

MINUTES OF THE SENATE JUDICIARY COMMITTEE.

The meeting was called to order by Chairperson Senator Vratil at 8:00 a.m. on May 8<sup>th</sup>, 2002 in Room 123-S of the Capitol.

All members were present.

Committee staff present:

Russell Mills, Research  
Dennis Hodgins, Research  
Gordon Self, Revisor  
Mary Blair, Secretary

Conferees appearing before the committee:

Senator Steineger  
Brad Smoot, The Woodlands  
Jim Edwards, Kansas Chamber of Council (KCC)  
Robin Jennison, Ruffin Company  
Dwayne Bird, Kansas Quarterhorse Racing Association  
Tracy Seastrom-Wildey, Greyhound Association  
Jeff Thorpe, Boot Hill Museum, Dodge City, Kansas  
Steve Herd, Kansas Thoroughbred Association (KTA)  
Don Denny, Unified Government, Wyandotte County (UG)  
Mike Pepoon, Sedgwick County  
Larry Montgomery, Montgomery Ventures  
Betty Melson, Greenwood County Economic Development Director  
Jim DeHoff, AFL CIO  
Ron Hein, Prairie Band Potawatomi Nation (PBP)  
Glen Thompson, Stand Up for Kansas  
Dave Assmann, Kansas Thoroughbred Association (KTA)  
Gary Smith, Thoroughbred horseman  
Chuck Yunker, Kansas American Legion (KAL)  
Rebecca Rice, Legislative Counsel, Kansas Clubs and Associates  
Martha Bichel, Wichita Elks Club  
Margaret Ritthaler, Kansas Charities Cooperative, Wichita

Others attending: see attached sheet

**Sub HB 2183—Concerning lotteries authorizing electronic gaming machines at certain location**

Senator Steineger offered an amendment which addresses concerns expressed by some legislators regarding the percentage of money from gaming revenue set aside for the state. He stated that the amendment “mimics what Iowa does” and it also makes some technical changes which he reviewed.([attachment 1](#))

Conferee Smoot testified in support of **Sub HB 2183**, a bill which would authorize the Kansas Lottery to operate electronic gaming devices at licensed parimutuel tracks in Kansas. He briefly discussed gaming revenue recovery, public support for gaming, and the damage done to the parimutuel industry by gaming establishments not authorized by Kansas citizens. He called Committee’s attention to his handout which contains graphs and charts as well as a supplemental presentation relating to what the percentage and splits “ought to be.”([attachment 2](#))

Conferee Edwards testified in support of **Sub HB 2183**. He briefly discussed how various industries and communities would benefit from the passage of this bill.([attachment 3](#))

Conferee Jennison testified in support of **Sub HB 2183**. He briefly discussed gaming issues particularly addressing a concern which has been expressed about the lottery losing revenue if this bill was enacted. He stated that the lottery has not been effected by current gaming in Kansas and he referred to evidence in his handout which reveals that Iowa and Missouri lotteries remain unaffected by gaming in their states.([attachment 4](#)) He also referred to an American Gaming Association (AGA) study which contains significant surveys for Committee’s instruction.([2001 State of the States- a publication by the AGA](#))

Conferee Bird testified in support of **Sub HB 2183**. He discussed the negative effect other gaming activities in Kansas and along it’s borders has had on the racing industry and the industries that support it and stated that this bill would be a “shot in the arm” and would “level the playing field” for them. He also offered certain amendments to the bill.([attachment 5](#)) He further cited a written letter of testimony he distributed from Dan Bird of Anthony, Kansas which supports the bill.([attachment 6](#))

Conferee Seastrom-Wildey testified in support of **Sub HB 2183**. She presented a brief overview of her greyhound kennel business and stated that due to declining purse structure at the Kansas racetracks coupled with rising overhead costs, the decision was made to discontinue racing in Kansas and race in other states where a profit could be realized. She discussed the loss to the Kansas economy because of this and stated that adding gaming at the racetracks would increase revenues to the Kansas greyhound breeders.(attachment 7)

Conferee Thorpe testified in support of **Sub HB 2183**. He discussed his organization's work toward economic development in Ford County and requested Committee vote in favor of "expanded gaming in Kansas that includes the opportunity for an 'at-large' licensee." He further discussed how the gaming revenue would be distributed, projections of revenue, and an estimated financial impact of a "western Heritage Gaming Parlor in Dodge City, Kansas.(attachment 8)

Conferee Herd testified in support of **Sub HB 2183**. He discussed the positive impact the bill would have on the thoroughbred industry and stated that KTBA supports a 3 ½ percent share of the profits for horses and dogs. (attachment 9)

Conferee Denny testified in support of **Sub HB 2183**. He discussed a letter from Unified Government (UG) Mayor Marinovich which states that 82 percent of Wyandotte County voters were in favor of gaming at the Woodlands Racing Facility and nearly 40 percent of Missouri Riverboat visitors are from Kansas. He stated that the UG supports a binding county referendum to be placed before voters in Kansas counties that have parimutuel racing facilities and believes local governments should receive a fair percentage of the revenue.(attachment 10)

Conferee Pepoon testified as neutral on **Sub HB 2183** but stated that he supports Sedgwick County's right to vote on the contents of the bill. He recommended an amendment to the bill discussing why it was necessary and the positive effect it would have on his county.(attachment 11)

Conferee Montgomery testified in support of the concepts in **Sub HB 2183** but stated that the bill is the wrong model for Kansas. He discussed the New York Lottery Model which "enables the State to have control of the games by dispensing games from a central site under State control rather than for control of the games to be within the machine" and he offered to assist in drafting amendments to incorporate this model into the current bill. (attachment 12)

Conferee Melson testified in support of **Sub HB 2183**. She discussed the racing industry at Eureka Downs in Greenwood County and requested the legislature allow the people in the counties where race tracks are located have the opportunity to vote on allowing slot machines at those tracks.(attachment 13)

Conferee DeHoff testified in support of **Sub HB 2183**. He briefly testified that over 100,000 Kansas AFL CIO members have endorsed and passed resolutions in support of electronic gaming at select Kansas locations. (attachment 14)

Conferee Hein testified on behalf of the PBP Nation in opposition to **Sub HB 2183**. He clarified misrepresentations regarding Tribal gaming and Native American tax issues, discussed the positive economic benefits Tribal gaming has afforded to an economically disadvantaged area, further discussed how this bill would negatively effect Tribal gaming as well as other smaller games like bingo, and questioned the validity of certain statistics and/or data provided by proponents of the bill. He offered an amenable solution to alleviate the problem expressed by Wyandotte County regarding the need for economic development in their area.(attachment 15)

Conferee Thompson testified in opposition to **Sub HB 2183**. He detailed why the bill is "bad for the state, bad for local communities and bad for Kansas families."(attachment 16) He briefly reviewed written testimony submitted by Ted Morris of Wichita Kansas who also opposes the bill.(attachment 17)

Conferee Assmann testified in opposition to **Sub HB 2183** in it's current form and, following discussion about the economic impact of the racing industry, requested the legislature support the horse and dog industry at the level "originally proposed by Representative Cox."(attachment 18)

Conferee Yunker testified in opposition to **Sub HB 2183** stating that the KAL is opposed to any legislation which "inhibits our organization and its legitimate non profit fund raising activities used to fund our community service, Children and Youth and Veterans Affairs programs." He did, however, state that in the event the race tracks have slot machines then his organization would need to have them as well in order to survive and he detailed how the KAL gaming operation would be conducted.(attachment 19)

Conferee Rice testified in opposition to **Sub HB 2183** arguing the need for further research especially in the area of 'home rule,' the findings of which could render this legislation meaningless. She discussed case law to support her arguments. (attachment 20)

Conferee Bichel testified in opposition to **Sub HB 2183** stating that her organization is opposed to all bills that legalize electronic games of chance because charitable bingo games would suffer.(attachment 21)

Conferee Ritthaler testified in opposition to **Sub HB 2183** stating the bill would have a negative effect on charitable bingo.(attachment 22)

Conferee Smith testified as neutral on **Sub HB 2183** addressing the issue of the percentage Kansas horse owners will receive from the added revenue from slots at the tracks. He requested a reasonable percentage be set.  
(attachment 23)

Staffperson Mills reviewed a comparison of selected bills concerning gaming (attachment 24) and a comparison of selected bills concerning gaming by the House Committee of the Whole Recommendation.(attachment 25)

Written testimony supporting **Sub HB 2183** was submitted by Steven Ward, Kansas Greyhound Association (attachment 26), Bob Alderson, Kansas Greyhound Association (attachment 27), and Jeff Rutland, Quarterhorse Breeder/Trainer.(attachment 28)

Written testimony opposing **Sub HB 2183** was submitted by John McCoy, Orion Stables.(attachment 29)

Following discussion, the meeting adjourned at 9:30 a.m.

## SENATE JUDICIARY COMMITTEE GUEST LIST

DATE: May 8, 2002

| NAME                     | REPRESENTING                       |
|--------------------------|------------------------------------|
| Martin Hawver            | Hawver's Capitol Report            |
| Bob Anderson             | KGA                                |
| Dave Hollaus             | Prairie Band Potawatomi            |
| Ron Hein                 | Prairie Band Potawatomi Nation     |
| John C. Sotterby         | Ks Racing, LLP                     |
| Sandy Jacquet            | LKM                                |
| Mark Burghart            | Alderson Firm                      |
| Charles M. Yunker        | Kansas American Legion             |
| Ralph Snyder             | Sunflower Club of Ks.              |
| Patrick Hurley           | QHA                                |
| Allan Higoborn           | Kansas Quarter Horse Assoc.        |
| <del>Steve Laverie</del> | " " " "                            |
| Gay Swatley              | " " " "                            |
| Pae Trederwell           | " " " "                            |
| Litty Nelson             | Greenwood County                   |
| Carol Bird               | Kansas Quarter Horse Racing Assoc. |
| Dwayne Bird              | ✓ ✓ ✓ ✓ ✓                          |
| Travis Wreath            | Kansas Greyhound Assn              |
| Steve Ward               | Kansas Greyhound Assoc.            |

## SENATE JUDICIARY COMMITTEE GUEST LIST

DATE: \_\_\_\_\_

| NAME              | REPRESENTING                       |
|-------------------|------------------------------------|
| Michael D. Pepoon | Sedwick County                     |
| CATHY BUEBS       | HARRAN'S PRAIRIE BAND              |
| Doug Smith        | Pinegar, Smith & Assoc.            |
| Hilary Hayes      | Federico Consulting                |
| Joann Knight      | Dodge City/Ford County Dev. Corp.  |
| Kim Goodnight     | Boothill Museum Dodge City         |
| Keith Kocher      | KS Lottery                         |
| DAN HARRIS        | Brit Hill Museum Assoc. City       |
| Tracy Dief        | KRGE/SGA                           |
| Trista Beadles    | Office of the Governor             |
| Scott Anglemeyer  | KDOCTH                             |
| Audi Hyten        | JUDICIAL BRANCH                    |
| JEFF THORPE       | BOOT HILL MUSEUM, INC              |
| Terry C. Purse    | KANSAS QUARTER HORSE RACING ASSOC. |
| Roger Fin         | Kansas Clubs & Assoc.              |
| Jim Wotzoff       | KS ASH-CIO                         |
| Don Edwards       | KOCT                               |
| Steve Paul        | Hend Ranch                         |
| Alan (Gard)       | LAWRENCE -                         |

## SENATE JUDICIARY COMMITTEE GUEST LIST

DATE: May 8 2002

| NAME               | REPRESENTING               |
|--------------------|----------------------------|
| Robin Jennisen     | Ruffin Company             |
| Martha Bichel      | EKS Lodge #427 Wichita     |
| Margaret Rittaler  | Fresh Start                |
| J.P. Small         | Kans. Quarter Horse Racing |
| Connie Burns       | Whitney B Demon, PA        |
| W.M. Glac          | Woodlands                  |
| Brad Smoot         | Woodlands                  |
| Don Demney         | Unified Govt. Volo/KCK     |
| Gary Smith         | TB Horsemen                |
| James Alsmann      | TB. Horsemen               |
| John Mc Coy        | T.B. Horsemen              |
| Stephanie Buchanan | DOB                        |
| Glenn Thompson     | Stand Up For K.S.          |
| Ed Van Petten      | Kansas Lottery             |
|                    |                            |
|                    |                            |
|                    |                            |
|                    |                            |
|                    |                            |

1 tion of electronic gaming machines. Moneys in such fund may be ex-  
2 pended only pursuant to appropriation and moneys in excess of those  
3 appropriated to the Kansas lottery and the Kansas racing and gaming  
4 commission may be transferred to the state general fund and expended  
5 as provided by appropriation.

6 New Sec. 8. (a) The executive director shall collect and remit to the  
7 state treasurer in accordance with K.S.A. 75-4215, and amendments  
8 thereto, all net machine income received from lottery gaming machine  
9 contractors. Upon receipt of the remittance, the state treasurer shall de-  
10 posit the entire amount in the state treasury and credit it to the electronic  
11 gaming machine fund, established pursuant to section 7, and amendments  
12 thereto. Separate accounts shall be maintained in the electronic gaming  
13 machine fund for receipt of moneys from each lottery gaming machine  
14 contractor.

15 (b) Not less than once each week, the state treasurer shall transfer  
16 the following percentages of the balance remaining, after transfer of mon-  
17 eys pursuant to subsection (b), in each account in the electronic gaming  
18 machine fund for receipt of moneys from lottery gaming machine con-  
19 tractors which are parimutuel licensees:

20 (1) To the lottery gaming machine contractors, ~~66%~~, except that at  
21 the parimutuel licensee location located in Crawford county, the  
22 lottery gaming machine contractor shall receive 65.80%, 0.10% of  
23 the money credited to the account of the electronic gaming ma-  
24 chine contractor located in Crawford county shall be deposited to  
25 the credit of the Frontenac bison maintenance fund created pur-  
26 suant to section 27, and amendments thereto and 0.10% of the  
27 money credited to the account of the electronic gaming machine  
28 contractor located in Crawford county shall be deposited to the  
29 credit of the U.S. 69 highway maintenance fund created pursuant  
30 to section 28, and amendments thereto];

66%, but on and after July 1, 2003,  
such rate shall decrease to 64% and  
shall decrease each succeeding  
calendar year by 2% until such time  
as the rate is 56%

31 (2) to the problem gambling grant fund established pursuant to  
32 K.S.A. 2001 Supp. 79-4805, and amendments thereto, 0.5%, except that  
33 such transfer shall be to the credit of the state general fund at such time  
34 as the balance in such fund is equal to the amount of \$4,000,000, but if  
35 the balance in such fund falls below the amount of \$3,000,000, such trans-  
36 fers shall resume;

25%, but on and after July 1, 2003,  
such rate shall increase to 27% and  
shall increase each succeeding  
calendar year by 2% until such time  
as the rate is 35%

37 (3) to the state general fund, 25%;

38 (4) to the nonprofit organization licensed by the Kansas racing and  
39 gaming commission to conduct races at the parimutuel licensee location,  
40 1%;

41 (5) to the fund established for restoration and repair of the statehouse  
42 pursuant to K.S.A. 75-2262, and amendments thereto, 0.5%;

43 (6) to the city where the parimutuel location is located, 1%;

not less than

*3rd*  
*4/8/03*  
*act*

- 1 (7) to the county where the parimutuel location is located, 1%;
- 2 (8) to the live dog racing purse supplement fund, 2%;
- 3 (9) to the live horse racing purse supplement fund, 2%; and
- 4 (10) to the electronic gaming machine operation and regulatory fund
- 5 established pursuant to subsection (d) of section 7, and amendments
- 6 thereto, 1%.

7 For purposes of this subsection, the unified government of Wyandotte  
 8 county shall be deemed both a city and a county.

9 (e) After distribution of moneys pursuant to subsection (b), the state  
 10 treasurer, not less than once each week, shall remit the balance in the  
 11 account for each lottery gaming machine contractor to such lottery gam-  
 12 ing machine contractor.

13 New Sec. 9. (a) Except as when authorized in accordance with sub-  
 14 section (c), it is unlawful for any parimutuel licensee or its employees or  
 15 agents to allow any person to play electronic gaming machines or share  
 16 in winnings of a person knowing such person to be:

- 17 (1) Under 21 years of age;
- 18 (2) the executive director, a member of the commission or an em-  
 19 ployee of the Kansas lottery;
- 20 (3) an officer or employee of a vendor contracting with the Kansas  
 21 lottery to supply gaming equipment or tickets to the Kansas lottery for  
 22 use in the operation of any lottery conducted pursuant to this act;
- 23 (4) a spouse, child, stepchild, brother, stepbrother, sister, stepsister,  
 24 parent or stepparent of a person described by subsection (a)(2) or (3); or
- 25 (5) a person who resides in the same household as any person de-  
 26 scribed by subsection (a)(2) or (3).

27 (b) Violation of subsection (a) is a class A nonperson misdemeanor  
 28 upon conviction for a first offense. Violation of subsection (a) is a severity  
 29 level 9, nonperson felony upon conviction for a second or subsequent  
 30 offense.

31 (c) The executive director may authorize in writing any employee of  
 32 the Kansas lottery and any employee of a lottery vendor to play an elec-  
 33 tronic gaming machine to verify the proper operation thereof with respect  
 34 to security and contract compliance. Any prize awarded as a result of such  
 35 ticket purchase shall become the property of the Kansas lottery and be  
 36 added to the prize pools of subsequent lottery games. No money or mer-  
 37 chandise shall be awarded to any employee playing an electronic gaming  
 38 machine pursuant to this subsection.

39 New Sec. 10. No person shall operate an electronic gaming machine  
 40 while intoxicated. The Kansas racing and gaming commission shall adopt  
 41 rules and regulations governing identification of persons who are intoxi-  
 42 cated and procedures for removal of such persons from premises where  
 43 electronic gaming machines are operated. Such rules and regulations may

and any county containing a  
 parimutuel race track facility which  
 is not located in a city shall receive  
 2% instead of 1% as provided in  
 paragraph (7)

1-2



# BRAD SMOOT

ATTORNEY AT LAW

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(913) 649-6836

**STATEMENT OF BRAD SMOOT  
LEGISLATIVE COUNSEL  
KANSAS RACING, L.L.C.  
SENATE JUDICIARY COMMITTEE  
HOUSE SUB FOR HOUSE BILL 2183  
May 8, 2002**

Mr. Chairman and Members:

Kansas Racing, L.C.C., is owner of The Woodlands dog and horse track in Wyandotte County. On behalf of The Woodlands, we are asking for legislative authorization for the Kansas Lottery to operate electronic gaming devices at licensed parimutuel tracks in Kansas.

### THE OPPORTUNITY

We believe the people of Kansas have a one-of-a-kind opportunity to reclaim a portion of the gaming revenues now exiting our state. With slot machines, our licensed tracks can compete with neighboring states and Native American casinos while returning millions of dollars to Kansas in the form of taxes, investment and jobs.

Our research indicates that Kansans are pouring gaming dollars into neighboring states and Native American casinos at the rate of \$400 million per year. Exhibit 1. These dollars, of course, are not taxed or shared with the state of Kansas. We also estimate that with slot machines at the three full-time parimutuel tracks (Wyandotte, Crawford and Sedgwick Counties), two part-time tracks (Eureka and Anthony) and the at-large location, we could recapture some of those gaming dollars and generate others from neighboring states in the amount of \$350-\$400 million. Exhibit 2. House Sub for HB 2183 could directly recover \$136 million dollars annually for the state, cities and counties, Kansas agricultural interests, charities and others. Exhibit 3. Additional income, sales and property taxes, jobs, capital investment and other economic development benefits simply add to that number.

### THE PUBLIC'S VIEW

Regardless of one's personal view of gaming, there are two facts that cannot be denied. First, it was the people of Kansas who brought us gaming. In 1986, your constituents endorsed constitutional amendments permitting a state lottery (63.9%) and parimutuel racing (59.8%). An amendment authorizing bingo has also been adopted. And Kansans continue to support gaming. Whether you look at lottery sales and casino attendance or analyze voter polling as we have done, most Kansans are not adverse to gaming. Exhibit 4. There is no turning back the clock or ignoring the public will. Gaming is here. It will stay here.

Second, recent competition from gaming establishments, not authorized by the people of Kansas, has damaged the Kansas parimutuel industry. In 1993, The Woodlands was Kansas' number one tourist destination, attracting 1.2 million visitors. Harrah's Prairie Band Casino boasts the top spot today, collecting 1.47 million visits in 2000. Exhibit 5. The reason: Slots. The result: Millions of tax and charitable dollars lost. The remedy: Competition!

*Signed  
5/8/02  
att 2*

**THE KANSAS GAMING REVENUE RECOVERY ACT**  
House Sub for HB 2183 – Exhibit 6

- The Kansas lottery would control the slot machine operations by contracting with the parimutuel track operators and one at-large facility and the Kansas racing and gaming commission would tightly regulate the entire activity.
- A county-wide vote would be required before any track could contract with the lottery for placement of slot machines.
- Thirty four percent (34%) of net machine income is dedicated to public purposes with the bulk (27%) going to the state general fund and other state activities. Cities, counties and charities each get 1%.
- State and local municipalities have no risk or obligation.

**THE OPPONENTS**

You may have already heard criticism of this proposal from those who oppose House Sub for HB 2183 on moral grounds, from those who want even more gaming opportunities and from those who don't want the competition. For those who oppose all gaming on moral grounds, we respect your view and are not here to persuade you otherwise.

For those who want slot machines in private clubs, convenience stores, bowling alleys and the like, we assert that Kansans do not support such a dramatic expansion of gaming. Parimutuel tracks, on the other hand, are voter approved, tightly regulated gaming sites where the addition of slot machines is logical, practical and supported by Kansas voters.

And finally, to those who simply don't want the competition, too bad. Competition is the only method by which Kansans can recover any substantial portion of the Kansas gaming revenues now being diverted to riverboats and casinos. We cannot tax Missouri enterprises. We cannot compel Native American tribes to share their revenues. We cannot change or eliminate either competitor. All we can do is give our constitutionally authorized and voter approved gaming facilities the tools to compete.

**SUMMARY**

Exhibit 7

We urge this committee to endorse House Sub for HB 2183. This may be our last chance to recover gaming revenues for the benefit of all Kansans. With a state lottery/private race track partnership, Kansas can have a successful parimutuel industry again; it can retrieve millions of dollars annually to fund essential state services and support local governments, agricultural industries and charities; it can spur millions of dollars in capital investment; generate millions of dollars in additional income, sales and property tax revenues and create hundreds of good jobs. Who wins with slots at the tracks? Kansas.

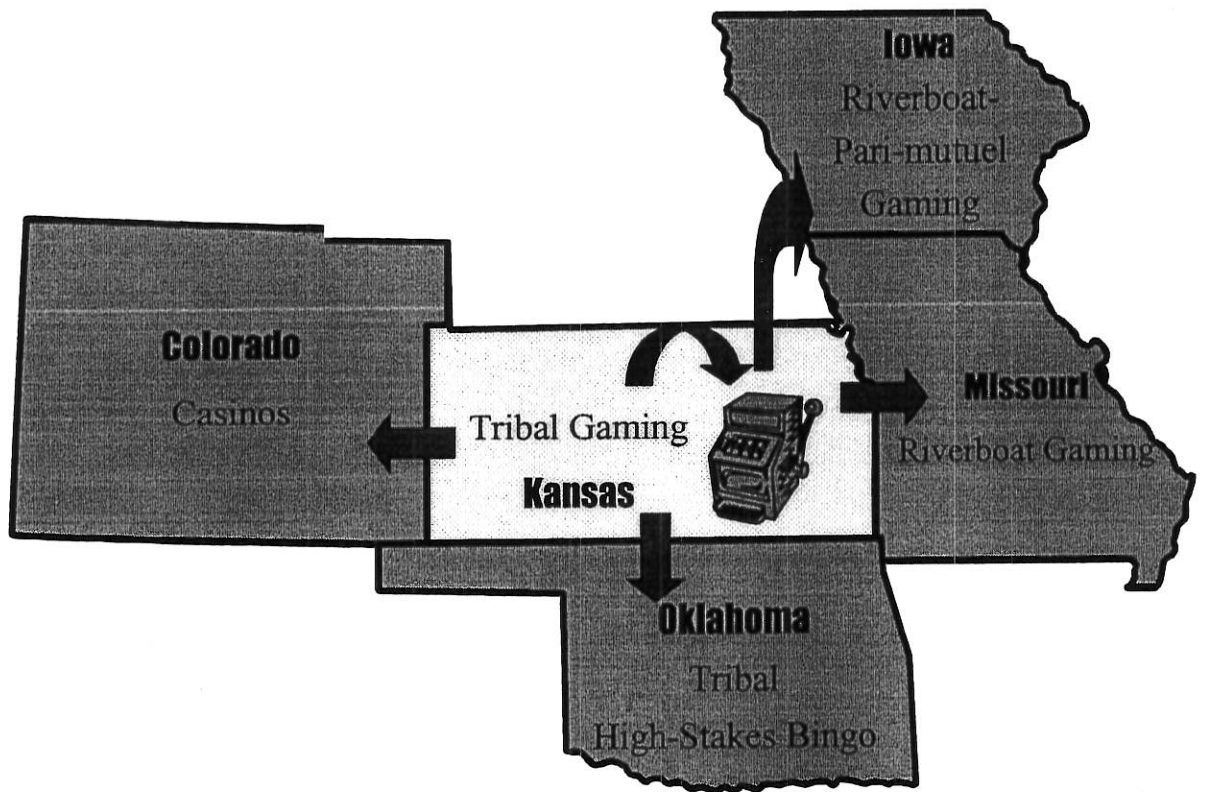
Thank you for consideration of our views.

**Presentation in Support of  
House Sub for HB 2183  
Kansas Gaming Act**

**May 8, 2002**

# Kansas Gaming Act Keep Kansas Dollars in Kansas

During 2001 Kansans spent over **\$400 Million** on gaming in neighboring states and Tribal Casinos.



\* Estimate based on Missouri Gaming Commission reports and NIGC reports

# Kansas Gaming Act

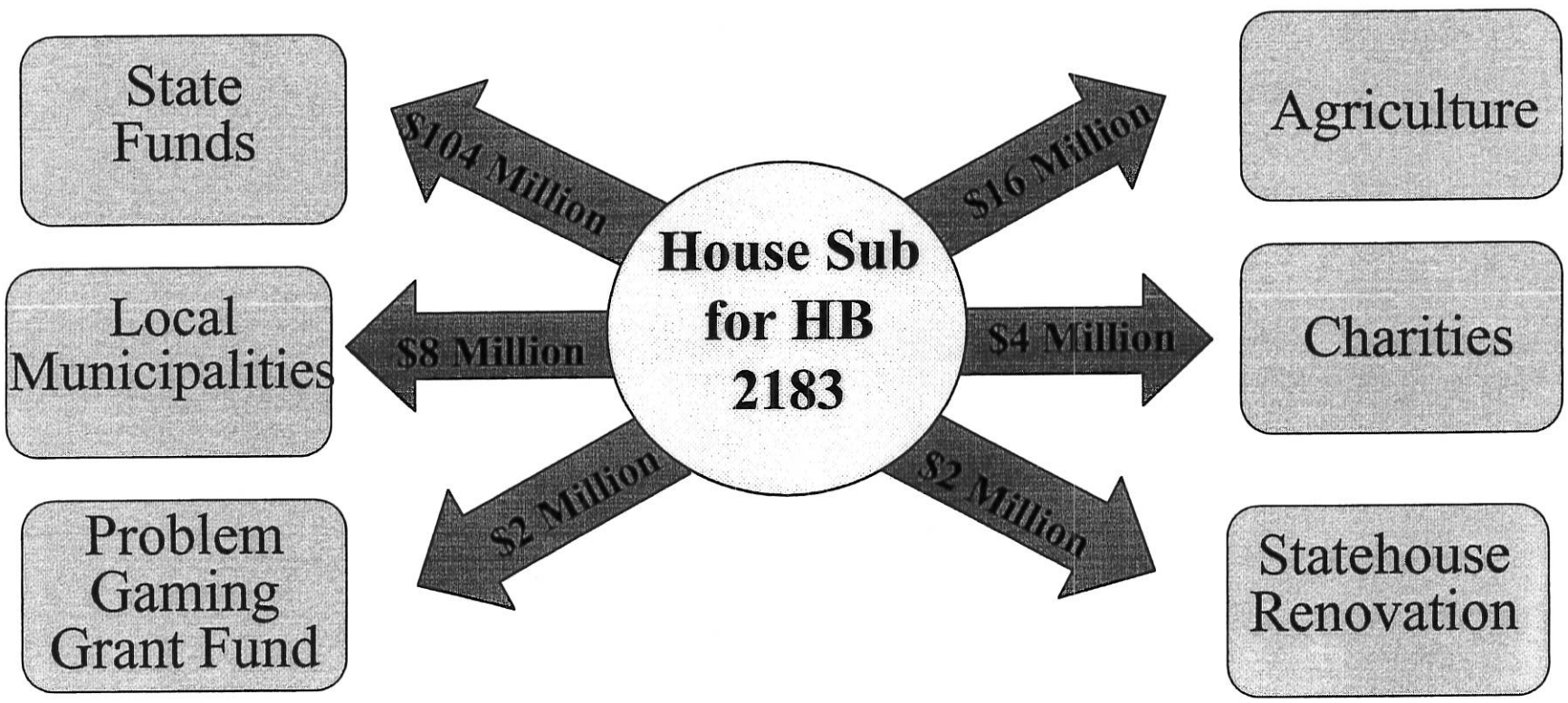
## Estimated Economic Impact

### **KANSAS will:**

- ☑ Capture **\$350 Million to \$400 Million** annually of gaming spending by retaining Kansas gaming dollars and attracting new dollars from tourism
- ☑ Directly recover up to **\$136 Million** annually for public purposes
- ☑ Provide additional revenues through income, sales and property taxes
- ☑ Stimulate over **\$100 Million** of private investment
- ☑ Create thousands of new jobs

# Kansas Gaming Act Revenues Generated for Kansas

## \$136 Million Available for Distribution Annually

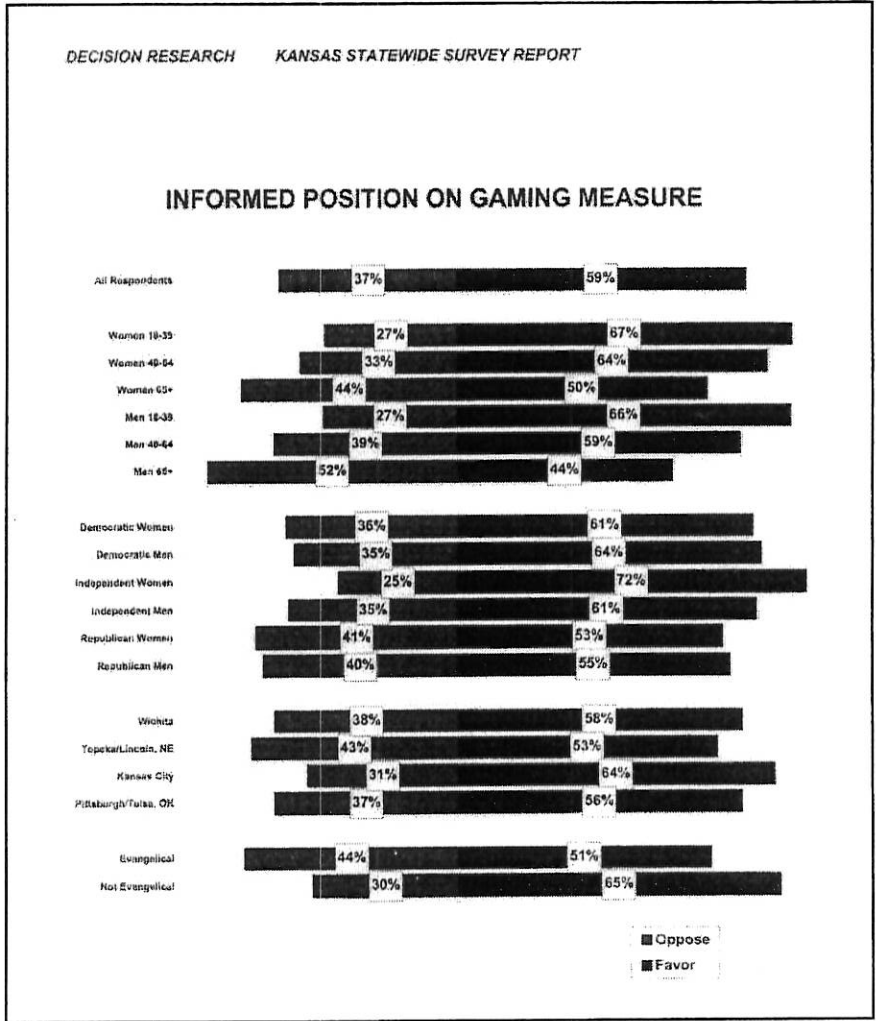


L-2

# Kansas Gaming Act Voters Support Measure

- ☑ 59% of people surveyed support measure to allow Lottery to operate slot machines at existing racetracks.
- ☑ 64% of people surveyed believe voters should decide if the Lottery can operate slot machines at existing racetracks.

Based on a telephone survey conducted by Decision Research in December 1999.

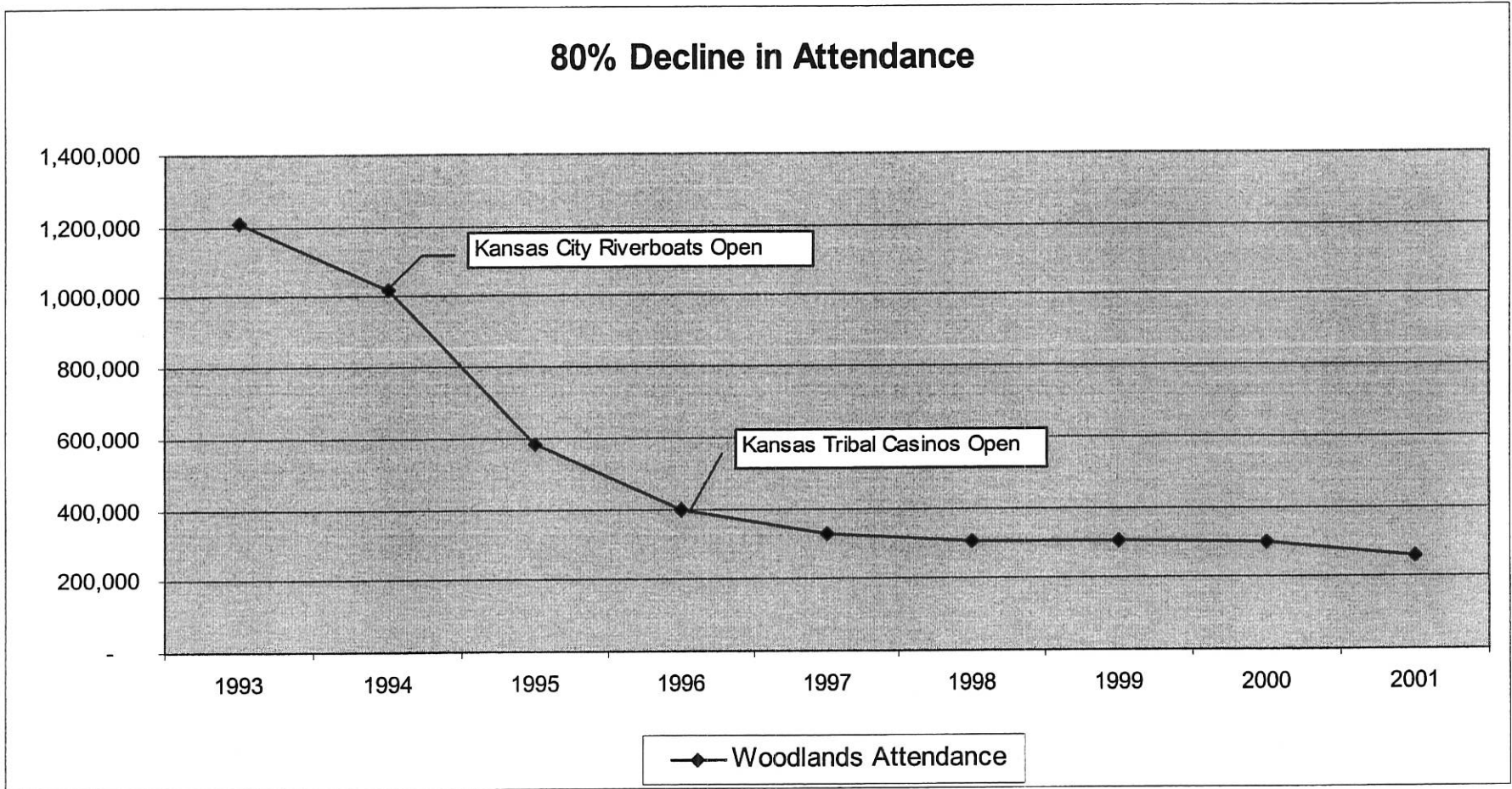


# Kansas Gaming Act

## Effect of Competing Gaming on The Woodlands

### -- Once Kansas' Largest Tourist Attraction --

80% Decline in Attendance





1-2

## Kansas Gaming Act Synopsis of House Sub for HB 2183

- Permits the Kansas Lottery to operate Electronic Gaming Devices
  - Restricted to existing parimutuel licensee facilities and one at-large facility
  - Regulated by Kansas Racing and Gaming Commission
  - Licensees responsible for operating costs and capital expenditures
  
- Requires approval of local voters
  - 64% of people surveyed believe voters should decide if the Lottery should operate electronic gaming devices at existing parimutuel locations
  
- Dedicates 34% of net machine income for designated public purposes
  
- State and local municipalities have no risk or obligation

## Kansas Gaming Act Summary

- ☑ Possibly last chance to recover gaming revenues for the benefit of Kansas
- ☑ State lottery/private race track partnership can revive pari-mutuel industry
- ☑ Retrieve \$104 Million to fund essential state services
- ☑ Generate millions of dollars in additional income, sales and property taxes for the state and local government
- ☑ Retain existing jobs while creating additional jobs for Kansans

11-58

**Supplemental Presentation  
in Support of  
House Sub for HB 2183  
Kansas Gaming Act**

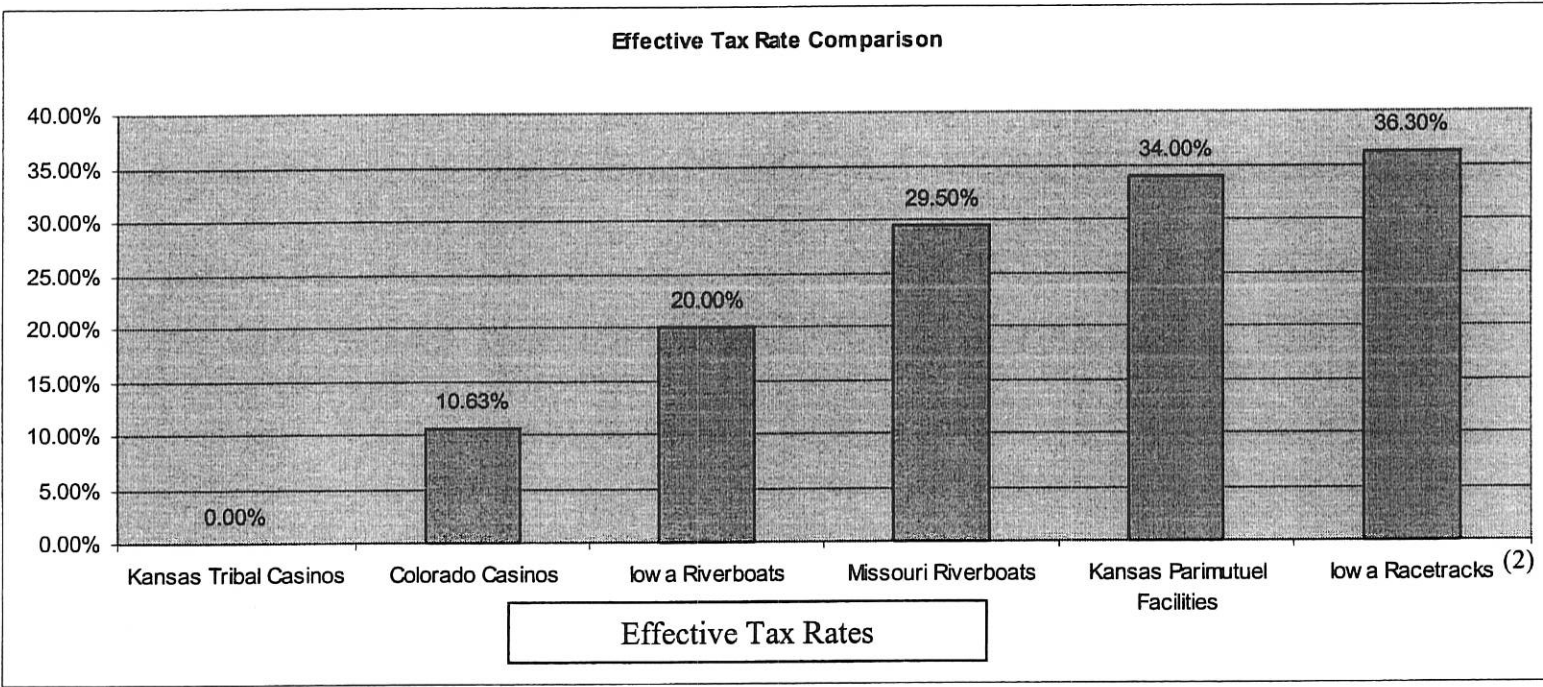
**May 8, 2002**

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# Kansas Gaming Revenue Recovery Act

## Neighboring States Statutory Expense Comparison

In order to compare the effects of such policy decisions, industry analysts and those who research public policy issues related to gaming have devised a simple formula to compare the public costs paid by gaming operators in various states. Commonly referred to as the "effective tax rate" the formula is simply the total of all gaming taxes, fees and assessments as a percentage of gross revenue. <sup>(1)</sup>



(1) Missouri Gaming Commission Annual Report Fiscal Year 2001

(2) Effective Tax Rate for CY 2000 is 27.4% plus an additional 8.9% for purse supplements

Source: Missouri Gaming Commission Annual Report FY 2001, Colorado Division of Gaming Website CY 2001, Iowa Racing and Gaming Commission CY 2000, Kansas House Sub for HB 2183

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# Kansas Gaming Revenue Recovery Act Assumption of Risk

Market is competitive and operators have lost over \$430 Million in recent transactions

| Year | Buyer                       | Seller                   | Original Investment | Sale Price     | Loss             |
|------|-----------------------------|--------------------------|---------------------|----------------|------------------|
| 1998 | Harrah's Entertainment      | Sam's Town - KC          | \$145.0             | \$12.5         | (\$132.5)        |
| 2000 | Isle of Capri Casinos, Inc. | President of Davenport   | 112.1               | 33.5           | (78.6)           |
| 2000 | Ameristar Casinos           | Stations and St. Charles | 707.6               | 488.0          | (219.6)          |
|      |                             |                          | <u>\$964.7</u>      | <u>\$534.0</u> | <u>(\$430.7)</u> |

Source: Missouri Gaming Commission Annual Report FY 2001, Bear Stearns 2001 – 2002 North American Gaming Almanac, Referenced Companies SEC Filings

# Kansas Gaming Act

## EBITDA Analysis as a Percent of Casino Revenue

(in millions)

|                                   | <b>Argosy<br/>Riverside</b> |                      | <b>Isle of Capri<br/>Kansas City</b> |                      |
|-----------------------------------|-----------------------------|----------------------|--------------------------------------|----------------------|
|                                   | <b>Amount</b>               | <b>Percent</b>       | <b>Amount</b>                        | <b>Percent</b>       |
| <b>Revenues</b>                   |                             |                      |                                      |                      |
| Slot Revenue                      | \$85.7                      | 87.4%                | \$63.4                               | 84.6%                |
| Table Revenue                     | 12.4                        | 12.6%                | 11.5                                 | 15.4%                |
| <b>Total Revenue</b>              | <b><u>\$98.1</u></b>        | <b><u>100.0%</u></b> | <b><u>\$74.9</u></b>                 | <b><u>100.0%</u></b> |
| <b>Expenses</b>                   |                             |                      |                                      |                      |
| Statutory Expenses                |                             |                      |                                      |                      |
| Gaming Taxes                      | \$19.6                      | 20.0%                | \$15.0                               | 20.0%                |
| Admissions Fees                   | 8.4                         | 8.6%                 | 7.6                                  | 10.1%                |
| Wages, Benefits & Payroll Related | 22.0                        | 22.4%                | 19.9                                 | 26.6%                |
| Other Expenses <sup>(1)</sup>     | 23.4                        | 23.9%                | 20.0                                 | 26.7%                |
| <b>Total Operating Expenses</b>   | <b><u>\$73.4</u></b>        | <b><u>74.8%</u></b>  | <b><u>\$62.5</u></b>                 | <b><u>83.4%</u></b>  |
| <b>EBITDA</b>                     | <b><u>\$24.7</u></b>        | <b><u>25.2%</u></b>  | <b><u>\$12.4</u></b>                 | <b><u>16.6%</u></b>  |

(1) Other Expenses were determined by taking reported revenues less company reported EBITDA to determine total expenses then subtracting reported statutory expenses and wages, benefits and payroll related.

Source: Missouri Gaming Commission Annual Report FY2001, Argosy Casino Fourth Quarter Results Press Release, Isle of Capri Investor Presentation February 2002

*Keep Kansas Dollars in Kansas*

May 8, 2002

Prepared by Kansas Racing, LLC

# Kansas Gaming Act Projected Financial Results

(in millions)

|                                   | Kansas Racing, LLC |         |
|-----------------------------------|--------------------|---------|
|                                   | Amount             | Percent |
| <b>Revenues</b>                   | \$ 100.0           | 100.0%  |
| <b>Statutory Expense - HB2183</b> | 34.0               | 34.0%   |
|                                   | 66.0               | 66.0%   |
| <b>Operating Costs</b>            |                    |         |
| Payroll and Related               | 21.0               | 21.0%   |
| Advertising and Marketing         | 13.0               | 13.0%   |
| Other <sup>(1)</sup>              | 9.0                | 9.0%    |
|                                   | 43.0               | 43.0%   |
| <b>EBITDA <sup>(2)</sup></b>      | 23.0               | 23.0%   |
| <b>Capital Costs</b>              |                    |         |
| Interest                          | 5.0                | 5.0%    |
| Depreciation and Amortization     | 8.1                | 8.1%    |
|                                   | 13.1               | 13.1%   |
| <b>Net Income Before Taxes</b>    | 9.9                | 9.9%    |
| <b>Income Taxes @ 40%</b>         | 4.0                | 4.0%    |
| <b>Net Income</b>                 | \$ 5.9             | 5.9%    |

(1) Includes all expenses exclusive of payroll and related required for security, housekeeping, repairs and maintenance, administration, professional fees, real estate taxes, etc.

(2) Earnings before interest, taxes, depreciation and amortization ("EBITDA"), which is a standard indicator used by the industry as a measure of cash flow. According to published information, Isle of Capri and Argosy, in Kansas City, Missouri, reported 2001 EBITDA margins of 17% and 25%, respectively.

*Keep Kansas Dollars in Kansas*

May 8, 2002

Prepared by Kansas Racing, LLC

Chart 4

912

# Kansas Gaming Act

## Jurisdiction Comparison – Kansas City vs. Rhode Island

|   | Rhode Island        |                      | Kansas City   |
|---|---------------------|----------------------|---------------|
|   | <u>Lincoln Park</u> | <u>Newport Grand</u> | <u>Market</u> |
| <b>Gaming Information</b>                 |                     |                      |               |
| Type of EGD                               | Video Only          | Video Only           | Slot/Video    |
| Bill Acceptors                            | Yes                 | Yes                  | Yes           |
| Coin-Out                                  | No                  | No                   | Yes           |
| # of EGDs                                 | 2,900               | 800                  | 7,476         |
| # of Table Games                          | 0                   | 0                    | 250           |
| <b>Regulatory</b>                         |                     |                      |               |
| Expense of Machine Providers              | State               | State                | Casino        |
| Number of Facilities                      | 1                   | 1                    | 4             |
| <b>Financial*</b>                         |                     |                      |               |
| Net Machine Revenue                       | \$180 Million       | \$50 Million         | \$465 Million |
| <b>Market Statistics - 50 Mile Radius</b> |                     |                      |               |
| Population                                | 5,971,000           | 2,862,000            | 2,061,111     |

**Notes**

\*Property information for Rhode Island is based off an estimate of statewide reports.

Source: Rhode Island Lottery Sales, Commissions and Prize Awards Expense, Missouri Gaming Commission Annual Report FY2001, US Census 2000 Population Estimates.

*Keep Kansas Dollars in Kansas*

May 8, 2002

Prepared by Kansas Racing, LLC



# LEGISLATIVE TESTIMONY



*The Unified Voice of Business*

835 SW Topeka Blvd. • Topeka, KS 66612-1671 • 785-357-6321 • Fax: 785-357-4732 • E-mail: [kcci@kansaschamber.org](mailto:kcci@kansaschamber.org) • [www.kansaschamber.org](http://www.kansaschamber.org)

Sub. for HB 2183

May 8, 2002

## KANSAS CHAMBER OF COMMERCE AND INDUSTRY

Testimony Before the  
Senate Judiciary Committee

by

Jim Edwards  
Chief Operating Officer

Chairman Vratil and members of the Committee:

I thank you for the opportunity to provide this testimony on Substitute for HB 2183, 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.

*5/9/02  
518102  
att 3*

This provision 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 Substitute for HB 2183 which would permit electronic games of chance at state licensed pari-mutuel sites in Kansas and would be happy to answer questions.

# Gaming Issues

2002  
Legislative  
Session

*In July  
5-8-02  
att  
4*

## 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 2183, 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. **Most 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

15 Years

## 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.

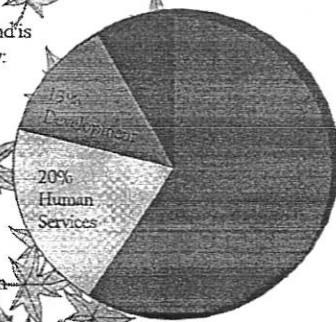
However, the Iowa Lottery continued to benefit the state as it transferred more than \$44 million to the state's general fund during fiscal year 2000. Those transfers to the state exceeded the lottery's projections of \$43 million anticipated by the state budget to be transferred.

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 districts, inspections and appeals, judicial branch, Law Enforcement Academy, Board of Parole, public defense and public safety

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

|      | Instant | Lotto | Multi-State (Powerball) | Pull-tabs | Cash Game | Dream Draw | Daily Millions | Cash 4 Life | Pick 3 | Play Replay |
|------|---------|-------|-------------------------|-----------|-----------|------------|----------------|-------------|--------|-------------|
| FY86 | \$77.6  | 4.1   |                         |           |           |            |                |             |        |             |
| FY87 | 72.9    | 2.6   |                         |           |           |            |                |             |        |             |
| FY88 | 59.8    | 4.7   | \$6.4                   |           |           |            |                |             |        |             |
| FY89 | 72.6    | 8.8   | 30.8                    | \$10.6    |           |            |                |             |        |             |
| FY90 | 68.3    | 8.8   | 38.8                    | 20.8      |           |            |                |             |        |             |
| FY91 | 75.5    | 8.8   | 27.5                    | 18.3      |           |            |                |             |        |             |
| FY92 | 85.7    | 8.8   | 23.9                    | 17.6      |           |            |                |             |        |             |
| FY93 | 96.6    | 24.3  | 38.1                    | 21.0      |           |            |                |             |        |             |
| FY94 | 99.2    | 17.8  | 44.5                    | 36.9      |           |            |                |             |        |             |
| FY95 | 103.5   | 12.6  | 48.9                    | 35.5      |           |            |                |             |        |             |
| FY96 | 95.7    | 14.5  | 41.0                    | 32.8      |           |            |                |             |        |             |
| FY97 | 91.2    | 10.2  | 32.9                    | 28.8      | 9.0       |            |                |             |        |             |
| FY98 | 90.6    | 7.8   | 37.3                    | 25.8      | 6.4       | \$1.0      | \$6.1          |             |        |             |
| FY99 | 91.0    |       | 51.8                    | 26.9      | 5.0       | 3.9        | \$2.2          |             |        |             |
| FY00 | 90.3    |       | 48.0                    | 28.6      | 4.8       | 3          | 4.2            |             |        |             |

**\*IOWA LOTTERY SALES**

| Year | Instant | Lotto | Pball | PTabs | CGame | Draw | DMill | C4life | P3  | 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 Gaming Commission



# Missouri Lottery

"Your Ticket to Luckytown"

- Home
- Winning Numbers
- News & Events
- How to Win
- Fun & Fortune
- Claiming Prizes
- Where the Money Goes
- Unclaimed Prizes
- Responsible Gaming
- About Us
- FAQ

## WHERE THE MONEY GOES

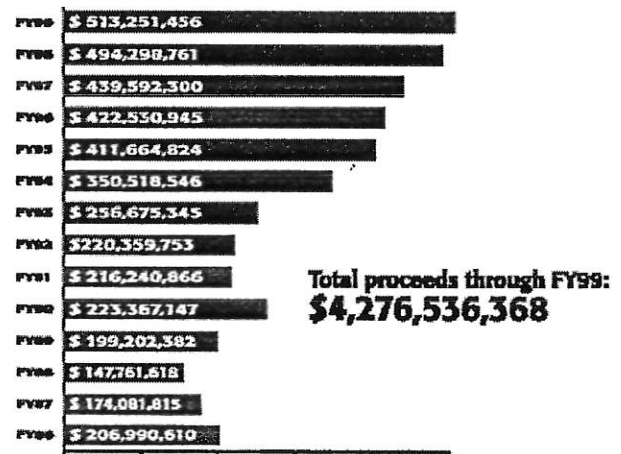
More Options...

## 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



Site Map

Search MOLOTTERY.COM:

top

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

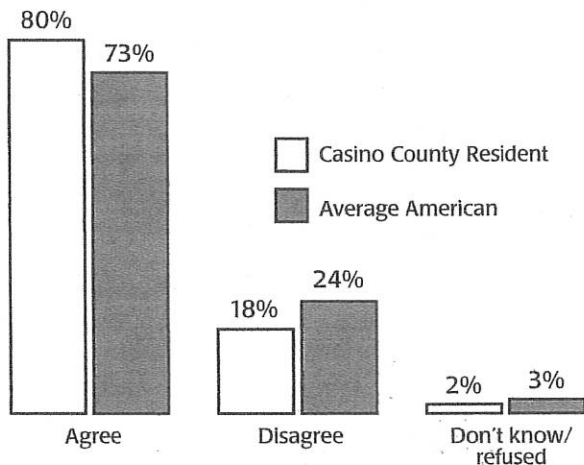
## Section III

*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.”

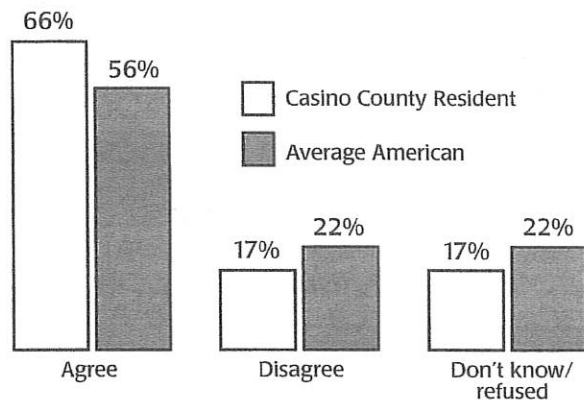


Source: Hart/Luntz

**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.”

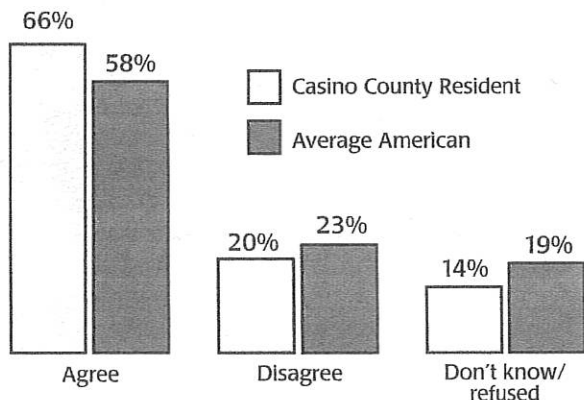


Source: Hart/Luntz

**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.)

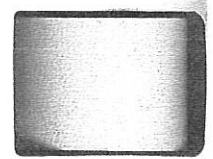
“The local casinos have provided great contributions to Kansas City including providing funds for the construction of Richard L. Berkley Riverfront Park and working to assist minorities and socially disadvantaged groups.”

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



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

|                                       |  |  |
|---------------------------------------|--|--|
| <b>Current # of Operating Casinos</b> | 43   | <div style="border: 1px solid black; padding: 5px;"> <p>Central City ♦</p> <p>Black Hawk ♦</p> <p>Cripple Creek ♦</p> </div> |
| <b>Gaming Format</b>                  | Land-based (limited stakes)                                    |  |
| <b>Casino Employees</b>               | 7,669  |  |
| <b>Casino Employee Wages</b>          | \$189.5 million  |  |
| <b>Gross Casino Gaming Revenue</b>    | \$631.8 million  |  |
| <b>Gaming Tax Revenue</b>             | \$82.1 million   |  |
| <b>How Taxes Spent</b>                | Local communities, historic preservation, general fund         |  |
| <b>Legalization Date</b>              | November 1990  |  |
| <b>First Casino Opening Date</b>      | October 1991   |  |
| <b>State Gaming Tax Rate</b>          | Graduated tax rate with a maximum tax of 20% on gaming revenue |  |
| <b>Mode of Legalization</b>           | Statewide vote, legislative action                             |  |
| <b>Visitor Volume</b>                 | 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 Ittelson

Colorado Historical Society



# 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> |
|---------------------------|---------------|------------------|----------------|----------------------|
| Number of Annual Visitors | 26,400 (f)    | 29,600 (a)       | 36,382 (d)     | 11,560 (b)           |
| Population                | 2,565 (e)     | 1,100 (a)        | 1,429 (d)      | 2,564 (c)            |
| Visitor/Population        | 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



## B. KANSAS TOURISM INDUSTRY

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.

## 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).

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.

## INCREMENTAL IMPACT

### Annual Economic Impact

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

### Annual Visitor Impact

◆ Increase of 100,000 visitors

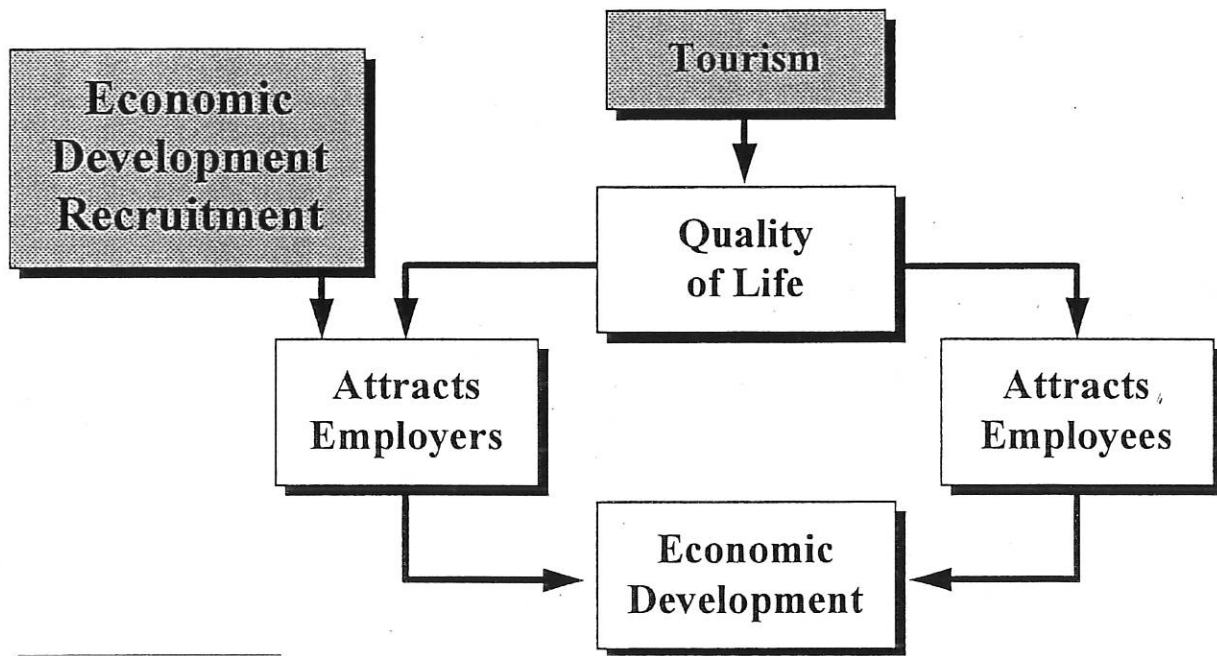
◆ High value visitor (a) \$50-100 million

◆ 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

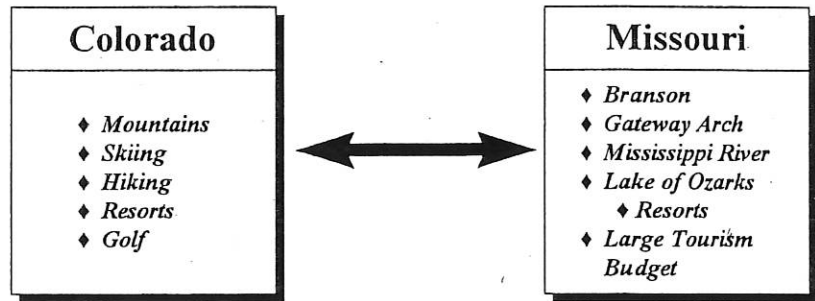
Many Kansas tourism and community leaders are quick to point out that the state has lagged behind many regional competitors in developing powerful tourist draws. Missouri and Colorado, for example, are generally regarded as having superior tourism products. At the same time, both states in the last decade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

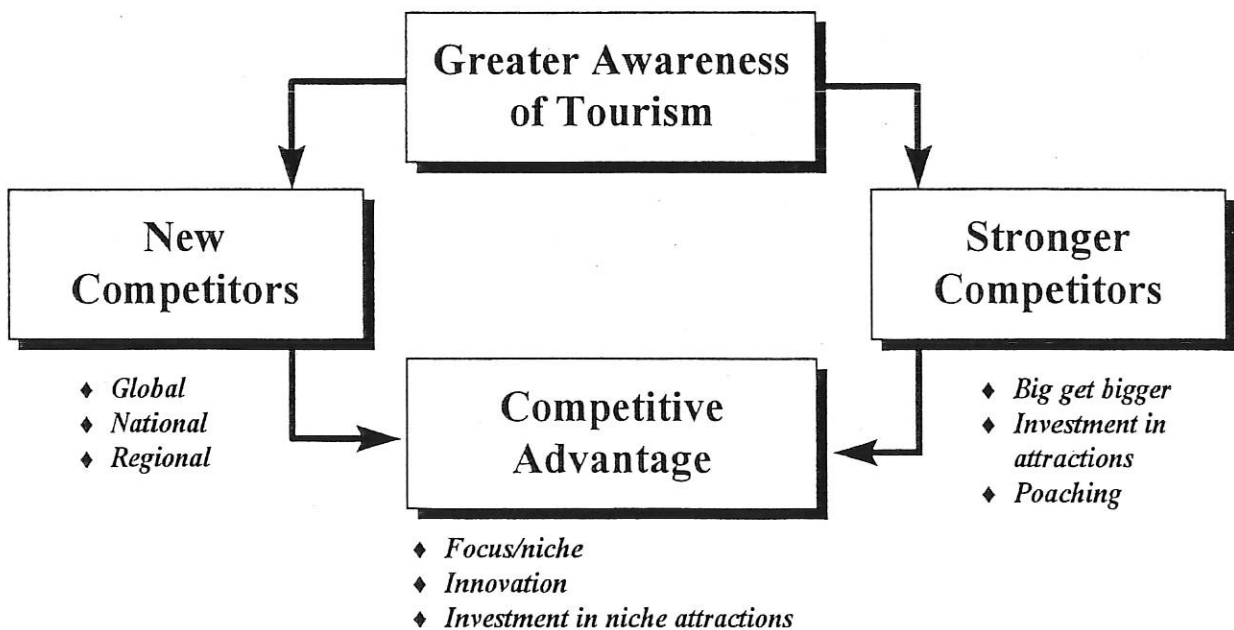
Many successful destinations are focusing their

### STRONG REGIONAL COMPETITION



Source: Young Nichols Gilstrap, Inc.

### ESCALATING GLOBAL COMPETITION



Source: Young Nichols Gilstrap, Inc.

## 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.*

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<br/>           20 % of AGR in excess of \$25 million but not to exceed \$50 million<br/>           25% of AGR in excess of \$50 million but not to exceed \$75 million<br/>           30% of AGR in excess of \$75 million but not to exceed \$100 million<br/>           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>exclusive 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).



# The Kansas Quarter Horse Racing Association

P.O. Box 228 • 210 N. Jefferson • Eureka, KS 67045

Phone 620/583-7510 • Toll Free 1-866-583-7510 • FAX 620/583-7118

Web Page Address: [www.kqhra.com](http://www.kqhra.com) • E-Mail: [kqhra@eureka Herald.com](mailto:kqhra@eureka Herald.com)

Chairman and Members of the Senate Judiciary Committee:

I am Dwayne Bird, Chairman of the Legislative Committee of the **Kansas Quarter Horse Racing Association** headquartered in Eureka, Kansas. Our organization has a long history with parimutuel racing in this state. It played a significant role in bringing about the constitutional amendment some years ago. Our membership includes several hundred individuals from around Kansas who are strongly committed to the survival of horse and greyhound racing and the agricultural and tourism industries that support it here in our state.

I am here before you today for the purpose of publicly announcing my Association's support of **House Substitute for House Bill 2183**.

As a Breeder of Quarter Horses in the Great Bend area, as well as being an officer in our Association, I can tell you that our racing industry needs the playing field upon which it competes leveled so that it may fairly compete with other gaming activities in Kansas and along our border. Clearly, approval of this bill would be an important shot in the arm for us. Kansas bred horses and all the agricultural industry that supports them have continued to decline for many years under the current highly competitive environment. While this decay has continued, the goods and services we purchase and the taxes we pay have also declined. This chain reaction continues through our suppliers and the farming industry. Frankly, we feel that one of our hands has been tied behind our back because we haven't been allowed to place electronic games of chance at Kansas' parimutuel racing facilities.

Let me give you a simple illustration of how other gaming activities such as permitted in **House Substitute for House Bill 2183** can help. My Association has conducted a 20-day Horse Racing meet at Eureka Downs for the past five years. On May 4, 2002, we began our sixth year of Kansas regulated parimutuel racing. We operate on a Fair Meet Grant through the Kansas Racing and Gaming Commission, which consists of monies generated from other racing activities. If it were not for this financial support, it would be impossible for us to do this. It will also be impossible in our opinion for the Woodlands, Wichita Greyhound Park, or any other track, to continue operations based on just the racing programs currently permitted. If these facilities are not allowed to operate electronic gaming machines at the track to help improve their competitive opportunities, I feel certain that they will be forced to close, and along with it our industry will as well.

The parimutuel racing industry has kept faith with Kansas voters who overwhelmingly approved the parimutuel constitutional amendment back in the mid-1980s. We have delivered a well-regulated and operated entertainment industry to the Kansas economy

**Alton Hoover**

PRESIDENT, KQHRA

1231 Road 130 • Emporia, KS 66801

620/342-7610

**Renee Jones**

Secretary, KQHRA

P.O. Box 228 • 210 N. Jefferson

Eureka, KS 67045

*Indrad  
5-21-02  
Att 5*

that has proved itself many times. **House Substitute for House Bill 2183** is a logical and healthy extension of that industry's activities, and we think that electronic gaming devices can also be a well-run and regulated addition to our racing programs as well as a significant revenue generator for Kansas government.

As you have been advised already, the potential revenues that could be generated for our State are of serious importance to all of us whether we are taxpayers, horse racers or people who just simply enjoy the sport. The time to favorably consider the enormous economic benefits that will be afforded our state under **House Substitute for House Bill 2183** should no longer be ignored.

I have attached to my testimony our Association's recommendations for changes to the bill which will enhance the amount made available to the horse and greyhound racing industry. These amendments (1) raise the amount dedicated to the broad-based agricultural and tourism economies from 2% to 3 ½% each, and (2) provide language that specifies how the breakout of purse supplements between the horse breeds are to be computed and distributed, thereby reducing the potential friction between horse industry participants in the years ahead.

We ask that you let the communities which operate racing facilities decide whether they want to permit electronic gaming machines at their racing facilities. We think they are capable of properly and maturely dealing with this important economic opportunity that can positively affect our state. Frankly, we believe its time has come.

The KQHRA asks for your support of **House Substitute for House Bill 2183**.

Sincerely,

Dwayne Bird  
Chairman, Legislative Committee  
Kansas Quarter Horse Racing Association

1 racetrack facility in Sedgwick county. All purse supplements paid pursu-  
2 ant to this section shall be in addition to purses and supplements paid  
3 under K.S.A. 74-8801 et seq., and amendments thereto.

4 (b) Except as provided in subsection (e), no electronic gaming ma-  
5 chine shall be operated pursuant to this act at a parimutuel licensee lo-  
6 cation unless the facility where the electronic gaming machine is operated  
7 displays live ~~and simulcast~~ parimutuel races on video terminals and has  
8 installed parimutuel windows for wagering on parimutuel races.

9 (c) Except as provided in subsection (d):

10 (1) No electronic gaming machine shall be operated pursuant to this  
11 act at a parimutuel licensee location in Sedgwick county unless, during  
12 the first full calendar year and each year thereafter in which electronic  
13 gaming machines are operated at such location, the parimutuel licensee  
14 shall conduct at such location at least 8 live racing programs each calendar  
15 week for 49 weeks, with at least 13 live races conducted each program.

16 (2) No electronic gaming machine shall be operated pursuant to this  
17 act at a parimutuel licensee location in Wyandotte county unless, during  
18 the first full calendar year and each year thereafter in which electronic  
19 gaming machines are operated at such location, the parimutuel licensee  
20 shall conduct live horse racing programs for at least 60 days, with at least  
21 ten live races conducted each program; with a minimum of seven live  
22 thoroughbred and three live quarterhorse races per day and at least eight  
23 live dog racing programs each calendar week for at least 49 weeks, with  
24 at least 13 live races conducted each program.

25 (3) No electronic gaming machine shall be operated pursuant to this  
26 act at a parimutuel licensee location in Crawford county unless, during  
27 the first full calendar year and each year thereafter in which electronic  
28 gaming machines are operated at such location, the parimutuel licensee  
29 shall conduct at such location live racing the number of days agreed upon  
30 by the organization licensee and the parimutuel licensee but not less than  
31 150 days, comprised of at least seven live racing programs each calendar  
32 week, with at least 13 live races conducted each program.

33 (d) The Kansas racing and gaming commission may provide excep-  
34 tions to the requirements of subsection (c) for a parimutuel licensee con-  
35 ducting live racing when events beyond the control of the licensee may  
36 render racing impossible or impractical. Such events shall include any  
37 natural or man-made disaster, shortage of qualified racing animals due to  
38 kennel sickness or otherwise or state imposed limitations on operations.

39 (e) The Kansas racing and gaming commission may authorize the  
40 operation of electronic gaming machines at the racetrack facility at Eu-  
41 reka Downs and the racetrack facility at Anthony Downs on days when  
42 simulcast parimutuel races are displayed at such facility without requiring  
43 live horse racing or live greyhound racing at such facility. The Kansas

53  
; displays live races on video terminals; has a  
simulcasting license granted by the Kansas racing  
and gaming commission and displays simulcast parimutuel  
races on video terminals in accordance with the  
simulcasting schedule approved by the Kansas racing and  
gaming commission;

54

1 racing and gaming commission shall not authorize the operation of such  
2 machines at such racetrack facility unless the qualified voters of the  
3 county where such racetrack facility is located have voted pursuant to  
4 section 5, and amendments thereto, to permit operation of such machines  
5 within the county.

6 New Sec. 7. Expenditures from all funds created pursuant to this  
7 section shall be made in accordance with appropriations acts upon war-  
8 rants of the director of accounts and reports issued pursuant to vouchers  
9 approved by the chair of the Kansas racing and gaming commission or  
10 the chair's designee.

11 (a) There is hereby established in the state treasury the live horse racing  
12 purse supplement fund. Moneys available in such fund shall be paid to  
13 parimutuel licensees for distribution as purse supplements in accordance  
14 with rules and regulations of the Kansas racing and gaming commission.  
15 Such moneys shall be distributed from the separate horse purse supple-  
16 ment accounts maintained pursuant to this section, in accordance with  
17 rules and regulations of the Kansas racing and gaming commission, pro-  
18 vided that not less than \$1,600,000 shall be guaranteed annually by par-  
19 imutuel licensees to be charged against the accounts of such licensees on  
20 a pro rata basis. Such rules and regulations shall provide that an amount  
21 not to exceed 20% of the total amount credited to such fund shall be  
22 transferred to the credit of the horse breeding development fund created  
23 pursuant to K.S.A. 74-8829, and amendments thereto.

Moneys deposited into such fund shall be distributed to separate  
accounts for quarter horse and thoroughbred horses in amounts  
calculated on an average of the next preceding three years of live horse  
starters in Kansas races.

24 (b) There is hereby established in the state treasury the live dog rac-  
25 ing purse supplement fund. Moneys available in such fund shall be paid  
26 to parimutuel licensees for distribution as purse supplements in accord-  
27 ance with rules and regulations of the Kansas racing and gaming com-  
28 mission. Such rules and regulations shall provide that, in addition to purse  
29 supplements paid to winners of live dog races at each parimutuel licensee  
30 location, the lottery gaming machine operator at the parimutuel licensee  
31 location shall pay to the owner of each winner that is a Kansas-whelped  
32 greyhound an additional amount equal to \$60 per point for each point  
33 awarded to the winner. In addition, such rules and regulations shall pro-  
34 vide that an amount not to exceed 20% of the total amount credited to  
35 such fund shall be transferred to the credit of the greyhound breeding  
36 development fund, created pursuant to section 74-8831, and amendments  
37 thereto.

Any remaining moneys in said fund shall be expended upon  
recommendations of the respective thoroughbred and quarter horse  
horsemen's associations with the approval of the Kansas Racing and  
Gaming Commission.

38 (c) There is hereby established in the state treasury the electronic  
gaming machine fund.

39 (d) There is hereby established in the state treasury the electronic  
40 gaming machine operation and regulatory fund. Moneys in such fund shall  
41 be used to pay for the expenses of the Kansas lottery and the Kansas  
42 racing and gaming commission attributable to the operation and regula-  
43

P 7

# The Anthony Fair Association

Box 444  
Anthony, Kansas 67003

May 7, 2002

Senator John L. Vratil, Chairman  
Senate Judiciary Committee  
300 SW 10<sup>th</sup> Avenue, Room 120S  
Topeka, Kansas 66612

Re: House Bill 2183

Dear Chairman Vratil:

I am writing this letter to inform you that the Anthony Fair Association supports HB 2183.

The Association holds annual horse and dog races the second and third weekends of July, which is one of the biggest events that takes place annually in Harper County, Kansas.

Harper County is a farming community, and we are suffering economically because of the depressed farm economy. In addition, Harper County has one of the highest tax bases of any county in the state of Kansas.

Harper County already voted in favor of pari-mutuel betting, which has greatly increased the revenue that flows through our county during the races. The passing of HB 2183 will only enhance the horse and dog racing industry in Harper County and at the other Kansas race tracks.

Thank you for considering my letter, and if you have any questions or would like additional information regarding the races in Harper County, please do not hesitate to contact me at (620) 842-3796.

Sincerely,

*Dan Bird*

Dan Bird, President

DB:mk

*5/8/02  
atb*

SEASTROM KENNELS INC  
2350 EDEN ROAD  
ABILENE, KS 67410  
785-263-3965  
785-263-2062(FAX)

**TESTIMONY OF TRACY LYNN SEASTROM – WILDEY ON BEHALF OF THE KANSAS  
GREYHOUND ASSOCIATION BEFORE THE SENATE COMMITTEE ON JUDICIARY  
MAY 8, 2002**

Dear Members of the Committee:

I am Tracy Wildey, President of Seastrom Kennels Inc. and I am appearing today on behalf of the Kansas Greyhound Association (KGA) in support of slot machines in Kansas Racing Tracks.

I am a second-generation greyhound owner. My father passed away in November of 1997. At that time, my husband and I made the decision to move back from Florida and – along with my sister - keep Seastrom Kennels operational. All in all, Seastrom Kennels has been operational for 32 years. We have raised greyhounds on our farm in Abilene, Kansas during this entire time, and during the years of 1990 – 1993, Seastrom Kennels operated a racing kennel in Wichita, Kansas. However, due to the declining purse structure at the Kansas racetracks, coupled with rising costs involved in raising the animals, the decision was made to discontinue racing in Kansas and race at other racetracks in Florida, Iowa, Alabama and Texas. The unfortunate part of this decision was not the facilities – as they are two of the best facilities in the country – but the purses paid out.

Later, the decision was made for Seastrom Kennels to concentrate on running our best greyhounds in Iowa because the Iowa legislature voted for casino gambling in 1994 and the purses would be substantially higher in this state versus the other states we were operating racing kennels. For the last year, Bluffs Run in Council Bluffs, Iowa had 5 kennels on its roster that were based out of Kansas. Four of the kennels have their home base in Abilene, 1 in Holyrood. Our kennel expenses at Bluffs Run for 2001 were \$179,043.20. Assuming the other Kansas kennels operating at Bluffs Run had comparable expenses, the total amount of monies combined that went out of state to Iowa last year would have been approximately \$895,000. This year there are 4 kennels from Kansas and so far the monies combined are approximately \$80,000. This does not even take into consideration the kennels in Kansas who do not operate racing kennels but who do send their dogs to Lincoln, Rhode Island; Charleston, West Virginia; Wheeling, West Virginia and Bluffs Run because the purses are much better.

*signed  
5-8-02  
att 7*

Along this same vein, there are five Kansas breeders who operate racing kennels at Wheeling. I can only assume their expenses paid out of state run parallel to what ours are in Iowa.

Due to these factors, it is now apparent for the state of Kansas to attract the top level of animals in the state as well as many dollars spent on expenses, they must have supplementation by casino gambling at the existing racetracks. It is no secret among greyhound owners that Kansas City and Wichita are considered second-tier racetracks, and even though greyhounds are bred and raised in the state of Kansas, they are not registered as Kansas-bred because it has become difficult to recoup the monies paid to Kansas-register the litters at the Woodlands and Wichita. Furthermore, if a dog, even though he is Kansas-bred, is a superior racing animal, it will most likely end up at a top-tier racetrack such as Lincoln, Wheeling, Tri-State or Bluffs.

Due to all of the above factors, it is important for the KGA that casino gambling be passed in the state of Kansas as it will increase revenues to the greyhound breeders in Kansas who breed, raise and train these animals. I would call your attention to the attached IGA brochure. As evidenced by the following information, the actual number of greyhound farms increased in Iowa as did the quality and number of greyhounds being raised in the state. This means that monies now being spent out of state will be reinvested in local Kansas communities, not only benefiting the communities, but the economy of the entire state. This has to happen in Kansas so that the state world-famous for its greyhounds also becomes world-famous for its purses.

Thank you for the opportunity of appearing before the Committee. I will be happy to respond to questions.

22

**SEASTROM KENNELS, INC**  
**PROFIT AND LOSS STATEMENT**  
**BLUFFS RUN, IOWA – 2001**

**Ordinary Income/Expense**  
**Income**

|                  |              |
|------------------|--------------|
| Boarding Income  |              |
| Track Income     | \$453,896.80 |
| Dog Sales Income |              |
| Farm Income      |              |

**Total Income** **\$453,896.80**

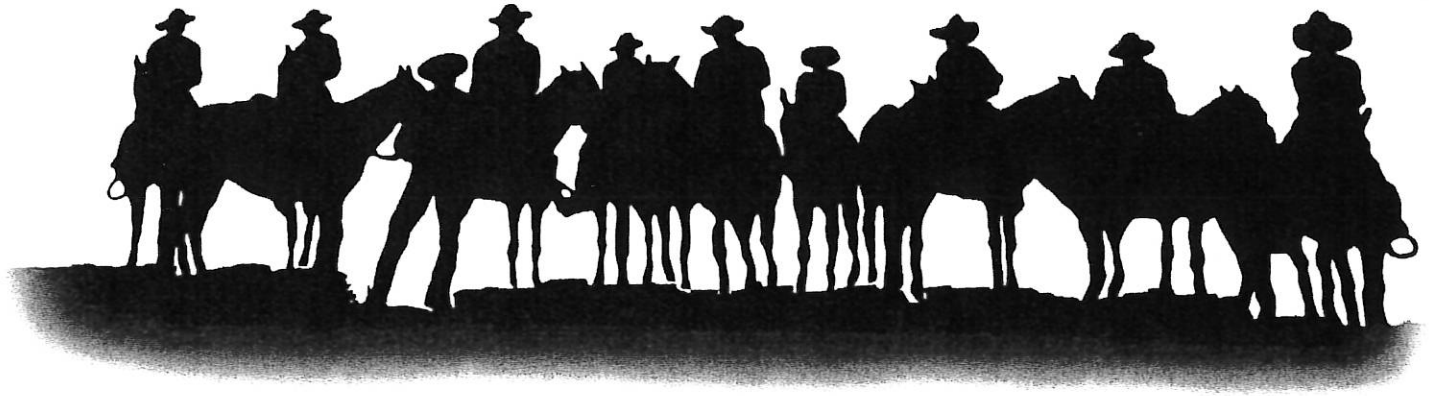
**Expense**

|                             |             |
|-----------------------------|-------------|
| Contributions               |             |
| Boarding Expense            |             |
| Advertising                 |             |
| Accounting & Legal Expense  |             |
| Bank Charges                |             |
| Benefits & Fees             | \$6035.21   |
| Breeding Fees Expense       |             |
| Commissions – Joint Venture | \$1937.50   |
| Commissions – Owners        | \$30,432.09 |
| Commissions – Other         |             |
| Contract Labor              |             |
| Dog Hauling Expense         |             |
| Dues & Membership Expense   | \$50.00     |
| Entry Fees                  |             |
| Finance Charges             | \$147.61    |
| Feed Expense                | \$20,471.63 |
| Fertilizer Expense          |             |
| Fuel Expense                |             |
| Insurance Expense           |             |
| Interest – Bank             | \$34.59     |
| Interest – Other            | \$10.30     |
| Penalties                   |             |
| Professional Services       |             |
| Meals Expense               |             |
| Schooling Expense           |             |
| Supplies                    | \$8115.98   |
| Office Supplies             |             |
| Paperwork Fees              |             |
| Postage & Freight           | \$156.00    |
| Repairs & Maintenance       | \$1340.05   |
| Taxes                       | \$150.76    |
| Telephone Expense           |             |
| Travel Expense              |             |
| Utilities Expense           |             |
| Veterinary Expense          | \$6178.50   |
| Gross Wages                 | \$94,220.09 |
| Wage Assessments            | \$9762.92   |
| Uncategorized Expense       |             |

**Total Expenses** **\$179,043.20**

**Net Ordinary Income** **\$274,853.60**





# Dodge City

K A N S A S

Proposal for a

## Western Heritage Gaming Parlor

Testimony before the  
Senate Judiciary Committee  
May 8, 2002

*Sr. Jud  
5/8/02  
att 8*

# BOOT HILL MUSEUM

Front Street  
Dodge City, Kansas 67801  
(620) 227-8188  
www.boothill.org



May 8, 2002

Dear Kansas Senator:

## WE WANT YOU TO VOTE IN FAVOR OF EXPANDED GAMING IN KANSAS THAT INCLUDES THE OPPORTUNITY FOR AN 'AT-LARGE' LICENSEE

Why should you be interested in our plans? Because our plans include all of Southwest Kansas! We believe that a Dodge City electronic gaming machine facility will succeed, but only if Southwestern Kansas succeeds right along with us -- and we want to share the prosperity. Let us tell you all about what we've been doing. Economic development -- tourism -- entertainment -- a tax revenue shot in the arm.

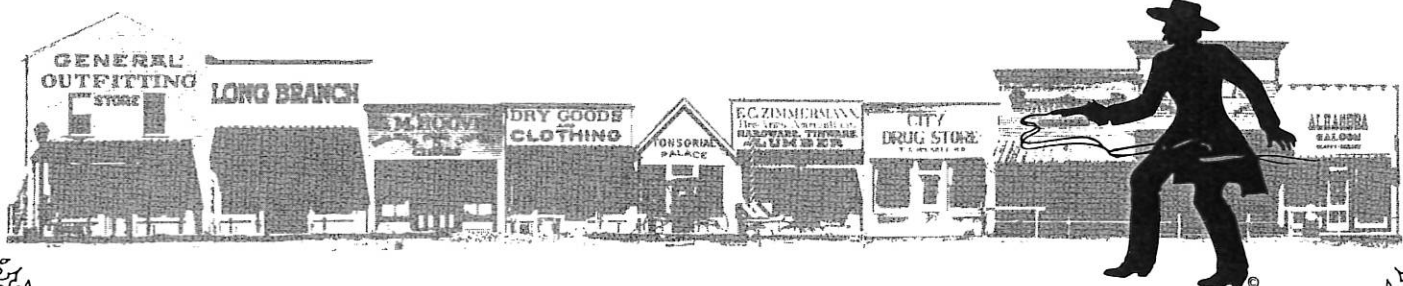
The Boot Hill board of directors, a collection of business and professional representatives, has met and conferred repeatedly; our board has met again and again with the Ford County Economic Development Corporation; and we've convened focus groups from various segments of our community. We've even begun working with New Chance, Inc., our award winning community based addictions treatment facility, in their development of protocols for the addiction issues of the problem gambler. We're planning a countywide ratification campaign. On the prospect that an at-large license will be approved, we're informed, we're committed, and we're ready to act as a potential licensee.

You already know about the history of twists and turns in the gaming bills under consideration in this session, we won't waste time telling you what you already know. We do, however, want to wisely spend a few moments of your time helping you to know why gaming should come to southwest Kansas. We've been doing our homework, and we discovered many interesting aspects to the concept of gaming in southwest Kansas.

### How will we distribute Gaming Revenue

The legislative process will determine the precise amounts to be distributed from the tax on after win-paid-out gaming revenue. Still, we can make some reliable presumptions. For example, the State tax is likely to be in the 35 to 40% range, which leaves 65 to 60% of every dollar for operating costs and profit.

Our plan is to dedicate a portion of every dollar of after-tax gaming revenue for distribution to the counties in Wild West Country -- the twenty-two county southwest Kansas tourism region that includes Pawnee, Edwards, Kiowa, Comanche, Clark, Ford, Hodgeman, Meade, Gray, Finney, Lane, Scott, Haskell, Seward, Stevens, Grant, Kearney, Wichita, Greeley, Hamilton, Stanton, and Morton counties. In addition, we intend to distribute a percentage to the Tri-area CVB's in Garden City, Dodge City, and Liberal to support their regional marketing efforts.



*"Relive the Legend"*

**Let's talk dollars and cents -- and examples.**

Here in Dodge City, we don't yet have the benefit of experience to be able to say how many visitors would attend our gaming facility. We'll have to estimate. We've looked to the public record at the experiences of the Native American casinos north of Topeka; we've consulted with a handful of national casino chains; we've talked with state gaming officials; we've examined the literature; we've toured gaming facilities; we've scoured the pending legislation; we've listened to experts; and we've produced several models for comparing possible scenarios.

For illustration, the following table offers a glimpse into the facts and figures associated with the four existing casinos in Kansas as compared to plans for Southwest Kansas:

| Casino Name             | # Slots      | # Video Poker | Table Games | Casino Sq. Foot        | Casino Hours  | Restaurants | Hotel Rooms        | Visitors in 2001        |
|-------------------------|--------------|---------------|-------------|------------------------|---------------|-------------|--------------------|-------------------------|
| Harrah's Prairie Band * | 985          | 126           | Yes         | 32,958                 | 24 / 7        | 2           | 100                | 1.475 million           |
| White Cloud             | 350          | Some          | Yes         | 15,000                 | 16-18/7       | 2           | 0                  | Unk.                    |
| Golden Eagle            | 679          | Some          | Yes         | 45,000 Sq. Ft.         | 24 / 7        | 1           | 0                  | Unk.                    |
| Sax & Fox               | 460          | Some          | Yes         | 40,000 Sq. Ft.         | 24 / 7        | 2           | 0                  | 600,000                 |
| Dodge City              | <b>1,000</b> | <b>Some</b>   | <b>No</b>   | <b>Estimate 40,000</b> | <b>18 / 7</b> | <b>1 -2</b> | <b>100 Planned</b> | <b>Estimate 519,000</b> |

\* The cost of construction is reported at \$37 million. In its fifth year of operation, the Potawatomie Prairie Band is about to pay-off the cost of construction.

**What Revenue Can Be Expected**

The amount of gaming revenue that a facility will produce is a function of variables. Change one variable and you change the outcome. The following data is meant to convey our concepts -- but none of this is yet set in stone.

In the gaming industry there is a term called "net win per machine," or NWPM. It refers to the average amount that an electronic gaming machine will net after paying out winnings to the customer. The pay out amount is determined by statute and the remainder is the NWPM. The industry standard is \$225.00 per machine per day. Real numbers range from \$175 to \$265.

For our purposes, we want to utilize conservative numbers for our models. Reality should produce more robust numbers, but we should not mislead you -- the numbers could be lower. The experts tell us that our conservative numbers will almost certainly be exceeded.

We feel you need to see these numbers, so you have an idea of what the revenue potential might be.

## Estimated Financial Impact of a Western Heritage Gaming Parlor in Dodge City

|  |                 |                      |
|--|-----------------|----------------------|
| <b>Gaming Machines</b>                           | <b>1,000</b>    |                      |
| NWPM/ per day                                    |                 | 150.00               |
| Casino days/ year                                |                 | 360.00               |
| NWPM/ per year                                   |                 | 54,000.00            |
| <b>Gross Annual Income</b>                       |                 | 54,000,000.00        |
| <b>Distributions</b>                             |                 |                      |
| Regulation                                       | 1.00%           | 540,000.00           |
| Problem Gambler                                  | 0.50%           | 270,000.00           |
| State Tourism Fund                               | 2.00%           | 1,080,000.00         |
| State General Fund                               | 36.50%          | 19,710,000.00        |
| <b>Total State Tax</b>                           | <b>40.00%</b>   | <b>21,600,000.00</b> |
| <b>Management Fee</b>                            | <b>60.00%</b>   | <b>32,400,000.00</b> |
| <b>[Actual Net Estimated]</b>                    | <b>2-3.00%%</b> | <b>1,620,000.00</b>  |
| <b>Estimated Annual Distribution Allocations</b> |                 |                      |
| Boot Hill Museum, Inc.                           | 1.00%           | 540,000.00           |
| City of Dodge City                               | 0.65%           | 351,000.00           |
| Ford County                                      | 0.65%           | 351,000.00           |
| Tri-CVB  | 0.50%           | 270,000.00           |
| Wild West Country                                | 0.20%           | 108,000.00           |
|  | <b>3.00%</b>    | <b>1,620,000.00</b>  |

### What could be done with this money, year after year?

Gaming money is being spent now -- outside of Kansas. This is a golden opportunity to bring a business to southwest Kansas that is not particularly agriculture sensitive.

This is a WIN - WIN - WIN proposition in terms of economic development -- tourism -- and entertainment -- for Southwest Kansas and it will produce substantial tax revenue to the State.

Sincerely,

Jeff R. Thorpe  
Board of Directors  
Boot Hill Museum, Inc.

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My name is Steve Herd and I am from the small south west Kansas town of Protection. I am a cattle rancher, farmer and a thoroughbred horse breeder with a small breeding operation. I am also a Board of Director for the Kansas Thoroughbred Association and have been asked by our president Dwight Daniels to represent him and speak on behalf of the KTBA today.

For more than Three years we in the thoroughbred industry have fought long and hard to help legislators provide Kansas with a gaming bill that would allow Slot machines at the racing facilities here in Kansas. We feel that the income from gaming will provide our industry with much needed infusion of money and make racing horses and dogs in Ks a very attractive new industry for Kansas. While forming the wording for the original bill percentages for each participant; track operator, horses, dogs, the State of Kansas, etc. all had to be weighted so that every one would benefit and at a fair share of the profits. We in the KTBA arrived very early on at the rate of 3 1/2 percent for us and the same for the dogs. To ask for more we felt would be greedy and to ask for less would be foolish. After much debate we as a n association voted to support this amount and as the final bill is drawn up we pray that you will agree that this will the fair percentage allotted for the dogs and horses. Although there may be a few in our industry who would ask for a much larger percent and ask that the percent for operators or even the state should be much smaller we feel that you just can't cut the pie into any smaller pieces.

I decided that I should let you who are not real familiar with the horse racing industry understand a little of what we feel the impact of passing this gaming bill will have upon our industry and our state.

I was in Eureka Kansas Saturday, May 4, Kentucky Derby day at the little Horse racing track EUREKA DOWNS. As I helped our trainer saddle our horse for the 2nd race of the day the loud speaker system announced that the Kansas House of Rep. had just passed its version of the "SLOTS" bill. by 3 votes. The crowd gave a big cheer and people from all segments of the racing industry from owners, trainers, jockeys, track officials, feed vendors, and the public immediately began making optimistic plans for the Future.

Within one half hour I had visited with these people and I want to let you know what these people feel the future of racing in Kansas holds;

Gary Meade from Plains, Kansas owns the Champion Running Quarter Horse

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RARE BAR and several really good mares but he keeps all of the world class horses down in Okla. Gary was really excited and told me that if this bill passes the Senate he would move his Stallion and all of his mares back to Kansas, and start his own breeding operation, hire the help and start drawing the good mares to Kansas. Rare Bar breeds over 60 mares a year at a stud fee of \$1000.00.

The next person was my Trainer from Waggoner, Ok, William Clay who approached me and said that if the bill passes he would move his entire training operation to relocate to Kansas. With him would be family and friends looking for a viable state to operate in.

Two Jockeys listening to our conversation said they also would make Kansas their permanent home instead of being nomadic as many jockeys in marginal racing states are.

Within a few minutes I was called into the racing office for a long distance phone call from Bud Partridge, one of Kansas leading trainers, and he had heard the good news and told me to go to his stable in Hutchinson and pick up two good TB mares and get them bred to my stallion so that he would have colts to run in the Kansas bred program if this bill actually passes. Bud trains in many states and goes where the money is. He was heading for Iowa when we talked because they have slots there and the purses are wonderful.

Pete Gibb and Albert Freeman from out around Liberal contacted me and said they had got word that we may get the bill passed. Both men run there horses in New Mexico because since the state got slot machines 3 years ago the horse industry has flourished and the purses are so much better than Kansas. Both men plan to move their breeding and racing operations back to Kansas if we pass this bill.

For my personal operation I have three TB stallions that I stand at stud and a band of usually around 15 TB mares. One of these stallions sold in New York as a yearling for \$400,000, another was the highest priced yearling of 1993 selling for \$1,050,000, the other a son of the famous Seattle Slew sold for over \$100,000 as a yearling. If this bill passes and becomes law I will continue to import this caliber of Thoroughbred to Kansas along with many other people to help build this new industry. With every new mare and every new stallion coming into Kansas there must be facilities, feed, veterinary care,

caretakers, horse haulers, trailers, trainers, and the list goes on till it effects nearly everyone in the community. However if this bill fails and we do not get it passed this session then two of my stallions will leave the state and all but 5 of my mares also will leave and not one person in Kansas will benefit and Kansas will loose millions of dollars of goods ,services, taxes, employment, recreation, tourism, and once again the list just goes on and on.

I stand before you as just one man but I speak for so many, many people in the Racing industry who want a chance to bring a Kentucky class racing industry to Kansas.

Please lets work together and PASS a Gaming bill. Thanks

STEVE HERD

A handwritten signature in cursive script that reads "Steve Herd". The signature is written in black ink and is positioned below the printed name "STEVE HERD".



Unified Government of  
Wyandotte County/Kansas City, Kansas

Carol Marinovich, Mayor/CEO

701 North 7th Street, Suite 926  
Kansas City, Kansas 66101  
Phone: (913) 573-5010  
Fax: (913)573-5020

May 2, 2002

Members of the Kansas Legislature  
State Capitol  
Topeka, Kansas 66612

***Re: Support for Substitute for HB 2183***

Dear Legislators:

In August of 1996, in a non-binding referendum, voters in Wyandotte County sent a clear mandate when 82 percent voted in favor of gaming at the Woodlands Racing Facility in Kansas City, Kansas. Numerous independent studies clearly show that revenue generated from electronic gaming would be a great economic benefit to the State of Kansas and to local communities. Statistics show that nearly 40 percent of visitors to Missouri Riverboat Casinos are from Kansas.

The Unified Government of Wyandotte County/Kansas City, Kansas and its Citizens **support** Substitute for HB 2183 which authorizes the placement and operation of electronic gaming machines at parimutuel racing facilities such as the Woodlands. We fully **support** a binding county referendum be placed before the voters in Kansas counties that currently have parimutuel racing facilities. We strongly believe local governments should receive a **fair percentage** of the revenue.

The Unified Government is working closely with the Wyandotte County Delegation to support the mandate delivered by our Citizens. We urge you to rise in support for Substitute for HB 2183 so that the Citizens of Wyandotte County can have the opportunity to vote on this issue.

Sincerely

Carol Marinovich  
Mayor/CEO

*For Fred  
5/8/02  
att 10*





## GOVERNMENT RELATIONS

Sedgwick County Courthouse  
525 N. Main, Suite 365  
Wichita, KS 67203  
Phone: (316) 383-7552  
Fax: (316) 383-7946

**Michael D. Pepoon**  
Director

**TESTIMONY Sub. for HB 2183**  
**Before The Senate Judiciary Committee**  
**May 8, 2002**

Honorable Chairman Vratil and members of the committee, I appreciate the opportunity to testify on Sub. for HB 2183. This bill would have the effect of expanding electronic gaming in the State of Kansas (in particular at any "parimutuel licensee location"), which would include the Wichita Greyhound Park, located in the unincorporated area within Sedgwick County.

Sedgwick County does not take a position as to whether or not expanded gambling in the form of slot machines or other electronic gaming machines should be expanded in our state. But should there be expanded gambling in Sedgwick County, we believe there is little doubt that such a decision will have a significant impact on county services. These services would likely include increased law enforcement needs, strain on our adult detention facility and an increased demand for public health services. That is why in a recent study conducted by the Sedgwick County Manager's Office it was found that in every other county where gambling exists, the counties received some portion of the revenue from such gambling.

Sub. for HB 2183 provides that 1% of net machine income (wagers minus winnings) would be distributed to the county where the gaming machines are located and 1% would go to the city where gaming machines are located. Since in Sedgwick County gaming machines can only go in at the Wichita Greyhound Park (outside of any city in the County), our area would receive 1% less than other areas of the state where gaming machines are located in a city. We therefore recommend amending the bill to give 2% of the net machine income to counties wherein gaming machines are operated solely within the unincorporated area of any county in the state.

Sub. for HB 2183 also provides that expanded gambling will only occur at locations in the state where the issue has been approved by the voters in the county where the electronic gaming is to take place. Sedgwick County is in favor of giving the citizens of Sedgwick County the right to decide whether or not expanded gaming should be included at the Wichita Greyhound Park. While it is true that voters elect their state legislators to make many difficult decisions on their behalf, certain important "quality of

**"...To Be The Best We Can Be."**

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life" issues, such as expanded gambling, are best left to the citizens of a city or county to decide what is in their best interest.

Lastly, Sub. for HB 2183 (with our proposed amendment) could have the desired affect of providing additional revenue to Sedgwick County through proceeds generated from expanded gambling. This could have the positive effect of helping to offset revenue reductions to the County currently being considered by the Kansas Legislature and help keep County property taxes from being raised or prevent the reduction of necessary County services.

Thank you for your consideration of the above issues concerning Sub. for HB 2183 as they affect Sedgwick County.

Testimony of Larry Montgomery  
Regarding H. B. 2183  
Before the Kansas Senate Judiciary Committee  
May 8, 2002

Mr. Chairman and Distinguished Members of the Kansas Senate Judiciary Committee:

By way of background, I was the first director of the Kansas State Lottery; former president of Public Gaming Research Institute, an internationally recognized research and educational organization for the world-wide lottery industry; and, co-founder, former president and vice chairman of the board of Multimedia Games, Inc. (MGAM:Nasdaq), a company recognized as the fastest growing public company on any U. S. stock exchange in 2001. I stepped down from the board of directors on December 31, 2001 and no longer own any stock in the company. I am here to testify regarding what I believe is in the best interest of the State of Kansas. I am not speaking on behalf of the gaming company I helped found.

***In Summary: H. B. 2183 is the wrong model to protect the dignity of the State of Kansas. Technology for gaming machines in tracks moved into a "new generation" with the February 13, 2002 RFP issued by the New York Lottery for tracks in New York State. The New York Lottery Model enables the State to have control of the games by dispensing games from a central site under State control rather than for control of the games to be within the machine. The NY Model sets a new, correct standard for State gaming at tracks. It allows the State to remain in the gaming business instead of entering the gambling business.***

I would like to make three points:

- I. THE DIGNITY OF THE STATE OF KANSAS REQUIRES ADHIRING TO ESTABLISHED LOTTERY CONCEPTS THAT PROVIDE ABSOLUTE INTEGRITY, RELIABILITY AND ACCOUNTABILITY

The 2002 New York State Model is the result of the most extensive analysis to date of gaming technology available in the 21<sup>st</sup> Century. The model is based on security, integrity, reliability, accountability, and State control of gaming within the parameters of State lottery controlled games, as well as the ability to provide player preferred games that will compete with slot and reel style games offered by other gambling establishments.

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II. THE SUCCESSFUL CENTRAL SYSTEM PROVIDER SHOULD NOT BE ALLOWED TO ALSO PROVIDE GAMING MACHINES

If the State procures a central system that is independent of and not an integral part of a manufacturer's standard offering, the integrity of the system for all manufacturer's machines is greatly increased and the probability of preferred treatment is greatly diminished. The provider awarded the central system contract and its subsidiaries should not be allowed to manufacture any of the gaming machines.

III. MODERN TECHNOLOGY (AS PROVEN BY THE NEW YORK MODEL) CAN ALLOW THE STATE TO OFFER PROVEN LOTTERY SYSTEMS WITH VIDEO ENHANCEMENTS TO MATCH ANY GAME PROVIDED BY SLOTS OR REELS, AND "ENABLE THE STATE TO REMAIN WITHIN THE LOTTERY BUSINESS."

The New York Model utilizes proven technology to enable all video slot style games, including keno games, to be delivered to each individual gaming machine from a central site and selected from a finite field stored at the central site.

For slot style games, the gaming machine terminals are connected to site controllers which are programmed to store unpurchased electronic games or tickets (just like instant lottery tickets) which will be graphically represented on the players screen to look like any existing or newly created slot or reel game and to manage, allocate, and account for each represented series on an individual and aggregate bases. The site controller computer is programmed to draw and dispense an electronic game in the sequence received from the central system.

For keno games, the draw is from a finite field of numbers, colors or symbols from a larger finite pool of numbers, colors or symbols in order to determine the outcome of a game.

The value of the New York Model is that the control of the games reside at lottery headquarters; they are truly lottery games (although the hold per day per machine matches the \$300 +/- of a slot/reel machine); the accountability for the games is as absolute as for a printed lottery ticket; and, the model allows the State to remain within lottery parameters instead of entering the on site gambling business.

In conclusion, I encourage the Senate Judiciary Committee to consider asking officials from the Kansas State Lottery and/or other lottery professionals to assist the Committee in making the modest amendments necessary to H. B. 2183 that will take advantage of the research already completed by the New York Lottery in designing a similar system, but a system that retains the dignity of the State by continuing to offer only lottery defined games, albeit, games that look like and produce revenue like traditional slot or reel games. The biggest advantage to the New York Model is that the dignity of the State and the control of the State will be preserved.

Please know that I am willing to assist in drafting those amendments today for review by the Committee tomorrow, should that be the desire of the Committee.

Senators – Thank you for this opportunity. My name is Betty Melson, and I am Greenwood County Economic Development Director.

My husband Glen has his own training stables at Eureka Downs and Quarter Horse and Thoroughbred horse racing has been our family business for over 20 years.

We have survived through the good times and the bad times, and today we are faced with a lack of attendance at the race tracks in Kansas. The people of Kansas are going to the Casinos in Missouri and north of Topeka, and I believe that slot machines at the five race tracks in Kansas would bring the public back to the tracks.

Eureka Downs survives because of the simulcast wagering done at the race tracks in Kansas, especially at The Woodlands and Wichita Greyhound Park. One percent of every simulcast wager goes into a special County Fair Benefit Fund. That one percent of a bet made it possible for Eureka Downs to receive a \$555,000 grant this year, and without that grant we could not have operated.

If the big tracks were to close, there would be little simulcasting done in Kansas, and that would make it impossible for Eureka Downs and also Anthony Downs to operate.

Eureka Downs opened last Saturday for a 20-day race meet that will continue through July 4, running every Saturday, Sunday and holidays. The track employees approximately 75 people and that does not count the numerous trainers, trainers helpers, jockey and other individuals associated with the horse racing industry. We have over 200 head of horses training at Eureka right now and many are from out-of-state. That brings tax money to Kansas in the way of sales tax from goods purchased, income tax from hopeful revenues and property taxes as trainers and their helpers live in Kansas. And the revenues turn around in Eureka and Greenwood County.

Racing is a big industry for Eureka and Greenwood County and can grow with the addition of slot machines at the race tracks, as there will be more jobs and more “second incomes” for individuals in the area.

Whether or not there will be slot machines at Eureka Downs will be up to the people of Greenwood County, as they will have to give their approval in an election. One way or the other, we still need the big tracks to operate and to offer simulcast wagering. That is how we are able to operate.

I am asking you to let the people in the counties where race tracks are located to have the opportunity to vote on allowing slot machines at those tracks. This is an economic issue for Greenwood County, and is very important.

I would be willing to answer any question, and thank you.

*Sm. Jud  
5/8/02  
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# Kansas AFL-CIO

2131 S.W. 36th St.

Topeka, KS 66611

785/267-0100

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President  
**Ron Eldridge**

Executive Secretary  
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**Jim DeHoff**

Executive Vice  
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Adrain Loomis  
Pam Pearson  
Emil Ramirez  
Bruce Reves  
Steve Rooney  
Debbie Snow  
Betty Vines  
Dan Woodard*

Senate Judicial Committee  
May 8, 2002

Mr. Chairman & Committee Members,

I am Jim DeHoff, Executive Secretary of the Kansas AFL CIO. I appear before you today in support of Substitute HB 2183. Our 100 thousand members of the Kansas AFL CIO have endorsed and passed resolutions at our conventions in support of electronic gaming at select Kansas locations.

We believe that placement of electronic gaming machines will provide economic development opportunities for the State of Kansas. Jobs would be created in the construction and placement of the gaming machines and permanent jobs would be created that would benefit workers and business in Kansas.

The State of Missouri has realized a lot of economic benefits from electronic gaming machines, and we believe that Kansas should take advantage of the same opportunity.

We are asking that you vote to give Kansans the right to decide on the electronic gaming issue.

We urge your support of Substitute HB 2183.

Thank you.



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# HEIN LAW FIRM, CHARTERED

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Phone: (785) 273-1441

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*Ronald R. Hein*

*Attorney-at-Law*

Email: rhein@hwchtd.com

**Testimony re: Sub HB 2183  
Senate Judiciary Committee  
Presented by Ronald R. Hein  
on behalf of  
Prairie Band Potawatomi Nation  
May 8, 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.

The Prairie Band Potawatomi Nation opposes the expansion of gaming by the state of Kansas because such gaming would negate the benefits that Tribal gaming has provided to Native American Indian Tribes. The Indian Gaming Regulatory Act is federal legislation that provides for the regulation of gaming at Indian reservations. The Act is, of course, administered at the federal level, but there are provisions for compacts to be entered into with the state, and the state is involved in the oversight of daily gaming operations. There are restrictions on the ability of the states to require payments to the state as a part of the consideration for gaming compacts.

Proponents of slots at the tracks and others contend that the state receives no revenue from Tribal gaming. It is correct that the Tribes do not pay a specified percentage of gaming revenues to the state. However, state government, local government, school districts, and other taxing subdivisions do benefit from Tribal gaming by virtue of collection of income taxes, both corporate and individual, liquor taxes, and other taxes paid as a result of Tribal gaming and the economic development that they currently generate for Northeast Kansas.

Part of this myth that no taxes are generated from Tribal gaming exists because some people believe that Native Americans do not pay taxes. So there is no misunderstanding, all Tribal members pay federal income taxes. Regarding state income tax, only those Tribal members who both work and live on the reservation are exempt from state income taxes. In other words, any Tribal member who lives off the reservation but works on the reservation pays state income taxes; and any individual Tribal member who lives on the reservation but works off the reservation pays state income taxes. A very small percentage of Tribal members both live and work on the reservation. Lastly, Tribal members pay sales taxes on purchases made off the reservation.

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The State of Kansas has taken the position that the Indian Nations must collect and remit state taxes in many instances. Although the Tribe would be able to impose a Tribal tax on top of the state taxes, such an additional tax would make it difficult if not impossible for the Tribes to attract businesses and industries to the reservations.

My reason for discussing a few of these tax situations facing the Tribes is twofold: 1) to point out that the state and the community are receiving tax revenues as a result of Tribal gaming; and 2) Tribal gaming revenues is one of the few tools provided by federal and state law for Indian reservations to generate the revenues necessary to run their governmental programs.

It is important to note this second point. Wyandotte County has expressed a need for gaming in order to help stimulate economic development in an area which is economically disadvantaged. In fact, the same can be said for Tribal gaming. The areas being served by Tribal gaming were economically disadvantaged, and specifically, the reservations themselves, were severely economically disadvantaged.

However, Wyandotte County has available other economic advantages that do not exist for the four Kansas resident Tribes. If the Tribes were to attract a private sector business to the reservation, the position of the Kansas Department of Revenue and the State would be that such tax revenues belong to them, and not the Tribes. Gaming has been the one economic development program which the federal and state governments have been willing to allow the Tribes to utilize. Now, this bill threatens even that.

The Division of Legislative Post Audit found that expansion of slots at pari-mutuel tracks pursuant to the provisions of HB 2183, with 20% going to the state, could be estimated to generate revenues for the state of between \$42 million and \$82 million per year. Sub HB 2183, with 25% going to the state, would, utilizing the Legislative Post Audit analysis, be estimated to generate revenues for the state of between \$52 million and \$102 million per year if extrapolated out.

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



If Kansas would attract some people currently gaming in Missouri to a Kansas casino, will it not still be possible for Missouri to change the rules pursuant to which Missouri gaming facilities operate so as to make them more competitive than Kansas? 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? There have been no official fiscal notes analyzing such lost revenues.

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 slots at the tracks generates approximately \$300 million after payouts, the state would receive approximately \$75 million from the tracks income. However, I understand that the Lottery has indicated that their revenues would be reduced approximately 25%, which is consistent with results in other states. That would reduce lottery revenues 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.

There will also be lost bingo tax revenues to the state from the competition at the tracks.

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 has been said before that if we do not learn from history, we will be doomed to repeat it. We have much to learn from the history of gaming from what has occurred with pari-mutuel gambling in Kansas, and with gaming in Missouri. This history should help us predict what will happen with gaming in Kansas should this legislation be enacted.

First of all, once the state legislature starts down the slippery slope of gaming expansion, it becomes a slope upon which the legislature cannot dig in its heels and stop itself from falling further.

It would be to the committee's benefit to review the history of pari-mutuel gaming in Kansas. I was around when the legislature approved pari-mutuel 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 pari-mutuel 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 enacting other changes at the request of the pari-mutuel 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* all over again. If the state is to save pari-mutuel 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. (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 Sub HB 2183 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.

So given the slippery slope of gaming, the question should be asked, "If this legislation passes this session, how quickly will it be changed, and how will it be changed?"

One of the other observations that can be made of this slippery slope of state gaming is how quickly other groups are interested in participating if you are going to have two individuals who happen to own pari-mutuel tracks benefit from such legislation. Their first question, and it is a good one, is: "Why should only the two individuals who own the pari-mutuel tracks be permitted to benefit economically from gaming?" They also ask, "Why should our businesses, or our fundraising programs be forced to suffer from this additional competition?"

The end result: the legislature is presented proposals by the bowling proprietors, the veteran's organizations, the convenience store owners, and others who argue, "If the state is going to authorize slots, then give us the opportunity to operate slot machines as well. Why just grant a state monopoly to two individuals?" Those issues may be decided this session, but they will continue on into the future. The slippery slope continues.

The other phenomenon of the slippery slope is that the competition will not stand still. If HB 2183 passes, is Missouri simply going to stand still and not respond to the competition? Once again, looking at the history of Missouri gaming: there have been repeated changes in the Missouri law at the request of gaming operators in order to insure that gaming continues to exist in Missouri. The legislature has continually been asked to change the rules. Nobody believes that the rules are set in concrete. If Kansas is successful in getting gaming approved, Missouri will, probably, before a Kansas casino is actually built, review their options to insure that their casinos are at a competitive advantage to those in Kansas. What will happen in Kansas if that occurs?

One logical prediction based upon the past history of pari-mutuel gaming in Kansas and of gaming in Missouri, is that the gaming operators will be back before the Kansas Legislature seeking "tweaking" of the Kansas statutes so that they are able to "compete" and to be able to continue to exist. The slippery slope continues.

For these, and other reasons, the Prairie Band Potawatomi Nation opposes the expansion of gaming by the State of Kansas. Once Kansas gets onto this ride, the end result will be Nevada-type gaming throughout the state.

There is one potential solution to this problem that warrants further consideration by the

Governor and this legislature. Tribal gaming pursuant to the Indian Gaming Regulatory Act is a reality in this country. The Kansas Legislature cannot change that. The Kansas Legislature and the Governor are to be applauded for their efforts in conjunction with the four Kansas resident Native American Indian Tribes to oppose efforts by out-of-state Tribes to establish casinos in this state. We would urge the Legislature and the Governor to continue to oppose such efforts.

The Kickapoo and Sac and Fox Tribes have proposed a meeting with the Governor regarding a consolidated casino for Tribal gaming in Wyandotte County. These two Tribes have indicated a willingness to provide revenue to the State. The Governor's Office indicated at the Joint Committee on State-Tribal Relations that the Governor is seriously interested in this proposal, and that Executive Branch staff are reviewing legal and other options and requirements for such a casino.

Wyandotte County would have its casino to help its economic development. Those who are opposed to expansion of gaming could see a reduction in the number of casinos in Kansas. Those who are concerned about the State of Kansas getting onto the slippery slope of gaming would leave a foothold that will break the fall further into the gaming abyss by limiting gaming only to Tribal gaming. Those individuals who see expansion of gaming as a potential revenue source would see revenue raised for the state from such Tribal gaming that currently does not exist.

To pull such a proposal together would require the support of the Governor, the leaders and the members of the House and the Senate, the respective Tribes that are involved in the transaction, and others. The Tribal gaming proposal by the Kickapoo and Sac and Fox warrants your discussion and your consideration. The Tribal gaming proposal would permit a large number of legislators to come together on this issue.

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

Gaming Revenue Analysis Sub HB 2183

05/08/02

07:01 AM

**Parimutuel Tracks--87% payout**

|               | HB2183 | HB2183        |
|---------------|--------|---------------|
| Gross Revenue |        | 2,300,000,000 |
| Payout        |        | 87%           |
| Net Revenue   |        | 299,000,000   |

Distribution

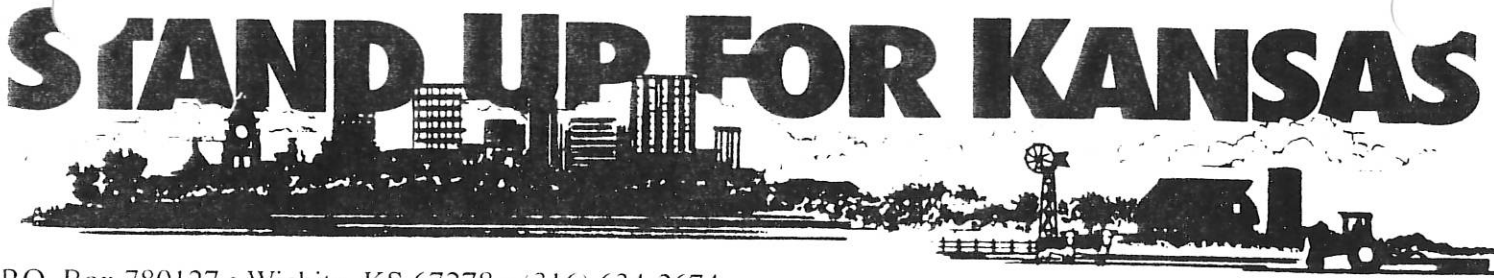
|                   |         |             |
|-------------------|---------|-------------|
| Gaming Operator   | 66.00%  | 197,340,000 |
| State of Kansas   | 25.00%  | 74,750,000  |
| Enforcement       | 1.00%   | 2,990,000   |
| Problem Gaming    | 0.50%   | 1,495,000   |
| Horse Fund        | 2.00%   | 5,980,000   |
| Dog Fund          | 2.00%   | 5,980,000   |
| Charity           | 1.00%   | 2,990,000   |
| City              | 1.00%   | 2,990,000   |
| County            | 1.00%   | 2,990,000   |
| Capitol renovtion | 0.50%   | 1,495,000   |
|                   | 0.00%   | 0           |
|                   | 0.00%   | 0           |
|                   | 100.00% | 299,000,000 |

Months

|                     |  |              |
|---------------------|--|--------------|
| State of Kansas     |  | 74,750,000   |
| less Lottery losses |  | (15,000,000) |
| less sales tax loss |  | (7,350,000)  |
| Total               |  | 52,400,000   |

|              |    |            |
|--------------|----|------------|
| FY03 revenue | 0  | 0          |
| FY04 revenue | 4  | 17,466,667 |
| FY05 revenue | 12 | 52,400,000 |

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



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

**Testimony To Senate Judicial Committee  
on Substitute for House Bill 2183**

by

Glenn O. Thompson

Executive Director, Stand Up For Kansas

May 8, 2002

Good morning Chairman Vratil 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 2183. 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 casinos will be "owned and operated" by the state, putting the state in the casino business. Why should the state be in a business that hurts and often destroys surrounding businesses, individuals and families?

Hundreds of millions of dollars in profits will leave the state annually. Net income for the three racetrack casinos will be approximately \$300 M to \$325 M annually.<sup>1</sup> At least \$75 million to \$100 M of this revenue will leave the state as profits to the two owners of the three major racetracks.

The casinos will have little impact on Kansas gamblers spending money at Missouri riverboats. In fact, a recent Legislative Post Audit report estimates the casino at The Woodlands will capture no more than 14 % of the Kansas City regional casino market.<sup>1</sup>

Engineering design and purchase of the Ks. Lottery central computer system will require approximately 12 to 15 months, according to the Executive Director of the Ks. Lottery.<sup>2</sup> Consequently, the casinos will produce no revenue until the second half of FY 2004, at the earliest, as shown in attachment 1.

Legalizing slot machine casinos to bail out parimutuel racetracks and the horse-dog industry is bad public policy. Why not bail out other industries and companies that are suffering financially? Why is the state giving casino monopolies to parimutuel racetrack owners and one "at-large casino" owner?

The bill creates a slippery slope with no turning back. Once started, where is the end? Why not permit slot machines at other entertainment businesses? Why not permit at-large casinos in other counties that want them?

*Sm. Jud  
5/18/02  
att.  
16*

## **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 six casinos will pull hundreds of millions of dollars in revenue from retail and service businesses in surrounding counties. These businesses will have to lay off thousands of employees as revenues shrink. For example, the Wichita Greyhound Park casino will have a net revenue of about \$149 M.<sup>1</sup> Approximately \$127 M (85%) of this net revenue will be pulled out of Sedgwick, Butler, Chase, Cowley, Harper, Harvey, Kingman, Marion, McPherson, Reno, and Sumner counties.

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. For example, at least 7000 persons in counties surrounding the Wichita Greyhound Park casino will become pathological gamblers, costing Kansas citizens at least \$95 million (\$13,586 per pathological gambler)<sup>6</sup> annually for crime, absenteeism, and other social costs.

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, this bill would put the state in the casino business. Slot machines at racetracks 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 urge you oppose this bill.

## Endnotes

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- 1 "Performance Audit Report, 100-Hour Audit; Expanding Gaming," Ks. Leg. Div. of Post Audit, Feb. 2002.
- 2 Letter from Ed Van Petten to Representative William Mason, April 8, 2002.
- 3 "Demographic survey of riverboat casino patrons in Illinois," April 26, 1996, Chicago Better Government Association, [[www.bettergov.org/gambling.htm](http://www.bettergov.org/gambling.htm)].
- 4 "Demographic survey of riverboat casino patrons in Illinois," June 11, 1996, Chicago Better Government Association, p. 1 [[www.bettergov.org/gambling.htm](http://www.bettergov.org/gambling.htm)].
- 5 Tom Timmons, Vice President of Parimutuel Operations, Prairie Meadows Racetrack, Polk Co., Iowa, testimony to Kansas Legislature Special Committee on Gaming, 1995.
- 6 E. Grinols and D. Mustard, "Business Profitability versus Social Profitability," *Managerial and Decision Economics*, Vol. 22, Nbr. 1-3, Jan.- May 2001, p. 143-162.



**Substitute for HB 2183  
Net State Revenue**

4/29/02

|   | \$ Millions     |                |                |
|---|-----------------|----------------|----------------|
|   | FY 2003         | FY 2004        | FY 2005        |
| Percent operational   | 0               | 50             | 100            |
| Estimated net revenue of three parimutuel racetrack casinos                     | \$ -            | \$ 150.0       | \$ 300.0       |
| <b>Transfer to State General Fund (25%)</b>                                     | \$ -            | \$ 37.5        | \$ 75.0        |
| <b>Transfer to Operational/Reg Fund (1%)</b>                                    | \$ -            | \$ 1.5         | \$ 3.0         |
| Less regulation cost (per "Fiscal Note for HB 2890 by Rep. Cox," dated 2/25/02) | \$ 3.6          | \$ 3.4         | \$ 3.4         |
| Less impact on Ks. Lottery (25% x \$57 M x % operational)                       | \$ -            | \$ 7.1         | \$ 14.3        |
| Less impact on state sales tax (4.9%)   | \$ -            | \$ 7.4         | \$ 14.7        |
| <b>Net state revenue excluding social costs</b>                                 | <b>\$ (3.6)</b> | <b>\$ 21.1</b> | <b>\$ 45.7</b> |

| Social Costs   |  |  |                  |
|--|--|--|------------------|
| Estimated increase in pathological gamblers in Ks. (persons) |  |  | 10,000           |
| Social cost per pathological gambler (\$)                    |  |  | \$ 13,586        |
| Total social cost (\$M)                                      |  |  | \$ 135.9         |
| <b>Net revenue including social cost (\$M)</b>               |  |  | <b>\$ (90.2)</b> |

|   |  |                   |                   |
|---|--|-------------------|-------------------|
| <b>Cost to state of closed businesses</b> |  | ? but significant | ? but significant |
|---|--|-------------------|-------------------|

# 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** estruition 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>

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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.

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.

*Sm Judd  
5/18/02  
att 07*



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 few weeks, I have attended numerous House 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's 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 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 Senate to support the horse and dog industry at the level originally proposed by Representative Cox.

Thank you for allowing me to address you today.

David Assmann, Edwardsville, Kansas

*signed  
5/8/02  
att  
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TESTIMONY BY  
CHARLES M. YUNKER, ADJUTANT  
KANSAS AMERICAN LEGION  
IN OPPOSITION OF  
SUBSTITUTE HOUSE BILL 2183  
MAY 8, 2002

Thank you for giving me the opportunity to speak to you this morning in opposition to Substitute for House Bill 2183. The American Legion is opposed to any legislation which inhibits our organization and its legitimate non profit fund raising activities used to fund our community service, Children and Youth and Veterans Affairs programs. I might add that I have permission to speak on behalf of Mr. Darrell Bencken, Adjutant and Quartermaster for the Veterans of Foreign Wars whose organization stands with The American Legion on this issue.

Throughout the history of the parimutuel tracks in Kansas the legislature has been promised increased employment and revenue to the State by those few who stand to profit the most; the well heeled track owners. Those promises have never been fulfilled.

When first legalized in Kansas the horse and dog tracks dealt a great blow to the fund raising programs of local non profit veterans and fraternal organizations throughout the state. Several local groups were forced to give up their Bingo games because they simply could not compete for the gaming dollar. Later the tracks returned to the legislature saying simulcasting was the answer to their financial woes and as they did when they

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first sought the legalization of horse and dog tracks; they promised increased employment and revenue to the State. Now, for the last nine years they have been touting slot machines as their savior; it's not. And the tracks will be back for more until they are full fledged casinos at the expense of everyone but themselves.

Do our organizations want slot machines? If the tracks get them, then yes we need them to survive. All we've ever asked for is the opportunity to offer the members of our private clubs slot machines if the tracks have them. We've repeatedly asked for five machines per facility plus one machine per fifty members provided the local organization owns its own building or has a long term lease on a facility, that the local organization be in existence at least five years, that a portion of our proceeds be earmarked to fund the Kansas Veterans Cemetery System, that a county option be included.

The question keeps returning and should be answered. Who do you trust with slot machines in Kansas? The few who have inflated their unfulfilled projections when seeking your approval for more and more gaming while lining their pockets; or your own friends and neighbors, those whom you trust to elect you and who belong to local non profit veterans and fraternal organizations whose revenues are invested in local programs for the improvement of

your own communities?

Programs such as American Legion Baseball, Boys' State, Girls' State, Special Olympics, the VFW's Voice of Democracy, the Legion's High School Oratorical Contest, Shriners Hospitals, Moose Haven and other civic and patriotic programs will suffer if not cease to exist without local funding.

If slot machines are to be legalized in Kansas I ask you to include 501(c)(19) veterans organizations and the following fraternal organizations:

Fraternal Order of Eagles, Benevolent Protective Order of Elks, Loyal Order Moose, Benevolent Protective Order of Nobels of the Mystic Shrine and Knights of Columbus.

If those organizations are not included then I urge you to vote No on Substitute House Bill 2183.

TESTIMONY PRESENTED TO THE  
SENATE JUDICIARY COMMITTEE  
re: Sub for HB 2183

May 7, 2002

by: 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 Sub for HB 2183.

We are not repeating any of the many arguments we have developed over the years as this issue has been discussed, studied and rejected. However, we are presenting one issue, which we believe this committee has a unique ability to comprehend and address, although limited time – as always – will not allow a full discussion of the complexity of the issue. That issue is the constitutional amendment granting home rule powers to municipalities.

As you know, municipal home rule powers have been both helpful and extremely unhelpful depending on the person's perspective and the issue. Because my professional experience is with the Kansas Legislature, I tend to believe most issues affecting the state, as a whole, should be addressed by the legislature. However, statutory changes and appellate court decisions defining and expanding municipal home rule have resulted in diminished legislative actions when the legislature does not insure that the legislation precludes home rule. I assert HB 2183 is an example of legislation which has been drafted with knowledge of, but without concern to, the elements of home rule.

I have attached three documents: a few pages from my *amicus brief* to the Supreme Court in Bigs, et al v. City of Wichita regarding the issue of municipal home rule powers and the alcoholic liquor amendment; the Supreme Court's findings of fact in *Bigs*; and a letter from Attorney General Stovall to Senator Barone dated March 28, 2000.

*Bigs* is relevant for several reasons:

- The Kansas Liquor Control Act applies to all cities and is non-uniform. The Kansas Lottery Act applies to all cities and is uniform. Sub for HB 2183 causes the Lottery Act to become non-uniform. The Pari-Mutuel Racing Act applies to all cities and is probably non-uniform.\*

(\*KSA 74-8824: appropriating a portion of the admission fee paid by tax-exempt racing facilities to the cities and counties where located. This statute is **not** the same as the *liquor by the drink* statutes and other "opt-in" statutes which the court has stated do not cause a statute to be non-uniform. The legislature established, in the pari-mutuel statutes, a mechanism to **choose** the counties and cities that would be track sites. There was no opportunity to "opt-in".)

- The authority to both permit and prohibit intoxicating liquors is reserved to the Legislature by constitutional amendment. The authority to own and operate a state lottery is reserved to the state. The authority to permit, license, regulate and tax pari-mutuel racing is

Signed  
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reserved to the state. The Supreme Court, by implication, ruled in *Bigs* that cities can “charter-out” of the Kansas Liquor Control Act and adopt it’s own liquor laws - whether or not in conflict with state law. The *Bigs* decision leads to the conclusion that constitutional amendments will not preclude assertion of municipal home rule powers.

**Section 3: Lotteries. Lotteries and the sale of lottery tickets are forever prohibited.**

**Section 3a: Regulation, licensing and taxation of "bingo" games authorized.** Notwithstanding the provisions of section 3 of article 15 of the constitution of the state of Kansas the legislature may regulate, license and tax the operation or conduct of games of bingo and instant bingo, as defined by law, by bona fide nonprofit religious, charitable, fraternal, educational and veterans organizations.

**Section 3b: Regulation, licensing and taxation of horse and dog racing and parimutuel wagering thereon.** Notwithstanding the provisions of section 3 of article 15 of the constitution of the state of Kansas, the legislature may permit, regulate, license and tax, at a rate not less than 3% nor more than 6% of all money wagered, the operation or conduct, by bona fide nonprofit organizations, of horse and dog racing and parimutuel wagering thereon in any county in which: (a) A majority of the qualified electors of the county voting thereon approve this proposed amendment; or (b) the qualified electors of the county approve a proposition, by a majority vote of those voting thereon at an election held within the county, to permit such racing and wagering within the boundaries of the county. No off-track betting shall be permitted in connection with horse and dog racing permitted pursuant to this section.

**Section 3c: State-owned and operated lottery.** Notwithstanding the provisions of section 3 of article 15 of the constitution of the state of Kansas, the legislature may provide for a state-owned and operated lottery, except that such state-owned lottery shall not be operated after June 30, 1990, unless authorized to be operated after such date by a concurrent resolution approved by a majority of all of the members elected (or appointed) and qualified of each house and adopted in the 1990 regular session of the legislature. The state shall whenever possible provide the public information on the odds of winning a prize or prizes in a lottery game.

There is one element that might cause the Court to prohibit cities from “chartering-out” of the “gaming machine” statutes and that is the requirement that the “state own and operate” the lottery. However, because this legislation places most of the “ownership, profit and regulation” with the “contractors”, it will be difficult, at best, for the state to prove harm from municipalities’ ordinances changing the requirements, locations or division of proceeds.

I discussed this issue with the House subcommittee and it should be part of the record the courts rely on to determine legislative intent. However, neither the subcommittee nor the subcommittee chairman was particularly concerned about the issue, even after a copy of the AG’s opinion was provided to the chairman.

Mr. Chairman, the Kansas Legislature is addressing yet another “slot machines at the race tracks” bill. We must be close to 10 years for addressing this issue and the only reason we are in this position is because a previous legislature did not conduct adequate legal research to determine the caselaw definition for “lottery”. Please, do not allow this legislation to become law without additional research regarding the possible inadvertent consequences due to inadequate legal research. “Home rule” should be one of those research assignments because it has the potential to render these parameters contained in this legislation meaningless.

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Thank you, Mr. Chairman and members of the committee for allowing us to testify in opposition to Sub for HB 2183.

No. 99-83168-A

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IN THE SUPREME COURT OF THE STATE OF KANSAS

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BIGS, et al.

Plaintiffs/Appellees

vs.

CITY OF WICHITA, KANSAS

Defendant/Appellant

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**BRIEF OF AMICUS CURIAE  
KANSAS RETAIL LIQUOR DEALERS ASSOCIATION**

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Appeal from the District Court  
of Sedgwick County, Kansas  
The Honorable William Rustin  
District Court Case No. 97 C 972

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Attorney for Amicus Curiae  
Kansas Retail Liquor Dealers Association



might cause. And, as with many teenagers, they believe they are quite capable of handling the complexities of intoxicating liquors. They are not.

### ARGUMENT AND AUTHORITIES

**I. The citizens of Kansas, by constitutional amendments adopted in 1949 and 1986, reserved to the legislature the exclusive authority to permit intoxicating liquors as well as the requirement to limit or prohibit intoxicating liquors in some situations.**

Article 15, §10 of the Kansas Constitution states, in part:

**Section 10: Intoxicating liquors.** (a) *The legislature may provide for the prohibition of intoxicating liquors in certain areas.*

(b) *The legislature may regulate, license and tax the manufacture and sale of intoxicating liquors, and may regulate the possession and transportation of intoxicating liquors.*

(c) *The sale of intoxicating liquor by the individual drink in public places is prohibited, except that the legislature may permit, regulate, license and tax the sale of intoxicating liquor by the drink in public places in a county where the qualified electors of the county approve, by a majority vote of those voting on this proposition, . . . (emphasis added).*

This court is well-versed in Kansas' historic struggles in adopting public policies regarding intoxicating liquors. Without reviewing these periodic struggles, it is necessary to remember that decisions regarding liquor are difficult and contentious for Kansas voters.

From the very outset of our state's history, the legality of alcoholic liquor has been a subject of debate, and the state constitution has been the forum for that debate. *State, ex rel. Schneider v. Kennedy*, 225 Kan. 13, 587 P 2d 844 [1978].

Kansas voters did not repeal prohibition without thought or without understanding **exactly** whom they were authorizing to determine state liquor policy. (L. 1947, ch. 248).

Voters reconfirmed the legislature's authority in 1986 by adopting an amendment to Article 15, §10 allowing the legislature to permit liquor by the drink in certain public places under certain specific situations. However, **Kansans retained the prohibition of selling intoxicating liquor by the individual drink** in all other circumstances. (L. 1985, Ch. 360).

from no longer applies to the city, the city is free to legislate by ordinary ordinance. (at page 23) (*emphasis added*).

*Constitutional Home Rule in Kansas*, League of Municipalities, 8<sup>th</sup> Ed., October 1994.<sup>1</sup>

Therefore, either a ruling by this court preserving the exclusive authority of the legislature to regulate liquor, or an act by the legislature creating uniformity, will be necessary to preclude the possibility of a city creating an independent licensing and taxing system.

**IV. The Home Rule amendment allows local legislation on general issues without legislative authority but does not include “taking” authority.**

Although not required to adopt charter ordinances, cities may also adopt entire enactments on those subjects where the legislature has remained silent. *Blevins v. Heibert*, 247 Kan. 1, 13, 795 P.2d 325 [1990]. Allowing cities to act when the legislature is silent, is a general allowance pursuant to the general legislative authority granted to the legislature in Article 2, §1. However, cities lack the specific authority to adopt a local system to regulate, license and tax intoxicating liquors regardless of whether the legislature had remained silent.

Article 15, §10 is the **only** constitutional provision regarding a specific consumable product. The requirement to regulate this product is not part of the general legislative power granted by Article 2, §1 but derives from a separate constitutional amendment which is further

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<sup>1</sup>

The handbook also explains that a charter ordinance is repealed when the legislature amends the statutes sufficiently to cause the enactment to become uniform:

A reasonable construction of this section is that when a city exempts itself from all or part of a nonuniform enactment it exempts itself not only from the provisions of the enactment as written...but also from all future amendments to the enactment unless such amendment makes the enactment uniformly applicable to all cities. (at page 15).

This opinion was also contained in the May, 1974 edition and the September, 1982 edition of *Home Rule for Kansas Cities*. Defendant/city was or should have been aware of the legal opinion of its agent, League of Municipalities.

enhanced by the state's police power obligations. Therefore, cities can not **seize** the legislature's constitutional requirement to regulate and limit intoxicating liquors.


An example might clarify the argument:

The legislature has adopted an enactment permitting and regulating pari-mutuel racing pursuant to constitutional authority. (Article 15, §3b). The enactment applies to cities and is uniform except for a provision that appropriates a portion of the admission fee paid by tax-exempt racing facilities to the cities and counties in which the facility is located. (K.S.A. 74-8824). Based upon the non-uniformity of the enactment, a city exempts itself and adopts a substitute enactment permitting and regulating pari-mutuel racing and keeping all proceeds. (Although fictional, if the legislature chooses to allow pari-mutuel licensees to operate slot machines, it is possible the court might hear some version of this situation.)

The state, in challenging the fictional charter ordinance, would argue that Article 15, § 3b limits the power to permit and regulate such racing to the legislature. The language used in the Pari-mutuel Racing and Wagering Amendment is basically the same as used in the Intoxicating Liquor amendment:

**Section 3b: Regulation, licensing and taxation of horse and dog racing and parimutuel wagering thereon.** Notwithstanding..the constitution of Kansas, the legislature *may permit, regulate, license and tax, ... the operation or conduct, ... of horse and dog racing and parimutuel wagering thereon...* (*emphasis added*)

When the constitution **permits** the legislature to act in an area, it limits/prohibits others from acting in the same area. This rule of law seems obvious when the issue is the regulation of gambling. And, the rule is the same for intoxicating liquors. The charter ordinance exempting the defendant/city from the state liquor laws was prohibited by the constitution.

 | [Keyword](#) | [Name](#) » [SupCt](#) - [CtApp](#) | [Docket](#) | [Date](#) |

IN THE SUPREME COURT OF THE STATE OF KANSAS

No. 83,168

BIGS, *et al.*,

*Appellees,*

v.

CITY OF WICHITA, KANSAS,

*Appellant.*

SYLLABUS BY THE COURT

1. Essentially, the State and cities have concurrent concerns and authority as to local matters. Where the legislature is silent as to a local matter, a city may address it by enacting an ordinary ordinance. A city may legislate on such matters, providing the city ordinance does not conflict with a state statute. If there is a conflict, the city can exempt itself from the statute by charter ordinance. However, where a statute applies uniformly to all cities, the statute controls and the city cannot exempt itself out by charter ordinance.
2. The legislature can preempt a field by clearly manifesting its intent to do so in a statute or by enacting a statute which is uniformly applicable to all cities.
3. The provisions of the Club and Drinking Establishment Act, K.S.A. 41-2601 *et seq.*, are uniformly applicable to all cities in counties which elect to come under the Act. Thus, the Act is applicable uniformly to all cities within the meaning of Article 12, § 5 of the Kansas Constitution.
4. The payment of a tax in order to avoid the forfeiture of the payor's right to continue doing business renders the payment of the tax involuntary.
5. A licensee who involuntarily pays a fee exacted pursuant to an enactment that is void and without effect is entitled to a refund.
6. The record is examined and it is held that the district court did not err in (1) finding Charter Ordinance No. 105 and resulting resolution to be null and void, (2) holding that the excess fees charged by the city were recoverable, (3) certifying a class action; and (4) awarding attorney fees. The district court erred in holding that the city was equitably estopped from asserting the statute of limitation as a defense.

Appeal from Sedgwick district court; WILLIAM D. RUSTIN, judge. Opinion filed June 1, 2001.  
Affirmed in part, reversed in part, and remanded with directions.

*Sharon L. Dickgrafe*, assistant city attorney, argued the cause, and *Gary E. Rebenstorf*, city attorney, was with her on the briefs for appellant.

*David R. McClure*, of Fettis & McClure, of Wichita, argued the cause, and *Everett C. Fettis*, of the same firm, was with him on the brief for appellees.

*Rebecca S. Rice*, of Topeka, was on the brief for *amicus curiae* Kansas Retail Liquor Dealers Association.

*Ezra J. Ginzburg*, assistant attorney general, was on the brief for *amicus curiae* Kansas Department of Revenue, Division of Alcoholic Beverage Control.

*W. Robert Alderson*, of Alderson, Alderson, Weiler, Conklin, Burghart & Crow, L.L.C., of Topeka, was on the brief for *amicus curiae* Kansas Beer Wholesalers Association.

*Robert E. Duncan, II*, general counsel, of Topeka, was on the brief for *amicus curiae* Kansas Wine and Spirits Wholesalers Association.

*Sandra Jacquot* and *Larry Kleeman*, of Topeka, were on the brief for *amicus curiae* League of Kansas Municipalities.

The opinion of the court was delivered by

ALLEGRUCCI, J.: Plaintiffs (Licensees) are private clubs and drinking establishments that brought this action against the City of Wichita (City) seeking refunds of excess liquor license fees collected by the City between July 1, 1988, and November 28, 1995. The district court certified a class, denied the City's motions for summary judgment, and granted Licensees' cross-motion for summary judgment. The City appealed. The case was transferred from the Court of Appeals pursuant to K.S.A. 20-3018(c).

In ruling on the summary judgment motions, the trial court made the following findings of facts:

- "1. Plaintiffs and the class members are private clubs and/or drinking establishments located within the City limits of Wichita, Kansas, and licensed by Defendant to conduct business within the corporate City limits.
- "2. Defendant is a municipal corporation.
- "3. Plaintiffs and the class members bring this action in restitution to recover excess liquor license fees charged and collected by Defendant from them between July 1, 1988 and November 28, 1995.
- "4. The Plaintiffs and the class members at all times material herein, were required to obtain a city liquor license and pay a license fee established by Defendant in order to do business.
- "5. On August 28, 1984, Defendant adopted Charter Ordinance 96 pursuant to its Home Rule Authority. The charter ordinance exempted the City of Wichita from the provisions of K.S.A. 41-2622.
- "6. On July 7, 1987, Defendant adopted Charter Ordinance No. 105 pursuant to its Home Rule Authority. The Charter Ordinance exempted the City of Wichita from the provisions of K.S.A. 41-2622 and repealed Charter Ordinance 96.
- "7. Pursuant to Charter Ordinance No. 105, on December 22, 1987, Defendant adopted a Resolution which established licensing fees for clubs and drinking establishments in excess of those set forth in

K.S.A. 41-2622.

"8. Prior to passage of the Resolution on December 22, 1987, Defendant held public hearings in which it represented to licensees that an increase in license fees was necessary to help offset its cost of regulation and enforcement of liquor licenses.

"9. On July 1, 1988, K.S.A. 41-2622 was amended by the state legislature. By operation of law, the amendment rescinded Charter Ordinance No. 105 and the enacting Resolution of December 22, 1987 in so far as they conflicted with it.

"10. From July 1, 1988 until November 28, 1995, Plaintiffs and the class members annually received licenses from the City of Wichita and paid licensing fees in excess of those set forth in K.S.A. 41-2622.

"11. On July 12, 1995, the Sedgwick County District Court in *City of Wichita, Kansas v. Ariel Martinez Gonzalas*, 95 MC 54 (1995), ruled that the City Resolution of December 22, 1987 which created a fee schedule in excess of \$250.00 was null and void in so far as it authorized the assessment and collection of liquor licenses in excess of \$250.00.

"12. Following the Sedgwick County District Court decision in *City of Wichita, Kansas v. Ariel Martinez Gonzalas*, supra, the City appealed the decision to the Kansas Supreme Court which dismissed the appeal because the issue presented was not of state-wide interest.

"13. Thereafter, on November 28, 1995, the City Council passed Resolution R-95-549 which set the schedule for city license fees at \$250.00. The Agenda Report and the Minutes of the City Council Meeting state that after the adoption of Charter Ordinance No. 105 and the enacting Resolution on December 22, 1987, state law was changed as to cities such as Wichita which were charging more than the statutory amount set forth in K.S.A. 41-2622 for local license fees. Resolution R-95-549 was adopted in response to Judge David Kennedy's ruling in *City of Wichita, Kansas v. Ariel Martinez Gonzalas*, 95 MC 54.

"14. Between July 1, 1988 and November 28, 1995, Defendant stated on the License Application forms prepared by Defendant the amount of the license fee required to be paid in order to obtain a city liquor license.

"15. Neither the Defendant nor any Plaintiff or class member knew prior to November 28, 1995, that the 1988 amendment to the state law had rescinded by operation of law the Charter Ordinance No. 105 and the enacting Resolution.

"16. Defendant's continuing acts of charging and collecting license fees in amounts in excess of the maximum amount set forth in K.S.A. 41-2622(b) between July 1, 1988 and November 28, 1995, was based upon Defendant's mistaken belief that Charter Ordinance No. 105 and the enacting Resolution had not been rescinded by the 1988 amendment to state law.

"17. Plaintiffs and members of the class continued to pay the license fee amounts required by Defendant between July 1, 1988 and November 28, 1995, under the mistaken belief that Charter Ordinance No. 105 and the enacting Resolution remained in effect and thus, they were performing a duty to the Defendant.

"18. In addition to passing Resolution R-95-549, the City refunded a portion of fees collected in excess of \$250.00 to some private clubs and drinking establishments."



State of Kansas

Office of the Attorney General

120 S.W. 10th Avenue, 2ND FLOOR, TOPEKA, KANSAS 66612-1597

CARLA J. STOVALL  
ATTORNEY GENERAL

March 28, 2000

MAIN PHONE: (785) 296-2215  
FAX: 296-6296

The Honorable Jim Barone  
State Senator, 13<sup>th</sup> District  
State Capitol, Room 504-N  
Topeka, Kansas 66612

Re: State Boards, Commissions and Authorities--State Lottery--Kansas Lottery Act; Kansas Gaming Revenue Recovery Act; Uniform Provisions

Constitution of the State of Kansas--Corporations--Cities' Powers of Home Rule; Enactments Uniformly Applicable to All Cities

Dear Senator Barone:

You inquire concerning 2000 Senate Bill No. 667(Bill) which includes, among other provisions, the Kansas Gaming Revenue Recovery Act (Act). This Act, if enacted, would allow certain electronic gaming machines to be operated at racetrack facilities licensed by the Kansas Racing and Gaming Commission.

The Act creates in the state treasury an electronic gaming machine fund from which proceeds would be distributed as set forth in Section 8 of the Bill. Subsection (a)(3) of Section 8 would allot 1½ % "for the county in which the electronic gaming machine operator is located."

You would like to offer an amendment that would allow the 1½ % allotted for Crawford County to be distributed equally among Crawford County and the cities of Frontenac and Pittsburg. However, you are concerned that such an amendment would make the Bill nonuniform, which could then allow cities to enact charter ordinances pursuant to Article 12, Section 5 of the Kansas Constitution. You request our opinion whether such an amendment, if enacted, would make S.B. 667 nonuniform.

The starting point for determining whether an enactment such as S.B. 667 is uniform is *Claflin v. Walsh*.<sup>1</sup> The Kansas Supreme Court concluded that in determining whether an enactment is uniformly applicable to all cities, the legislative intent should be "clearly evident."

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<sup>1</sup>212 Kan.1 (1973).

20-11

"In order for a statute to be applicable uniformly to *all* cities there must be no exceptions."<sup>2</sup> The Court opined that the City of Kansas City, Kansas could charter out of a statute that addressed the management of memorial buildings because the Court found no legislative intent to treat all cities alike in view of the "hodgepodge" of exceptions that were based upon the size of a city's population.

In *City of Junction City v. Griffin*,<sup>3</sup> the Court upheld a city's ability to charter out of the Kansas Code of Procedure for Municipal Courts because one section of the enactment treated cities of the first class differently from cities of the second and third classes:

"It is apparent . . . under K.S.A. 12-4103, that the legislative intent was to provide a uniform procedure for all municipal courts. Uniform procedure is desirable. However, statutory intent to make a law uniform cannot supplant the constitutional requirement of uniformity. The Constitution empowers a city by charter ordinance to opt out from any state enactment which is not uniformly applicable to all cities."<sup>4</sup>

Clearly, the proposed amendment treats the cities of Frontenac and Pittsburg differently from other cities because the former would be the only statutorily designated city beneficiaries of the electronic gaming machine fund. Using a *Clafin* and *Griffin* analysis, a court could conclude that the Legislature did not intend the Kansas Gaming Revenue Recovery Act to be a uniform enactment applicable to all cities thereby opening the door to charter ordinances.

However, a court could also conclude that the Kansas Gaming Revenue Recovery Act is not an Act that is applicable to cities in the first instance and thus rebuff a city's attempt to charter out of the Act.

In *Brewster v. City of Overland Park*,<sup>5</sup> the cities of Overland Park and Pittsburg attempted to charter out of K.S.A. 19-1310 which was part of an enactment addressing county law libraries. The enactment authorized the establishment of county law libraries by a majority vote of the practicing attorneys in the county. Registration fees imposed on attorneys were used to support the library. K.S.A. 19-1310 exempted attorneys from paying city license fees. The cities argued that because the enactment treated counties differently, the enactment, of which K.S.A. 19-1310 was a part, was nonuniform and, therefore, subject to charter ordinance.

The Kansas Supreme Court noted that Article 12, Section 5 of the Kansas Constitution provides that cities may exercise home rule but are subject to "[enactments] of the legislature *applicable uniformly to all cities* . . ."<sup>6</sup> The Court concluded that a threshold requirement of the Home Rule Amendment is that an enactment from which a city wishes to exempt itself from must be *applicable* to cities. Therefore, because the county law library enactment was not applicable to cities, cities were precluded

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<sup>2</sup>212 Kan. at 9 (emphasis in original text.)

<sup>3</sup>227 Kan. 332 (1980).

<sup>4</sup>227 Kan. at 336.

<sup>5</sup>233 Kan. 390 (1983).

<sup>6</sup>233 at 392 (emphasis in original text.)



Senator Jim Barone  
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from chartering out of it:

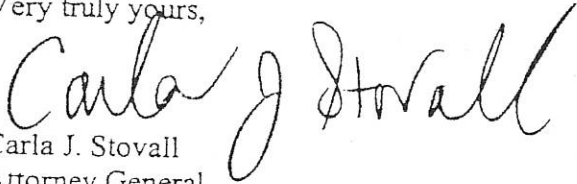
"[Under] such circumstances we conclude K.S.A. 19-1310 does not meet the threshold requirement of the Home Rule Amendment that an enactment from which a city wishes to exempt itself from (sic) be *applicable* to cities. Accordingly, the question of whether K.S.A. 19-1310 is *uniformly applicable* to cities is not reached."<sup>7</sup>

The Kansas Gaming Revenue Recovery Act creates a comprehensive framework for the operation of electronic gaming machines at racetracks. Voters in counties where racetracks are located must approve the operation of the machines.<sup>8</sup> All net machine income is credited to an electronic gaming machine fund in the State Treasurer's office which is then distributed to a variety of entities including the Kansas Lottery, the Kansas Education Enhancement Fund and the counties where the electronic gaming machines are located.<sup>9</sup> The Kansas Racing and Gaming Commission is charged with inspecting the electronic gaming facilities and enforcing the Act.<sup>10</sup>

Applying the rationale in the *Brewster* case, a court could conclude that the Kansas Gaming Revenue Recovery Act is not an enactment applicable to cities and, therefore, a city could not charter out of any of the Act's provisions.

We think that a court would be more likely to apply a *Brewster* rationale and conclude that a city may not charter out of the Kansas Gaming Revenue Recovery Act because the latter is not an enactment that applies to cities. However, it is difficult to predict how a court would rule regarding the issue of uniformity as it applies to your proposed amendment. Moreover, the appellate courts have not been consistent in their decisions regarding city home rule. Thus, if you want to ensure that cities will not be able to charter out of the Act, the surest way is not to offer any amendment that treats cities differently.

Very truly yours,

  
Carla J. Stovall  
Attorney General

CJS:MF:jm

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<sup>7</sup>233 Kan. at 392-393 (emphasis in original text.)

<sup>8</sup>2000 S.B. 667, § 5(b).

<sup>9</sup>*Id.* at § 8.

<sup>10</sup>*Id.* at § 21.

P. 12 (a) (3)

~~(3)~~ Except as provided in paragraph (B), one and one-half percent for to the county in which the electronic gaming machine operator is located;

(B) in Crawford county, one-half percent to the county; one-half percent to the city of Frontenac and one-half percent to the city of Pittsburg;

P. 13

(5) three and one-half percent to the live dog racing purse supplement fund established pursuant to section 7, and amendments thereto, to be distributed in accordance with the rules and regulations of the Kansas racing and gaming commission; ~~and~~

(6) two percent to the organization licensee conducting races in Crawford county; and

~~(6)~~ (7) the balance remaining after the distribution of money pursuant to paragraphs (1) through (5) (6) of this subsection to the Kansas education enhancement fund established pursuant to section 7 and amendments thereto.

# ELKS LODGE #427

Thank you Chairman Vratil and members of the Judiciary committee for this opportunity to share the concerns of Elks Lodge #427 regarding the legalization of slots at the racetracks. Our fraternal organization operates charitable bingo games in a leased facility in Wichita. We think it is unfair to place slot machines in racetracks or in veteran halls, and not place slot machines in leased bingo facilities.

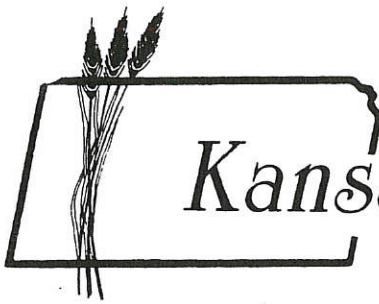
Therefore, we are opposed to all bills that legalize electronic games of chance. We believe that if you legalize slot machines, our bingo games will suffer. In other states that have legalized slot machines, charitable bingo no longer exists.

We would appreciate your vote against this legislation.

Yours truly,

Martha Bichel  
3201 E. McArthur  
Wichita, KS 67216

*Sn Juel  
5/8/02  
att 21*



# Kansas Charities Cooperative

"Uniting To Serve Kansas"

## Address

2347 Amidon  
Wichita, Kansas 67204

**TESTIMONY OF MARGARET RITTHALER**  
**Senate Judiciary Committee**  
**May 8, 2002**  
**Opposition to House Sub 2183**

## Board of Directors

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Chauncey Littlejohn  
*Omega Psi Phi Fraternity*

Steve Gorrell  
*Optimist Club of Derby*

Ester Guerra  
*Wichita Figure Skating Club*

Mr. Chairman, Senators. Kansas Charities Cooperative is an association of not-for-profit organizations that operate bingo games for charitable purposes across the State of Kansas. There are over 300 organizations statewide with bingo licenses that operate games. State law requires that all bingo proceeds go to charitable purposes and in addition, no person operating a game can receive a profit or remuneration from a bingo game.

We are very concerned about legislation to legalize slot machines at racetracks. In states where slot machines have been legalized, bingo games have gone out of business. Small, community bingo games cannot compete with a casino-like facility that offers electronic gaming with large prize rewards.

We believe the slots bill that passed the House of Representatives is special interest legislation designed to grant a monopoly on casino style gaming to a few wealthy individuals. Although the State of Kansas may receive a few dollars from profits at the racetracks, a casino without competition is sure to be extremely profitable without the risk usually associated with free market competition. Certainly, their gain is our loss. Charitable bingo will cease to exist, as well as financing for our benevolent concerns.

We ask that you vote "no" on HB 2183. We appreciate your support, and we are hopeful that if you need more information about charitable bingo, you will contact your local charitable games for more information.

*Dr. Judd  
5/8/02  
att 22*

## 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 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's 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.

The agri-business that is generated by having a vital racing industry in Kansas 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 day (4.5 months) of racing is more than 6.75 million dollars.

The breeding of horses increases agri-business bottom line. 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 \$7200 a year. Additional in 2001 over \$14,000 was spent in fixing and painting fences and over \$22,000 was spent on farm machinery.

To have horses bred in Kansas it takes having horses race in Kansas. To have a strong horse industry in this state, money must be provided by increases in the handle (money bet) and breed awards. Our industry relies on the state to set the percentage the Kansas horse owners will receive from the added revenue of 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.

If you as a legislator are not willing to set a reasonable percentage for the horsemen of Kansas that allows racing to continue, then you are simply setting up casinos.

*Original  
5/8/02  
att 23*

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.



## GROSS REVENUE

This chart shows the percentages of revenue in states with electronic gaming, and how they compare with the splits proposed in Kentucky. The financial projections in Kentucky came from PriceWaterhouseCoopers.

|                 | State Share   | Purses       | Racetrack Share |
|-----------------|---------------|--------------|-----------------|
| Delaware        | 35.0%         | 11.0%        | 54.0%           |
| Iowa            | 30.0%         | 12.5%        | 57.5%           |
| Louisiana       | 28.8%         | 18.0%        | 53.2%           |
| New Mexico      | 25.25%        | 20.0%        | 54.75%          |
| West Virginia   | 33.7%         | 15.5%        | 50.8%           |
| <b>Kentucky</b> | <b>35.05%</b> | <b>12.7%</b> | <b>52.25%</b>   |

COMPARISON OF SELECTED BILLS CONCERNING GAMING

|                                   | HB 2183<br>(Committee on Tourism)  | HB 2822<br>(Committee on Tourism)  | HB 2890<br>(Representative Cox)                                   | HB 2987<br>(Committee on Tourism)            | SB 621<br>(Federal & State Affairs)          | SB 632<br>(Federal & State Affairs)                     |       |                 |       |            |       |                 |       |  |                |  |                        |        |             |               |  |         |   |            |       |                 |       |        |       |      |       |                    |        |                   |       |                 |       |                         |       |                   |               |  |         |            |       |                 |       |        |       |      |       |                      |       |                    |        |                   |               |  |         |   |                 |       |      |       |        |       |                        |       |                 |       |                   |       |                         |       |                    |        |                   |               |  |         |   |                   |        |                      |       |                   |       |                 |       |           |        |            |              |  |         |  |                        |        |             |               |  |         |
|-----------------------------------|--|--|---|--|--|---|-------|-----------------|-------|------------|-------|-----------------|-------|--|----------------|--|------------------------|--------|-------------|---------------|--|---------|---|------------|-------|-----------------|-------|--------|-------|------|-------|--------------------|--------|-------------------|-------|-----------------|-------|-------------------------|-------|-------------------|---------------|--|---------|------------|-------|-----------------|-------|--------|-------|------|-------|----------------------|-------|--------------------|--------|-------------------|---------------|--|---------|---|-----------------|-------|------|-------|--------|-------|------------------------|-------|-----------------|-------|-------------------|-------|-------------------------|-------|--------------------|--------|-------------------|---------------|--|---------|---|-------------------|--------|----------------------|-------|-------------------|-------|-----------------|-------|-----------|--------|------------|--------------|--|---------|--|------------------------|--------|-------------|---------------|--|---------|
| Games Authorized                  | Electronic gaming machines   | Video lottery games  | Electronic gaming machines  | Electronic gaming machines                   | Electronic gaming machines                   | Video lottery games                                     |       |                 |       |            |       |                 |       |  |                |  |                        |        |             |               |  |         |   |            |       |                 |       |        |       |      |       |                    |        |                   |       |                 |       |                         |       |                   |               |  |         |            |       |                 |       |        |       |      |       |                      |       |                    |        |                   |               |  |         |   |                 |       |      |       |        |       |                        |       |                 |       |                   |       |                         |       |                    |        |                   |               |  |         |   |                   |        |                      |       |                   |       |                 |       |           |        |            |              |  |         |  |                        |        |             |               |  |         |
| Authorized Locations              | Parimutuel tracks  | Parimutuel tracks; clubs and drinking establishments; historical tourist sites | Parimutuel tracks; fraternal or veterans' bingo licensees         | Parimutuel tracks                            | Parimutuel tracks                            | Lottery Retailers; Parimutuel Tracks; Sports Facilities |       |                 |       |            |       |                 |       |  |                |  |                        |        |             |               |  |         |   |            |       |                 |       |        |       |      |       |                    |        |                   |       |                 |       |                         |       |                   |               |  |         |            |       |                 |       |        |       |      |       |                      |       |                    |        |                   |               |  |         |   |                 |       |      |       |        |       |                        |       |                 |       |                   |       |                         |       |                    |        |                   |               |  |         |   |                   |        |                      |       |                   |       |                 |       |           |        |            |              |  |         |  |                        |        |             |               |  |         |
| Regulatory Agencies               | Kansas Lottery; Racing and Gaming Commission   | Kansas Lottery   | Kansas Lottery; Racing and Gaming Commission; Bingo Administrator | Kansas Lottery; Racing and Gaming Commission | Kansas Lottery; Racing and Gaming Commission | Kansas Lottery  |       |                 |       |            |       |                 |       |  |                |  |                        |        |             |               |  |         |   |            |       |                 |       |        |       |      |       |                    |        |                   |       |                 |       |                         |       |                   |               |  |         |            |       |                 |       |        |       |      |       |                      |       |                    |        |                   |               |  |         |   |                 |       |      |       |        |       |                        |       |                 |       |                   |       |                         |       |                    |        |                   |               |  |         |   |                   |        |                      |       |                   |       |                 |       |           |        |            |              |  |         |  |                        |        |             |               |  |         |
| County Election Required          | Yes  | No   | Yes   | Yes  | Yes  | No  |       |                 |       |            |       |                 |       |  |                |  |                        |        |             |               |  |         |   |            |       |                 |       |        |       |      |       |                    |        |                   |       |                 |       |                         |       |                   |               |  |         |            |       |                 |       |        |       |      |       |                      |       |                    |        |                   |               |  |         |   |                 |       |      |       |        |       |                        |       |                 |       |                   |       |                         |       |                    |        |                   |               |  |         |   |                   |        |                      |       |                   |       |                 |       |           |        |            |              |  |         |  |                        |        |             |               |  |         |
| Required Payout                   | At least 87 percent  | At least 87 percent  | At least 82 percent   | At least 87 percent                          | At least 87 percent                          | At least 87 percent                                     |       |                 |       |            |       |                 |       |  |                |  |                        |        |             |               |  |         |   |            |       |                 |       |        |       |      |       |                    |        |                   |       |                 |       |                         |       |                   |               |  |         |            |       |                 |       |        |       |      |       |                      |       |                    |        |                   |               |  |         |   |                 |       |      |       |        |       |                        |       |                 |       |                   |       |                         |       |                    |        |                   |               |  |         |   |                   |        |                      |       |                   |       |                 |       |           |        |            |              |  |         |  |                        |        |             |               |  |         |
| Limits on Number of Machines      | No   | Yes  | Yes   | No   | No   | Yes   |       |                 |       |            |       |                 |       |  |                |  |                        |        |             |               |  |         |   |            |       |                 |       |        |       |      |       |                    |        |                   |       |                 |       |                         |       |                   |               |  |         |            |       |                 |       |        |       |      |       |                      |       |                    |        |                   |               |  |         |   |                 |       |      |       |        |       |                        |       |                 |       |                   |       |                         |       |                    |        |                   |               |  |         |   |                   |        |                      |       |                   |       |                 |       |           |        |            |              |  |         |  |                        |        |             |               |  |         |
| Sales Tax Exempt                  | Yes  | No   | No  | Yes  | No   | No  |       |                 |       |            |       |                 |       |  |                |  |                        |        |             |               |  |         |   |            |       |                 |       |        |       |      |       |                    |        |                   |       |                 |       |                         |       |                   |               |  |         |            |       |                 |       |        |       |      |       |                      |       |                    |        |                   |               |  |         |   |                 |       |      |       |        |       |                        |       |                 |       |                   |       |                         |       |                    |        |                   |               |  |         |   |                   |        |                      |       |                   |       |                 |       |           |        |            |              |  |         |  |                        |        |             |               |  |         |
| Effective Date                    | Statute Book   | Statute Book   | Statute Book  | Statute Book                                 | <i>Kansas Register</i>                       | Statute Book  |       |                 |       |            |       |                 |       |  |                |  |                        |        |             |               |  |         |   |            |       |                 |       |        |       |      |       |                    |        |                   |       |                 |       |                         |       |                   |               |  |         |            |       |                 |       |        |       |      |       |                      |       |                    |        |                   |               |  |         |   |                 |       |      |       |        |       |                        |       |                 |       |                   |       |                         |       |                    |        |                   |               |  |         |   |                   |        |                      |       |                   |       |                 |       |           |        |            |              |  |         |  |                        |        |             |               |  |         |
| Disposition of Net Gaming Revenue | <table border="0"> <tr><td>Machine Operators</td><td>71.75%</td></tr> <tr><td>Education</td><td>20.00%</td></tr> <tr><td>Horse Supplements</td><td>3.50%</td></tr> <tr><td>Dog Supplements</td><td>3.50%</td></tr> <tr><td>Regulation</td><td>1.00%</td></tr> <tr><td>Problem Gambler</td><td>0.25%</td></tr> <tr><td></td><td><u>100.00%</u></td></tr> </table> | Machine Operators  | 71.75%  | Education                                    | 20.00%                                       | Horse Supplements                                       | 3.50% | Dog Supplements | 3.50% | Regulation | 1.00% | Problem Gambler | 0.25% |  | <u>100.00%</u> | <table border="0"> <tr><td>Video Lottery Retailer</td><td>30.00%</td></tr> <tr><td>Unspecified</td><td><u>70.00%</u></td></tr> <tr><td></td><td>100.00%</td></tr> </table> | Video Lottery Retailer | 30.00% | Unspecified | <u>70.00%</u> |  | 100.00% | <p><b>Parimutuel Licensees:</b></p> <table border="0"> <tr><td>Regulation</td><td>1.00%</td></tr> <tr><td>Problem Gambler</td><td>0.50%</td></tr> <tr><td>County</td><td>1.00%</td></tr> <tr><td>City</td><td>1.00%</td></tr> <tr><td>State General Fund</td><td>20.00%</td></tr> <tr><td>Horse Supplements</td><td>7.00%</td></tr> <tr><td>Dog Supplements</td><td>7.00%</td></tr> <tr><td>Nonprofit Organizations</td><td>1.00%</td></tr> <tr><td>Machine Operators</td><td><u>61.50%</u></td></tr> <tr><td></td><td>100.00%</td></tr> </table> <p><b>Bingo Licensees:</b></p> <table border="0"> <tr><td>Regulation</td><td>1.00%</td></tr> <tr><td>Problem Gambler</td><td>0.50%</td></tr> <tr><td>County</td><td>1.00%</td></tr> <tr><td>City</td><td>1.00%</td></tr> <tr><td>Veterans' Cemeteries</td><td>8.00%</td></tr> <tr><td>State General Fund</td><td>25.00%</td></tr> <tr><td>Machine Operators</td><td><u>63.50%</u></td></tr> <tr><td></td><td>100.00%</td></tr> </table> | Regulation | 1.00% | Problem Gambler | 0.50% | County | 1.00% | City | 1.00% | State General Fund | 20.00% | Horse Supplements | 7.00% | Dog Supplements | 7.00% | Nonprofit Organizations | 1.00% | Machine Operators | <u>61.50%</u> |  | 100.00% | Regulation | 1.00% | Problem Gambler | 0.50% | County | 1.00% | City | 1.00% | Veterans' Cemeteries | 8.00% | State General Fund | 25.00% | Machine Operators | <u>63.50%</u> |  | 100.00% | <table border="0"> <tr><td>Problem Gambler</td><td>0.25%</td></tr> <tr><td>City</td><td>1.00%</td></tr> <tr><td>County</td><td>1.00%</td></tr> <tr><td>Soldiers and Vet. Fund</td><td>0.25%</td></tr> <tr><td>Dog Supplements</td><td>3.50%</td></tr> <tr><td>Horse Supplements</td><td>3.50%</td></tr> <tr><td>Nonprofit Organizations</td><td>1.00%</td></tr> <tr><td>State General Fund</td><td>21.00%</td></tr> <tr><td>Machine Operators</td><td><u>68.50%</u></td></tr> <tr><td></td><td>100.00%</td></tr> </table> | Problem Gambler | 0.25% | City | 1.00% | County | 1.00% | Soldiers and Vet. Fund | 0.25% | Dog Supplements | 3.50% | Horse Supplements | 3.50% | Nonprofit Organizations | 1.00% | State General Fund | 21.00% | Machine Operators | <u>68.50%</u> |  | 100.00% | <table border="0"> <tr><td>Machine Operators</td><td>68.25%</td></tr> <tr><td>St. Gaming Rev. Fund</td><td>0.25%</td></tr> <tr><td>Horse Supplements</td><td>3.50%</td></tr> <tr><td>Dog Supplements</td><td>7.00%</td></tr> <tr><td>Education</td><td>20.00%</td></tr> <tr><td>Regulation</td><td><u>1.00%</u></td></tr> <tr><td></td><td>100.00%</td></tr> </table> | Machine Operators | 68.25% | St. Gaming Rev. Fund | 0.25% | Horse Supplements | 3.50% | Dog Supplements | 7.00% | Education | 20.00% | Regulation | <u>1.00%</u> |  | 100.00% | <table border="0"> <tr><td>Video Lottery Retailer</td><td>30.00%</td></tr> <tr><td>Unspecified</td><td><u>70.00%</u></td></tr> <tr><td></td><td>100.00%</td></tr> </table> | Video Lottery Retailer | 30.00% | Unspecified | <u>70.00%</u> |  | 100.00% |
| Machine Operators                 | 71.75%   |  |   |  |  |   |       |                 |       |            |       |                 |       |  |                |  |                        |        |             |               |  |         |   |            |       |                 |       |        |       |      |       |                    |        |                   |       |                 |       |                         |       |                   |               |  |         |            |       |                 |       |        |       |      |       |                      |       |                    |        |                   |               |  |         |   |                 |       |      |       |        |       |                        |       |                 |       |                   |       |                         |       |                    |        |                   |               |  |         |   |                   |        |                      |       |                   |       |                 |       |           |        |            |              |  |         |  |                        |        |             |               |  |         |
| Education                         | 20.00%   |  |   |  |  |   |       |                 |       |            |       |                 |       |  |                |  |                        |        |             |               |  |         |   |            |       |                 |       |        |       |      |       |                    |        |                   |       |                 |       |                         |       |                   |               |  |         |            |       |                 |       |        |       |      |       |                      |       |                    |        |                   |               |  |         |   |                 |       |      |       |        |       |                        |       |                 |       |                   |       |                         |       |                    |        |                   |               |  |         |   |                   |        |                      |       |                   |       |                 |       |           |        |            |              |  |         |  |                        |        |             |               |  |         |
| Horse Supplements                 | 3.50%  |  |   |  |  |   |       |                 |       |            |       |                 |       |  |                |  |                        |        |             |               |  |         |   |            |       |                 |       |        |       |      |       |                    |        |                   |       |                 |       |                         |       |                   |               |  |         |            |       |                 |       |        |       |      |       |                      |       |                    |        |                   |               |  |         |   |                 |       |      |       |        |       |                        |       |                 |       |                   |       |                         |       |                    |        |                   |               |  |         |   |                   |        |                      |       |                   |       |                 |       |           |        |            |              |  |         |  |                        |        |             |               |  |         |
| Dog Supplements                   | 3.50%  |  |   |  |  |   |       |                 |       |            |       |                 |       |  |                |  |                        |        |             |               |  |         |   |            |       |                 |       |        |       |      |       |                    |        |                   |       |                 |       |                         |       |                   |               |  |         |            |       |                 |       |        |       |      |       |                      |       |                    |        |                   |               |  |         |   |                 |       |      |       |        |       |                        |       |                 |       |                   |       |                         |       |                    |        |                   |               |  |         |   |                   |        |                      |       |                   |       |                 |       |           |        |            |              |  |         |  |                        |        |             |               |  |         |
| Regulation                        | 1.00%  |  |   |  |  |   |       |                 |       |            |       |                 |       |  |                |  |                        |        |             |               |  |         |   |            |       |                 |       |        |       |      |       |                    |        |                   |       |                 |       |                         |       |                   |               |  |         |            |       |                 |       |        |       |      |       |                      |       |                    |        |                   |               |  |         |   |                 |       |      |       |        |       |                        |       |                 |       |                   |       |                         |       |                    |        |                   |               |  |         |   |                   |        |                      |       |                   |       |                 |       |           |        |            |              |  |         |  |                        |        |             |               |  |         |
| Problem Gambler                   | 0.25%  |  |   |  |  |   |       |                 |       |            |       |                 |       |  |                |  |                        |        |             |               |  |         |   |            |       |                 |       |        |       |      |       |                    |        |                   |       |                 |       |                         |       |                   |               |  |         |            |       |                 |       |        |       |      |       |                      |       |                    |        |                   |               |  |         |   |                 |       |      |       |        |       |                        |       |                 |       |                   |       |                         |       |                    |        |                   |               |  |         |   |                   |        |                      |       |                   |       |                 |       |           |        |            |              |  |         |  |                        |        |             |               |  |         |
|                                   | <u>100.00%</u>   |  |   |  |  |   |       |                 |       |            |       |                 |       |  |                |  |                        |        |             |               |  |         |   |            |       |                 |       |        |       |      |       |                    |        |                   |       |                 |       |                         |       |                   |               |  |         |            |       |                 |       |        |       |      |       |                      |       |                    |        |                   |               |  |         |   |                 |       |      |       |        |       |                        |       |                 |       |                   |       |                         |       |                    |        |                   |               |  |         |   |                   |        |                      |       |                   |       |                 |       |           |        |            |              |  |         |  |                        |        |             |               |  |         |
| Video Lottery Retailer            | 30.00%   |  |   |  |  |   |       |                 |       |            |       |                 |       |  |                |  |                        |        |             |               |  |         |   |            |       |                 |       |        |       |      |       |                    |        |                   |       |                 |       |                         |       |                   |               |  |         |            |       |                 |       |        |       |      |       |                      |       |                    |        |                   |               |  |         |   |                 |       |      |       |        |       |                        |       |                 |       |                   |       |                         |       |                    |        |                   |               |  |         |   |                   |        |                      |       |                   |       |                 |       |           |        |            |              |  |         |  |                        |        |             |               |  |         |
| Unspecified                       | <u>70.00%</u>  |  |   |  |  |   |       |                 |       |            |       |                 |       |  |                |  |                        |        |             |               |  |         |   |            |       |                 |       |        |       |      |       |                    |        |                   |       |                 |       |                         |       |                   |               |  |         |            |       |                 |       |        |       |      |       |                      |       |                    |        |                   |               |  |         |   |                 |       |      |       |        |       |                        |       |                 |       |                   |       |                         |       |                    |        |                   |               |  |         |   |                   |        |                      |       |                   |       |                 |       |           |        |            |              |  |         |  |                        |        |             |               |  |         |
|                                   | 100.00%  |  |   |  |  |   |       |                 |       |            |       |                 |       |  |                |  |                        |        |             |               |  |         |   |            |       |                 |       |        |       |      |       |                    |        |                   |       |                 |       |                         |       |                   |               |  |         |            |       |                 |       |        |       |      |       |                      |       |                    |        |                   |               |  |         |   |                 |       |      |       |        |       |                        |       |                 |       |                   |       |                         |       |                    |        |                   |               |  |         |   |                   |        |                      |       |                   |       |                 |       |           |        |            |              |  |         |  |                        |        |             |               |  |         |
| Regulation                        | 1.00%  |  |   |  |  |   |       |                 |       |            |       |                 |       |  |                |  |                        |        |             |               |  |         |   |            |       |                 |       |        |       |      |       |                    |        |                   |       |                 |       |                         |       |                   |               |  |         |            |       |                 |       |        |       |      |       |                      |       |                    |        |                   |               |  |         |   |                 |       |      |       |        |       |                        |       |                 |       |                   |       |                         |       |                    |        |                   |               |  |         |   |                   |        |                      |       |                   |       |                 |       |           |        |            |              |  |         |  |                        |        |             |               |  |         |
| Problem Gambler                   | 0.50%  |  |   |  |  |   |       |                 |       |            |       |                 |       |  |                |  |                        |        |             |               |  |         |   |            |       |                 |       |        |       |      |       |                    |        |                   |       |                 |       |                         |       |                   |               |  |         |            |       |                 |       |        |       |      |       |                      |       |                    |        |                   |               |  |         |   |                 |       |      |       |        |       |                        |       |                 |       |                   |       |                         |       |                    |        |                   |               |  |         |   |                   |        |                      |       |                   |       |                 |       |           |        |            |              |  |         |  |                        |        |             |               |  |         |
| County                            | 1.00%  |  |   |  |  |   |       |                 |       |            |       |                 |       |  |                |  |                        |        |             |               |  |         |   |            |       |                 |       |        |       |      |       |                    |        |                   |       |                 |       |                         |       |                   |               |  |         |            |       |                 |       |        |       |      |       |                      |       |                    |        |                   |               |  |         |   |                 |       |      |       |        |       |                        |       |                 |       |                   |       |                         |       |                    |        |                   |               |  |         |   |                   |        |                      |       |                   |       |                 |       |           |        |            |              |  |         |  |                        |        |             |               |  |         |
| City                              | 1.00%  |  |   |  |  |   |       |                 |       |            |       |                 |       |  |                |  |                        |        |             |               |  |         |   |            |       |                 |       |        |       |      |       |                    |        |                   |       |                 |       |                         |       |                   |               |  |         |            |       |                 |       |        |       |      |       |                      |       |                    |        |                   |               |  |         |   |                 |       |      |       |        |       |                        |       |                 |       |                   |       |                         |       |                    |        |                   |               |  |         |   |                   |        |                      |       |                   |       |                 |       |           |        |            |              |  |         |  |                        |        |             |               |  |         |
| State General Fund                | 20.00%   |  |   |  |  |   |       |                 |       |            |       |                 |       |  |                |  |                        |        |             |               |  |         |   |            |       |                 |       |        |       |      |       |                    |        |                   |       |                 |       |                         |       |                   |               |  |         |            |       |                 |       |        |       |      |       |                      |       |                    |        |                   |               |  |         |   |                 |       |      |       |        |       |                        |       |                 |       |                   |       |                         |       |                    |        |                   |               |  |         |   |                   |        |                      |       |                   |       |                 |       |           |        |            |              |  |         |  |                        |        |             |               |  |         |
| Horse Supplements                 | 7.00%  |  |   |  |  |   |       |                 |       |            |       |                 |       |  |                |  |                        |        |             |               |  |         |   |            |       |                 |       |        |       |      |       |                    |        |                   |       |                 |       |                         |       |                   |               |  |         |            |       |                 |       |        |       |      |       |                      |       |                    |        |                   |               |  |         |   |                 |       |      |       |        |       |                        |       |                 |       |                   |       |                         |       |                    |        |                   |               |  |         |   |                   |        |                      |       |                   |       |                 |       |           |        |            |              |  |         |  |                        |        |             |               |  |         |
| Dog Supplements                   | 7.00%  |  |   |  |  |   |       |                 |       |            |       |                 |       |  |                |  |                        |        |             |               |  |         |   |            |       |                 |       |        |       |      |       |                    |        |                   |       |                 |       |                         |       |                   |               |  |         |            |       |                 |       |        |       |      |       |                      |       |                    |        |                   |               |  |         |   |                 |       |      |       |        |       |                        |       |                 |       |                   |       |                         |       |                    |        |                   |               |  |         |   |                   |        |                      |       |                   |       |                 |       |           |        |            |              |  |         |  |                        |        |             |               |  |         |
| Nonprofit Organizations           | 1.00%  |  |   |  |  |   |       |                 |       |            |       |                 |       |  |                |  |                        |        |             |               |  |         |   |            |       |                 |       |        |       |      |       |                    |        |                   |       |                 |       |                         |       |                   |               |  |         |            |       |                 |       |        |       |      |       |                      |       |                    |        |                   |               |  |         |   |                 |       |      |       |        |       |                        |       |                 |       |                   |       |                         |       |                    |        |                   |               |  |         |   |                   |        |                      |       |                   |       |                 |       |           |        |            |              |  |         |  |                        |        |             |               |  |         |
| Machine Operators                 | <u>61.50%</u>  |  |   |  |  |   |       |                 |       |            |       |                 |       |  |                |  |                        |        |             |               |  |         |   |            |       |                 |       |        |       |      |       |                    |        |                   |       |                 |       |                         |       |                   |               |  |         |            |       |                 |       |        |       |      |       |                      |       |                    |        |                   |               |  |         |   |                 |       |      |       |        |       |                        |       |                 |       |                   |       |                         |       |                    |        |                   |               |  |         |   |                   |        |                      |       |                   |       |                 |       |           |        |            |              |  |         |  |                        |        |             |               |  |         |
|                                   | 100.00%  |  |   |  |  |   |       |                 |       |            |       |                 |       |  |                |  |                        |        |             |               |  |         |   |            |       |                 |       |        |       |      |       |                    |        |                   |       |                 |       |                         |       |                   |               |  |         |            |       |                 |       |        |       |      |       |                      |       |                    |        |                   |               |  |         |   |                 |       |      |       |        |       |                        |       |                 |       |                   |       |                         |       |                    |        |                   |               |  |         |   |                   |        |                      |       |                   |       |                 |       |           |        |            |              |  |         |  |                        |        |             |               |  |         |
| Regulation                        | 1.00%  |  |   |  |  |   |       |                 |       |            |       |                 |       |  |                |  |                        |        |             |               |  |         |   |            |       |                 |       |        |       |      |       |                    |        |                   |       |                 |       |                         |       |                   |               |  |         |            |       |                 |       |        |       |      |       |                      |       |                    |        |                   |               |  |         |   |                 |       |      |       |        |       |                        |       |                 |       |                   |       |                         |       |                    |        |                   |               |  |         |   |                   |        |                      |       |                   |       |                 |       |           |        |            |              |  |         |  |                        |        |             |               |  |         |
| Problem Gambler                   | 0.50%  |  |   |  |  |   |       |                 |       |            |       |                 |       |  |                |  |                        |        |             |               |  |         |   |            |       |                 |       |        |       |      |       |                    |        |                   |       |                 |       |                         |       |                   |               |  |         |            |       |                 |       |        |       |      |       |                      |       |                    |        |                   |               |  |         |   |                 |       |      |       |        |       |                        |       |                 |       |                   |       |                         |       |                    |        |                   |               |  |         |   |                   |        |                      |       |                   |       |                 |       |           |        |            |              |  |         |  |                        |        |             |               |  |         |
| County                            | 1.00%  |  |   |  |  |   |       |                 |       |            |       |                 |       |  |                |  |                        |        |             |               |  |         |   |            |       |                 |       |        |       |      |       |                    |        |                   |       |                 |       |                         |       |                   |               |  |         |            |       |                 |       |        |       |      |       |                      |       |                    |        |                   |               |  |         |   |                 |       |      |       |        |       |                        |       |                 |       |                   |       |                         |       |                    |        |                   |               |  |         |   |                   |        |                      |       |                   |       |                 |       |           |        |            |              |  |         |  |                        |        |             |               |  |         |
| City                              | 1.00%  |  |   |  |  |   |       |                 |       |            |       |                 |       |  |                |  |                        |        |             |               |  |         |   |            |       |                 |       |        |       |      |       |                    |        |                   |       |                 |       |                         |       |                   |               |  |         |            |       |                 |       |        |       |      |       |                      |       |                    |        |                   |               |  |         |   |                 |       |      |       |        |       |                        |       |                 |       |                   |       |                         |       |                    |        |                   |               |  |         |   |                   |        |                      |       |                   |       |                 |       |           |        |            |              |  |         |  |                        |        |             |               |  |         |
| Veterans' Cemeteries              | 8.00%  |  |   |  |  |   |       |                 |       |            |       |                 |       |  |                |  |                        |        |             |               |  |         |   |            |       |                 |       |        |       |      |       |                    |        |                   |       |                 |       |                         |       |                   |               |  |         |            |       |                 |       |        |       |      |       |                      |       |                    |        |                   |               |  |         |   |                 |       |      |       |        |       |                        |       |                 |       |                   |       |                         |       |                    |        |                   |               |  |         |   |                   |        |                      |       |                   |       |                 |       |           |        |            |              |  |         |  |                        |        |             |               |  |         |
| State General Fund                | 25.00%   |  |   |  |  |   |       |                 |       |            |       |                 |       |  |                |  |                        |        |             |               |  |         |   |            |       |                 |       |        |       |      |       |                    |        |                   |       |                 |       |                         |       |                   |               |  |         |            |       |                 |       |        |       |      |       |                      |       |                    |        |                   |               |  |         |   |                 |       |      |       |        |       |                        |       |                 |       |                   |       |                         |       |                    |        |                   |               |  |         |   |                   |        |                      |       |                   |       |                 |       |           |        |            |              |  |         |  |                        |        |             |               |  |         |
| Machine Operators                 | <u>63.50%</u>  |  |   |  |  |   |       |                 |       |            |       |                 |       |  |                |  |                        |        |             |               |  |         |   |            |       |                 |       |        |       |      |       |                    |        |                   |       |                 |       |                         |       |                   |               |  |         |            |       |                 |       |        |       |      |       |                      |       |                    |        |                   |               |  |         |   |                 |       |      |       |        |       |                        |       |                 |       |                   |       |                         |       |                    |        |                   |               |  |         |   |                   |        |                      |       |                   |       |                 |       |           |        |            |              |  |         |  |                        |        |             |               |  |         |
|                                   | 100.00%  |  |   |  |  |   |       |                 |       |            |       |                 |       |  |                |  |                        |        |             |               |  |         |   |            |       |                 |       |        |       |      |       |                    |        |                   |       |                 |       |                         |       |                   |               |  |         |            |       |                 |       |        |       |      |       |                      |       |                    |        |                   |               |  |         |   |                 |       |      |       |        |       |                        |       |                 |       |                   |       |                         |       |                    |        |                   |               |  |         |   |                   |        |                      |       |                   |       |                 |       |           |        |            |              |  |         |  |                        |        |             |               |  |         |
| Problem Gambler                   | 0.25%  |  |   |  |  |   |       |                 |       |            |       |                 |       |  |                |  |                        |        |             |               |  |         |   |            |       |                 |       |        |       |      |       |                    |        |                   |       |                 |       |                         |       |                   |               |  |         |            |       |                 |       |        |       |      |       |                      |       |                    |        |                   |               |  |         |   |                 |       |      |       |        |       |                        |       |                 |       |                   |       |                         |       |                    |        |                   |               |  |         |   |                   |        |                      |       |                   |       |                 |       |           |        |            |              |  |         |  |                        |        |             |               |  |         |
| City                              | 1.00%  |  |   |  |  |   |       |                 |       |            |       |                 |       |  |                |  |                        |        |             |               |  |         |   |            |       |                 |       |        |       |      |       |                    |        |                   |       |                 |       |                         |       |                   |               |  |         |            |       |                 |       |        |       |      |       |                      |       |                    |        |                   |               |  |         |   |                 |       |      |       |        |       |                        |       |                 |       |                   |       |                         |       |                    |        |                   |               |  |         |   |                   |        |                      |       |                   |       |                 |       |           |        |            |              |  |         |  |                        |        |             |               |  |         |
| County                            | 1.00%  |  |   |  |  |   |       |                 |       |            |       |                 |       |  |                |  |                        |        |             |               |  |         |   |            |       |                 |       |        |       |      |       |                    |        |                   |       |                 |       |                         |       |                   |               |  |         |            |       |                 |       |        |       |      |       |                      |       |                    |        |                   |               |  |         |   |                 |       |      |       |        |       |                        |       |                 |       |                   |       |                         |       |                    |        |                   |               |  |         |   |                   |        |                      |       |                   |       |                 |       |           |        |            |              |  |         |  |                        |        |             |               |  |         |
| Soldiers and Vet. Fund            | 0.25%  |  |   |  |  |   |       |                 |       |            |       |                 |       |  |                |  |                        |        |             |               |  |         |   |            |       |                 |       |        |       |      |       |                    |        |                   |       |                 |       |                         |       |                   |               |  |         |            |       |                 |       |        |       |      |       |                      |       |                    |        |                   |               |  |         |   |                 |       |      |       |        |       |                        |       |                 |       |                   |       |                         |       |                    |        |                   |               |  |         |   |                   |        |                      |       |                   |       |                 |       |           |        |            |              |  |         |  |                        |        |             |               |  |         |
| Dog Supplements                   | 3.50%  |  |   |  |  |   |       |                 |       |            |       |                 |       |  |                |  |                        |        |             |               |  |         |   |            |       |                 |       |        |       |      |       |                    |        |                   |       |                 |       |                         |       |                   |               |  |         |            |       |                 |       |        |       |      |       |                      |       |                    |        |                   |               |  |         |   |                 |       |      |       |        |       |                        |       |                 |       |                   |       |                         |       |                    |        |                   |               |  |         |   |                   |        |                      |       |                   |       |                 |       |           |        |            |              |  |         |  |                        |        |             |               |  |         |
| Horse Supplements                 | 3.50%  |  |   |  |  |   |       |                 |       |            |       |                 |       |  |                |  |                        |        |             |               |  |         |   |            |       |                 |       |        |       |      |       |                    |        |                   |       |                 |       |                         |       |                   |               |  |         |            |       |                 |       |        |       |      |       |                      |       |                    |        |                   |               |  |         |   |                 |       |      |       |        |       |                        |       |                 |       |                   |       |                         |       |                    |        |                   |               |  |         |   |                   |        |                      |       |                   |       |                 |       |           |        |            |              |  |         |  |                        |        |             |               |  |         |
| Nonprofit Organizations           | 1.00%  |  |   |  |  |   |       |                 |       |            |       |                 |       |  |                |  |                        |        |             |               |  |         |   |            |       |                 |       |        |       |      |       |                    |        |                   |       |                 |       |                         |       |                   |               |  |         |            |       |                 |       |        |       |      |       |                      |       |                    |        |                   |               |  |         |   |                 |       |      |       |        |       |                        |       |                 |       |                   |       |                         |       |                    |        |                   |               |  |         |   |                   |        |                      |       |                   |       |                 |       |           |        |            |              |  |         |  |                        |        |             |               |  |         |
| State General Fund                | 21.00%   |  |   |  |  |   |       |                 |       |            |       |                 |       |  |                |  |                        |        |             |               |  |         |   |            |       |                 |       |        |       |      |       |                    |        |                   |       |                 |       |                         |       |                   |               |  |         |            |       |                 |       |        |       |      |       |                      |       |                    |        |                   |               |  |         |   |                 |       |      |       |        |       |                        |       |                 |       |                   |       |                         |       |                    |        |                   |               |  |         |   |                   |        |                      |       |                   |       |                 |       |           |        |            |              |  |         |  |                        |        |             |               |  |         |
| Machine Operators                 | <u>68.50%</u>  |  |   |  |  |   |       |                 |       |            |       |                 |       |  |                |  |                        |        |             |               |  |         |   |            |       |                 |       |        |       |      |       |                    |        |                   |       |                 |       |                         |       |                   |               |  |         |            |       |                 |       |        |       |      |       |                      |       |                    |        |                   |               |  |         |   |                 |       |      |       |        |       |                        |       |                 |       |                   |       |                         |       |                    |        |                   |               |  |         |   |                   |        |                      |       |                   |       |                 |       |           |        |            |              |  |         |  |                        |        |             |               |  |         |
|                                   | 100.00%  |  |   |  |  |   |       |                 |       |            |       |                 |       |  |                |  |                        |        |             |               |  |         |   |            |       |                 |       |        |       |      |       |                    |        |                   |       |                 |       |                         |       |                   |               |  |         |            |       |                 |       |        |       |      |       |                      |       |                    |        |                   |               |  |         |   |                 |       |      |       |        |       |                        |       |                 |       |                   |       |                         |       |                    |        |                   |               |  |         |   |                   |        |                      |       |                   |       |                 |       |           |        |            |              |  |         |  |                        |        |             |               |  |         |
| Machine Operators                 | 68.25%   |  |   |  |  |   |       |                 |       |            |       |                 |       |  |                |  |                        |        |             |               |  |         |   |            |       |                 |       |        |       |      |       |                    |        |                   |       |                 |       |                         |       |                   |               |  |         |            |       |                 |       |        |       |      |       |                      |       |                    |        |                   |               |  |         |   |                 |       |      |       |        |       |                        |       |                 |       |                   |       |                         |       |                    |        |                   |               |  |         |   |                   |        |                      |       |                   |       |                 |       |           |        |            |              |  |         |  |                        |        |             |               |  |         |
| St. Gaming Rev. Fund              | 0.25%  |  |   |  |  |   |       |                 |       |            |       |                 |       |  |                |  |                        |        |             |               |  |         |   |            |       |                 |       |        |       |      |       |                    |        |                   |       |                 |       |                         |       |                   |               |  |         |            |       |                 |       |        |       |      |       |                      |       |                    |        |                   |               |  |         |   |                 |       |      |       |        |       |                        |       |                 |       |                   |       |                         |       |                    |        |                   |               |  |         |   |                   |        |                      |       |                   |       |                 |       |           |        |            |              |  |         |  |                        |        |             |               |  |         |
| Horse Supplements                 | 3.50%  |  |   |  |  |   |       |                 |       |            |       |                 |       |  |                |  |                        |        |             |               |  |         |   |            |       |                 |       |        |       |      |       |                    |        |                   |       |                 |       |                         |       |                   |               |  |         |            |       |                 |       |        |       |      |       |                      |       |                    |        |                   |               |  |         |   |                 |       |      |       |        |       |                        |       |                 |       |                   |       |                         |       |                    |        |                   |               |  |         |   |                   |        |                      |       |                   |       |                 |       |           |        |            |              |  |         |  |                        |        |             |               |  |         |
| Dog Supplements                   | 7.00%  |  |   |  |  |   |       |                 |       |            |       |                 |       |  |                |  |                        |        |             |               |  |         |   |            |       |                 |       |        |       |      |       |                    |        |                   |       |                 |       |                         |       |                   |               |  |         |            |       |                 |       |        |       |      |       |                      |       |                    |        |                   |               |  |         |   |                 |       |      |       |        |       |                        |       |                 |       |                   |       |                         |       |                    |        |                   |               |  |         |   |                   |        |                      |       |                   |       |                 |       |           |        |            |              |  |         |  |                        |        |             |               |  |         |
| Education                         | 20.00%   |  |   |  |  |   |       |                 |       |            |       |                 |       |  |                |  |                        |        |             |               |  |         |   |            |       |                 |       |        |       |      |       |                    |        |                   |       |                 |       |                         |       |                   |               |  |         |            |       |                 |       |        |       |      |       |                      |       |                    |        |                   |               |  |         |   |                 |       |      |       |        |       |                        |       |                 |       |                   |       |                         |       |                    |        |                   |               |  |         |   |                   |        |                      |       |                   |       |                 |       |           |        |            |              |  |         |  |                        |        |             |               |  |         |
| Regulation                        | <u>1.00%</u>   |  |   |  |  |   |       |                 |       |            |       |                 |       |  |                |  |                        |        |             |               |  |         |   |            |       |                 |       |        |       |      |       |                    |        |                   |       |                 |       |                         |       |                   |               |  |         |            |       |                 |       |        |       |      |       |                      |       |                    |        |                   |               |  |         |   |                 |       |      |       |        |       |                        |       |                 |       |                   |       |                         |       |                    |        |                   |               |  |         |   |                   |        |                      |       |                   |       |                 |       |           |        |            |              |  |         |  |                        |        |             |               |  |         |
|                                   | 100.00%  |  |   |  |  |   |       |                 |       |            |       |                 |       |  |                |  |                        |        |             |               |  |         |   |            |       |                 |       |        |       |      |       |                    |        |                   |       |                 |       |                         |       |                   |               |  |         |            |       |                 |       |        |       |      |       |                      |       |                    |        |                   |               |  |         |   |                 |       |      |       |        |       |                        |       |                 |       |                   |       |                         |       |                    |        |                   |               |  |         |   |                   |        |                      |       |                   |       |                 |       |           |        |            |              |  |         |  |                        |        |             |               |  |         |
| Video Lottery Retailer            | 30.00%   |  |   |  |  |   |       |                 |       |            |       |                 |       |  |                |  |                        |        |             |               |  |         |   |            |       |                 |       |        |       |      |       |                    |        |                   |       |                 |       |                         |       |                   |               |  |         |            |       |                 |       |        |       |      |       |                      |       |                    |        |                   |               |  |         |   |                 |       |      |       |        |       |                        |       |                 |       |                   |       |                         |       |                    |        |                   |               |  |         |   |                   |        |                      |       |                   |       |                 |       |           |        |            |              |  |         |  |                        |        |             |               |  |         |
| Unspecified                       | <u>70.00%</u>  |  |   |  |  |   |       |                 |       |            |       |                 |       |  |                |  |                        |        |             |               |  |         |   |            |       |                 |       |        |       |      |       |                    |        |                   |       |                 |       |                         |       |                   |               |  |         |            |       |                 |       |        |       |      |       |                      |       |                    |        |                   |               |  |         |   |                 |       |      |       |        |       |                        |       |                 |       |                   |       |                         |       |                    |        |                   |               |  |         |   |                   |        |                      |       |                   |       |                 |       |           |        |            |              |  |         |  |                        |        |             |               |  |         |
|                                   | 100.00%  |  |   |  |  |   |       |                 |       |            |       |                 |       |  |                |  |                        |        |             |               |  |         |   |            |       |                 |       |        |       |      |       |                    |        |                   |       |                 |       |                         |       |                   |               |  |         |            |       |                 |       |        |       |      |       |                      |       |                    |        |                   |               |  |         |   |                 |       |      |       |        |       |                        |       |                 |       |                   |       |                         |       |                    |        |                   |               |  |         |   |                   |        |                      |       |                   |       |                 |       |           |        |            |              |  |         |  |                        |        |             |               |  |         |

**COMPARISON OF SELECTED BILLS CONCERNING GAMING: HB 2890, HB 2987, AND SUB. HB 2183  
HOUSE COMMITTEE OF THE WHOLE RECOMMENDATION**

|                                   | <b>HB 2890<br/>(Representative Cox)</b>   | <b>HB 2987<br/>(Committee on Tourism)</b>    | <b>House Committee<br/>of the Whole Recommendation</b>   |                 |       |        |       |      |       |                    |        |                   |       |                 |       |                         |       |                |               |  |         |            |       |                 |       |        |       |      |       |                      |       |                    |        |                |               |  |         |  |                 |       |      |       |        |       |                        |       |                 |       |                   |       |                         |       |                    |        |                |               |  |         |   |            |       |                 |       |        |       |      |       |                    |        |                   |       |                 |       |                         |       |                       |       |                |               |  |         |            |       |                 |       |              |       |                   |       |                 |       |                    |        |      |              |        |              |                |               |  |         |
|-----------------------------------|---|--|--|-----------------|-------|--------|-------|------|-------|--------------------|--------|-------------------|-------|-----------------|-------|-------------------------|-------|----------------|---------------|--|---------|------------|-------|-----------------|-------|--------|-------|------|-------|----------------------|-------|--------------------|--------|----------------|---------------|--|---------|--|-----------------|-------|------|-------|--------|-------|------------------------|-------|-----------------|-------|-------------------|-------|-------------------------|-------|--------------------|--------|----------------|---------------|--|---------|---|------------|-------|-----------------|-------|--------|-------|------|-------|--------------------|--------|-------------------|-------|-----------------|-------|-------------------------|-------|-----------------------|-------|----------------|---------------|--|---------|------------|-------|-----------------|-------|--------------|-------|-------------------|-------|-----------------|-------|--------------------|--------|------|--------------|--------|--------------|----------------|---------------|--|---------|
| Games Authorized                  | Electronic gaming machines  | Electronic gaming machines                   | Electronic gaming machines   |                 |       |        |       |      |       |                    |        |                   |       |                 |       |                         |       |                |               |  |         |            |       |                 |       |        |       |      |       |                      |       |                    |        |                |               |  |         |  |                 |       |      |       |        |       |                        |       |                 |       |                   |       |                         |       |                    |        |                |               |  |         |   |            |       |                 |       |        |       |      |       |                    |        |                   |       |                 |       |                         |       |                       |       |                |               |  |         |            |       |                 |       |              |       |                   |       |                 |       |                    |        |      |              |        |              |                |               |  |         |
| Authorized Locations              | Parimutuel tracks; fraternal or veterans' bingo licensees   | Parimutuel tracks                            | Parimutuel tracks; at-large location   |                 |       |        |       |      |       |                    |        |                   |       |                 |       |                         |       |                |               |  |         |            |       |                 |       |        |       |      |       |                      |       |                    |        |                |               |  |         |  |                 |       |      |       |        |       |                        |       |                 |       |                   |       |                         |       |                    |        |                |               |  |         |   |            |       |                 |       |        |       |      |       |                    |        |                   |       |                 |       |                         |       |                       |       |                |               |  |         |            |       |                 |       |              |       |                   |       |                 |       |                    |        |      |              |        |              |                |               |  |         |
| Regulatory Agencies               | Kansas Lottery; Racing and Gaming Commission; Bingo Administrator   | Kansas Lottery; Racing and Gaming Commission | Kansas Lottery; Racing and Gaming Commission   |                 |       |        |       |      |       |                    |        |                   |       |                 |       |                         |       |                |               |  |         |            |       |                 |       |        |       |      |       |                      |       |                    |        |                |               |  |         |  |                 |       |      |       |        |       |                        |       |                 |       |                   |       |                         |       |                    |        |                |               |  |         |   |            |       |                 |       |        |       |      |       |                    |        |                   |       |                 |       |                         |       |                       |       |                |               |  |         |            |       |                 |       |              |       |                   |       |                 |       |                    |        |      |              |        |              |                |               |  |         |
| County Election Required          | Yes   | Yes  | Yes; not more often than every four years  |                 |       |        |       |      |       |                    |        |                   |       |                 |       |                         |       |                |               |  |         |            |       |                 |       |        |       |      |       |                      |       |                    |        |                |               |  |         |  |                 |       |      |       |        |       |                        |       |                 |       |                   |       |                         |       |                    |        |                |               |  |         |   |            |       |                 |       |        |       |      |       |                    |        |                   |       |                 |       |                         |       |                       |       |                |               |  |         |            |       |                 |       |              |       |                   |       |                 |       |                    |        |      |              |        |              |                |               |  |         |
| Required Payout                   | At least 82 percent   | At least 87 percent                          | At least 87 percent  |                 |       |        |       |      |       |                    |        |                   |       |                 |       |                         |       |                |               |  |         |            |       |                 |       |        |       |      |       |                      |       |                    |        |                |               |  |         |  |                 |       |      |       |        |       |                        |       |                 |       |                   |       |                         |       |                    |        |                |               |  |         |   |            |       |                 |       |        |       |      |       |                    |        |                   |       |                 |       |                         |       |                       |       |                |               |  |         |            |       |                 |       |              |       |                   |       |                 |       |                    |        |      |              |        |              |                |               |  |         |
| Limits on Number of Machines      | Yes   | No   | No   |                 |       |        |       |      |       |                    |        |                   |       |                 |       |                         |       |                |               |  |         |            |       |                 |       |        |       |      |       |                      |       |                    |        |                |               |  |         |  |                 |       |      |       |        |       |                        |       |                 |       |                   |       |                         |       |                    |        |                |               |  |         |   |            |       |                 |       |        |       |      |       |                    |        |                   |       |                 |       |                         |       |                       |       |                |               |  |         |            |       |                 |       |              |       |                   |       |                 |       |                    |        |      |              |        |              |                |               |  |         |
| Sales Tax Exempt                  | No  | Yes  | Yes  |                 |       |        |       |      |       |                    |        |                   |       |                 |       |                         |       |                |               |  |         |            |       |                 |       |        |       |      |       |                      |       |                    |        |                |               |  |         |  |                 |       |      |       |        |       |                        |       |                 |       |                   |       |                         |       |                    |        |                |               |  |         |   |            |       |                 |       |        |       |      |       |                    |        |                   |       |                 |       |                         |       |                       |       |                |               |  |         |            |       |                 |       |              |       |                   |       |                 |       |                    |        |      |              |        |              |                |               |  |         |
| Effective Date                    | Statute Book  | Statute Book                                 | <i>Kansas Register</i>   |                 |       |        |       |      |       |                    |        |                   |       |                 |       |                         |       |                |               |  |         |            |       |                 |       |        |       |      |       |                      |       |                    |        |                |               |  |         |  |                 |       |      |       |        |       |                        |       |                 |       |                   |       |                         |       |                    |        |                |               |  |         |   |            |       |                 |       |        |       |      |       |                    |        |                   |       |                 |       |                         |       |                       |       |                |               |  |         |            |       |                 |       |              |       |                   |       |                 |       |                    |        |      |              |        |              |                |               |  |         |
| Disposition of Net Gaming Revenue | <p><b>Parimutuel Licensees:</b></p> <table border="0"> <tr><td>Regulation</td><td align="right">1.00%</td></tr> <tr><td>Problem Gambler</td><td align="right">0.50%</td></tr> <tr><td>County</td><td align="right">1.00%</td></tr> <tr><td>City</td><td align="right">1.00%</td></tr> <tr><td>State General Fund</td><td align="right">20.00%</td></tr> <tr><td>Horse Supplements</td><td align="right">7.00%</td></tr> <tr><td>Dog Supplements</td><td align="right">7.00%</td></tr> <tr><td>Nonprofit Organizations</td><td align="right">1.00%</td></tr> <tr><td>Management Fee</td><td align="right"><u>61.50%</u></td></tr> <tr><td></td><td align="right">100.00%</td></tr> </table> <p><b>Bingo Licensees:</b></p> <table border="0"> <tr><td>Regulation</td><td align="right">1.00%</td></tr> <tr><td>Problem Gambler</td><td align="right">0.50%</td></tr> <tr><td>County</td><td align="right">1.00%</td></tr> <tr><td>City</td><td align="right">1.00%</td></tr> <tr><td>Veterans' Cemeteries</td><td align="right">8.00%</td></tr> <tr><td>State General Fund</td><td align="right">25.00%</td></tr> <tr><td>Management Fee</td><td align="right"><u>63.50%</u></td></tr> <tr><td></td><td align="right">100.00%</td></tr> </table> | Regulation                                   | 1.00%  | Problem Gambler | 0.50% | County | 1.00% | City | 1.00% | State General Fund | 20.00% | Horse Supplements | 7.00% | Dog Supplements | 7.00% | Nonprofit Organizations | 1.00% | Management Fee | <u>61.50%</u> |  | 100.00% | Regulation | 1.00% | Problem Gambler | 0.50% | County | 1.00% | City | 1.00% | Veterans' Cemeteries | 8.00% | State General Fund | 25.00% | Management Fee | <u>63.50%</u> |  | 100.00% | <p><b>Parimutuel Licensees:</b></p> <table border="0"> <tr><td>Problem Gambler</td><td align="right">0.25%</td></tr> <tr><td>City</td><td align="right">1.00%</td></tr> <tr><td>County</td><td align="right">1.00%</td></tr> <tr><td>Soldiers and Vet. Fund</td><td align="right">0.25%</td></tr> <tr><td>Dog Supplements</td><td align="right">3.50%</td></tr> <tr><td>Horse Supplements</td><td align="right">3.50%</td></tr> <tr><td>Nonprofit Organizations</td><td align="right">1.00%</td></tr> <tr><td>State General Fund</td><td align="right">21.00%</td></tr> <tr><td>Management Fee</td><td align="right"><u>68.50%</u></td></tr> <tr><td></td><td align="right">100.00%</td></tr> </table> | Problem Gambler | 0.25% | City | 1.00% | County | 1.00% | Soldiers and Vet. Fund | 0.25% | Dog Supplements | 3.50% | Horse Supplements | 3.50% | Nonprofit Organizations | 1.00% | State General Fund | 21.00% | Management Fee | <u>68.50%</u> |  | 100.00% | <p><b>Parimutuel Licensees:</b></p> <table border="0"> <tr><td>Regulation</td><td align="right">1.00%</td></tr> <tr><td>Problem Gambler</td><td align="right">0.50%</td></tr> <tr><td>County</td><td align="right">1.00%</td></tr> <tr><td>City</td><td align="right">1.00%</td></tr> <tr><td>State General Fund</td><td align="right">25.00%</td></tr> <tr><td>Horse Supplements</td><td align="right">2.00%</td></tr> <tr><td>Dog Supplements</td><td align="right">2.00%</td></tr> <tr><td>Nonprofit Organizations</td><td align="right">1.00%</td></tr> <tr><td>Statehouse Renovation</td><td align="right">0.50%</td></tr> <tr><td>Management Fee</td><td align="right"><u>66.00%</u></td></tr> <tr><td></td><td align="right">100.00%</td></tr> </table> <p><b>At-Large Location:</b></p> <table border="0"> <tr><td>Regulation</td><td align="right">1.00%</td></tr> <tr><td>Problem Gambler</td><td align="right">0.50%</td></tr> <tr><td>Tourism Fund</td><td align="right">2.00%</td></tr> <tr><td>Horse Supplements</td><td align="right">0.00%</td></tr> <tr><td>Dog Supplements</td><td align="right">0.00%</td></tr> <tr><td>State General Fund</td><td align="right">36.50%</td></tr> <tr><td>City</td><td align="right">Contract Bid</td></tr> <tr><td>County</td><td align="right">Contract Bid</td></tr> <tr><td>Management Fee</td><td align="right"><u>60.00%</u></td></tr> <tr><td></td><td align="right">100.00%</td></tr> </table> | Regulation | 1.00% | Problem Gambler | 0.50% | County | 1.00% | City | 1.00% | State General Fund | 25.00% | Horse Supplements | 2.00% | Dog Supplements | 2.00% | Nonprofit Organizations | 1.00% | Statehouse Renovation | 0.50% | Management Fee | <u>66.00%</u> |  | 100.00% | Regulation | 1.00% | Problem Gambler | 0.50% | Tourism Fund | 2.00% | Horse Supplements | 0.00% | Dog Supplements | 0.00% | State General Fund | 36.50% | City | Contract Bid | County | Contract Bid | Management Fee | <u>60.00%</u> |  | 100.00% |
| Regulation                        | 1.00%   |  |  |                 |       |        |       |      |       |                    |        |                   |       |                 |       |                         |       |                |               |  |         |            |       |                 |       |        |       |      |       |                      |       |                    |        |                |               |  |         |  |                 |       |      |       |        |       |                        |       |                 |       |                   |       |                         |       |                    |        |                |               |  |         |   |            |       |                 |       |        |       |      |       |                    |        |                   |       |                 |       |                         |       |                       |       |                |               |  |         |            |       |                 |       |              |       |                   |       |                 |       |                    |        |      |              |        |              |                |               |  |         |
| Problem Gambler                   | 0.50%   |  |  |                 |       |        |       |      |       |                    |        |                   |       |                 |       |                         |       |                |               |  |         |            |       |                 |       |        |       |      |       |                      |       |                    |        |                |               |  |         |  |                 |       |      |       |        |       |                        |       |                 |       |                   |       |                         |       |                    |        |                |               |  |         |   |            |       |                 |       |        |       |      |       |                    |        |                   |       |                 |       |                         |       |                       |       |                |               |  |         |            |       |                 |       |              |       |                   |       |                 |       |                    |        |      |              |        |              |                |               |  |         |
| County                            | 1.00%   |  |  |                 |       |        |       |      |       |                    |        |                   |       |                 |       |                         |       |                |               |  |         |            |       |                 |       |        |       |      |       |                      |       |                    |        |                |               |  |         |  |                 |       |      |       |        |       |                        |       |                 |       |                   |       |                         |       |                    |        |                |               |  |         |   |            |       |                 |       |        |       |      |       |                    |        |                   |       |                 |       |                         |       |                       |       |                |               |  |         |            |       |                 |       |              |       |                   |       |                 |       |                    |        |      |              |        |              |                |               |  |         |
| City                              | 1.00%   |  |  |                 |       |        |       |      |       |                    |        |                   |       |                 |       |                         |       |                |               |  |         |            |       |                 |       |        |       |      |       |                      |       |                    |        |                |               |  |         |  |                 |       |      |       |        |       |                        |       |                 |       |                   |       |                         |       |                    |        |                |               |  |         |   |            |       |                 |       |        |       |      |       |                    |        |                   |       |                 |       |                         |       |                       |       |                |               |  |         |            |       |                 |       |              |       |                   |       |                 |       |                    |        |      |              |        |              |                |               |  |         |
| State General Fund                | 20.00%  |  |  |                 |       |        |       |      |       |                    |        |                   |       |                 |       |                         |       |                |               |  |         |            |       |                 |       |        |       |      |       |                      |       |                    |        |                |               |  |         |  |                 |       |      |       |        |       |                        |       |                 |       |                   |       |                         |       |                    |        |                |               |  |         |   |            |       |                 |       |        |       |      |       |                    |        |                   |       |                 |       |                         |       |                       |       |                |               |  |         |            |       |                 |       |              |       |                   |       |                 |       |                    |        |      |              |        |              |                |               |  |         |
| Horse Supplements                 | 7.00%   |  |  |                 |       |        |       |      |       |                    |        |                   |       |                 |       |                         |       |                |               |  |         |            |       |                 |       |        |       |      |       |                      |       |                    |        |                |               |  |         |  |                 |       |      |       |        |       |                        |       |                 |       |                   |       |                         |       |                    |        |                |               |  |         |   |            |       |                 |       |        |       |      |       |                    |        |                   |       |                 |       |                         |       |                       |       |                |               |  |         |            |       |                 |       |              |       |                   |       |                 |       |                    |        |      |              |        |              |                |               |  |         |
| Dog Supplements                   | 7.00%   |  |  |                 |       |        |       |      |       |                    |        |                   |       |                 |       |                         |       |                |               |  |         |            |       |                 |       |        |       |      |       |                      |       |                    |        |                |               |  |         |  |                 |       |      |       |        |       |                        |       |                 |       |                   |       |                         |       |                    |        |                |               |  |         |   |            |       |                 |       |        |       |      |       |                    |        |                   |       |                 |       |                         |       |                       |       |                |               |  |         |            |       |                 |       |              |       |                   |       |                 |       |                    |        |      |              |        |              |                |               |  |         |
| Nonprofit Organizations           | 1.00%   |  |  |                 |       |        |       |      |       |                    |        |                   |       |                 |       |                         |       |                |               |  |         |            |       |                 |       |        |       |      |       |                      |       |                    |        |                |               |  |         |  |                 |       |      |       |        |       |                        |       |                 |       |                   |       |                         |       |                    |        |                |               |  |         |   |            |       |                 |       |        |       |      |       |                    |        |                   |       |                 |       |                         |       |                       |       |                |               |  |         |            |       |                 |       |              |       |                   |       |                 |       |                    |        |      |              |        |              |                |               |  |         |
| Management Fee                    | <u>61.50%</u>   |  |  |                 |       |        |       |      |       |                    |        |                   |       |                 |       |                         |       |                |               |  |         |            |       |                 |       |        |       |      |       |                      |       |                    |        |                |               |  |         |  |                 |       |      |       |        |       |                        |       |                 |       |                   |       |                         |       |                    |        |                |               |  |         |   |            |       |                 |       |        |       |      |       |                    |        |                   |       |                 |       |                         |       |                       |       |                |               |  |         |            |       |                 |       |              |       |                   |       |                 |       |                    |        |      |              |        |              |                |               |  |         |
|                                   | 100.00%   |  |  |                 |       |        |       |      |       |                    |        |                   |       |                 |       |                         |       |                |               |  |         |            |       |                 |       |        |       |      |       |                      |       |                    |        |                |               |  |         |  |                 |       |      |       |        |       |                        |       |                 |       |                   |       |                         |       |                    |        |                |               |  |         |   |            |       |                 |       |        |       |      |       |                    |        |                   |       |                 |       |                         |       |                       |       |                |               |  |         |            |       |                 |       |              |       |                   |       |                 |       |                    |        |      |              |        |              |                |               |  |         |
| Regulation                        | 1.00%   |  |  |                 |       |        |       |      |       |                    |        |                   |       |                 |       |                         |       |                |               |  |         |            |       |                 |       |        |       |      |       |                      |       |                    |        |                |               |  |         |  |                 |       |      |       |        |       |                        |       |                 |       |                   |       |                         |       |                    |        |                |               |  |         |   |            |       |                 |       |        |       |      |       |                    |        |                   |       |                 |       |                         |       |                       |       |                |               |  |         |            |       |                 |       |              |       |                   |       |                 |       |                    |        |      |              |        |              |                |               |  |         |
| Problem Gambler                   | 0.50%   |  |  |                 |       |        |       |      |       |                    |        |                   |       |                 |       |                         |       |                |               |  |         |            |       |                 |       |        |       |      |       |                      |       |                    |        |                |               |  |         |  |                 |       |      |       |        |       |                        |       |                 |       |                   |       |                         |       |                    |        |                |               |  |         |   |            |       |                 |       |        |       |      |       |                    |        |                   |       |                 |       |                         |       |                       |       |                |               |  |         |            |       |                 |       |              |       |                   |       |                 |       |                    |        |      |              |        |              |                |               |  |         |
| County                            | 1.00%   |  |  |                 |       |        |       |      |       |                    |        |                   |       |                 |       |                         |       |                |               |  |         |            |       |                 |       |        |       |      |       |                      |       |                    |        |                |               |  |         |  |                 |       |      |       |        |       |                        |       |                 |       |                   |       |                         |       |                    |        |                |               |  |         |   |            |       |                 |       |        |       |      |       |                    |        |                   |       |                 |       |                         |       |                       |       |                |               |  |         |            |       |                 |       |              |       |                   |       |                 |       |                    |        |      |              |        |              |                |               |  |         |
| City                              | 1.00%   |  |  |                 |       |        |       |      |       |                    |        |                   |       |                 |       |                         |       |                |               |  |         |            |       |                 |       |        |       |      |       |                      |       |                    |        |                |               |  |         |  |                 |       |      |       |        |       |                        |       |                 |       |                   |       |                         |       |                    |        |                |               |  |         |   |            |       |                 |       |        |       |      |       |                    |        |                   |       |                 |       |                         |       |                       |       |                |               |  |         |            |       |                 |       |              |       |                   |       |                 |       |                    |        |      |              |        |              |                |               |  |         |
| Veterans' Cemeteries              | 8.00%   |  |  |                 |       |        |       |      |       |                    |        |                   |       |                 |       |                         |       |                |               |  |         |            |       |                 |       |        |       |      |       |                      |       |                    |        |                |               |  |         |  |                 |       |      |       |        |       |                        |       |                 |       |                   |       |                         |       |                    |        |                |               |  |         |   |            |       |                 |       |        |       |      |       |                    |        |                   |       |                 |       |                         |       |                       |       |                |               |  |         |            |       |                 |       |              |       |                   |       |                 |       |                    |        |      |              |        |              |                |               |  |         |
| State General Fund                | 25.00%  |  |  |                 |       |        |       |      |       |                    |        |                   |       |                 |       |                         |       |                |               |  |         |            |       |                 |       |        |       |      |       |                      |       |                    |        |                |               |  |         |  |                 |       |      |       |        |       |                        |       |                 |       |                   |       |                         |       |                    |        |                |               |  |         |   |            |       |                 |       |        |       |      |       |                    |        |                   |       |                 |       |                         |       |                       |       |                |               |  |         |            |       |                 |       |              |       |                   |       |                 |       |                    |        |      |              |        |              |                |               |  |         |
| Management Fee                    | <u>63.50%</u>   |  |  |                 |       |        |       |      |       |                    |        |                   |       |                 |       |                         |       |                |               |  |         |            |       |                 |       |        |       |      |       |                      |       |                    |        |                |               |  |         |  |                 |       |      |       |        |       |                        |       |                 |       |                   |       |                         |       |                    |        |                |               |  |         |   |            |       |                 |       |        |       |      |       |                    |        |                   |       |                 |       |                         |       |                       |       |                |               |  |         |            |       |                 |       |              |       |                   |       |                 |       |                    |        |      |              |        |              |                |               |  |         |
|                                   | 100.00%   |  |  |                 |       |        |       |      |       |                    |        |                   |       |                 |       |                         |       |                |               |  |         |            |       |                 |       |        |       |      |       |                      |       |                    |        |                |               |  |         |  |                 |       |      |       |        |       |                        |       |                 |       |                   |       |                         |       |                    |        |                |               |  |         |   |            |       |                 |       |        |       |      |       |                    |        |                   |       |                 |       |                         |       |                       |       |                |               |  |         |            |       |                 |       |              |       |                   |       |                 |       |                    |        |      |              |        |              |                |               |  |         |
| Problem Gambler                   | 0.25%   |  |  |                 |       |        |       |      |       |                    |        |                   |       |                 |       |                         |       |                |               |  |         |            |       |                 |       |        |       |      |       |                      |       |                    |        |                |               |  |         |  |                 |       |      |       |        |       |                        |       |                 |       |                   |       |                         |       |                    |        |                |               |  |         |   |            |       |                 |       |        |       |      |       |                    |        |                   |       |                 |       |                         |       |                       |       |                |               |  |         |            |       |                 |       |              |       |                   |       |                 |       |                    |        |      |              |        |              |                |               |  |         |
| City                              | 1.00%   |  |  |                 |       |        |       |      |       |                    |        |                   |       |                 |       |                         |       |                |               |  |         |            |       |                 |       |        |       |      |       |                      |       |                    |        |                |               |  |         |  |                 |       |      |       |        |       |                        |       |                 |       |                   |       |                         |       |                    |        |                |               |  |         |   |            |       |                 |       |        |       |      |       |                    |        |                   |       |                 |       |                         |       |                       |       |                |               |  |         |            |       |                 |       |              |       |                   |       |                 |       |                    |        |      |              |        |              |                |               |  |         |
| County                            | 1.00%   |  |  |                 |       |        |       |      |       |                    |        |                   |       |                 |       |                         |       |                |               |  |         |            |       |                 |       |        |       |      |       |                      |       |                    |        |                |               |  |         |  |                 |       |      |       |        |       |                        |       |                 |       |                   |       |                         |       |                    |        |                |               |  |         |   |            |       |                 |       |        |       |      |       |                    |        |                   |       |                 |       |                         |       |                       |       |                |               |  |         |            |       |                 |       |              |       |                   |       |                 |       |                    |        |      |              |        |              |                |               |  |         |
| Soldiers and Vet. Fund            | 0.25%   |  |  |                 |       |        |       |      |       |                    |        |                   |       |                 |       |                         |       |                |               |  |         |            |       |                 |       |        |       |      |       |                      |       |                    |        |                |               |  |         |  |                 |       |      |       |        |       |                        |       |                 |       |                   |       |                         |       |                    |        |                |               |  |         |   |            |       |                 |       |        |       |      |       |                    |        |                   |       |                 |       |                         |       |                       |       |                |               |  |         |            |       |                 |       |              |       |                   |       |                 |       |                    |        |      |              |        |              |                |               |  |         |
| Dog Supplements                   | 3.50%   |  |  |                 |       |        |       |      |       |                    |        |                   |       |                 |       |                         |       |                |               |  |         |            |       |                 |       |        |       |      |       |                      |       |                    |        |                |               |  |         |  |                 |       |      |       |        |       |                        |       |                 |       |                   |       |                         |       |                    |        |                |               |  |         |   |            |       |                 |       |        |       |      |       |                    |        |                   |       |                 |       |                         |       |                       |       |                |               |  |         |            |       |                 |       |              |       |                   |       |                 |       |                    |        |      |              |        |              |                |               |  |         |
| Horse Supplements                 | 3.50%   |  |  |                 |       |        |       |      |       |                    |        |                   |       |                 |       |                         |       |                |               |  |         |            |       |                 |       |        |       |      |       |                      |       |                    |        |                |               |  |         |  |                 |       |      |       |        |       |                        |       |                 |       |                   |       |                         |       |                    |        |                |               |  |         |   |            |       |                 |       |        |       |      |       |                    |        |                   |       |                 |       |                         |       |                       |       |                |               |  |         |            |       |                 |       |              |       |                   |       |                 |       |                    |        |      |              |        |              |                |               |  |         |
| Nonprofit Organizations           | 1.00%   |  |  |                 |       |        |       |      |       |                    |        |                   |       |                 |       |                         |       |                |               |  |         |            |       |                 |       |        |       |      |       |                      |       |                    |        |                |               |  |         |  |                 |       |      |       |        |       |                        |       |                 |       |                   |       |                         |       |                    |        |                |               |  |         |   |            |       |                 |       |        |       |      |       |                    |        |                   |       |                 |       |                         |       |                       |       |                |               |  |         |            |       |                 |       |              |       |                   |       |                 |       |                    |        |      |              |        |              |                |               |  |         |
| State General Fund                | 21.00%  |  |  |                 |       |        |       |      |       |                    |        |                   |       |                 |       |                         |       |                |               |  |         |            |       |                 |       |        |       |      |       |                      |       |                    |        |                |               |  |         |  |                 |       |      |       |        |       |                        |       |                 |       |                   |       |                         |       |                    |        |                |               |  |         |   |            |       |                 |       |        |       |      |       |                    |        |                   |       |                 |       |                         |       |                       |       |                |               |  |         |            |       |                 |       |              |       |                   |       |                 |       |                    |        |      |              |        |              |                |               |  |         |
| Management Fee                    | <u>68.50%</u>   |  |  |                 |       |        |       |      |       |                    |        |                   |       |                 |       |                         |       |                |               |  |         |            |       |                 |       |        |       |      |       |                      |       |                    |        |                |               |  |         |  |                 |       |      |       |        |       |                        |       |                 |       |                   |       |                         |       |                    |        |                |               |  |         |   |            |       |                 |       |        |       |      |       |                    |        |                   |       |                 |       |                         |       |                       |       |                |               |  |         |            |       |                 |       |              |       |                   |       |                 |       |                    |        |      |              |        |              |                |               |  |         |
|                                   | 100.00%   |  |  |                 |       |        |       |      |       |                    |        |                   |       |                 |       |                         |       |                |               |  |         |            |       |                 |       |        |       |      |       |                      |       |                    |        |                |               |  |         |  |                 |       |      |       |        |       |                        |       |                 |       |                   |       |                         |       |                    |        |                |               |  |         |   |            |       |                 |       |        |       |      |       |                    |        |                   |       |                 |       |                         |       |                       |       |                |               |  |         |            |       |                 |       |              |       |                   |       |                 |       |                    |        |      |              |        |              |                |               |  |         |
| Regulation                        | 1.00%   |  |  |                 |       |        |       |      |       |                    |        |                   |       |                 |       |                         |       |                |               |  |         |            |       |                 |       |        |       |      |       |                      |       |                    |        |                |               |  |         |  |                 |       |      |       |        |       |                        |       |                 |       |                   |       |                         |       |                    |        |                |               |  |         |   |            |       |                 |       |        |       |      |       |                    |        |                   |       |                 |       |                         |       |                       |       |                |               |  |         |            |       |                 |       |              |       |                   |       |                 |       |                    |        |      |              |        |              |                |               |  |         |
| Problem Gambler                   | 0.50%   |  |  |                 |       |        |       |      |       |                    |        |                   |       |                 |       |                         |       |                |               |  |         |            |       |                 |       |        |       |      |       |                      |       |                    |        |                |               |  |         |  |                 |       |      |       |        |       |                        |       |                 |       |                   |       |                         |       |                    |        |                |               |  |         |   |            |       |                 |       |        |       |      |       |                    |        |                   |       |                 |       |                         |       |                       |       |                |               |  |         |            |       |                 |       |              |       |                   |       |                 |       |                    |        |      |              |        |              |                |               |  |         |
| County                            | 1.00%   |  |  |                 |       |        |       |      |       |                    |        |                   |       |                 |       |                         |       |                |               |  |         |            |       |                 |       |        |       |      |       |                      |       |                    |        |                |               |  |         |  |                 |       |      |       |        |       |                        |       |                 |       |                   |       |                         |       |                    |        |                |               |  |         |   |            |       |                 |       |        |       |      |       |                    |        |                   |       |                 |       |                         |       |                       |       |                |               |  |         |            |       |                 |       |              |       |                   |       |                 |       |                    |        |      |              |        |              |                |               |  |         |
| City                              | 1.00%   |  |  |                 |       |        |       |      |       |                    |        |                   |       |                 |       |                         |       |                |               |  |         |            |       |                 |       |        |       |      |       |                      |       |                    |        |                |               |  |         |  |                 |       |      |       |        |       |                        |       |                 |       |                   |       |                         |       |                    |        |                |               |  |         |   |            |       |                 |       |        |       |      |       |                    |        |                   |       |                 |       |                         |       |                       |       |                |               |  |         |            |       |                 |       |              |       |                   |       |                 |       |                    |        |      |              |        |              |                |               |  |         |
| State General Fund                | 25.00%  |  |  |                 |       |        |       |      |       |                    |        |                   |       |                 |       |                         |       |                |               |  |         |            |       |                 |       |        |       |      |       |                      |       |                    |        |                |               |  |         |  |                 |       |      |       |        |       |                        |       |                 |       |                   |       |                         |       |                    |        |                |               |  |         |   |            |       |                 |       |        |       |      |       |                    |        |                   |       |                 |       |                         |       |                       |       |                |               |  |         |            |       |                 |       |              |       |                   |       |                 |       |                    |        |      |              |        |              |                |               |  |         |
| Horse Supplements                 | 2.00%   |  |  |                 |       |        |       |      |       |                    |        |                   |       |                 |       |                         |       |                |               |  |         |            |       |                 |       |        |       |      |       |                      |       |                    |        |                |               |  |         |  |                 |       |      |       |        |       |                        |       |                 |       |                   |       |                         |       |                    |        |                |               |  |         |   |            |       |                 |       |        |       |      |       |                    |        |                   |       |                 |       |                         |       |                       |       |                |               |  |         |            |       |                 |       |              |       |                   |       |                 |       |                    |        |      |              |        |              |                |               |  |         |
| Dog Supplements                   | 2.00%   |  |  |                 |       |        |       |      |       |                    |        |                   |       |                 |       |                         |       |                |               |  |         |            |       |                 |       |        |       |      |       |                      |       |                    |        |                |               |  |         |  |                 |       |      |       |        |       |                        |       |                 |       |                   |       |                         |       |                    |        |                |               |  |         |   |            |       |                 |       |        |       |      |       |                    |        |                   |       |                 |       |                         |       |                       |       |                |               |  |         |            |       |                 |       |              |       |                   |       |                 |       |                    |        |      |              |        |              |                |               |  |         |
| Nonprofit Organizations           | 1.00%   |  |  |                 |       |        |       |      |       |                    |        |                   |       |                 |       |                         |       |                |               |  |         |            |       |                 |       |        |       |      |       |                      |       |                    |        |                |               |  |         |  |                 |       |      |       |        |       |                        |       |                 |       |                   |       |                         |       |                    |        |                |               |  |         |   |            |       |                 |       |        |       |      |       |                    |        |                   |       |                 |       |                         |       |                       |       |                |               |  |         |            |       |                 |       |              |       |                   |       |                 |       |                    |        |      |              |        |              |                |               |  |         |
| Statehouse Renovation             | 0.50%   |  |  |                 |       |        |       |      |       |                    |        |                   |       |                 |       |                         |       |                |               |  |         |            |       |                 |       |        |       |      |       |                      |       |                    |        |                |               |  |         |  |                 |       |      |       |        |       |                        |       |                 |       |                   |       |                         |       |                    |        |                |               |  |         |   |            |       |                 |       |        |       |      |       |                    |        |                   |       |                 |       |                         |       |                       |       |                |               |  |         |            |       |                 |       |              |       |                   |       |                 |       |                    |        |      |              |        |              |                |               |  |         |
| Management Fee                    | <u>66.00%</u>   |  |  |                 |       |        |       |      |       |                    |        |                   |       |                 |       |                         |       |                |               |  |         |            |       |                 |       |        |       |      |       |                      |       |                    |        |                |               |  |         |  |                 |       |      |       |        |       |                        |       |                 |       |                   |       |                         |       |                    |        |                |               |  |         |   |            |       |                 |       |        |       |      |       |                    |        |                   |       |                 |       |                         |       |                       |       |                |               |  |         |            |       |                 |       |              |       |                   |       |                 |       |                    |        |      |              |        |              |                |               |  |         |
|                                   | 100.00%   |  |  |                 |       |        |       |      |       |                    |        |                   |       |                 |       |                         |       |                |               |  |         |            |       |                 |       |        |       |      |       |                      |       |                    |        |                |               |  |         |  |                 |       |      |       |        |       |                        |       |                 |       |                   |       |                         |       |                    |        |                |               |  |         |   |            |       |                 |       |        |       |      |       |                    |        |                   |       |                 |       |                         |       |                       |       |                |               |  |         |            |       |                 |       |              |       |                   |       |                 |       |                    |        |      |              |        |              |                |               |  |         |
| Regulation                        | 1.00%   |  |  |                 |       |        |       |      |       |                    |        |                   |       |                 |       |                         |       |                |               |  |         |            |       |                 |       |        |       |      |       |                      |       |                    |        |                |               |  |         |  |                 |       |      |       |        |       |                        |       |                 |       |                   |       |                         |       |                    |        |                |               |  |         |   |            |       |                 |       |        |       |      |       |                    |        |                   |       |                 |       |                         |       |                       |       |                |               |  |         |            |       |                 |       |              |       |                   |       |                 |       |                    |        |      |              |        |              |                |               |  |         |
| Problem Gambler                   | 0.50%   |  |  |                 |       |        |       |      |       |                    |        |                   |       |                 |       |                         |       |                |               |  |         |            |       |                 |       |        |       |      |       |                      |       |                    |        |                |               |  |         |  |                 |       |      |       |        |       |                        |       |                 |       |                   |       |                         |       |                    |        |                |               |  |         |   |            |       |                 |       |        |       |      |       |                    |        |                   |       |                 |       |                         |       |                       |       |                |               |  |         |            |       |                 |       |              |       |                   |       |                 |       |                    |        |      |              |        |              |                |               |  |         |
| Tourism Fund                      | 2.00%   |  |  |                 |       |        |       |      |       |                    |        |                   |       |                 |       |                         |       |                |               |  |         |            |       |                 |       |        |       |      |       |                      |       |                    |        |                |               |  |         |  |                 |       |      |       |        |       |                        |       |                 |       |                   |       |                         |       |                    |        |                |               |  |         |   |            |       |                 |       |        |       |      |       |                    |        |                   |       |                 |       |                         |       |                       |       |                |               |  |         |            |       |                 |       |              |       |                   |       |                 |       |                    |        |      |              |        |              |                |               |  |         |
| Horse Supplements                 | 0.00%   |  |  |                 |       |        |       |      |       |                    |        |                   |       |                 |       |                         |       |                |               |  |         |            |       |                 |       |        |       |      |       |                      |       |                    |        |                |               |  |         |  |                 |       |      |       |        |       |                        |       |                 |       |                   |       |                         |       |                    |        |                |               |  |         |   |            |       |                 |       |        |       |      |       |                    |        |                   |       |                 |       |                         |       |                       |       |                |               |  |         |            |       |                 |       |              |       |                   |       |                 |       |                    |        |      |              |        |              |                |               |  |         |
| Dog Supplements                   | 0.00%   |  |  |                 |       |        |       |      |       |                    |        |                   |       |                 |       |                         |       |                |               |  |         |            |       |                 |       |        |       |      |       |                      |       |                    |        |                |               |  |         |  |                 |       |      |       |        |       |                        |       |                 |       |                   |       |                         |       |                    |        |                |               |  |         |   |            |       |                 |       |        |       |      |       |                    |        |                   |       |                 |       |                         |       |                       |       |                |               |  |         |            |       |                 |       |              |       |                   |       |                 |       |                    |        |      |              |        |              |                |               |  |         |
| State General Fund                | 36.50%  |  |  |                 |       |        |       |      |       |                    |        |                   |       |                 |       |                         |       |                |               |  |         |            |       |                 |       |        |       |      |       |                      |       |                    |        |                |               |  |         |  |                 |       |      |       |        |       |                        |       |                 |       |                   |       |                         |       |                    |        |                |               |  |         |   |            |       |                 |       |        |       |      |       |                    |        |                   |       |                 |       |                         |       |                       |       |                |               |  |         |            |       |                 |       |              |       |                   |       |                 |       |                    |        |      |              |        |              |                |               |  |         |
| City                              | Contract Bid  |  |  |                 |       |        |       |      |       |                    |        |                   |       |                 |       |                         |       |                |               |  |         |            |       |                 |       |        |       |      |       |                      |       |                    |        |                |               |  |         |  |                 |       |      |       |        |       |                        |       |                 |       |                   |       |                         |       |                    |        |                |               |  |         |   |            |       |                 |       |        |       |      |       |                    |        |                   |       |                 |       |                         |       |                       |       |                |               |  |         |            |       |                 |       |              |       |                   |       |                 |       |                    |        |      |              |        |              |                |               |  |         |
| County                            | Contract Bid  |  |  |                 |       |        |       |      |       |                    |        |                   |       |                 |       |                         |       |                |               |  |         |            |       |                 |       |        |       |      |       |                      |       |                    |        |                |               |  |         |  |                 |       |      |       |        |       |                        |       |                 |       |                   |       |                         |       |                    |        |                |               |  |         |   |            |       |                 |       |        |       |      |       |                    |        |                   |       |                 |       |                         |       |                       |       |                |               |  |         |            |       |                 |       |              |       |                   |       |                 |       |                    |        |      |              |        |              |                |               |  |         |
| Management Fee                    | <u>60.00%</u>   |  |  |                 |       |        |       |      |       |                    |        |                   |       |                 |       |                         |       |                |               |  |         |            |       |                 |       |        |       |      |       |                      |       |                    |        |                |               |  |         |  |                 |       |      |       |        |       |                        |       |                 |       |                   |       |                         |       |                    |        |                |               |  |         |   |            |       |                 |       |        |       |      |       |                    |        |                   |       |                 |       |                         |       |                       |       |                |               |  |         |            |       |                 |       |              |       |                   |       |                 |       |                    |        |      |              |        |              |                |               |  |         |
|                                   | 100.00%   |  |  |                 |       |        |       |      |       |                    |        |                   |       |                 |       |                         |       |                |               |  |         |            |       |                 |       |        |       |      |       |                      |       |                    |        |                |               |  |         |  |                 |       |      |       |        |       |                        |       |                 |       |                   |       |                         |       |                    |        |                |               |  |         |   |            |       |                 |       |        |       |      |       |                    |        |                   |       |                 |       |                         |       |                       |       |                |               |  |         |            |       |                 |       |              |       |                   |       |                 |       |                    |        |      |              |        |              |                |               |  |         |
|                                   |   |  | <p><b>NOTE:</b> In Crawford County only: 0.10 percent to Frontenac Bison Maintenance Fund; 0.10 percent to U.S. 69 Highway Fund.</p> |                 |       |        |       |      |       |                    |        |                   |       |                 |       |                         |       |                |               |  |         |            |       |                 |       |        |       |      |       |                      |       |                    |        |                |               |  |         |  |                 |       |      |       |        |       |                        |       |                 |       |                   |       |                         |       |                    |        |                |               |  |         |   |            |       |                 |       |        |       |      |       |                    |        |                   |       |                 |       |                         |       |                       |       |                |               |  |         |            |       |                 |       |              |       |                   |       |                 |       |                    |        |      |              |        |              |                |               |  |         |

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TESTIMONY BEFORE THE SENATE COMMITTEE ON JUDICIARY

By Steven Ward, Pres. of the Kansas Greyhound Association

May 8, 2002

My name is Steven Ward. I am the president of the Kansas Greyhound Association and am also a Kansas Greyhound breeder and farmer. My testimony will address House Bill No. 2183. I wish at this time to go on record as being in support of the bill's intent to authorize electronic gaming machines in racetracks in Kansas. Understandably, the Greyhound breeders and owners in Kansas, along with those elsewhere in the United States, are in favor of measures that will bolster the Greyhound breeding industry by offering additional gaming options into existing racing facilities, under conditions that live racing is protected and where the breeding industry shares fairly in the monetary benefits derived via the new gaming options.

Some history is in order. The National Greyhound Association, the official registry for racing Greyhounds, is located in Abilene, Kansas. The National Greyhound Association is the oldest Greyhound racing organization still in existence in North America, having been organized in 1906. The association made Abilene its national headquarters back in 1945, and has been there ever since.

The National Greyhound Association's membership is the 3,000 Greyhound owners and breeders located primarily in the United States. It was also closely involved with the legalization of racing in Kansas more than a decade ago.

The very first organized Greyhound meet in North America was held in 1886 in Cheyenne Bottoms near Great Bend, Kansas. From the 1920s up to the present year, Kansas has been the site of National race meets. Twice a year, hundreds of owners and breeders from throughout the world still gather in Abilene for a week of pup-stake competition, auction and other activities. The two auctions each spring and fall gross approximately \$2.5 million in sales, providing sizeable income for the state of Kansas in the form of sales tax. Largely because of National Meets, as well as the fact that the Greyhound Hall of Fame is located in Abilene (across from the Eisenhower Center) and that more Greyhounds are raised in Dickinson County than any other county in America, Abilene has long been known as the "Greyhound Capital of the World." Not surprisingly, therefore, the Kansas Greyhound Association also has its headquarters in Abilene, Kansas.

Kansas has traditionally been a major player in the sport of Greyhound racing. Kansas is still among the "Big Three" Greyhound breeding states nationally (joining Florida and Texas). Our industry in Kansas, which relies heavily on the in-state track operations, represents approximately 700 Greyhound owners dotting the 105 counties in Kansas, a farm investment of more than \$75 million. More than \$17.5 million a year is pumped into the Kansas economy simply in caring for the approximately 14,000 Greyhounds that are raised and domiciled in our state. Some 280 Greyhound operations dot the Kansas countryside. Thousands of Kansans are employed at these farm operations or at the racetrack kennels at Wichita Greyhound Park and The Woodlands (not counting the many other Kansas citizens who are directly employed by the tracks themselves). The livelihood of many thousands of Kansans who work in the racing industry would be seriously jeopardized, if not terminated, should the Kansas tracks close.

Twelve short years ago, the breeding industry in Kansas was vibrant; sadly, that's not the case today. There were a number of factors involved, but the most significant no doubt was the introduction of other forms of gaming competition--games, by the way, unlike Greyhound and horse racing, that do not derive an agricultural based animal breeding industry. Games that, unfortunately at the present time,

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cannot be played at our Kansas racetracks. House Bill 2183 can correct that situation.

Like many industries in Kansas (partly due to the whole economic climate), the Greyhound racing and breeding industry is in trouble.

Like some of those troubled industries, the Greyhound racing/breeding industry can be saved, revitalized and strengthened, by legislative action that levels the playing field.

Like a very few of those industries, the Greyhound racing/breeding industry can be saved, while at the same time pumping much-needed new revenue into the state's treasury.

Kansas Greyhound racing and breeding is an industry very much worth saving, and House Bill 2183 can be the vehicle that delivers that desirable outcome.

Understandably, some of the details of House Bill 2183, including the number crunching and allocation of proceeds, have not all been finalized or set in stone. We support the spirit and intent of this bill, while respectfully asking legislators that are involved in the fine-tuning process to make certain that the monetary pie is fairly divided. To significantly revitalize the Greyhound industry in Kansas, there is needed a purse supplement of not less than \$100 per point for Kansas whelped winners, and not less than three and a half to five percent of the proceeds from machine gaming devices be set aside to supplement purses, which ultimately flow back to the breeding farms and their communities. This is not merely a want, but a desperate need--and it's a percentage that is extremely conservative when compared with that set by any other state where the marriage of gaming machines and racing has already taken place (e.g. Iowa, Rhode Island, and West Virginia). Setting aside more than that would, obviously, revitalize the industry all the more significantly. Setting aside less than that figure will be equivalent to applying a small bandage to an industry that's in need of a transfusion.

Nor should the facilities at The Woodlands and WGP be slighted. They, too, must be allowed to retain a fair portion of the proceeds in order to guarantee they can construct and maintain facilities appealing enough to compete with the gaming industries in neighboring states, as well as those already in our own state.

We respectfully ask legislators to keep in mind that Kansas's voters, in a constitutional amendment some 14 years ago, approved the concept of parimutuel racing. The whole impetus of that effort was to preserve the animal racing and breeding industries that have such a rich tradition and provide a sizeable economic base here in Kansas, and to spur general economic development. For nearly a decade, paraimutuel racing in Kansas succeeded in that intent. Under the present climate, however, paraimutuel racing in Kansas cannot do what voters originally asked it to do.

We hope that you'll give consideration to the needs of the Greyhound racing and breeding industry in Kansas, as we've outlined herein with respect to fair purse supplements. That being done, we would then ask for your support of House Bill No. 2183.

Thank you.

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**TESTIMONY OF W. ROBERT ALDERSON**  
**ON BEHALF OF THE**  
**KANSAS GREYHOUND ASSOCIATION**  
**BEFORE THE SENATE COMMITTEE ON JUDICIARY**  
**ON SUBSTITUTE FOR HOUSE BILL NO. 2183**

**MAY 8, 2002**

Senator Vratil and Members of the Committee:

I am Bob Alderson, and I am appearing today on behalf of the Kansas Greyhound Association (KGA) in support of Substitute for House Bill No. 2183.

Kansas is world famous for its greyhounds. This Kansas agri-business is so substantial that Abilene, Kansas is regarded as the Greyhound Capital of the World. The Kansas and National Greyhound Associations are headquartered in Abilene, and the National Greyhound Hall of Fame is located in Abilene. Furthermore, Kansas has excellent racetrack facilities for racing greyhounds.

Notwithstanding all of these positives, greyhound racing in Kansas has been declining because of the well-documented financial impact that riverboat casinos in Missouri and Native American casinos in Kansas have had on parimutuel wagering at racetrack facilities. The decline has reached the point that, based on the recent statistics, The Woodlands and Wichita Greyhound Park are no longer ranked in the top half of the 49 racetracks in terms of the average purse paid per performance. The average purse paid per performance at the top track in the country, located at Lincoln, Rhode Island, is more than 3 times

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the average purse per performance paid at either The Woodlands or Wichita Greyhound Park. Similar disparities exist between the Kansas racetrack facilities and the other top racetracks in the country.

It has now reached the point that Kansas can no longer boast of offering consistently high quality racing opportunities for greyhounds. The facilities are excellent, but many of the best racing animals in Kansas and from all over the country are racing in facilities in other states, because the purses at the Kansas racetrack facilities are no longer sufficient to attract these animals. I am advised that, of the kennels at The Woodlands and at the Wichita Greyhound Park, only a handful of them have been profitable the past few years. Many kennel owners regard themselves as fortunate if they break even, because the purses offered at these facilities do not afford them the opportunity to recover the significant costs of breeding, training and racing greyhounds.

To reverse this trend, the purses offered at live greyhound races at parimutuel facilities in Kansas must be increased significantly, in order to be competitive with the racetrack facilities in other states that are consistently attracting the top greyhounds. KGA believes that HB 2183 provides the opportunity to reverse this trend, and Tracy Wildey and Steve Ward will relate in their testimony the beneficial economic impact on the state and particularly on local communities by doing so. However, the economic benefits to be derived from HB 2183 will be lost, unless the purse supplements for both greyhounds and horses are increased significantly.

As the bill now stands, only 2% of the net machine income (plus \$60 per point for Kansas-whelped winners) is allocated to supplement purses at live greyhound races. The amount estimated to be derived from that percentage will not be sufficient to attract top quality racing animals to the Kansas tracks. It will not be sufficient to stop the movement of Kansas greyhound farms to other states. It will not stem the downward economic spiral resulting from this outward migration of greyhound breeders.

Thus, KGA is requesting that the percentage of net machine income allocated to supplement live greyhound races be restored to 3½%. That is the percentage which was in HB 2183 as it was introduced. The House committee reduced it to 2%. But, because KGA believed that any effort to restore this percentage by a House floor amendment would create considerable confusion that might jeopardize the House passage of the bill, no effort was made to amend the percentage to an acceptable level during floor debate. It is imperative, though, from KGA's perspective, that the percentage be increased by the Senate to at least its original amount, an amount which must be viewed as the bare minimum necessary to provide adequate purse supplements. The Kansas Thoroughbred Association and the Kansas Quarterhorse Racing Association are requesting an identical amendment for increasing the purse supplements at live horse races, and both of the track owners support these amendments.

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In addition, KGA also is requesting that the amount to be awarded to winners of live races that are Kansas-whelped greyhounds be increased from \$60 per point to \$100 per point. KGA believes that this increase, along with the increase in the purse supplement percentage, will go a long way to restoring horse and dog racing at racetrack facilities in Kansas to the level it was prior to the advent of riverboat casinos in the neighboring state of Missouri and the Native American casinos in Kansas. Assuming that the racetrack owners' projections as to the net machine income to be derived pursuant to HB 2183 are correct, purses for live greyhound races will be supplemented to a level that will potentially enable one or more of the greyhound facilities in Kansas to be competitive with the top tracks in the country.

I am aware that there are legislators who think that amending HB 2183 in the manner KGA has requested will provide too much money for the breed groups. With all due respect, I must disagree. It must be remembered that legislative authorization for the operation of slot machines at racetrack facilities in Kansas is the means to an end, it is not the end itself. The end objective of HB 2183 is the restoration of horse and dog racing in Kansas to their prior status. To accomplish this purpose, KGA submits that significantly higher purses must be paid than are presently being awarded at the Kansas tracks. Higher purses will attract the best racing animals from Kansas and from across the country. This, in turn, generates increased patronage at the racetrack facilities, which creates larger parimutuel pools that also yield enhanced purses.

Equally as important to the KGA, this process also will produce increased revenues for the benefit of greyhounds and greyhound farms which breed, raise and train these animals. The Iowa experience serves to illustrate that this process likely will generate additional greyhound farms, and Tracy Wildey will tell you more on this. Hopefully, passage of HB 2183 will bring about the return to Kansas of greyhound farms which have presently relocated in Iowa to take advantage of purses at Iowa racetracks that are available only to Iowa-whelped greyhounds. The purse enhancements offered by HB 2183 can produce the same results in Kansas.

Finally, the KGA, the Kansas Thoroughbred Association and the Kansas Quarterhorse Racing Association are jointly requesting some technical amendments to HB 2183. A "balloon" showing these amendments is attached. I trust they are self-explanatory, but if they need explanation, I will be happy to attempt to do so.

Thank you for the opportunity of appearing before the Committee. I will be pleased to respond to any questions you may have.

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1 racetrack facility in Sedgwick county. All purse supplements paid pursu-  
 2 ant to this section shall be in addition to purses and supplements paid  
 3 under K.S.A. 74-8801 et seq., and amendments thereto.

4 (b) Except as provided in subsection (e), no electronic gaming ma-  
 5 chine shall be operated pursuant to this act at a parimutuel licensee lo-  
 6 cation unless the facility where the electronic gaming machine is operated  
 7 displays live ~~and simulcast~~ parimutuel races on video terminals and has  
 8 installed parimutuel windows for wagering on parimutuel races.

9 (c) Except as provided in subsection (d):

10 (1) No electronic gaming machine shall be operated pursuant to this  
 11 act at a parimutuel licensee location in Sedgwick county unless, during  
 12 the first full calendar year and each year thereafter in which electronic  
 13 gaming machines are operated at such location, the parimutuel licensee  
 14 shall conduct at such location at least 8 live racing programs each calendar  
 15 week for 49 weeks, with at least 13 live races conducted each program.

16 (2) No electronic gaming machine shall be operated pursuant to this  
 17 act at a parimutuel licensee location in Wyandotte county unless, during  
 18 the first full calendar year and each year thereafter in which electronic  
 19 gaming machines are operated at such location, the parimutuel licensee  
 20 shall conduct live horse racing programs for at least 60 days, with at least  
 21 ten live races conducted each program; with a minimum of seven live  
 22 thoroughbred and three live quarterhorse races per day and at least eight  
 23 live dog racing programs each calendar week for at least 49 weeks, with  
 24 at least 13 live races conducted each program.

25 (3) No electronic gaming machine shall be operated pursuant to this  
 26 act at a parimutuel licensee location in Crawford county unless, during  
 27 the first full calendar year and each year thereafter in which electronic  
 28 gaming machines are operated at such location, the parimutuel licensee  
 29 shall conduct at such location live racing the number of days agreed upon  
 30 by the organization licensee and the parimutuel licensee but not less than  
 31 150 days, comprised of at least seven live racing programs each calendar  
 32 week, with at least 13 live races conducted each program.

33 (d) The Kansas racing and gaming commission may provide excep-  
 34 tions to the requirements of subsection (c) for a parimutuel licensee con-  
 35 ducting live racing when events beyond the control of the licensee may  
 36 render racing impossible or impractical. Such events shall include any  
 37 natural or man-made disaster, shortage of qualified racing animals due to  
 38 kennel sickness or otherwise or state imposed limitations on operations.

39 (e) The Kansas racing and gaming commission may authorize the  
 40 operation of electronic gaming machines at the racetrack facility at Eu-  
 41 reka Downs and the racetrack facility at Anthony Downs on days when  
 42 simulcast parimutuel races are displayed at such facility without requiring  
 43 live horse racing or live greyhound racing at such facility. The Kansas

; displays live races on video terminals; has a  
 simulcasting license granted by the Kansas racing  
 and gaming commission and displays simulcast parimutuel  
 races on video terminals in accordance with the  
 simulcasting schedule approved by the Kansas racing and  
 gaming commission;

5-12

1 racing and gaming commission shall not authorize the operation of such  
2 machines at such racetrack facility unless the qualified voters of the  
3 county where such racetrack facility is located have voted pursuant to  
4 section 5, and amendments thereto, to permit operation of such machines  
5 within the county.

6 New Sec. 7. Expenditures from all funds created pursuant to this  
7 section shall be made in accordance with appropriations acts upon war-  
8 rants of the director of accounts and reports issued pursuant to vouchers  
9 approved by the chair of the Kansas racing and gaming commission or  
10 the chair's designee.

11 (a) There is hereby established in the state treasury the live horse racing  
12 purse supplement fund. Moneys available in such fund shall be paid to  
13 parimutuel licensees for distribution as purse supplements in accordance  
14 with rules and regulations of the Kansas racing and gaming commission.  
15 Such moneys shall be distributed from the separate horse purse supple-  
16 ment accounts maintained pursuant to this section, in accordance with  
17 rules and regulations of the Kansas racing and gaming commission, pro-  
18 vided that not less than \$1,600,000 shall be guaranteed annually by par-  
19 imutuel licensees to be charged against the accounts of such licensees on  
20 a pro rata basis. Such rules and regulations shall provide that an amount  
21 not to exceed 20% of the total amount credited to such fund shall be  
22 transferred to the credit of the horse breeding development fund created  
23 pursuant to K.S.A. 74-8829, and amendments thereto.

Moneys deposited into such fund shall be distributed to separate  
accounts for quarter horse and thoroughbred horses in amounts  
calculated on an average of the next preceding three years of live horse  
starters in Kansas races.

24 (b) There is hereby established in the state treasury the live dog rac-  
25 ing purse supplement fund. Moneys available in such fund shall be paid  
26 to parimutuel licensees for distribution as purse supplements in accord-  
27 ance with rules and regulations of the Kansas racing and gaming com-  
28 mission. Such rules and regulations shall provide that, in addition to purse  
29 supplements paid to winners of live dog races at each parimutuel licensee  
30 location, the lottery gaming machine operator at the parimutuel licensee  
31 location shall pay to the owner of each winner that is a Kansas-whelped  
32 greyhound an additional amount equal to \$60 per point for each point  
33 awarded to the winner. In addition, such rules and regulations shall pro-  
34 vide that an amount not to exceed 20% of the total amount credited to  
35 such fund shall be transferred to the credit of the greyhound breeding  
36 development fund, created pursuant to section 74-8831, and amendments  
37 thereto.

Any remaining moneys in said fund shall be expended upon  
recommendations of the respective thoroughbred and quarter horse  
horsemen's associations with the approval of the Kansas Racing and  
Gaming Commission.

38 (c) There is hereby established in the state treasury the electronic  
39 gaming machine fund.

40 (d) There is hereby established in the state treasury the electronic  
41 gaming machine operation and regulatory fund. Moneys in such fund shall  
42 be used to pay for the expenses of the Kansas lottery and the Kansas  
43 racing and gaming commission attributable to the operation and regula-

Date: May 8, 2002

To: Senate Judiciary Committee

From: Jeff Rutland  
Owner/Breeder/Trainer of QH and TB race horses

Senators:

I regret not being able to appear before you today but hope that you will carefully consider the ramifications your handling of this slot bill will have on all of agriculture in the state.

A study done showed that the parimutual racing industry in Kansas has had a \$222 million annual economic impact on our state's economy. Over half of that was attributed to the spending of the owners, breeders, trainers, etc. of the racing animals. We have much more invested in our operations than do the racetracks. If you sincerely want slot machines to help a majority of the citizens of Kansas (an agriculture state) you will not allow this bill to pass through your committee without seeing that this agri-business portion has what it needs to flourish.

When we were very close to passing slot legislation in 1994, all parties in the racing industry agreed on a fair percentage for all. The horse racing industry was to receive 8%. Track management understood the importance of having a quality horse program to succeed. The owner of The Woodlands at that time now owns Ruidoso Downs Racetrack and Casino in New Mexico, where horsemen receive 20% of slot revenue and the tracks receive 55%. In a recent phone conversation with the track operators there, I found that they are quite content with their arrangement, and in fact, have applied to build another racetrack with the same slot split. No state in the country, which currently offers slot machines at racetracks, distributes less than 13% to horsemen nor do the racetracks get more than 56%. Why should our state be so different? Please make these changes to this bill today.

- Horsemen should receive a minimum of 7%, and you would see a definite boost in the agri-based economy of the state.
- 20% of the horsemen's share should be earmarked for Kansas Breeders Development Fund in accordance with current law.
- Horsemen's share shall be specified split 37.5% going to quarter horses and 62.5% for thoroughbreds. This has been agreed upon by all parties for several years.
- In addition, The Woodlands be required to race not less than 60 days of live

*Jeff Rutland  
5/8/02  
att 28*



racing, it shall also require that a day of live racing shall consist of not less than 3 quarter horse races and 7 thoroughbred races each day. This has been their format for years, basically reflecting the participation as well.

Without these amendments, this bill has little positive effect on the future of horse racing in Kansas. I ask that you do what is best for all of us and favorably pass out of this committee a bill reflecting these changes.

Respectfully,

Jeff Rutland  
Rutland Ranch  
Independence, Kansas

**A THRIVING HORSE RACING INDUSTRY  
IN KANSAS  
HAS A POSITIVE ECONOMIC IMPACT  
STATEWIDE**

- An economic impact study done in the '80's shows **the parimutual industry in Kansas to have a \$222 million economic impact on the state.**
  
- **All of agriculture benefits from horse racing activities, i.e. feeding, breeding, veterinary, building, truck sales, tractor sales, tire sales, hardware, etc.**
  
- **Money in the hands of the horse people of the state turns over 7 times before it leaves the community.** That cannot be said of money taken in by racetrack owners.
  
- **New Mexico recently passed legislation which allows slot machines at racetracks, specifying that 20% of profits from slots go into purses for horse racing.**
  
- **A recent study done for the New Mexico Racing Commission by an Albuquerque economist shows the sport has never been on better footing in the state. Over the last two years horse racing purses have more than tripled, nearly 13,000 new jobs have been created and the amount of money horse racing is contributing to the state's coffers through taxes and fees has grown from \$5.1 million in 1997 to nearly \$30 million in 2000.**
  
- **Kansas could share this same success if horse racing receives not less than 7% in order to be supportive to the agri-business it feeds.**

## Enhancing the Parimutual Industry

- **Slots For Agriculture** - Allowing slot machines at racetracks should not be characterized as a “racetrack bail out” but instead, the focus should be aimed to enhance live racing and its massive benefit to the state’s economy and the agri-business industries that grow around a successful racing industry. The one driving force behind the constitutional amendment and the Kansas Parimutuel Racing Act was to promote Kansas horse and greyhound racing and its effect on the agriculture economy of Kansas. A study done in 1993 showed that the racing industry has over a \$220 million economic impact on the state.
  
- **Incentives Increase Participation** - Better purses attract more people to come to the state to race their animals. Better “state bred” bonuses attract more people to own and breed Kansas bred horses, which in turn, build a broader ag base. States such as Kentucky, California, Florida, New York and as of late, Iowa, offer attractive bonuses to their home state bred horses which generates more economic benefit to the state as a whole. These states’ racing industries boast huge impacts to their state’s agriculture economy.
  
- **Race Days Important to Participation** - The intent of the legislation which allowed parimutuel racing in Kansas was to have an ample number of opportunities to start a race horse without having to go out of state. More and better racing simply draws more horsemen, as well as tourists, to the state that stay longer and infuse more money into the state economy.
  
- **Key Elements of a Successful Slot Bill** -
  1. Not less than 7% of net machine income shall go to enhance horse racing and its purses.
  2. Not less than 20% of the horse share shall be deposited into the respective Kansas Breeders Development Fund.
  3. The parimutual facility in Wyandotte County shall be required to run not less than 60 days of live racing each year.
  4. A day of live horse racing shall consist of not less than 3 quarter horse races and 7 TB races.

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

**ORION**  
**STABLES**  
Thoroughbred  
Racing & Breeding

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

May 7, 2002

John McCoy  
Bonner Springs, KS

The McCoy's 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 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 feasible. The thoroughbred horse industry in Kansas is 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 & 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 dog 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 (spin of dollars.)

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. The numbers from all other states with slots at racetracks average over 14% for the animals and 54% for the operators. These numbers throughout the industry allow for everyone to share revenue, including the state agriculture, racing and the operators. The idea that Kansas needs to be far below its proper share doesn't make sense.

We are opposed to any bill that robs Kansas of its proper share.

John McCoy

*John McCoy  
5/8/02  
att 29*