

Approved: April 9, 1999
Date

MINUTES OF THE SENATE COMMITTEE ON FEDERAL AND STATE AFFAIRS.

The meeting was called to order by Chairperson Senator Lana Oleen at 11:30 a.m. on March 29, 1999 in Room 254-E of the Capitol.

All members were present:

Committee staff present: Mary Galligan, Legislative Research Department
Russell Mills, Legislative Research Department
Theresa Kiernan, Revisors of Statutes
Judy Glasgow, Committee Secretary

Conferees appearing before the committee: Bill Long, American Legion, Manhattan, Kansas
Representative Joe Shriver
Ron Gaches, for Wichita Greyhound Park
Greg Ziemak, Executive Director Kansas Lottery

Others attending: See Attached Sheet

Senator Oleen stated that she had a request from the Governor for the introduction of a bill which eliminates partial birth abortions in Kansas and clarifies the law regarding abortions passed last year. Senator Gooch moved for the introduction of the bill. Senator Becker seconded the motion. The motion carried.

Chairman Oleen opened the hearing on HB 2368- Antiquities

Chairman Oleen recognized Representative Joe Shriver, sponsor and proponent of HB2368. Representative Shriver stated that the bill would provide an exception to KSA 74-5403 in the preservation of life and health of persons residing near such sites. (Attachment 1) He stated that the bill would provide an exception in the preservation of life and health of persons residing near such sites. Representative Shriver said that The Kansas State Historical Society did support this bill.

There being no others to testify and no questions from the committee, Chairman Oleen closed the hearing on HB 2368.

Chairman Oleen announced the continued hearing on Sub HB 2013-Bingo; regulation and taxation; progressive bingo games and called on opponents, as there was testimony from the proponents on March 26, 1999.

Bill Long, Pearce-Keller Post No. 17, The American Legion, Manhattan, was recognized by Chairman Oleen. Mr. Long stated that no changes should be made to the current law with one exception. (Attachment 2). He stated that the exemption of the State portion of the sales tax in the proposed bill would be acceptable. Mr. Long stated that the phase out of the "hard cards" should be deleted from the bill. Mr. Long urged that committee not to pass Sub HB 2013.

There being no other testimony on Sub HB 2013 Chairman Oleen stated that there are three other bills in the legislative process that she would like the committee to consider before action is taken on Sub HB 2013.

Chairman Oleen recognized Ron Gaches, representing Wichita Greyhound Park. Mr. Gaches reviewed HB 2537-Parimutuel racing; simulcasting; takeout limitations for the committee. Mr. Gaches stated that this bill will permit patrons at Kansas parimutuel race tracks to be on simulcast races from certain out-of-state tracks that they are prohibited from betting on now. (Attachment 3) He stated that some states allow their tracks a higher takeout than Kansas law permits. Races from those tracks can not be bet on in

Kansas.

CONTINUATION SHEET

MINUTES OF THE SENATE COMMITTEE ON FEDERAL AND STATE AFFAIRS, Room 254-E Statehouse, at 11:30 a.m. on March 29, 1999.

Senator Harrington ask if the simulcast races were in competition with live races and if this would effect the live dog racing in Kansas. Mr. Gaches stated that not enough dogs are available to run live racing 5 or 6 days consecutively. Kansas statute prohibits tracks from offering simulcast races as a direct competitor to live racing. Senator Oleen ask if anyone was picking up any races held in Kansas. Mr. Gaches stated that the Wichita track is being promoted as a simulcast originator with between 12 and 15 recipients.

Chairman Oleen recognized Greg Ziemak, Executive Director, Kansas Lottery who reviewed **HB 2535** and **HB 2536**.

Mr. Ziemak stated that **HB 2535-State lottery; transfers from lottery operating fund to state gaming revenue fund**. Mr. Ziemak stated that this bill would increase the prize payout on Kansas Lottery pull-tab products by allowing the lottery to increase the payout from 60 percent up to 70 percent. (Attachment 4). He stated that the additional sales caused by this change would benefit the players, lottery retailers and the funding to the State of Kansas.

Mr. Ziemak reviewed **HB 2536-State lottery; use of moneys in lottery prize payment fund; nonmonetary prizes** for the committee. Mr. Ziemak said that this would enable the Kansas Lottery to offer Kansas players more interesting prizes other than monetary prizes. (Attachment 5). He noted that the non-monetary prizes would be awarded on a wider scale funded from the prize payment fund.

Chairman Oleen stated that a subcommittee would look at this bill later this week. She ask committee members interested in serving on this subcommittee to see her.

Chairman Oleen requested action on minutes of the committee for March 25 meeting at the rail. Senator Becker moved to approve the minutes for March 25 at the rail. Senator Biggs seconded the motion. Motion carried.

The meeting adjourned at 12:05 p.m. The next meeting will be on the call of the chair.

SENATE FEDERAL AND STATE AFFAIRS COMMITTEE GUEST LIST

DATE: MARCH 29, 1999

NAME	REPRESENTING
Myron E. Kufke	KRCC
Sherry Hathaway	KRCC
Del. Billingsley	KRCC
Ed. Ziemak	Kansas Valley
Anna Albright	Potawatomie Nation
William C. Long	Peace-Keller Post 17, The American Legion
Dorene L. Long	Peace-Keller Unit #7 ^{The American} Legion Auxiliary
Dave Schneider	Kansans For Life H/H's Best
Tom Fren	Kansas Charities Cooperator
Charles M. Yunker	The American Legion Dept of KS
Ralph Snyder	KS. SNOWFLOWER Club
Gary Stimmer	The American Legion Dept. of KS
NORMAN PELLETIER	AMERICAN LEGION WICHITA # 256
Jeri Switzer	American Legion Aux Unit 250

STATE OF KANSAS

JOE SHRIVER
REPRESENTATIVE, 79TH DISTRICT
COWLEY COUNTY
P O BOX 1324
ARKANSAS CITY, KANSAS 67005-7324
(316) 442-6522



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March 29, 1999

FEDERAL AND STATE AFFAIRS
CHAIRMAN LANA OLEEN
MEMBERS OF THE COMMITTEE

House Bill 2368 is a simple change to a short section of state statute. Until the halloween floods of 1998, I never understood the State of Kansas antiquities laws.

K.S.A. 74-5401 Definitions. As used in this act:

(a) "Antiquities" means historic or pre-historic ruins and other archeological sites, including evidence of such features as constructions or inscriptions by human agency or other evidence of human activity having antiquity, but not including any unmarked burial site subject to the provisions of the Kansas unmarked burial sites preservation act.

(b) "Commission" means the Antiquities Commission created by this act.

As confusing as that definition may be, I wish to speak to you today about old things. After the passage of the last highway plan, various agencies, (local, state and federal), started working on plans to combine a by-pass project in Cowley County with an Army Corp of Engineers Levee Project. By combining the two projects, it was hoped that savings could occur. One of the first assessments was to the historic preservation of the area. As we now know, this area of Cowley County has vast historic value.

House Bill 2368 is a result of the agreed solution by participating parties in resolving a conflict which may have delayed the building of a tieback levee near Arkansas City. In design of the Arkansas City Levee Project (a federal Army Corp of Engineers program) a levee was designed to run parallel to the existing Santa Fe/Burlington-Northern tracks. The distance between these two parallel structures (the railroad tracks and a new levee) would vary from over a mile to less than a mile. On the northern most of these structures, a tieback levee was designed to prevent the flow from North Creek. It is within this area artifacts were found.

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PAGE 2

K.S.A. 74-5403 which is the state statute I wish the Committee to consider amending, prohibits certain acts without authorization. No individual, institution or corporation shall excavate in, remove material from, vandalize or deface any site or area set out in K.S.A. 74-5401, on lands belonging to or controlled by the State of Kansas or any agency thereof, or to any county or municipality in the state, or on lands in which a qualified agency is conducting scientific archeological investigations, without specific authorization.

The bill as I submitted to you would provide an exception in the preservation of life and health of persons residing near such sites.

The flooding from this storm, the aftermath of hurricane Mitch, provided unusual record river levels on both the Walnut River and Arkansas River at Arkansas City. House Bill 2368 will do nothing to address current problems of mitigation or litigation in the Arkansas City flood problems. It is my hope that House Bill 2368 will prevent, in the future, an area of archeological importance to be a hold up endangering the health and lives of those living near such sites.

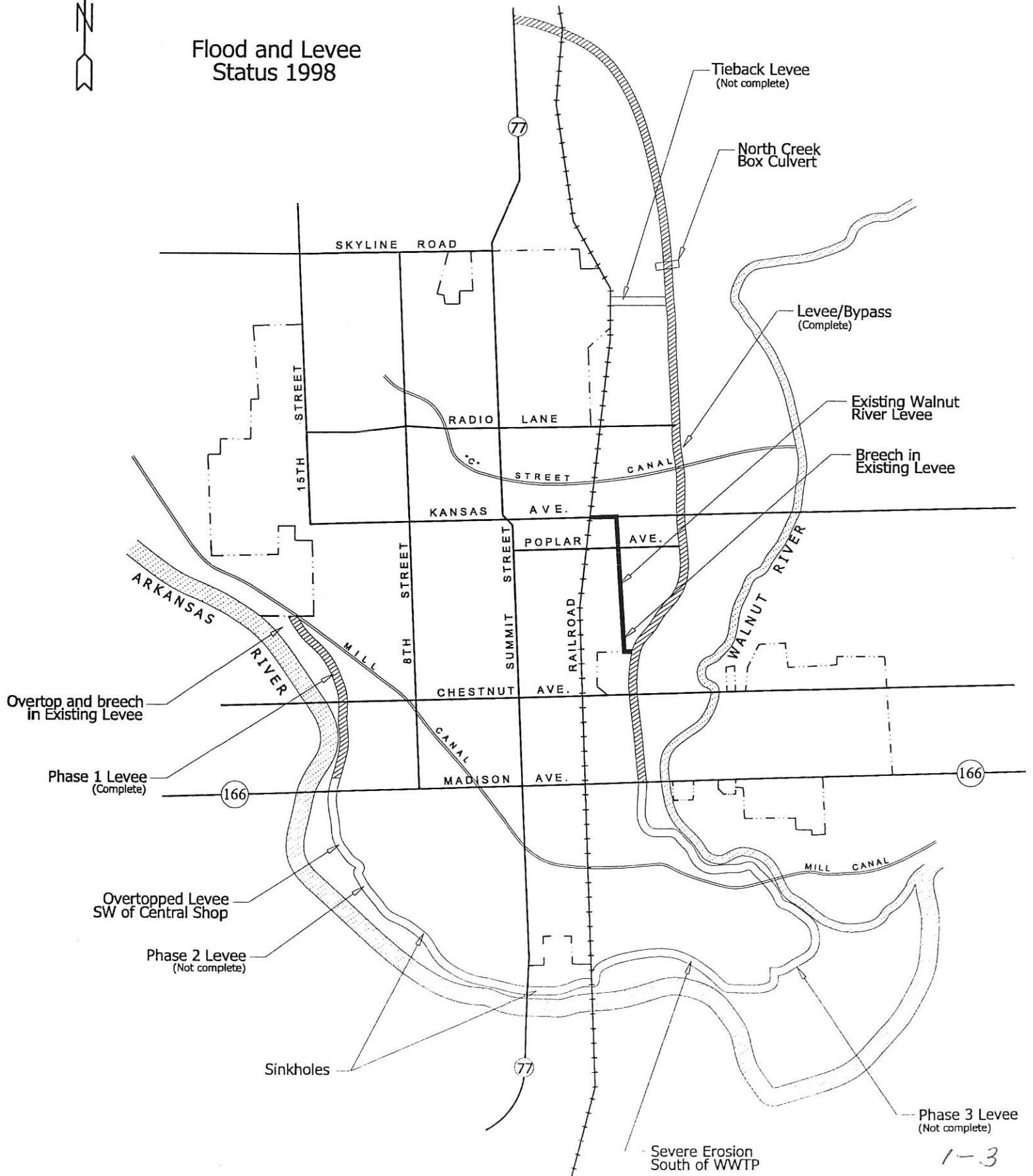
It only has been with cooperation of the City of Arkansas City, Kansas State Historical Society, Governor Graves and the Wichita Indian Tribe, that a timely resolution has been brought forward. Today, contracts have been let to build the tieback levee that might have prevented millions of dollars of damage in the Arkansas City area. The artifact in the tieback levee area have been removed, thanks to an emergency dig ordered by the State Antiquities Commission.

I thank the Committee for its consideration of this matter. Madam Chairman, I stand for questions.

Joe Shriver
State Representative
District #79

Arkansas City Kansas

Flood and Levee Status 1998



March 26, 1999

TO: Senator Lana Oleen, Chair, and the Senate Federal and State
Affairs Committee

FROM: William C. Long, representing Pearce-Keller Post No. 17, The
American Legion, Manhattan, Kansas

SUBJECT: Substitute for HOUSE BILL No. 2013

1. The purpose of my appearance is to express our opposition to The Substitute for HOUSE BILL No. 2013, with one exception, and to further state that with that exception, no changes are needed in current bingo law. The exception that we are very willing to accept is the exemption to the State portion of the sales tax which is contained in Section 16. (ccc) of the proposed bill. Last Fall I appeared before the Special Committee on Federal and State Affairs to express my concern about the changes to State bingo laws proposed in Senate Bill No. 692 and the adverse impact those proposed changes would have on organizations such as ours. On February 10th, I expressed most of the same concerns about HOUSE BILL No. 2013 before the House Federal and State Affairs Committee. On February 24th, I discussed the bingo bill situation with Senator Oleen. During that discussion she requested that I provide her my reasons, in writing, for my opposition to the proposed legislation. A copy of my February 28th letter to her containing my analysis of "The Substitute to HOUSE BILL No. 2013" is attached to this testimony.

2. The principal reason for SB 262 and HB 2013 seems to have been the premise that the State was not receiving all of the Bingo Enforcement Tax which it was due. That premise stems from the February 26, 1998 Performance Audit Report on the Division of Alcoholic Beverage Control. To quote, in part, from my letter to Senator Oleen:

.....there is a problem with the way the "analytical tests" were performed

in the Performance Audit Report and the way the resulting data was reported. The analysis is discussed on pages 33 and 34 of the Report. The analysis was based on "the number of bingo cards supplied to licensees by the distributors in 1997". It is clear to me that the analysis only considered the sales of disposable paper cards to licensees. Probably the analyst was not familiar with "hard cards" and the mixture of "hard cards" and disposable paper cards being used by many licensees.

Over the years, many licensees have converted to all disposable paper cards rather than to invest in new "hard cards". This could be misinterpreted as a increase in revenue received rather (than) increased revenue coming from disposable paper cards and less from "hard cards". This is what I think happened in the analysis. In our, Post 17's case, our revenue has decreased approximately 30%, primarily due to competition from the Indian casinos. -End of quote-

3. I believe you will find similar losses in bingo revenue, or even worse, from most licensees in the northeast part of Kansas. We realize that the Indian casinos are not going away, that we will have to coexist with them. We ask that you do not make that coexistence more difficult, which we believe HB 2013 does. The present bill requires that all Call Bingo faces must be disposable and cannot be reused and provides that "hard cards", with very limited exceptions, cannot be used after June 30, 2002. The apparent reason for this change goes back to the premise that licensees are not reporting and paying their bingo enforcement tax correctly.

4. Please remember that these licensees that we allegedly cannot trust to pay their bingo enforcement taxes are the non-profit organizations conducting bingo in your communities. These bingo games are being conducted by unpaid volunteer workers who must, by law, be members of the sponsoring non-profit organizations, or spouses of those members. I would submit that many of these organizations do not realize what is about to happen to their bingo

games. Sunday I told the players at our Sunday bingo about this legislation proposing to do away with the "hard cards" and they overwhelmingly objected to the change. I have not yet been able to determine who this legislation is intended to benefit, certainly it is not the non-profit organizations conducting bingo. During the testimony last fall it was estimated that we could expect to lose at least 25% of the licensees with the proposed legislation. Most of these will be the smaller non-profit organizations. The loss of bingo as a fund raising function for these organizations will result in less funds for the community activities these organizations support as well as the loss of the bingo enforcement tax and sales tax they would have paid.

5. The original HB 2013 proposed to transfer jurisdiction for bingo to the Racing and Gaming Commission. We strongly feel that jurisdiction should remain with the Department of Revenue as is provided in the substitute bill. I have provided detailed comments in my letter to Senator Oleen which I will not repeat, however I do want to comment on the proposal to eliminate distribution of some of the bingo enforcement taxes to counties and cities. I disagree. Bingo licensees are dependent on local governmental entities for police protection. These funds should continue to go to counties and cities to assist in enforcement of bingo laws. However, they should not be required to keep burdensome records on how such small funds are used.

6. In conclusion, no changes are needed from current bingo laws, unless you provide us the welcome exclusion from the State portion of sales tax. The remainder of House Bill 2013 is unnecessary and unwanted. As the absolute minimum, the phase out of the "hard cards" should be deleted from the bill. I thank you for your consideration.

William C. Long
824 Church Avenue
Manhattan, Kansas
(785)539-8777

824 Church Avenue
Manhattan, Kansas 66502
February 28, 1999

Senator Lana Oleen
Kansas State Senate
State Capitol
Topeka, Kansas 66612

Dear Senator Oleen:

Last Wednesday you asked me to send you, in writing, where I did not agree with HB 2013. This discussion will consider the Substitute for HB 2013 which passed out of committee last week. I have compared it line for line with the current Bingo Tax Law.

Sec. 2.(b) (page 1) - Describes "Bingo card" which are the reusable or as we call them "hard cards".

Sec. 2.(c) (page 1) - Describes "Bingo face" which are the disposable paper cards that we are now using for some of our bingo games. This description provides that "Faces shall be disposable and shall not be reused after the game in which a player has used such face."

COMMENT: We have two games played on one card (face) The first game is a double bingo, The second is a blackout. Our Auxiliary also has two games played on one disposable card in a similar manner. I disagree with being prohibited from continuing to do so. We pay bingo enforcement tax and sales tax on all games.

Sec. 2(d) - (page 2, line 12) Defines "Call bingo" as including "progressive bingo".

COMMENT: The present law does not describe "progressive bingo". We currently play two progressive games within the \$1200 limit. No change is necessary or desirable.

Sec. 2.(e) and (f) (page 2) - Agree with bingo continuing to be under the jurisdiction of the Department of Revenue.

Sec. 2.(r) (page 4) - Defines "Progressive bingo game".

COMMENT: The present law does not describe "progressive bingo". We currently play two progressive games within the

\$1200 limit. No change is necessary or desirable.

Sec. 4.(a) (page 7) - This section provides for payment of bingo enforcement taxes until "bingo cards" (hard cards) are phased out July 1, 2002.

COMMENT: Disagree with "hard cards" and paper card reuse being prohibited. No need for change in current law.

Sec. 4.(b) (pages 7 and 8) - Provides for collection and remission of bingo enforcement tax by the distributor.

COMMENT; There is no need for change in current law. There has been no valid demonstration that bingo enforcement taxes have not been properly remitted. This change in law proposes to correct a non problem.

Sec. 4.(c) (page 8) - There is no change from current law. No further change is needed.

Sec. 5((b) (page 9) - This section provides for payment of bingo enforcement taxes until "bingo cards" (hard cards) are phased out July 1, 2002.

COMMENT: Disagree with "hard cards" and paper card reuse being prohibited. No need for change in current law.

Sec. 7.(f) (page 11) - This section excludes the value of "progressive game" prizes from the \$1200 limit for call bingo prizes. Also changes from \$100 to \$500 the amount of prize for which a check must be written from the Bingo Trust Account.

COMMENT: The extraordinary progressive game prizes are not needed and are too expensive for the vast majority of bingo licensees. The five fold increase in the value of individual prizes that must be paid by check is questionable. It may be subject to abuse and will clearly make it more difficult to determine that games are being run in an honest manner. Payment by check enables us to determine when bingo earnings by individual players must be reported for tax purposes. This change will result in loss of taxes resulting from prize earnings. It could also result in the need to keep a much larger amount of cash on the premises thus making licensees being more vulnerable to robbery. This at the same time

this bill proposes to take bingo enforcement taxes away from the local governmental entities responsible for police protection.

Sec. 7.(z) (page 14) - This new subsection provides specific rules for progressive bingo games. There are no such rules in current law.

COMMENT: If there are any reasons for such specific rules for progressive games, in my opinion there are none, they should be in regulation, not law. I don't know who this new subsection is intended to benefit, maybe a very few licensees in large population centers. Most licensees can not afford this. Implementation may have the effect of driving many of the smaller licensees out of business. Possibly the large bingo parlor operators will benefit. There is no need for change in current law.

New Sec. 8 (page 15) - While not directly impacting the licensee, this another example of putting something in law that is probably better left to regulation.

Sec 11. (c), (d) and (e) (pages 17 & 18) - These changes eliminate the distribution of some of the bingo enforcement taxes to counties and cities.

COMMENT: Bingo licensees are dependent on local governmental entities for police protection. These funds should continue to go to counties and cities to assist in enforcement of bingo laws. However, they should not be required to document exactly how the funds are expended. Such requirements would result in burdensome record keeping that should not be inflicted on local governmental entities for such small funds.

Sec. (ccc) (page 31) - Provides exemption from the state portion of sales tax for sales of bingo cards, bingo faces and instant bingo tickets.

COMMENT: Sure, we would all be happy to get the partial exemption from sales tax. No one is clamoring to pay sales taxes. However, that exemption is not a good trade off for the other provisions in this proposed legislation.

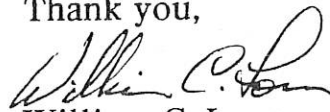
CONCLUSIONS: This analysis has not caused me to change my position that no change in current bingo law is needed. The proposed legislation will clearly not be beneficial to most current bingo licensees. In

fact, the end result will be a significant reduction in the number of bingo licensees. If that is what is intended, I believe this legislation will result in the reduction. As I have repeatedly testified before, there is a problem with the way the "analytical tests" were performed in the February 26, 1998 Performance Audit Report and the way the resulting data was reported. The analysis is discussed on pages 33 and 34 of the Performance Audit Report. The analysis was based on the "number of bingo cards supplied to licensees by the distributors in 1997". It is clear to me that the analysis only considered the sales of disposable paper cards to licensees. Probably the analyst was not familiar with "hard cards" and the mixture of "hard cards" and disposable paper cards being used by many licensees.

Over the years, many licensees have converted to all disposable paper cards rather than to invest in new "hard cards". This would result in a higher percentage of paper cards in the mix. This could be misinterpreted as a increase in revenue received, rather increased revenue coming from disposable paper cards and less from "hard cards". This is what I think happened in the analysis. In our, Post 17, case our revenue has decreased approximately 30%, primarily due to competition from the Indian casinos. We had a similar reduction several years ago from a local bingo parlor, but they went out of business and our revenue came back. The Indian casinos have hurt us worse than the bingo parlor did.

We realize that the Indian casinos are not going to go away, that we have to coexist with them. Current law is, in my opinion, more beneficial to us and other licensees than HB 2013 and its probable administrative requirements would be. HB 2013 should be defeated. No change is needed to current bingo law.

Thank you,



William C. Long

CF

Department Commander Bob Swanson
Headquarters, Department of Kansas, the American Legion
Senator Janice Hardenburger
Senator Ed Pugh
Representative Jeff Peterson
Representative Kent Glasscock
Representative Vern Osborne

#3

**Submitted to Senate Federal and State Affairs Committee
Monday, March 29, 1999
Copy of House Testimony on HB 2537**

**Comments before the
House Federal and State Affairs Committee
Regarding House Bill 2537 Concerning Simulcast Racing
Presented by Ron Gaches
On behalf of Wichita Greyhound Park
Monday, March 15, 1999**

Purpose of House Bill 2537: Passage of HB 2537 will permit patrons at Kansas pari-mutuel race tracks to bet on simulcast races from certain out-of-state tracks that they are prohibited from betting on now. Current Kansas law prohibits anyone from betting on a simulcast race where the takeout percentage is greater than the takeout permitted at a Kansas race. Some states allow their tracks a higher takeout than Kansas law permits. Races from those tracks can not be bet on in Kansas.

Explanation of Terms:

Pari-mutuel Wagering: A form of wagering on races where the participants are betting against other participants for a share of the total amount wagered on the race.

Handle: The total amount bet on a race. Also spoken of as the total handle for a day or a week.

Takeout: The part of the "handle" that does not go to the bettors. The takeout is split up between the state for taxes, the charity that holds the racing license, the breed groups for purses and other breed group programs, and that part left over goes to the track. The track must recover all of its expenses, pay its regular taxes and generate any profit from what is left of the handle.

The State of Kansas takes a tax of 3/18ths of the handle regardless of whether the track is making a profit or not. For the Wichita Greyhound Park, the tax totals more than **\$1,000,000 per year.**

Each track operating in Kansas also pays the Racing and Gaming Commission a fee of \$200 per day for every day there is racing and wagering. For the Wichita Greyhound Park that totals about **\$60,000 per year.**

Points: The dog and horse owners race for points. Points are awarded for "win," "place," and "show." The most points go to the winner. At the end of each week the kennel operators are paid so many dollars for each point they earned. The amount paid for each point is determined by the size of the purse.

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Simulcast Race: The live broadcast of a race to another location for the purpose of permitting patrons at the off-site location to participate in the pari-mutuel wagering pool for that race.

The Wichita Greyhound Charities, Inc.: The WGCI holds the racing license for the Wichita track and receives 1% of the total handle from all live and simulcast racing at the track. The WGCI is governed by a volunteer board and has a full-time professional staff. The charity returns those dollars to the State of Kansas through a comprehensive contributions program. Last year the contributions back to the Kansas community totaled \$250,000.

Track Ownership: Mr. Phil Ruffin is a Wichita native and classic entrepreneur. With little formal education, but with a great sense of how to run a business, Mr. Ruffin has become one of Wichita's most successful businessmen. He owns a Wichita-based manufacturing firm; has been active in Kansas oil and gas production with Ruffin Drilling; created a successful chain of convenience stores (Town and Country Marts); owns and operates a ten Marriott Hotels (including the one in Wichita); and owns and operates a successful casino in the Bahamas.

A little over a year ago, Mr. Ruffin bought the Frontier Casino in Las Vegas and negotiated new agreements that ended the labor strikes that had mired that facility in debt. His career as an entrepreneur began in Topeka with a sandwich shop when he was 19 years old.

Mr. Ruffin continues to make Wichita his home and principal place of business.

In 1997, Mr. Ruffin purchased the Wichita Greyhound Park. The Wichita track had been losing money for several years and the out-of-state owners had given up on trying to keep live racing alive in Kansas. Mr. Ruffin immediately began to change the operating formula at the track to make it friendlier to patrons and to improve the economics for the kennel operators who run their dogs there.

The parking fee at the track was eliminated. The fee to enter the nicest parts of the clubhouse was eliminated. The food service was improved by hiring the chef from the Prairie Dunes Country Club in Hutchinson. The grounds and facilities were improved. Investments were made to improve security. A comprehensive marketing program was launched and continues today. And an effort to improve the economics of the track was begun by improving both the simulcast and live racing programs. Mr. Ruffin also hired a highly regarded, experienced dog track manager to run the track, Mr. Kip Keefer.

The effort has been successful in many ways. Attendance is up double digits over the old ownership. The amount wagered, or handle, has also increased significantly. The purses paid to the kennel operators who race the dogs have nearly doubled. And the taxes paid to the state have increased.

But despite the overall improved economics for the State, the Charity and the breed groups, the Wichita Greyhound Track still does not generate any profit. Mr. Ruffin had to invest an additional \$700,000 during calendar year 1998 just to cover the operating costs of the track.

Kansas racetracks, and the live racing industry they support, are on shaky ground. The Pittsburg track has closed, the Woodlands track in Kansas City was recently sold at bankruptcy auction, and the two county fair tracks and Anthony and Eureka exist only because of the subsidies received from the Wichita and Kansas City tracks.

Back to the specifics of the bill. HB 2537 does not change the takeout permitted for races run at Kansas tracks. It only expands the selection of out-of-state races that can be simulcast by Kansas tracks and wagered on by Kansas patrons.

The number of additional racetrack simulcast signals that might be affected is relatively few, compared to the overall number of signals already simulcast into Kansas. According to Kip Keefer, the manager of the Wichita Greyhound Park, there are only about a half dozen tracks around the country where the takeout is higher than what is permitted under Kansas law.

However, among those half dozen or so tracks are three top-rated tracks that Kip Keefer believes will be popular with Wichita Greyhound Track patrons. Those include two tracks in Florida and one track in Pennsylvania.

All of the parties with interest in the success of Kansas racetracks will benefit from passage of this bill.

Track patrons will benefit by the increased selection of races they will have available to watch and wager on.

The horse and dog breed groups will benefit because they receive 5.8 % of the takeout from simulcast races to go towards purses for live races at Kansas tracks. Wagering on simulcast races with a higher takeout will produce higher purses for live races.

The Kansas Racing and Gaming Commission will benefit from a reduced workload, because it will no longer have to scrutinize simulcast contracts to determine whether the takeout percentages are acceptable under Kansas law.

And the track owners will benefit from an opportunity to provide their patrons with the products they want. All of the Kansas tracks are currently losing money. This proposal will give the tracks a small opportunity to close the gap on their losses.

Simulcast racing has been very important to the Kansas live racing industry. A portion of the takeout from each live race is used to increase the purses for live races in Kansas. In the year and a half that Mr. Ruffin has owned the Wichita track, he has pushed the expansion of the simulcast-racing program very aggressively. That has been done

primarily by increased marketing of the track, including both live and simulcast racing, and by increasing the number and quality of simulcast races.

During that time the total purse for live racing at the Wichita track has nearly doubled. This is due primarily to the increase in purse money generated by simulcast races, but also because the amount wagered on live races has increased even while simulcast wagering has grown.

The excitement of a live race is always superior to a simulcast race. Fans love live racing. Simulcast racing provides race fans an opportunity to watch and wager on races when the live races are not being run and provides the track owners with an opportunity to generate additional revenue to cover their costs.

HB 2537 is not a referendum on racing or gaming. This is a minor change in the law affecting simulcast wagering that is already legal in Kansas. And it is not intended to serve as a vehicle for any other racing or gaming proposal. The Wichita track needs the bill to address a specific issue regarding simulcast races and will oppose any effort to load it up with other, more controversial, proposals.

Thank you for your attention. I urge you to recommend HB 2537 favorable for passage.

TESTIMONY ON HOUSE BILL 2535

by: Gregory P. Ziemak, Executive Director - Kansas Lottery

March 4, 1999

House Federal and State Affairs Committee

Madam Chair and Members of the Committee:

I appreciate the opportunity to speak to you today concerning House Bill No. 2535.

My purpose in addressing you today about House Bill No. 2535 is to increase sales of Kansas Lottery pull-tab products. We propose to do this by having the authority to increase the prize payout on the games from 60 percent up to 70 percent. The additional sales caused by this change would benefit the players, lottery retailers and the State of Kansas. The increased payout would result in more revenues transferred to the State Gaming Revenue and General Funds.

Currently, state statutes require that a minimum of 30 percent of Kansas Lottery sales be transferred to the State of Kansas. House Bill 2535 would allow 20 percent to be transferred to the State. We are proposing that the additional 10 percent be given back to lottery players as prizes. This requested change would affect pull-tab tickets only which accounted for less than one percent (\$1,100,000) of total lottery sales (\$192,000,000) in Fiscal Year 1998. If the Lottery could increase the prize payout of pull-tab products from 60 to 70 percent, we believe pull-tab sales would increase from the current estimate of \$1,250,000 to approximately \$2,500,000 in Fiscal Year 2000.

Eleven lottery states currently sell pull-tabs. Kentucky, Missouri and Iowa are the most successful selling \$32.0 million, \$29.1 million and \$27.0 million, respectively, in Fiscal Year 1998. The prize payout in Kentucky is 70 percent. In Missouri and Iowa, the prize payout is approximately 65 percent.

Sen. Federal & State Affairs Comm
Date: 3-29-99
Attachment: # 4-1

The Kansas Lottery's goal with this proposed bill is to answer Kansas Lottery pull-tab players' major complaint --- *not enough winners*. We can only do this with legislative assistance. An increase in prize payout would benefit Kansas players --- *more prizes*; Kansas retailers --- *more sales, and therefore larger sales commissions*; and the State of Kansas --- *greater sales and larger revenue transfers*.

Thank you for your consideration of House Bill 2535.

TESTIMONY ON HOUSE BILL 2536

by: Gregory P. Ziemak, Executive Director - Kansas Lottery
March 4, 1999
House Federal and State Affairs Committee

Madam Chair and Members of the Committee:

Thank you for the opportunity to speak to you today concerning House Bill No. 2536.

Currently, the Lottery is not permitted to use its prize payment fund to pay the holders of valid winning lottery tickets anything other than monetary prizes. It would be beneficial, on occasion, to be able to actually purchase and offer prizes other than cash prizes, which are purchased from the prize payment fund.

In the past, the Lottery, on a very limited basis, has given non-monetary items such as motor vehicles as prizes. These were funded from the Lottery advertising promotion budget. It is our desire to award non-monetary prizes on a wider scale funded from the prize payment fund. From past experience, we know that non-monetary prizes stimulate interest, thereby increasing sales, which, in turn, increases transfers to the State of Kansas. The majority of the 38 U.S. lottery jurisdictions award non-monetary prizes such as automobiles and vacation packages through the use of prize money. The Missouri Lottery has awarded 25 Ford explorers and 320 vacation packages in two very successful promotions. Being able to purchase non-monetary prizes with the same prize payment fund monies, where major discounts in prices are attainable under the state's purchasing system, would benefit the State of Kansas as well as prize winners.

This bill would enable the Kansas Lottery to offer Kansas players more interesting prizes for which they have been asking, and while doing so, increase lottery sales, lottery retailer commissions and lottery transfers to the State of Kansas.

Sen. Federal & State Affairs Comr
Date: 3-29-99
Attachment: # 5-1