

.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 12:15 p.m. on March 26, 1996 in Room 254-E of the Capitol.

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

Members not present: Senator Hensley - excused

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

Conferees appearing before the committee:

Myron E. Scafe, Executive Director, Kansas Racing Commission
Steve Montgomery, Kansas Greyhound Kennel Owners' Assn.
Bruce Rimbo, President, The Woodlands Race Track
Jim Edwards, KCCI (Testimony only)
Jim DeHoff, Executive Secretary, Kansas AFL-CIO
Richaleen Turpin, President, Kansas Thoroughbred Assn. (Testimony only)
Glenn O. Thompson, Chairman, Stand Up For Kansas
Dave Schneider, President, Kansans For Life At Its Best
Rebecca Rice, Legislative Counsel, Kansas Coalition for Gaming Equity
Frances Wood, Woman's Christian Temperance Union
Frank DeSocio - Kansas Bowling Proprietors Association
Ralph Snyder, Kansas Sunflower Club Association

The first order of business before the committee was to vote on the confirmation of Brian Berents as Adjutant General of the Kansas Air National Guard. Senator Vidricksen made a motion that Mr. Berents be recommended for confirmation and Senator Gooch seconded the motion. The motion Carried.

Mary Galligan reviewed the contents of **SB754** which would authorize the Kansas lottery to operate certain lottery games at racetracks (Attachment 1). Myron Scafe, testified as to changes the racing commission would request in the present structure of the bill (Attachment 2).

The first proponent for **SB754** was Steve Montgomery representing the Kansas Greyhound Kennel Owners' Association (KGKOA) and the Kansans for Parimutuel Racing, the umbrella association representing the KGKOA, the Kansas Thoroughbred Association (KTA) and the Kansas Quarter Horse Racing Association (KQHRA) (Attachment 3). He stated that **SB754** is an opportunity for legislators to assist the Kansas parimutuel industry without expanding gaming in Kansas. Bruce Rimbo, representing the Woodlands Race Track in Kansas City as well as Wichita Greyhound Park and Camptown Greyhound Park, testified in support of the bill (Attachment 4). H requested that the legislature allow the racing industry to work within the parameters of the already-approved gaming laws in Kansas to allow for racing to perhaps survive.

The testimony of Jim Edwards, Director of the Kansas Chamber of Commerce and Industry, was submitted by Bud Grant in support of **SB754** (Attachment 5). Jim DeHoff on behalf of the Kansas AFL-CIO testified to support **SB754** and urge the support of the legislature as it would enable the industry to maintain those jobs and perhaps provide additional jobs as the facilities are remodeled to accommodate the additional games (Attachment 6). The written testimony of Richaleen Turpin, President of the Kansas Thoroughbred Association, was submitted in favor of the bill (Attachment 7).

Glenn O. Thompson, speaking on behalf of Stand Up For Kansas, spoke in opposition to **SB754** and to urge the committee not to remove the prohibitions as currently stated in the law (Attachment 8). Also testifying in opposition to the bill was Dave Schneider, President of Kansans For Life At Its Best, who gave four points against the passage of the bill (Attachment 9). Rebecca Rice, Legislative Counsel for the Kansas Coalition for Gaming Equity testified in opposition to the bill and pointed out five areas that were of concern (Attachment 10).

Frances Wood, volunteer lobbyist for the Woman's Christian Temperance Union, quoted a recent article that appeared in the April, 1996, Reader's Digest (Attachment 11). Another opponent of **SB754** was Frank DeSocio, a bowling center proprietor from Wichita (Attachment 12). The final opponent to appear at the hearing was Ralph Snyder, representing Kansas Sunflower Club Association (Attachment 13).

Senator Oleen stated that the committee would be meeting on Wednesday, March 27, to ask questions of the conferees and begin work on the bill.

The meeting was adjourned at 1:15.

FEDERAL & STATE AFFAIRS COMMITTEE
GUEST LIST
DATE: 3-26-96

NAME	REPRESENTING
Glenn Thompson	Stand Up For Kansas
Bethie Thompson	" " " "
Dave Schneider	Kansas For Life At Its Best
Jerry D. Staplin	Attorney General / Racing Comm.
Dave Johnson	Ks Racing Comm.
Miguel Lopez	✓ ✓ ✓
Tom Burgess	Sunflower #
Mel Gibson (Congratulations)	Director
DONALD SWADBRAS	Ks. FOOD DEALERS ASSN.
Tom Bruno	Allend Assoc.
Tom McHaff	KSPAL-CIO
Steve Montgomery	Ks Greyhound Kennel Owners' Assoc.
Bruce Rimbo	The Woodlands
Sigman Longmire	The Woodlands -
Richard D. Duperon	Ks. THOROUGHBRED ASSOC.
Helen Stout	Ks. Greyhound Assn.
David Shillie	Wichita Greyhound Park
Roy Berger	Wichita Greyhound Park
Alan Steppat	PETE MCGILL & ASSOCIATES
Steve Zernick	KF Follery
DWIG GRANT	KCCI
Patrick Sturley	GT&H
Ralph Snyder	Sunflower Clubs
Russell Pi	KCCI Ks Coalition for Gaming Equity
Frank DeSocio	KANSAS Bowling Proches
Bob Johnson	KANSAS Bowling Proches
John Peterson	Ks Bowling Professionals Assn

MEMORANDUM

Kansas Legislative Research Department

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March 25, 1996

To: Senate Committee on Federal and State Affairs
From: Mary Galligan, Principal Analyst
Re: S.B. 754

The bill would amend the Lottery Act to create a category of "racetrack lottery retailers" with whom the Lottery could contract for the sale to the public of lottery tickets or shares for participation in games played only at tracks. Existing authority under which lottery tickets for any other lottery game could be sold at tracks would not be changed by the amendments. The specific games that would be played exclusively at tracks would be call and instant bingo, keno, and race-themed on-line games. Game rules and minimum and maximum prize pay-outs for racetrack lottery games would be established by rules and regulations of the Commission. "Racetrack lottery retailers" would be track owners or managers as defined in the Parimutuel Racing Act or organization licensees that own their track.

Contracts between the Lottery and the racetrack retailers would be subject to the approval of the Racing Commission. The Commission would have to determine that each contract is in the best interest of the racing industry in the state. Each annual contract would be conditioned on the retailer continuing to be licensed under the Racing Act. Racetrack retailer contracts would have to include, but not be limited to:

- provisions for racetrack retailers to pay all costs associated with advertising and promotional services, consulting services, equipment, tickets, and other products or services for the operation of racetrack lottery games;
- accounting procedures to determine the net income from racetrack lottery games, unclaimed prizes, and credits;
- provisions requiring track retailers to remit net income from racetrack games and procedures for remittance of that income;
- times of operation, locations within the racetrack facility, and other matters relating to the operation of those games;
- minimum requirements for track oversight, security, and supervision of racetrack games; and
- provisions for tracks to file a surety bond or other security with the Lottery.

*Attachment 1
Federal and State Affairs
3/26/96*

Racetrack lottery games could only be operated at nonfair association tracks on days when live or simulcast races are conducted or displayed and when a live race has been conducted within the preceding 72 hours. An exception to the 72-hour live race requirement is provided for purposes of maintenance and emergencies. At fair association tracks, the maximum number of days on which racetrack lottery games could be played would be twice the number of simulcast race days authorized at that location.

In order to offer racetrack lottery games, nonfair association tracks would have to seek approval of a minimum of:

- 65 days of live horse racing during the first year and 75 days of live horse racing during the second and subsequent years; or
- 250 days of greyhound racing, or both, depending on the type of racing licensed at that track.

The bill would not establish a minimum amount of live racing at fair association tracks, but would require that live racing be scheduled during the calendar year in order for racetrack lottery games to be played at that track.

Net revenue from racetrack lottery games (total sales revenue, less prizes paid) would be remitted to the Lottery by track retailers. Those net revenues would be allocated as follows:

- payment of the Lottery's expenses of operating racetrack lottery games and implementation, administration, and enforcement of contracts with track retailers (including repayment with interest of any loans for those purposes from the Lottery Operating Fund);
- 20 percent, after payment of the Lottery's expenses, to the purse and breed enhancements fund;
- 1 percent, after payment of Lottery expenses, to organization licensees that conduct live races; and
- the remainder to track retailers.

Revenue credited to the Purse and Breed Enhancement Fund would be allocated to the greyhound, thoroughbred, quarter horse, or other racing horses accounts of that fund based on the type of live racing conducted at the track where the revenue was generated. Expenditures would be made from that fund for purse supplements and awards to owners of Kansas-bred horses and greyhounds. The fund would be administered by the Racing Commission. Revenue allocated to organization licensees and to track retailers would be based on the amount derived from racetrack lottery games played at the respective track.

The bill would amend existing law regarding certain relationships among businesses and entities with which the Lottery contracts. The Executive Director of the Lottery, members of the Lottery Commission, employees of the Lottery, and persons who reside in the households of those persons would be prohibited from having direct or indirect interest in track retailers or businesses or persons who contract with track

retailers; or accepting any economic opportunity, gift, loan, gratuity, special discount, favor or service, or hospitality from a track retailer or an applicant for a track retailer contract. Track retailers, applicants for track retailer contracts, and entities that contract with track retailers to provide lottery related goods and services would be prohibited from paying, giving or making any economic opportunity, gift, loan, gratuity, special discount, favor or service, or hospitality other than food and beverages, having an aggregate value of \$20 or more in any calendar year to the Lottery Executive Director, a member of the Lottery Commission, an employee of the Lottery or any person who lives with one of those Lottery officials or employees. Racing Commission members, employees, or appointees and certain of their relatives would be prohibited from having a direct or indirect interest in businesses that contract with track retailers. Violation of those provisions would be a class A misdemeanor.

Finally, the bill would amend the Racing Act to repeal authority for the Racing Commission to require organization licensees to reimburse the Commission for services of racing stewards and judges and assistant animal health officers who work at races conducted by those licensees.

The bill would become effective on July 1, 1996.

TESTIMONY BEFORE THE
SENATE FEDERAL & STATE AFFAIRS COMMITTEE
by
MYRON E. SCAFE
Executive Director
KANSAS RACING COMMISSION
on
SENATE BILL No. 754

March 26, 1996

As with all legislative proposals dealing with expanding gaming at Kansas parimutuel racing facilities, the Kansas Racing Commission neither favors nor opposes this particular bill. We have no position on the policy issue of expanded gaming. Never-the-less, we do have some concerns about Sections 14 and 16 of the bill.

The bill title on page 1 commencing at line 9 state that this bill is "AN ACT amending and supplementing the Kansas lottery act; providing for the operation of certain lottery games at certain racetrack facilities; providing for the disposition of revenues from such games;" and amending certain statutes. Among those statutes being amended are K.S.A. 1995 Supp. 74-8806; 74-8810; and 74-8818. These statutes are part of the Kansas parimutuel racing act, K.S.A. 74-8801, et seq., not the Kansas lottery act, K.S.A. 74-8701, et seq.

*Attachment 2
Federal and State Affairs
3/26/96*

Further, while the amendment to K.S.A. 1995 Supp. 74-8810 that is found on page 18 commencing at line 2 would arguably be germane to the rest of the bill "providing for the operation of certain lottery games at racetrack facilities," the amendments to K.S.A. 1995 Supp. 74-8806, found on page 16 commencing on at line 38, and to K.S.A. 1995 Supp. 74-8818, found on page 21 commencing at line 14 have nothing to do with "providing for the operation of certain lottery games at racetrack facilities." Clearly, the amendments to K.S.A. 1995 Supp 74-8806 and 74-8818 should either be deleted from this bill or the bill title should be amended to accurately reflect what is being done.

In any event, the amendments to K.S.A. 1995 Supp. 74-8806 and 74-8818 removing the commission's ability to require racetracks to reimburse the commission for the salaries of assistant animal health officers and racing judges and stewards would have a substantial fiscal impact on the Kansas racing commission's budget. Attached hereto are figures reflecting actual expenditures by the commission and reimbursements from the tracks for these salaries for Fiscal Years 1995 and 1996 to date and projected expenditures and reimbursements for the remainder of Fiscal Year 1996 and Fiscal Year 1997. As you can see,

the costs to the Kansas racing commission for FY97 and every year thereafter will be in excess of \$1.03 million.

Finally, if the amendment to K.S.A. 1995 Supp. 74-8818 remains part of this bill, then Sec 16. of SB 754 will need to be amended to conform to the amendments to K.S.A. 1995 Supp. 74-8818 that are contained in 1996 Senate Bill No. 708 that clarify that the commission is to have three racing judges or stewards on duty at each race track during each racing performance.

Kansas Racing Commission
Reimbursable Salaries
FY 96 & FY 95

<u>Expenditures:</u>	<u>FY 96</u>		<u>FY 95</u>	
	<u>Payroll</u>	<u>Reimbursed</u>	<u>Payroll</u>	<u>Reimbursed</u>
July	0	40,433	0	54,328
August	100,301	140,397	72,187	36,227
September	91,444	57,858	70,284	138,085
October	116,215	101,098	85,664	28,543
November	103,993	26,892	75,318	75,350
December	152,310	106,164	74,750	72,741
January	57,564	99,560	58,368	54,023
February	56,091	50,478	57,825	24,772
March	57,904	57,904	52,837	79,489
April	57,904	57,904	54,744	24,332
May	57,904	57,904	67,930	52,744
June	57,903	57,903	174,746	91,107
	<u>909,533</u>	<u>854,495</u>	<u>844,653</u>	<u>731,741</u>

Note: July-February are actual amounts. March-June are estimates.

FY 95 are actual amounts.

KANSAS RACING COMMISSION

Fund 2616

SALARIES

	<u>FY 95</u> <u>Actual</u>	<u>FY 96</u> <u>Estimate</u>	<u>FY 97</u> <u>Budget</u>
<u>Classified:</u>			
Office Assistant-Vet Assistant	32,368	61,064	76,461
Total Classified	<u>32,368</u>	<u>61,064</u>	<u>76,461</u>
<u>Unclassified:</u>			
Animal health officers	180,144	226,769	253,068
Judges	315,556	314,676	378,546
Stewards	0	0	0
Total unclassified	<u>495,700</u>	<u>541,445</u>	<u>631,614</u>
Merit	<u>0</u>	<u>8,430</u>	<u>4,396</u>
Total Full-time	<u>528,068</u>	<u>610,939</u>	<u>712,471</u>
<u>Temporary Classified</u>			
Office Assistant-Vet Assistant	29,670	28,514	19,964
Total temporary classified	<u>29,670</u>	<u>28,514</u>	<u>19,964</u>
<u>Temporary Unclassified</u>			
Animal Health Officer	33,953	19,634	23,669
Judges	51,756	20,788	22,384
Stewards	25,917	39,334	39,334
Total temporary unclassified	<u>111,626</u>	<u>79,756</u>	<u>85,387</u>
Total Temporary	<u>141,296</u>	<u>108,270</u>	<u>105,351</u>
Overtime/holiday pay	<u>61,395</u>	<u>64,665</u>	<u>70,865</u>
Sub-total Salaries	<u>730,759</u>	<u>783,874</u>	<u>888,687</u>
KPERS	<u>15,132</u>	<u>16,521</u>	<u>18,825</u>
<u>Other Benefits</u>			
FICA	54,853	59,966	67,985
Worker's Comp	10,962	11,758	12,886
Unemployment Insurance	877	1,568	1,777
Sick & annual leave	3,505	3,606	3,999
Member health	26,115	29,654	37,384
Dependent health	2,451	2,586	3,413
Total other benefits	<u>98,763</u>	<u>109,138</u>	<u>127,444</u>
Total salaries-Fund 2616	<u>844,654</u>	<u>909,533</u>	<u>1,034,956</u>

2-5

Kansas City

	<u>FY 95</u> <u>Actual</u>	<u>FY 96</u> <u>Estimate</u>	<u>FY 97</u> <u>Budget</u>
<u>Classified:</u>			
Office Assistant-Vet Assistant	13,952	26,658	29,916
Total Classified	<u>13,952</u>	<u>26,658</u>	<u>29,916</u>
<u>Unclassified:</u>			
Animal health officers	80,796	75,941	80,796
Judges	125,912	100,404	111,420
Stewards	0		
Total unclassified	<u>206,708</u>	<u>176,345</u>	<u>192,216</u>
Merit	<u>0</u>	<u>6,042</u>	<u>2,198</u>
Total Full-time	<u>220,660</u>	<u>209,045</u>	<u>224,330</u>
<u>Temporary Classified</u>			
Office Assistant-Vet Assistant	19,446	13,231	6,656
Total temporary classified	<u>19,446</u>	<u>13,231</u>	<u>6,656</u>
<u>Temporary Unclassified</u>			
Animal Health Officer	10,791	18,669	18,669
Judges	16,641	10,547	10,547
Stewards	25,917	39,334	39,334
Total temporary unclassified	<u>53,349</u>	<u>68,550</u>	<u>68,550</u>
Total Temporary	<u>72,795</u>	<u>81,781</u>	<u>75,206</u>
Overtime/holiday pay	<u>25,901</u>	<u>42,660</u>	<u>42,660</u>
Sub-total Salaries	<u>319,356</u>	<u>333,486</u>	<u>342,196</u>
KPERS	<u>7,185</u>	<u>7,337</u>	<u>7,528</u>
<u>Other Benefits</u>			
FICA	24,430	25,512	26,178
Worker's Comp	4,790	5,002	4,962
Unemployment Insurance	383	667	684
Sick & annual leave	1,530	1,534	1,540
Member health	14,461	14,234	14,954
Dependent health	1,365	1,293	1,365
Total other benefits	<u>44,959</u>	<u>48,242</u>	<u>49,683</u>
Total Sal & Ben-KC office	<u>371,500</u>	<u>389,064</u>	<u>399,407</u>

Wichita

	<u>FY 95 Actual</u>	<u>FY 96 Estimate</u>	<u>FY 97 Budget</u>
<u>Classified:</u>			
Office Assistant-Vet Assistant	13,704	14,558	14,568
Total Classified	<u>13,704</u>	<u>14,558</u>	<u>14,568</u>
<u>Unclassified:</u>			
Animal health officers	84,600	83,358	84,600
Judges	145,664	146,349	145,320
Stewards	0		
Total unclassified	<u>230,264</u>	<u>229,707</u>	<u>229,920</u>
Merit	<u>0</u>	<u>2,388</u>	<u>2,198</u>
Total Full-time	<u>243,968</u>	<u>246,653</u>	<u>246,686</u>
<u>Temporary Classified</u>			
Office Assistant-Vet Assistant	10,224	11,439	13,308
Total temporary classified	<u>10,224</u>	<u>11,439</u>	<u>13,308</u>
<u>Temporary Unclassified</u>			
Animal Health Officer	23,162	965	5,000
Judges	35,115	10,241	11,837
Stewards	0	0	0
Total temporary unclassified	<u>58,277</u>	<u>11,206</u>	<u>16,837</u>
Total Temporary	<u>68,501</u>	<u>22,645</u>	<u>30,145</u>
Overtime/holiday pay	<u>21,410</u>	<u>14,005</u>	<u>14,005</u>
Sub-total Salaries	<u>333,879</u>	<u>283,303</u>	<u>290,836</u>
KPERS	<u>7,078</u>	<u>6,233</u>	<u>6,398</u>
<u>Other Benefits</u>			
FICA	25,542	21,673	22,249
Worker's Comp	5,008	4,250	4,217
Unemployment Insurance	400	567	582
Sick & annual leave	1,599	1,303	1,309
Member health	9,969	9,489	9,969
Dependent health	683	647	683
Total other benefits	<u>43,201</u>	<u>37,928</u>	<u>39,008</u>
Total Sal & Ben-Wichita office	<u>384,158</u>	<u>327,463</u>	<u>336,243</u>

27

Camptown

	<u>FY 95</u> <u>Actual</u>	<u>FY 96</u> <u>Estimate</u>	<u>FY 97</u> <u>Budget</u>
<u>Classified:</u>			
Office Assistant-Vet Assistant	2,270	15,855	27,984
Total Classified	<u>2,270</u>	<u>15,855</u>	<u>27,984</u>
<u>Unclassified:</u>			
Animal health officers	6,893	60,606	80,808
Judges	13,540	53,883	107,766
Stewards	0	0	0
Total unclassified	<u>20,433</u>	<u>114,489</u>	<u>188,574</u>
Merit	<u>0</u>	<u>0</u>	<u>0</u>
Total Full-time	<u>22,703</u>	<u>130,344</u>	<u>216,558</u>
<u>Temporary Classified</u>			
Office Assistant-Vet Assistant	0	3,844	0
Total temporary classified	<u>0</u>	<u>3,844</u>	<u>0</u>
<u>Temporary Unclassified</u>			
Animal Health Officer	0	0	0
Judges	0	0	0
Stewards	0	0	0
Total temporary unclassified	<u>0</u>	<u>0</u>	<u>0</u>
Total Temporary	<u>0</u>	<u>3,844</u>	<u>0</u>
Overtime/holiday pay	<u>6,091</u>	<u>0</u>	<u>6,100</u>
Sub-total Salaries	<u>28,794</u>	<u>134,188</u>	<u>222,658</u>
KPERS	<u>869</u>	<u>2,952</u>	<u>4,898</u>
<u>Other Benefits</u>			
FICA	2,203	10,265	17,033
Worker's Comp	432	2,013	3,229
Unemployment Insurance	35	268	445
Sick & annual leave	138	617	1,002
Member health	3,685	5,931	12,461
Dependent health	403	647	1,365
Total other benefits	<u>6,896</u>	<u>19,741</u>	<u>35,536</u>
= Total Sal & Ben-Camptown	<u>36,559</u>	<u>156,881</u>	<u>263,092</u>

28

County Fair

	<u>FY 95</u> <u>Actual</u>	<u>FY 96</u> <u>Estimate</u>	<u>FY 97</u> <u>Budget</u>
<u>Classified:</u>			
Office Assistant-Vet Assistant	2,442	3,993	3,993
Total Classified	<u>2,442</u>	<u>3,993</u>	<u>3,993</u>
<u>Unclassified:</u>			
Animal health officers	7,855	6,864	6,864
Judges	30,440	14,040	14,040
Stewards	0		
Total unclassified	<u>38,295</u>	<u>20,904</u>	<u>20,904</u>
Merit	<u>0</u>	<u>0</u>	<u>0</u>
Total Full-time	<u>40,737</u>	<u>24,897</u>	<u>24,897</u>
<u>Temporary Classified</u>			
Office Assistant-Vet Assistant	0	0	0
Total temporary classified	<u>0</u>	<u>0</u>	<u>0</u>
<u>Temporary Unclassified</u>			
Animal Health Officer	0	0	0
Judges	0	0	0
Stewards	0	0	0
Total temporary unclassified	<u>0</u>	<u>0</u>	<u>0</u>
Total Temporary	<u>0</u>	<u>0</u>	<u>0</u>
Overtime/holiday pay	<u>7,993</u>	<u>8,000</u>	<u>8,100</u>
Sub-total Salaries	<u>48,730</u>	<u>32,897</u>	<u>32,997</u>
KPERS	<u>0</u>	<u>0</u>	<u>0</u>
<u>Other Benefits</u>			
FICA	2,678	2,517	2,524
Worker's Comp	732	493	478
Unemployment Insurance	59	66	66
Sick & annual leave	238	151	148
Member health	0	0	0
Dependent health	0	0	0
Total other benefits	<u>3,707</u>	<u>3,227</u>	<u>3,217</u>
Total Sal & Ben-County Fair	<u>52,437</u>	<u>36,124</u>	<u>36,214</u>

2-9

ALDERSON, ALDERSON & MONTGOMERY, L.L.C.

ATTORNEYS AT LAW

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*LICENSED TO PRACTICE IN
KANSAS AND MISSOURI

TO: Senate Federal and State Affairs Committee
FROM: Steve Montgomery, Kansas Greyhound Kennel Owners'
Association (KGKOA)
DATE: March 26, 1996
RE: Testimony in Support of SB 754

I am appearing on behalf of the KGKOA, with a membership consisting of licensed greyhound kennels at the Kansas parimutuel racetracks. I am also appearing on behalf of Kansans for Parimutuel Racing, the umbrella association representing the KGKOA, the Kansas Thoroughbred Association (KTA) and the Kansas Quarter Horse Racing Association (KQHRA).

No Expansion of Gaming

SB 754 was requested in response to the realization that there is not sufficient support in the current legislature to expand gaming. SB 754 authorizes the Kansas Lottery to conduct at parimutuel tracks the same types of games already authorized within Kansas (p. 3, lines 27-33). The bill would also permit these games to be played at racetracks at times consistent

*Attachment 3
Senate Federal and State Affairs
3/26/96*

with racetrack operations and with payouts to winners consistent with comparable facilities. The breed associations support SB 754 as it provides for supplements for purses and Kansas-bred programs to stimulate the breeding, raising and training of animals on farms within the state.

This proposal is a unique approach which is untried and untested. It is unknown whether traditional parimutuel patrons will respond to these types of games in numbers sufficient to truly compete with Missouri riverboats and tribal casinos. The passage of SB 754 will provide our industry the opportunity to use its ingenuity in cooperation with the Kansas Lottery to promote an industry that will virtually vanish from our state if no legislative action is taken during this session.

There is no financial risk to the state or the Lottery to embark upon this test program. All financial responsibility for the necessary hardware and software will be borne by the racetracks. If this proposal fails, it will be the racetracks and the racing animal industry which bear the consequences.

No Adverse Impact to Lottery Retailers

The bill will not provide adverse competition to current lottery retail outlets. The Kansas Lottery has never operated at Kansas racetracks. The traditional players of bingo,

scratch-off games and on-line KENO games will continue to play these games at their normal location without regard to whether these games are offered at racetracks. Consequently, there should be virtually no impact on traditional Lottery retailers as a result of the Lottery's participation at Kansas racetracks.

Summary

SB 754 is an opportunity for legislators to assist the Kansas parimutuel industry without expanding gaming in Kansas. We would urge you to support SB 754 and the thousands of Kansas agri-business men and women who participate in the racing animal segment of the Kansas livestock industry.

Senate State and Federal Affairs Committee
March 26, 1996

Madame Chairman and Committee Members:

My name is Bruce Rimbo, I am President of The Woodlands Race Track in Kansas City. I am here today speaking in support of Senate Bill 754. In the essence of time, I am speaking in support as well, on behalf of Wichita Greyhound Park and Camptown Greyhound Park.

I must be honest and tell you that this bill falls well short of what is needed to allow the pari-mutuel industry in this state to compete with all the additional forms of gaming in surrounding states, particularly Missouri, Iowa and Colorado. The devastating effects of this gaming all around us has left one Kansas race track in bankruptcy, another one--the one I represent--on the verge of bankruptcy and still another now operating in the red. There is not a profitable race track in the state. And that equates to a breeding and agribusiness that is also in dire straits at this time.

What the race tracks really need--slot machines at the tracks--simply is not forthcoming from this Legislature. It is obvious after several years of trying that the Legislature does not believe that this is an issue that should be sent to the people for an "up or down" vote on whether slot machines should be installed in race tracks.

*Attachment 4
Federal and State Affairs
3/26/96*

Being a realist, I stand before you today representing the three racing facilities in Kansas asking that you give us a bandaid in the form of Senate Bill 754. It is a bandaid that may permit Camptown to reopen, it may give me something to take to my banks to discuss a possible extension of the \$28 million debt that comes due on July 1 and gives something to Wichita that might again allow them to realize a small profit.

It is an experiment that has not been done in any other state and so we have no idea how it will work. In many ways, it gives us pop guns to compete with tanks across the river in Missouri. But, it does not expand gaming in the state of Kansas. I repeat, it does not expand gaming in Kansas.

This bill allows the racing industry to participate in games already legal in the state. It allows us to conduct high stakes bingo, pull tab bingo, keno and electronic racing games. All of these issues--bingo, pull tabs, lottery and racing--have already been voted in by the people in overwhelming majorities, most recently just last spring. This bill allows for tracks to become lottery retailers.

Games that are already offered at lottery retailers across the state will be handled no differently. There is no special treatment for Power Ball for instance. But for a "race track only" keno game, splits are treated differently so that funds can be derived for purses to keep racing's portion of the state's agribusiness somewhat healthy.

We would offer only one amendment. That amendment can be found attached to my testimony. It involves the fact that tracks operating these games would have to run up to 75 days of live horse racing in a calendar year. This language was picked up from Senate Bill 712 which called for slot machines and the length of such race meetings was possible. We would ask that the committee amend the bill to remove that language as indicated. The bill still calls for these games to be conducted only at licensed pari-mutuel facilities; it requires us to run live or simulcast in order to operate the games; and the current pari-mutuel law already requires that 20% of our live days be horse racing days. We believe this amendment will keep the Legislature from getting into the business of micro managing dates which the industry in conjunction with the Kansas Racing Commission should best decide.

Will it work? We don't know. Will it guarantee Camptown will reopen or help The Woodlands avoid bankruptcy? We don't know. But Kansas will be the first state to have taken a middle of the road approach in attempting to assist its pari-mutuel and agribusiness industry. In most states, the racing industry is either granted the right to game with slot machines or video poker or have been given nothing and have died. We are not asking for an expansion of gaming. But we certainly also are hoping that you will not let us die. Let us work within the parameters of the already-approved gaming laws in Kansas to allow for racing to perhaps survive.

On behalf of all of us in the racing industry, we would like to thank the Chairman, Vice Chairman, and Ranking Minority Member of this committee, the

Lottery Director and Legislative Research for the many hours of meetings they put into the writing of this legislation. It's not what the industry would really like but it is probably the best we can hope for at the present time.

On behalf of the state's tracks, we urge your immediate support of SB754.

activated by insertion of cash or tokens and which is used by lottery retailers or their employees to record sales of lottery tickets for purposes of determining game winners, generate lottery tickets, or validate winning lottery tickets for customers.

New Sec. 3. (a) The executive director may enter into contracts with racetrack licensees for the sale of racetrack lottery tickets or shares to the public, as provided by this act and rules and regulations adopted pursuant to this act. Each such contract shall be subject to the approval of the Kansas racing commission, based on a determination by the Kansas racing commission that the contract is in the best interest of the racing industry in Kansas. Each contract shall be renewable annually and shall be conditioned on the racetrack lottery retailer's remaining a facility owner licensee, facility manager licensee or organization license under the Kansas parimutuel racing act during the term of the contract. Such contracts shall not be subject to the provisions of K.S.A. 75-3738 through 75-3744, and amendments thereto.

(b) Contracts entered into pursuant to this section shall include but not be limited to:

(1) Provisions for the racetrack lottery retailer to pay all costs associated with advertising and promotional services, consulting services, equipment, tickets and other products or services for the operation of racetrack lottery games;

(2) accounting procedures to determine the net income from racetrack lottery games, unclaimed prizes and credits;

(3) provisions requiring the racetrack lottery retailer to remit to the Kansas lottery the net income from racetrack lottery games operated by such retailer and procedures for remittance of such income;

(4) subject to the provisions of subsection (c), the times of operation of racetrack lottery games, the locations of operation of racetrack lottery games within the racetrack facility, and other matters relating to the operation of

4-5

racetrack lottery games;

(5) minimum requirements for a racetrack lottery retailer to provide qualified oversight, security and supervision of the operation of racetrack lottery games at a racetrack facility; and

(6) provisions for the racetrack lottery retailer to file a surety bond or other security with the executive director, based on the expected volume of such retailer's sales of lottery tickets or shares and conditioned on the retailer's performance of such retailer's obligations pursuant to the contract, the provisions of this act and rules and regulations adopted pursuant to this act.

(c) Days of operation of racetrack lottery games shall not be restricted except as follows:

(1) No racetrack lottery game shall be operated at a racetrack facility, other than at a fair association location, except: (A) On days when live races are conducted or simulcast races are displayed at the racetrack facility; and (B) at times when, within the preceding 72 hours, live horse or dog racing has been conducted at the racetrack facility, except during those extended periods in which live races are not scheduled to allow for track maintenance, emergencies declared pursuant to subsection (b)(4) of K.S.A. 74-8836 and amendments thereto or similar circumstances.

(2) No racetrack lottery game shall be operated at a racetrack facility at a fair association location except when live racing has been scheduled during the same calendar year at the location where the racetrack lottery games will be operated. The number of days during which racetrack lottery games may be operated at a fair association location shall not exceed twice the number of simulcast race days authorized at such location.

Strike

~~(d) No racetrack lottery game shall be operated pursuant to this act.~~

~~(1) At a racetrack facility, other than a fair association location, where the conduct of both live horse and live greyhound races is authorized pursuant to the Kansas parimutuel racing act~~

Strike

~~unless the racetrack organization licensee conducting live races at the racetrack facility: (A) seeks approval of not less than 65 days of live horse racing at the racetrack facility during the first year in which racetrack lottery games are permitted at the racetrack facility and 75 days of live horse racing during every year thereafter; and (B) seeks approval of not less than 250 days of live greyhound racing at the racetrack facility during each year in which racetrack lottery games are operated at the racetrack facility; or~~

~~(2) at a racetrack facility, other than a fair association location, where the conduct of only live greyhound races is authorized pursuant to the Kansas parimutuel racing act unless the racetrack organization licensee conducting live races at the racetrack facility seeks approval of not less than 250 days of live greyhound racing at the racetrack facility during each year in which in which racetrack lottery games are operated at the racetrack facility.~~

(e) All moneys received by the commission from racetrack lottery games operated pursuant to this section shall be deposited in the state treasury and credited to the racetrack lottery operating fund established by section 4.

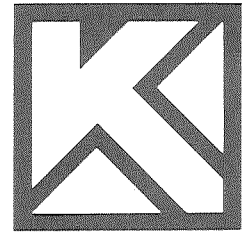
New Sec. 4. (a) There is hereby established in the state treasury the racetrack lottery operating fund.

(b) The executive director shall remit at least weekly to the state treasurer the net income from the operation of racetrack lottery games collected pursuant to this act. Upon receipt of any such remittance, the state treasurer shall deposit the entire amount thereof in the state treasury and credit it to the racetrack lottery operating fund. Moneys credited to the fund shall be expended or transferred only as provided by this act. Expenditures from such fund shall be made in accordance with appropriations acts upon warrants of the director of accounts and reports issued pursuant to vouchers approved by the executive director or by a person designated by the executive director.

4-7

LEGISLATIVE TESTIMONY

Kansas Chamber of Commerce and Industry



835 SW Topeka Blvd. Topeka, Kansas 66612-1671 (913) 357-6321 FAX (913) 357-4732
SB 754

March 26, 1996

KANSAS CHAMBER OF COMMERCE AND INDUSTRY

Testimony Before the

Senate Federal and State Affairs Committee

by

Jim Edwards

Director, Chamber and Association Relations

Chairwoman Oleen and members of the Committee:

Thank you for the opportunity to express KCCI's support for SB 754, a measure which would allow certain lottery games to be played at sites currently offering pari-mutuel wagering on horse and dog racing.

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 46% of KCCI's members having less than 25 employees, and 77% 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.

This position, adopted by our Board of Directors at their December meeting states, "the Kansas Chamber of Commerce and Industry supports allowing pari-mutuel facilities in Kansas to operate electronic games of chance." It was taken by our Board in order to: 1) allow pari-mutuel facilities in Kansas to operate on a level playing field with gaming interest in surrounding

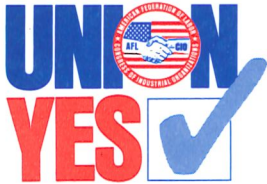
*Attachment 5
Federal & State Affairs
3/26/96*

...specifically Missouri, and 2) to help protect the existing dollars coming into the state gaming revenues fund from the pari-mutuel facilities and to encourage their growth. It appears that SB 754 would be a move towards accomplishing both of these concerns.

You will undoubtedly be asked to consider whether these games will compete with the games of existing lottery retailers. While it is hard to predict the gaming patterns of Kansas residents, it would seem that individuals playing lottery games would continue to play them at their favorite retail outlet. It seems unlikely that the inconvenience associated with driving to the Woodlands, the Wichita Greyhound Track or any of the other licensed facilities will cause players to change their buying habits. We can only suggest that common sense and limits of time and energy will be the deciding factors on when and where Kansans will participate in the Kansas Lottery.

KCCI joins forces with those that are asking for your support of this issue. We all respectfully request that you give your approval to SB 754.

Thank you for the opportunity to appear before you today and I would be happy to stand for questions.



President
Dale Moore

Executive Secretary
Treasurer
Jim DeHoff

Executive Vice
President
Wayne Maichel

Executive Board

*Richard Aldrich
James Banks
Mike Bellinger
Bill Brynds
Gary Buresh
Eugene Burrell
Ken Doud, Jr.
Richard Durow
David Han
Jim Hastings
John Hoover
Greg Jones
Frank Mueller
Dwayne Peaslee
Craig Rider
Wallace Scott
Debbie Snow
Betty Vines*

Testimony Presented to
Senate Federal and State Affairs Committee
Senate Bill 754
March 26, 1996
by
Jim DeHoff

Madam Chairperson & Committee Members:

I am Jim DeHoff, Executive Secretary of the Kansas AFL-CIO. I appear before you today to urge you to support SB 754, which provides for the operation of certain lottery games at certain racetrack facilities.

The Kansas AFL-CIO supports the concept of allowing the addition of lottery games at our Kansas racetracks for the same reasons we supported SCR 1621. The pari-mutuel industry in Kansas needs the economic benefit of additional gaming opportunities to maintain the jobs they now provide.

We support this legislation because it will enable the industry to maintain those jobs and may provide additional jobs as the facilities are remodeled to accommodate the additional games. We urge you to recommend SB 754 favorable for passage.

Thank you.

Jim DeHoff
Executive Secretary-Treasurer



*Attachment to
Federal & State Affairs
3/26/96*



TESTIMONY
SENATE FEDERAL AND STATE AFFAIRS COMMITTEE

Madam Chairman, members of the committee; I am Richaleen Turpin and I appear before you today as a horse breeder, owner and the President of the Kansas Thoroughbred Association. I represent nearly 300 Thoroughbred horse owners, breeders, trainers and their families who support SB 754.

I have been naive throughout this and past legislative processes concerning expanded gambling at racetracks. Naive to believe that all concerned would have the same passion in saving racing in Kansas. At first I believed that legislators did not understand the economic impact of losing live racing in Kansas. I have testified time and time again sharing facts and figures of moneys going to Missouri from Kansans. \$180 million per year. \$222 million spent in Kansas every year in the racing support businesses. 4000 jobs in jeopardy. Nearly 300 Thoroughbred owners, breeders and trainers that will be devastated by the lost of our breed program and racetracks in Kansas.

It appears now that the only way left to help racing in Kansas is with SB 754. Giving the racetracks the ability to compete in some form with Missouri riverboats.

Ask yourself do you want to continue live horse racing in Kansas? Are all the good hard working people raising and running these animals matter to you? Do you care if they lose their farms? Do you care if they have to go out of state to breed and run their horses? Do you care enough to saving racing in Kansas?

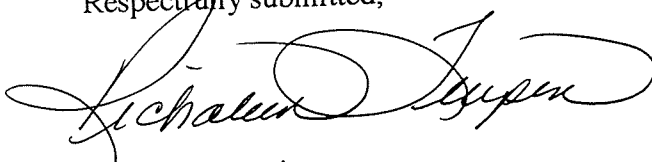
One thing is very clear we cannot survive as things stand now. And whether you want to admit it or not Kansans are gambling here and in Missouri, legally and illegally. Gambling is not going to go away, but live racing and simulcasting will.

Naive, yes I have been naive to believe that facts, figures and logic makes a good argument for allowing lottery games at racetracks to help an industry that is in our blood, hearts and no matter what you believe is a legitimate business.

The members of the Kansas Thoroughbred Association do not want a grant, price support or tax relief. We ask this committee to carefully weigh the benefits of allowing the race tracks lottery games that are already legal in Kansas.

I join with the other members of the racing industry today to ask for your support of SB 754 which is not an expansion of gambling in our state.

Respectfully submitted,



Richaleen Turpin
President, Kansas Thoroughbred Association

*Attachment 7
Federal: State Affairs
3/26/96*

STAND UP FOR KANSAS



Citizens for Stable Economic Growth and Quality of Life in Kansas

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

**Testimony To Senate Federal and State Affairs Committee
on
Senate Bill 754**

by
Glenn O. Thompson
Chairman, Stand Up For Kansas
March 26, 1996

Good afternoon Senator Oleen and other members of this committee. Thank you for this opportunity to speak at this hearing.

As most of you know, Stand Up For Kansas is a state-wide coalition of grassroots citizens who believe that expanding legalized gambling in Kansas would have an adverse impact on the economic and social quality of life of families, businesses, and communities throughout the state. We have no objection to the parimutuel racing industry operating lottery games in accordance with existing statutes. However, we strongly oppose **Senate Bill 754** since it **would remove the current prohibition against video lottery machines, one of the most addictive forms of gambling.**

Operation of video lottery machines is prohibited by K.S.A. 74-8710, which states:

“The commission ... shall adopt rules and regulations governing the establishment and operation of a state lottery ... Temporary and permanent rules and regulations may include but shall not be limited to: (a) The types of lottery games to be conducted, including but not limited to instant lottery, on-line and traditional games, but not including games on video lottery machines.” (underline added)

A “video lottery machine” is defined in K.S.A. 74-8702 as follows:

“Video lottery machine” means any electronic video game machine that, upon insertion of cash, is available to play or simulate the play of a video game authorized by the commission, including but not limited to bingo, poker, black jack and keno, and which uses a video display and microprocessors and in which, by chance, the player may receive free games or credits that can be redeemed for cash.” (K.S.A. 74-8702 (n))

*Attachment 8
Federal and State Affairs
3/26/96*

Senate Bill 754 would add the following new paragraph to K.S.A. 74-8702, providing an exception to this definition for racetrack casinos:

(n) (2) "Video lottery machine" does not include any terminal or player station used in the conduct of an on-line racetrack lottery game.

This exception makes absolutely no technical sense. Video lottery machines are called by various names --- video lottery terminals, VLTs, electronic slot machines, video poker machines, etc. --- but they all have five basic elements: a video screen, slots for insertion of coins or facsimiles of coins, player input device, computer hardware, and computer software. No matter what game is being played --- slots, poker, blackjack or an on-line racetrack lottery game --- all video lottery machines have these five components. And, no matter where the computer hardware and software are located --- in the terminals or "on-line" at a separate location --- the system is still a video lottery machine. If the purpose of this statement is simply to legalize video lottery machines at racetracks, then the bill should be revised to make this intent clear.

Video lottery machines are extremely addictive because of the fast action and instant, or near instant, gratification. They are usually programmed to have a large percentage payback to encourage players to continue to gamble more and more money, often for hours at a time. Consequently, they are often called the "crack cocaine of gambling." In 1993, the Nova Scotia government directed that 2500 of the 3500 video lottery machines be removed from stores, bowling alleys and gas stations because of adults and children becoming addicted to the machines.

Video lottery machines are at the center of FBI investigations into gambling related crime in Louisiana. In 1991, Louisiana legislators legalized video lottery machines at truck stops. Now, 20 of the 144 legislators have been identified in FBI affidavits as recipients of payments from truck stop owners.

If SB 754 becomes law video lottery machines at parimutuel racetracks will bring in millions of dollars in revenues. Lobbyists representing the 1300 plus Kansas Lottery retailers will be swarming all over this building with proposed legislation to legalize video lottery machines at their businesses. How will you justify legalizing video lottery machines at racetracks but not legalizing them at other lottery locations throughout the state?

Several days ago, a friend told me he had recently returned from South Dakota on vacation. He was surprised to see video lottery machines and players lined along the walls in grocery stores. This is not entertainment; this is an illness! That's not my vision for Kansas and I hope it's not yours.

The prohibition against video lottery machines is in Kansas statutes because of the disastrous experiences of other states. Removing these prohibitions would be irresponsible!

We urge you to vote no on SB 754.

8-2

Testimony Before
The Senate Federal & State Affairs Committee
Senate Bill No. 754

March 26, 1996

Dave Schneider
President, Kansans For
Life At Its Best

Chairperson Oleen, Members of the Committee.

I would like to make the following points in opposition to Senate Bill No. 754:

1. This would constitute an expansion of gambling in Kansas.
2. There is no logical reason why this kind of arrangement should be denied to other lottery retailers in the state. If these "Johnny-come-latelies" can get such a deal from the state, why shouldn't the other retailers, who've been retailers far longer, get the same deal? But if that were to take place, then we would really be discussing a major expansion of the Lottery -- the kind that needs far more public debate than will be allowed for over this matter.
3. This is an unprecedented use of the Kansas Lottery. It seems doubtful that the voters of the state intended for the lottery to be used to bail out or give a handout to a different, and private gambling industry. (The proponents say they aren't sure whether this will rescue the tracks or not. If it did rescue them, it would be a bailout. If it didn't, it would simply be a handout.)
4. If the proponents are counting on portraying this measure as "the least you can do out of sympathy for the plight of the tracks," then you ought to look closely at the attached "For The Love of Horses." It consists of sworn testimony from the Woodlands tax appeals cases before the Board of Tax Appeals and indicates that there is more to the Woodland's troubles than the advent of riverboat casinos. We ought to think twice before being overwhelmed by sympathy for Hollywood Park, which acquired the Woodlands after they were already in trouble and the riverboats were on the scene. They acquired it with the intent of using sympathy for its plight as leverage for casino gambling or **video lottery**. (See final two pages of attachment.)

*Attachment 9
Federal and State Affairs
3/26/96*

For The Love of Horses...

Why testimony from the Woodland's tax appeals before the Board of Tax Appeals should make us think twice about weeping for the Woodlands -- or its present owner, Hollywood Park.

KEY:

Testimony preceded by **BOTA 91** comes from the following case:

BEFORE THE BOARD OF TAX APPEALS OF THE STATE OF KANSAS, May 29-30, 1991.
SUNFLOWER RACING, INC. - WYANDOTTE COUNTY - DOCKET NOS. 90-15882-EQ, 90-15883-EQ, 90-15884-EQ and 91-1414-PR

Testimony preceded by **BOTA 93** comes from the following case:

BEFORE THE BOARD OF TAX APPEALS OF THE STATE OF KANSAS, December 6-10, 1993.
IN THE MATTER OF THE EQUALIZATION APPEAL OF SUNFLOWER RACING, INC., FOR THE YEAR 1992 IN WYANDOTTE COUNTY, KANSAS. Docket No. 92-10876-EQ.

- and -

IN THE MATTER OF THE PROTEST APPEAL OF SUNFLOWER RACING, INC., FOR THE YEAR 1992 IN WYANDOTTE COUNTY, KANSAS. Docket No. 93-7519-PR.

Note: The following testimony is sworn testimony.

Parimutuel Racing is a Risky Business...

BOTA 93

[919 -- Bruce Rimbo]

Q. As far as the pari-mutuel racing business itself, would you consider it to be, from an investment standpoint, a risky business?

A. Oh, absolutely.

....

[920 -- Bruce Rimbo]

Q. And you answered my previous question, with regard to the pari-mutuel racing industry, generally, as being somewhat risky?

A. That's correct.

Q. Is it more or less risky, is the dog element of that more or less risky than the horse element?

A. It is much less risky than the horses.

9-2

- Q. So the horses, overall, are the most risky of an already risky investment?
A. That's correct.

They Didn't Want To Do The Horses...

BOTA 1991

[21-- R.D. Hubbard on stand]

- Q. Do you feel at the present time, Mr. Hubbard, that the dual license requirement of the State has impacted on the overall value at The Woodlands?
A. Well, there is no question that a dog only facility, or a greyhound only facility, you know, would be far more profitable and more valuable. You can take -- I heard the attorney here for the County mention other areas where greyhound and horse-racing survived. I would basically challenge, there is no place in the country where they are head to head, dogs against the horses head to head where the horse track is really surviving, to any extent, or making a decent return based on the value of -- or the cost of the facility. ... So I just say that, and [22] **when the bill here in Kansas was introduced, and everything, I talked to the horsemen, you know, and told them they were making a mistake -- because nowhere does it work,** but they felt that was the only way they could get the bill passed, so that's why the bill was in the form that it is, which allowed both greyhound and horse-racing in the State.

....

[35 -- R.D. Hubbard]

- Q. You testified the Racing Commission expected horse-racing in the Kansas City market; was that because it was the only viable market for a horse track, or is that because they wanted a horse track built?
A. They wanted a horse track built.
Q. Did you want to build a horse track?
A. Well, I would have preferred to have built dogs only, but I don't think we had any choice.
Q. You applied for a dual facility. It's your testimony you wouldn't have built a horse track but for the fact they required you to?
A. No, they didn't require us to. In other words, we could have applied for a dog track only, but the odds were we would not have got the license.
Q. I guess that's my question. Are you saying that you would not have built the horse track if you could have gotten only a dog license?
A. That is correct.

Horse & Dog Racing Were Already In Decline When They Got Into This...

BOTA 91

....

[43 -- R.D. Hubbard on stand]

QUESTIONS BY MR. LANDECK

- Q. Mr. Hubbard, I was trying to understand what counsel was implying when he was asking you

about coming in to some of these racetrack properties and buying them, and turning them around, so to speak. Is the horse-racing industry in [44] decline nationally, the way you explained it, because all these tracks have bad management?

- A. Well, not just racetracks, but the whole horse-racing industry is in decline, the breeding farms, stud fees, the sale of yearlings, mares, any article you pick up, you will read that at least a third of the farms in Kentucky are for sale, and everything. So, yes, the whole horse-racing industry is in a decline.

....

QUESTIONS BY MR. NEILL:

- Q. Just a few. You say the decline has to do with marketing [46] in the area; is that what you said?
- A. Basically, in projections; they overestimated what those tracks would do before they were built.
- Q. Is that in terms of anticipating handle and attendance, and that sort of thing?
- A. Yes.
- Q. And maybe misinterpreting competition?
- A. And expenses.

[77 -- Dana Nelson on stand]

- Q. Based on your position, and your experience, you have acquired certain knowledge about the status of dog racing [78] nationwide. Could you tell us a little bit about that?
- A. I feel it is imperative to know what is going on in the industry... With a few exceptions, virtually every greyhound track in the country has been down over the four-year period through 1989. I have the '90 book here, and the trend seems to be continuing.

[146 -- Bruce Rimbo on stand]

- Q. You came here in late 1988, early '89.
- A. Yes.
- Q. Was the prognostication of where horse-racing was going any different then than it is today?
- A. No.
- Q. I mean, everybody knew then pretty much the same thing we know now about the horse-racing industry?
- A. I think for the most part, sure.

They Knew There Was a Better & Cheaper Design Available Than The Dual Track Design...

BOTA 91

[219 -- James Sawyers, Real Estate Appraiser for The Woodlands, on stand]

Q. (By Mr. Neill) It cost him \$61,000,000 to build that horse and dog track; is that not a fact?

A. I think it's a fact.

Q. And what you are telling me is the day he did that, it was worth forty million?

A. That is absolutely correct. And he knows it. He has no argument with that at all.

BOTA 93

[290-- Robert Reilly, Real Estate Appraiser for The Woodlands, on stand]

MS. TERRILL: I'm sorry, I thought that was his testimony, the reason he premised his appraisal on the concentric track was because it was more of a state-of-the-art approach versus Mr. Hubbard's and Mr. Boushka's proposal, which he claims to be functionally obsolete before it's started.

MR. SHAPIRO: I believe that's correct.

CHAIRMAN SHRIVER: Then we have no argument, so please continue.

Q. (By Ms. Terrill) Knowing what you know about Sunflower Racing, and the current operation of the dual track, would your testimony be the same, then, that there is functional obsolescence for dual grandstands versus the concentric track?

A. Oh, I think that's exactly right, that there is. I would not recommend, absent the requirement to get the racing license, I would not recommend to the owner of this track to build two separate grandstands, when they can enjoy the same functional utility with one grandstand.

....

[294] Q. (By Ms. Terrill) Mr. Reilly, isn't it true that appraisers determine functional obsolescence by going into the market?

A. No. You determine functional obsolescence by examining the subject property.

Q. As compared to?

A. The ideal replacement property.

Q. Which is in the --

A. (Interrupting) Minds of whoever designs the ideal replacement property.

Q. It is your testimony, then, that you don't have to have a facility out there to compare it to; it can just be something that -- well, where?

A. Well, that's -- It's a poorly worded question, but it is, conceptionally, a good question.

Q. Thank you.

[295] A. It is important for the Board to understand two things: One is, of the four facilities on the planet Earth that do this dual racing, both dogs and horses, three of them use the concentric-track methodology and one of them, Woodlands, uses the dual-track method. They are the only one

9-5

on the planet Earth that does that.

The tracks that were built before them used concentric circles. The track that was built after that used the concentric circles. I think that is interesting information. To an appraiser, though, that is not controlling. If Aqua Caliente had never existed, if Juarez had never existed, if Birmingham was not under construction on the valuation date, I am confident I would have proposed this exact design because, according to the architectural firm that designed The Woodlands and the construction firm that built The Woodlands, both convinced me that this was architecturally possible and structurally possible and possible from a contractor building a concentric track.

In fact, Scott Vath, from J.E. Dunn, said, "Not only would I build it, could I build it, in 1989 I was ready to build it. I thought I would be hired to build it if I got the other bid."

[1007 -- Bruce Rimbo]

Q. (By Ms. Terrill) In your testimony, you talked a lot about whether or not the concentric track facility was something you and Hubbard Enterprises and Sunflower Racing and all associated knew about at the time you put your proposal together; correct?

A. Yes.

Q. And that was something you did know about; correct?

A. Yes.

[1012 -- Bruce Rimbo]

Q. If I'm a -- (pause)

Is it a correct assumption that you want the track to be successful?

A. Of course.

Q. And you want to make the most money you can?

A. Certainly.

Q. Okay. And that part of that desire was the reason that you had set up a double grandstand and a double track; correct?

A. (No response)

Q. To maximize the possibility for a success and revenue?

A. I still maintain we set up-- [1013]

Believe me, the double grandstand was not my idea. But the double grandstand, I maintain, was done so that we could be assured, as best we could, of getting the license.

Q. Okay.

A. I was not a supporter of the double grandstand concept.

Q. Okay. Someone must have been a supporter of the double grandstand concept?

A. Uh-huh.

Q. And who would that individual have been or individuals?

A. **I believe that Mr. Boushka was primarily the innovator of it, and suggested it,** and rallied a great deal of support from various constituencies that felt that that was the best way to go in obtaining the license.

[1028-- Bruce Rimbo]

Q. I think you answered this question but I want to be sure the record is clear.

If you had the license already in your palm so you [1029] didn't have to make the

g-l

concessions you talked about, what design would you choose?

A. I would choose -- You are telling me the license is a dual license?

Q. In your palm.

A. With the dual license in my palm, **I would do a concentric track**, so I didn't have all the operating overhead and all the dual expenses that I have, not to mention the construction costs.

So If They Knew All This, Why Did They Do It?

BOTA 91

[96 -- Dana Nelson on stand]

Q. Why do you suppose wealthy otherwise smart people like Mr. Hubbard and Mr. Boushka, and others -- I think we mentioned Mr. DeBartelo -- spend a lot of money on racing tracks, horse-racing tracks, if it is such a bad investment?

A. There is something about racing that until you have been involved in it, worked in it in some capacity or another, that you can't explain it to the average person. It truly gets in the blood. I spent six years working for two different governors on a wide range of issues from water development to education, to correctional issues, you name it, and I felt like I had a relatively positive impact on South Dakota state government, and the economy of that state, [97] but nothing has ever consumed me the way this racing has. And in saying that, I would have to presume, and I know other people have expressed the same thing, I have to presume that's a lot of it. It's from the heart, and not from the pocketbook, to some extent.

[147 -- Bruce Rimbo on stand]

Q. If the economic viability of a horse track by itself, and maybe there is some exception, is so unfeasible, why does anyone do it?

A. **I wouldn't spend my money doing it, I can tell you that.**

[434 -- Closing argument by Mr. Landeck, Sunflower's Attorney]

...I asked myself a question, and Ben or Linda asked it a couple of times of my witnesses, "Why would you build a horse track, if it's a losing proposition? Why would you do that?" The question may still remain in the County's mind, but I hope it doesn't remain in the Board's mind. I hope the Board understands the State pressure that was in effect to grant this license to a dual operator in the Kansas City area. Basically, what the State said is, "We are going to let you earn some profit from the dogs, because we think that's going to be profitable for you, even if it means you are going to have to lose some money, or break even on the horses." If this was such a great business, this horse-racing business was such a great business, we wouldn't have situations in other states where they passed pari-mutuel wagering several years ago, like Missouri, and they still don't have a race track, a horse-track. I just want, in closing here, to go back to this definition, and before I do that, I want -- it pertains to fair market value, and why did Mr. Hubbard and Mr. Boushka build this track; disregarding the State pressure to build a horse track, why [435] did they do it, if they were able to

look in their crystal ball and see it was probably going to lose some money? Well, for two reasons, I think. They built it, number one, because they thought they could have good management there, and that good management would give them a fighting chance at breaking even, or maybe making a little money; and, certainly, Mr. Rimbo has tried his hardest to do that; and, secondly, because they love horses. **That's why they built it, primarily, I think, is because they love horses.** And because people do love horses, there probably will always be buyers for horse tracks in this country.

BOTA 93

[264 -- Robert Reilly on stand]

Q. Do you consider Mr. Hubbard to be a premier businessman/horseman in this industry?

MR. SHAPIRO: Object to the relevance to whether Mr. Hubbard is a premier horseman or businessman in this business.

MS. TERRILL: I think it is real relevant whether Mr. Hubbard -- who is the controlling majority stockholder -- made an incorrect decision. What I want to know is what is his personal opinion about whether he is a prudent businessman/horseman or actually if he's the best in the business.

MR. SHAPIRO: That is not true. What this [265] witness has testified to is Mr. Hubbard made a decision to invest approximately \$16 million in a grandstand that was unnecessary in order to induce the Racing Commission to get him the license. That was a business decision. He said, "I'm going to pay my \$2 million up front and take my chance in getting the license. If I get the license, to induce you to give it to me, I'm willing to erect this monument that we're going to build, this dual horse racetrack and dog racetrack grandstands." He didn't say he made a mistake in erecting the second grandstand.

In retrospect, we know he made a mistake by building horses at all, but that is not at all relevant in this case.

[1036 -- Closing Argument by Mr. Shapiro, Representing Sunflower Racing]

MR. SHAPIRO: As I indicated at the outset of this case, the case involves both the valuation and the lawful assessment of one parcel of real property located in Wyandotte County for tax year 1992....Well, within about the first 30 minutes of this hearing, we had testimony that the subject property suffered from economic obsolescence of over \$21 million. If the property had been built brand new, as of day one, on January 1, 1992, the loss in value from construction cost would have been in excess of \$21 million....[1048] We have un rebutted testimony that the reason there were two grandstands built is because the applicant, Sunflower, at the time believed that that would be the only way to assure their obtaining the necessary licenses for pari-mutuel racing. In effect, what the applicant did was agreed to, with the Racing Commission, that if you say that I win this lottery, I will pay an additional 16 million or 18 million dollars for the license. And, that's effectively what they did. On their books is it real property? Sure, they spent the money for buildings; but if they had to spend the tax for \$18 million -- or if they had to pay a fee for \$18 million, they would have done that. They wanted that license....[1049] **The only evidence in the world that we have of two grandstands is right here in Kansas City. And we know the reason**

g-8

that was done. It was not because it was a smart business move, in terms of operation, it was a way to build the coalition to obtain the licenses necessary to operate as a pari-mutuel facility.

From Press Reports Introduced Into Evidence:

"Track plan gets go-ahead," Lori Shein, The Kansas City Star, July 10, 1988. (Exhibit TP 16, 92-10876-EQ, 93-7519-PR)

Kansas racing commissioners on Saturday tentatively licensed a \$55.5 million greyhound and horse track in Kansas City, Kan.

....

Commissioners said their decision was influenced partly by a desire to give their state's horse and dog industries equal chances for success.

"This is a gamble," Commissioner Kay K. Arvin said, referring to the dual track concept.

"Dog, horse track for K.C.K. area gets green light," John Hanna, AP writer, The Sunday Topeka Capital-Journal, July 10, 1988. (Exhibit TP 17, 92-10876-EQ, 93-7519-PR)

The Kansas Racing Commission decided Saturday that a group headed by a prominent Wichita businessman and another group of Kansas city area residents should be allowed to build a \$55.6 million pari-mutuel dog- and horse-racing park in Kansas City, Kan.

....

"It will not be a firm license until we have the approval in writing of the terms," said commission Chairman Alfred Schroeder of Madison.

....

Schroeder said he was not swayed by some developers' arguments that a park with both dog and horse racing is not feasible because none is operating in the United States.

" 'It can't be done' is not in my vocabulary," Schroeder said.

....

The other proposal for horse and dog racing came from the Wyandotte County Economic Development Commission Inc. and Kansas Racing Management Inc., both of Kansas City, Kan. It called for spending \$28.5 million to build a park with a single grandstand in southeast Edwardsville.

The Economic Development Commission was the non-profit group originally formed by the Wyandotte County Commission. Racing Management was headed by Kansas City area businessman David Schoenstadt, the former owner of the Kansas City Comets professional soccer team.

The group probably will not appeal the commission's decision to the state Supreme Court, which it has the right to do, said Norman Road, a minority stockholder in Racing Management. Rose said the commission's deliberations were fair, but he criticized the Sunflower proposal.

"The moderate-priced venture lost out to the over-priced venture," Rose said.

9-9

In light of all of the above, we should feel no sympathy for Hollywood Park, the current owner of the Woodlands. As the following makes clear, they acquired the Woodlands knowing of its problems and with the intent of moving into casino gambling. What follows is from a form filed by Hollywood Park with the Securities and Exchange Commission which was included in the BOTA 93 file:

Securities and Exchange Commission, Washington, D.C. 20549, Form 8-K, Current Report, Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934. Date of Report: March 23, 1994. Hollywood Park, Inc. Commission File #: 0-10619.

Item 2. Acquisition or Disposition of Assets

On March 23, 1994, pursuant to an Agreement of Merger dated as of February 24, 1994, as amended, Hollywood Park, Inc., a Delaware corporation ("Hollywood Park"), acquired 100 percent of the outstanding capital stock of Sunflower Racing, Inc., a Kansas corporation ("Sunflower"), by way of a merger of its newly-incorporated subsidiary, HP Acquisition, Inc., with and into Sunflower. Sunflower owns and operates the Woodlands (the "Woodlands"), a thoroughbred and greyhound racing facility located in Kansas City, Kansas, and Hollywood Park intends that Sunflower continue to own and operate the Woodlands.

Hollywood Park acquired Sunflower from R.D. Hubbard, who is Chairman of the Board and Chief Executive Officer of Hollywood Park, and Richard J. Boushka. Hollywood park paid Hubbard and Boushka a total of 591,715 shares of newly issued Hollywood Park common stock valued at \$15 million and, immediately following the merger, Hollywood Park contributed to Sunflower \$5 million in cash that Sunflower used to prepay a portion of its subordinated debt in exchange for more favorable terms.

Hollywood Park has also agreed to pay Hubbard and Boushka additional Hollywood Park common stock equal in value to 25 percent of the increase in Sunflower's annual after-tax earnings over Sunflower's adjusted 1993 earnings, for a five-year period, if casino gaming or a video lottery commences operation at the Woodlands, or if Sunflower receives a royalty from the operation of a video lottery elsewhere in Kansas.

Combine that with the following:

Access No: 9300049739 ProQuest - The New York Times (R) Ondisc
Title: WALL STREET; BETTING ON THE SYMPATHY VOTE
Authors: Andrea Adelson
Source: The New York Times, Late Edition - Final
Date: Sunday Aug 7, 1994 Sec: 3 Financial Desk p: 11

Abstract: Randall D. Hubbard, a 30-year horse breeder and chairman of Hollywood Park Inc, has begun to assemble a national race track empire, acquiring tracks in states where he hopes casino-style gambling will be legalized. But because Hubbard is said to be going for the sympathy vote, betting that lawmakers will help track owners who have been hurt by the

9-10

new gambling parlors, investors would do well to gauge political sentiment in Kansas, California and Arizona before making their own bets.

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(R) Service.

Article Text:

RANDALL D. HUBBARD, a 30-year horse breeder and chairman of Hollywood Park Inc., is making some big bets these days.

In the last year, Mr. Hubbard has begun to assemble a national race track empire, acquiring tracks in states where he hopes casino-style gambling will be legalized. His ambitious strategy is to replicate at those tracks the sort of entertainment complex that is taking shape alongside Hollywood Park's track in Inglewood, Calif., where a cavernous card parlor opened last month.

Mr. Hubbard is going for the sympathy vote. His bet is that lawmakers will help track owners who have been hurt by the new gambling parlors. But they may not be sympathetic to an outsider who bought race tracks with his eyes wide open, knowing that revenues were in danger.

To keep tracks from closing, some states have helped out by allowing slot machines at the tracks. ... And that is Mr. Hubbard's aim. In a \$20 million deal mostly involving stock, Hollywood Park in March acquired The Woodlands, a dog and horse track in Kansas City, Kan., across the river from Missouri's floating casinos.

Sympathy is the last thing they deserve -- especially in light of the fact that Hollywood Park had plenty of money to handle the Woodlands debt itself. A Dow Jones News Service report from July 15, 1993 on the 2nd Quarter earnings of Hollywood Park stated that "The company said it has retired all bank debt and has \$89 million in cash." Hubbard was quoted as saying "Other projects to increase our earnings power are presently under consideration."

Six days later, on July 21, 1993, the Wall Street Journal reported that "Hollywood Park Inc. said it is considering acquiring Woodlands Race Track, a Kansas City, Kan., horse-racing and greyhound-racing facility..."

9-11

TESTIMONY PRESENTED TO THE
SENATE FEDERAL AND STATE AFFAIRS COMMITTEE

RE: SB 754

March 26, 1996

by: Rebecca Rice

Legislative Counsel for the Kansas Coalition for Gaming Equity

Thank you, Madame 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 SB 754.

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 appreciate the innovative approach to this latest effort to allow additional gambling at the racetracks at the expense of other entertainment businesses and food and drink establishments. However, despite the new approach, it appears to be the same idea of slot machines exclusive to the racetracks. If the exclusivity of each of these proposals would be removed allowing other communities and neighborhood businesses to share in the revenues, our opposition would disappear.

We have not had time to closely analyze the bill. However, we would like to draw to the committee's attention a few sections of the bill we find troubling. In particular:

- page 2, line 21-we believe this potentially allows the racetracks to install video lottery machines;
- page 3, line 11;
- page 3, line 23;
- page 3, line 32-another possible mechanism to install video lottery machines;
- page 4, line 26-we have not yet determined the definition of "within the racetrack facility";

We would appreciate the committee opposing any legislation, including SB 754, which opens the way for exclusive, extremely lucrative gambling at the racetracks.

Thank you for allowing me to present this testimony.

*Attachment 10
Federal and State Affairs
3/26/96*

Chairman Cleen

Members of the Senate Federal and State Affairs Committee

I am Frances Wood, volunteer lobbyist for the Woman's Christian Temperance Union. First a big thank you to those of you who voted last week to kill the constitutional amendment that involved gambling. And now we are faced with another gambling issue - they will not go away - why? because they have money to be made. And we will not go away, either - not because we have money to be made but because we care about the social values of our state.

Many of you have been told of the April 1996 Reader's Digest article that arrived in the mail last Tuesday. It is about Minnesota's problems with gambling. I cannot reproduce this because of the legality of doing so, but I want to bring some of information to your attention. The two paragraphs at the end of the article summarize the content. I will quote them:

Gambling has significant social and economic impact. It results in ruined lives, families and businesses; in bankruptcies and bad loans, in suicides, embezzlements and other crimes committed to feed or cover up gambling habits--and increases in costs to taxpayers for investigating, prosecuting and punishing those crimes.

Few of these problems have been documented as communities across the nation instead focus on gambling as a way to boost economics and increase tax revenues. But for Minnesota the social costs of gambling are emerging in vivid and tragic detail.

Realizing SB 754 is not asking for casinos, they are asking for another form of gambling. One, that if the race tracks are allowed to have it, others will rightfully claim, under the lottery, they should be allowed to install these machines. You remember the bowling alley owners were asking for this very thing. Any of this will lead to more of the same problems Minnesota is having.

Again, we would ask for your good judgment in refusing to add more gambling devices.

Frances Wood
4724 S.E. 37th St.
Topeka, Kansas 66605
Phone 379-5529

P.S. If any are interested in the entire Reader's Digest article, I would be glad to share my copy.

Attachment
Federal and State Affairs
3/26/96

TESTIMONY TO
SENATE FEDERAL AND STATE AFFAIRS COMMITTEE
March 26, 1996

Good afternoon. My name is Frank DeSocio. I have been coming to Topeka since October, 1995, attending meetings concerning expanded gambling in Kansas.

I am here to speak against awarding an exclusive agreement to the dog and horse tracks of Kansas. After sitting thru days of testimony, the one common item is that gambling is the number one entertainment in America. Bowling is also entertainment. The awarding of any bill to dog and horse tracks alone would devastate bowling centers in Kansas as it has in Missouri and Iowa.

Our company operates four bowling centers in Wichita and thru those businesses we employ 275 people and pay over \$400,000.00 in various taxes, and with another 130 bowling centered in Kansas, the adoption of this bill would effect not only taxes paid to the state, but the employees of these bowling centers.

Being a life long resident of Kansas, as most bowling proprietors are, this bill would devastate our businesses. Bowling centers are very active in their communities in fund raising efforts. I cannot see how this Committee would award an exclusive franchise to only the dog and horse tracks of Kansas. Bowling centers are also very active with the lottery and should be included in any expanded lottery games, as all existing lottery retailers should be.

What is good for one or two outlets should be good for all.

Thank you.

Attachment 12
Federal and State Affairs
3/26/96



Kansas Sunflower Club Association

1314 Topeka Ave. Topeka, Kansas 66612

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

In 1974 the Kansas Constitution was amended to permit games of Bingo to be played within our borders. Voters approved Bingo with the understanding that only non profit religious, charitable, fraternal, educational and veterans' organizations would conduct such games for the benefit of their local programs. Nothing was said at the time which remotely suggested horse or dog tracks, or a lottery; indeed, the constitutional question to permit Bingo games would have been soundly defeated had it included parimutuel racing or a lottery.

Similarly in 1995 voters were asked to amend the constitution to permit the sale of Instant Bingo tickets by the same groups of local non profit organizations. Not a word was mentioned about a connection between the race tracks, lottery and Instant Bingo despite the lottery's vain attempt to capitalize on the efforts of the non profits by offering a game called "Instant Bingo" soon after voters approved the game for Bingo licensees.

Since its inception or legalization in Kansas, Bingo has produced a relatively stable source of revenue for local non profit organizations and a similar source of tax revenue for the State of Kansas. Erosion of these sources of revenue have included the legalization of race tracks and the Kansas Lottery; however after the "new" wore off each, Bingo revenues managed to rebound - especially with the legalization of Instant Bingo by voters for non profit Bingo Licensees.

Current Bingo laws and regulations restrict the number of days or sessions Bingo may be played in a given location per week, how many games of Call Bingo may be played during each session, the maximum prize fund which can be awarded in Call Bingo, the hours Instant Bingo tickets may be sold and the minimum and maximum prize ratios of Instant Bingo. These laws and regulations exist because the Legislature has recognized voter intent to allow the majority of Bingo operators - small non profit local organizations who own their own buildings - a source of revenue to fund their religious, charitable, fraternal and educational programs which have such a tremendous impact in their local communities statewide.

Senate Bill 754 would destroy all or a vast majority of these programs and breaks faith with the voter intent. When parimutuel racing was legalized in Kansas our organizations did not seek to open tracks in direct competition with those in Kansas City, Wichita and elsewhere. When the lottery was legalized some of our organizations did seek to offer its members lottery products in our private club rooms but most have dropped such sales because they have been determined to be unprofitable for our small establishments.

*Attachment 13
Federal and State Affairs
3/26/96*

In other words we have not sought to infringe on either the lottery or parimutuel business; it's the other way around. Therefore in the interest of being fair and protecting the hundreds of small local non profit Bingo operators in Kansas I urge your no vote on Senate Bill 754.

13-2