

Approved: 5-1-98
Date

MINUTES OF THE SENATE COMMITTEE ON FEDERAL AND STATE AFFAIRS.

The meeting was called to order by Senator Lana Oleen at 3:10 p.m. on April 9, 1998, in Room 254-E of the Capitol.

All members were present except:
Senator Nancey Harrington - excused

Committee staff present: Mary Galligan, Legislative Research Department
Theresa Kiernan, Revisor of Statutes
Midge Donohue, Committee Secretary

Conferees appearing before the committee:
Representative Ralph Tanner
Mr. Glenn O. Thompson, Chairman, Stand Up For Kansas, Wichita
Mr. Lester Lawson, Reich's Club, Kansas City, Kansas
Mr. Les Borgmeyer, Sales Manager, Bingo Systems & Supply, Inc., Columbia,
Missouri
Mr. Ron Gaches, Wichita Greyhound Park
Mr. Ralph Snyder, Assistant Adjutant, Kansas American Legion
Mr. Gregory P. Ziemak, Executive Director, Kansas Lottery

Others attending: See attached list

Senator Oleen opened the meeting by announcing that there were two proponents scheduled to testify before the committee today on **HB 2999**, pertaining to lottery machines. Five additional conferees were on the agenda to offer testify on the bill, and Senator Oleen explained the time would be divided equally between both sides of the issue.

The hearing was opened on:

HB 2999 **An act concerning lottery machines; relating to the unlawful sale of lottery tickets**

Representative Ralph Tanner, a proponent of the **HB 2999** (Attachment #1) who carried the bill on the floor of the House, told the committee it was designed to close loopholes in a statute that currently allows the state lottery to place coin-operated machines at various locations in the state which will dispense lottery tickets to anyone. He said this places the burden on the owner-operator of the facility to regulate use of the machines to make certain minors do not have access to them. Representative Tanner stated that he believed it is now easier for a teenager to gamble in Kansas than to purchase cigarettes, and that the proliferation of the opportunity to gamble by the young is poor public policy. He strongly urged the committee to give favorable consideration to the passage of **HB 2999**.

In discussion that followed, Senator Oleen noted that liquor laws in Kansas provided the ability to charge and fine minors who are in possession, and she asked Representative Tanner if he supported that concept for minors who show fake IDs to purchase an unlawful product, such as a lottery ticket. Representative Tanner responded in the affirmative, and the chair pointed out that this provision was not included in the proposed legislation. Replying to a question from a committee member, Representative Tanner advised that he did not oppose the lottery, that he supported legislation before the House on EDIF, and his only opposition was to the particular aspect of gaming addressed in **HB 2999**.

Mr. Glenn Thompson, Chairman of Stand Up for Kansas, Wichita, appeared in support of **HB 2999**, (Attachment #2). He told the committee he was speaking on behalf of grass-root citizens across the state who oppose the expansion of gambling in Kansas. Mr. Thompson discussed what the bill would and would not do, emphasizing that it would not impact statutes governing over-the-counter ticket sales related to the Kansas Lottery and bingo. In the interest of time, he referenced Appendix 1 of his written testimony in lieu of oral remarks on what he termed "loopholes" in current lottery and bingo statutes. Instead, he discussed interactive

CONTINUATION SHEET

MINUTES OF THE SENATE COMMITTEE ON FEDERAL AND STATE AFFAIRS, Room 254-E, Statehouse, at 3:10 p.m. on April 9, 1998.

and noninteractive lottery machines, which he stated contribute nothing extra to economic development in Kansas. He urged the committee to support **HB 2999** for three reasons: 1) to stop the spread of lottery machines across the state, 2) because the machines are addictive, and 3) to protect the young in Kansas.

In response to questioning from a committee member, Mr. Thompson acknowledged that he was not a supporter of the Lottery. Senator Vidricksen pointed out that more than 70% of Kansas voters voted for the lottery which indicated to him that it had the support of grass-root citizens. He stated there was a strong movement to eliminate the Lottery and suggested that committee members be cognizant of the fact that this would be an election issue, recalling that reinstatement of the Lottery is scheduled to be addressed in the year 2002.

Mr. Lester Lawson, owner of Reiche's Club in Kansas City, Kansas, spoke in opposition to **HB 2999**, (Attachment #3). Mr. Lawson told the committee that the lottery ticket dispensing machines have improved the sale of lottery tickets. He said he cannot afford to use employee's time to sell tickets individually, given the small margin of profit per sale. Without the dispensers, he said he would not have the inventory control they provide for pull-tabs. Mr. Lawson pointed out also that the proposed legislation did not provide a penalty clause for a minor who uses false ID to purchase lottery tickets, and he urged the committee to report the bill unfavorably.

Mr. Les Borgmeyer, Sales Manager for Bingo Systems, Columbia, Missouri, an opponent of **HB 2999** (Attachment #4), distributes bingo supplies to several states in the Midwest and is currently licensed to sell bingo supplies in Kansas, with an office in Salina. Mr. Borgmeyer's opposition to the bill centered around its potential to take away the benefits charitable games have in selling instant bingo tickets. He said that vending machines may be their only way to service customers in the future, and he proposed that such machines be allowed in an age-controlled environment.

(Mr. Borgmeyer advised that he had submitted revised written testimony in opposition to **SB 692**, relating to bingo, (Attachment #9), subsequent to his earlier testimony before the committee on that particular bill.)

Mr. Ron Gaches, representing Pete McGill and Associates on behalf of the Wichita Greyhound Park, spoke in opposition to the bill, (Attachment #5). Mr. Gaches expressed concern that prohibitions in the bill could impact the operations of the greyhound track in Sedgwick County. He explained operations at the track as they relate to the machines addressed in the bill. He told the committee the machines are monitored by video camera and security staff to ensure that minors are not betting. If the committee reports the bill favorably, Mr. Gaches asked that it consider more narrowly defining lottery machines that would be prohibited so that betting activities at the Wichita Greyhound Park would not be impacted.

Mr. Ralph Snyder, Assistant Adjutant of the Kansas American Legion, spoke as neither a proponent nor opponent of **HB 2999**, but rather for the purpose of seeking clarification on what constitutes a "noninteractive" lottery machine, (Attachment #6). Mr. Snyder explained the operation of a typical instant bingo dispensing machine which he said offers total inventory and sales control for the licensee while preventing losses due to theft or a miscount of tickets sold. Vending machines, he said, require bingo players to insert coins into the machines and do not prevent underage individuals from using them unless they are placed in a controlled area. Mr. Snyder told the committee that, because it is not certain if the proposed legislation would allow continued use of dispensing machines, the Legion requests an amendment to **HB 2999** to permit continued use of licensee controlled dispensing machines that do not accept cash or tokens. He stated that the Legion supports the availability of vending machines to bingo players as long as the machines are in a controlled environment that would prevent underage purchases.

Attention was directed to written testimony in opposition to **HB 2999**, (Attachment #7), submitted by Mr. Frank DeSocio, President of the Kansas State Bowling Proprietors' Association, Overland Park.

Mr. Greg Ziemak, Executive Director of the Kansas Lottery, was recognized. Mr. Ziemak stated that his purpose in asking to address the committee was to convey concerns of the Lottery Commission regarding a portion of **HB 2999** which he said would prohibit the Lottery from allowing lottery retailers to use automated ticket dispensers to sell instant scratch-off and pull-tab tickets, (Attachment #8). He explained that the use of automated ticket dispensers is not an expansion of lottery games; that all dispensers provided by the Lottery merely permit players to purchase existing instant and pull-tab tickets, which can also be purchased over the counter from any lottery retailer selling the same games. Mr. Ziemak told the committee there are currently 50 lottery ticket dispensers in a test market situation which have been placed in establishments approved to sell lottery tickets. He said the Lottery has been very careful to place these dispensers in "social environment"

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MINUTES OF THE SENATE COMMITTEE ON FEDERAL AND STATE AFFAIRS, Room 254-E, Statehouse, at 3:10 p.m. on April 9, 1998.

retailer settings, and they have not been placed in convenience stores. Ziemak emphasized that the Lottery does not want minors purchasing tickets or their retailers selling tickets to minors. He commented that minors would not play if they were not allowed, by statute, to cash a winning ticket. He assured the committee that the Lottery intends to continue to be vigilant in regard to placement of ticket dispensers and asked that it be allowed to continue to use them.

Mr. Ziemak suggested that the committee may want to consider strengthening existing law in two areas by: 1) requiring proximity or line of sight of ticket dispensers to a retail clerk and 2) imposition of a penalty for minors who purchase tickets or present winner claims.

At the request of the chair, Mr. Ziemak will provide language for an amendment which would include a penalty provision for minors who purchase lottery tickets and/or present winner claims.

Senator Oleen announced that she would be polling the committee for interest in looking at this issue and, if substantial interest exists, a subcommittee would be appointed to study the bill.

The meeting adjourned at 3:57 p.m.

STATE OF KANSAS

House of Representatives

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THE CAPITOL

RALPH TANNER

Representative, Tenth District

Testimony - April 9, 1998

On

HB 2999

SENATE COMMITTEE ON FEDERAL AND STATE AFFAIRS

COMMITTEE ASSIGNMENTS

CHAIR: RULES AND JOURNAL
VICE CHAIR: FEDERAL AND STATE AFFAIRS
MEMBER: EDUCATION
TAXATION
JOINT COMMITTEE ON ARTS AND
CULTURAL AFFAIRS
ADVISORY BOARD: NATURAL AND
SCIENTIFIC AREAS

Madam Chairman and Members of the Committee:

I am grateful for the chance to address the committee on this proposition. It was my privilege to carry this bill on the floor of the House, and to see it safely passed by that body.

This bill was designed to close what some of us describe as loopholes in a statute that currently allows the state lottery to place coin-operated machines around the state that will dispense lottery tickets to whomever has the price. The difficulty presented by this fact is that a duty is created for the owner-operator of the premises on which one or more of these machines is located. That duty is very simply to regulate their use to be sure that a minor does not have access to the machine.

Some of these machines are already out there. Because of that, it is now easier for a teen-ager to gamble in Kansas than to buy cigarettes.

Some states are considering the placement of these machines into convenience stores, and broadly, across the nation, into grocery stores.

The proliferation of opportunity to gamble ^{by} for the young is poor public policy.

I strongly urge your favorable consideration of this bill as a contribution to the future of the young people of this state.

Thank you, I will stand for questions.

Sen. Federal & State Affairs Comm.
Date: 4-9-98
Attachment: # 1

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

House Bill 2999

by

Glenn O. Thompson

Chairman, Stand Up For Kansas

April 9, 1998

Introduction

Good morning Chairperson Oleen and other members of the committee. Thank you for this opportunity to speak at this public hearing on House Bill 2999. As in the past, I am speaking on behalf of grass-roots citizens across the state who oppose the expansion of gambling in Kansas.

We urge you to support this bill. It has strong grass roots support and passed the House 107 to 16.

Let me begin by saying what this bill **does** and **does not** do. This bill **closes loopholes** in two areas of the lottery and bingo statutes: (1) prohibition of lottery machines and (2) selling of lottery tickets to minors under 18 years of age. This bill **does not** impact statutes related to Kansas Lottery and bingo **over-the-counter ticket sales**.

In 1992, the legislature amended the Kansas Lottery Act to prohibit operation of video lottery machines. Since that time, Kansas Supreme Court rulings, Attorney General opinions, court cases in other states and advanced computer technology have exposed **major loopholes and ambiguities** in the statutes. To save time, I am not going to discuss these loopholes. Specific problem areas are discussed in Appendix 1 of my written testimony. At this time, I simply want to emphasize that the loopholes and ambiguities need to be eliminated **so legislators and citizens can clearly understand the gambling policy of our state**.

To assure that lottery statutes are clear, HB 2999 breaks the lottery machine definition down into two very important categories: **interactive lottery machines and noninteractive lottery machines** (page 2, lines 13 - 27).

An **interactive lottery machine** is a lottery machine in which a player can influence the prize through one-on-one interaction with the machine. The prize is determined by both skill of the player and chance. For example, a player can influence the prize of a blackjack game or a poker game played on a lottery machine by his/her selection of cards and passes.

Sen. Federal & State Affairs Comm.

Date: 4-9-98

Attachment: # 2

On the other hand, a **noninteractive lottery machine**, sometimes called a dispenser, is a lottery machine in which the prize is determined solely by chance. A player has no influence on the prize. The player simply inserts a coin, or other item of value, in a slot and waits for the prize, or evidence of a prize, to be dispensed from the machine. Coin or token dispensers, commonly called “slot machines”, pull-tab dispensers and instant-bingo dispensers all fall in this category.

Lottery machines operated by the Ks. Lottery contribute nothing to economic development. Since the \$50 million cap (specified in statutes) on the State Gaming Revenues Fund (SGRF) has been exceeded each year since 1995, all additional revenue transferred into the SGRF from lottery machines simply passes through the SGRF and into the State General Fund. **None of the revenue from the machines remains in the SGRF, the fund used for economic development and the primary justification for the Ks. Lottery.** (See Appendix 2)

We urge you to support HB 2999 for three reasons:

1. To stop the spread of lottery machines across the state

Most legislators have been surprised to learn the Ks. Lottery has installed 50 lottery machines (pull-tab dispensers and scratch-ticket dispensers) in bars across the state. And, according to the attached news article on Ks. Lottery machines, **grocery stores and convenience stores will probably be next.** These machines are noninteractive lottery machines with the same basic characteristics as slot machines. The only difference is slot machines dispense coins or tokens and the Ks. Lottery machines dispense paper pull-tabs and instant-scratch tickets.

If HB 2999 is not passed, advanced technology lottery machines will spread rapidly into most areas of Kansas society. West Virginia convenience store retailers are considering installing lottery machines on **gas pump islands** to increase revenues. Iowa lottery retailers are awarded a higher commission rate on instant tickets if lottery machines with eight or more games are located **next to a cash register in retail outlets.** The Virginia Lottery is considering self-serve, paperless computer kiosks, using a touch-sensitive screen, in **restaurants, bars and stores.**

2. Lottery machines are extremely addictive.

Access is easy and gratification is immediate. So, it’s easy to get hooked. Studies show that 1.5% to 5% of gamblers having access to lottery machines become problem gamblers, destroying the players and their families, while society picks up the cost, estimated to be between \$13,200 and \$52,000 per year per gambler.¹

3. To protect Kansas youth

Limiting lottery machines to bars won’t stop minors playing lottery machines. Look at the results of the recent post audit of ABC:

“... current noncompliance with laws prohibiting sales (of liquor) to minors is high --- as high as **48%** in establishments that are known to have a history of violating the State’s liquor laws, and **32%** in establishments chosen at random.”²

If **one out of three** bars sells liquor to minors -- over-the-counter, not from dispensers -- how many more bars will allow minors to play lottery machines?

Further, why does the state prohibit cigarette dispensers in public facilities accessible to minors and not lottery machines?

No exceptions, please

Finally, I urge you **not to amend this bill to make an exception for any group or machine.** Any exception, no matter how carefully worded, **creates an opportunity for loopholes.** Using advanced computer technology, manufacturers will uncover a way to exploit any loophole. For example, in Colorado, pull-tab dispensers and instant-bingo dispensers are being made to look like traditional slot machines. The manufacturer says he is trying to duplicate the excitement that comes from slot machines, while staying within the legal bounds of Colorado law. HB 2999 is designed to prohibit the spread of such casino-like gambling throughout Kansas. **Any exception will surely be exploited.**

Conclusion

In conclusion, HB 2999 closes loopholes in lottery and bingo statutes related to prohibition of lottery machines and selling of lottery tickets to minors under 18. The bill has strong grass roots support. **We urge your support.**

Sources

- 1 Kindt, John Warren, "The Business-Economic Impacts of Licensed Casino Gambling in West Virginia: Short-Term Gain but Long-Term Pain" The West Virginia Public Affairs Reporter, Spring 1996
- 2 "Performance Audit Report: Reviewing the Regulatory Activities of the Division of Alcoholic Beverage Control," A Report to the Legislative Post Audit Committee by the Legislative Division of Post Audit, March 1998, p. 13

Appendix 1

Loopholes in Ks. statutes related to lottery machines

1. The present statute **does not prohibit** lottery machines that dispense preprinted lottery tickets. In fact, the **Ks. Lottery is presently operating lottery ticket dispensers at retail facilities.**

In 1996, the Attorney General (AG) offered an opinion that a **pull-tab dispenser**, displayed in the capitol that year, **is not prohibited.** (AG opinion 96-39) You may recall that the machine looked like a slot machine, functioned like a slot machine, and in the opinion of many legislators, was a slot machine. The only difference was that the machine dispensed preprinted paper pull-tabs, printed in California, rather than metal tokens. The AG said the machine is legal since "... the vending machine does not generate the tickets, it merely dispenses them." In other words, if tickets are generated in the machine, the machine is prohibited. If the tickets are generated outside the machine the machine is legal. Why should the location of the ticket printer determine the legality of the machine?

2. The present statute **does not clearly prohibit** operation of a lottery machine **controlled from a remote computer.** The present statute appears to prohibit only machines controlled by internal computers (microprocessors). Several opinions provided by the AG seem to support this position. (AG opinions 92-125 and 96-39) Why should the location of the computer determine the legality of the machine?
3. The present statute **does not prohibit** operation of non-electronic (mechanical) slot machines. The AG thinks these machines are prohibited, but the AG's rationale is controversial. (AG opinion 92-125)
4. The present statute **needs to be more explicit in the area of "skill" versus "chance."** This is becoming an issue in several states. In fact, the South Carolina Supreme Court has agreed to hear a case on this issue. Gambling proponents contend that a video poker machine is not a lottery machine since "skill predominates over chance." According to proponents, the only activity involving chance is dealing of the cards, and all other plays are based on skill.
5. Finally, the statutes allow a retailer to sell a lottery ticket **to any teenager if the retailer does not know or ask the teenager's age.** [K.S.A. 74-8718 (a)]

Appendix 2

Revenue from lottery machines operated by Ks. Lottery

All revenue transferred into the State Gaming Revenues Fund (SGRF) from lottery machines operated by the Ks. Lottery passes through the SGRF into the State General Fund (SGF). None of the revenue from lottery machines remains in the SGRF.

As specified by statutes, a portion of receipts generated by the Ks. Lottery and the Ks. Racing and Gaming Commission is transferred into the SGRF. The SGRF provides funds, up to a \$50 million annual cap, for three other funds: Economic Development Initiatives Fund (85%), Correctional Institutions Building Fund (10%) and Juvenile Detention Facilities Fund (5%). If revenues transferred into the SGRF exceed \$50 million in any fiscal year, the excess is transferred to the State General Fund.

As shown below, revenues transferred into the SGRF from the Ks. Lottery and Ks. Racing and Gaming Commission have exceeded \$50 million each year since 1995.

| <u>Fiscal year</u> | <u>SGRF before transfer of excess to SGF</u> |
|--------------------------|--|
| 1995 | \$53.124 |
| 1996 | \$57.990 |
| 1997 | \$56.495 |
| 1998 Gov. recommendation | \$57.031 |
| 1999 Gov. recommendation | \$56.118 |

Source: "Budget Analysis, Fiscal Year 1999," Submitted to the 1998 Kansas Legislature, Volume II, Kansas Legislative Research Department, January 1998, p. 1181

Since revenues transferred into the SGRF have exceeded \$50 million each year since 1995, all additional revenue from lottery machines passes through the SGRF into the State General Fund. **None of the revenue remains in the SGRF, the only justification for the lottery.**

Kansas Seizes the Opportunity to Install Two New Products for Targeted Markets

In December, the Kansas Lottery installed new instant ticket vending machines that have an innovative pull-tab/scratch-ticket combination configuration. Kansas worked with Interlott Technologies to develop the ITVM that sells both products. In addition, the lottery is leasing machines that only sell pull-tab tickets

Each combination machine offers four instant and four pull-tab games while the pull-tab only machines sell six games. The machines are being utilized to introduce pull-tabs and instant tickets in outlets that do not currently sell these products and to boost the overall sales of pull-tabs. The combination machines allow Kansas to introduce two products for the price of one.

Any changes in lottery operations can be a challenge. According to Bill Griffin, director of sales for the Kansas Lottery, it took several months of planning to work out introduction details.

Griffin said that the biggest help was the opportunity to have live evaluation units demonstrated so lottery officials could act as players and see the kinds of playstyles and messages presented to the customers. Lottery staff members and retail agents from the retail advisory board participated in the equipment evaluation.

The first machines were installed in early December. Locations were very carefully chosen. If all goes well, the Kansas Lottery would like to install additional machines, the majority of which will be pull-tab only.

Kansas chose the pull-tab/scratch combo as a way to bump up their lack-luster pull-tab sales. Pull-tabs were the "left-out product," said Griffin. The project started out as pull-tab only, but the Lottery saw that, with the ITVMs, there was an easy opportunity to increase instant sales, too.

The Lottery targeted high volume keno outlets which do not currently offer pull-tab or instant tickets as locations. All locations are adult social settings like liquor stores, taverns and fraternal organizations. Installation of ITVMs in these locations would not be likely to cannibalize sales of pull-tabs or instants in other locations.

Most retailers were eager to participate, only a few had questions about floor space, which were quickly answered. A mock-up or poster footprint demo provided by Interlott was enough to show outlets how the machine would fit into retail operations.

The Kansas Lottery consulted with their retail advisory board during the planning process, and the retailers were enthusiastic about the introduction. Grocery stores and other outlets would like to have access to the ITVM's too.

"Interlott was really helpful in getting this project going," said Griffin. "They provided a great deal of information about other state's experiences with design and promotions and plenty of technical support."

Kansas made no promotional changes in their instant products for the launch of the new system, but offered a "buy four, get one free" opportunity for all pull-tabs across the state. The promo was very well received. During the first week's sales (with fewer than 50 machines installed) pull-tab sales were boosted across the state by over \$100,000.

One retailer, however, was so busy with new pull-tab sales, that he had a hard time serving lunch customers. People were standing in line to use the



New choices for Kansas pull-tab players. The combo machine presents the player with several pull-tab and instant ticket options. The combined playstyles seems to be boosting sales on pull-tabs as planned.

machine. The Lottery quickly helped the retailer find good solutions, and the retailer is satisfied with the results.

In the coming months, Kansas will evaluate the increase in sales, especially pull-tabs. If the results are positive, they will expand the installations in appropriate locations as extensively as possible.

Griffin said that the ITVM machines are the major new project for this year at the Kansas Lottery. It is a high-profile undertaking and will be watched closely by the retailers.

Further in the future, The Kansas Lottery is interested in ways to distribute tickets by way of cash register and via more self-service machines. Inventory control and cash accounting methods continue to be important issues. ■

Date: April 9, 1998

To: Members of the Committee on Federal and State Affairs

From: Lester L. Lawson

My name is Lester Lawson, owner of Reich's Club in Kansas City, Kansas. I am here to offer testimony as the owner of a neighborhood bar.

I understand the concern that has prompted this bill. I too oppose making it convenient for children to purchase lottery tickets. However, my club has a drinking establishment license. We do not sell food. We do not permit children on the premises unless they are with their parents or guardians. I believe you will find most clubs that do not serve food discourage the presence of children. In fact, I believe there should be two types of liquor licenses--one for restaurants that also serve alcohol and one for places whose main purpose is the sale of alcoholic beverages and where no one under 18 would be allowed in. If that were the case, it would eliminate the problem.

The lottery ticket-dispensing machines have improved the sale of lottery tickets. When we are busy we cannot afford to take the employee's time to sell tickets individually when the tickets only provide five cents profit per dollar. Also, without the machine I would not sell pull-tab tickets because I would lack the inventory control the machine provides.

Another difficulty the bill creates is that it makes it less possible for the Lottery to be innovative. We have already reached a compromise by giving the Governor and Lieutenant Governor the chance to approve or disapprove of a new game. If we further tie up the process, we will increase the Lottery's ineffectiveness.

The bill also fails to assign any of the responsibility for the purchase of lottery tickets to the purchaser. If a minor uses false identification, the minor, not the retailer, should be held responsible, unless the ID is very obviously fake.

Thank you for allowing me to express my opinion.

Sen. Federal & State Affairs Comm.
Date: 4-9-98
Attachment: # 3

Comments regarding House Bill 2999

From: Les Borgmeyer, Sales Manager for Bingo Systems and Supply, Inc.

Testimony in opposition of House Bill 2999.

We are currently licensed to sell bingo supplies in Kansas with an office in Salina, Kansas. We are a distributor to several states in the Midwest.

I must oppose House Bill 2999 as written because it has the potential to take away the benefits that charitable games may have in selling their instant bingo tickets. Every day, charitable organizations find it more difficult to staff their bingo games and sell instant bingo tickets. Vending machines may be their only hope in servicing customers in the future.

I would propose that for the bingo portion of the bill, such machines be allowed in an age controlled environment. This would be such areas as bingo halls that already require those of 18 years or older to play bingo. This would be consistent with the intent of the remainder of the bingo statutes.

I would also like to clarify that this proposed bill only applies to machines that accept coins or credits and are not run by a clerk. I currently sell a machine in Kansas that is clerk run, similar to a cash register that helps with accounting of instant bingo tickets. Am I correct in my assumption that this will not be affected?

Thank you for consideration of my testimony.

TESTIMONY PRESENTED

TO THE

SENATE

FEDERAL AND STATE AFFAIRS

COMMITTEE

BY

RON GACHES

OF

PETE MCGILL & ASSOCIATES

ON BEHALF OF

WICHITA GREYHOUND PARK, INC.

ON

HB 2999

APRIL 9, 1998

Madam Chairman and Members of the Committee:

Thank you Senator Oleen for this opportunity to appear before your committee on behalf of the Wichita Greyhound Park. I appear today because we are concerned that the prohibitions contained in this bill could impact the operations of the greyhound track in Sedgwick County.

The track makes use of electronic tote machines to place bets on a central betting computer. There are approximately 125 of these machines located at the track. One hundred of these machines are located at the betting windows where a patron places a bet by handing the track teller their money, the teller punches the appropriate buttons on the tote machine and the machine spits out a ticket. The bettor receives the ticket which is evidence of their bet on an upcoming race.

Another 25 of these machines are located in some of the attractive dining and seating areas of the track where a bettor can make a self-service bet. The bettor places the money in the machine, presses the appropriate buttons for their bet and the machine delivers a ticket that is evidence of their bet. The self service machines are virtually identical to the machines by the betting tellers. The only difference is that the track patrons insert the money and receive the tickets themselves instead of being served by a teller. As you can see, this activity looks remarkably similar to the activities that are prohibited by HB 2999. By the way, these self-service betting machines are monitored by video camera and security staff to ensure that minors are not betting at the track.

Self-service betting is just one of the many innovations that Phil Ruffin and Kip Keefer, manager of the track, have introduced at Wichita since Mr. Ruffin purchased the track last Fall. They have eliminated the parking and admission fees, upgraded the food service, cleaned up and refurbished the facilities, and launched a comprehensive marketing program for the track. Right now, the Wichita Greyhound Park is the only track operating in the black in Kansas.

We urge you to not take any action on this bill. If it is your intention to report this bill favorably, we ask that you more narrowly define the lottery machines that would be prohibited so that betting activities at the Wichita Greyhound Park would clearly not be impacted.

Thank you for your consideration of our concerns and I'm available to answer any questions.

TESTIMONY ON HOUSE BILL 2999
SENATE FEDERAL AND STATE AFFAIRS
RALPH SNYDER, ASSISTANT ADJUTANT
KANSAS AMERICAN LEGION
APRIL 9, 1998

Thank you for granting me the opportunity to testify on behalf of The American Legion regarding House Bill 2999. My name is Ralph Snyder and I am the Assistant Adjutant of The Kansas American Legion.

The purpose of my testimony today is to seek clarification as to exactly what does and does not constitute a "Non interactive lottery machine." By that I mean there is a type of machine which is used by some American Legion Posts and other Bingo licensees to dispense Instant Bingo tickets. The key word I just used is "dispense" as opposed to vend.

A typical Instant Bingo dispensing machine is solely operated and controlled by a volunteer member of a Bingo licensee's organization. Bingo players place orders and pay for their Instant Bingo tickets, the dispensing machine operator then places the player's money in a cash drawer and types the order on a key pad connected to the dispensing machine which in turn dispenses the appropriate Instant Bingo Tickets.

These type of dispensing machines offer total inventory and sales control for the licensee while preventing losses due to theft or someone miscounting the number of tickets sold. In addition, a volunteer member of the licensee's organization directly monitors who purchases Instant Bingo tickets.

Vending machines on the other hand require Bingo players to place coins into the machine and while it also provides excellent inventory and sales control, it does not prevent underage people from using it unless the machine is placed in a controlled area.

The American Legion is not certain if HB 2999 would allow the continued use of dispensing machines therefore asks that an amendment permitting the continued use of licensee controlled dispensing machines which do not accept cash or tokens be added to HB 2999. In that way there should not be any doubt as to what is permitted and what is not.

As for legalizing vending machines, The American Legion certainly understands their advantages and supports their availability to Bingo players as long as they are placed in a controlled atmosphere which would prevent underage purchases. The American Legion also supports the concept of permitting Bingo licensees to sell Instant Bingo tickets on their premises during their normal hours of operation, or perhaps a maximum of eight hours per day if that Bingo licensee also has a Class A club license.

Again thank you for allowing me this opportunity to address you today on HB 2999 and to ask that an amendment be made to item (N) on page 7 to authorize Instant Bingo dispensing machines which are controlled by the Bingo Licensee's member volunteers.

Sen. Federal & State Affairs Comm.

Date: 4-9-98

Attachment: #6

My organization uses reusable "hard" cards only to conduct bingo.

My organization uses disposable "paper" cards only to conduct bingo.

My organization uses a combination of hard, reusable and paper cards to conduct bingo.

Average size crowd for bingo is approximately 35 persons.

Briefly explain the impact SB692 will have on your bingo operation:

With only one Bingo session per week it is
hard to make any profit to help support our
many Legion Programs such as Baseball, Boys' State
Nurses Training. We could help a lot more
youth with the extra profits. Some patrons do not
like to play paper cards

NAME OF ORGANIZATION: American Legion Post #62

MAILING ADDRESS: 142 S. 7th St

Salina, KS 67401-2806

Please complete and return this survey to:

KANSAS SUNFLOWER CLUB ASSOCIATION
1314 SW TOPEKA BLVD.
TOPEKA, KS 66612-1886

My organization uses reusable "hard" cards only to conduct bingo.

My organization uses disposable "paper" cards only to conduct bingo.

My organization uses a combination of hard, reusable and paper cards to conduct bingo.

Average size crowd for bingo is approximately 50 persons.

Briefly explain the impact SB692 will have on your bingo operation:

Most of our players do not like the paper cards. They like to pick their own numbers. They also think paper cards are more expensive to play and are harder to use

NAME OF ORGANIZATION:

American Legion Post #70

MAILING ADDRESS:

*Box 65
Oberlin, Ks 67749*

Please complete and return this survey to:

**KANSAS SUNFLOWER CLUB ASSOCIATION
1314 SW TOPEKA BLVD.
TOPEKA, KS 66612-1886**

My organization uses reusable "hard" cards only to conduct bingo.

My organization uses disposable "paper" cards only to conduct bingo.

My organization uses a combination of hard, reusable and paper cards to conduct bingo.

Average size crowd for bingo is approximately 42 persons.

Briefly explain the impact SB692 will have on your bingo operation:

Most of our players like the
hard cards

NAME OF ORGANIZATION:

American Legion Post # 111

MAILING ADDRESS:

3200 Strong Ave.
Kansas City, KS 66106

Please complete and return this survey to:

KANSAS SUNFLOWER CLUB ASSOCIATION
1314 SW TOPEKA BLVD.
TOPEKA, KS 66612-1886

My organization uses reusable "hard" cards only to conduct bingo.

My organization uses disposable "paper" cards only to conduct bingo.

My organization uses a combination of hard, reusable and paper cards to conduct bingo.

Average size crowd for bingo is approximately 43.5 persons.

Briefly explain the impact SB692 will have on your bingo operation:

The discontinued use of reuseable hard cards would not be a hardship to us. Some are used but the majority used are paper.

~~We are a non profit organization and with our low attendance- Average in 1997 was 43.5. We do not make a lot of money- approximately \$400.00 a month after taxes. Bingo is our primary source of income. To have the taxes raised would definitely cut into the money we have for our Auxiliary projects. At the present time our organization charges \$1.00 per card and absorb the taxes.~~

NAME OF ORGANIZATION:

Am. Legion Aux. Unit 62

MAILING ADDRESS:

1705 Cloud Circle

Salina,

Ks. 67401

Please complete and return this survey to:

KANSAS SUNFLOWER CLUB ASSOCIATION
1314 SW TOPEKA BLVD.
TOPEKA, KS 66612-1886

My organization uses reusable "hard" cards only to conduct bingo.

My organization uses disposable "paper" cards only to conduct bingo.

My organization uses a combination of hard, reusable and paper cards to conduct bingo.

Average size crowd for bingo is approximately 70 persons.

Briefly explain the impact SB692 will have on your bingo operation:

The CARD bit will have no effect
We are opposed to the increase in tax

NAME OF ORGANIZATION: Moose Lodge 555

MAILING ADDRESS: 1901 N. KANSAS AVE.

TOPEKA, KS. 666

Please complete and return this survey to:

KANSAS SUNFLOWER CLUB ASSOCIATION
1314 SW TOPEKA BLVD.
TOPEKA, KS 66612-1886

My organization uses reusable "hard" cards only to conduct bingo.

My organization uses disposable "paper" cards only to conduct bingo.

My organization uses a combination of hard, reusable and paper cards to conduct bingo.

Average size crowd for bingo is approximately 80 persons.

Briefly explain the impact SB692 will have on your bingo operation:

INCREASE IN TAX

NAME OF ORGANIZATION: Eagles

MAILING ADDRESS: Eagles 309

1803 W 6th PO 785

LAURENCE, KS 66044

Please complete and return this survey to:

**KANSAS SUNFLOWER CLUB ASSOCIATION
1314 SW TOPEKA BLVD.
TOPEKA, KS 66612-1886**

My organization uses reusable "hard" cards only to conduct bingo.

My organization uses disposable "paper" cards only to conduct bingo.

My organization uses a combination of hard, reusable and paper cards to conduct bingo.

Average size crowd for bingo is approximately 85 persons.

Briefly explain the impact SB692 will have on your bingo operation:

WITH ALL THE GAMBLING HALL OPENING, IT IS HURTING
OUR ATTENDANCE. THE ADDITIONAL 1% TAX WOULD
CUT INTO OUR PROFITS EVEN MORE.

NAME OF ORGANIZATION:

AMERICAN LEGION - Post 14

MAILING ADDRESS:

3408 WEST 6TH STREET

LAWRENCE, KS 66044

Please complete and return this survey to:

KANSAS SUNFLOWER CLUB ASSOCIATION
1314 SW TOPEKA BLVD.
TOPEKA, KS 66612-1886

My organization uses reusable "hard" cards only to conduct bingo.

My organization uses disposable "paper" cards only to conduct bingo.

My organization uses a combination of hard, reusable and paper cards to conduct bingo.

Average size crowd for bingo is approximately 50 persons.

Briefly explain the impact SB692 will have on your bingo operation:

~~This will increase our cost~~ will increase our cost and eventually might put us out of business. Our crowds have dropped off 40% because of competition from boats. We can ill afford any increase in our cost. We sponsor a baseball team and donate to other community projects. This will end if these bills are passed.

NAME OF ORGANIZATION:

American Legion Post # 204

MAILING ADDRESS:

P.O. Box 313

Ossawatimie, Ks. 66064

Please complete and return this survey to:

KANSAS SUNFLOWER CLUB ASSOCIATION
1314 SW TOPEKA BLVD.
TOPEKA, KS 66612-1886

KANSAS STATE BOWLING PROPRIETORS ASSOCIATION, INC.



SANDRA BUTCHER
Executive Director

MAILING ADDRESS: P.O. BOX 40429 • OVERLAND PARK, KS 66204-4429
STREET ADDRESS: 9401 SANTA FE DR., L102 • OVERLAND PARK, KS 66212
PHONE: (913) 642-3390 FAX: (913) 642-0321

I would like to thank the Federal and State Affairs Committee for this opportunity to express my opposition to House Bill 2999. My name is Frank DeSocio, and I am President of the Kansas Bowling Proprietors' Association.

There are 127 Bowling Centers in Kansas, with 2600 employees. We pay over \$2,000,000 in real and property taxes. Our payrolls are in excess of \$16,000,000. A growing number of bowling centers across the state are operating the Kansas Lottery Automatic Dispensing machines in their facilities. We are operating them in a controlled environment so that minors do not have access to them. As retailers, we only receive 5% commission on each dollar we take in, however, with most proceeds going to the State EDIF Fund, and the State General Fund, we are happy to participate.

The Lottery has done a great job of offering a variety of entertainment options to our customers. Our customers enjoy the Lottery. It enhances the entertainment experience for many of our bowlers. Also, the large number of Lottery employees across the State are our customers. Providing us with a double benefit. Increased customer base and increased entertainment options for those customers.

The Kansas Bowling Proprietors hope you will be in opposition of House Bill 2999. Thank you for your time.

Frank DeSocio
President
Kansas State Bowling Proprietors' Association



Affiliated with the Bowling Proprietors Association of America, Inc.

Sen. Federal & State Affairs Comm.
Date: 4-9-98
Attachment: # 7

TESTIMONY ON HOUSE BILL 2999

by: **Gregory P. Ziemak, Executive Director - Kansas Lottery**
April 9, 1998
Senate Federal and State Affairs Committee

Madam Chair and Members of the Committee:

Thank you for the opportunity to speak to you today about HB 2999. My purpose in addressing you about this bill is to convey the Kansas Lottery's concerns that a portion of this bill would prohibit the Lottery from allowing lottery retailers to use automated ticket dispensers to sell instant scratch-off and pull-tab tickets.

The use of automated ticket dispensers is not an expansion of lottery games. These dispensers are not and should not be confused or compared to video lottery machines. Ticket dispensers have been legally permissible since the enabling lottery legislation 11 years ago. The Kansas Lottery has been using ticket dispensers over the past eight years, including at the Kansas State Fair. All Kansas Lottery retailers, including those who have these dispensers, must pass background checks, including those of criminal and credit history before being allowed to sell Kansas Lottery products. All dispensers provided by the Lottery merely permit players to purchase existing instant and pull-tab tickets, which can also be purchased over the counter from any lottery retailer selling the same games. The dispenser itself dispenses lottery tickets---tickets which currently are and have been sold in Kansas since 1987.

Of the 38 lotteries in the United States, 30 are legally utilizing lottery ticket dispensers for years to dispense their products. The Missouri, Iowa, and Colorado Lotteries all utilize these types of dispensers. Nebraska charitable organizations use dispensers to sell pull-tab products.

Sen. Federal & State Affairs Comm.
Date: 4-9-98
Attachment: # 8

The Kansas Lottery currently has 50 lottery ticket dispensers in a test market situation which have been placed in establishments approved to sell lottery games. The implementation of this program was unanimously approved by the Kansas Lottery Commission. These dispensers are expected to produce at least \$1,000,000 in sales and \$312,500 in revenues for the State Gaming Revenues Fund each year. In addition, the 50 businesses where these dispensers are placed will earn commissions which will have a positive impact on their business operations. The retailers who use these dispensers have responded very favorably. These dispensers allow Kansas Lottery retailers to sell our games while improving ticket security, inventory control, and freeing up valuable employee time. These ticket dispensers make it easier for the retailers to operate their businesses.

We, at the Kansas Lottery, are aware of the Legislature's concern about the accessibility of ticket dispensers to minors, and have been very careful to place these dispensers in "social environment" retailer settings. These dispensers are placed in liquor stores and in locations licensed to serve cereal malt beverage and/or alcohol for consumption on premise. They have not been placed in the corner convenience store. Our retailers, all of whom as mentioned earlier have been subjected to a background investigation as required by law (K.S.A. 74-8708), are very aware of the criminal consequences of selling lottery tickets to minors either directly or through dispensers. The penalty for conviction of a class A misdemeanor is up to one year in jail, a fine of up to \$2,500, or both. A second violation is a felony.

We realize that a primary concern of supporters of this bill is the access of these dispensers by minors. Certainly, the Lottery does not want minors purchasing tickets or our retailers selling minors tickets. Currently, it is only unlawful for retailers to sell lottery tickets to minors. If it were unlawful for minors to buy tickets or claim prizes, there would be a further tightening of the statute

and eliminate any incentive for minors to buy tickets. Minors would not play if they were not allowed, by statute, to cash a winning ticket. The current statutory language has worked well and is sufficient in preventing minors from purchasing lottery tickets. However, you may wish to strengthen the existing law as prudent state policy. Two areas you may wish to consider are the proximity or line of sight of ticket dispensers to a retailer clerk and the imposition of a penalty for minors who purchase tickets or present winner claims. This penalty could be similar to the one included in the cigarette dispenser statute. The Kansas Lottery certainly has no objection to such statutory modifications.

The Lottery is and should be under continual scrutiny from both the executive and legislative branches of government through budget oversight, appropriation hearings, and numerous audits to assure that the Lottery is meeting its statutory obligations. To date, the Lottery has been audited over 50 times. Over the last three years, financial and compliance audits have resulted in no adverse findings in the operation of the Lottery. The Kansas Lottery's Sales and Security Departments monitor retailer lottery operations very closely and we react quickly to any real or perceived concerns regarding Kansas Lottery products or operations. We intend to continue this vigilance in the future, especially in regard to ticket dispensers.

The mission of the Kansas Lottery is to produce substantial revenues for the State of Kansas and those worthwhile programs designated by the Kansas Legislature while ensuring the integrity of all games and operations. Within that mission, the Kansas Lottery fully intends to continue to be vigilant regarding the placement of ticket dispensers. We ask you to allow us to continue what has been legal for the past 11 years provides revenues for numerous worthwhile projects and is enabling small Kansas businesses to improve their operations.

Thank you for the opportunity to speak to you about this matter.

REVISED TESTIMONY as presented April 2, 1998 to the Committee on Federal and State Affairs. Revision necessary, per my verbal testimony, due to typographical error in proposed Senate Bill 692.

Comments regarding Senate Bill 692

From: Les Borgmeyer, Sales Manager for Bingo Systems and Supply, Inc.
Testimony in ~~support~~ opposition of Senate Bill 692 with amendments.

I must change my testimony to opposition due to a typographical error brought to my attention at the beginning of the hearing. Due to the tax rate changing to 4-tenths of one cent rather than .04 cent as presented in the written text of SB692, I oppose the bill. This tax rate appears to be twice that of Missouri. With intense competition from Casinos and river boats, charitable bingo games will not be able to survive. As taxation moves to the bingo faces, more faces will be sold and the result will be a tax increase. I would ask that discussions with interested parties be developed in the upcoming months to formulate a reasonable bingo bill.

We are currently licensed to sell bingo supplies in Kansas with an office in Salina, Kansas. We provide Charitable Gaming supplies to charities across states in the Midwest

We support Charitable Gaming in Kansas, which allows organizations to raise funds for worthwhile projects in their community. Today, I come forward as a representative of our company and on behalf of our many customers to ~~support~~ **oppose** Senate Bill 692 which can ensure Charitable Gaming as a method of fund raising is allowed to survive.

Charitable Gaming is under attack! In recent years with the growth of Indian casinos, river boat casinos and state lotteries, charities have suffered. Monies that previously were donated to worthwhile causes in all communities are no longer available because bingo proceeds have diminished.

In order to compete in the gaming arena of the State of Kansas, changes need to be made. Some of these changes suggested are to allow extended times to sell pull tabs, to reduce taxes on charitable gaming and to require less paperwork for the groups.

In addition, for distributors, the bill should be fair and paperwork requirements should be standard to what is expected in other states. Therefore, we offer the following amendments:

Page 4, Line 30. This amendment will ensure protection and reimbursement to the distributors for collecting and tracking the taxes.

...to the license. **INSERT** *The licensee will be exempt from all other state sales taxes regarding the sales of these bingo faces and instant bingo tickets. The taxes for bingo faces and instant bingo tickets, less two percent of the total amount paid, which may be retained by the distributor if timely filed and paid, shall be paid on a monthly basis to the director of taxation, by each distributor and shall be due on the last day of the month following the month in which the bingo faces or instant bingo tickets were sold, with the date of the sale being the date on the invoice evidencing the sale.*

If a distributor does not receive payment in full from an organization within 30 days of the delivery of bingo faces or instant bingo tickets, the distributor shall notify the director in writing of the delinquency. Upon receipt of the notice of delinquency, the director shall notify all distributors that until further notice from the director, all sales of bingo faces and instant bingo tickets to the delinquent organizations shall be on a cash-only basis. Upon receipt of the notice from the director, no distributor may extend credit to the delinquent organization until such time as the director approves credit sales.

Page 9, Line 18. This amendment increases the revenues to the charitable organizations and to the State of Kansas by providing additional time to sell their products.

DELETE *[No instant bingo ticket shall be sold by a licensee more than one hour prior to the start of the first game of call bingo for the day or after the termination of the last game of call bingo operated or conducted by the licensee for each calendar day.]*

INSERT *Licensees may sell instant bingo tickets at any time only at such locations as registered with the secretary of revenue.*

Page 10, Line 9 This amendment ensures compliance for the State of Kansas without increasing costs for the distributors and charities. Every sheet of bingo paper comes with a unique serial number. The serial number can then be traced back to the licensed Kansas distributor who sold the paper to the bingo licensee. The serial number is then matched with the invoice, either on file with the licensee or the distributor, thus ensuring that the proper tax has been paid on the paper. By putting a unique seal on each bingo face, costs will increase. It will also create an undue burden on the distributor and charities while duplicating a control already in place by listing the serial number on the invoice produced by the distributor.

DELETE *[(2) The secretary shall require, pursuant to rules and regulations, unique identification of each sheet of bingo faces in order to insure compliance with the provisions of this act.]*

INSERT *(2) The secretary shall require, pursuant to rules and regulations, distributors to track the serial numbers of each sheet of bingo faces, or top sheet of bingo books, in order to insure compliance with the provisions of this act.*

Page 10, Line 12. This amendment provides all reasonable safeguards to ensure compliance. By including the serial number of the package on the distributor invoice, the secretary is given a better vehicle in which to ensure tax compliance. By requiring a serial number, you then eliminate the need for placing an expensive seal on each face. The manufacturers logo is not necessary to ensure tax compliance; by requiring the licensee to provide proof through a copy of an invoice, you will ensure that the licensee is buying from a licensed distributor as well as paying the associated tax. If more than one manufacturer is used by a distributor these will create additional problems.

DELETE *[(3) Each package of bingo faces sold or distributed to licensees shall be accompanied by a printed statement which contains the following information:*

(A) The number of bingo faces contained in the package;

- (B) *The wholesale cost of each package, including the tax paid;*
- (C) *The manufacturers logo;*
- (D) *The business name of the distributor;*
- (E) *The Kansas bingo license number of the licensee to which the package is sold; and*
- (F) *Any other information required by the secretary.]*

INSERT (3) *Each invoice from the distributor to the bingo licensee shall include the following information:*

- (A) *The number of bingo faces contained in each package.*
- (B) *The wholesale cost of each package.*
- (C) *The amount of tax paid on each package.*
- (D) *The business name and license number of the distributor.*
- (E) *The invoice number and date of sale.*
- (F) *The license number and name of licensee.*
- (G) *Destination of shipment.*
- (H) *The serial number of the top sheet of each package of bingo paper.*

My intent today is to provide you with possible amendments that may help to ensure Charitable Gaming in Kansas will survive. On behalf of my company and our many customers I ask that you review these proposals and work to ensure that charities across Kansas are able to continue their good works. Thank you.