting the slot machine amendment for the reason of allowing the public to vote are vehemently opposed to initiative and referendum. Of course, one of the primary reasons they are opposed to initiative is because the public can not be properly informed about the issues. They argue it allows for *legislation through media blitz*; it avoids the legislative process. They say that initiative allows groups who are unhappy with the way the legislature addressed their issue to go to a *larger group* for a second opinion regardless of the cost. One group notes that although initiative appears more open, it is actually *more closed, as issues are developed in a vacuum and there is no opportunity for debate*. Additionally, *the process undermines legislative responsibility*. In support of those arguments, a primary reason some legislators are giving for supporting this constitutional amendment is to allow the public to decide, although the legislator is *personally* opposed to gambling. In fact, I believe that is the Governor's position. Clearly some want the vote to avoid the issue in the legislative process. I only note this because it shows how gambling makes strange partners and blurs consistency in reasoning.

If the legislature is intent on determining public sentiment by altering the Constitution for the sole purpose of a public vote and the granting of a monopoly to three failing entertainment businesses, we believe the public would like to know if the remaining licenses will be issued and what criteria will be used to decide the communities to receive the licenses. Nothing in SB 612 explains the remaining licenses. Will we pit community against community either for the licenses or to prohibit a neighboring community from obtaining the license? If that is to be the result, we believe the "voting public" should have that information. At least, Dodge City should know whether the other licenses will be issued or whether the racetracks will be given the opportunity to block the issuance of all remaining licenses due to the harm which might be visited on the *multi-million dollar*

pari-mutuel industry.

The interim committee concentrated on Iowa as the model Kansas was being encouraged to emulate. In response we brought two businessmen from Iowa to explain the impact that river boats and racetrack slot machines have had on their businesses. One conferee was an amusement and music operator and one owned a bowling alley. Both provided oral and written testimony regarding the devastating affect of slot machines on their businesses. As you probably noted, the interim committee report states that the affect on existing entertainment business could be harmful. We believe the testimony of these individuals was considered by the committee in deciding not to recommend any additional gambling for Kansas. We hope that each of you will consider the fate of your *multi-million dollar* mainstreet businesses before you vote to give a constitutionally protected monopoly for all future gambling revenue to the pari-mutuel track owners.

Thank you for allowing me to present this testimony.

R.R.L.

Alternative Slot Machine Legislation
to Benefit the Maximum Number of Kansas Citizens

I. Operation of alternative slot machine legislation

A. Placement of Machines

1. Establishments with liquor licenses
 - a. Licensed and regulated by Alcohol Beverage Control
 - b. May currently be licensed as lottery and/or bingo establishment.
 - c. Hours for operation of slot machines would be the same as statutory hours for serving alcohol.
2. Bingo Establishments
 - a. Currently regulated by ABC.
 - b. Hours of operation of slot machines would be the same as for serving alcohol whether or not the establishment has a liquor license.
3. Racetracks
 - a. Regulated by various agencies.
 - b. Would operate under same conditions as industry has proposed in testimony as it relates to days and times of racing.
 - c. Should include statutory provisions allowing current facilities to increase the number of days of live racing, and provisions for issuing additional racetrack licenses as deemed feasible by the racing commission. Denial of a track license would be reviewable by the courts for arbitrary and capricious behavior.
 - d. Prohibited from selling alcohol at hours different from other licensees
4. Tourist Attractions
 - a. Dodge City/Front Street
 - (1) It has long been agreed that the saloon at Front Street was the most appropriate tourist attraction for the placement of slot machines in Kansas. Slot machines would mean additional color and excitement to help attract tourists to Dodge City.
 - b. State Fair
 - (1) Although perhaps not in the spirit of the original purpose of the state fair, slot machines would seem to fit perfectly with its present emphasis. The option should at least be retained.
 - c. Other possibilities to be considered
 - (1) Cowtown, Wichita
 - (2) Old Abilene Town
5. Limitations
 - a. Number of machines
 - (1) The number of machines could be limited by the amount of square footage of the facility or by a limitation on the number per facility.
 - (2) The machines could be required to be in an area of the facility where minors would be restricted.

B. Slot Machine Revenue

1. Gross Revenue
 - a. A percentage payout to players sufficient to retain interest in play

Attachment 7
~~Attachment 7~~
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2. Net Revenue
 - a. A competitive percentage would be established for the owner of the establishment where the slot machine is located.
 - b. A competitive percentage for the owner/lessor of the machine
 - c. The state would receive the remaining percentage

3. Usage of State Revenues
 - a. A percentage of the state's revenue remaining after operating costs would be dedicated to a "purse and handle" pool. The revenue remaining would be placed in the general fund. Excess would be defined by statute.
 - b. The "purse and handle" pool would be created for the purpose of dramatically increasing both the purses and the handle proportionately at each racetrack.
 - c. The purse pool would be administered by the appropriate state agency (the racing commission or a newly created gaming commission). Because this is state tax revenue being used for subsidies for the horse and dog industries, a government agency must be responsible for appropriate disbursement and oversight.

C. Implementation

1. Constitutional Amendment
 - a. Recommend a statewide vote structured similar to the "Liquor by the Drink" amendment
 - b. The amendment would have to be adopted on a statewide basis and the machines could only be placed in those counties in which the majority had voted to legalize slot machines.

2. Statutory change requiring a county vote
 - a. Recommend a county by county vote similar to legislation adopted for legalization of corporate swine and dairy operations.
 - b. One exception would be to require a county wide vote and not allow the county commissioners to implement it if no protest.

3. Privately Owned and Operated
 - a. All gaming machines would be tied to a central computer system operated by the appropriate state agency. If percentage paid out and retained by the operator are sufficient, there will be less concern regarding security.
 - b. The machines should be privately owned and operated to avoid the present situation of a single contract being awarded to a manufacturer. This will provide a greater opportunity to the establishment owner to determine the types of games for the establishment and will provide a greater flexibility.
 - c. The independent machine operator provides the greatest flexibility to the establishment owner by allowing a lease or sale arrangement and causes the least disruption to the present amusement machine distribution and operation system.

II. Reasons for considering alternative slot machine legislation

- A. Problems with traditional track/slot machine legislation

The breeder associations and the racetracks claim the primary problem at the racetracks is that gamblers are going to river boat casinos in Missouri to gamble. The intention of the tracks' slot machine legislation is to encourage gamblers to return to the tracks to gamble and to bet on horse and dog races while they are playing the slot machines.

1. The proposed legislation does not guarantee an increase in purses, an increase in the number of people placing bets on races at the tracks, and does not shift the primary center of gambling away from the direct river boat competition in Kansas City. The net revenue is to be shared with the state's horse and dog breeder associations in an unknown formula to be used as the association sees fit, limited only by the associations' by-laws.
2. The proposed legislation prohibits any track from operating slot machines until the track has entered into a contractual arrangement with the various breeder associations, the terms of which have no reference in the legislation. This requirement seems to grant to an individual breeder association or the associations collectively, the opportunity to "blackball" any track by simply not agreeing to a contractual arrangement. The legislation does not prohibit contractual "exclusivity" language or behavior by the associations.
3. The likely result is that the number of gamblers will not increase sufficiently to solve the perceived problems of the Woodlands due to the types of casino operations in Missouri. The consequence will be that in a few short years the legislature will be asked to allow more types of gaming at the tracks, continuing the trend of shifting the emphasis from racing to gaming.
4. By severely limiting the number of outlets, the total revenues will be minimal compared to the potential revenues from statewide implementation.
5. Most experts agree the population has a limited amount of discretionary income to spend on entertainment. Local businesses and organizations which are social/entertainment oriented will suffer under a system that grants a slot machine franchise to three businesses. Local communities and neighborhoods will suffer when local businesses and organizations are hurt financially.

B. Advantages of alternative slot machine legislation

1. Dramatically increases the revenues from slot machines
 - a. The director of the lottery has confirmed that placement of slot machines at a large number of outlets dramatically increases the number of players and the revenue received.
 - b. The testimony from other states indicate Lottery revenue will not be adversely affected.
2. Allows tracks to remain in the primary business of running races
 - a. The increase in purses and handles could bring in the best animals throughout the Midwest.
 - b. The horse and dog industries would grow dramatically in Kansas due to the financially competitive nature of Kansas racing.
 - c. Kansas racing would be more stable than other states' because revenues would not be as dependent upon the whims of gamblers in a certain geographic area. For example, the Kansas Lottery has not experienced the same loss of business as the racetracks because it is located in all counties at as many locations as possible.
 - d. The tracks would still have slot machines for financial assistance during the transition period before the initial pool revenue was distributed and attention was refocused on racing.
 - e. While the number of outlets to be policed will increase, it may decrease the size of the problems that will need to be policed and will also, likely, decrease the influence that a miscreant licensee can bring to bear on the policing, licensing and legislative processes.
3. Assists local businesses and organizations
 - a. Local social/entertainment oriented businesses and organizations would not lose business due to slot machines being limited to three locations.
 - b. Presumably, each Kansas community would benefit by citizens "staying home" to eat out, socialize and play slot machines, keeping entertainment dollars in local communities and neighborhoods.

Kansas Association of Evangelicals

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316-794-2913
Fax: 316-794-2773

Dick Kelsey - Chairman

February 27, 1996

Testimony before the Senate Federal and State Affairs Committee concerning the issue of expanded gambling here in Kansas.

Thank you for allowing me to express the strong opposition of Evangelical churches throughout Kansas to any expanded gambling in the State. It is crystal clear from the evidence of other states that literally thousands of families will be destroyed if casinos become common around the state.

I have worked on various pro-family issues in this state for many years. I have never encountered an issue that has brought together so many different groups on the same side - the side against expanded gambling. The main line denominations, the Roman Catholic Church, The Evangelical Churches, various pro-family activists groups from pro-life groups, home schoolers, Concerned Women of America, plus many more too numerous to name are all rallying around this issue. This issue is a quality of life issue verses greed. Do we allow a greedy few to profit at the expense of thousands of families? We think not.

I would like to point out that from the perspective of most of us who are opposed to expanded gambling, there is only one correct way to vote on this issue whether in committee or on the floor of the Senate or House. That is a no vote. We can not accept the position that some are claiming that "I oppose gambling but let the people vote". That is just like legislators who claim to be opposed to abortion but believe a woman has a right to choose. You can not have it both ways. Let's treat this issue like every other issue you face here. You vote what you believe is right and then let the people vote at election time whether they agree with how you voted.

How this legislature votes on this issue will impact this state in the coming years more than any issue you face this year. It boils down to a very basic choice: Do we preserve a quality of life that makes Kansas a great place to raise a family or do we try to bail out a few people who made bad investments.

*Attachment
Exhibit 8
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TESTIMONY PRESENTED TO THE
SENATE FEDERAL AND STATE AFFAIRS COMMITTEE
MARCH 5, 1996

Randy Chilton
Kansas Amusement and Music Owners Association

I think there is much more common ground in the gambling debate than would appear at first glance. I am a Kansas small business owner and I know that my business, and hundreds of other businesses similar to ours that compete for the entertainment dollar, will be adversely affected if the racetracks are allowed to change the constitution, and have an exclusive right to operate slot machines in their facilities. Who can argue with the employees of the racetracks that testify that if the racetracks don't get the slot machines, they will lose their jobs? Who can argue with the charities that depend on the donations from the racetracks for wanting the slot machines? Who can argue with the owners of the racetracks for wanting to improve the profits of their companies? Don't we all? Who can argue with the dog and horse breeders for strong testimony in favor of the slot machines? They will be primary beneficiaries of the legislation if it passes, receiving 20% of the net income from the machines which is estimated at a minimum to be \$15,000,000 per year.

What the above group either doesn't understand, or doesn't care to understand, is that this is not just their issue. Others also deserve the right to be able to compete with the river boats and their slot machines. It's a daily competition in Kansas for all businesses competing for the entertainment dollar, not the gambling dollar. Don't the restaurants, bowling centers, private clubs, and other small businesses in Kansas deserve the same right, to compete on a level playing field for the same customer?

It is an indisputable fact for anyone doing even a small amount of investigation that other small businesses, owned by Kansas taxpayers and voters, will be adversely affected by this legislation as it is presented. They won't be able to compete because their customers will be at the racetracks playing one of the 500-1000 newly installed slot machines that their business is not allowed to install. Many of these businesses will fail. They will all be

attached
Exhibit 9
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adversely affected.

How do the racetracks and their employees, breeders, and charities feel about this? These are good reasonable people who are concerned for their livelihood. Are we as the owners and employees of Kansas small businesses expected to sacrifice our livelihoods, along with our employees and families, so that these racetrack related businesses can prosper once again? If the roles were reversed, would they sacrifice their livelihood and businesses for us? I doubt it.

During the trip to Iowa this week that the committee is making, I urge you, beg you, to visit a few local businesses and ask them the effect the slot machines have had on their businesses.

This legislation should not go out for a public referendum. Why would the racetrack interests want a public referendum? Ask Presidential candidate Steve Forbes. The one with the most money will be successful in getting his message across every time, and the gambling interests have all the money. Steve Forbes isn't going to be President, but is there anyone who doesn't know who he is by now? Why should the legislators, who have spent months studying the issues, dodge the tough questions and lay them off on the voting public? Let's add to the referendum a public vote on chain gangs, and the death penalty, school financing and the speed limit. Legislators are elected to make decisions and represent the people.

Everyone is right in arguing for their own cause. A compromise needs to be met that doesn't leaves one of the groups dead in the road.

Randy Chilton
Chilton Vending & Billiards, Inc.
Wichita, Kansas



Kansas Sunflower Club Association

1314 Topeka Ave. Topeka, Kansas 66612

Testimony Presented to
The Kansas Senate and Federal & State Affairs Committee
In Opposition of Senate Concurrent Resolution 1621
and Senate Bill 712

Wednesday, March 5, 1996

Joe Berger, President
Moose

Don Herbert, Vice President
Elks

Chuck Yunker, Sec./Tres.
American Legion

Directors:
Alfred Skeet
Eagles

Paul Lenherr
Knights of Columbus

Darrell Witham
Shrine

Darrell Bencken
Veterans of Foreign Wars

Thank you for allowing me to present testimony today in opposition to Senate Concurrent Resolution 1621 and Senate Bill 712 in their current forms. My name is Chuck Yunker and I am representing the Kansas Sunflower Club Association as its Secretary/Treasurer whose membership includes those organizations listed in the left margin of my written testimony.

Before there was a single licensed horse or dog track in Kansas many of our Posts and Lodges supported the concept of permitting gaming machines for the use of their members and their member's guests. Some of our Posts and Lodges were neutral on this issue and a few were against expanding gaming opportunities for their members.

However, since dog and horse tracks have been licensed in Kansas our organizations' revenues from Bingo have declined due to increased competition. Kansas will soon have casinos on Indian reservations thereby further eroding future Bingo revenues. Thus more and more of our Posts and Lodges have suggested gaming machines be permitted in veterans and fraternal organization's facilities. Again, for the use of their members and guests of their members.

Today the consensus of those organizations who comprise the Kansas Sunflower Club Association is: If the licensed horse and dog tracks in Kansas are permitted electronic gaming machines available to the public, the legitimate non profit veterans and fraternal organizations in Kansas should be permitted to offer their members and guests this type of expanded gaming.

Many of our Posts and Lodges, as well as individual members have questioned who the two non profit organizations, other than the tracks, will be in each Congressional District. Many of our members compare the horse and dog tracks non profit status as opposed to their own organization's non profit status. That is; it is their opinion the term non profit as applied to the tracks stretches the public's concept of a non profit organization. Our organizations are community based groups with National affiliations whose shareholders are our members. Shareholders/members do not receive financial rewards as a result of their membership. Instead shareholders/members pay annual dues to belong to their organization which allows them the benefit of using the organization's facilities (if available) but most of all they benefit through their membership as being a part of an organization which donates or provides for charitable programs benefiting the general public.

*attachment 2/1/96
Federal: State Affairs
3/5/96*

For example, in 1995 Kansas American Legion members donated through their dues, Bingo and other fund raising activities \$662,623 and 91,401 volunteer hours to over 95,350 young Kansans in our youth programs alone with similar numbers posted in both our Veterans Affairs and Community service programs. The Veterans of Foreign Wars donated in excess of \$1 million in their hospital program and a like amount in their community affairs program. In 1995 the Kansas Moose Lodges donated in excess of \$261,000, the Elks donated \$485,746 and since its inception the Knights of Columbus Tootsie Roll Program has raised over \$2.9 million on behalf of Special Olympics and other causes benefiting the handicapped.

All of the charitable programs I've just mentioned will be severely harmed by increased competition of gaming machines at tracks and Indian casinos. In order to minimize the harm to our programs and those who benefit from them we ask to be allowed to offer our own members the same gaming opportunities in our Posts and Lodges. Earlier this year I spoke to the majority owner of one track and to a lobbyist of another track about these issues; neither had objections of our organizations being included in this expansion of gaming.

In closing we ask that if SCR 1621 and SB 712 are approved by the legislature that both be amended to include legitimate non profit veterans and fraternal organizations. Further that our organizations be permitted to offer similar gaming machines to our members and their guests not to exceed, depending on facility size, 20 machines whose revenue is divided on a 30 percent basis between the licensed organization, the machine owners, and the State of Kansas with the remaining 10 percent to the city or county where the machines are located.