

MINUTES OF THE HOUSE TOURISM COMMITTEE.

The meeting was called to order by Vice-Chair Peggy Palmer at 3:35 p.m. on March 18, 2002 in Room 243-N of the Capitol.

All members were present except: Chairman Carol Beggs - Excused  
Rep. John Ballou - Excused

Committee staff present: Dennis Hodges, Research Department  
Bob Nugent, Revisor of Statutes  
Carol Doel, Committee Secretary

Conferees appearing before the committee:

OPPONENTS:

Rep. Patricia Lightner  
Glenn Thompson, Stand Up for Kansas  
Ted Morris - Owner Crown Uptown Dinner Theatre  
Ginger Becker - Citizen  
Reese Bohannon - Citizen  
Kevin Neuman - Citizen  
Vickie Jacobsen - Citizen  
Denise Fiehler - Citizen  
Marsha Strahm - Concerned Women for America  
Matthew Plamann - Citizen  
Charles Robinson - Pastor Nemaha County  
Margaret Ritthaler - Kansas Charities Cooperative  
Vera Spencer - Wolverine Baseball  
Homer Morgan - Automatic Music & Vending  
Reverend Richard Taylor - Citizen  
Tom Palace - Petroleum Marketers & Convenience Store  
Assn.  
Ron Hein - Prairie Band Potawatomi Nation  
Gary Smith - Horse Industry  
John McCoy - Horse Industry  
Dave Assmann - Horse Industry  
Donnie Molder - Horse Industry  
Rebecca Rice - Kansas Clubs and Associates

PROPONENTS:

Dwight Daniels of the Kansas Thoroughbred Assn.  
Bob Alderson - Kansas Greyhound Association  
Jim Edwards - Senior Vice-President of Kansas Chamber of  
Commerce and Industry  
Eugene Wages - Executive Director of Veteran's Affairs  
Brad Smoot - Representing Woodlands  
Robin Jennison - Ruffin Companies

Others attending: See attached list

Vice-Chair Palmer opened the meeting with a greeting to all the conferees and stating that the significance of this legislation is realized, that it will have an impact on all Kansans and that the committee wished to express their sincere respect for each of the conferees and appreciate their willingness to participate in providing information and education as well as making good public policy.

A report was requested of the subcommittee and was given by Rep. Clay Aurand, Chairman of the subcommittee. He explained that Representative Cox's bill, **HB 2890**, was used for a base. The first situation to be dealt with was who all should be included, whether it should include the fraternal organizations or whether it should include fraternal organizations. After much discussion, the subcommittee decided it should be limited to IRS determination of what a veteran's organization was which is mainly VFW and American Legion. There were some issues of cost and regulations. There was language that would require that one

## CONTINUATION SHEET

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at large facility be placed somewhere in the state. They deleted the bingo administrator in Representative Cox's bill and left the regulatory administration to the racing and gaming commission. An amendment by Representative Mason was added stating that if an election failed in a county that there wouldn't be another election to okay the electronic gaming machines for at least four years. There was discussion regarding payout for electronic gaming machines and they went with 87%. A sales tax exemption was put in the bill. Representative Aurand explained the percentage payouts. (Attachment 1)

Vice-Chair Peggy Palmer asked when we would get a bill. Bob Nugent from the Revisor's Office assured her that the committee would have a copy of the bill on March 19th.

She also questioned whether her understanding of the limit on the number of machines for the Veterans was correct, but not limited at the race tracks and this was correct.

Vice-Chair Palmer reviewed the meeting schedule for the committee as well as the gallery and introduced a report which had been requested by the subcommittee on problem gambling.

She also called to the attention of the committee three written testimonies only which were brought before them. The first one being from Kansans for Addiction Prevention submitted by the President, Gary Winget and calling attention to the negative aspects of expanded gambling. (Attachment 2)

The second written testimony was submitted by Bruce Dimmitt as a concerned citizen only. He stated five reasons for his opposition.

1. Gambling would be bad for the economy.
  2. Gambling results in individual and social addiction and dysfunction.
  3. Gambling will result in more cost to governments.
  4. Gambling should not be subsidized or sponsored by government
  5. To approve gambling for the purpose of gaining an additional revenue source is unnecessary.
- (Attachment 3)

Written testimony number three was submitted by Kansas Association of Addiction Professionals who neither oppose nor promote gambling, but are concerned with the issue of addiction. (Attachment 4)

Vice-Chair opened the floor for hearings on substitute for HB 2890

### OPPONENTS:

First to appear before the committee as an opponent of HB 2890 was Representative Patricia Lightner. Rep. Lightner is opposed to expanded gambling because of the devastating consequences it will have on our state and our families. She related a situation which a close friend was in when her husband became addicted to gambling which resulted in the loss of their home, neighbors, church and community as well as her 22 year marriage and loss of family life. She believes that it is important that it be kept in mind not just the economic factor when the bill is debated, but the human factor and the reality of what cost may be involved on our neighbors and friends. (No written testimony)

Mr. Glenn Thompson representing Stand Up For Kansas came before the committee with his testimony. This organization feels that the bill is bad for the state, bad for local communities and bad for Kansas families. Mr. Thompson also submitted attachments showing the average cost to society to be \$13,586 per pathological gambler per year and is broken down as:

1. Crime
2. Business and Employment
3. Abused dollars
4. Illness
5. Social services
6. Bankruptcy
7. Family Costs (Attachment 5)

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Ted Morris, owner of the Crown Uptown Dinner Theatre, Wichita, Kansas appeared in opposition to **HB 2890**. In his testimony, Mr. Morris, states that studies show that in other markets where casino gambling has been introduced, attractions take about a 20% hit. He further states that if he loses 20% of his business, his dinner theatre will go under. A study was submitted of the quad cities, Rock Island, Illinois; Moline, Illinois; Davenport, Iowa; and Bettendorf, Iowa and casino gambling. This study showed what happened to other businesses and attractions after casino gambling was introduced both on the Illinois and Iowa sides of the Mississippi River. ([Attachment 6](#))

Teacher of fourteen years, Ginger Becker of Lawrence, submitted testimony in opposition to **HB 2890**. Her concern is about the message that we are sending our youth of Kansas. Mrs. Becker states that education is more than just books, it is a matter of sculpturing good citizens who will carry on our standards of living and in the interest of youth, she urges a no vote on **HB 2890**. ([Attachment 7](#))

Mr. Reece Bohannon concerned citizen of Wichita, Kansas opposes **HB 2890**. Mr. Bohannon had personal experience with gambling in his family and feels that by voting no on this bill we will restrict a net loss in taxpayers dollars also a no vote will hold down crime related to gambling, addiction to gambling, broken homes, bankruptcies, suicides, hunger, welfare costs, loss of life savings and (in some cases) loss of hard earned inheritance. ([Attachment 8](#))

Next to appear as an opponent was Mr. Kevin Neuman who describes himself as simply a grass root Kansan. Mr. Neuman's testimony points to the following areas: why bail out the tracks, gambling is not the answer, gambling predictions in the past have been plain wrong and also included a 1999 National Gambling Impact Study. ([Attachment 9](#))

Testimony was submitted by Vicki of Mayetta, Kansas. Vicki is a compulsive gambler since she was introduced to gambling in 1994. Vicki states in her testimony she underwent treatment in a dependency clinic and learned that the chemical imbalance in a person's brain and the pleasure endorphins released in the brain at the time one is gambling is no different than the brain of a person high on drugs or alcohol. She urges a no vote on **HB 2890**. ([Attachment 10](#))

Because she was unable to make an appearance, the testimony of Denise Fiehler, compulsive gambler, was read by Marsha Strahm of Concerned Women For America. Denise's testimony describes how she became addicted to gambling and the problems it has caused her. ([Attachment 11](#))

Concerned Women For American was represented by Marsha Strahm who gave testimony in opposition to **HB 2890**. She also included in her presentation testimony from Reverend Randy Grimm of the Calvary Bible College of Morrill, Kansas and Senator John Koskan of Wood, South Dakota. In her closing statement Ms. Strahm quoted Governor Graves in his State of the State address "We hear a great deal of rhetoric about families. Rhetoric is not enough." ([Attachment 12](#))

Matthew Plamann who describes himself as a recovering compulsive gambler, appeared before the committee as an opponent. Matthew related his situation of how he became addicted to gambling and the problems it has caused him. ([Attachment 13](#))

Reverend Charles Robinson of the First Congregational Church of Sabetha, Kansas addressed the committee in opposition to **HB 2890**. His testimony states that he is a firm believer that the responsibility of the availability of an addicting behavior not only lies within the realm of the individual, but also within the realm of the government that allows it. ([Attachment 14](#))

Kansas Charities Cooperative was represented by Margaret Ritthaler a member of the board of directors. Kansas Charities is a non profit organization that operates bingo games for fund raising purposes. They are licensed and regulated by the state of Kansas. They do not feel that legalizing electronic gaming will be in the best interest of the State nor will it solve the fiscal crisis. Also included in her testimony was a partial list of organizations who were contacted and who join in opposition of **HB 2890**. ([Attachment 15](#))

## CONTINUATION SHEET

MINUTES OF THE HOUSE TOURISM COMMITTEE at on March 18 , 2002 in Room 243-N of the Capitol.

Vera Spencer of Wolverine Baseball rose before the committee to give a statement of opposition.  
(No written testimony)

Owner of Automatic Music Company, Homer Morgan of Wichita, presented testimony in opposition to **HB 2890**. Mr. Morgan's understanding is that the dog and horse owners, would receive a percentage of the purse to help with expenses and feels that it is wrong to grant them a bail-out because they made a bad business decision. He is urging a no vote on this bill in the interest of the people of Kansas. (Attachment 16)

Reverend Richard Taylor was next to appear before the committee as an opponent with a presentation on the economics of gambling and asking a vote for freedom from increased personal, social and economic problems that will be caused by extension and expansion of commercial gambling in Kansas. He also included in his testimony an article taken from the Wall Street Journal. (Attachment 17)

Opposition to **HB 2890** came before the committee from Tom Palace, Executive Director of the Petroleum Marketers and Convenience stores in Kansas. They are not opposed to gambling, but are testifying in opposition because, after having collected millions of dollars for the state, they are not included in the bill. (Attachment 18)

Prairie Band Potawatomi Nation, opponents of **HB 2890** was represented by their legislative counsel, Ron Hein. They are concerned about the financial impact this legislation will have on other businesses in Kansas. Included in the testimony was a gaming revenue analysis. (Attachment 19)

Next to appear before the committee in opposition was Gary Smith of Olathe, Kansas of the Horse Industry. Mr. Smith states that he is not opposed to allowing slot machines at the tract, but his main opposition is as to how the bill reads. (Attachment 20)

John McCoy of the Orion Stables of Bonner Springs, Kansas states in his testimony that the bill now offered to Kansans does not have the proper help that is needed to save racing in Kansas. He further states that he feels that a proper bill would help the state build a home base of healthy dogs and horse agriculture. He opposes **HB 2890**. (Attachment 21)

Vice-President of the Kansas Thoroughbred Association and Vice-President of the Kansas Horsemen's Association, David Assmann of Edwardsville, Kansas who testifies that he is in support of slot machines at pari-mutuel racetracks, but cannot support the bill as currently written. He believes that Representative Cox was very diligent in his research and would support returning to the Cox bill as originally written. (Attachment 22)

Donnie Molder a native Kansan who has been a thoroughbred horseman , breeding and racing horses for over twenty years testifies that he feels the present bill is not good for Kansas. He is not in agreement with the percentages which would be paid by the tracks. Mr. Molder stated that he also feels that the bill presented by Representative Cox is one that the horse people could live with. (Attachment 23)

Testifying in opposition to **HB 2890** on behalf of Kansas Clubs and Associates was legislative counsel, Rebecca Rice. They are opposed to legislation which grants monopoly slot machine contracts to the two current and the one defunct parimutuel licensees who were previously granted, de facto, an exclusive franchised area by the State of Kansas. They feel that this bill will harm any business within a 50 mile radius that depends on consumers' discretionary income. Included with the testimony are copies of a number of articles taken from various publications to help in support of their testimony. (Attachment 24)

With no further opponents to testify, Vice-Chair Peggy Palmer closed the hearings on **HB 2890** and opened for questions.

Hearing was opened for proponents on **HB 2890**.

## PROPONENTS

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First to appear before the committee as a proponent of **HB 2890** was Ralph Snyder of the American Legion. Mr. Snyder yielded his time to Charles Yunker, State Adjutant of the Kansas American Legion. Mr. Yunker asked that 501 (c) 19 veterans organizations and the fraternal organizations which he had previously mentioned in his testimony, be permitted the opportunity to offer their members slot machine gaming in addition to Kansas horse and dog tracks. (Attachment 25)

Dwight Daniels, President of the Kansas Thoroughbred Association testified as a proponent. His testimony states that pari-mutuel horse racing and breeding industry in Kansas has been devastated in the past few years by casinos across the river and by the casinos within our own state. He feels that with the passage of the slots bill that the tracks and the horse industry can support, you would see the number and quality of horses in Kansas increase as well as the investments supporting those horses. (Attachment 26)

Bob Alderson appeared before the committee on behalf of the Kansas Greyhound Association and the Kansas Quarter Horse Racing Association stating that he is a proponent of gambling, but not the bill as it currently reads. He further stated that the purse supplements need to be set at a point to where they can be competitive with neighboring states. They would agree on 3-1/2% for the horses and 3-1/2% for the dogs. (No written testimony)

Representing the Kansas Chamber of Commerce and Industry was the Senior-Vice President, Jim Edwards as a proponent of **HB 2890**. The Kansas Chamber of Commerce and Industry supports allowing pari-mutuel facilities in Kansas to operate electronic games of chance and has been on record with that position since 1995. (Attachment 27)

The next proponent was Eugene "Stoney" Wages, Executive Director of Kansas Commission on Veterans' Affairs. They are charged with operating various veterans services programs which include the State Veterans' Cemetery program. The original language of **HB 2890** included 8% towards the State veterans' cemetery fund. A new source of revenue is essential for the operation of the veterans' cemeteries. The Commission is asking for continued support of that percentage. (Attachment 28)

Brad Smoot, legislative counsel for Kansas Racing, L.L.C. addressed the committee proposing two amendments which are included can reviewed in his written testimony. (Attachment 29)

Robin Jennison testified for the Ruffin Companies of Wichita.. Mr. Jenninson's testimony covered a number of gaming issues in Kansas as well as graphs and charts reviewing economic impact as well as Kansas Tourism Strategy. (Attachment 30)

Vice-Chairman Peggy Palmer closed the hearings on **HB 2890** with committee discussion following.

Meeting adjourned at 7:30 p.m.

The next meeting will be on March 20<sup>th</sup> at 3:30 p.m. in Room 243-N.

# HOUSE TOURISM COMMITTEE GUEST LIST

DATE March 18, 2002

NAME	REPRESENTING
Ginger Becker	Myself
Sinda Bohannon	myself
Russ Shannon	Myself
Glenn Thurgerson	Stand Up For KS,
Matthew Plamann	myself
Vicki Jacobsen	Self
Kevin Neuman	Kansas citizens - self
Sheri Neuman	Citizen of Kansas
Getti Thompson	Stand up for Kansas
MARION O FOSTER	SELF
Shannon Foster	self
Jolly Bleum	SELF
MARK BLUM	SELF
Homer Morgan	Vendor of Kansas Kincadee
Margaret Rittler	Fruit Stand
Vera Spencer	Wolverine Baseball Club
Sylvia Gregory	Best above
Donald Assmann	Self
Fredie Molder	Self

# HOUSE TOURISM COMMITTEE GUEST LIST

DATE March 18, 2012

NAME	REPRESENTING
Dwight Daniels	Ks. T. B. Assoc.
Bob Schreier	K.T.A.
Kenneth E. Fiskendall	Myself
Richard Taylor	self.
Charles J. Robinson	myself
Judith Smith	CWA of Kansas
Karen Huchelaker	CWA of Kansas
Marilyn M. Remington	self
Bruce Dromont	Independent
John Mc Coy	T.B. Norseman
Gary Smith	T.B. Norseman
JEFF THORGE	Dodge City
E. L. FARR	Topeka VFW Post 1650
John Aimo	Topeka VFW Post 1650
J. Hester Hooper	Myself Concerned Citizen
Jed J. Marris	CROWN OPTOWN THEATRE
Darrell Bowers	KANSAS VFW
L. Jobels	DE SOTO VFW
Jim Edwards	KCCF

# HOUSE TOURISM COMMITTEE GUEST LIST

DATE 3-18-02

NAME	REPRESENTING
Helena [unclear]	Futures Consultancy
TRACY DICK	State Gaming Agency / KRBC
Keith Kieber	K's Lottery
Jim Helton	Hein Lohr
Randy Conroy	Prairie Band Potawatomi Nation
Ron Harin	Prairie Band Potawatomi Nation
Art E. [unclear]	American Legion
Jim Hartman	AMERICAN LEGION
Gerald Winkler	American Legion
Scott Anglenyer	KDOCFH
Wayne Bellig	KCVA
Stanley [unclear]	KCVA
Nichelle [unclear]	K. Environmental Consulting
Patrick [unclear]	CTECA
Andy Shaw	PMCA of KS
Charles [unclear]	Amer. Legion
Charborn [unclear]	American Legion
BOB ANDERSON	KANSAS GREENHOOD ASSN.





KANSAS DEPARTMENT OF SOCIAL  
AND REHABILITATION SERVICES

915 SW HARRISON STREET, TOPEKA, KANSAS 66612

JANET SCHALANSKY, SECRETARY

February 26, 2002

The Honorable Chris Steineger  
State Senate  
State House, Room 523-South  
Topeka, Kansas 66612

Dear Senator Steineger:

Donna Doolin and I met with interns from your office last week regarding problem gambling activities. We reviewed with them the current activities that SRS is engaging in with the \$100,000 in resources that have been dedicated to problem gambling since the passage of the bingo bill a couple of years ago. We also provided the current statutory framework for our problem gambling activities. That framework in law is in place, as is a dedicated fund for problem gambling activities. To dedicate additional resources from gaming activities towards problem gambling requires only the dedication of resources to that fund.

Your interns asked that we provide a chart that would describe for you our current activities, and any additional activities we would undertake if new resources were available. Our response is targeted in the areas of awareness, training and education, prevention, treatment and research. Certainly you could select amongst these enhancement areas, or could downsize or upgrade depending upon the level of new resources you wish to dedicate for these activities.

Additionally, the table below depicts the per capita spending for problem gambling activities in states that have dedicated resources. As you can see below, the per capita spending in Kansas is significantly less than states in our region and other states nationally:

STATE	BUDGET	POPULATION	Per Capita Spending
Connecticut	\$1,500,000	3.4 million	\$0.44
Illinois	\$1,000,000	12.4 million	\$0.08
Indiana	\$3,500,000	6.1 million	\$0.58

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Attachment 1

Iowa	\$2,100,000	2.9 million	\$0.71
<b>Kansas</b>	\$100,000	2.7 million	\$0.04
Louisiana	\$2,000,000	4.5 million	\$0.45
Massachusetts	\$1,200,000	6.3 million	\$0.19
Minnesota	\$1,600,000	4.9 million	\$0.33
Missouri	\$425,486	5.6 million	\$0.08
Nebraska	\$1,200,000	1.7 million	\$0.70
New York	\$2,554,000	18.98 million	\$0.13
Oregon	\$3,111,000	3.4 million	\$0.91

I hope this information is helpful. Please contact Donna Doolin or myself if you need additional information.

Sincerely,

Laura Howard  
Assistant Secretary of Health Care Policy

Attachment: SRS Statewide Problem Gambling Program

cc: Trudy Racine  
Donna Doolin

## SRS/Statewide Gambling Program

Program Components	Current Efforts: Financed with \$100,000 dedicated from state gamings revenue and bingo regulation funds	Enhanced Activities: If additional dedicated proceeds are targeted towards problem gambling
State wide Problem Gambling HelpLine (contract with The Consortium)	<ul style="list-style-type: none"> <li>▶ March '01, date HelpLine began; services provided 24hrs/7 days a week by Masters Level Practitioners.</li> </ul>	<ul style="list-style-type: none"> <li>▶ Training updates for helpline staff &amp; new staff provided on a yearly basis. <u>Estimated cost:</u> \$6,000*</li> </ul>
Awareness	<ul style="list-style-type: none"> <li>▶ HelpLine # placed in yellow pages of phone books.</li> <li>▶ Some advertisement of HelpLine # in local newspapers throughout Kansas.</li> <li>▶ Development and distribution of helpline number in the form of business cards with holders.</li> <li>▶ Development and distribution of brochure targeting older adults.</li> </ul>	<ul style="list-style-type: none"> <li>▶ Develop a statewide marketing strategy to promote awareness of problem gambling. Strategies could include using a combination of brochures, billboards, television and radio ads to increase awareness of the signs of problem gambling and the helpline number. <u>Estimated cost:</u> \$100,000 - \$150,000.</li> </ul>

<p><b>Training and Education (contract with Ks. Association of Addiction Professionals) **</b></p>	<ul style="list-style-type: none"> <li>▶ 2 - 60 hour gambling specific counselor certification trainings have been held.</li> <li>▶ 13 - professionals completed the Kansas Gambling Counselor Certification process.</li> <li>▶ Training of Helpline staff and the Regional Alcohol and Drug Assessment Center staff.</li> </ul>	<ul style="list-style-type: none"> <li>▶ Continue to provide the counselor certification trainings. <u>Estimated costs: \$30,000</u></li> <li>▶ Development of a baseline training curriculum that can be utilized in different venues ie. education system; financial institutions, various social and civic organizations, employers, EAP programs, attorneys, and other State agencies; etc.. <u>Estimated costs: \$15,000 - 25,000</u></li> <li>▶ Specific clinical training for alcohol/drug counselors, mental health practitioners, case managers, etc. <u>Estimated costs: \$15,000 - 20,000</u></li> </ul>
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<p><b>Prevention</b> (contract with Ks Association of Addiction Professionals)</p>	<p>▶ <b>Two Regional Prevention Centers (Johnson Co. and Shawnee Co.) direct efforts targeted toward college age and older adult.</b></p>	<p>▶ <b>Establish a resource library where the public could access gambling specific information ie. videos, pamphlets, posters, etc.</b> <u>Estimated costs:</u> <b>\$15,000</b></p> <p>▶ <b>Initiate comprehensive prevention efforts through the current state-wide prevention infrastructure.</b> <u>Estimated costs:</u> <b>\$150,000</b></p>
<p><b>Treatment</b></p>	<p><b>none</b></p>	<p>▶ <b>Funding of treatment services.</b> <u>Estimated costs:</u> <b>\$250,000 - 350,000</b></p> <p>▶ <b>Development and implementation of a data tracking system for the purpose of program performance measurement &amp; conducting an outcome study.</b> <u>Estimated costs:</u> <b>\$30,000 - 40,000</b></p>

<b>Research</b>	<b>none</b>	<ul style="list-style-type: none"> <li>▶ <b>Replicate the survey that was originally completed in December, 1996 to assess the extent of problem gambling in Kansas. <u>Estimated costs:</u> \$35,000 - \$50,000</b></li> <li>▶ <b>Conduct consumer outcome study regarding the effectiveness of treatment. <u>Estimated costs:</u> \$35,000 - 60,000</b></li> </ul>
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\* Currently approximately \$12,000 out of the total \$100,000 is utilized to cover costs of the hotline.

\*\* Currently \$88,000 is awarded to KAAP to fund initiatives mentioned in the above.

# KANSANS FOR ADDICTION PREVENTION

**K A P**

FORMERLY

KANSANS FOR LIFE AT IT'S BEST

## EXPANSION OF GAMBLING IN KANSAS

March 18, 2002

The negative aspects of expanded gambling in Kansas have been presented to you in many forms, and in many ways. You even recognize that there will be an increase in addictions in Kansas with the related need to treat those addictions.

Less appreciated is the negative impact on the Kansas economy that gambling will have. The millions and millions of dollars that you expect to come from the state's twenty percent of the gambling revenue is a huge drag on the economy. But what about the eighty percent that will flow out of Kansas and into the personal profits of a few rich people--that is obscene. You may quibble over a percentage or ten, but the final truth is that the only reason you are under such pressure is that the rich want to rip off the common people of Kansas.

If you cave in to gambling interests because it offers some relief for the budget crises, then you are failing the strong people of Kansas. Any revenue will not be immediate. Any revenue will not be predictable. There is getting to be a glut of gambling, and there are only so many people that are willing to throw their lives away at a slot machine. There is always a decline in revenue after the new wears off. Then there will be pressure for you to open the state up to even more gambling.

"It is a bad idea, but what other choice do we have?" It is that thought that we hope to address. This winter, Vermont and Hawaii have defeated attempts to expand gambling. They agree that it is a bad idea. First, even if you do expand gambling, you are still in a budget crises. The numbers are terrible. Even if you do the thing that is popular with the voters and raise the tax on cigarettes 65 cents a pack, you still have a crises. We plead with you to sweep away this temptation to do the wrong thing, and step up with the higher values and make the hard choices. The media has successfully marketed your need to raise taxes. The responsible people of Kansas will step up and accept what is needed. We are a people of values.

Garry Winget  
President

P.O. Box 16774  
Wichita, KS 67216  
316-681-0122

House Tourism Committee  
Meeting Date 3-18-02  
Attachment 2

**WRITTEN STATEMENT TO HOUSE TOURISM COMMITTEE**  
**CONCERNING SUBSTITUTE FOR HB 2890**

**BRUCE DIMMITT**  
**March 18, 2002**

Although I am registered to lobby for Kansans for Life and am affiliated with Christian Coalition, I am also registered as an independent lobbyist and this statement is from me as a citizen only. I am a voter in Overland Park, Johnson County.

I am unalterably and unequivocally opposed to extension of gambling in Kansas and specifically the electronic gaming machines at the tracks and other specific locations currently mentioned in the draft of this bill.

My opposition is for the following reasons:

1. Gaming would be bad for the economy.
2. Gambling results in individual and social addiction and dysfunction.
3. Gambling will result in more cost to governments.
4. Gambling should not be subsidized or sponsored by government.
5. To approve gambling for the purpose of gaining an additional revenue source is unnecessary.

**GAMBLING IS BAD FOR THE ECONOMY**

Location of gambling in Kansas does not mean the profits of the gambling business will be spent in Kansas. Money spent at gambling facilities is money that will not be spent at local taxpaying businesses such as entertainment and restaurants, not to mention for family needs including groceries, utilities, clothing, cars, health and life insurance, college tuition, savings for retirement, disability, job loss and charity agencies. Many such business and community institutions and entities oppose gambling for these reasons.

House Tourism Committee

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Attachment 3



## **GAMBLING BRINGS INDIVIDUAL AND SOCIAL ADDICTION AND DYSFUNCTION**

Gambling could bring some or all of the following: broken homes, divorces, suicides, mental health problems, dysfunctional families, neglect of parental, community and church responsibilities, workplace absenteeism, inefficiencies and incompetence, organized crime, public corruption, problems with juvenile delinquency, student failures and misconduct including shootings and street gangs, alcoholism and illegal drugs, robberies, illegal use of guns, domestic and child abuse, bankruptcies and increased cost of law enforcement including increased need for detention incarceration facilities,

There also could be the result of deterioration of communities and housing and commercial property values.

Gambling to a significant absolute number of people is like a sorceress, seductress or secret mistress even though everyone should know realistically that the gambling house is the winner for the majority of the time in the long run.

## **GAMBLING WILL INCREASE COST OF GOVERNMENT**

As indicated above, costs will increase for law enforcement. Also for mental health and treatment and social services.

## **GOVERNMENT SHOULD NOT SPONSOR OR SUSIDIZE GAMBLING**

Freedom in our country means that people have a constitutional right to gamble so long as it does not interfere with the rights of others. But the problems mentioned above would interfere with the rights of others - family, community, other businesses, etc. If there is to be gambling, why not go to other states or to the Indian gambling facilities already in Kansas?

In any case, government should not sponsor an industry that can cause all the problems that gambling can cause. And even more so, government should not benefit from such an industry by receiving additional revenues from such industry. Would you approve government sponsorship of prostitution or

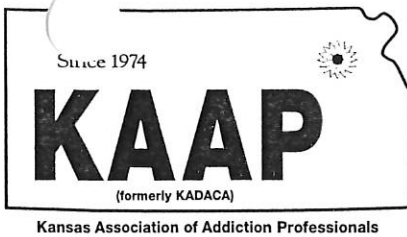
pornography to raise government revenue?

If this bill is to become law, at least government should receive no revenue from gambling. **To allow or approve an unwise and evil industry which has never been approved before merely because the government has a revenue shortfall or excess spending amounts to corruption.** The prudent thing would be to cut spending. If government can't do that, we are in sorry shape indeed.

The government should not subsidize the racing horse and dog industries.

**Regulating and inspecting gambling from money received from the gambling industry is an incestuous conflict of interest.** Would you take a case to court before a judge that owned a business being sued? Would you hire an auditing firm that owns the business being audited. Professional ethics would not permit such practices. If this bill should be approved, the regulation and inspection should be financed from the state general fund and carried out by the Office of the Attorney General.

**If this bill is passed in spite of all the objectionable considerations mentioned above, the track (or other facility that may be approved) should retain all the profits subject to appropriate taxation consistent with how other industries or like entities are treated.**



# Kansas Association of Addiction Professionals

**PRESENTATION REGARDING HB 2890  
BEFORE THE  
COMMITTEE ON TOURISM  
Submitted by Joyce Markham, President  
KANSAS COALITION ON PROBLEM GAMBLING  
A section of the  
KANSAS ASSOCIATION OF ADDICTION PROFESSIONALS  
(KAAP) (formerly KADACA)  
Monday, March 18, 2002**

**TO:** Chairperson Beggs and Committee members

I want to thank you for the opportunity to provide our input in regards to the proposed legislation on gambling in HB 2890.

My name is Joyce Markham and I am making this presentation as President of the Kansas Coalition on Problem Gambling, a section of the Kansas Association of Addiction Professionals (KAAP.) KAAP is an umbrella association that was formerly named the Kansas Alcoholism and Drug Addiction Counselors Association or KADACA.

I am a founding member of the Kansas Coalition on Problem Gambling that was formed in 1996. I am an LSCSW, an SRS-credentialed alcohol/drug counselor and also a certified compulsive gambling counselor in private practice.

The Kansas Coalition on Problem Gambling neither opposes nor promotes gambling. We do request that in the event HB 2890 or similar legislation is passed which expands the availability of gambling in Kansas that such legislation also contain provisions for additional funding. This funding should be transferred and credited to the Problem Gambling Grant Fund established by K.S.A. 2000 Supp. 79-4805. This money shall be utilized for the purposes of prevention, intervention, treatment, research, public awareness, problem gambling counselor trainings and other related needs. The Problem Gambling Grant Fund is operating under the direction of the Substance Abuse, Prevention, Treatment and Recovery (SAPTR), a unit within the Division of Health Care Policy of the Kansas Department of Social and Rehabilitation Services (SRS.)

An existing issue that will be addressed by establishing a minimum annual fund in HB 2890 will be to provide funding for the areas of need mentioned previously for the gaming opportunities not considered in earlier compacts and gaming passed by previous sessions of the Kansas Legislature. It is our position that in order to adequately address the issues related to problem gambling and the foreseeable increased needs resulting from expanded gambling in Kansas, that the funding provision in HB 2890 be an amount equal to .50% (.0050) of the Net Gaming Revenue with a minimum of 1.13 million dollars (\$1,130,000.) and a maximum amount of 3.5 million dollars (\$3,500,000.) to be credited to the Problem Gambling Grant Fund.

Thank you. Should you desire additional information, please contact me or Craig Collins,  
KAAP Executive Director at 235-2400.

House Tourism Committee

Meeting Date 3-18-02

Attachment 4



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

**Testimony To House Tourism Committee  
on Substitute for House Bill 2890**

by  
Glenn O. Thompson  
Executive Director, Stand Up For Kansas  
March 18, 2002

Good afternoon Chair Palmer and other members of the committee. Thank you for this opportunity to speak at this public hearing. I am speaking on behalf of Stand Up For Kansas, a state-wide coalition of grassroots citizens who oppose the expansion of gambling in Kansas. We urge you to **vote NO** on Substitute for House Bill 2890. The bill is bad for the state, it is bad for local communities and it is bad for Kansas families. Let's look at the facts.

**1. The bill is bad for the state.**

**The bill violates the intent of voters and taints the integrity of the Kansas legislature.** In 1986, Kansas citizens voted to amend the constitution to permit a "state owned and operated" lottery. They did not vote for state owned and operated casinos! In fact, the first indication that the lottery amendment would permit casino gambling was in a 1987 Attorney General opinion, three months after the state-wide referendum! Former Senator Dick Bond was correct when he said, "I honestly believe that the Kansas voters in 1986 had no idea they were voting some kind of language into the constitution that would permit casino gambling."<sup>1</sup>

**The bill would not stop Kansas gamblers from spending money at Missouri riverboats, as proponents claim.** A recent Legislative Post Audit report estimated that a casino at the Woodlands would capture only 14 % of the Kansas City casino market, since it would be competing with four nearby riverboat casinos.<sup>2</sup>

**Actually, the casinos would drain hundreds of millions of dollars from the state.** The same post audit report estimates net income for the three racetrack casinos would be \$325 million annually.<sup>2</sup> At least **\$100 million** of this would flow **out of the state** as profits to the two owners.

House Tourism Committee  
Meeting Date 3-18-02  
Attachment 5

**The bill creates a slippery slope with no turning back.** Once started, how do you stop? What is your rationale for giving slot machine monopolies to the racetracks and veterans organizations? Why exclude private clubs, bars and other entertainment businesses?

## **2. The bill is bad for local communities**

As you know, numerous communities across Kansas are losing thousands of jobs and millions of dollars in revenue. Nevertheless, this bill would drain thousands of additional jobs and hundreds of millions of additional dollars from these same communities.

In 1990, the Illinois state legislature approved riverboat casinos to promote economic development and tourism. Six year later, an independent study was conducted to determine if this objective was achieved.<sup>3,4</sup> The study concluded **“It is clear ... that casino gambling ... has been a dismal failure in promoting tourism and economic development.” Eighty-five percent of the gamblers live within 50 miles of the casino.**

In another example, the Prairie Meadows racetrack casino in Polk County, Iowa is draining \$150 million annually from the surrounding area. In 1995, the Vice President of Parimutuel Operations at the casino told a Ks. legislative committee that **80 to 90 percent of the gamblers at the casino live within a 50 mile radius.**<sup>5</sup>

**The racetrack casinos would pull hundreds of millions of dollars from citizens and businesses in surrounding communities.** Businesses in these communities would have to lay off thousands of employees as revenues decrease. For example, the Wichita Greyhound Park casino would have an estimated net income of \$149 million annually, according to a recent post audit report.<sup>2</sup> **Approximately \$127 million (85%) of this income would come from Sedgwick and surrounding counties within a 50 mile radius.**

**Slot machines at veterans’ halls would have a devastating economic impact on businesses in surrounding small communities.** With the proposed limit of 50 machines, and each machine producing an average daily net income of \$200, each hall would pull **\$3.6 million annually** from surrounding communities.

**County referendums would be of little value.** Citizens opposing a casino in their county could not compete with multi-millionaire racetrack owners, willing to spend millions of dollars on pro-casino advertising. Further, only citizens living in the county where the casinos would be located would get to

vote. Citizens in other surrounding counties would reap the social and economic destruction of the casinos without any representation in a referendum.

### ***3. The bill is bad for Kansas families***

**The easy accessibility of slot machines and/or video lottery machines throughout the state would cause thousands of citizens to develop gambling addiction problems and destroy thousands of Kansas families.** Instant gratification machines, such as slot machines and video poker machines, are the most addictive form of gambling and are often called the “crack cocaine of gambling.”

Numerous research studies in other states, documented in the 1999 “National Gambling Impact Study Commission Final Report,” indicate the percentage of pathological gamblers in a region increases by at least 1.0 % of the population when a casino is introduced into the region. Since this bill would permit slot machines throughout the state, the number of pathological gamblers would increase by at least **27,000 persons** (1.0% of the state population), costing Kansas citizens at least **\$367 million** (\$13,586 per gambler)<sup>6</sup> annually for crime, absenteeism, and other social costs, as discussed in attachment 1.

The time constraint prevents me from discussing these social problems. However, I encourage you to read the attached paper, “Social Impact: The ABCs of gambling.” (attachment 2)

### ***Conclusion***

In conclusion, a vote for this bill is a vote to put the state into the casino business. Slot machine casinos at racetracks and veterans’ halls would drain hundreds of millions of dollars from surrounding communities and the state. Furthermore, the social problems caused by gambling addictions -- bankruptcies, crime, corruption and destruction of families -- would cost Kansas citizens hundreds of millions of dollars more.

We understand you must make some tough decisions during these next few weeks, as you try to strike a balance between reducing state expenditures and increasing revenues. But, expanding gambling should not be an option. **We urge you oppose this bill.**

## Endnotes

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- 5 Tom Timmons, Vice President of Parimutuel Operations, Prairie Meadows Racetrack, Polk Co., Iowa, testimony to Kansas Legislature Special Committee on Gaming, 1995.
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## ***Casino Alert***

A Newsletter for Kansas Legislators

January 29, 2002

### ***Pathological gambler cost society an average of \$13,586 annually***

**What is the cost of gambling addiction to society – families, friends, employers, taxpayers and government? Casino proponents promote the “benefits” of proposed casinos but seldom discuss the costs to society.**

Last May, economics professors Earl Grinols of the Univ. of Illinois and David Mustard of the Univ. of Georgia published results of the most exhaustive study to date on the social costs of casinos.<sup>1</sup> Their report contains an in-depth analysis of eight original research studies published between 1981 and 1999 on the relationship between social costs and pathological gamblers. The studies were conducted for the states of Maryland (1981), Florida (1994), Wisconsin (1996), Connecticut (1998), South Dakota (1998-1999), Louisiana (1999), and South Carolina (1999), plus one study covering the United States prepared for the National Gambling Impact Study Commission (1999).

**Grinols and Mustard determined the average cost to society to be \$13,586 per pathological gambler per year, broken down as follows:<sup>1</sup>**

1. **Crime:** Costs for the apprehension, adjudication, incarceration, and rehabilitation of criminals; police costs resulting from the need for increased police presence.....\$3998 (29%)
2. **Business and Employment:** Costs of lost productivity, lost time and unemployment; sick days off for gambling, arriving late after gambling, extended lunch hours, and leaving early to gamble; hiring and training new employees after firing addicted employees for poor performance. ....\$3995 (29%)
3. **Abused dollars:** Money obtained from family, friends, and employers under false pretenses.....\$3834 (28%)
4. **Illness:** Treatment costs for gambling related sicknesses, such as depression, stress, chronic or severe headaches, anxiety, moodiness, irritability, intestinal disorders, asthma, and cardiovascular disorders.....\$700 (5%)
5. **Social services:** Government costs for therapy, treatment, unemployment and other social service costs, including welfare and food stamps.....\$631 (5%)
6. **Bankruptcy:** Lawsuits, legal costs, and bill collection.....\$316 (2%)
7. **Family costs:** Costs related to divorce, separation, spousal abuse and child neglect. ....\$111 (1%)

**“Free revenue” from legalized gambling is not free!**

<sup>1</sup> Earl L. Grinols and David B. Mustard, “Business Profitability versus Social Profitability: Evaluating Industries with Externalities, The Case of Casinos, Managerial and Decision Economics, Vol. 22, Nbr. 1-3, Jan.- May 2001, p. 143-162.



# STAND UP FOR KANSAS

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

## ***Fact Sheet***

February 2002

### ***Social impact: The ABCs of gambling***

by Glenn O. Thompson, Executive Director, Stand Up For Kansas

#### **INTRODUCTION**

People often ask, "Why does Stand Up For Kansas oppose legalizing gambling enterprises, such as the state lottery, racetracks and casinos?" The answer is simple: gambling creates enormous social problems – the ABCs of gambling.

- A** ddiction
- B** ankruptcy
- C** rime and corruption
- D** estitution of families

#### **ADDICTION**

The explosive expansion of gambling enterprises in the U.S. during the 1990s has been closely paralleled by a concurrent explosion in the number of problem and pathological gamblers.

**Accessibility and gratification time are two of the key causes of addiction.** **Accessibility** is the time and effort required to travel to a gambling facility. Gamblers will travel to casinos located within a short driving distance more often than to far-away locations. **Gratification time** is the time from bet to prize – the shorter the gratification time, the faster the "adrenaline rush" and the more addictive is that form of gambling. Player-operated slot machines and video lottery, with instant gratification, are far more addictive than parimutuel wagering at racetracks.

Here are some facts on addiction:

1. **The presence of a gambling facility within 50 miles roughly doubles the prevalence of problem and pathological gamblers.<sup>1</sup>**
  - Professor John Kindt of the University of Illinois says "When gambling activities are legalized local economies will be plagued with 100% to 550% increases in the number of addicted gamblers, probably within one to five years."<sup>2</sup>
  - Howard Shaffer, Director of the Harvard Medical School Center for Addiction Studies, estimates that between 3.5 % to 5 % of persons exposed to gambling will develop into pathological gamblers -- with the percentage even higher for adolescents and young adults."<sup>3</sup>
  - Gambling surveys in the state of Iowa showed a marked increase in the number of problem and pathological gamblers after casinos were introduced. The percentage of adults showing indications of a serious gambling problem increased from 1.7% in 1989 to 5.4% in 1995.<sup>4</sup>

## 2. Almost one-third of gamblers in casinos are pathological or problem gamblers.

- A 1997 study commissioned by the state of Connecticut determined that 29% of the gamblers interviewed at Connecticut casinos were pathological or problem gamblers.<sup>5</sup>
- A study of gamblers in seven states in the United States and Canada determined that 30% of gambling revenues for casinos, parimutuel wagering, sports betting, lotteries, etc. came from pathological and problem gamblers.<sup>6</sup>

## 3. Teens exhibit higher rates of gambling addiction than adults.

- Studies indicate that 4 % to 8 % of the teen population in the United States and Canada show signs of serious gambling problems. Another 10 % to 15 % are at risk for developing gambling addictions.<sup>7</sup>
- "... teens exhibit higher rates of gambling addiction than adults and are more likely to gamble than use alcohol, tobacco or illegal drugs. Some start betting as early as elementary school.... In a 1996 survey of 12,000 Louisiana teens, one in four reported playing video poker, 17 percent had played slot machines and one in 10 had placed bets on horse and dog races."<sup>7</sup>
- "A 1998 study from Oregon found that 19 percent of kids between the ages of 13 and 17 had gambled in a casino."<sup>7</sup>

## 4. Slot machines and video lottery machines are the most addictive form of gambling

- A study of 417 addicted gamblers who called the West Virginia gambling Help Network during the second-half of 2001 showed 46% gambled on slot machines at the state's four racetracks, 42% gambled on video lottery machines and 23% gambled on the lottery, bingo, sports betting and horse/dog racing. (The total is more than 100% since some callers gambled at more than one type of facility.)<sup>8</sup>
- In South Dakota, video lottery machines were turned off for three months when the state Supreme Court ruled them unconstitutional. Researchers with the Univ. of South Dakota School of Medicine determined that four gambling treatment centers averaged 68.1 inquiries a month prior to the time the machines were turned off, two inquiries during the three-month period when the machines were off, and 24 inquiries a month during the subsequent three months after video lottery resumed.<sup>9</sup>

## 5. Cost Impact in Kansas

- On the average, a pathological gambler cost society (family, friends, taxpayers and government) **\$13,586 per year.**<sup>10</sup> A casino at the Wichita Greyhound Park would cause at least **6,750 persons** living within the 50 mile radius region surrounding the casino to become pathological gamblers (1.0 % times 675,000 population), costing Ks. citizens at least **\$92 million.**
- If slot machines or video lottery machines were legalized throughout Ks. **over 26,900 Ks. citizens** would become pathological gamblers (1.0 % times 2.69 million population), costing Ks. citizens at least **\$365 million.**

## BANKRUPTCY

### Research indicates a strong correlation between the expansion of gambling and the increase in bankruptcies.

1. In a 1997 nationwide study of 3,100 counties, the bankruptcy rate in counties with at least one gambling establishment (racetracks, casinos, and jai alai frontons) was **18% higher** than for counties without gambling. The rate was **35% higher** for counties with five or more gambling facilities.<sup>11</sup>
  - "In New Jersey, casinos are permitted only in Atlantic City --- and that's also where the resident population has by far the highest bankruptcy rate." The bankruptcy rate in the county was **71% higher than the state average.**<sup>11</sup>

- In Nevada the bankruptcy rate was more than **50 % higher than the U.S. average**. Clark Co., where Las Vegas is located, had the highest bankruptcy in the state.<sup>11</sup>
  - In Minnesota **21 %** of compulsive gamblers surveyed had filed for bankruptcy; 90 % had borrowed from banks, credit cards, and loan companies to finance their gambling; and 77 % had written bad checks to finance gambling sprees.<sup>11</sup>
2. A similar follow-on study in 2000 determined that the bankruptcy rate in counties with at least one casino was **13.6% higher** than for counties without gambling. The rate was **29% higher** for counties with five or more casinos.<sup>12</sup>
  3. In Iowa counties with a casino had a bankruptcy rate **21% higher than the state average**.<sup>13</sup>
  4. In a 2000 study conducted by the Univ. of Connecticut, **one-third** of all people who had sought treatment for problem gambling in Connecticut had either already filed for bankruptcy or were in the process of filing when they began treatment. These rates are nearly eight times higher than in the general population. Connecticut is the home of two Indian casinos, one of which is the largest casino in the world.<sup>12</sup>

## CRIME

Although the gambling industry often denies any connection between gambling enterprises and crime, data from gambling communities across the country indicates the opposite conclusion: gambling does indeed foster a significant increase in crime.

1. At least **two-thirds** of compulsive gamblers turn to crime to finance their addiction, according to Valerie Lorenz, director of the Compulsive gambling Center in Baltimore.<sup>14</sup>
2. In the first six years of casinos in Minnesota, the crime rate in counties with casinos increased more than **twice as fast** as in non-casino counties. According to an analysis by the Minneapolis Star Tribune, the median crime rate in casino counties rose **39 %** during that period as compared to an **18 %** increase in non-casino counties.<sup>15</sup>
3. "A U.S. News computer analysis shows that towns with casinos have experienced an upsurge of crime at the same time it was dropping for the nation as a whole. They recorded a 5.8 percent jump in crime rates in 1994, while crime around the country fell 2 percent. The 31 places that got new casinos just the year before saw their crime jump the most: 7.7 percent."<sup>16</sup> The analysis found crime rates in casino communities to be **84% higher** than the national average.<sup>17</sup>
4. A survey of 241 pathological gamblers attending GA meetings showed 47 percent had been involved in at least one insurance-related crime. Authors of the study estimated that each pathological gambler on average costs the insurance industry over \$65,000 for fraudulent claims. The annual loss to the insurance industry due to fraud by pathological gamblers is estimated to be \$1.32 billion dollars.<sup>18</sup>
5. During a Kansas Legislature committee hearing in 2001, a compulsive gambler testified that she lost \$290,000 in 1999 in casino slot machines, some of which was money embezzled from her employer.<sup>19</sup>
6. Gambling debts of more than \$100,000 caused a Kansas woman to attempt a robbery of an Olathe, Ks. bank in 2000. Some bank employees were held hostage for more than eight hours.<sup>20</sup>
7. In Louisiana, 25 individuals were convicted for taking part in a scheme designed to skim video poker profits for the Marcello, Genovese and Gambino crime families in La. and NY. Among those convicted was a former New Jersey deputy attorney general, who also had served as an executive with the Trump Taj Mahal Casino in Atlantic City, NJ.<sup>21</sup>
8. During the ten-year period following legalization of video lottery in South Dakota in 1990, arrests for embezzlement nearly doubled and convictions for insufficient-funds violations rose 257%.<sup>22</sup>
9. In Jan. 2001, a man shot three people before killing himself in a Biloxi, Ms. casino, after becoming distraught over losing money in a slot machine.<sup>23</sup>

10. Casinos, with large cash transactions, are magnets for criminals wanting to launder illegal drug money. In 1999 a drug kingpin was convicted in Louisiana of conspiring to distribute cocaine and marijuana and laundering illegal drug money in casinos. Four of his accomplices were also found guilty on related charges. Testimonies showed he bought more than \$1.65 million in chips at eight different casinos during 1995-1997. An FBI agent testified that he had direct links to Colombian drug cartels.<sup>24</sup>

## **CORRUPTION IN GOVERNMENT**

The gambling industry exerts tremendous influence on government officials in places where it has established itself. Gambling-related political scandals have erupted in many states.

1. The gambling industry has become the single most powerful lobby in many states.<sup>25</sup>
2. Dozens of elected officials in Louisiana, Missouri, South Carolina, Arizona, Kentucky and West Virginia have been convicted or forced out of office on charges of gambling-related corruption.<sup>26</sup>
3. Gov. Terry Branstad of Iowa, where casinos have proliferated, said "I am very concerned about the growing clout of the gambling industry. The general public is up against some very powerful people. I think it's a scandal waiting to happen."<sup>27</sup>
4. Missouri's House Speaker of 15 years, Bob Griffin, resigned in 1996 in the wake of a federal investigation of charges of gambling-related dealings. Part of the investigation involved an alleged demand for a casino firm to donate \$16 million to Griffin's friends and business associates in return for Griffin's help in obtaining a riverboat license for the company. Griffin was sentenced to prison for two of the numerous charges, bribery and mail fraud.<sup>27</sup>
5. A book published in 2001, *Bad Bet on the Bayou*, is an excellent documentary on the corruption that permeated the highest levels of state government when Louisiana legalized casinos and video lottery in the mid '90s. During a federal trial the prosecutor stated "This case, ladies and gentlemen, is about corruption. Corruption in the gaming industry, corruption in the Governor's Mansion, corruption in the gaming commission." Gov. Edwin Edwards was found guilty on 17 of 26 counts, including racketeering, extortion and money laundering. His son, Stephen, a lawyer, was found guilty on 18 of 23 counts. In addition, numerous other elected officials and gambling industry businessmen were found guilty on federal charges.<sup>28</sup>

## **DESTRUCTION OF FAMILIES**

Families of pathological gamblers suffer from a variety of financial, physical, and emotional problems, including divorce, domestic violence, child abuse and neglect.

### **1. General lifestyle**

- A 1999 study in Louisiana of compulsive gamblers attending Gamblers Anonymous chapters found that 21% lost between \$25,000 and \$49,000 during the last year they gambled, an additional 12% lost between \$50,000 and \$100,000, and an additional 3% lost more than \$100,000. Seventy-eight percent reported suffering from depression, overeating, drinking, drugs and compulsive shopping. Almost everyone had been divorced at least once. On the average, they had been arrested twice and convicted as a direct result of their gambling, and they missed 7.5 days of work per month due to gambling.<sup>29</sup>

### **2. Suicide**

- Problem gamblers have a suicide rate five to ten times higher than the rest of the population.<sup>30</sup>
- A study of suicide rates in Atlantic City, Las Vegas and Reno indicates suicide rates are four times higher in these casino capitals than in comparably sized cities where gambling is not legal.<sup>31</sup>

- Twenty percent of pathological gamblers attempt suicide – a rate higher than for any other addictive disorder.<sup>32</sup>
- A survey of nearly 200 Gamblers Anonymous members in Illinois found that 66% had contemplated suicide, 79% had wanted to die, 45% had a definite plan to kill themselves, and 16% had actually attempted suicide.<sup>33</sup>

### 3. Youth

- “Gambling among teen-agers is a pretty common activity, according to studies. Some 80 percent of high school students gamble at least once a year. More than 30 percent gamble once a week. While they may be too young to go into a casino, most youth gamblers say they have no problem buying lottery tickets, gathering friends for some poker, getting a seat at a video lottery terminal or making wagers at parimutuel dog and horse tracks.”<sup>34</sup>
- A survey of Atlantic City high school students showed that 64% had gambled at the city’s casinos. Twenty-one percent reported visiting the casinos more than 10 times.<sup>35</sup>

### 4. Senior citizens

- Senior citizens are becoming increasingly addicted to gambling. Compulsive gambling groups report that seniors now account for as much as 13% of hotline calls. With more time on their hands, many older Americans find it hard to resist the call of slot machines and other gambling outlets. Seniors suffering from depression over the loss of a spouse, an illness or an inactive life are particularly vulnerable and will often sit in front of a slot machine for hours. But the cost of escape can be frighteningly high. In 1998, senior callers to a New Jersey help line averaged over \$38,000 in gambling debts, almost \$2,000 more than their average annual income.<sup>36</sup>

### 5. Homeless

- A 1998 nationwide survey of “rescue missions” indicates state lotteries and casino gambling are creating a new generation of homeless persons seeking help at missions. The survey found: 18% said gambling was a cause of their homelessness; 37% said that, even though they are homeless, they still gamble when they have money; 70% said the prevalence of gambling opportunities makes it difficult for them to put their lives back together.<sup>37,38</sup>

### 6. Unemployed, low-income and non-white citizens

- A 1996 report on gamblers in Illinois riverboats determined that unemployed, low-income and non-white citizens lose a significant percent of their income in the casinos: 40% of the unemployed lose over 25% of their income; 14% of the gamblers earn less than \$20,000 per year; 20% of those making under \$10,000 per year lose more than 5% of their income; 31% of those making under \$30,000 per year lose more than 5% of their income; 12% of non-white gamblers lose over 25% of their incomes; 34% of non-white gamblers lose more than 5% of their income.<sup>39</sup>

## Endnotes

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- 38 "Nationwide survey: Nearly one in five at missions say gambling a factor in their homelessness," *AOL News*, March 12, 1998.
- 39 "Demographic survey of riverboat casino patrons in Illinois," Chicago Better Government Association Report, April 26, 1996, p. 2-3 [www.bettergov.org/gambling.htm].

Tourism Committee  
March 18, 2002  
Ted J. Morris, Producer  
Crown Uptown Dinner Theatre  
Wichita, Kansas

I'm here today because I realize that a decision made by the legislature could very well destroy what I have spent the last 25 years of my life building. If you give unfair advantage to my competitors by allowing slot machines at their places of business you will basically put my theatre under. But I won't be the only one. Studies show that in other markets where casino gambling has been introduced, attractions take about a 20% hit. Frankly, if I lose 20% of my business, I go under and so will other attractions in my area. We won't be the only ones. Casinos hurt all of retail business. If a person loses \$100.00 when they attend a casino, they have no way to recoup that loss. And by the way, \$100.00 is less than what a person would lose every time they attend a casino in the state of Illinois. They don't buy that tree for the back yard and they don't lube their car. All retail business suffers and the state loses sales tax revenue. If my theatre goes under, that puts about 75 full time employees out of work. Last year, the Crown Uptown Theatre paid \$80,800.00 in sales tax, \$14,600.00 in withholding tax, \$2,300.00 in unemployment tax and \$10,000.00 in liquor tax. That's \$107,700.00 you lose if you put in slot machines. And I am only one small business that will be affected.

Slot machines won't produce more employment, instead, there is a net loss. Slot machines won't increase revenue for the state, loss of sales and other taxes make it a negative. And, slot machines don't increase tourism. The casinos themselves admit that they are unsuccessful in attracting customers from over 50 miles. It's a net loss all the way around. It won't increase tourism, it won't increase hotel occupancy, it won't save the racing industry and it won't provide more jobs. In the end it won't make money for the state. And this doesn't take into consideration the increased costs you're going to incur for addiction treatment, increased police costs and other related problems. What you will see is an increase in pawn shops and check cashing outlets.

I have a study I'd like to leave with you that was done in the Quad Cities area. Please read it and you will see that I do know what I'm talking about.

In closing, I have to wonder what would have happened when Mr. Ruffin, the owner of the Wichita Greyhound Park, was amassing his millions with his Town and Country Markets if the legislature had passed a law saying that milk, gas, cigarettes and beer could only be sold by Quiktrip. Think about it, it's the same thing. I doubt that we would be here today.

I'd like to quote the head of Harrah's Casino Marketing at a workshop I attended in Chicago last year. "We don't want a piece of the pie, we want the whole pie."

I thank you for your time and I urge you to oppose this bill.

House Tourism Committee  
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Attachment 6

# CASINO GAMBLING

The following study was conducted in the Quad Cities area which is made up of the four contiguous cities of Rock Island, Illinois, Moline, Illinois, Davenport, Iowa and Bettendorf, Iowa which are separated only by the Mississippi River. It has a population of approximately 300,000 and therefore very comparable to Wichita.

The study will show an impact of what happened to other businesses and attractions after casino gambling was introduced both on the Illinois and Iowa sides of the river.

## **VELIES**

**Upscale Restaurant, Bar and Grill, Nightclub  
Rock Island, Illinois  
Contact: Dave Koenig, Owner**

Response: Located in a 38,000 square feet, four story Italian Villa. Velies had been in business for over 40 years. The year before casino gambling became legal in Iowa they had a 5 1/2% increase and did over 2 1/2 million in business. When casino gambling was legalized in Iowa their business dropped 15% and when Illinois legalized casino gambling their business dropped an additional 35%. Their business is now closed putting over 100 people out of work. Mr. Keonig stated in no uncertain terms that casino gambling was the cause of their demise.

## **CIRCA '21 DINNER PLAYHOUSE**

**Ranked one of the best dinner theatres in the country  
Rock Island, Illinois  
Contact: Dennis Hitchcock, Producer**

Response: Lost 20% of their business the first year casino gambling was legalized. Stated that most of the restaurants in their area had been hurt by the casinos. Bus loads are day trippers only and do not stay the night.

## **QUAD CITIES SYMPHONY**

**Medium sized Symphony Orchestra  
Davenport, Iowa  
Contact: Lance Willet, Executive Director**

Response: Annual fund drive down. Cancelled Spring Pops Concert. Winter Family Concert in trouble. Can't compete with Las Vegas atmosphere of casinos. The only business activity he has been able to see increase are a large number of new pawn shops and check cashing outlets that have opened. He senses a general attitude change in the community. One that he feels is not good.



**BETTENDORF, IOWA**

**City of Bettendorf**

**Contact: Decker Plane, City Administrator**

Response: Casinos pulled out for greener pastures (Biloxi, Mississippi) leaving unfulfilled promises. Overpromised and oversold. Lawsuits in progress.

**QUAD CITY DOWNS**

**Racetrack (Horse)**

**Contact: Bill Mosenfelter**

Response: Lost 35% to 40% of their business in the first year casino gambling was legalized in Iowa. Loss was directly attributed to casino gambling. The race track no longer conducts races but is instead a paramutual betting establishment with television sets broadcasting races around the country.

**DUBUQUE RACETRACK**

**Racetrack (Dogs)**

**Dubuque, Iowa**

**Contact: Bruce Wentworth, General Manager**

Response: In the year before casino gambling was legalized in Iowa, their handle (Amount bet) was \$41 million. In the first year of casino gambling their handle dropped to \$28 million and the second year it dropped to \$21 million. A drop of 50% in two years. Income for the track was down \$1 million the first year of casino gambling in Iowa.

**CLAIMS THAT CASINO GAMBLING IS CURRENTLY MAKING...**

**Claim #1:** *It will increase tourism.*

Response: This is simply unfounded. The casinos themselves admitted that they had not been successful in attracting business from more than 50 miles. According to the Vice President of "**Casino Rock Island**," 75 - 80% of their business is local. What bus loads they did attract were day trippers. They ate a box lunch on the bus, were taken directly to the casino and after losing their money were taken home.

**Claim #2:** *It will increase Hotel Occupancy.*

Response: According to Carol Coykendall, Sales Manager for the Bettendorf Holiday Inn and President of the Quad Cities Hospitality Association, hotel occupancy has not increased at all. "From an occupancy standpoint, the casinos have not generated any business for the Quad Cities hoteliers. What they have done is lower the quality of life for those of us who live here." said Ms. Coykendall.

**Claim #3:** *It will save the racing industry.*

Response: Such has not been the case in the Quad Cities area. Quad City Downs has shut down as a race track. The horse breeders in Kansas realize this and have come out in opposition to the track's getting slot machines.

**Claim #4:** *More jobs will be provided.*

**Response:** Most jobs created are minimum wage and they don't begin to compare with the jobs lost in other businesses affected by the competition of casinos. A competition that must be pointed out as unfair because no other businesses will be considered for casino gambling other than the two race tracks. Businesses in direct competition to the tracks are not the only ones affected. Average loss, per visit, per person in Iowa is \$59, in Illinois over \$98 (these figures represent the lost per person after all winnings are paid, so you see, actual losses per person would be much higher than these figures). When locals have these kind of losses they don't get their car lubed, buy that tree for the backyard, or go out to eat. Every business in the community loses, not just the ones in direct competition. The city and state lose too, in the loss of sales tax.

**Claim #5:** *The tracks give sums of money to Arts and other organizations.*

**Response:** While this is true, the Arts and other organizations can expect a decrease in subscriptions, attendance and donations due to the fact that many of their patrons have lost a portion of their income at the casinos.

#### CONCLUSION

The owners of the three dog tracks purchased these tracks after the tracks were already losing money. They knew full well what they were getting into and did so because they felt they had the clout to cause the Kansas Legislature to reverse their stand on future gambling in Kansas. If casino-type gambling is introduced at the tracks, the dogs and horses won't be running for long and we will have nothing but the casinos and all their inherent problems.

**Testimony to House Tourism Committee  
On  
Substitute for HB 2890**

By  
Ginger Becker  
812 Lawrence PO Box #83  
Durham, KS 67438

March 18, 2001(3:30 p.m.)

Good afternoon honorable members of this committee. Thank you for this opportunity to speak at this public hearing.

I have been a life-long citizen of this great state and my husband and I have raised two sons. I am a First Grade teacher that will "loop" up with my students to Second Grade next year. I have been a teacher for fourteen years and I am concerned about the message we are sending our youth. Education is more than books, it is a matter of sculpturing good citizens who will carry on our standards for living. Because of my passion for our youth, I urge you to vote **No** on Bill Number 2890 for the following reasons.

- **The growing social acceptance of expanding gambling has researchers and psychiatric specialists fearing the nation is nurturing a generation of problem and pathological gamblers. According to Jeff Derevensky a professor of child psychology, pathological gamblers talk about beginning at an early age. While they may be too young to go into a casino, most youth gamblers say they have no problem buying lottery tickets, gathering friends for some poker, getting a seat at a video lottery terminal or making wagers at pari-mutuel dog and horse track. As a teacher I know the value of being a good model for our young people. As Derevensky asked, "Did you drink with your child when he was 10 years old?" Expanding gambling will not be the answer.**

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- *If you gamble, don't be surprised if your child does so as well.* That was a statement from a study conducted by the Harvard School of Medicine. Earl Reed, a local gambling addiction counselor, agreed that most people do not think of gambling as an adolescent problem. Reed asserted that “more money is spent on gambling each year than on purchasing marijuana.” *Gambling is a learned behavior, either from family or friends. No one wakes up one day and starts gambling; they learn the trait as they grow.*
- Studies have shown; from the Office of Addictive Disorders of the Department of Health and Hospitals and compiled by Ronald Harms, that after visiting 501 video poker outlets, young people were successful in playing 59% of the video places. These percentages are far too high, and they point to a serious problem with enforcement of the underage gambling laws in lottery and video poker outlets.
- A few problem gambling indicators would be: unexplained absences from school, drop in grades, change in personality, and more. As a parent, would you want this obstacle for your children or grandchildren? Don't they have enough obstacles?
- Steve Taylor, executive director of the anti-gambling group Casino Watch Inc., said “It is a tremendous problem and it's becoming more and more of a problem for underage gamblers.” “The more forms of gambling we have the greater the compulsive gambling rate.” Again, is this what we would want for the children of Kansas?
- Alcohol, Drugs, Tobacco. Children are constantly warned about such risks. But what of gambling and its impact on children, even those in elementary school? Many young people today hear but one side of the message-the alluring one.
- “Most importantly, it erodes our children's education and work ethic.” Said Durand Jacobs, a clinical psychologist and professor at Loma Linda University Medical School in Riverside who has long studied the issue. *The strong message we would be sending our youth is this. You don't have to work hard. You just have to get lucky.*

**That's the message that is being sold. Gaming and lottery officials say they do not target children and that they are conscious of children's vulnerability. Research shows that the majority of children-before they reach 12-have gambled in some form for money. Again, is this what we want for our future teachers and government officials?**

We cannot sweep this under the rug. Our children will pay the price. You can read research after research that informs us that gambling is a habit that is spreading among children nationwide. We need to find it in our hearts to help fix the problems we have with our youth instead of creating more problems.

Thank you for allowing me to share my passion as a teacher. I will work hard in keeping a safe learning environment for my students at school and in my community for the future of Kansas.

## RESOURCES

1. *Helping Hand* [Vol. 11, Issue 8]
2. *Youth Today* [November 2001]
3. *Las Vegas SUN* [December 6, 2000]
4. *Daily News* from Louisville, Kentucky and Southern Indiana journal
5. *Pacific Standard Times* [2/2/02]
6. *San Diego Union-Tribune Archive Document* [8/29/00]
7. *Missouri News* [8/8/00]
8. *The Times Today*[5/10/00]
9. *Sun Herald Online-Article (5)* [12/8/00]

TESTIMONY TO HOUSE TOURISM COMMITTEE ON  
"SUBSTITUTE FOR HOUSE BILL 2890 "

By Reece Bohannon

935 Bedford Court

Wichita, Kansas 67207

Good afternoon Chairman Beggs and other members of this committee. Thank you for the opportunity to speak at this hearing. I am a born and bred lifelong Kansan, educator and businessman, and I live at 935 Bedford Court, Wichita, Kansas. I urge you to vote NO on "Substitute for House Bill 2890".

My first experience with gambling was as a small boy in Kansas when my fathers only "hired hand" ( a really nice man) would get paid on Friday and would gamble it all away by midnight. This left no money for food and necessities for his wife and children. Eventually, welfare had to care for his family as his addiction was uncontrollable.

As Kansans, I feel you want to be remembered more for being statesmen and stateswomen than politicians. We are all "our brothers keeper" and I would like to challenge this committee, with all its powers, to be "our brothers and sisters keepers " by voting NO on this bill and restricting a net loss in taxpayers dollars. A vote of NO will also hold down crime related to gambling, addiction to gambling, broken homes, bankruptcies, suicides, hunger, welfare costs, loss of life savings and loss of (in some cases) the hard earned inheritance you and I and other Kansans will leave to our children.

Recognizing the need for family vacation spots, Las Vegas has lost millions of dollars trying to turn Las Vegas into a family vacation spot, and it has not worked. **THE VAST MAJORITY OF PARENTS DO NOT WANT TO TAKE THEIR FAMILIES TO A GAMBLING ATMOSPHERE.**

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**TESTIMONY TO HOUSE TOURISM COMMITTEE ON  
"SUBSTITUTE FOR HOUSE BILL 2890 "**

**Kansas is already a family oriented state. Lets sell Kansas as a State to  
bring your family, where crime is low, life is good and Kansans care about people.**

**As I have traveled about the United States, and the world, I have always  
believed the best people in the world live in the Midwestern United States, and the  
best people in the Midwest are in Kansas**

**VISIT KANSAS.....YOU WILL LIKE OUR PEOPLE**

**TALK TO A KANSAN.....YOU/LL LOVE IT**



## NET LOSS IN TAX PAYERS DOLLARS

HARVARD MEDICAL SCHOOL, Dr. Howard Schaffer. 3.5% to 5.0% will develop into pathological gamblers.

THE CASE OF CASINOS, Jan May 2001 Earl Ginols, Univ. of Ill., David Mustard, Univ. of Georgia. Addictive gambling on the rise, Minnesota to 4.4%, Iowa to 5.4% Per addictive gambler to state cost, \$13,586 .per year.

MARYLAND DEPARTMENT OF HEALTH estimates of the above are \$13,000 to \$52,000 per year. 85% of gambling is local [within 50 miles] {The Wichita area 50 mile radius population zone equals 675,000 } A 1.0% pathological gambler rate figured at the low estimate of \$13,568 would equal a social cost of \$92 million dollars.

## CRIME RELATED TO GAMBLING

US NEWS AND WORLD REPORT, 1996, "The crime rate in gambling communities is nearly double the national average."

COMPULSIVE GAMBLING CENTER OF BALTIMORE. "Two thirds of compulsive gamblers turn to crime to finance addiction.

## ADDICTION TO GAMBLING

UNIVERSITY OF ILLINOIS, Prof John Wright "When gambling activities are legalized, local economies will be plagued with a 100% to 550% increase in the number of addicted gamblers within 1 to 5 years.

GAMBLING SURVEYS, IOWA, Addictions grew from 1.7% in 1989 to 5.4% in 1995.

## BROKEN HOMES

THE ADVOCATE {Baton Rouge, La.] Survey reflects toll of gambling in State. March 7, 2000.

Personal Experience

Kansas State Testimony

## BANKRUPTCY

THE PERSONAL BANKRUPTCY CRISIS, 1997, In 3,100 counties researched, the bankruptcy rate in counties with at least one gambling establishment was 18% higher than those without. Counties with five or more gambling establishments had a 35% higher rate.

In New Jersey, with casinos permitted only in Atlantic City, the bankruptcy rate in that city is 71% higher than the state average.

## SUCICIDE

SOCIETY, May June 1992, Henry Lesliur, Problem gamblers have a suicide rate 5 to 10 times higher than the rest of the population.

## TESTIMONY DOCUMENTATION AND NOTES

### SUCICIDE

SOCIETY, May June 1992, Henry Lesliur, Problem gamblers have a sucicide rate 5 to 10 times higher than the rest of the population.

NEW YORK TIMES Dec. 16, 1997. A study of sucicide rates in Atlantic City, Las Vegas and Reno show sucicide rates at four times higher in these casino capitals than in comparative sized cities where gambling is not legal.

### SOCIAL COSTS

CASINOS IN FLORDIA, Research by the State of Florida Governors Office of Planning and Budgeting. 1994. Casinos in Florida would carry social costs of \$2.16 billion. When comparing tax revenue to costs, the State of Florida would experience a substantial deficit each year. State [Florida] tax revenue related to casinos are sufficient to address only 8 to 13 percent of annual minimum projected costs related to casinos.

### LOSS OF LIFE SAVINGS

Personal Witness

Testimony at Kansas State Capitol

### HUNGER

Personal Witness

SIREN CALL OF SLOT MACHINES [SENIORS] CNN , 2000 Seniors are 13% of Gambling Hot Line calls in New Jersey. The average debt per senior call is \$38,000 dollars.

GAMBLING CITED IN HOMELESS, Associated Press, 1998 , Though homeless 37% gamble.

# Testimony to House Tourism Committee

On

## Substitute for House Bill 2890

By

Kevin G. Neuman

Kansas citizen

March 18, 2002

### **Introduction**

Chair Palmer and other committee members, I am Kevin Neuman and I am opposed to Substitute for House Bill 2890 and I urge you to vote NO to this bill. I am not a paid lobbyist, nor do I represent a for profit special interest group; I am simply a grass root Kansan. As such, I admittedly do not have the resources or wherewithal to compete with the special interests that support Substitute for House Bill 2890, but I think there are several compelling reasons to oppose the bill and I appreciate the opportunity to present them to you.

#### **1. Why bail out the tracks?**

Why should certain special interest groups, like racetracks, be subsidized – and in the case of the Camptown facility, resurrected - by the state of Kansas? People stopped going to dog races in Kansas long before the casinos opened because they didn't like the so-called sport, not because they went to play slots at Missouri casinos – please see attachment 1. Those who blame the declining attendance at dog racing tracks in Kansas to casino gambling should face historical fact: attendance at the Woodlands, for example, has declined every year since the doors opened in 1989, five years before the first casino opened in Missouri, ironically by the current operators of the Woodlands. Yes, a company who operates a Missouri casino would enjoy the majority of the profits, if any, generated by slots at the Woodlands, not the citizens of Kansas. I believe that most Kansans, like myself, do not appreciate a special interests group like the racing industry

being bailed out and supported by state legislation which is somehow justified, they believe, because demand for their product or services has dramatically decreased. Should every commercial enterprise that cannot stand on its own two feet be allowed to gamble its way to financial success?

## **2. Gambling is not the answer**

Those who claim that revenue produced by gambling in Kansas will solve our budget shortfall need only look to Missouri, which has both casino gambling and a significant budget deficit. How many Kansas tax payer dollars will be spent on stemming the tide of gambling addiction and other negative social impacts of gambling? How many agencies and publications and task forces will need to be established and funded by Kansans to try to control what have been monumental problems associated with gambling in other states? Recent announcements about possible criminal activities at the Woodlands (The Kansas City Star, 2/16/02) should make every Kansan stop and think about that aspect of betting our future on the gambling industry.

## **3. Gambling predictions in the past have been plain wrong**

In 1986, public officials promoting pari-mutuel's passage predicted Kansas tax revenues would be \$47 million per year - in 1986 dollars, not those of 2002, which would be significantly more. The current reality, however, is that recent years Kansas Legislative Post Audit Financial and Compliance Audit Reports of the Kansas Racing and Gaming Commission have actually showed disbursements exceeding receipts – see attachment 2 for fiscal 2001. In my business, we call that a loss. Since history is the only reliable source of future expectations, the current predictions of the economic value to Kansas of Substitute for House Bill 2890 must be just as suspect. And the irony that most of the Kansan money spent gambling at the Woodlands under this bill would be supporting a company that operates a Missouri casino is worth repeating.

#### 4. 1999 National Gambling Impact Study Commission

Kansas residents have made a significant statement with their feet and pocketbooks: they do not support racing and tracks should not be artificially supported. The 1999 National Gambling Impact Study Commission agrees and states in Recommendation 3-12:

*"The Commission recommends that states should refuse to allow the introduction of casino-style gambling into pari-mutuel facilities for the primary purpose of saving a pari-mutuel facility that the market has determined no longer serves the community or for the purpose of competing with other forms of gambling."*

The racetracks clearly want slots in order to save themselves by hoping to compete with other forms of gambling; **exactly what the Commission recommends should be refused.**

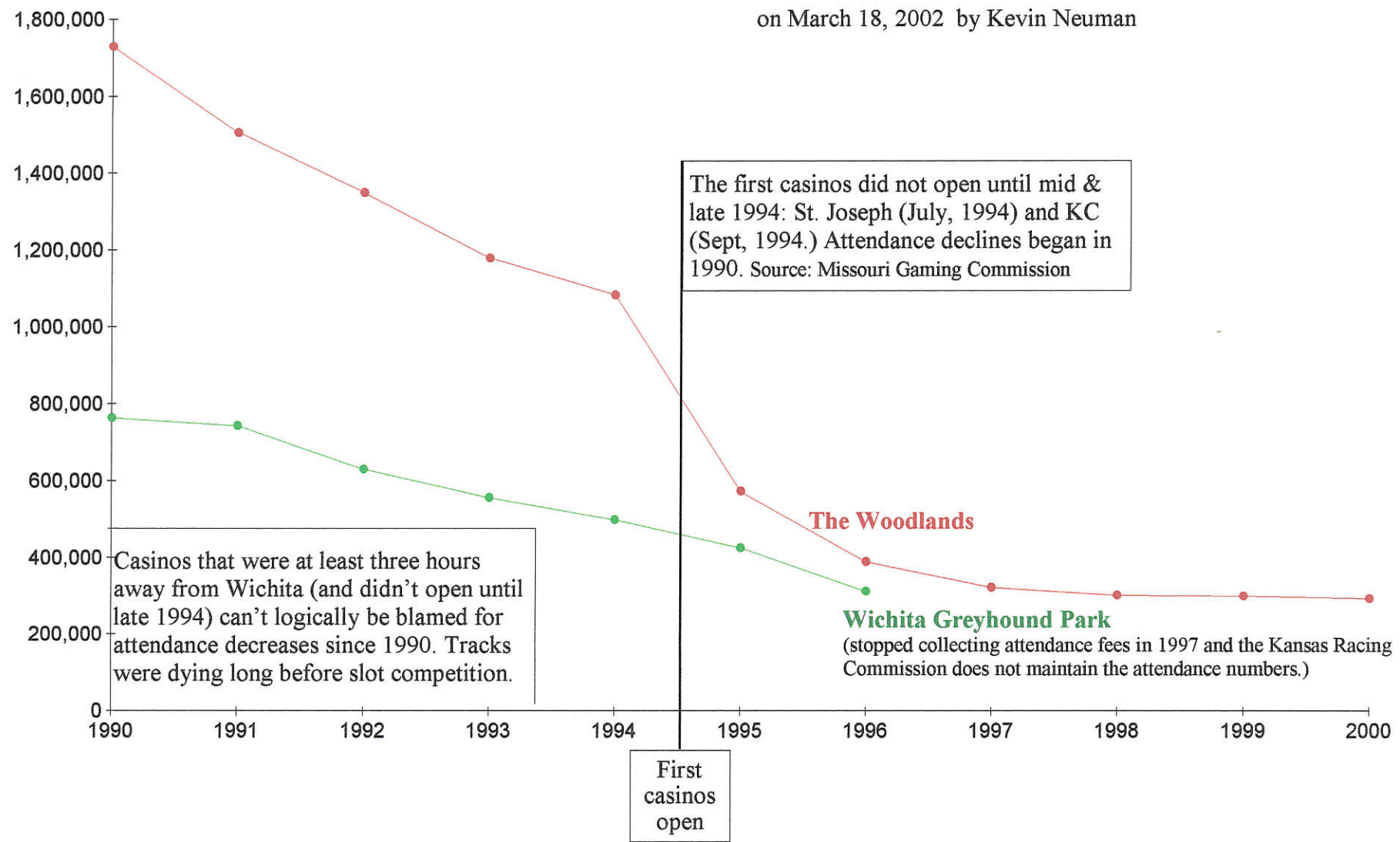
#### 5. Summary

The Kansas legislature already knows there is no Kansas get rich quick scheme, especially gambling. We do not want our state leaders to be in the gambling business, which would likely destroy thousands of families in Kansas through gambling addiction. Hard work managing current deficits and leadership leveraging the impending positive economic climate are the answers, not losing the future social fabric of Kansas on a bad bet placed today. Gambling, if chosen by the Kansas legislature erroneously thinking it will be a quick economic fix, will leach into the future like chemical waste, creating irrevocable negative changes to the Kansas social landscape. The members of this Committee can protect Kansas from organized gambling by voting no to Substitute for House Bill 2890.

Thank you again for the opportunity to address the Committee.

Attendance figures source:  
↓ Kansas Racing and Gaming Commission

Attachment 1 from testimony to  
Kansas House Tourism Committee  
on March 18, 2002 by Kevin Neuman



**Red indicates attendance at the Woodlands**  
**Green reflects attendance at Wichita Greyhound Park**

KANSAS RACING AND GAMING COMMISSION

STATEMENT OF CHANGES IN FUND BALANCE

FOR THE FISCAL YEAR ENDED JUNE 30, 2001

Attachment 2 from testimony to  
 Kansas House Tourism Committee  
 On March 18, 2002 by Kevin Neuman

	State Racing Fund	Horse Fair Racing Benefit Fund	Horse Breeding Development Fund	Racing Investigative Expense Fund	Greyhound Breeding Development Fund	Racing Reimbursable Expense Fund	Racing Applicant Deposit Fund	State Gaming Fund	Commission Total
Beginning Balance on July 1, 2000	\$ 707,659	\$ 477,946	\$ 170,090	\$ 24,664	\$ 331,237	\$ 26,286	\$ 747	\$ 1,200,025	\$ 2,938,654
Prior Period Adjustments: (Note 5)									
Disencumber Balances	\$ 10,479	\$ 0	\$ 0	\$ 0	\$ 0	\$ 618	\$ 0	\$ 13,176	\$ 24,273
Receipts:									
Revenues	\$ 3,258,969	\$ 941,447	\$ 485,516	\$ (4,772)	\$ 447,759	\$ 44,734	\$ 46	\$ 560,005	\$ 5,733,704
General Fund Transfer	0	0	0	0	0	0	0	450,000	450,000
Horse Fair Fund Transfer	76,418	0	0	0	0	0	0	0	76,418
	\$ 3,335,387	\$ 941,447	\$ 485,516	\$ (4,772)	\$ 447,759	\$ 44,734	\$ 46	\$ 1,010,005	\$ 6,260,122
Disbursements:									
Operating Expenditures	\$ 3,153,002	\$ 816,951	\$ 459,046	\$ 0	\$ 306,825	\$ 40,702	\$ 0	\$ 1,115,475	\$ 5,892,001
Gaming Fund Transfer	426,605	0	0	0	0	0	0	0	426,605
General Fund Transfer	0	0	0	0	0	0	0	420,864	420,864
Greyhound Tourism Fund Transfer	0	0	0	0	67,164	0	0	0	67,164
Racing Fund Transfer	0	76,418	0	0	0	0	0	0	76,418
Total Disbursements	\$ 3,579,607	\$ 893,369	\$ 459,046	\$ 0	\$ 373,989	\$ 40,702	\$ 0	\$ 1,536,339	\$ 6,883,052
Ending Fund Balance on June 30, 2001	\$ 473,918	\$ 526,024	\$ 196,560	\$ 19,892	\$ 405,007	\$ 30,936	\$ 793	\$ 686,867	\$ 2,339,997

The accompanying notes are an integral part of this financial statement.

**Testimony To House Tourism Committee**  
**on**  
**Substitute for HB 2890**  
**by**  
**VICKI**  
**10960 166 RD, MAYETTA, KS**

**March 18, 2002**

Good afternoon. Thank you for allowing me this opportunity to speak.

My name is Vicki and I am a compulsive gambler. I strongly urge you to vote NO on Substitute for HB 2890.

I was introduced to gambling in 1994 when I went to Las Vegas to get married. When I was there, my concentration was not on my new marriage, nor was it on my honeymoon--it was on the slot machines. Gambling was all I wanted to do. In retrospect, I realize I was a compulsive gambler the first time I gambled.

I didn't gamble again until 1996 when all of sudden three casinos popped up within a 50 mile radius of my home. The closest being Harrah's, two miles south of me. My life took a turn for the worse without me even realizing it. Two and a half years went by and I became a person nobody knew, not even me. I not only turned into a compulsive gambler, I also turned into a compulsive liar to protect what was most important to me--my gambling.

When I say "I" in this testimony, I am speaking for compulsive gamblers whom have admitted their defeat. We all feel the same.

I knew something wasn't right after many times planning my suicide. I could see I was about to lose my family, including my two little boys, my job--I did lose a very close friend, which I regret to this day. I lost all dignity, self respect, self-confidence and self-worth. I wanted to die. I did not know what was happening to me.

I reached out for help and checked into the St. Francis Chemical Dependency Clinic. There was when I realized I had a disease. Yes, being a compulsive gambler is no different than being a drug addict or an alcoholic. Some may say, "How can that be when you don't inject anything into your body?" Let me explain that. I learned in treatment that the chemical imbalance in a person's brain and the pleasure endorphins released in the brain at the time one is "in action" (gambling), is no different than the brain of a person high on drugs or alcohol. The behavior of a compulsive gambler is no different than the behavior of a drug addict or an alcoholic. We lie, we cheat, we steal to protect what is important to us so nobody interferes with it and takes it away. Being a drug user, pusher, etc., is against the law. Alcohol is not, but there are very, very strict penalties for

House Tourism Committee

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Attachment 10



drinking and driving, being drunk in public, etc. There are no laws dictating the way people gamble.

The state of Kansas needs money. Who doesn't? **If this bill passes, the majority of the money the state of Kansas will receive, I guarantee you, will come from compulsive gamblers who have not admitted their defeat.** Whose lives are in shambles. Why open doors for people, all people, young and old, who maybe don't have means to drive to a casino, but belong to an American Legion or would live close to the facility that the state is thinking of building, and create more havoc upon Kansas citizens? Where is the state's compassion for the damage that this addiction does to their own people? **Why take money in this method from the residents of Kansas because the state needs revenue?**

I have seen five people have heart attacks at the casinos. My uncle died at age 56 sitting at a slot machine. I have seen young women have strokes because of their gambling addiction. I have seen bankruptcies galore because of gambling addiction. I have seen marriages lost, children taken away from their mothers and their fathers. I have seen persons sentenced to jail because of their gambling addiction. I have seen suicide by ones who feel they have no way out. This is serious stuff.

Again, I urge you to **oppose** this bill. Thank you.

**Testimony To House Tourism Committee  
on Substitute for House Bill 2890**

by  
Denise Renee Fiehler  
March 18, 2002

**Hi – my name is Denise Renee Fiehler and I am a compulsive gambler. I would like to speak with you today regarding my gambling addiction, in which I have found that I am not alone.**

I live in Emporia, KS – 80 miles from the closest casino. I am married and have a beautiful daughter who is 14 years old and a freshman in high school. My daughter is a wonderful child who brings home straight A's, is involved in sports and has nice friends. My family is middle-income with both parents working.

I was, by all means, kind, compassionate, responsible, considerate, honest and trustworthy -- until I crossed the line and embezzled money from two different businesses for my gambling addiction.

I am now a felon, a title I never thought I'd have. I had never been in trouble with the law, but now I've been to jail to be booked twice.

My path to addiction began 7 years ago. Whenever I filled my car with gas I'd buy \$5.00 in scratch off tickets, and I'd surely not miss the Wednesday or Saturday drawings of the lottery. Dreams, high hopes never happened.

Then I found slot machines, ever hoping for a higher payoff. While I found slot machines, I still continually played the lottery – still hoping.

My husband and I would go to Harrah's in Kansas City as a night out once every couple of months. Every now and then we would win by playing quarter slots and come home with an extra \$500 to \$1000. Because of the length of time we were on the slots Harrah's would give us a free hotel room and meals.

About six years ago my gambling increased to once or twice a month. I would never want to leave to go to the room to sleep. I barely ate – at that time we were still playing \$0.25 slots. During this time I was working at Valu-Line of Kansas as assistant comptroller, a job I loved as well as the people there.

Once Harrah's north of Topeka opened approximately five years ago, I began driving up there one to two nights a week. Harrah's staff made me feel so comfortable and at home. The complimentary perks, such as free hotel rooms, free food, valet parking, made me feel very special.

I was still playing slots --\$.25, \$.50 and sometime \$1.00. Harrah's made it easy for me to get any amount of money I needed to continue to gamble and lose. When I was embezzling money I wrote checks to pay off the cash advances to my Visa card. I wrote checks to businesses, and to myself and deposited them in my personal checking account.

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It was July of 1997 that I actually crossed the line and started embezzling money from Valu-Line, at first with the intention of paying it back, but eventually just as a means to gamble. Every time I'd pass the middle of the casino I'd look at the high limit machines and say 'no way' but, for some reason, I couldn't stop thinking about them.

About 3 ½ years ago, I started to drive up there four to five nights a week, making sure that I was home by 3:15 a.m., when my husband left for work. At this point, gambling was all I could think about. It consumed my whole thought process and became my 'priority' in life. The compulsion was uncontrollable. I would drive home from the casino asking God to please help me quit gambling and contemplating suicide, because I felt worthless and all alone. But, by the next day all I could do was to find a way to go back. I know now that they go together hand in hand.

During the time I worked at Valu-Line of Kansas, the company was bought out by Birch Telecom. They sent auditors from Ernst & Young out of New York. I thought for sure I would be caught, but I wasn't. That scare still didn't enable me to stop gambling.

In January of 1999 I was offered a job as accountant at Complex Corp. in Emporia. I believed it was God's answer to all my prayers to stop gambling and turn my life back around. I honestly was going to stop gambling, but the gambling got worse. I was completely out of control.

One day, I decided to play the \$10 machines. I put in \$200 and won \$3600. Before getting paid from the attendant, I moved down two machines and hit \$3600 again.

After that, I was hooked on the high limit slots. I found myself losing big. However, I would not leave the casino. I would obtain more money in the hopes of winning back my losses. I started to play \$10 slots, one or two at a time. I started to play \$25 slots, one or two coins at a time and then I started to play the \$100 machines, just knowing that I was going to win the \$162,000.

In 1999, I won over \$176,000 of taxable jackpots, but lost that and the money I had embezzled to keep me in action. So, I gave the casino around \$290,000.

What I have just explained to you has taken me to the depths of hell. All that I thought about was there was no way out of this way of life. I wasn't happy with myself, who I had become, and how I was hurting everyone around me. Suicide felt like my only choice. I hated my life of gambling. I didn't know how to ask for help. I'd drive home swearing off gambling, praying to God for help and not knowing what to do and not knowing why this addiction was so powerful. I would say that I wasn't going back, but by noon the next day I was trying to figure out when I could go. I needed my 'fix'. I can't count how many times I wanted to quit or to gamble responsibly. I know now that I wasn't gambling for any amount of money. It wouldn't matter how much I'd win – I'd just gamble it back.

Thank you so much for listening to me.



# CONCERNED WOMEN FOR AMERICA

The nation's largest public policy women's organization

March 18, 2002

Kansas House of Representatives  
Committee on Tourism  
Rep. Carol Beggs, Chairperson

REF: H.B. 2890

Mr. Chairman and Committee Members,

Thank you for the opportunity to join with others in submitting input as your committee deliberates H.B. 2890.

Concerned Women for America of Kansas has historically opposed any efforts at advancing public policy which would adversely affect the integrity of families. We do not support gambling nor any effort which would expand the scope of the industry.

Given the far-reaching implications of this legislation, it is our concern that not enough time has been given to earnestly evaluate the negative societal impacts of gambling. Not enough effort has been devoted to examining the correlation between gambling and crime, teen drug abuse, child abuse, domestic violence, bankruptcy rates, suicide and divorce rates, political corruption, not to mention the increasingly booming problem of addiction. All these factors are important to the families of Kansas and are deserving of greater attention.

Gambling is not just recreation. It is addictive and potentially destructive. Gambling destroys individuals and families, increases crime and ultimately costs society far more than the state may gain. A question that deserves to be asked of us all: "What is more important - revenue or ruined lives?" It is families who will be paying the price for the expansion of the gambling industry.

Respectfully Submitted,

Marsha Strahm  
Legislative Liaison, CWA of Kansas  
mstrahm@jbntelco.com

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## The Destructive Ways of Gambling:

As a pastor in the area of Brown County for nine years I had opportunity to observe the destructive nature of this beast called gambling. Let me relate to you a story about one individual who struggled with this habit and to this day continues to struggle.

It started out by buying the lottery tickets once a week. "I'm going to hit it big one of these days and then I will be able to help lots of people, especially kids," would always be his comment. It started with two dollars a week, which turned into ten dollars, which turned into something more reliable, the casinos, he thought. There he could hit it big with one drop of a card, one throw of the dice, or just another chip on a "lucky number." Yet what would happen as happens with so many was there was never a lucky number or there needed to be another card because the one was never enough or the chips never seemed to be on the right number.

What were the consequences? Well first, this individual had a good job, but it could not support this habit so that meant finding another job. Credit cards were spent to the limit, nothing left in the checking accounts, and even spending his children's bank accounts was not enough. What could be worse than finding a job at the very place where it would be most detrimental than being at the casino, but of course, that is what happened. He was hired and thereby was right in the middle of the fire. The thing that was most frightening was that he did not realize what was happening to him.

He worked there and was a good employee, but as soon as the shift was over he would head to the tables and would think, "tonight will be my night." You see, he was so far in debt that he thought there was no other way than to hit it big. It meant that he would cash in his pay check and lose it all, even cash in his regular pay check from his other job to support this so called form of recreation. Did this relieve his stress? No, it just increased it. Did he ever strike it rich; no, it made him poorer.

Of course there was someone there that was in sympathy with him and that someone was not his wife. It seems there is always that person who is there who knows when to slip in and encourage in the wrong way to keep on spending. Thus this habit leads to breakup of a home if something is not done to stop it.

This person was a complete wreck in his family life, his work performance at his important job and his reputation in the community was ruined. This is a perfect example of what the beast can do. It is a home wrecker, it takes away a man who is a profit to the community and society and ruins him and it takes away the man and his self-esteem because now he sees himself as a failure.

My view of gambling is that it is destructive and a killer to the family and community and this is a story to back it up.

Sincerely,

Rev. Randy Grimm

Calvary Bible College, Director of Development

Former Pastor of the Ayore Church in Morrill, KS

**e-mail address: [developdir@calvary.edu](mailto:developdir@calvary.edu):**

***Senator John Koskan***

HCR 1, BOX 117 A  
WOOD, SD  
57585  
PH. 605-452-3448

Committee members,

Greetings from a counterpart in the South Dakota Legislature.

Hello, my name is John Koskan and I am a 2-year member of the South Dakota State Senate and a 10-year former House member. I am also a former resident of Wichita Kansas and have a daughter, son in law, and 5 grandchildren living in the north east corner of your great state. When I travel I visit state legislatures when they are in session and a few years ago I had the opportunity to visit yours. The similarities between our states are quite substantial and I really appreciate this part of the process that allows a free flow of information through public input. (Contrary to the process of our common neighbor)

I am writing this testimony from the perspective of a state that has had legalized gaming for about 13 years. South Dakota was the first state to allow video lottery in the most recent round of legalized gaming and very little was known about what the impact would be to the state or it's citizens. Early on before neighboring states adopted legalized gaming the net gain to the state could not be argued. It was a gain to the state coffers even though there was testimony from private individuals as to the cost to their businesses, especially small town clothing and shoe stores. Later we learned a new term called gambling addiction that has led many of our citizens to lose their businesses, farms, and eventually causes family tensions and sadly, too often, families break up.

I know you have heard this testimony before and that is not the point of my testimony. What I would like to emphasize is the states' addiction to the dollars. I see in your bill that the percentages are spelled out but that may very well change as time goes on. Early on in the evolution of the "take" it was easy to raise the states "share" to fill holes in the budget. We increased the states share 3 times within the first 5 years. In South Dakota that was acceptable if it was dedicated to a certain need which happened to be education funding. After the social effects of gaming were experienced there have been attempts by the public to shut it off but they have been futile. The gaming industry literally runs scare ads when the issue is on the ballot

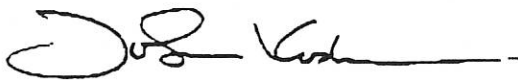
showing a cute curly blonde haired 3<sup>rd</sup> grader sitting on the front steps of her school crying that they are going to close the school if the money from gaming is shut off. In an AP poll previous to session a few years ago the legislators responded by close to a 2/3 majority that they would be willing to eliminate the gaming but the proposal to do exactly that didn't even make it past the first house. This was especially interesting because the popular house majority leader, who was originally a proponent of gaming, and the speaker of the house both primed the repeal but couldn't get the votes after the gaming industry exerted their pressure. The majority leader has stated that if there were one vote he would change in his whole political career it would be the vote he made to allow gaming.

As you know after a revenue source is identified and utilized, be it an inheritance tax, income tax, property tax, or whatever source, it is nearly impossible to garner the votes to repeal it. The more revenue it creates the more dependent the state becomes and the harder it is to find a replacement tax no matter how unpopular the source is. However here in South Dakota there is a mechanism that allows the people to initiate law, which could repeal gaming, and the revenue would have to be made up or budgets cut on short notice.

As you know your decision today effect future legislatures and they have to work with what is given to them. Good advice would be to solve budget requirements with solid fiscal management tools and gaming revenues are not that. History shows that the early federal government used lotteries to fund government but eventually they were rejected because they do not create new wealth and the addiction is harmful to society. Beware of quick fixes that become long-term liabilities.

Thank you for listening to this written testimony. If there is some way I can be of assistance please let me know.

Sincerely



Senator John Koskan

**Testimony To House Tourism Committee**  
**on**  
**Substitute for HB 2890**  
**by**  
**Matthew Plamann**  
**1131 B Glendale Dr**

**March 18, 2002**

Good afternoon. Thank you for this opportunity to speak. My name is Matt and as a recovering compulsive gambler, I urge you to vote **NO** on Substitute for HB 2890.

Being gamble free for three and a half years has not left me without a vivid history. When I graduated high school the idea for the Golden Eagle Casino was just being accepted. By that time I had already developed a problem with gambling. About forty miles away was a riverboat in St. Joseph, MO. The first noticeable problem occurred in 1994 when I left work one day and took the majority of our savings to this boat. I came home that afternoon having spent every last penny of what I had taken. This was not the first time I'd been gambling, but it was definitely the most devastating. For a young couple just starting out it was unforgivable. After almost losing my marriage, I swore to myself that I would never go again. I was wrong.

In 1998 we moved to Topeka and the problem resurfaced. I was attending Kansas University and had found many ways to hide my gambling. I would drive to school each day and just keep going into Kansas City. It was even more convenient for me to just drive to Harrah's in Mayetta because it was only a thirty-minute drive from my house.

The final straw came when I lost an entire paycheck in one bet. From that point on, my marriage and life were never quite the same. I was addicted to gambling and needed help. I began attending meetings in Topeka directed towards the prevention of compulsive gambling.

Over the last three and a half years I have learned to control and resist these temptations for this sort of quick high. I've watched the meeting grow from four people to two different meetings. Gambling has one of the highest relapse rates, so many people come a few times and never return. I have seen most everything in these meetings from multimillionaires reduced to mindless addicts to people losing businesses, marriages, health and respect. These lives have been forever affected by gambling. Gambling establishments are in the business to make money and they do it very well.

Accessibility is one of the key problems for any addiction. Currently, I can not go anywhere without seeing some reference to gambling. The gas stations have scratch tickets, the bars have keno, and there are signs popping up everywhere. Everyday can be a struggle for those with a gambling problem when these obstacles confront them. Some have told me, "Matt, I never had much of a problem until these casinos started popping

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up around here.” I feel like telling them, “Governor Graves is located on the second floor in the Capital building downtown.”

The appropriated money for the “gambling help-line” is just a fraction of what other states are currently spending to combat compulsive gambling. The amount spent fighting these problems will increase dramatically if slot machines are added to racetracks and other establishments in Kansas. Adding slot machines would also open yet another door for promotion of gambling in the state of Kansas. My greatest fear is that twenty years from now today’s children will have to get up here to testify about the affects of gambling on them. Such a scenario can be avoided but it is up to you.

Again, I urge you to **Oppose** this bill. Thank you.



# First Congregational Church

307 South 9th Street  
Sabetha, Kansas 66534

## Pastors

**Charles Robinson**

Office: 785-284-3060  
Home: 785-284-3894

**Ray Talbot**

Office: 785-284-3060  
Home: 785-284-3264

**Rod Felton**

Office: 785-284-3060  
Home: 785-284-0111

## Children's Ministry Director

**Janet Wittwer**  
785-284-3060

## Church Office

**Secretary-Treasurer**  
**Ineva Lee**  
785-284-3060

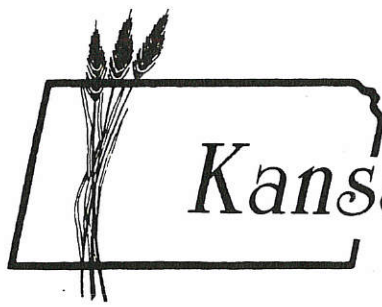
## Ministry Support

**Sandy Aberle**  
785-284-3060

Thank you for this opportunity to share my heart with you. As a pastor at the First Congregational Church of Sabetha, I have a concern regarding the subject of gambling and its possible expansion. Until a few years ago, I never took the dangers of gambling seriously. I grew up in Philadelphia and visited Atlantic City many times throughout the development stages of the gambling industry. The view from the boardwalk was breathtaking, the view two blocks away became horrifying, a place I would not and still do not let my children walk. But I always blamed it on the economic status of those people or blame it on their stupidity and walked on. When I moved to Kansas I had no idea that I would be faced with the wrecking of lives through the same gambling industry. This time it was people I knew and loved from my church. One 60 year old couple, losing their home and life savings, a young couple selling 85% of the farm. It wasn't about the money, it was about the hurt. I'm not some pastor on some crusade against the gambling industry, but God has given me a love for people and a place to serve them just as He has you. I realize the difficulty government has in deciding the freedom of business versus the damage that particular business will do to society such as in the tobacco industry or the pornography industry. I am a firm believer that the responsibility of the availability of an addicting behavior not only lies within the realm of the individual but also within the realm of the government that allows it. I also recognize the difficulty of the present financial crunch and want to encourage you to stay strong on the value of peoples lives. As a pastor I will continue to serve my people and assist them in their navigating through life with grace and success and allowing God to heal those lives wrecked by bad choices and I will continue to sincerely pray for you, that God would continue to grant you wisdom in protecting the people He has called you to ser

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Sincerely,



# Kansas Charities Cooperative

"Uniting To Serve Kansas"

## Address

2347 Amidon  
Wichita, Kansas 67204

Dear Chairman Beggs and members of the House Tourism  
Committee

## Board of Directors

Ron Anderson  
*Am-Vets*

John McKenzie  
*Knights of Columbus*

Margaret Ritthaler  
*Fresh Start*

Louis Sage  
*Fraternal Order  
of Eagles*

Wesley Wilbur  
*I.O.O.F.*

Cissie Bryant  
*Wichita Women  
Bowling Assoc.*

Paul Heidt  
*Midwest Historical &  
Genealogical Society*

John Robertson  
*Junior Thunder Hockey*

David Collins  
*Northeast Optimist Club*

Martha Bichel  
*Elks Lodge*

Chauncey Littlejohn  
*Omega Psi Phi Fraternity*

Steve Gorrell  
*Optimist Club of Derby*

Ester Guerra  
*Wichita Figure Skating Club*

My name is Margaret Ritthaler. I am member of the Board of Directors of the Kansas Charities Cooperative. Kansas Charities Cooperative is an organization of Kansas based non profit organizations that operate bingo games for fund raising purposes. We are licensed and regulated by the state of Kansas. We are governed by the laws you have written. One Hundred percent of the profits we receive from our bingo games, as required by Kansas Statute, go to support our charitable causes. Our organizations volunteer to work our bingo games, as required by Kansas Statute, without remuneration or profit.

Kansas Charities Cooperative first organized in 1983, when the Kansas legislature passed a law restricting the number of nights we could operate bingo games from seven to three. In 1983, Kansas Charities Cooperative had several hundred non-profit organizations as it's membership. Since that time, the Kansas legislature has passed other forms of gaming, including pari-mutuel wagering, the State lottery, and Indian gaming, all of which has reduced our ability to raise funds through bingo operations.

That is why we stand before you today asking that you defeat any and all initiatives to legalize electronic gaming at race tracks. We do not believe the proposals that have been placed before this committee are in the best interest of the State. They will not solve our fiscal crisis, and worse, the proposal that is before you today is discriminatory against the membership of Kansas Charities Cooperative.

We must ask you, the members of this committee, what is the rational basis for placing slot machines in the facilities of one type of 501C organization, veterans halls, and not in other facilities that are organized and licensed under the same legal premise, such as

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Religious, educational, or fraternal organizations? What is the rational basis for your bias and your prejudice?

This bill has been presented to you by two individuals who stand to make hundreds of millions of dollars operating a casino in a monopolistic environment, without competition, with the State's blessing. The owners of these pari-mutuel tracks have presented to the Kansas legislature proposals to grant this exclusive right for electronic gaming for many years. Kansas Charities Cooperative has testified before committees and worked hand in hand with other bingo licensees, namely veterans and fraternal organizations, to defeat electronic gaming proposals. These proposals, in the wisdom of the legislature, have never passed.

However, this year, the membership of Kansas Charities Cooperative have been placed at a competitive disadvantage by other bingo licensees. We fear the prejudice that is so blatant in this bill is for one reason. That is, to gain enough votes to grant monopoly territory for large race track casino operations. We believe the Veterans organizations are being used.

We respectfully ask this committee to defeat the gaming proposals that come before you to legalize electronic gaming machines at race tracks. In addition, we ask that you take out the section that grants electronic gaming machines to veterans due to the fact that it is a discriminatory and biased proposal. We all know that slots at veteran facilities will not be in the final version of this bill. We know that Governor Graves has stated in his State of the State address that he will not sign legislation for slots that places slot machines in too many facilities in Kansas. It is only fair to the people of Kansas and to the organizations that we represent that you let the proposal for slots at race tracks stand on its own merits, apart from other locations in Kansas.

Thank you for your time and your attention to this matter.

Margaret Ritthaler

Attached to my testimony you will find a partial list of organizations that have been contacted since Saturday when we found out about the bill to see if they would join us in opposition to the bill. We want you to know that this list is incomplete. We believe that by the end of the week, the list will certainly be state-wide and be much larger. Our contacts in South-West Kansas and South-East Kansas have not gotten back with us as of time of the printing of this testimony.

# Kansas Charities Cooperative Membership

## (incomplete List)

### Wichita and Surrounding Area

Optimist Club of Derby  
Knights of Columbus Council 691  
Kappa Alpha Psi Fraternity  
Cholita Strikers Soccer Club  
American Legion Post 401  
Midwest Historical and Genealogical Society  
Optimist Club of Northeast Wichita  
Omega Psi Phi Fraternity  
Club Legacy Soccer  
Wichita Braves Baseball  
Wichita Rockies Baseball  
Knights of Columbus Council 9767  
Wichita Woman Bowling Association  
South High School Project Graduation  
Wichita Heat Softball  
Fresh Start Inc.  
Fraternal Order of Eagles #3251  
I.O.O.F Lodge 265  
I.O.O.F Lodge 6  
I.O.O.F Lodge 198  
I.O.O.F Lodge 587  
Am-Vets  
Wolverine Baseball  
Elks Lodge 427  
Knights of Columbus Council 3114  
Knights of Columbus Council 10483  
Cheetahs Youth Soccer  
Wichita Figure Skating Club  
Junior Thunder Hockey  
Wolverine Baseball  
ElksLodge#427  
Fraternal Order of Eagles #3257  
Fraternal Order of Eagles #3251

### Salina and Surrounding Area

American Business Women's Association  
Phi Beta Psi Sorority  
Crossroads Chorus  
American Business Women's Association  
Chartered Chapter  
Salina Crippled Children

### Hays and Surrounding Area

St. Nicholas Parish  
Fort Hays Block and Bridle  
Alpha Gamma Delta Sorority  
Knights of Columbus Council 4166

### Topeka and Surrounding Area

Euclid Lodge #2  
Sunflower Harmony  
Oasis Court #44

### Hutchinson and Surrounding Area

Am-Vets Post 11  
Our Lady of Guadalupe Church  
Kansas/Oklahoma Golden Gloves

### Great Bend and Surrounding Area

Great Bend Kids Wrestling Club



# Automatic Music & Vending

March 18, 2002

2110 Industrial  
Wichita, Kansas 67216  
(316) 522-4781

Mr. Chairman and Honorary Committee Members,

My name is Homer Morgan. I am the owner of Automatic Music Co. in Wichita. I have been a life long resident of Kansas and have been in the vending business for 43 years. Over the years I have seen many changes.

We are here once more to discuss the extension of gambling laws, to allow for certain games of chance in this great state.

This bill would permit certain locations to have games of chance, forming a monopoly in the gambling industry, which would exclude hundreds of other businesses.

I have no sympathy for the out of state corporations or companies, that purchased Grayhound Park, in Wichita, Camptown, in Pittsburgh, and Woodlands Park in Kansas City. These tracks were purchased for pennies on the dollar, because they were a failing business. Grayhound Park and Camptown (which was closed when purchased in Pittsburgh) were both purchased by the same corporation or person knowing they were a non profitable business. This same person or company owns casinos in Las Vegas and the Paradise Islands. Woodlands Park was purchased by a company or person that also has out of state interest in casinos. They are asking this committee to grant an unfair monopoly to increase their gambling empire.

It was my understanding that the dog and horse owners, would receive a percentage of the purse to help with their expenses, buying dog food and hay. No other business is granted a bail-out by the state for making a bad business decision. I, as a small business owner have had to live with my bad dicisions, and so should the dog and horse tracks. In the future, if I make a bad business dicison, may I come before the committee and get bailed out?

If this bill should pass, it will be a slap in the face to small business owners of Kansas. The racing industry quotes the number of jobs that would be opened up. They don't mention the number of jobs lost from the decline of business in the entertainment fields, such as restaurants, bowling alleys, theaters, clubs, etc. The money the racing industry has quoted as income for the state, is money taken away from the locate residents of small businesses in Kansas. All small businesses would suffer.

The gambling industry has spend millions of dollars on lobbying to expand their empire. Gambling has significant social and economic impact. It can ruin lives, families, and businessess. Communities and states across the country focus on gambling as a way to boost their revenues. They forget to look at the other side, the increased cost of investigating, prosecuting and punishing crimes committed to feed and cover up gambling habits. Suicide rates in Las Vegas, Atlantic City and Reno are 4 times higher than in cities the same size where gambling is not legal. Consider all these facts when making your decision.

What about Colby, Hays, Dodge City? If they build a race track will they be allowed to open a casino? What about the auto racing industry? Where will this end?

Now, for the **biggest losers**; **Kansas families**, the lose of income for the established **businessess** of Kansas, who have been paying taxes for years, and the **problem gamblers**.

I am a native of Kansas, and am very proud of our state and its heritage. Our colleges offer wonderful educational and athletic programs. We can hold our heads high in respect for all our Kansas citizens. We should work hard to benefit all of our residents and not out of state investors.

***Remember-save the way of life in our state.***

I urge you to vote **NO** on this bill in the interest of the people of Kansas.

Thank you for allowing me to speak in behalf of fellow businessess and citizens.

Homer Morgan

REVIEW *and* OUTLOOK**Gambling and the Government**

An old story tells of the confirmed gambler who dutifully sat in on a weekly poker game even though he knew it was rigged, because "it's the only game in town." Not all gamblers are that addicted, of course, but you might not know it from looking around. Cities and states, searching for new ways to raise money, are busily setting up lotteries, sanctioning off-track betting and laying the spadework for casino gambling.

It is considered a foregone conclusion, for example, that the New Jersey legislature and electorate soon will endorse casino gambling. This reflects the assumption that "controlled" gambling is preferable to the freelance variety. It also reflects the hope that gambling revenues will give a renewed lease to the state's rundown resort towns and such economically depressed cities as Newark. And the potential rake-off from gambling is regarded as a painless alternative to a state income tax.

Off-track gambling on parimutuel horse racing is already legal in New York. But some legislators and spokesmen for the off-track betting agency (OTB) hope to broaden this mandate to include legalized betting on other professional sports. Their cause received renewed impetus in the wake of a recent scandal at Roosevelt and Yonkers Raceways, where rigged races supposedly netted a crime syndicate \$3 million. Irregularities in betting patterns at the tracks were discovered by OTB officials, therefore that agency looks to some like a special force for honesty.

There would seem to be an inconsistency in demands for consumer protection agencies, coupled with demands for legalized gambling. As Professor Irving Kristol pointed out on this page several months ago, gambling is "technically a swindle: the payoffs on bets *must* be less than fair, and the overwhelming majority of the 'investors' *must* eventually lose their money, if the gambling enterprise is to survive and prosper." Therefore, he noted, the case for legalized gambling is "simply an argument in favor of the govern-

ment raising revenues by swindling its citizens rather than by taxing them."

Supporters of legalized gambling don't see it quite that way. They contend that people are always going to gamble, therefore why not build schools and hospitals with some of the money that would otherwise go to bookmakers and crime syndicates? There is some truth in that appeal, at least as it applies to horse racing, whose attraction overwhelmingly is to bettors rather than to those attracted by its pageantry. But professional sports, despite the millions of dollars wagered on important contests, still primarily appeal to the emotions and loyalties of non-gamblers. That is one reason why NFL Commissioner Pete Rozelle is dead-set against every proposal to legalize bets on pro football. He also knows the higher stakes would compound the league's security problems, and would plant seeds of suspicion and doubt every time a game didn't go according to form.

The rush to broaden and extend legalized gambling is unlikely to abate any time soon, yet it might be well to ask some fundamental questions. Do we really want the Super Bowl, World Series and pro basketball playoffs to become little more than exercises in wagering? Do we want state governments, many of which permit parimutuel wagering at race tracks under controlled conditions, to lend themselves wholeheartedly to a vice that trades on cupidity and exploits those who can least afford it? Morals aside, do we really want governments acting as shills for gambling by undertaking slick advertising campaigns, a la OTB, that go beyond appealing to committed gamblers by implying that losing one's money to government bookmakers not only can be fun but may even be considered a charitable act?

The arguments against legalized gambling and against broadening its scope are not really new. But because of the way they are being glossed over in the rush to cash in on the gambl House Tourism Committee sweepstakes, sometimes it's a bit hard to remember that they exist at all.





Testimony: House Tourism Committee  
From: Thomas M. Palace  
Date: March 18, 2001  
RE: HB 2890

Mr. Chairman, and members of the House Tourism Committee.

My name is Tom Palace, Executive Director of the Petroleum Marketers and Convenience Store Association of Kansas (PMCA of Kansas), a statewide trade association representing over 360 independent Kansas petroleum companies and convenience store owners throughout Kansas.

We appreciate the opportunity to appear before you in opposition to HB 2890.

To be honest, the reason we are opposing this issue is due to the fact that convenience stores in Kansas, after having collected millions of dollars for the state, are not included in the bill. It seems odd that many of the 1800- plus licensed Lottery outlets that have been selling lottery products since the late 1980's will be excluded from a specific game run by the Kansas Lottery. Doesn't it make sense that if the Lottery adds another game, current licensed Lottery retailers would be permitted to offer this game because they are already licensed?

Actually we are a little confused as to the purpose of this bill. If the purpose for considering expanded gaming is to provide present and future revenue for the state, then the narrow slots proposal is woefully inadequate. Kansas is in a budget position unlike any other time in history. Even subcommittee chairman Clay Aurand stated that it is doubtful that the state would ever consider video lottery/slots if it were not for the budget deficit. If this is true, why eliminate the convenience store network and limit the new games to only a few sites? Kansas is a gaming state. It makes sense to consider the "entertainment dollar" as a means for bolstering state revenues rather than raising taxes. People want to gamble, and as such, it makes sense that the state participate in revenue that is now going to the Indian Casinos and the boats in Missouri.

Last year PMCA reported that by expanding the Kansas Lottery to include video lottery, the state could generate between \$200-300 million annually after the first full year. This revenue estimate is based upon population comparisons to South Dakota and Oregon, and the number of machines placed throughout the state. Lottery officials in both states have indicated that these numbers are a good estimate as to what Kansas could generate as net machine income in the first full year of operation. In our proposal, the state would take 70% of net machine income and the retailer would receive 30% of net machine income.

During the subcommittee meetings, I heard that slots would help reverse the financial decline of the three race tracks in Kansas. With competition being what it is today in the convenience store

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industry, we would like to put our bid in to have the state "bail us out as well." Petroleum marketers and convenience store retailers can't compete with the discount retailers or grocery stores that sell motor fuel below cost. Our membership list continues to decline as non-traditional gas retailers sell motor fuel as a loss leader. We feel that the addition of video lottery will help offset the nonexistent margins that retailers are experiencing today.

Mr. Chairman, if the stated purpose is not to enhance revenues for the State of Kansas, why are we considering this bill today? HB 2890 is limited in scope and should be expanded to allow the Executive Director of the Kansas Lottery to enter into contracts for placement of video lottery machines at a facility owned by any lottery retailer.

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*Ronald R. Hein*

*Attorney-at-Law*

Email: rhein@hwchtd.com

## Testimony re: Proposed Sub HB 2890

House Tourism Committee

Presented by Ronald R. Hein

on behalf of

Prairie Band Potawatomi Nation

March 18, 2002

Mr. Chairman, Members of the Committee:

My name is Ron Hein, and I am legislative counsel for the Prairie Band Potawatomi Nation. The Prairie Band Potawatomi Nation is one of the four Kansas Native American Indian Tribes.

Supporters of slots at the tracks cite the revenue HB 2890 will provide for the state. The Division of Legislative Post Audit has estimated gaming revenues, but has cautioned the legislature that the estimates are based on "educated guesswork", that it would "take some time for net revenues to reach their eventual levels", and urged "caution in budgeting for anticipated revenues from slot machines at Kansas racetracks." It should be noted that none of the revenue estimates take into consideration the impact on Lottery revenues, nor impact on other sources of revenue resulting from other economic activities currently taking place in the state.

For example, proponents of expansion of state gaming often testify that gaming expansion will bring money which is being lost to Missouri into the state of Kansas. That general statement is rarely questioned. However, that seemingly common sense statement is subject to much greater scrutiny.

In the Wichita area, will the revenues generated by that facility still be pulled from the Missouri area, or will they more likely be pulled out of the Sedgwick County and surrounding areas economy? If they are pulled from the surrounding economy, what other businesses will be impacted adversely by this new "entertainment competitor"? Will it be the theater, movie theaters, bowling proprietors, restaurants, or other industries which are currently serving the entertainment market? How much revenue will be lost to the state from income taxes, sales taxes, and other taxes when these dollars move from existing businesses to these new casinos? How much revenue will be lost to the state from Lottery and bingo revenues? How much will these reductions in other tax revenues impact the total state coffers after the expansion of gaming has occurred?

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And, how much will the economic development generated in Northeast Kansas by the existing Tribal gaming be decreased? Our facility has already projected a reduction in gaming which will have the effect of discouraging new hiring, discouraging new expansion, and other effects upon our casino and the economy of Northeast Kansas.

Assuming the gaming generates \$300 million after payouts, the state would receive \$84 million from the tracks income. However, I understand that the Lottery has indicated that their revenues would be reduced approximately 25%. That is consistent with results in other states. A 25% revenue dip for the lottery would reduce revenues to the state by \$15 million.

Although the supporters of slots at the tracks would have you believe that this legislation is going to create new dollars within the state, most of the revenue generated for the state will come from dollars already being spent within the state. Using a conservative approach that only Wichita track wagered dollars are currently being spent within the state, the \$150 million that will be lost by Wichita area residents, and thus go into the gaming pocket, will remove \$150 million from the Wichita economy that otherwise would have been spent with area businesses. In most cases, that money probably would have been spent on other entertainment businesses: movie theaters, theater, restaurants, bowling centers, etc. Those businesses are subject to sales tax, so the state will lose 4.9% of that revenue. The cities and counties will also lose their local sales tax.

In addition, when will these revenues be available to the state? Given the Legislative Post Audit's comments, and the delays that will be necessary for the legislation to result in actual revenues to the state, there may not be revenues for the SGF until at least half way through FY03, and probably later.

When applying all of these elements to the fiscal projections, the fiscal ramifications of gaming change somewhat. Please see the spreadsheet attached.

It would be to the committee's benefit to review the history of parimutuel gaming in Kansas. I was around when the legislature approved parimutuel gaming with a combined dog and horse track proposal. At that time, the experts were all contending that such a track would be doomed to failure. That was the experience of other tracks throughout the nation. However, the promoters of gaming who were going to build the track argued that was not the case, and this was the one track that was going to be successful. Within a year or two, reality began to set in. The bill of goods that everyone had been sold suddenly needed to be changed a little bit in order for pari-mutuel gaming to survive. What followed was a number of years of additional requests to the legislature to change the rules because otherwise parimutuel gaming was not going to be able to remain successful.

Over the years, the legislature responded by changing this and that, tweaking the percentages of distribution of funds, and other items at the request of the parimutuel track owners. I can't remember all the changes, but I believe there were changes to the distribution percentages, changes on the number of days horse racing had to occur, and eventually in the approval of simulcasting. Today, we are hearing the same verse. *Deja vu*. If the state is to save parimutuel gaming, they have to have slot machines at the tracks.

During this same period of time, there has been an on-going reduction in the amount of revenue generated for the state of Kansas by parimutuel gaming. (From approximately \$9.5 million in FY 1991 to approximately \$425,000 in FY 2001.)

Ironically, slots at the tracks are now being promoted to "save parimutuel" gaming. Yet the proposed substitute bill allows the building of a casino separate and apart from the parimutuel facility. Is there anyone promoting gaming who seriously believes that, with the additional competition of slots gaming, parimutuel tracks will survive? It would not surprise me at all to see the attendance at parimutuel gaming decline so rapidly that within a few short years, the parimutuel portion will either die on its own, or the casinos will request permission to close them. Perhaps only then will the horse and dog supporters finally realize what will happen with the legislation being proposed today.

Thank you very much for permitting me to testify, and I will be happy to yield to questions.

	Parimutuel		Bingo	
	HB2890	HB2890	HB2890	HB2890
Gross Revenue		2,300,000,000		0
Payout		87%		87%
Net Revenue		299,000,000		0
Distribution				
Gaming Operator	63.50%	189,865,000	63.50%	0
State of Kansas	28.00%	83,720,000	25.00%	0
Enforcement	1.00%	2,990,000	1.00%	0
Problem Gaming	0.50%	1,495,000	0.50%	0
Horse Fund	2.00%	5,980,000	0.00%	0
Dog Fund	2.00%	5,980,000	0.00%	0
Charity	1.00%	2,990,000	0.00%	0
City	0.50%	1,495,000	1.00%	0
County	0.50%	1,495,000	1.00%	0
Capitol renovtion	1.00%	2,990,000	0.00%	0
Bingo	0.00%	0	0.00%	0
Veterans	0.00%	0	8.00%	0
	100.00%	299,000,000	100.00%	0

Months		
State of Kansas		83,720,000
less Lottery losses		(15,000,000)
less sales tax loss		(7,350,000)
Total		61,370,000
FY03 revenue	4	20,456,667

By Ronald R. Hein, Legislative Counsel, Prairie Band Potawatomi

## Revenue Sharing and Why

My name is Gary Smith. I live in Olathe, Kansas. I have been in the horse business most of my life and in the Thoroughbred racing and breed industry for the past 15 years. I am a past president of The Kansas Thoroughbred Association and currently on their board of directors. I also serve as a board member on the Kansas Horsemen Association. As a member of K.H.A. I help determine how much breed money will be spent on what race and where and how.

Today I wish to address but one of the issues that face this committee: why the horse owners should receive a share of the revenue and it's importance to the state. The horse industry as a whole, in the recent past was second only to cattle, in economic size and emphasis in Kansas. Legislation must protect the economic interest of the horse owners and breeders of Kansas.

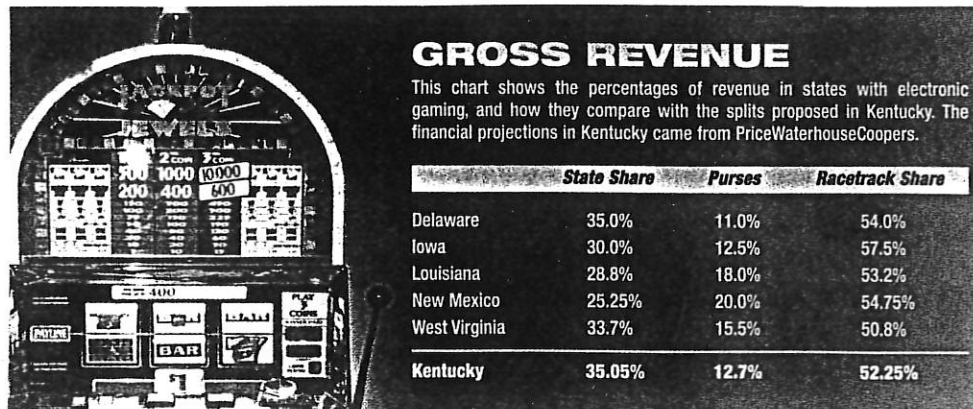
To have a strong horse industry in any state, money must be provided by increases in the handle (money bet) and breed awards. Our industry relies on the state to set the percentages the Kansas horses owners will receive from slots at the tracks. The percentage must be at a level, so as to attract horse owners from other states to come to Kansas to race and breed their horses. We must look to the states that have track casino operations now as well as states that will have them in their future.

For example, Prairie Meadows in Iowa is a track and casino combination. They race 97 day's with an average purse per day of \$160,447 a day that is equal to 15.5 million a year. For the horse owners in Kansas to compete with Iowa, we first must have enough days of racing to attract owners to Kansas. If we are to look at Iowa, as a model, then 90 day's of racing will work at the Woodlands. The horse owners take their horses where they can compete for the best purses and breed awards. The mares are bred and foaled in the states where the foals will some day race. The Kansas breeding and racing program is tied to the number of racing days and money. More racing days along with competitive purses will attract better horses and a larger handle for the tracks with more taxes for the state of Kansas.

The money that is spent at the Woodlands and other tracks in Kansas by horse owners can be considerable. To keep a horse in training to race, on average would cost about \$ 1500, a month and this cost may even be higher if the horse becomes hurt or injured. In 90 days of racing, an owner would spend \$4500 on one horse a month. If 1000, horses are at the Woodlands; the economic impact in Kansas City for the 90 days (4.5 months) of racing is more than 6.75 million dollars.

To care for a mare in Kansas, an average owner now spends about \$10 a day, or \$3650 a year. The cost for keeping the horses I own is considerably higher. My average monthly cost to maintain the mares and foals at my farm is approximately \$12,000 a month. This does not include any capitol improvements or the purchase of any farm equipment. In 2001 over \$14,000 was spent in fixing and painting fences and over \$22,000 was spent on farm machinery. Unfortunately this money was not spent in Kansas. I spent this money in Illinois so that my horses could be part of the Illinois racing and breed program.

Below is a chart from the March 9, 2002 Blood Horse Magazine showing percentage of gross revenues to the state's horse owners and racetracks.



I hope you understand that I am not opposed to allowing slot machines at the track. My opposition is to the bill as it now reads. It will not support agri-business. The major reason we allowed racing in our state was to offer opportunity to the agri-business. If we are going to increase gaming, let us make sure we pass a bill that benefits the total state by increasing the opportunity for agri-business in Kansas. Please support changes that would **guarantee 90 days of racing** and have 7% to the owners and breeders.

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Phone: (913) 342-1653  
Fax: 1-800-777-1653

# ORION STABLES

Thoroughbred  
Racing & Breeding

P.O. Box 17-1580  
Kansas City, KS 66117

March 18, 2002

John McCoy  
Bonner Springs, KS

The McCoy' are native Kansans, 6-brothers that operate several businesses in the state of Kansas. We are responsible for over 150 families living and working in Kansas.

Orion's stables is one of those businesses, a thoroughbred horse breeding and racing operation, however, most of that business has been forced to leave the state. The keeping and breeding of Thoroughbred horses in Kansas has become not economically fisable. The thoroughbred horse industry in Kansas in now down to a few hobby horse ranchers who cannot afford to compete with the surrounding states or supply any amount necessary for racing animals.

The purpose of bringing slots to the racetracks was to combat the surrounding gambling casinos. All three of these large businesses, Dogs, Horses, Racetracks, were healthy and growing taxpayers and employers until the advent of riverboats and Indian gambling. The bill now offered to Kansans does not have the proper help that is needed to save racing in Kansas.

A proper bill would help the state build a home base of healthy dogs and horse agriculture. The home base means millions of dollars to the state economy through jobs, purchases of feed, supplies, vehicles, land, fuel, breeding, vet, etc. Which impact the "keep it at home" and "spend it in Kansas" motto, these dollars would be magnified through the year 12 to 17 times.

The state of Kansas like a lot of its surrounding neighbors needs tax revenue, however a short term fix based on slots wouldn't cure the long term problems. We need to make sure that everything is done to keep all possible business, jobs and taxpayers in Kansas working toward a healthy economy.

Many other states have very successfully put slots at their race tracks. Kansas needs to be a part of the industry success and look at what is working now and act correctly. Let's work together to get it right for everyone.

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Ladies and Gentlemen: My name is David Assmann. I am the Vice-President of the Kansas Thoroughbred Association and Vice-President of the Kansas Horsemen's Association. I am not here today as a representative of those associations, but as a fellow Kansan. I am in support of slot machines at pari-mutuel racetracks, but I cannot support the bill as currently presented.

During the past two weeks, I have attended the sub committee meetings and watched and listened to the proceedings. I came away with the distinct impression that the committee's intentions were threefold: generate money for the state, revitalize the horse racing industry, and revitalize the greyhound racing industry in Kansas.

During the late 80s, Kansans in the Horse and Dog industry worked hard to successfully pass legislation to allow pari-mutuel wagering in Kansas. Our industries were thriving until the introduction of riverboat casinos just a few miles away from the Woodlands and the proliferation of Indian casinos in Kansas.

In my testimony before the committee on behalf of the Kansas Thoroughbred Association, I showed the committee how Millions of dollars would be kept and spent in Kansas if pari-mutuel racing was revitalized at the Woodlands. Myself and representatives from the Greyhound racing industry told the committee why we were forced to race and breed our animals in other states and how desperately we wanted to keep our business in Kansas.

Now let us look at how this has been implemented at other states that allow slot machines at pari-mutuel racetracks. These five states have slot machines at pari-mutuel racetracks: Delaware, Iowa, Louisiana, New Mexico, and West Virginia. In those states the average payout of the gross revenue from slot machines to the horse industry is 15.4%. (Source: The Blood Horse - March 8, 2002) Today, 83% of money wagered on pari-mutuel horse racing is via simulcasting. In order to have your simulcast signal picked up throughout the country you need to have quality take racing. Let's take a closer look at our neighbors in Iowa since the demographics in Iowa and Kansas are similar. The horse race track in Iowa is Prairie Meadows, located just outside of Des Moines. It was built about the same time as the Woodlands. It started out successfully, but with the introduction of riverboat casinos, business declined and Prairie Meadows was forced into bankruptcy and closed. A few years' later, slot machines were allowed at Prairie Meadows where 12.5% of the gross slot machine revenue was placed into purses for horse racing at Prairie Meadows. Today, Iowa has a thriving horse racing and breeding industry.

During the 2001 Thoroughbred meet at Prairie Meadows, approximately one million dollars a day was wagered. Of that amount about \$150,000.00 was wagered by patrons at the track and approximately \$850,000.00 was wagered through simulcast outlets. Kansas has a 6% pari-mutuel tax. If we can get high quality racing in Kansas that will allow a simulcast signal to be sent out, this would allow Kansas to collect tax dollars from patrons across the country.

In closing, I believe Representative Cox was very diligent in his research when he suggested 7% of the gross revenue to horse purses and 7% to greyhound purses. Although 14% is less than the national average, it is at a level that myself and many others in the horse industry in Kansas can support. I am asking the committee to support the horse and dog industry at the level originally proposed by Representative Cox.

Thank you for allowing me to address you today.  
Sincerely,  
David Assmann Edwardsville Kansas

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March 18, 2002

*Donnie*  
Donna Molder  
Bonner Springs, KS

I am a native Kansan that has been a thoroughbred horseman, breeding & racing horses for over 20 years. The present bill is not good for Kansas.

I hope that the time will come when everyone is treated fairly in a current bill.

Some of the horsemen agree to 3 ½% - however, many of the prominent horsemen disagree with the woodlands and their bill of 3 ½%. Those that disagree with the Woodlands & 3 ½% were denied stalls at the racetrack for 2000. The track had plenty of empty stalls, however, the threat and intimidation has its effect. Not having stalls puts a horseman at a disadvantage and hurts the integrity of racing.

We were doing fine until the Riverboats came. In a short time racing has dropped out in Kansas to almost nothing. Where slots are in racetracks around the country, racing is going strong. The average percentage is about 15% - helping racing. That's why many horsemen are against the 3 ½%. The operator can & does well in the other racetracks with a much higher percentage than the Woodlands wants to give. I feel the slots in Kansas should pay like the other states. This would be fair to the Dogs, Horses and the state of Kansas.

We don't need a bill that rewards the track while putting Kansans last.

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**TESTIMONY PRESENTED TO THE  
HOUSE TOURISM COMMITTEE  
re: proposed Substitute for HB 2890**

**March 18, 2002**

**Rebecca Rice, Legislative Counsel  
Kansas Clubs and Associates**

Mr. Chairman and members of the committee, my name is Rebecca Rice and I appear before you today on behalf of the Kansas Clubs and Associates to express opposition to proposed Substitute for HB 2890.

The Kansas Clubs and Associates is an organization of private clubs and associated businesses located primarily in the NE corner of Kansas. The proprietors of these clubs and associated businesses are opposed to legislation which grants monopoly slot machine contracts to the two current, and the one defunct, parimutuel licensees who were previously granted, de facto, an exclusive franchised area by the State of Kansas. As current lottery retailers, they believe the state should not engage in the type of economic and social engineering contained in this legislation. Substitute for HB 2890 will harm any business within a 50 mile radius that depends on consumers' discretionary income. If it does not, the effort will be unsuccessful. To raise the vast amounts of money intended by this legislation, hundreds of millions must be taken out of the 50 miles surrounding each track and that money can only come from savings accounts, restaurants, drinking establishments, class A & B clubs, movie theaters, bowling alleys, grocery stores, convenience stores and any other venue where discretionary and semi-discretionary funds are spent or saved.

Although strongly opposed to this legislation, we recognize it may receive favorable consideration from the full committee. Therefore, we offered several amendments to the subcommittee. Some were adopted and other's weren't. Some of those amendments and some new amendments and questions for consideration are offered here as possible assistance in crafting legislation to maximize profit for the state while taking all precautions against unintended consequences and practices:

(A bill copy was not available prior to preparation of this document so page and line numbers where appropriate could not be provided.)

. Although the political reasons may be clear for including veterans organizations, is there a clear legal basis for extending this lottery game to these organizations and not to other similar organizations – some who might have causes as worthy, or more, than veteran's cemeteries? If not, a court challenge might determine that other organizations must be included.

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## LIMITATIONS

. Although we did not have a copy of the proposed substitute legislation prior to preparing this document, the provisions for allowing electronic gaming machines at veteran's organizations, as discussed, raises questions regarding viability. I could not ascertain a specific reason for placing these limitations except that additional security costs might be incurred. The committee should explore these limitations and determine if they are necessary and, if necessary, whether the limitations render operation of the machines not viable. If the limitations are necessary and if the limitations will render, in most instances, the operation of the machines not financially viable, the committee should remove the provisions regarding veterans' organizations from the legislation to avoid misleading the public and the legislature.

The subcommittee changed the ballot language to reflect that all counties that have a vote on slot machines will not have parimutuel tracks. However, the language was changed to allow the county commission to place one venue on the ballot and not the other. We suggest language that requires the question for all venues, where appropriate, be placed on the same ballot including instances where the ballot is obtained by petition. Although this appears to be "anti-local control", it will prevent county commissions from being influenced to provide an economic advantage to one type of venue over another.

. The proposed legislation, according to what I think was said in subcommittee, limits the Eureka and Anthony Downs racetracks to 44 days of slot machine operation. A limitation of 44 days will probably eliminate slot machines as possible revenue source for these tracks. If the committee determines these racetracks will not, in fact, be given the opportunity to operate slot machines in a financially sound manner, the committee should remove the provisions regarding Eureka and Anthony Downs to ensure the legislature and the public is not misled.

. Additionally, the proposed legislation allows an additional non-parimutuel location which must promote tourism and economic development. To the 1995 interim committee (and virtually every committee thereafter), I suggested that there were several tourist attractions which should be considered for slot machines before or in conjunction with the racetracks. Our organization supports the inclusion of all appropriate venues specifically including historic, Old West-theme tourist attractions which seemed a logical venue in 1995 (original 1995 outline attached) and today. We are disappointed the subcommittee did not choose more venues.

However, the inclusion of this one additional site is unnecessarily burdened by a requirement of a two-thirds majority public vote. Upon reflection and discussion, obtaining a two-thirds majority vote is probably not possible except, *possibly*, in Wyandotte county. And, I doubt Wyandotte county would want the burden of that requirement. Therefore, the requirement should be removed and the public vote should be the same for all venues in all counties.

## CONSIDERATION FOR CURRENT LOTTERY RETAILERS

. We request an amendment removing the word keno from the definition of electronic gaming machine and inserts language prohibiting electronic gaming machines from playing *simulated keno* games. Keno is the most profitable lottery game for clubs and drinking establishments. While receiving only a 5% commission for their help and support, clubs, drinking establishment, convenience stores and bowling alleys have been the backbone of the Kansas Lottery. The legislature is specifically excluding these loyal and under-compensated businesses from these new lottery games. There is no dispute that all other lottery sales will significantly decrease with the introduction of Lottery slot machines. Therefore, fairness requires that *something* be retained for the *excluded* lottery retailers. Keno games, albeit a small piece, should be restricted to the *excluded* lottery retailers. Considering the 65% to 70% slot machine contracting fee under consideration, an increase in the 5% fee paid to the *excluded* lottery retailers would, also, be appropriate.

## PERCENTAGES

. **Cities:** It is unknown whether a statutory appropriation to a few cities renders this "Act" non-uniform. If it does, it is possible cities could "opt-out" of this legislation and permit adoption of local ordinances which could include such things as allowing slot machines at other locations, to prohibit slot machines at the locations specified in this legislation, change the city's percentage of the net machine revenue or opt-out of any of the other provisions included in the legislation. This legislation amends K.S.A. 2001 Supp. 19-101a to prohibit counties from exempting themselves from the Kansas lottery act and the Kansas gaming act. However, municipalities' home rule authority is granted by constitutional amendment. County home rule authority is obtained by statute. Therefore, the potential problem of municipal home rule can not be cured by the same statutory prohibition. Additionally, another section prohibits local units of government from adding additional taxes or fees. However, caselaw has held that limitations of this type do not override cities' constitutional home rule authority.

Last session, Senator Barone received an Attorney General's letter regarding this issue. Although not definitive, the Attorney General noted the risk of Senator Barone's proposed amendment, that would have provided additional revenue to the city of Pittsburg, because of the *possibility* that the amendment would cause the Act to become non-uniform and therefore subject to amendment by cities through their home-rule authority. I do not have a copy of this letter but feel certain the committee could obtain a copy if it were requested.

**Charitable Licensee:** The reason for inclusion of a percentage to the charitable licensee is unclear. Because this legislation is intended to provide maximum revenue to the state, each recipient should be justified. The charitable licensee contracts with the entity operating the racetrack. If the licensee did not allow for contract revision for

changed circumstances, the legislature should provide the mechanism to require a new contract or amendment of the old. But additional revenue for the charitable licensee should be by contract negotiation and not by lessening the state's revenue.

**Problem Gambling Fund:** One-half of one percent is too much, if the slot machines actually produce the revenue predicted, for this fund or, at least, for the current statutory provisions. Twenty-five percent of one percent would be more appropriate. Additionally, we suggest some of the flexibility given to SRS for awarding grants be removed and replaced with requirements that some of the funding be placed with either the county health department or the local community mental health center in those counties where slot machines are placed and could include surrounding counties because those counties will be affected as well. A limitation should be included that the funds provided to the local entity(s) must be used for the specific purpose of treating, educating or assisting with problems arising from gambling. This will insure the funds are available to those individuals most familiar with the problems experienced in their county.

**Horses and Dogs:** Because we first suggested the idea of purse supplements and Kansas bred and owned awards, we can now suggest the legislature abandon, minimize these percentages or modify the requirements for qualifying. We have included in this packet information regarding the negative impact of statutory purse supplements on the racetracks in Iowa for your information while you are considering the merits of purse supplements.

## **PROHIBITIONS AND SECURITY PROVISIONS**

. A new section restricts the premises and gambling to individuals over the age of 20. However, there is no criminal penalty section specifically attached to this section. We suggest using the penalty provisions from the section that prohibits placing a wager for someone who is not present at the location. However, there should be a required shutdown sanction if the section is repeatedly violated.

. Contracts with veteran's organizations require licensure of key gaming employees. However, the contracts with parimutuel licensees only *require* the transmission of the net machine income and *allow* certain other limitations. We suggest the requirements regarding the licensure and qualifications of all employees and licensees be significantly strengthened.

. The licensing requirements for liquor licensees prohibits any licensee, or an employee of a licensee who sells or mixes or dispenses alcohol, from **ever** having a felony conviction or **ever** having any liquor or morals violation. (See K.S.A. 41-2610, 41-713 and 41-311 attached.) The ABC is not given any discretion regarding these requirements. However, this proposed legislation allows complete discretion to the Lottery executive director (may vs. shall). It is amazing that an individual convicted of a felony, regardless of the nature of the crime, is prohibited for life from bartending but

will be allowed to sell, place and service slot machines within a maximum of 10 years of the conviction and may be allowed without delay at the discretion of the executive director. [Sec 20(d)].

Thank you, Mr. Chairman, for allowing us to present our concerns.

**79-4805. Problem gambling grant fund and treatment grant program.** (a) There is hereby established in the state treasury the problem gambling grant fund. All moneys credited to such fund shall be used only for the awarding of grants under this section. Such fund shall be administered in accordance with this section and the provisions of appropriation acts.

(b) All expenditures from the problem gambling grant fund shall be made in accordance with appropriation acts upon warrants of the director of accounts and reports issued pursuant to vouchers approved in the manner prescribed by law.

(c) There is hereby established a state grant program to provide assistance for the direct treatment of persons diagnosed as suffering from pathological gambling and to provide funding for research regarding the impact of gambling on residents of Kansas. Research grants awarded under this section may include, but need not be limited to, grants for determining the effectiveness of education and prevention efforts on the prevalence of pathological gambling in Kansas. All grants shall be made after open solicitation of proposals and evaluation of proposals against criteria established in rules and regulations adopted by the secretary of the department of social and rehabilitation services. Both public and private entities shall be eligible to apply for and receive grants under the provisions of this section.

(d) The secretary of the department of social and rehabilitation services is hereby authorized to receive moneys from any grants, gifts, contributions or bequests made for the purpose of funding grants under this section and to expend such moneys for the purpose for which received.

(e) All grants made in accordance with this section shall be made from the problem gambling grant fund. The secretary shall administer the provisions of this section and shall adopt rules and regulations establishing criteria for qualification to receive grants and such other matters deemed necessary by the secretary for the administration of this section. Such rules and regulations shall include, but need not be limited to, a requirement that each recipient of a grant to provide treatment for pathological gamblers report at least annually to the secretary the grantee's measurable achievement of specific outcome goals.

(f) For the purpose of this section "pathological gambling" means the disorder by that name described in the most recent edition of the diagnostic and statistical manual.

**History:** L. 2000, ch. 173, § 20; July 1.



**41-311. Qualifications for licensure.** (a) No license of any kind shall be issued pursuant to the liquor control act to a person:

(1) Who has not been a citizen of the United States for at least 10 years, except that the spouse of a deceased retail licensee may receive and renew a retail license notwithstanding the provisions of this subsection (a)(1) if such spouse is otherwise qualified to hold a retail license and is a United States citizen or becomes a United States citizen within one year after the deceased licensee's death;

(2) who has been convicted of a felony under the laws of this state, any other state or the United States;

(3) who has had a license revoked for cause under the provisions of this act or who has had any license issued under the cereal malt beverage laws of any state revoked for cause except that a license may be issued to a person whose license was revoked for the conviction of a misdemeanor at any time after the lapse of 10 years following the date of the revocation;

(4) who has been convicted of being the keeper or is keeping a house of prostitution or has forfeited bond to appear in court to answer charges of being a keeper of a house of prostitution;

(5) who has been convicted of being a proprietor of a gambling house, pandering or any other crime opposed to decency and morality or has forfeited bond to appear in court to answer charges for any of those crimes;

(6) who is not at least 21 years of age;

(7) who, other than as a member of the governing body of a city or county, appoints or supervises any law enforcement officer, who is a law enforcement official or who is an employee of the director;

(8) who intends to carry on the business authorized by the license as agent of another;

(9) who at the time of application for renewal of any license issued under this act would not be eligible for the license upon a first application, except as provided by subsection (a)(12);

(10) who is the holder of a valid and existing license issued under article 27 of chapter 41 of the Kansas Statutes Annotated unless the person agrees to and does surrender the license to the officer issuing the same upon the issuance to the person of a license under this act, except that a retailer licensed pursuant to K.S.A. 41-2702 and amendments thereto shall be eligible to receive a retailer's license under the Kansas liquor control act;

(11) who does not own the premises for which a license is sought, or does not have a written lease thereon for at least 3/4 of the period for which the license is to be issued; or

(12) whose spouse would be ineligible to receive a license under this act for any reason other than citizenship, residence requirements or age, except that this subsection (a)(12) shall not apply in determining eligibility for a renewal license.

(b) No retailer's license shall be issued to:

(1) A person who is not a resident of this state;

(2) a person who has not been a resident of this state for at least four years immediately preceding the date of application;

(3) a person who has beneficial interest in the manufacture, preparation or wholesaling of alcoholic beverages;

(4) a person who has beneficial interest in any other retail establishment licensed under this act, except that the spouse of a licensee may own and hold a retailer's license for another retail establishment;

(5) a copartnership, unless all of the copartners are qualified to obtain a license;

(6) a corporation; or

(7) a trust, if any grantor, beneficiary or trustee would be ineligible to receive a license under this act for any reason, except that the provisions of subsection (a)(6) shall not apply in determining whether a beneficiary would be eligible for a license.

(c) No manufacturer's license shall be issued to:

(1) A corporation, if any officer or director thereof, or any stockholder owning in the aggregate more than 25% of the stock of the corporation would be ineligible to receive a manufacturer's license for any reason other than citizenship and residence requirements;

(2) a copartnership, unless all of the copartners shall have been residents of this state for at least five years immediately preceding the date of application and unless all the members of the copartnership would be eligible to receive a manufacturer's license under this act;

(3) a trust, if any grantor, beneficiary or trustee would be ineligible to receive a license under this act for any reason, except that the provisions of subsection (a)(6) shall not apply in determining whether a beneficiary would be eligible for a license;

(4) an individual who is not a resident of this state; or

(5) an individual who has not been a resident of this state for at least five years immediately preceding the date of application.

(d) No distributor's license shall be issued to:

(1) A corporation, if any officer, director or stockholder of the corporation would be ineligible to receive a distributor's license for any reason. It shall be unlawful for any stockholder of a corporation licensed as a distributor to transfer any stock in the corporation to any person who would be ineligible to receive a distributor's license for any reason, and any such transfer shall be null and void, except that: (A) If any stockholder owning stock in the corporation dies and an heir or devisee to whom stock of the corporation descends by descent and distribution or by will is ineligible to receive a distributor's license, the legal representatives of the deceased stockholder's estate and the ineligible heir or devisee shall have 14 months from the date of the death of the stockholder within which to sell the stock to a person eligible to receive a distributor's license, any such sale by a legal representative to be made in accordance with the provisions of the probate code; or (B) if the stock in any such corporation is the subject of any trust and any trustee or beneficiary of the trust who is 21 years of age or older is ineligible to receive a distributor's license, the trustee, within 14 months after the effective date of the trust, shall sell the stock to a person eligible to receive a distributor's license and hold and disburse the proceeds in accordance with the terms of the trust. If any legal representatives, heirs, devisees or trustees fail, refuse or neglect to sell any stock as required by this subsection, the stock shall revert to and become the property of the corporation, and the corporation shall pay to the legal representatives, heirs, devisees or trustees the book value of the stock. During the period of 14 months prescribed by this subsection, the corporation shall not be denied a distributor's license or have its distributor's license revoked if the corporation meets all of the other requirements necessary to have a distributor's license;

(2) a copartnership, unless all of the copartners are eligible to receive a distributor's license;

(3) a trust, if any grantor, beneficiary or trustee would be ineligible to receive a license under this act for any reason, except that the provisions of subsection (a)(6) shall not apply in determining whether a beneficiary would be eligible for a license;

(4) an individual who is not a resident of this state; or

(5) an individual who has not been a resident of this state for at least 10 years immediately preceding the date of application, except that:

(A) A wholesaler of cereal malt beverages properly licensed on September 1, 1948, shall be eligible for a beer distributor's license; and

(B) a person who has been a resident of the state for at least one year immediately preceding the date of application shall be eligible for a beer distributor's license.

(e) No nonbeverage user's license shall be issued to a corporation, if any officer, manager or director of the corporation or any stockholder owning in the aggregate more than 25% of the stock of the corporation would be ineligible to receive a nonbeverage user's license for any reason other than citizenship and residence requirements.

(f) No microbrewery license or farm winery license shall be issued to a:

(1) Person who is not a resident of this state;

(2) person who has not been a resident of this state for at least four years immediately preceding the date of application;

(3) person who has beneficial interest in the manufacture, preparation or wholesaling of alcoholic beverages other than that produced by such brewery or winery;

(4) person, copartnership or association which has beneficial interest in any retailer licensed under this act or under K.S.A. 41-2702 and amendments thereto;

(5) copartnership, unless all of the copartners are qualified to obtain a license;

(6) corporation, unless stockholders owning in the aggregate 50% or more of the stock of the corporation would be eligible to receive such license and all other stockholders would be eligible to receive such license except for reason of citizenship or residency; or

(7) a trust, if any grantor, beneficiary or trustee would be ineligible to receive a license under this act for any reason, except that the provisions of subsection (a)(6) shall not apply in determining whether a beneficiary would be eligible for a license.

(g) The provisions of subsections (b)(1), (b)(2), (c)(3), (c)(4), (d)(3), (d)(4), (f)(1) and (f)(2) shall not apply in determining eligibility for the 10th, or a subsequent, consecutive renewal of a license if the applicant has appointed a citizen of the United States who is a resident of Kansas as the applicant's agent and filed with the director a duly authenticated copy of a duly executed power of attorney, authorizing the agent to accept service of process from the director and the courts of this state and to exercise full authority, control and responsibility for the conduct of all business and transactions within the state relative to alcoholic liquor and the business licensed. The agent must be satisfactory to and approved by the director, except that the director shall not approve as an agent any person who:

(1) Has been convicted of a felony under the laws of this state, any other state or the United States;

(2) has had a license issued under the alcoholic liquor or cereal malt beverage laws of this or any other state revoked for cause, except that a person may be appointed as an agent if the person's license was revoked for the conviction of a misdemeanor and 10 years have lapsed since the date of the revocation;

(3) has been convicted of being the keeper or is keeping a house of prostitution or has forfeited bond to appear in court to answer charges of being a keeper of a house of prostitution;

(4) has been convicted of being a proprietor of a gambling house, pandering or any other crime opposed to decency and morality or has forfeited bond to appear in court to answer charges for any of those crimes; or

(5) is less than 21 years of age.

**History:** L. 1949, ch. 242, § 27; L. 1953, ch. 238, § 3; L. 1963, ch. 266, § 1; L. 1970, ch. 186, § 1; L. 1973, ch. 199, § 1; L. 1975, ch. 249, § 1; L. 1982, ch. 210, § 1; L. 1983, ch. 161, § 5; L. 1985, ch. 171, § 9; L. 1985, ch. 170, § 27; L. 1987, ch. 182, § 21; L. 1987, ch. 182, § 22; L. 1992, ch. 201, § 5; L. 1995, ch. 258, § 2; L. 1996, ch. 154, § 4; July 1.

**41-2610. Unlawful acts of licensee.** It shall be unlawful for any licensee or holder of a temporary permit under this act to:

(a) Employ any person under the age of 18 years in connection with the serving of alcoholic liquor.

(b) Employ knowingly or continue in employment any person in connection with the dispensing or serving of alcoholic liquor or the mixing of drinks containing alcoholic liquor who has been adjudged guilty of a felony or of any crime involving a morals charge in this or any other state, or of the United States.

(c) Employ knowingly or to continue in employment any person in connection with the dispensing or serving of alcoholic liquor or mixing of drinks containing alcoholic liquor who has been adjudged guilty of a violation of any intoxicating liquor law of this or any other state, or of the United States, during the two-year period immediately following such adjudging.

(d) In the case of a club, fail to maintain at the licensed premises a current list of all members and their residence addresses or refuse to allow the director, any of the director's authorized agents or any law enforcement officer to inspect such list.

(e) Purchase alcoholic liquor from any person except from a person authorized by law to sell such alcoholic liquor to such licensee or permit holder.

(f) Permit any employee of the licensee or permit holder who is under the age of 21 years to work on premises where alcoholic liquor is sold by such licensee or permit holder at any time when not under the on-premises supervision of either the licensee or permit holder, or an employee who is 21 years of age or over.

(g) Employ any person under 21 years of age in connection with the mixing or dispensing of drinks containing alcoholic liquor.

**History:** L. 1965, ch. 316, § 10; L. 1975, ch. 52, § 17; L. 1978, ch. 189, § 15; L. 1979, ch. 152, § 6; L. 1985, ch. 171, § 4; L. 1987, ch. 182, § 65; April 30.

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

I. Operation of alternative slot machine legislation

A. Placement of Machines

1. Establishments with on-premise liquor licenses

- a. Licensed and regulated by Alcohol Beverage Control
- b. May currently be licensed as lottery and/or bingo establishment.
- c. Hours for operation of slot machines would be the same as statutory hours for serving alcohol.

2. Bingo Establishments

- a. Currently regulated by ABC.
- b. Hours of operation of slot machines would be the same as for serving alcohol whether or not the establishment has a liquor license.

3. Racetracks

- a. Regulated by various agencies.
- b. Would operate under same conditions as industry has proposed in testimony as it relates to days and times of racing.
- c. Should include statutory provisions allowing current facilities to increase the number of days of live racing, and provisions for issuing additional racetrack licenses as deemed feasible by the racing commission. Denial of a track license would be reviewable by the courts for arbitrary and capricious behavior.
- d. Prohibited from selling alcohol at hours different from other licensees

4. Tourist Attractions

a. Dodge City/Front Street

- (1) It has long been agreed that the saloon at Front Street was the most appropriate tourist attraction for the placement of slot machines in Kansas. Slot machines would mean additional color and excitement to help attract tourists to Dodge City.

b. State Fair

- (1) Although perhaps not in the spirit of the original purpose of the state fair, slot machines would seem to fit perfectly with its present emphasis. The option should at least be retained.

c. Other possibilities to be considered

- (1) Cowtown, Wichita
- (2) Old Abilene Town

5. Limitations

a. Number of machines

- (1) The number of machines could be limited by the amount of square footage of the facility or by a limitation on the number per facility.
- (2) The machines could be required to be in an area of the facility where minors would be restricted.

B. Slot Machine Revenue

1. Gross Revenue

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

## 2. Net Revenue

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

## 3. Usage of State Revenues

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

## C. Implementation

### 1. Constitutional Amendment

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

### 2. Statutory change requiring a county vote

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

### 3. Privately Owned and Operated

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

## II. Reasons for considering alternative slot machine legislation

### A. Problems with traditional track/slot machine legislation

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

1. The proposed legislation does not guarantee an increase in purses, an increase in the number of

people placing bets on races at the tracks, and does not shift the primary center of gambling away from the direct river boat competition in Kansas City. The net revenue is to be shared with the state's horse and dog breeder associations in an unknown formula to be used as the association sees fit, limited only by the associations' by-laws.

2. The proposed legislation prohibits any track from operating slot machines until the track has entered into a contractual arrangement with the various breeder associations, the terms of which have no reference in the legislation. This requirement seems to grant to an individual breeder association or the associations collectively, the opportunity to "blackball" any track by simply not agreeing to a contractual arrangement. The legislation does not prohibit contractual "exclusivity" language or behavior by the associations.
3. The likely result is that the number of gamblers will not increase sufficiently to solve the perceived problems of the Woodlands due to the types of casino operations in Missouri. The consequence will be that in a few short years the legislature will be asked to allow more types of gaming at the tracks, continuing the trend of shifting the emphasis from racing to gaming.
4. By severely limiting the number of outlets, the total revenues will be minimal compared to the potential revenues from statewide implementation.
5. Most experts agree the population has a limited amount of discretionary income to spend on entertainment. Local businesses and organizations which are social/entertainment oriented will suffer under a system that grants a slot machine franchise to three businesses. Local communities and neighborhoods will suffer when local businesses and organizations are hurt financially.

B. Advantages of alternative slot machine legislation

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

- If an excursion originates in a city, one-half of 1 percent of adjusted gross receipts is payable to the city where the excursion originated and an additional one-half of 1 percent of adjusted gross receipts is payable to the county.<sup>90</sup>
- If the excursion originates outside the boundaries of a city, one-half of 1 percent of adjusted gross receipts is remitted to the county and another one-half of 1 percent of adjusted gross receipts is remitted to the city which is nearest to the dock.<sup>91</sup>

**F. Gambling Treatment.**

- Three-tenths of 1 percent of the adjusted gross receipts is remitted to the Gambling Treatment Fund.<sup>92</sup>

**XI. Wagering Tax Revenue to the General Fund.**

The following statistics show the principal revenues received by the state from pari-mutuel wagering and other gambling games.<sup>93</sup>

Fiscal Year	Pari-mutuel	Riverboats	Slot Machines	Total
FY 1986	2,105,033	NA	NA	2,105,033
FY 1987	10,698,238	NA	NA	10,698,238
FY 1988	11,093,673	NA	NA	11,093,673
FY 1989	10,347,942	NA	NA	10,347,942
FY 1990	9,420,393	NA	NA	9,420,393
FY 1991	6,306,801	\$1,928,361	NA	8,235,162
FY 1992	4,754,226	12,160,807	NA	16,915,033
FY 1993	3,870,334	7,637,891	NA	11,508,225
FY 1994	1,695,859	6,841,758	NA	8,537,617
FY 1995	1,729,751	31,723,085	\$13,539,467	46,992,303
FY 1996	1,078,259	56,373,341	49,328,414	106,780,014
FY 1997	1,061,316	75,288,897	48,943,943	125,294,156
FY 1998	1,038,924	84,484,131	55,184,445	140,707,500
FY 1999	803,907	92,869,923	65,387,161	159,060,991
FY 2000	555,051	103,297,764	75,765,472	179,618,287
	<b>\$66,559,707</b>	<b>\$472,605,958</b>	<b>\$308,148,902</b>	<b>\$847,314,567</b>

Source: Legislative Fiscal Bureau

**XII. Iowa Lottery and Sales Tax Receipts Transfers to Various Funds.**

Fiscal Year	Sales Tax	General Fund	CLEAN Fund	REAP Fund	Iowa Plan	Gambling Treatment
FY 1986	\$3,270,826	0	0	0	\$23,950,347	\$413,633
FY 1987	3,787,555	0	0	0	26,901,355	475,966
FY 1988	4,971,585	0	0	0	34,507,059	623,538
FY 1989	6,644,037	0	0	0	41,714,111	834,939
FY 1990	6,451,601	0	0	0	43,245,567	815,197
FY 1991	6,081,642	\$1,312,794	\$35,894,355	0	0	764,655
FY 1992	6,406,830	36,781,976	0	\$2,500,000	0	0
FY 1993	9,877,305	46,226,318	0	0	0	0
FY 1994	9,853,976	46,799,937	0	0	0	0
FY 1995	9,891,330	47,673,594	0	0	0	596,567
FY 1996	9,047,750	41,807,892	0	0	0	545,123
FY 1997	8,265,025	34,517,719	0	0	0	498,768



FY 1998	8,283,365	34,203,856	0	0	0	500,068
FY 1999	8,759,465	36,495,518	0	0	0	527,826
FY 2000	8,493,990	35,764,404	0	0	0	511,125
	<b>\$110,086,282</b>	<b>\$361,566,008</b>	<b>\$35,894,355</b>	<b>\$2,500,000</b>	<b>\$170,318,439</b>	<b>\$7,107,405</b>
Source: Legislative Fiscal Bureau						

## ENDNOTES

<sup>1</sup>Iowa Const. (1846), Art. IV, § 29.

<sup>2</sup>Iowa Const. (1857), Art. III, § 28.

<sup>3</sup>1972 Iowa Acts ch. 1141, § 1.

<sup>4</sup>Black's Law Dictionary, p. 947, (6th ed. 1990), West Pub. Co.

<sup>5</sup>State ex rel. Harman v. Doe, 123 N.W. 2d. 400 (1963).

<sup>6</sup>1969 Op. Iowa Att'y Gen. 170-171 (69/5/11).

<sup>7</sup>Id.

<sup>8</sup>Id.

<sup>9</sup>1970 Iowa Acts ch. 1308, § 1.

<sup>10</sup>1972 Iowa Acts ch. 1141, § 1.

<sup>11</sup>1973 Iowa Acts ch. 153.

<sup>12</sup>1983 Iowa Acts ch. 187.

<sup>13</sup>1985 Iowa Acts ch. 33.

<sup>14</sup>1989 Iowa Acts ch. 67.

<sup>15</sup>1994 Iowa Acts ch. 1021.

<sup>16</sup>1992 Iowa Acts ch. 1203.

<sup>17</sup>Iowa Code ch. 99B; Iowa Admin. Code ch. 481-103.

<sup>18</sup>Iowa Code §§ 99B.3, 99B.4.

<sup>19</sup>Iowa Code § 99B.7(1).

<sup>20</sup>26 U.S.C. § 501(c).

<sup>21</sup>Iowa Code § 99B.7(4).

<sup>22</sup>Iowa Code § 99B.3(1)(b).

<sup>23</sup>Iowa Code § 99B.2(1).

<sup>24</sup>Iowa Code § 99B.7(3)(a).

<sup>25</sup>Iowa Code § 99B.7(3)(a).

<sup>26</sup>Iowa Code § 99B.7(3)(a).

<sup>27</sup>Iowa Code § 99B.3.

<sup>28</sup>Iowa Code § 99B.7(1)(c).

<sup>29</sup>Iowa Code § 99B.7(1).

<sup>30</sup>Iowa Code § 99B.7(1).

<sup>31</sup>Iowa Code §§ 99B.5(1), 99B.5(3), 99B.7(1).

<sup>32</sup>Iowa Code § 99B.7(3)(a).

<sup>33</sup>Iowa Code §§ 99B.5(1)(g), 99B.5(3).

<sup>34</sup>Iowa Code § 99B.7(1)(d,q).

<sup>35</sup>Iowa Code § 99B.5(1).

<sup>36</sup>Iowa Code § 99B.5(1).


<sup>37</sup>Iowa Code § 99B.5(3).

<sup>38</sup>Iowa Code § 99B.1(14).


<sup>39</sup>Iowa Code § 99B.1(15).

# LAURELS

## INSPECTING THE BAGGAGE


 While the public shuddered and Congress sputtered as the press uncovered one security lapse after another at airport after airport, Knight Ridder newspapers took off in a different direction. Piloted by a first-class team that included Mike McGraw of *The Kansas City Star*, Fredric N. Tulsky, Eric Nalder, and Pete Carey of the *San Jose Mercury News*, and Seth Borenstein of KR's Washington bureau, the investigation traced the history of efforts to improve the country's aviation security system in recent years. They found an unsettling pattern in which commonsensical plans ran into such heavy political turbulence that they never left the ground. Proposals for keeping explosives off planes; for conducting background checks on workers; for setting minimum standards in hiring and training screeners; for requiring foreign carriers to adopt certain measures — at every turn, public safety has been bumped by the VIPs, those Very Influential Priorities convenience and cost, so dear to the hearts of the security companies, the airlines, and the FAA. And, therefore, dear as well to Congress, a dizzying number of whose members have passed through the revolving door between airline industry lobbyists and regulators, are the grateful recipients of hefty contributions to their political campaigns and parties, and as Very Important Politicians enjoy exotic trips hosted by an industry they are supposed to oversee. Meanwhile, actual hijackings, thwarted conspiracies, suspicious crashes, and other warnings have gone tragically unheeded, and legislation for reform tragically delayed. Published only days before the federalization of airport security became the law of the land, the report raised the question of whether the government can be trusted this time to put the public's safety first.

## HELP WANTED

 From Ecuador and Egypt, from El Salvador and China, from Pakistan and Poland, the immigrants come, willing to accept the abysmal conditions and substandard pay of the high-risk jobs nobody else wants but surely not bargaining for death. Yet far too commonly, as documented by *Newsday* staff writer Thomas Maier in a disturbing five-part series, death is what they get. Five-fifty-an-hour pickers plunging from eighteen-foot piles of garbage, untrained tree trimmers electrocuted while working near power lines, farm workers felled by dangerous pesticides, meat handlers crushed while loading heavy cartons in slippery, icy water — such were the typical cases examined by Maier. Drawing on translator-aided interviews, police, court, and workers' compensation records, and computer-analyzed documents from various government agencies, Maier discovered in his ten-

month investigation that, of the 4,200 immigrant workers' deaths that occurred around the country from 1994 to 1999, more than 500 occurred in New York State alone, many of them on Long Island, *Newsday's* home. Maier also discovered that hundreds of those needless deaths go uninvestigated, unpunished, and uncompensated by regulatory agencies busily looking the other way. OSHA, for example, is shown to have frequently cited companies for violations that were never followed up, exacted promises from employers that were never kept, and levied laughably low fines. Meanwhile, compensation to which workers' families were entitled has stayed safely beyond reach, protected by the immigrants' difficulties with language, their fear of officialdom, and their ignorance of their rights. Within days of the series' publication, New York Senator Hillary Clinton entered it into the record of the confirmation hearings for OSHA's new head and, together with fellow Senator Charles Schumer, called for a federal inquiry.

## THOROUGHbred JOURNALISM

 Ninety-three thousand lucky subscribers of *The Des Moines Register* got an unexpected windfall with their November 6 paper — a four-page insert reported, written, printed, and paid for by Michael Gartner, the paper's former editor, and Gilbert Cranberg, the retired editor of its editorial pages, exposing serious financial problems at the tax-exempt Prairie Meadows racetrack and casino. Bridling at the local press's show of little interest in earlier tips, Gartner and Cranberg had themselves taken up the investigative reins, and, when the *Register* rejected their finished 4,500-word series, they'd put their money on an ad. Thus it was that Iowans came to learn of the inherent conflict in Prairie Meadows's unusual licensing arrangement, by which it is supposed to

“nurture” the state's horse racing industry (at an ever-increasing cost through purses in the millions) and, at the same time, contribute to community charities — an arrangement that, in effect, has led to the subsidization of the horse racing industry by the casino. And thus they came to learn of the bleak future that staying the course could mean for the charities dependent on money from an operation whose losses run close to \$35 million a year; and to learn of possible solutions, including a proposal for separate referendums, in the three Iowa counties that have both tracks and casinos, on whether each should continue. (In a curious coincidence, after the *Register* had accepted the journalists' extraordinary ad but before it was actually published, the paper straggled in with a pair of Prairie Meadows stories, clearly spurred by — but without any nod to — Gartner and Cranberg's work.)

The Darts & Laurels column is written by Gloria Cooper, CJR's deputy executive editor. Nominations may be addressed to her by mail, phone (212-854-1887), or e-mail (gc15@columbia.edu).



Date: \_\_\_\_\_

Nov 11-27-95

# Few traveling gamblers expected here

TOPEKA, Kan. (AP) — Casinos in Kansas are more likely to make their money from local residents than attract out-of-state customers, two gambling industry observers told a legislative committee today.

The two men, an economics professor and an investment banking analyst, expressed different opinions about the value of expanded gambling. However, they agreed that Kansas is not likely to lure dollars from other states by allowing casinos.

Bruce Turner, a vice president for research with Salomon Brothers, the Wall Street investment banking firm, said it would be naive for any state to expect to attract people from other states. Still, he did tell legislators that allowing casinos could prevent Kansans from spending as much as \$183 million a year in Missouri.

Earl Grinols, a professor of economics at the University of Illinois, described gambling as a likely drain on the state's economy. The social costs associated with casinos can be three times as high as the benefits derived from them, he said.

Legislative leaders told the Special Committee on Gaming to study the social and economic effects of gambling. The committee plans to draft a report for the 1996 Legislature, which convenes in January.

Supporters are expected to push for an expansion of legal gambling in Kansas next year. Operators of the state's three pari-mutuel race tracks see new gambling as the only way to save their floundering businesses.

Turner told the committee that if Kansas wants to com-

[ ] Hutchinson News

Iola Register

pete with floating casinos along the Missouri side of the Missouri River, it will have to allow similar operations, or land-based casinos.

Otherwise, he said, there is no reason for Missouri residents to drive to Kansas, because they can get the same entertainment in their home state.

"It would be naive to expect that Kansas — or any other state, for that matter — to attract out-of-state dollars," he said.

Turner's testimony cast doubt about a proposal to allow electronic slot machines at race tracks, a proposal the tracks advocated during the 1995 legislative session. In fact, several committee members concluded that slot machines would not be enough.

Turner said after his testimony that building a casino adjacent to a race track could help a track survive, if the managers of both were the same.

"Can the two together do better?" he said. "Of course."

Grinols was more skeptical. He said experience indicates that whenever pari-mutuel racing and casino games compete for dollars, the tracks lose.

"What you'll be doing is aiding its demise," he said.

Grinols said his research showed that the reasons the social costs of gambling are so high is that casinos typically depend on gambling addicts for about half of their revenues. Most costs are associated with the cost of helping compulsive gamblers get over their addictions, he said.

Grinols is coauthor of a September study that suggests the social cost of gambling can be as high as \$338 per adult, while the benefits are not more than \$110 per adult.

[ ] Olathe Daily News

[ ] Parsons Sun

[ ] Pittsburg Morning Sun

[ ] Salina Journal

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27  
24-19

# Supporters start up damage control efforts on gambling

The Associated Press

TOPEKA — Supporters of expanding legal gambling in Kansas began damage control efforts Tuesday after two days of negative testimony before a legislative committee.

Rep. Doug Spangler, D-Kansas City, a vocal supporter of bringing electronic slot machines to race tracks, acknowledged that expanding gambling would create some social problems.

Rep. L. Candy Ruff, D-Leavenworth, another supporter, said the state should use some of the revenues from taxes on new forms of gambling to finance programs to help compulsive gamblers. She said legislators should admit that new forms of gambling will lead some Kansans to addiction.

Rep. Ray Cox, R-Bonner Springs, a third supporter, outlined a scheme he said would allow the state to collect gambling revenues, invest them and have a steady supply of money available in the future for education.

Their comments came after an offi-

cial from New Orleans said legislators should not believe the promises of new jobs and economic rewards from gambling promoters. A large casino in that city recently filed for bankruptcy.

On Monday, an economist and an investment banking analyst expressed strong doubts that Kansas casinos would draw many out-of-state tourists.

"I would urge Kansas not to take the promoters at their word," said Rafael Goyenche, managing director of the New Orleans Metropolitan Crime Commission. "What we found was that the promises of courtship have fizzled now that we're into the marriage."

The Special Committee on Gaming did not resolve any issues Tuesday. Instead, it put off drafting a report until Dec. 28.

Legislative leaders told the committee to study the social and economic effects of gambling. While it is not likely to endorse any legislation, the committee does plan to forward a list of conclusions.

Supporters are expected to make another push for an expansion of gambling in Kansas. Operators of the state's pari-mutuel race tracks see it as a way to save the struggling racing industry.

In recent years, supporters have portrayed gambling as potential economic development, something that would bring new jobs to the state. They also have scoffed at opponents' arguments that the social costs are enormous.

But Spangler said Tuesday, "There are some very severe social costs with gaming."

The committee's chairman, Sen. Mike Harris, R-Wichita, expressed some surprise at the supporters' remarks.

"I don't know what to make of that approach," he said. "I'm glad to see it being addressed."

Ruff said the evidence was clear that about 3 percent of the population would have a gambling problem if casinos came to Kansas.

"We have to realize it, face it and

provide some sort of mechanism to deal with it," she said.

But Sen. Carolyn Tillotson, R-Leavenworth, a gambling opponent, said that such programs are needed whether the state expands gambling or not, because Kansas already has a lottery and allows betting on dog and horse races.

Cox said he came up with his proposal to allay fears that gambling revenues would not be stable, so that government programs could not be financed with them. The committee responded to his pitch with silence, then skepticism.

Cox suggested collecting gambling revenues in a special fund and turning that fund over to the Kansas Public Employees Retirement System for investment. It could then parcel the money out over 10 or more years, he said.

"Let's be prudent with the use of the money from gaming," Cox said. "This is not a pipe dream."

4/17  
24-20

# Legislators to tackle contentious issue of slots again

by **BOB FRISKEL**  
of *The Kansan*

There's a chance; but not a good one. That's what leaders of the Legislature are saying in general about a constitutional amendment to allow casinos, as proposed by Gov. Bill Graves.

Many believe it is too close to call and virtually all agree with Sen. Dick Bond that bringing the question before voters will be "very difficult."

Gaming has been an annual agenda item in the 1990s and Graves has endorsed a vote by the people of Kansas to decide the issue.

The constitutional change would take a majority vote of the people; but it would require a two-thirds vote by both the Senate and House to allow the people to vote.

Another proposal could be a simple majority vote of the Legislature to approve slot machines at the three Kansas race tracks, in Kansas City, Kan., Wichita and Frontenac. The Woodlands in KCK is likely to close without some form of casino gaming to compete with Missouri riverboats, and the other two tracks also might have to close.

The Legislature in earlier sessions turned down a proposed \$350 million entertainment complex planned by The Mirage for The Woodlands and a slot-machine bill that would have enabled the tracks to compete more evenly with Missouri's riverboat casinos. But with the approval of the Legislature of Indianos last year and the governor's backing a vote for 1996, the issue again will be before the Legislature.

What chance will Kansas voters have to cast their vote on the issue next year?

Following are comments by leaders in the Senate and House:

■ Paul "Bud" Burke, Senate president, R-Olathe: "I'm unable to predict how anything will do in the Legislature. I really don't have much of a feel for this. To allow a vote (of the people) is always a pretty good idea. I never have a locked, closed mind on any issue. I can always be persuaded with facts. But unless something changes, I'll probably be a no vote. But if new information comes along that can convince me it's a good thing to do, to allow the vote, I'm always willing to listen."

"There will be two proposals, one requiring a two-thirds majority and one requiring half. One, a resolution, would require a constitutional amendment and a vote of the people and require a two-thirds vote of the House and Senate. Another bill simply would change the law to allow slot machines at race tracks and would take a 50 percent vote. Now the Constitution prohibits state ownership of casinos, but the attorney general has opined that the state could own a casino, and that would just require a simple majority and the governor's signature."

"Right now I'm still against it. Most studies on gaming were done by casinos but independent studies by universities show an average life of land-based casinos is five to seven years. So it's a short-term gain, then employ-

ment and revenue start to decline. Then what do you do after revenues decrease? Another question is if Hollywood Park goes bankrupt at The Woodlands would they bulldoze the facility or would somebody buy it at a reduced price?"

■ Alicia Salisbury, Senate vice president, R-Topeka: "I am supportive of putting the question before the people. I think the people need to make the determination of whether they intended for the lottery to also include casino gambling. Somebody like me is more inclined to vote for that than to make the decision on my own. I voted no on gambling the last time."

"But the bigger question comes up, if we're going to have casino gambling should it be restricted to the tracks? I live where Heartland (auto racing) Park is located. Should it not have that opportunity also? But I think it's good to have a state-wide vote."

■ Ben Vidricksen, Senate assistant majority leader, R-Salina: "I think it has a good choice of actually going to a vote of the people. I've talked to a lot of people about that. Even some of the more conservative newspapers that wouldn't support gambling as such said the time has come for the people of Kansas to make the decision. They cite the fact it's draining resources from the state and they're not stopping gambling at all."

"We were within three votes last year of getting slots. And it passed the House. There's a possibility if we don't get the con-

stitutional two-thirds amendment we could try for the majority vote on slots. I personally am a strong supporter of gaming. I'm the one who handled the pari-mutuel legislation was the floor manager for it."

"I don't understand the thinking of the people against it. They're not stopping the people from gambling. They're going to take buses to Kansas City, Mo. The National Tax Association said 94 percent of the bus tourists are asking for at least one day at a casino. Casino operators in Kansas have to book tours in another state. If you don't use narrow, narrow thinking, and that's what it is, I believe the people of Kansas would support either limit gambling such as slots at the tracks or a constitutional amendment. I do not have television. That's exactly what some legislators have that oppose this issue."

■ Dick Bond, Senate assistant majority leader/whip, R-Overland Park: "I think it's going to be very difficult to get a two-thirds vote in the House and Senate in a year, but an election year makes it tougher. I have supported it and will continue to do so."

"In the Senate last session we could not get a simple majority to permit slots at the tracks. If the Indian casinos are open by the time the Legislature votes on this, it might help getting more votes for a constitutional amendment for a simple majority for slots at the tracks. I'm sure there will be a lot of different initiatives. My prediction is a two-thirds vote is unlikely. We're going to have to change some votes in order for the simple majority to pass in the senate. It already passed in the house, but barely, and it would have to pass again."

**"I can always be persuaded with facts. But unless something changes, I'll probably be a no vote."**  
— Paul 'Bud' Burke, Senate president

# Gaming

(Continued from page 1C)

■ Gerald Karr, Senate minority floor leader, D-Emoria: "I would think there would be fairly high probability that the Senate would approve allowing a vote of the people and the constitutional amendment. The Senate passed an issue like that two years ago on casinos, but it failed in the House. But this is an election year and things are real squirrely. I think the House would be a key next year. I plan to support the governor's proposal; but we could see lots of alternatives to it."

■ Dick Rock, Senate assistant minority leader, D-Arkansas City: "I'm on the interim study group and it's very apparent that group wants to have a vote. It's a very difficult question. I voted last time to try to help Wyandotte County. But I think I would vote against a constitutional amendment."

"I have seen now what gambling has done to a number of states. I visited Colorado recently. It was not a happy sight. I would not vote for any kind of a casino. I would not vote for slots for anything other than I am giving consideration to this business of saving pari-mutuel. I am absolutely convinced there are severe social consequences."

"The problem in the pari-mutuel is really two-fold. One, that's a job generator. The state has some responsibility for encouraging pari-mutuel and a great outlay of funds. But perhaps even more than that, a problem I see, is what it does to the horse industry in Kansas, which is a major industry. I don't think I was really aware of this: But simulcasting establishes a fund that is used as a kind of bonus for breeders and trainers of horses. What has happened is that all those states that surround us that have pari-mutuel

have this same policy that Kansas has; which is giving bonuses to horse that win that have been bred and trained in that state.

The problem is if you establish a horse track and all areas have that policy and your track shuts down, you're doing traumatic injury to a major industry. One of the largest trainer-breeder facilities in the world is at Independence. It's not in my district, but it's of great concern to me. If it were not for pari-mutuel, I definitely would not vote for slots. I haven't resolved I'm going to yet. I will not vote for an amendment that we would have open gambling and casinos in Kansas. I voted against the lottery every time. The lottery turns money that's there. It generates no jobs or outside capital."

■ Tim Shallenburger, House speaker, R-Baxter Springs: "I don't believe it's either right nor will the Legislature pass an exclusive right for casino gaming at race tracks. I could vote for a state-wide option. I think there is much more buoyancy for a constitutional amendment to legalize gambling on a county-option basis. The counties that voted for a constitutional amend

(See GAMING, page 6C)

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# Gaming

(Continued from page 4C)

ment would get it and the counties that didn't wouldn't get it. The caveat is that it would have to pass state-wide. I voted no on slots. I will never vote for anything that gives a monopoly. I think it is terrible that we would put in the constitution that those three tracks are the only places where gambling is going to be allowed. If we're going to gamble, gamble. But let's not give R.D. Hubbard an exclusive license in Kansas."

■ Susan Wagle, House speaker pro tem, R-Wichita: "I will vote against the legislation. I think it's a sad day in the state of Kansas when the Legislature passes legislation designed to make a handful of people extremely wealthy. What we're talking about with the bill the way it's designed now is giving a monopoly to a few people, those owning the three tracks."

If a few people can buy the entire Legislature then it's a serious problem. I'm not for casino gaming, but in this instance we've gone beyond the question of legalizing casinos. Because we're writing specific legislation to take care of a few people, some of whom don't even live in Kansas.

Also it's an election year. And in an election year, federal and state, people move to the right. But I was thinking it would get the two-thirds because of the past history. It passed the Senate two years ago and it passed the House in '95. I think there's a chance it will pass. I don't have a feel for it yet, though. The legislators aren't talking yet."

■ Vince Snowbarger, House majority leader, R-Olathe: "It's always difficult to get a two-third vote. It probably depends on how it's worded."

I'm not sure why people who wouldn't see any direct benefits would support it. I suppose it's possible if it were that broad it might get the two-thirds. The vote is to recommend gambling to the state of Kansas. It would say we give our blessing to a change. I would not support that. I'm opposed to gambling."

The casino gambling issue did not get close to a two-thirds majority in the last session. There was a majority in the House when it was linked to the lottery. I think it's going to be difficult. Just because the governor thinks that's one way to resolve it, doesn't mean the Legislature will recommend it."

■ Gary Hayzlett, House assistant majority leader, R-Lakin: "I think there possibly is enough support to

# Gaming

(Continued from page 6C)

all a vote of the people. I've never been a supporter of gambling. I haven't got a poll out of my district on how the people feel. But if they are saying let us vote, I would go along with them. I probably wouldn't vote for slots at the race tracks, if the vote of the people proposal fails."

■ Mike O'Neal, House majority whip, R-Hutchinson: "I suppose you'd have to analyze it like liquor-by-the-drink or lottery issues, which we addressed in a similar fashion. It probably wouldn't pass straight up and down by the legislators. But the second-best thing is to convince legislators you're really not voting on it, you're voting to allow the people to give their opinion."

"It's a form of voluntary initiative where the legislators will say as a body we probably don't support this issue but if the governor feels it's an important issue from the eco-

nomie development standpoint, we probably should give voters a chance. So I think a lot of legislators including myself will be polling their constituents.

"I'm personally one of those guys who thinks we've done enough bailing out of the tracks. I think this is a bail-out issue. I voted no on the slots. I would no for slots again if the constitutional amendment vote failed. The reason the proponents want this is not that it's good for Kansas, but this is they way the tracks can survive to compete with Missouri.

"I would be surprised if my particular constituency would be in favor of this issue. They may come back and say they are against it, but we'd like the opportunity to vote no on it. Then I would be for putting it on the ballot."

■ Clyde Graeber, House caucus chair, R-Leavenworth: "Yes, I think there's a good possibility, but it's going to be an uphill battle. The

governor's endorsement could very well garner the necessary votes. I'm definitely for it. It would take 83 votes of 125 possible in the House.

"I just don't know. Last year in the house we voted to allow slots at the race track and we finally got it passed with 63 votes.

"But on issues of this type we've always let the people decide. Liquor by the drink, pari-mutuel and the lottery were all decided by the people."

■ Bill Reardon, House assistant minority leader, D-Kansas City: "We passed by two votes in the House a bill for slots but it failed by two votes in the Senate. What the governor is proposing is a constitutional amendment.

"I'm not so worried about the vote of the people but it would require two thirds of the House and Senate.

"Will the governor's support bring along two-thirds when we were unable to get a simple majori-

ty in the Senate last year? That's the question. Three years ago they had two-thirds in the Senate and this year they couldn't get a simple majority.

"I hope the governor is not just going to say he's for it, but explain why it's important for the economic health not just of the Kansas City area but of the entire state. We can't afford to lose both the greyhound and horse racing industries in this state."

■ Ed McKechnie, House minority whip, D-Pittsburg: "I don't know what's different about the governor's position. I thought that's where the governor was the whole time.

"I've supported putting casinos or slot machines on the ballot for the simple reason there are tremendous pressures in the state to have this question resolved. It's clear the Legislature is not going to resolve it..

"I think we ought to put it before

the people with the clear message that if they defeat it, we're not going to discuss it again. If the governor is serious about what he's saying, it could pass with the required two-thirds.

"But he has to be active. He can't just sit back and say I support this. He's going to have to convince some legislators."

■ Bruce Larkin, House agenda chair, D-Baileyville: "I've supported it in the past and expect to continue to do so."

■ Pat Pettey, House caucus chair, D-Kansas City: "I'm very happy the governor is backing a constitutional amendment. But it's going to take a lot of constituents in Johnson County calling their legislators to get them to change their votes.

"I'm more optimistic, but there's such a conservative air in the House and Senate. I think the simple majority for slots might have to be an alternative."

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## Editorial Opinion

### The stupid tax

#### *Slots just another revenue source*

If members of the Kansas Legislature were seriously considering a new tax that would suck millions of dollars out of the pockets of individuals — who, in many cases, can least afford it — people would be up in arms.

Or would they?

Such a thing is exactly what many otherwise responsible Kansas elected officials are considering as they ponder allowing slot machines, or worse, to shore up the state's tottering race track industry.

When Kansas legalized bingo, and later authorized a state lottery and pari-mutuel betting, officials could reasonably argue, as many of them did, that it was because the people of Kansas wanted to play those games.

Or at least we thought we wanted to play them. Bingo is still popular for many, and the lottery plugs away. But the state's race tracks have proven to be less than successful, both for their owners and for state tax collectors.

And today the outcry for legalized slots or other new gambling comes not from recreation-minded citizens but budget-minded lawmakers.

Make no mistake. If Kansas legalizes slot machines, and perhaps moves on to ape Missouri and other states in authorizing real casino gambling, it will do so not because the people want it, but because the government does.

The government will want it because it is a way to reach into our pockets without causing us to complain.

But not without causing us pain. Money that people squander on

gambling is not money added to our state's economy. It is money stolen from it. It is money people don't use to buy everything from milk to cars, money people don't spend at the bowling alley or the movie theater.

Except in the most economically depressed areas — Indian reservations, perhaps — the jobs created in the industry are not that important, or particularly stable.

And it all comes at a great cost.

Earl Grinols, a professor of economics at the University of Illinois, figures that the social costs from gambling range from \$110 to \$338 per adult. The economic benefits — including tax dollars to government — usually are less than \$110 per adult.

If Kansas had decided to go down this road 10 years ago, it might be able to fleece suckers from neighboring states, perhaps from as far away as Chicago and Texas. That would make gambling a net benefit for Kansans.

But it is too late. Other states have beaten us to the punch. And even they are finding that people are wising up and doing other things with their money.

A casino being built in Louisiana, after a long fight to legalize gambling there, declared bankruptcy even before it opened.

Taxes paid by gamblers, it might be argued, are voluntary taxes. They allow lawmakers and bureaucrats to take the credit for spending more money without having to take the blame for raising taxes on those unwilling to pay.

A more accurate description would be that government revenue from gambling is a stupid tax. And that's a dirty way to raise money.

HOUSE TOURISM COMMITTEE  
TESTIMONY BY CHARLES M. YUNKER  
ADJUTANT, KANSAS AMERICAN LEGION  
GAMING IN KANSAS  
MARCH 18, 2002

Thank you for providing me the opportunity to appear before you today. I am Charles Yunker, State Adjutant of The Kansas American Legion.

On February 25 I testified before you on behalf of The American Legion and Darrell Bencken of the Veterans of Foreign Wars, as well as the Kansas Sunflower Club Association whose members include local temples, lodges and councils of the Eagles, Knights of Columbus, Elks, Moose, Shrine, VFW and The American Legion. My testimony on that date outlined the consensus of our organizations in that we wished to be included in any legalization of slot machines in Kansas.

We felt then, and continue to feel, our suggested parameters permitting slot machines in our private non profit veterans and fraternal organizations were consistent, fair and had simply made sense as a means to protect and perhaps expand upon the local charitable programs our organizations provide in our local communities.

In order for a veterans or named fraternal organization to qualify for slot machines we suggested the following parameters, or if you prefer, requirements:

- (A) To have existed for at least five years.
- (B) To own their own facility, or have a long term lease on a facility.
- (C) To have a current Class 'A' non profit private club license issued by the State of Kansas.
- (D) To be allowed a maximum of 5 slot machines plus one machine per 50 members of the local Post, Council, Temple, or Lodge for use of their bonafide members and their members' guests as per the

House Tourism Committee  
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Attachment 25

Department of Revenue's Alcoholic Beverage Control's rules and regulations.

- (E) Such machines must be placed within the confines of their private Class A Club which is not open or available to the public.
- (F) That a county option be included.
- (G) A portion of the proceeds be deposited with the State Treasurer for the exclusive use of building and maintaining the Kansas Veterans Cemetery System.

We believe the parameters I've just outlined will place non profit veterans and fraternal organizations on somewhat equal footing with the tracks who have plans for 2000 machines in Kansas City, 1500 in Wichita and 1000 in Pittsburg.

It is difficult to testify on any specific bill today because I have not been able to obtain a copy of the latest version of the slot machine bill. However I have heard several rumors and I would like to take a moment or two to make some comments.

First, I understand that the fraternal organizations have been removed from consideration. I urge you to restore those organizations who do so much in their respective communities. The Shriner's Crippled Children's program for example, or the Knights of Columbus basketball program. The list goes on and I urge you to include the following organizations: Fraternal Order of Eagles, Loyal Order of Moose, Benevolent Protective Order of Elks, Knights of Columbus and the Ancient Arabic Order of Nobels of the Mystic Shrine in addition to 501(c)(3)(19) veterans organizations. Simply put, increased gaming without including those organizations will be a death blow to the programs each sponsors in their communities.

Next I understand there is to be a cap on the maximum number of machines allowed in veterans Post Homes, and at the same time our suggested 1 additional machine per 50 members has been lowered to a 1

to 35 member ratio. To me those two changes seem to conflict with each other whereas one restricts the number of machines and the other provides for additional machines at a greater rate. I do not understand fully why veterans organizations are to be restricted in the number of machines they are permitted and the tracks are not. But that is a compromise we are ready to live with so long as the number does not go below a maximum of 50 machines. WE remain convinced a "1 machine per 50 members" for additional machines is a more workable ratio.

If I understand correctly the current version of the bill would provide a different type of machine for our organization than what is permitted at the tracks. If that is true, we can not support the bill. There is no reason why our legitimate non profit organizations, some of which have been in existence for over one hundred years, should be treated any differently than the tracks. Frankly it is a bit of an insult to be treated less than the tracks. We are legitimate local non profit organizations whose ownership includes every member of our organization. No one member owns more of the organization than any other member. With very rare exceptions no member receives a salary or other compensation from their local organization and in those cases where they do receive a salary it is for accomplishing specific tasks such as being a secretary, bartender, etc.

Further, the creation of two classes of machines can only serve to confuse the issue. All the machines are to be connected to the state's computer; so why have two different machines? If it is a security issue, that can be solved by rules and regulations including 24 hour a day video monitoring. There is not a legitimate reason to have different types of machines in our organizations than at the tracks and I ask you to strike that provision.

In closing I ask you to permit 501(c) 19 veterans organizations and the fraternal organizations I've identified today the opportunity to

offer their members slot machine gaming, in addition to Kansas' horse and dog tracks. Even those Posts and Lodges that are not interested in slot machines are supportive of our efforts in that they believe the opportunity should be available to non profit veterans and fraternal organizations.

# KANSAS THOROUGHBRED ASSOCIATION



For the past three years no other group has worked any harder than the horse industry to get a "slots bill" passed. We have seen what it has done for the horse racing industry in other states.

**President**  
Dwight Daniels  
785-738-3749

The pari-mutual horse racing and breeding industry in Kansas has been devastated these past

**Vice President**  
David Assmann  
913-441-0148

few years by the casinos across the river and by the casinos within our own state.

In January after extensive discussion with our membership at the annual convention, the Kansas Thoroughbred Association's Board of Directors voted to support the track owners' slots bill which provided a minimum of 3.5% to the horses to be used for purses and the breed program.

Live racing at The Woodlands, Eureka Downs and Anthony Downs stimulate millions of dollars in tourism and indirect spending in these areas annually. I ask that you support live horse racing in Kansas by helping to provide the money needed for purses.

Purses paid to Kansas horse owners are an essential source of income. It is estimated that for each million dollars in purses paid to Kansas owners, approximately 30 jobs are created or supported in the horse industry and a total of approximately 70 jobs are created or supported in the state's overall economy.

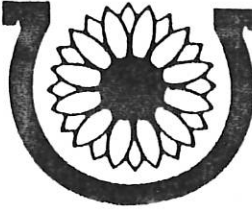
We have already seen the gradual migration out of Kansas by people, horses and money as other states support their horse industry with their slots dollars. Every mare and stallion that leaves our state means Kansas dollars supporting agriculture in another state. Let's keep our dollars in Kansas.

The horse industry is a major agriculture industry in the state that supports more traditional agricultural production by the purchases of hay and feed grain supplies. Horse owners generate considerable economic impacts as well, through their investments in facilities, equipment and supplies that support their professional and recreational uses of horses. With the passage of a slots

House Tourism Committee  
Meeting Date 3-18-02  
Attachment 26

George L. Smith, Executive Director  
215 Monroe, Fredonia, Kansas 66736 • 316-378-4772

# KANSAS THOROUGHBRED ASSOCIATION



bill that the tracks and the horse industry can support, you would see the number and quality of horses in Kansas increase, as well as the investments supporting those horses.

**President**  
Dwight Daniels  
785-738-3749

On an annual basis, horse racing and breeding, along with horse racing tourism in Kansas,

**Vice President**  
David Assmann  
913-441-0148

could account for millions of dollars in direct and indirect sales and thousands of additional jobs in Kansas.

The pari-mutual tracks in Kansas help support the horse racing and breeding industry in Kansas. We need the tracks' continued support. We do not believe that asking for a minimum of 3.5% is out of line.

We need the 3.5% to support horse racing and breeding, an important segment of Kansas agriculture.

Let's keep our dollars at home.

*Dwight Daniels*  
*President*  
*Kansas Thoroughbred Assoc.*

# LEGISLATIVE TESTIMONY



*The Unified Voice of Business*

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HB 2890

March 18, 2002

## KANSAS CHAMBER OF COMMERCE AND INDUSTRY

Testimony Before the  
House Local Government Committee

by

Jim Edwards  
Senior Vice President

Chairman Beggs and members of the Committee:

I thank you for the opportunity to provide this testimony on HB 2890, a measure which would allow for a county option vote for electronic games of chance to be played at state licensed pari-mutuel horse and dog racing facilities in Kansas and other selected sites in Kansas.

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

KCCI is comprised of more than 2,000 businesses which includes 200 local and regional chambers of commerce and trade organizations which represent over 161,000 business men and women. The organization represents both large and small employers in Kansas, with 48% of KCCI's members having less than 25 employees, and 78% having less than 100 employees. KCCI receives no government funding.

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

First, let me clearly state KCCI's position as it relates to the issue of electronic games of chance. The Kansas Chamber of Commerce and Industry supports allowing pari-mutuel facilities in Kansas to operate electronic games of chance and has been on record with that position since 1995.

House Tourism Committee

Meeting Date 3-18-02

Attachment 27



The position was originally adopted so that these state licensed pari-mutuel facilities could operate on a level playing field with other electronic gaming interests in Kansas and in surrounding states and to help protect the existing dollars coming into the State Gaming Revenues Fund (SGRF) and then making their way into job creation and enhancement projects in the state through the Economic Development Initiatives Fund (EDIF). Since 1995, these facilities have been forced to compete in a market without having access to all of the products necessary to be competitive in that market.

I appreciate the opportunity to present this testimony supporting the provisions in HB 2890 which would permit electronic games of chance at state licensed parimutuel sites in Kansas and would be happy to answer questions.

**Tourism Committee of the House**  
Carol Beggs, Chair

**Testimony on House Bill 2890**  
E. "Stoney" Wages, Executive Director  
Kansas Commission on Veterans' Affairs

March 18, 2002

Mr. Chairman, Committee members and others, thank you for allowing me a brief moment to testify on this House Bill regarding gaming. My name is Stoney Wages and I am the Executive Director for the Kansas Commission on Veterans' Affairs (KCVA). The KCVA serves as advocate for 245,000 veterans, which represents approximately 10% of the State's population. We are charged with operating various veterans services programs, which include the State Veterans' Cemetery Program and two State veterans' nursing homes.

The 1999 Legislative Session passed Senate Bill 19, which authorized the KCVA to establish four State veterans' cemeteries. While federal dollars are available to build these cemeteries, perpetual care rests with the State. Full time employees (FTE) will be required to operate these cemeteries in a manner befitting the veterans who will use these sites as their final resting place. The current KCVA budget does not contain the FTE to provide the personnel to implement this on-site function. We will open the cemetery at Fort Dodge for burials in September of 2002. The site at WaKeeney is on track for the summer of 2003.

The original language in House Bill 2890 includes 8% towards the State veterans' cemetery fund. We have testified before other committees that a new source of revenue, "new money" is essential for the operation of our four State veterans' cemeteries. We have gone on record to state that the Commission is not a major proponent for gaming. However, if it were the will of the State to approve gaming, then we would respectfully request that a percentage of the revenue be earmarked annually to sustain the operation of the Kansas State Veteran's Cemetery Program. I would ask that you continue to support that percentage and that any excess dollars within that 8% from gaming be retained by the KCVA to be used for other veterans programs, including our State veterans' nursing homes.

State Veterans' Service Organizations of Kansas, KCVA staff, and Commissioners have visited the Missouri State Veterans' Cemeteries, which are funded largely with money, derived from the Missouri gaming program. These cemeteries are a true tribute to the veteran citizens of Missouri, and Kansas should provide no less. Thank you.

House Tourism Committee  
Meeting Date 3-18-02  
Attachment 28

# BRAD SMOOT

ATTORNEY AT LAW

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Statement of Brad Smoot  
Legislative Counsel  
Kansas Racing, L.L.C.  
to the  
House Tourism Committee  
Regarding 2002 House Substitute for HB 2890

March 18, 2002

Mr. Chairman and Members:

On behalf of Kansas Racing L.L.C., owner of The Woodlands, we are pleased to have an opportunity to comment on House Substitute for HB 2890. We wish to thank the subcommittee for spending so many hours discussing the complex issues surrounding the gaming business. We appreciate the numerous opportunities we were given to provide technical assistance and comment. With a few exceptions, House Sub for HB 2890, is a much more workable piece of legislation and more consistent with the constitutional and practical requirements necessary for success.

We encourage the full committee to amend and advance House Sub for HB 2890 for debate and action by the full House. We suggest the following amendments:

1. Reduce the number of weeks of live racing from 49 to 48. We need four weeks off for maintenance and repairs each year. Simulcast parimutuel wagering is currently allowed during weeks when live racing is suspended and gaming machine wagering should also be permitted during this time. If such wagering were not allowed during this time, the state would lose 1/12 of the net gaming revenues it is expecting from this venture.

2. Substitute the statutory "splits" contained in HB 2987 for those currently in House Sub HB 2890. Cities and breed groups should get a larger share of the revenues than the bill now permits. And, for track owners who are expected to invest millions of dollars in improvements and take all the risk of this venture, the 63.5% remainder is insufficient.

While we understand and support the state's right and obligation to reap the most revenue possible from this legislation, not providing the operator sufficient operating margins will prevent adequate capital investment and not allow us to compete with neighboring casinos which pay far less in taxes (tribals = 0; riverboats = 29.5%). Under the bill as now crafted, The Woodlands would not be inclined to invest, and lenders would not be inclined to lend, the millions of dollars necessary for facility improvements.

House Tourism Committee

Meeting Date 3-18-02

Attachment 29

Our projections for statewide revenues of \$350 million to \$400 million were predicated on making The Woodlands an attractive and competitive gaming site, comparable to the Missouri riverboats. This is not possible with a "gross receipts" tax in excess of 36.5%. Please remember that in addition to the 36.5% "off the top," owners will be required to pay the following additional taxes and assessments: Parimutuel gaming taxes; corporate income taxes; state and local sales taxes; property taxes; costs of the central computer system, which are unspecified and unlimited, but estimated to be 1% to 4%; \$60 per point for Kansas greyhound winners; various audits, licenses and security checks. The "effective tax rate" of House Sub for HB 2890 is obviously far greater than even the 36.5% indicated in Section 8. Consequently, the amount remaining for operations and capital investments is far less than 63.5%.

In the long run, state government would be far better off with a 21% state share (Missouri state government only gets 18%) generating \$100 million from The Woodlands (\$21 million) than a 26% share of \$50 million (\$13 million). Simply rolling in a few hundred slots machines at existing parimutuel facilities will not generate the income lawmakers are anticipating. Frankly, we would be very fortunate to generate even \$50 million in our market without substantial capital investment. Our competitors are presently investing more than one hundred million dollars to upgrade their facilities to remain competitive. The Woodlands will not be able to do so under the bill as currently written.

Thank you for consideration of our views.

# Gaming Issues

## 2002 Legislative Session

House Tourism Committee

Meeting Date 3-18-02

Attachment 30

## Section I

*What are the issues associated with gaming in  
Kansas?*

## Kansas Gaming Issues

### *Are we expanding gaming in Kansas?*

Legislation that passed in the mid to late 70s to allow lotteries was due mainly in response to wide spread illegal gambling. The Woodlands, a pari-mutuel facility, in Kansas City, Kansas operates in the \$580 million Kansas City, Missouri gaming market where 38% of the people live in Kansas. Directly north of the Capital City, are four Indian Casinos that operate year round, with the first operation opening in May of 1996. The invention of the Internet brought forth exposure to the whole world with out leaving the comfort of your desk chair in front of your PC. This also meant an expansion for many companies including online casinos that have been around also since 1996. Kansans have been exposed to gambling for many years. The Kansas Lottery has been one form of legal gambling for over a decade and is still going strong today with the passing of the renewal of the lottery by the 2001 Legislature. According to the Public Sector Gaming Study Commission, "A realization of today's society is that gambling is inevitable mainly due to the majority of Americans practice or tacitly endorse the institution of gambling."

**Given the many opportunities to gamble, illegally and legally, in Kansas, including slot machines at the Pari-Mutuel facilities is not an expansion of gambling but rather an opportunity to better regulate, control and benefit from gaming that already exists in Kansas.**

### *Do Lottery revenues go down with increased gaming?*

In comparison to Missouri and Iowa, Kansas's closest and most comparable markets, Lottery Revenue have continued to increase with the introduction of other gaming options. **Both states' lotteries have seen solid and steady sales since the introduction of destination casinos to Missouri and Iowa. Even our own Kansas Lottery has seen steady increases in sales with the on set of casino gaming in the Topeka and Kansas City markets.** It is important to compare apples to apples and oranges to oranges. In the tourism committee on the 25<sup>th</sup> of February 2002, Rep Mason asked Mr. Van Petten about the expected affect that legislation or legislation of this nature has had in other states. Mr. Van Petten's response was, something to the effect that, (when video lottery is introduced into a market, revenues from traditional lottery games go down.) In most cases, when video lottery is introduced into a market, lottery retailers are equipped with video lottery terminals in a "convenience gambling" setting. That is not what we are speaking of in House Bill 2890, nor is this what they have done in Iowa or Missouri.

### ***Does Casino gambling hurt the local economy?***

Several studies have found that the only time existing businesses were negatively affected was if an established tourism industry had already been established within the market area. In all other cases the amount of people that come to the casinos helped to establish destination markets creating a demand for other service oriented and entertainment businesses. Therefore, locally owned restaurants, hotels, and other attractions will be aided by the presence of the destination casinos. The casinos themselves bring in many new jobs and gaming career opportunities for service industry workers. **Studies show, destination casinos provide a solid foundation for which a healthy tourism economy can be built. Casino gaming has also proven to improve employment opportunities bringing down the number of welfare dependents.**

### ***Are there only so many tourism/entertainment dollars to go around?***

On the 20<sup>th</sup> of February 2002 the Tourism Committee heard that in Kansas there were a limited amount of entertainment dollars to be spent. That statement is contrary to several tourism studies, including the *Young Nichols Gilstrap, Inc (YNG)* study done for Kansas in 1998. The YNG study goes on to say that, **"Instead of competing internally for shares of the 'pie', Kansas needs to compete externally and cooperate internally to grow the pie."** Kansas does not even need to attract more tourists to have a significant increase in tourism revenue. YNG says, Kansas attracts its pro rata national market share of (1%) of the quantity of visitors. However, it only attracts (0.6%) of total spending. This suggests the state is not attracting its share of quality visitors (visitors that are not just passing through). The fact of the matter is; casinos alone could attract more visitors to Kansas, but even if they just keep some of our current travelers in Kansas longer we would benefit significantly. **The tourism 'pie', therefore, is an amount that can be expanded.** It is then fair to conclude, that if a destination casino increases the leisure travel spending by just (.1%), it is a huge gain when put into perspective. For each (.1%) increase in leisure travel spending an additional \$262.5 million will be spent. Furthermore an increase in just 100,000 of these 'quality visitors' would have the potential to increase the tourism spending by **\$50 to \$100 million** annually.

### ***What should the effective tax rate be?***

This year because of the shortfall in revenues greater emphasis has been placed on how much revenue the state should receive from gaming revenues. Given the fact the state must "operate" the gaming industry in Kansas it is understood that technically we are talking about sharing of revenues, not a tax.

**That being understood, revenue that comes out of the net machine revenue for various reasons, including the state, for all practical purposes is a tax on gross revenues.** A tax taken out before employees are paid, before equipment is purchased, a tax taken out before all of the other operational costs and capital investments are made. **These facilities will still pay state and federal income tax, property tax and sales tax. We tax no other business at this level.**



The gaming industry is a very competitive industry. To maximize revenues to the state and others interested in a share of the slot machine revenue it is important that we have a competitive model. That requires first-rate facilities, equipment and service. Not to mention advertising and promotion. If gaming is going to be successful for any of the parties involved we are going to have to compete with the facilities north of Topeka and the facilities across the river. The best way to do that is through private business with a competitive tax. **This business like other businesses is much more valuable for the economic activity it creates rather than the tax it pays.**

***What of the problem and pathological gamblers?***

A case can be made that given the amount of Missouri, Indian, Internet, and Illegal gaming that is present; there is no program to adequately address the current problem or pathological gamblers. Given this information, we then have the issue of gambling addiction without the means to effectively handle and treat this type of addiction. A Gambling Addiction like any other type of addiction is an unfortunate common phenomenon of today's society. **The legislation proposed has earmarked moneys that will, for the first time in Kansas, provide the State with the necessary means to provide programs rather than just a hot line to deal with our problem or pathological gamblers.** These categories of gamblers, which exist in the State today, will other wise go untreated.

## Section II

*Will Lottery revenues decrease?*

*Both states' Lotteries (Iowa and Missouri) have seen solid and steady sales since the introduction of destination Casinos.*

# IOWA LOTTERY SALES



## Sales Wrap-up

Total sales were strong during the first three quarters of the fiscal year, but sank in the last two months of fiscal year 2000 as gasoline prices soared. The decline in May and June caused the lottery's sales to sink 3 percent for the year and profit to decline by 2 percent.

However, the Iowa Lottery continued to benefit the state as it transferred more than \$44 million to the state's general fund during fiscal year 2000. Those transfers to the state exceeded the lottery's projections of \$43 million anticipated by the state budget to be transferred.

The size of Powerball jackpots also figured into the results for the fiscal year. Fiscal year 1999 saw two record jackpots and this fiscal year saw only one large jackpot (\$150 million in March 2000).

## Lottery Funds Sent to General Fund

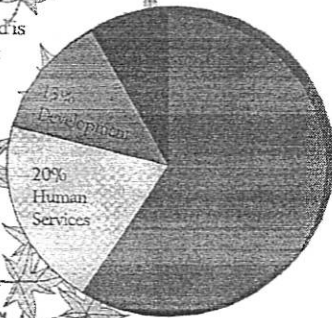
Iowa's general fund is allocated this way:

59% Iowa's K-12 and higher education systems

20% Iowa's human services, health and human rights programs

13% Iowa's agriculture, economic development, natural resources and other state activities

8% Iowa's attorney general, corrections, CBS district inspection and appeals, judicial branch, Law Enforcement Academy, Board of Parole, public defense and public safety



## Sales By Product By Fiscal Year (in millions)

Fiscal Year	Instant	Lotto	Multi-State (Powerball)	Pull-tabs	Cash Game	Dream Draw	Daily Millions	Cash Life	Pick 3	Freeplay Replay
FY86	\$77.6	\$4.1								
FY87	72.9	21.6								
FY88	59.8	47.0	6.4							
FY89	72.6	18.8	30.8							
FY90	68.3	12.6	38.8							
FY91	75.5	11.8	27.5		\$2.7					
FY92	85.7	36.6	23.9		21.0					
FY93	96.6	24.3	38.1		36.9					
FY94	99.2	17.8	44.5		35.5					
FY95	103.9	12.6	48.9		32.1					
FY96	95.7	14.5	41.0		28.7					
FY97	94.2	10.2	32.9		25.8		\$6.1			
FY98	90.6	7.8	37.3		26.9		3.9	\$2.2		
FY99	91.0		51.8		28.6		4.2	4.2		3
FY00	90.3		48.0		27.2		3.3	4.9		

\*IOWA LOTTERY SALES

Year	Instant	Lotto	Pball	PTabs	CGame	Draw	DMill	C4life		FPlay	Total
FY86	77.6	4.1									81.7
FY87	72.9	21.6									94.5
FY88	59.8	47.2	6.4	10.6							124
FY89	72.6	48.8	30.8	20.2							172.4
FY90	68.3	42.9	38.8	18.3							168.3
FY91	75.5	34.8	27.5	17.6	2.7						158.1
FY92	85.7	26.6	23.9	21.0	9.0						166.2
FY93	96.6	24.3	38.1	36.9	11.1						207
FY94	99.2	17.8	44.5	35.5	10.0						207
FY95	103.9	12.6	48.9	32.4	9.7						207.5
FY96	96.7	14.5	41.0	28.7	9.0						189.9
FY97	91.2	10.2	32.9	25.8	6.4	1.0	6.1				173.6
FY98	90.6	7.8	37.3	26.9	5.0	0	3.9	2.2			173.7
FY99	91.0	0	51.8	28.6	4.8	0	0	4.2	3.8		184.2
FY00	90.3	0	48.3	27.2	4.9	0	0	3.3	4.1	.4	178.5

First excursion boat gambling began in April and May of 1991. (Dubuque Casino Bell Inc., Emerald Lady, Diamond Lady in Bettendorf, President in Davenport) -June 12 Mississippi Belle II in Clinton began operation.

In 1992 three Indian casinos started.(Winnebago-April 30,Omaha-June 22,Sac and Fox-December)

Since the beginning of casino gaming in Iowa the number of facilities has grown to 10 excursion boats, three racetrack casinos and three Native American Indian casinos. Lottery sales have never slumped below the pre casino level of \$158.1 million.

\*Robin Jennison- Information from Iowa Lottery Sales 15 year wrap up and Chronology of the Iowa Racing and Gamin Commission



**WHERE THE MONEY GOES**

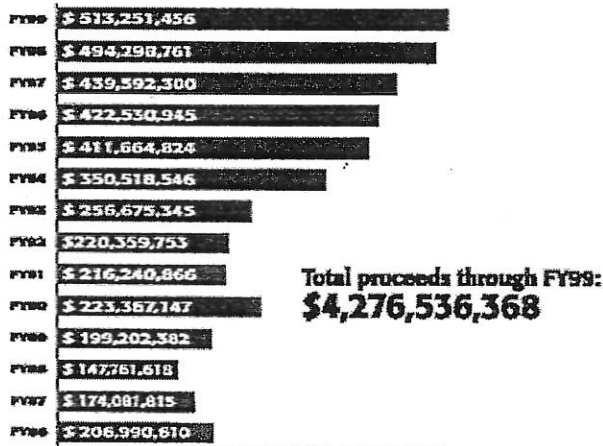
More Options...

**Sales History**

More than \$2 billion in prizes, ranging from \$1 to \$30.1 million in cash, have been awarded to Missouri Lottery players since the Lottery began in 1986. One hundred fifty-six Missouri Lottery players have become millionaires, winning instant and number game prizes ranging from \$1 million to \$69 million. In all, more than \$1 billion in jackpot prizes have been awarded.

Nearly 500 Missouri Lottery Powerball players have won \$100,000 and nearly 900 players have won \$25,000 tax paid playing SHOW ME 5.

**Missouri Lottery Sales History**



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 Question? Comment? Feel free to contact us [ahvcbmail@molottery.com](mailto:ahvcbmail@molottery.com)

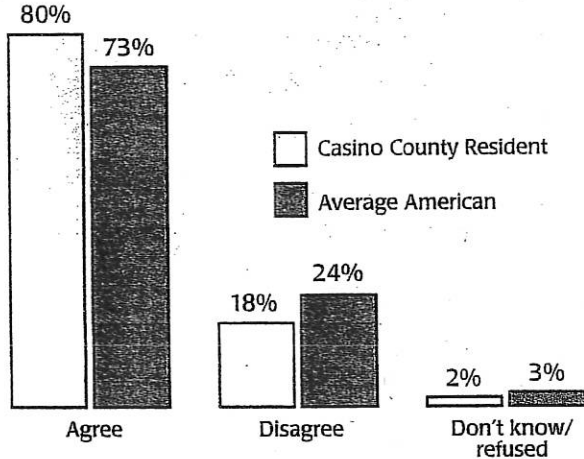
## Section III

*Will the local economy suffer?*

*Destination casinos provide a solid foundation  
for which a healthy tourism economy can be  
built.*

## VITAL TO TOURISM

"A casino can be an important part of a community's entertainment and tourism options."

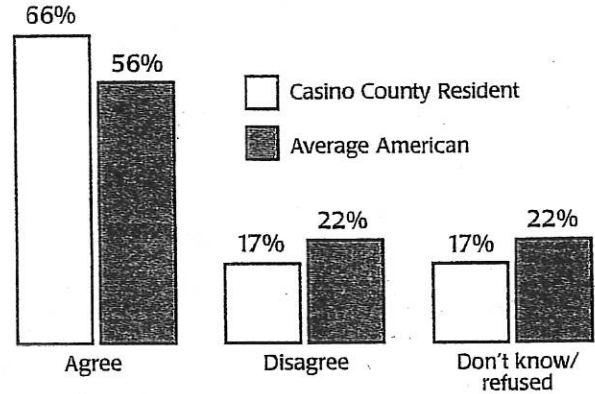


Source: Hart/Luntz

A vast majority of casino county residents value casinos as an important part of a town's tourism industry. Nearly three-fourths of average Americans agree.

## MAKING COMMUNITIES BETTER

"Thanks to revenues from casinos, local communities have more money to pay for roads, schools, hospitals and other projects."

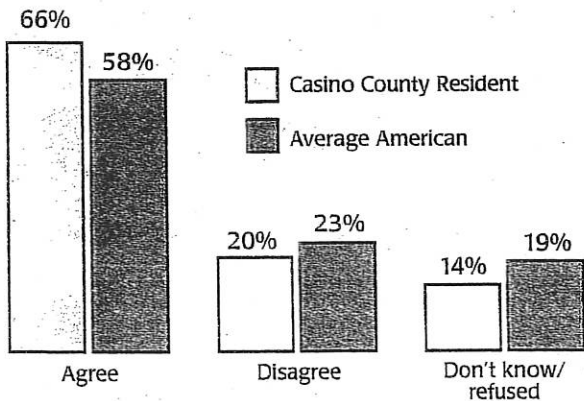


Source: Hart/Luntz

Two-thirds of casino county residents say casinos have improved their neighborhood by increasing funding for local improvements.

## INCREASED EMPLOYMENT OPPORTUNITIES

"Local communities with casinos have more job opportunities and less unemployment."



Source: Hart/Luntz

Fully two-thirds of casino county residents say casinos have decreased unemployment and created more jobs where they live.

"The casino industry has brought profound positive change to our community... [O]ur future did not look bright in 1994. Today, we have over 10,000 people working in the food service, security, administration and other career fields that provide rewarding and challenging jobs. The gaming industry compliments all other aspects of our community and contributes greatly to the quality of life here. Our experience is a true success story."

Don Pierson

Executive Director, Greater Bossier Economic Development Foundation (La.)

# Economic Impact

The economic impact of the commercial casino gaming industry continued to spur local economic growth in 2000. The nearly \$25 billion industry employed more than 370,000 individuals, and these employees made more than \$10.9 billion in wages (including tips and benefits), nearly \$1 billion more than in 1999. Casino employee spending channeled these wages back into the local economy, spurring additional job growth and consumer spending.

Tax revenue from casinos also helped local communities prosper in 2000. The nearly \$3.5 billion in tax revenue contributed by commercial casinos was responsible for construction of new roads, schools and hospitals; enhancement of local emergency services; development of parks and recreation areas; and other quality-of-life improvements.

The following figures are for calendar year 2000, except where noted. The towns and cities marked on the state maps indicate where casinos are located.

## COLORADO

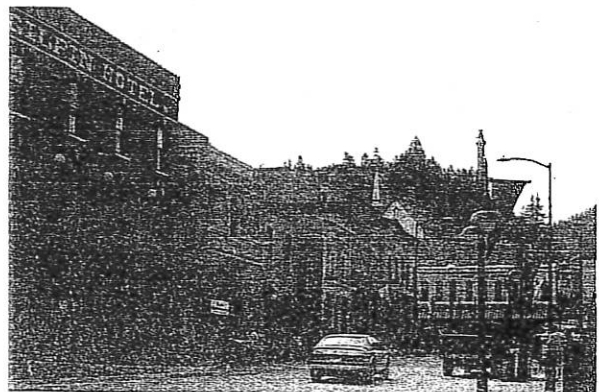
Current # of Operating Casinos	43	<div style="border: 1px solid black; padding: 5px; text-align: center;">                 Central City ♦                  Black Hawk ♦                  Cripple Creek ♦             </div>
Gaming Format	Land-based (limited stakes)	
Casino Employees	7,669	
Casino Employee Wages	\$189.5 million	
Gross Casino Gaming Revenue	\$631.8 million	
Gaming Tax Revenue	\$82.1 million	
How Taxes Spent	Local communities, historic preservation, general fund	
Legalization Date	November 1990	
First Casino Opening Date	October 1991	
State Gaming Tax Rate	Graduated tax rate with a maximum tax of 20% on gaming revenue	
Mode of Legalization	Statewide vote, legislative action	
Visitor Volume	Data not available	

Sources: Colorado Gaming Control Board, Casino Owners Association of Colorado

“Gaming has been probably the greatest thing that’s happened to historic preservation in the state of Colorado as a whole in the last 20 years.”

Lane Iltelson

Colorado Historical Society





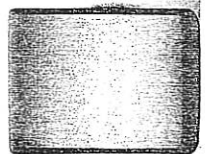
“The local casinos have provided great contributions to Kansas City including providing funds for the construction of Richard L. Berkley Riverfront Park and working to assist minorities and socially disadvantaged groups.”

William Johnson  
Chairman, Port Authority of Kansas City (Mo.)

## MISSOURI

<b>Current # of Operating Casinos</b>	11	
<b>Gaming Format</b>	Riverboat (continuous boarding)	
<b>Casino Employees</b>	10,339	
<b>Casino Employee Wages</b>	\$275 million	
<b>Gross Casino Gaming Revenue</b>	\$997.7 million	
<b>Gaming Tax Revenue</b>	\$304 million	
<b>How Taxes Spent</b>	Education, local public safety programs, compulsive gambling treatment, veterans programs, early childhood programs	
<b>Legalization Date</b>	August 1993	
<b>First Casino Opening Date</b>	May 1994	
<b>State Gaming Tax Rate</b>	20% tax on gross gaming revenue, \$2 per patron admission fee per excursion, split between home dock community and the state	
<b>Mode of Legalization</b>	Approved via statewide vote, local option vote and legislative action	
<b>Admissions</b>	24.9 million	

Sources: Missouri Gaming Commission, Missouri Riverboat Gaming Association



# KANSAS TOURISM STRATEGY

## II. THE IMPORTANCE OF TOURISM FOR ECONOMIC DEVELOPMENT

### A. OVERVIEW

Through YNG's strategy work, the firm continues to gain a greater appreciation for the mutually beneficial impact tourism has on other forms of economic development. Just as escalating competition is transforming the tourism industry, so is it changing all forms of economic development. Many regions believe that economic incentives (such as tax breaks, infrastructure commitments, etc.) are required to lure new businesses to their areas, but these incentives alone may not be sufficient under current competitive conditions. Most areas are now looking for other ways to compete. A focus on quality of life strengths, for example, can dramatically elevate a state's ability to compete. As competition escalates, economic development organizations find they must move from a passive selling mode--accepting existing strengths

and weaknesses as a given--to a newer, more proactive strategy.

Tourism can often be a vital part of proactive economic development strategies. Visitors to a market exert an influence that goes far beyond the most visible impact on hotels, restaurants, etc. In reality, the annual visitor base can be substantial--the number of tourists can be as much as 20 to 30 times larger than the resident population base. If managed correctly, this tourism flow can translate to substantial economic impact, and even farther reaching effects. This flow of tourists should be recognized as potential employers, employees, home buyers and influencers of future economic development. In a sense, tourism helps market the community for many purposes each time it brings a visitor to town.

## VISITOR/POPULATION RATIO

(000)

	<u>Kansas</u>	<u>Las Vegas</u>	<u>Orlando</u>	<u>Metro Phoenix</u>
<b>Number of Annual Visitors</b>	26,400 (f)	29,600 (a)	36,382 (d)	11,560 (b)
<b>Population</b>	2,565 (e)	1,100 (a)	1,429 (d)	2,564 (c)
<b>Visitor/Population</b>	10.3x	26.9x	25.5x	4.5x

- (a) Source: Convention & Visitors Bureau. 1996 data for visitors and Clark County population.  
 (b) Travelscope 1995  
 (c) Arizona Business Newsletter (3/97)  
 (d) Source: Convention & Visitors Bureau, 1995 data for visitors and 1996 data for metro (three county) population  
 (e) Source: U.S. Bureau of the Census. 1995 population  
 (f) Kansas Travel, Tourism & Film Economic Impact & Marketing Results (August 1996). DKS&A data for 1995

What is the status of Kansas tourism today? United States Census Bureau statistics show Kansas currently has approximately 1 percent of the U.S. population. Contrary to the perception of many, the Sunflower State also captures its pro-rata share (1 percent) of both the total number of domestic leisure travelers and the total number of business visitors. This is an impressive number of visitors.

Business and leisure visitor travel patterns, however, indicate Kansas is currently missing major economic opportunities by failing to capture its pro-rata share of both leisure and business travel spending.

Therefore, while Kansas captures its share of the **quantity** of domestic leisure travelers, it is not capturing its share of the **quality** of visitors (0.6 percent of leisure travel spending). And while the state is host to 1 percent of the total number of business travelers, it receives only 0.8 percent of spending by the domestic business travel market.

Implementing strategic steps to help Kansas receive its pro-rata share of visitor spending offers tremendous potential. For each 0.1 percent increase in domestic leisure travel spending, an additional \$262.5 million would be spent each year. Such an objective is not difficult when one considers the large impact that a relatively small number of visitors can make. An increase of just 100,000 higher value visitors has the potential to increase tourism's direct spending in Kansas by \$50-

\$100 million annually. This increase is roughly equivalent to the number of people required to fill a large football stadium, the number of people attracted by a large business hotel or two to three large resort hotels on an annual basis.

## KANSAS TOURISM MARKET SHARE -- 1996

	National Market Share		
	Leisure	Business	Total
Population (a)	NA	NA	1.0%
Number of Visitors (b)	1.0%	1.0%	1.0%
\$ Economic Impact (b)	0.6%	0.8%	0.7%

(a) Source: U.S. Bureau of the Census. 1995 Kansas population of 2,565,000; 1995 U.S. population of 262,755,000  
 (b) Source: D.K. Shifflet & Associates. Estimate of 1996 direct financial impact of tourism for 50 states plus Washington D.C. Excludes transportation expenditures (ahma.com). Kansas' tourism economic impact of \$2,545 million (business \$952 million; leisure \$1,593 million).

## INCREMENTAL IMPACT

### Annual Economic Impact

◆ Each 0.1% increase -- leisure travel \$262.5 million

### Annual Visitor Impact

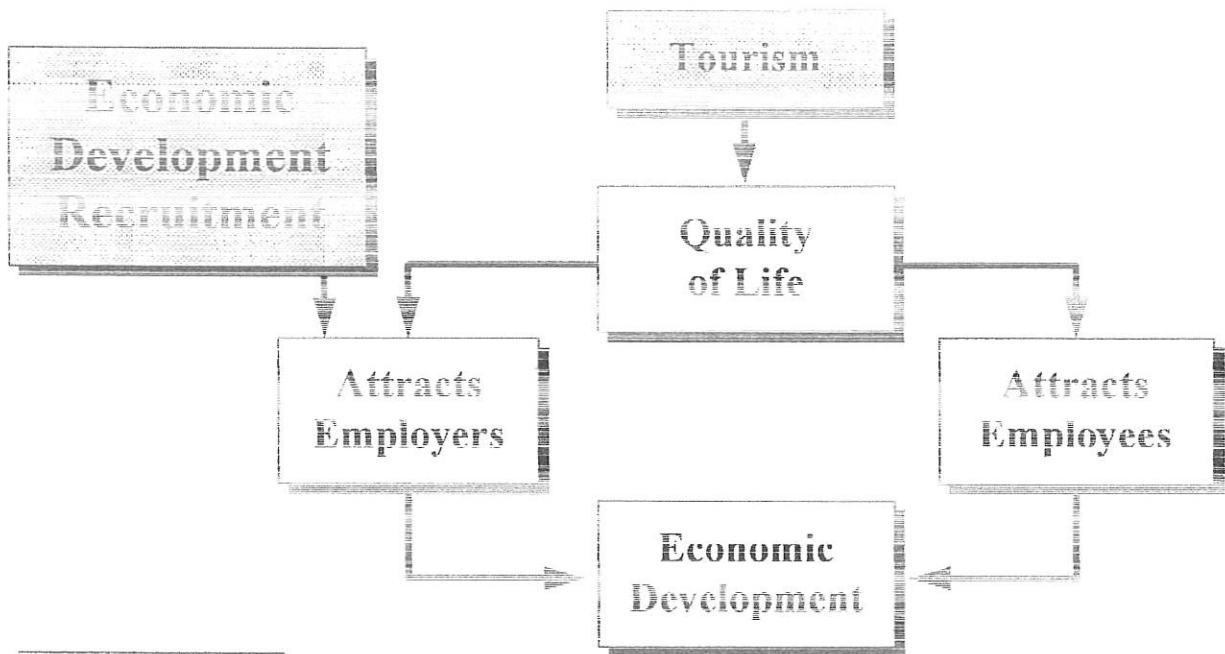
◆ Increase of 100,000 visitors

◆ High value visitor (a) \$50-100 million

◆ Low value visitor (b) \$ 5-10 million

(a) Assumes \$500-1,000 spent per trip  
 (b) Assumes \$50-100 spent per trip

# TOURISM-SUPPORTED ECONOMIC DEVELOPMENT



Source: Young Nichols Gilstrap, Inc.

Coordinating tourism and economic development is also important to avoid a negative impact. Weak planning and zoning, or polluting industries, can undermine a visitor's perception of the community. Similarly, low value visitors can harm economic development. A tourism destination focused on spring break or low spending pass-through tourism may develop "t-shirt tourism" amenities that can actually devalue an outsider's perception of the community and harm its ability to attract the best employers and employees. Therefore tourism is not inherently good or bad as an industry--its impact depends on how well it is managed.

Targeting and developing higher spending visitors can stimulate a host of benefits. If successful with the attraction of the right visitor segments, higher value amenities (hotels, retail outlets, restaurants, golf courses, attractions, etc.) are often added to serve them. The addition of such amenities are generally

appreciated by the local residents and can even serve as important tools to attract new employers and employees to an area.

Tourism has the potential to aid or elevate many key Kansas economic development goals and activities. Examples include:

- ❖ Increased air access
- ❖ Rural economic development
- ❖ Exposure of the destination
  - ❖ To potential employers
  - ❖ To potential skilled employees
  - ❖ To potential retirees
- ❖ Increased quality of life (e.g., retail, golf, restaurant) helps to:
  - ❖ Attract employers, employees
  - ❖ Decrease Kansas' "brain drain" in which the best and brightest students and employees leave for "greener pastures"

# KANSAS TOURISM STRATEGY

## III. ESCALATING COMPETITION

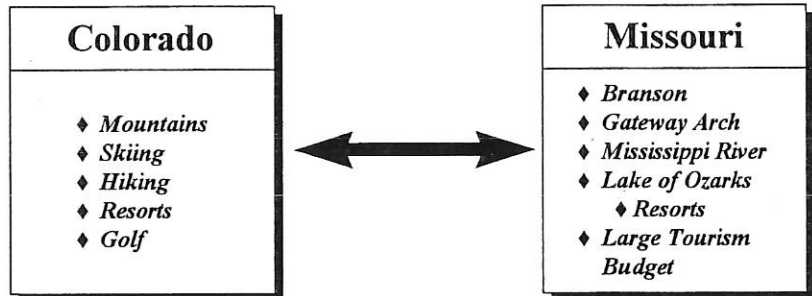
Many Kansas tourism and community leaders are quick to point out that the state has lagged behind many regional competitors in developing powerful tourist draws. Missouri and Colorado, for example, are generally regarded as having superior tourism products. At the same time, both states in the last decade have added the types of attractions and amenities that should enhance visitor spending.

Meanwhile, other domestic competition is increasing. Newly charged competitors include places such as Cleveland, Mississippi's Gulf Coast and Branson, Missouri. Additionally, competition for tourism spending is escalating on a global

basis. From Cuba to Albania and Costa Rica to Vietnam, a host of new competitors have entered the tourism business in the last five years.

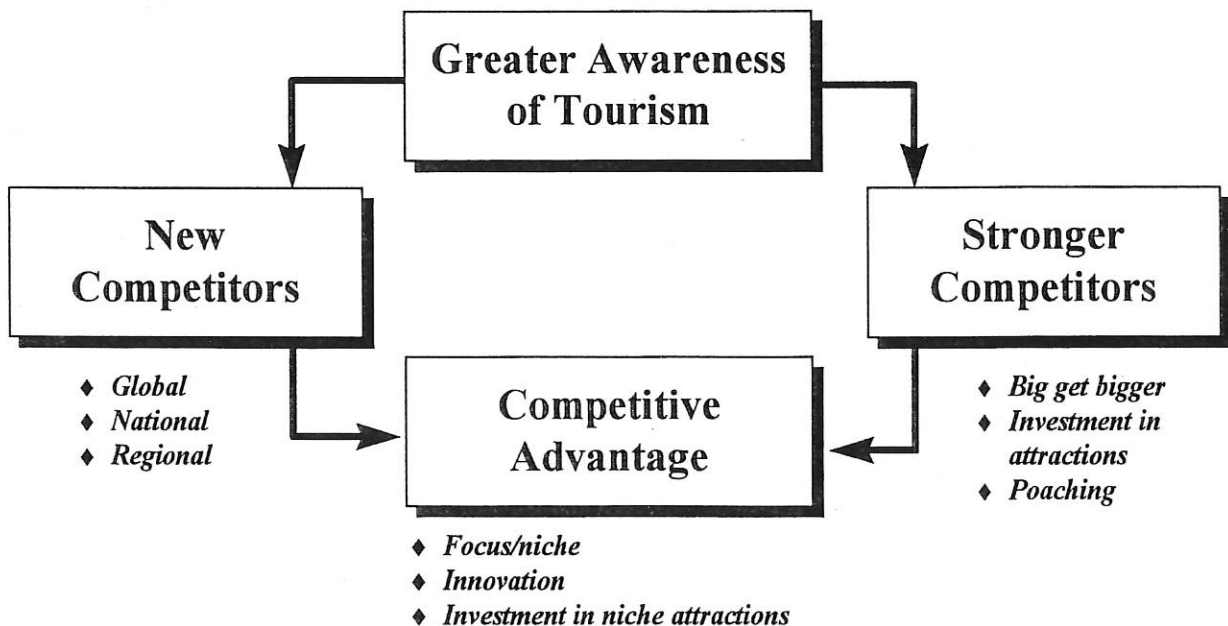
Many successful destinations are focusing their

### STRONG REGIONAL COMPETITION



Source: Young Nichols Gilstrap, Inc.

### ESCALATING GLOBAL COMPETITION



Source: Young Nichols Gilstrap, Inc.

e. and capital on specific niches. For example, Indianapolis focuses on sports. The Indiana Sports Corp. was formed to help fuel its tourism and economic development strategies. With an annual budget of \$2.5 million and a staff of 25 people, the corporation has been instrumental in attracting events such as the Pan Am Games and the Pre-Olympics National Sports Festival to the city. Not surprisingly, when the NCAA Visitor Center was seeking incentives from cities to relocate, Indianapolis was able to quickly mobilize its forces in the public and private sectors to

attract the Center with \$50 million dollars in incentives. A focused competitor will usually beat an unfocused competitor.

Furthermore, Kansas simply does not have the marketing resources to compete regionally, nationally or internationally. In addition to not having large resorts or attractions which market travel to the state, Kansas has not historically dedicated competitive levels of

## FOCUSED COMPETITION: INDIANAPOLIS

**“There was a time when most of the world thought of Indianapolis as a bland Midwestern city without much going for it...Things have changed. Today Indy boasts a...new role as one of America’s sports capitals...The makeover campaign has been led by a group of business and civic leaders who created the Indiana Sports Corp., dedicated to using sports to put Indy on the national radar screen.” (a)**

- ◆ **Indiana Sports Corp.**
  - ◆ **\$2.5 million annual budget; 25 staff**
    - ◆ **Public, private, corporate contributions**
  - ◆ **Events: Pre-Olympics National Sports Festival; Pan Am Games; NCAA Final Four**
  - ◆ **Facilities: Swimming, tennis, cycling**

(a) “North America’s Most Improved Cities” *Fortune* (Nov. 24, 1997)

funding to state-led advertising programs. Compared with regional competition, Kansas advertising resources fall behind Arkansas, Missouri, Oklahoma, Iowa and Nebraska. Advertising should be viewed as a tool to inform, educate and motivate travelers. Not surprisingly, Kansas ranks relatively low (\$1.6 billion) in terms of the economic impact of leisure tourism.

## KANSAS FACES LARGER COMPETITORS

Total Tourism Budget (\$ Millions) (a)		Tourism Advertising Budget (\$ Millions) (a)		1996 Leisure Economic Impact (\$ Billions) (b)	
Arkansas	\$ 9.95	Arkansas	\$ 5.04	Missouri	\$6.1
Missouri	9.28	Missouri	4.21	Iowa	2.4
Oklahoma	7.29	Oklahoma	3.04	Arkansas	2.2
<b>Kansas</b>	<b>3.91</b>	Iowa	0.83	Oklahoma	2.2
Iowa	3.64	Nebraska	0.49	<b>Kansas</b>	<b>1.6</b>
Nebraska	2.11	<b>Kansas</b>	<b>0.40</b>	Nebraska	1.5

(a) Source: Survey of State Travel Offices 1995-96

(b) Source: DKS&A data at ahma.com

## Section IV

*What should the tax rate be?*

*This business like other businesses is much more valuable for the economic activity it creates rather than the tax it pays.*

20  
30-79

State Gaming Tax Analysis

State	Gaming Tax Rate	Comments
Colorado	Graduated tax rate with a maximum tax of 20% on gaming revenue	Year 2000 effective tax rate was 12.99%
Illinois	<p>Graduated tax rate from 20% to 35% of gross gaming revenue, \$2 per patron admission tax</p> <p>15 % of AGR up to and including \$25 million            20 % of AGR in excess of \$25 million but not to exceed \$50 million            25% of AGR in excess of \$50 million but not to exceed \$75 million            30% of AGR in excess of \$75 million but not to exceed \$100 million            35% of AGR in excess of \$100 million</p>	<p>Year 2000 effective tax rate was 30.89%</p> <p>Based on Illinois model the Woodlands would pay an effective tax rate of 30.07%, assuming AGR of \$140 million with 2.8 million patrons</p>
Indiana	20% tax on gross gaming revenue	
Iowa	<p>Riverboats: Graduated tax rate with the maximum tax of 20% on gaming revenue</p> <p>Racetrack casinos: 30% tax of gaming revenue, increasing 2% per year to a maximum of 36% (by 2004) <i>exclusion in Des Moines</i></p>	<p>The Prairie Meadows Horse Track is owned by Polk County and was built by selling county bonds.</p> <p>Legislative bill currently pending to reduce Racetrack casino tax rate</p>
Louisiana	\$50 million annual tax on the land-based casino; or 21.5%, whichever is greater; 21.5% on gross gaming revenue on riverboats	
Michigan	18% tax on gross gaming revenue, plus a municipal services fee of the greater of 1.25% of gaming revenue or \$4 million annually	19.4%



### State Gaming Tax Analysis

State	Gaming Tax Rate	Comments
Mississippi	Graduated tax rate with a maximum state tax of 8% on gaming revenue; up to 4% additional tax on gaming revenues may be imposed by local governments	<i>Maximum 12%</i>
Missouri	20 % tax on gross gaming revenue, \$2 per patron admission fee per excursion, split between home dock community and state	FY 2001 effective tax rate was 29.5%
Nevada	Graduated tax rate with a maximum tax of 6.25% on gross gaming revenue	
New Jersey	8% tax on gross gaming revenue, plus a community investment alternative obligation of 1.25% of gross gaming revenue (or an investment alternative 2.5% on gross gaming revenue)	<i>Maximum 10.5%</i>
South Dakota	8% tax gross gaming revenue	

## Section V

### *Problem gamblers?*

*In 1976 61% of Americans stated they had gambled in the previous year. In 2000 63% stated that they had gambled in the previous year. Meaning, in almost twenty-five years there was only a 2% increase in the amount of Americans that have gambled.*

## Society and Gaming

<sup>1</sup>“A realization of today’s society is that gambling is inevitable mainly due to the majority of Americans practice or tacitly endorse the institution of gambling, whether it be illegal or legalized gambling.” There are a myriad of studies that target the presumed social implications of gambling and the treatment there of. However, this report intends to prove the validity of Pari-mutuel racetracks’ value to the Kansas Economy as well as provide information that presents an argument against the studies that disregard gambling as a valid means of producing state revenue. Legalized gambling can have a positive effect on today’s society is such that, gambling is an inevitable characteristic that, when regulated and controlled, can be a beneficial activity to provide economic development and needed resource for State Government.

The opponents of gambling would have you believe that gambling is the cause to a variety of social problems. <sup>2</sup>In fact, Gambling in and of itself is the symptom of another even greater problem much like manic disorders that most pathological gamblers’ possess. Therefore, the actual problem is not gambling at all but a reflection of an underlying mood disorder. Keeping this in mind, the “Stand Up Kansas” newsletter states that <sup>3</sup>**one percent** of Kansas’s population will become or are pathological gamblers. It proceeds to go on and state that it will cost society **\$13,586** for each pathological gambler per year.

These numbers are much higher than those of the General Accounting Office (GAO) reported an estimated **1-1.2%** of the population is a pathological gambler to the tune of **\$1,200** for each pathological gambler per year. Yet, another study revealed that <sup>4</sup>**\$900** per pathological gambler was annually spent to aid their problems. The GAO also reported that from 1976 to 1998 that the percentage of pathological gamblers raised from approximately **.8% to 1.1%** of the total population. This is about the time when given the widespread illegal gaming, legislation provided for legalized state gambling. <sup>5</sup> As of last year, 2000, **86%** of the US’s population said that they had gambled at some point in their lifetime with **63%** stating that they had gambled that year. This differed with the 1976 survey taken, which stated, **61%** of Americans had gambled the previous year, this is only a **two percent** difference over a twenty-five year span of time since state allowed legalized gambling became law.

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<sup>1</sup> “Final Report of the Public Sector Gaming Study Commission” (PSGSC).

<sup>2</sup> “Final Report of the Public Sector Gaming Study Commission” (PSGSC).

<sup>3</sup> “Casino Alert”. *Stand Up Kansas*. 5 February 2002

<sup>4</sup> “Final Report of the Public Sector Gaming Study Commission” (PSGSC)

<sup>5</sup> “Final Report of the Public Sector Gaming Study Commission” (PSGSC).