

MINUTES OF THE SENATE FEDERAL AND STATE AFFAIRS COMMITTEE

The meeting was called to order by Chairperson Nancey Harrington at 10:45 a.m. on March 12, 2003 in Room 245-N of the Capitol.

All members were present.

Committee staff present: Russell Mills, Legislative Research Department
Dennis Hodgins, Legislative Research Department
Theresa Kiernan, Office of the Revisor
Nikki Kraus, Committee Secretary

Conferees appearing before the committee:

Tom Palace, Petroleum Marketers and Convenience Stores Assn.
Terry Presta, Presto Convenience Store
Dan Shapiro, Crescent Oil
Rebecca Rice, Kansas Clubs and Associates
Glen Thompson, Stand Up For Kansas
Chuck Yunker, American Legion
Larry Waldrop, Riverfalls Gaming
Doug Lawrence, Butler National Corporation
John McCoy, Thoroughbred Horsepeople, Orion Stables

Others attending: Please see attached.

Chairperson Harrington directed the committee's attention to a document submitted by Senator Oleen's office from Ralston, Pope & Diehl, LLC addressing the experiences of the Louisiana Quarter Horse Association. (Attachment 1)

Staff provided the committee with a brief comparison of the four gaming bills in question. (Attachment 2)

Staff also provided the committee with a chart entitled, "Comparison of Selected Bills Concerning Gaming." (Attachment 3)

Chairperson Harrington opened the public hearing on:

SB 108—Authorizing video lottery machines and games at lottery retailers' facilities

Tom Palace provided testimony in favor of the bill. (Attachment 4) His testimony briefly outlined the definition of video lottery, state control of the machines, and the revenue generated from the machines, including a fund for problem gamblers. He emphasized that using current retailers offers the state a broad base of support and that gambling was a source of revenue to fund vital programs currently facing cutbacks as an alternative to raising taxes.

Terry Presta presented testimony in favor of the bill. (Attachment 5) He emphasized the success of South Dakota's video lottery program which raises 100 million dollars for the state annually for that state. He emphasized that his industry had taken a fall since September 11th and addressed the state's fiscal concerns. He concluded by stating that this bill was the only one with the potential to "alleviate the state's budget problems in the long term" through a growing and vibrant economy that would assist a resurgence in small business in the state.

Dan Shapiro emphasized to the committee that with the state of the economy, fuel margins were being squeezed, especially in border areas, and his companies were down as much as forty percent. He stated that in an attempt to find an additional source of revenue in his truck stops in Louisiana they had added slot machines. He quoted from one owner that the slots had been a comfort and a boon for him while Mr. Shapiro

CONTINUATION SHEET

MINUTES OF THE SENATE FEDERAL AND STATE AFFAIRS COMMITTEE at 10:45 a.m. on March 12, 2003 in Room 245-N of the Capitol.

quoted another who called them a salvation and said that he did not know how those without them were able to survive.

Rebecca Rice presented testimony in favor **SB 108** and opposed to **SB 249**. (Attachment 6) She stated that her opposition of **SB 249** came from the fact that she sees it as another attempt to expand monopoly-style gaming. She stated that her support of **SB 108** came as a result of the fact that it would maximize revenues for the state. She expressed concerns over Home Rule options.

Glen Thompson presented testimony in opposition to both bills. (Attachment 7) His testimony emphasized his concerns about social costs to the state and Kansas families. He stated that **SB 249** would make the casinos "owned and operated" by the state, although there would be no revenue from them for FY 2004. Mr. Thompson stated that "approximately 85% of the casino revenues would come from gamblers living within a 50 mile radius of the casinos." He provided the committee with a map illustrating this. (Attachment 8) He also attached a newsletter entitled, "Casino Alert: Pathological gambler cost society an average of \$13,586 annually." (Attachment 9) Mr. Thompson also included a chart entitled, "Net State Revenue (Based on 2002 HB 2183)." (Attachment 10)

Chuck Yunker presented testimony in opposition to all four gaming bills as currently presented and offered an amendment on behalf of fraternal organizations. (Attachment 11)

Chairperson Harrington opened the public hearing on:

SB 249—Authorizing operation of slot machines and other casino games at racetracks and other locations

Larry Waldrop presented testimony in favor of the bill. (Attachment 12)

Mr. Waldrop's testimony stated that he was a managing partner in the River Falls Casino project, and that he believed the "Governor's decision will be based on the promotion of tourism and economic development for the State of Kansas." He emphasized that the location and type of facility his group aimed to create would best meet both of these concerns.

Doug Lawrence presented testimony in favor of the bill. (Attachment 13)

Mr. Lawrence's testimony stated that Butler National Corporation is based in Olathe with facilities in Newton, Florida, and Arizona. He emphasized the bill's merits concerning tourism, improvement of agriculture through horse and dog tracks, and as a source of revenue for the state that was non-exclusive yet based on the Indian Gaming Regulatory Act (IGRA) model. He also included an information sheet on Butler National Corporation. (Attachment 14)

John McCoy presented testimony in support of **SB 249** but in opposition to **SB 208** and **SB 226**. (Attachment 15)

Gary Smith presented testimony in conjunction with John McCoy's positions. (Attachment 16)

Written testimony was provided by Terry Leatherman, Vice President—Legislative Affairs, Kansas Chamber of Commerce and Industry. (Attachment 17)

Chairperson Harrington brought fiscal notes to the attention of the committee for **SB 108** (Attachment 18) and **SB 249**. (Attachment 19)

Senator O'Connor requested a clarification between slot machines and video lottery machines. Staff defined slots as an automatic cash machine and a video lottery machine as one that would use tokens or receipts as evidence of winnings. Mr. Ed Van Petten, Executive Director of the Kansas Lottery confirmed this definition, adding that slots were reel to reel with only one game in each machine, while video lottery tended to be more interactive. Mr. Waldrop added that one is a simulation of a live game, while the other is a pure chance slot.

CONTINUATION SHEET

MINUTES OF THE SENATE FEDERAL AND STATE AFFAIRS COMMITTEE at 10:45 a.m. on March 12, 2003 in Room 245-N of the Capitol.

In response to questions from Senators Vratil and Gooch, Mr. Palace stated that his organization supported the machines being managed or organized through the lottery because they had experience and that the requirement for three years as a lottery retailer existed so that artificial businesses would not be set up in order to have the machines. He stated that fraternal organizations had not shown support for the bill but as long as his organization was involved, they would be amenable to that addition.

Chairperson Harrington noted that the committee had gotten a great deal of information on the four bills and that she would like to assign them to a subcommittee consisting of Senators Lyon, chair, Gooch, ranking minority, and O'Connor.

The meeting was adjourned at 11:50 p.m. The next meeting will be held at 10:45 a.m. on March 13, 2003 in Room 245-N.

SENATE FEDERAL AND STATE AFFAIRS COMMITTEE
GUEST LIST

DATE: 03-12-2003

NAME	REPRESENTING
Megan Chalfant	Burgess and Associates
Susan Parson	Butler Manufacturing
Denny Burgess	Riverfall Banding LLC
Ray Waldrop	River Falls Hosiery LLC
Norman E Gaar	River Falls Hosiery LLC
David Assmann	Horse Owner
Gary Smith	Horse owner
Bettie Thompson	—
John Mc Coy	—
Glen Thompson	Stand Up For U.S.
Larry Debington	Woodlands
Gosie Brungardt	—
Krista Suttler	—
Bette	—
Dan Shapiro	Crescent Oil Company
Terry Presta	Presto C-STORES & PMCA
TOM PALACE	PMCA OF KANSAS
Charles on Yunker	The American Legion / VFW / KS Sunflower Clubs
ALAN COBB	Argosy

SENATE FEDERAL AND STATE AFFAIRS COMMITTEE GUEST LIST

DATE: 3-12-03

NAME	REPRESENTING
Ralph Snyder	Sunflower Club Ass.
Mark Tomb	LKM
Joe Duke	KCBPU
Mark Carthage	KC BPU
TRACY DIEL	KRGIC
Chris Edwards	SRS / AAPS
Doug Lawrence	Buller National
Tom Burgess	Burgess Assoc.
John Federico	Havahai
Whitney Dameron	Kickapoo Tribe / Sac & Fox Nation
Emily Conel	Kickapoo Tribe
Judith Perkins	Sac & Fox Nation
Connie Burns	Whitney B. Dameron
Mike Ham	Horn / Log Farm
Stuart Little	Woodlands

RALSTON, POPE & DIEHL, L.L.C.**ATTORNEYS AND COUNSELORS AT LAW**

2913 S.W. Maupin Lane
Topeka, Kansas 66614-4139
www.ralstonpope.com

EUGENE B. RALSTON
RONALD P. POPE
KEVIN L. DIEHL

Phone: 785-273-8002
Fax: 785-273-0744
E-Mail: eralston@aol.com

March 6, 2003

Senator Lana Oleen

Dear Senator Oleen:

I am enclosing to you the experience of the Louisiana Quarter Horse Association as it relates to the breed program that demonstrates the impact of slot machines.

As an example, in 1999 there were only 946 mares on their stallion breeding report. Subsequent to slot machines installed February 2002 1568 mares were enrolled, which represents a 65% increase over 1999.

To consider that this keeps mares in the State for breeding purposes given that each mare which is bred in the State is bred more probably than not to a stallion in the State, that expands through the agricultural community based upon Quarter Horses alone when you factor in the multipliers the economic impact is substantial and results in many millions of dollars on a year to year basis.

Another factor is Quarter Horse foals and the annual yearling consignments. I enclose to you a copy of the summaries with increases from 1999 to 2002. There is an increase from the annual yearling sale consignments of 213 in 1999 to 284 in 2002 which is substantial. Each yearling would probably represent some six to ten thousand dollar. If you multiply that times 71 you get approximately \$700,000.00 which if the multiplier of 20 times were applied it would then be somewhere around \$14-\$15 million dollars just in the yearling sale consignments for the years.

I also enclose to you the slot machine comparison reports.

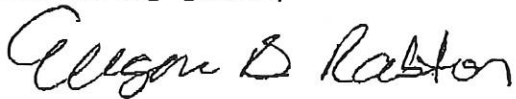
Sn Fed St
03/12/03#1
Attach #1

I am hopeful that you will support or find this information helpful in your decision as it relates to the issues concerning this question.

I have discussed this with Laverne Perry, the Executive Director of the Louisiana Quarter Horse Breeders Association and he would be more than happy to talk with you concerning these issues. He also has a 20 page bill that they submitted in Louisiana which may be of interest.

If I can be of any other service, please let me know.

Sincerely yours,



Eugene B. Ralston
RALSTON, POPE & DIEHL, L.L.C.

EBR:BKC

Enc

Louisiana Quarter Horse Breeders Association



Accredited Louisiana Bred Quarter Horse Foals 3 year summary with projections for 2003

Date of report: December 18, 2002

1999

946 mares reported on stallion breeding reports to LQHBA
59% (566) were Accredited Louisiana Bred in 2000
86% (489) were nominated to the 2002 LQHBA Futurity

2000

1026 mares reported on stallion breeding reports to LQHBA
58% (603) were Accredited Louisiana Bred in 2001
85% (515) were nominated to the 2003 LQHBA Futurity

2001

1401 mares reported on stallion breeding reports to LQHBA
It was estimated that 56% (784) would apply for Louisiana Bred Accreditation.
817 applications have been received as of December 18, 2002 (58%)
It was estimated that 84% (658) would nominate to the 2004 LQHBA Futurity.
733 nominations have been received as of December 18, 2002. (89%)

2002

1568 mares reported on stallion breeding reports to LQHBA as of December 18, 2002.
This represents a 65% increase over 1999.

Projections for resulting foals

It is estimated that 58% (909) will apply for Louisiana Bred Accreditation.
This represents a 60% increase over 1999.

It is estimated that 89% (809) will nominate to the 2005 LQHBA Futurity.
This represents a 65% increase over 1999.

P. O. Box 12300, Alexandria, LA 71315-2300

Telephone: 318-487-9506 Fax: 318-487-8191

www.lqhba.com

Louisiana Quarter Horse Breeders Association



Out of State mares boarded in Louisiana year round for the purpose of acquiring a Louisiana Bred Quarter Horse foal.

1999 - 109

2000 - 149

2001 - 191

2002 - 252

Annual Yearling Sale Consignments

1999 - 213

2000 - 208

2001 - 269

2002 - 284

Summary of Increases 1999 - 2002

- *131 % increase in out of state mares*
- *48% increase in number of mares bred*
- *42% increase in number of Louisiana Bred QH foals*
- *49% increase in futurity nominations*
- *33% increase in yearling sale consignments*

P. O. Box 12300, Alexandria, LA 71315-2300

Telephone: 318-487-9506 Fax: 318-487-8191

www.lqhbba.com

“Expanded Gambling Bills”

Video Lottery Bill

SB 108

- Authorizes contracts for the placement of video lottery machines
- Any lottery retailer who has been a retailer for at least three years
- Regulated by the Kansas Lottery
- Technology services provided may be the Kansas Lottery or the Lottery may contract for the provision of such services
- Payout of at least 87% over life of machine
- Limit of five machines per location
- Sales tax exemption
- Distribution of net proceeds; see Sec.1(g)
- Uniform enactment

Electronic Gaming Bills

SB 208

- Authorizes contracts for the placement of electronic gaming machines
- Parimutuel licensees; one at-large location
- Regulated by the Kansas Lottery and Kansas Racing and Gaming Commission
- County election required
- Distribution of net proceeds; see Sec.7(b) and (c) and Sec.22(d)
- Sales tax exemption
- Nonuniform enactment; special provisions for Crawford county, the Unified Government and Frontenac

SB 226

- Parimutuel licensees only
- Subject to sales, income, earnings, use and property taxes
- Distribution of net proceeds; see Sec.8(c)
- Prohibits use of tax credits or tax abatements or financing under enterprise zone or tax increment finance laws
- Allows persons who are at least 16 years old to be employees of a parimutuel licensee
- Nonuniform enactment; special provisions for the Unified Government

SB 249

- In addition to electronic gaming machines, casino games (class III gaming under IGRA) are authorized at non-racetrack locations
- Parimutuel licensees; multiple non-racetrack locations
- Distribution of net proceeds; Sec.8 (b) and Sec.22(c)
- Nonuniform enactment; special provisions for the Unified Government

SnFed St
03/12/03
Attach #2

COMPARISON OF SELECTED BILLS CONCERNING GAMING

	SB 108	SB 208	SB 226	SB 249
Games Authorized	Video lottery games	Electronic gaming machines	Electronic gaming machines	Electronic gaming machines; lottery games (§22(b))
Authorized Locations	Lottery retailers (§1)	Parimutuel tracks; one "at-large" facility (§1; §22)	Parimutuel tracks (§3)	Parimutuel tracks; "at-large" ties (§2; §22(b))
Regulatory Agencies	Kansas Lottery (§1)	Kansas Lottery; Racing and Gaming Commission	Kansas Lottery; Racing and Gaming Commission	Kansas Lottery; Racing and Commission
County Election Required	No	Yes (§4; §22)	Yes (§5)	Yes (§5)
Required Payout	At least 87 percent (§1(f))	At least 87 percent (§2(l)(1))	At least 87 percent (§3(m))	At least 87 percent (§3(l)(1))
Limits on Number of Machines	5 per retailer (§1 (c) (1))	No	No	No
Sales Tax Exempt	Yes (§6)	Yes (§20)	Maybe (§20; §28)	Yes (§20)
Effective Date	Statute Book	<i>Kansas Register</i>	<i>Kansas Register</i>	<i>Kansas Register</i>
Disposition of Net Gaming Revenue	<p>Lottery Retailers: (§1(g)) Technology Provider 20.0% Retailer 30.0% Lottery Operating Fund 50.0% 100.0%</p> <p>Also, annual transfer of 1/10 of 1% of video lottery moneys to the Problem Gambling Grant Fund—up to \$1,000,000 maximum (§5(e))</p>	<p>Parimutuel Licensees: (§7(b)&(c)) Regulation 1.5% Gaming Revenue Fund 1.5% Problem Gambler 0.5% County 1.5% City 1.0% Nonprofit Organizations 0.5% Dog Supplements 5.0% Horse Supplements 5.0% State General Fund 25.0% Machine Contractors 58.5% 100.0%</p> <p>At-Large Facilities: (§22(d)) Regulation 1.5% Gaming Revenue Fund 1.5% Problem Gambler 0.5% State Tourism Fund 2.0% Dog Supplements 5.0% Horse Supplement 5.0% State General Fund 36.5% Machine Operator 48.0% 100.0%</p>	<p>Parimutuel Licensees: (§8(c)) Regulation 1.0% Problem Gambler 0.5% County 1.5% City 1.5% State General Fund 20.0% Horse Supplements 3.5% Dog Supplements 3.5% Nonprofit Organizations 1.0% Machine Contractors 67.5% 100.0%</p>	<p>Parimutuel Licensees: (§8(b)) Machine Contractors 65.5% Problem Gambler 0.5% State General Fund 20.0% Nonprofit Organizations 1.0% City 1.0% County 1.0% Dog Supplements 4.0% Horse Supplements 6.0% Regulation 1.0% 100.0%</p> <p>At-Large Facilities: (§22(c)) Machine Operator 73.5% Regulation 1.0% Problem Gambler 0.5% State Tourism Fund 5.0% State General Fund 20.0% City/County (if contract) ? %</p>

Senate Fed & State
 Date: 03 / 12 / 2003
 Attachment # 3

SNFEDS
 03/12/03
 Attachment # 3

COMPARISON OF SELECTED BILLS CONCERNING GAMING

	SB 207	HB 2340	HB 2372	HB 2405
Games Authorized	Electronic gaming machines	Electronic gaming machines	Electronic gaming machines	Electronic gaming machines
Authorized Locations	Parimutuel tracks; plus an unspecified number of "at-large" facilities	Parimutuel tracks; "at-large" facilities	Boot Hill Gaming, Ford County	Parimutuel Tracks
Regulatory Agencies	Kansas Lottery; Racing and Gaming Commission	Kansas Lottery; Racing and Gaming Commission	Kansas Lottery; Racing and Gaming Commission	Kansas Lottery; Racing and Gaming Commission
County Election Required	Yes	Yes	Yes	Yes
Required Payout	At least 87 percent	At least 87 percent	At least 87 percent	At least 87 percent
Limits on Number of Machines	No	No	No	No
Sales Tax Exempt	Yes	Yes	Yes	Yes
Effective Date	<i>Kansas Register</i>	<i>Kansas Register</i>	<i>Kansas Register</i>	<i>Kansas Register</i>
Disposition of Net Gaming Revenue	Parimutuel Licensees: Machine Contractors 66.0% Problem Gambler 0.5% State General Fund 20.0% Nonprofit Organizations 1.0% City 1.0% County 1.0% Dog Supplements 4.0% Horse Supplements 6.0% Regulation 1.0% <u>100.5%</u> At-Large Facilities: Gaming Contractor 60.0% Problem Gambler 0.5% State Tourism Fund 10.0% State General Fund 25.0% City/County (if contract) ? Regulation 1.0% <u>96.5%</u>	Parimutuel Licensees: Problem Gambler 0.5% City 1.0% County 1.0% Dog Supplements 4.0% Horse Supplements 6.0% Nonprofit Organizations 1.0% State General Fund 20.0% Machine Contractors 66.0% Regulation 1.0% <u>100.5%</u> At-Large Facilities: Machine Operator 60.0% Regulation 1.0% Problem Gambler 0.5% State Tourism Fund 10.0% State General Fund 25.0% City/County (if contract) ? <u>96.5%</u>	Boot Hill Gaming: Machine Contractors 65.0% Problem Gambler 0.5% Tourism Fund 5.5% State General Fund 25.0% City 1.5% County 1.5% Regulation 1.0% <u>100.0%</u>	Parimutuel Licensees: Problem Gambler 0.5% State General Fund 20.0% Nonprofit Organizations 1.0% City 1.5% County 1.5% Dog Supplements 3.5% Machine Operator 71.0% Regulation 1.0% <u>100.0%</u>

8-c



Testimony: Senate Federal and State Affairs Committee
From: Thomas M. Palace
Date: March 12, 2003
RE: Senate Bill 108

Madam Chairman, and Members of the Senate Federal and State Affairs Committee:

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

We appreciate the opportunity to appear before you today to offer comments in support of SB 108.

As the State of Kansas considers ways to fund the budget deficit, PMCA believes that the State should look long and hard at capturing the entertainment dollar, through Video Lottery, rather than raising taxes. Last year the petroleum and convenience store industry was rocked with tax increases in sales, cigarette and motor fuel taxes, forcing retailers throughout Kansas to make tough decisions as to how they run their business. Staff reductions and budget cuts were a must, and the outlook for 2003 is not much better.

WHAT IS VIDEO LOTTERY

Video Lottery is an interactive video game played on a machine that can support up to 10 games. The machine looks much like a slot machine except that when a player wins, money does not come out of the machine. The player receives a credit slip, showing the player's winnings that can be redeemed at the counter. Senate Bill 108 allows the Executive Director of the Lottery to place no more than five machines per facility.

STATE WILL CONTROL VIDEO LOTTERY MACHINES

Since 1987, the Kansas Lottery has worked closely with the convenience store industry, and we think it is a natural fit to allow convenience store retailers the opportunity to place video lottery machines in their facilities. All 1800 lottery retailers have entered into written contracts with the Kansas Lottery, giving the State total control over any machines that are used for lottery sales. Because Video Lottery is another "on-line game" (terminal connected to the central system) the State would also have direct control over the machines.

REVENUE GENERATED FROM VIDEO LOTTERY MACHINES

Obviously revenue is a key ingredient to any lottery proposal presented to this committee. Unlike the other proposals that you will hear about in the next few days, SB 108 provides the State with a minimum of 50% of the net machine income. The other 7 proposals offer 20-25% of net machine income to the State. An additional 20% of net machine income is available to whoever owns the machines. This could be a local vendor, the State or the lottery retailer. The owner of the machine is responsible for the maintenance of the machine, which requires a technician to be licensed with the Kansas Lottery. The remaining 30% of revenue would be retained by the video lottery retailer. The revenue estimates provided to us from the Kansas Lottery show that net machine revenue would be in excess of \$375

Petroleum Marketers and Convenience Store Association of Kansas
201 NW Highway 24 • Suite 320 • PO Box 8479
Topeka, KS 66608-0479
785-233-9655 Fax: 785-354-4374

Sn Fed St
03/12/03
Attach #4

million (after the first full year of operation). Attached to my testimony is the revenue breakdown that we received from the Kansas Lottery comparing revenue from other states that benefit from Video Lottery.

We should also point out that SB 108 was drafted with some coordination with the Kansas Lottery.

PROBLEM GAMBLER GRANT FUND

One of the major reasons the Legislature has been hesitant to expand gaming focuses on the problem gambler. Granted, the easy access to video lottery makes it possible, even probable, that the problem gambler will utilize this new venue, because the problem gambler now and in the future will always find a place to gamble (convenient or otherwise), just as he or she will find the required time to gamble...whether it's a race track, a casino or the convenience store. The availability of video lottery will not mean more problem gamblers; it just means more game availability to more players, the vast, overwhelming majority of whom do not have a gambling problem.

However, in an effort to eliminate anyone's concern that problem gamblers will increase in numbers, SB 108 allocates 1/10 of 1%, or \$1 million, whichever is less, to the problem gamblers trust fund annually.

AGE RESTRICTED ACCESS

A key component to expanding the Lottery at convenience stores is how we deal with minors. Although it is not included in this bill, restricted access by minors will be accomplished by rules and regulations set forth by the Lottery. At a minimum, Video Lottery would require participants to be 18 years-old to play a lottery game; require a sectioned-off space, either a separate room or area that is petitioned off to be segregated for lottery machines only, and verification of age would be required to enter. We have given some thought to requiring anyone playing a Video Lottery game to have their ID visible at all times by placing the driver license in a holder above the machine so that anyone walking by could see that the participant is 18 years-old or older. We also would require that a clerk, 18 or older, be required to check ID's and be on the premises during the time of play.

USING CURRENT LOTTERY RETAILERS OFFERS A BROAD BASE APPROACH

To date, the only gaming proposals that have been discussed by the Legislature are track-related with the recent consideration to partner with the Native Americans. If new gaming initiatives are approved, availability is essential to their success. Until today, the Legislature has turned its back on an industry that has provided in excess of \$200 million annually through sales of Lottery tickets. Lottery retailers receive a small commission on those sales (5%).

The State of Kansas needs revenue to fill a huge budget hole this year and in the future years. If the stars were aligned just right, using the current Lottery retailers network, Video Lottery could be up and running in 6 months. Using the "broad base" approach of current retailers will also generate more money than limiting video lottery access to the tracks, but more importantly, it will utilize a system that is already proven and much easier to coordinate and administer. There are five other states that allow Video Lottery machines, and it appears that it has been a win-win situation for both the Lottery retailers and the states.

In closing, Madam Chairman and members of the committee, you will review and consider a number of gaming issues between now and the end of the session. Although PMCA has opposed Video Lottery at race tracks in the past, that was only due to the fact that we were not included in the proposal. Also, we

feel it would be a mistake for the state to partner with the Native Americans and form another compact in Kansas City. The reason why? We are concerned that gas stations and truck stops would be built causing major concerns for our small business in the Kansas City area. As an example, the tribes that have gas stations along Highway 75 have long been a problem for local fuel retailers and they have evaded paying the state in excess of \$2 million in gas excise taxes. Even with the proposed guarantee that no gas station will be built at the casino location in Kansas City, PMCA would oppose this initiative.

Gambling is a choice made by free will - with consequences - good or bad. It offers the state the opportunity to raise much needed revenue to take up the slack and thus be in a position to fund other vital programs that are currently facing cutbacks. In fact, some of the programs that are funded in part from current Lottery proceeds are:

Economic Development Initiatives Fund
Correctional Institutions Building Fund
Juvenile Detention Facilities Fund
Problem Gambling Grant Fund
Department of Education/State Board of Regents
Kansas Technology Enterprise Corporation
Adjutant General Educational Assistance Program

Video Lottery is an alternative to raising taxes, an action that is never viewed as a free-will choice, but a mandated act.

We appreciate the opportunity to offer this committee a look at a uniform, "broad base" way to consider using the entertainment dollar to beef up the State of Kansas financial woes.

<u>STATE</u>	<u>LOCATION</u>	<u>NO. OF MACHINES</u>	<u>NET INCOME</u>	<u>POPULATION</u>
Delaware	Tracks (3)	5,430	\$556.8 MM	793,165
Rhode Island	Tracks (3)	2,475	\$280.55 MM	1,058,920
West Virginia	Tracks (4)	8,135	\$596 MM	1,801,916
South Dakota	Statewide	8,000 (1400 Retailers)	\$207.72 MM	756,600
Oregon	Statewide	9,000 (1900 Retailers)	\$480.21 MM	3,427,867
West Virginia	Statewide	4,000 (1100 Retailers)	\$ 46 MM	1,801,916 (Started 1/02)

VIDEO LOTTERY PER CAPITA SALES

	<u>NET MACHINE INCOME</u>	<u>POPULATION</u>	<u>PER CAPITA SALES</u>	<u>PER MACHINE INCOME</u>
Oregon	\$480,210 MM	3,472,867	\$138.27	\$53,356.66
South Dakota	\$207,720 MM	756,600	\$275.54	\$25,965

INSTANT TICKET PER CAPITA SALES

	<u>INSTANT SALES</u>	<u>POPULATION</u>	<u>PER CAPITA SALES</u>	<u>PER CENT OF KS PER CAPITA SALES</u>
Oregon	\$130.73 MM	3,472,867	\$37.64	29.56/37.64 = .785%
South Dakota	\$ 12.38 MM	756,600	\$16.36	29.56/16.36 = 1.81%
Kansas	\$ 79.66 MM	2,694,641	\$29.56	100%

ESTIMATED KANSAS VIDEO LOTTERY SALES BASED ON PER CAPITA SALES

Oregon	Net Machine Income (\$480,210MM) x .785% = \$376,964,850	Kansas Net Income
South Dakota	Net Machine Income (\$207,720MM) x 1.81% = \$375,973,200	Kansas Net Income



March 12, 2003

Kansas Senate:

Madam Chairperson and committee members:

I am Terry Presta, President of Presto Convenience Stores and Legislative Chairman for the Petroleum Marketers (PMCA). I appear today in support of the Video Lottery Bill SB 108.

South Dakota, with a State Population of approximately 650,000 raises 100 million dollars a year for the State Treasury through Video Lottery. I have been to South Dakota. I have seen South Dakota's Video Lottery terminals (VLT's). I have played South Dakota's VLT's in Aberdeen and Watertown. I will be happy to answer any questions I can about South Dakota's very successful Video Lottery program.

But first, I want to discuss the state of our industry, service stations and convenience stores, and tell you why you should support this bill at this time

Prior to September 11th our industry was already in a state of turmoil. Big box discounters and grocery stores had discovered gasoline retailing and many in our industry contend that they are using predatory pricing to drive out smaller retailers. After September 11th the whole country slipped into recession and our industry suffered greatly under the wildly fluctuating and higher prices that followed. (Contrary to popular belief, independent operators suffer greatly under higher prices. Cost rise and profit margins are squeezed.) Last year, the State increased cigarette taxes from \$2.40 per carton to \$7.90 per carton and gasoline taxes 2 cents per gallon. These two changes sent already struggling independent retailers reeling. Right now we are faced with record numbers of store closers and bankruptcies as two of our core sales items have been slowly siphoned off. Today, those independent operators that are left are like the men left on the deck of the Titanic just before it down. We are eyeing the lifeboats; we can see that there is not room for us all. We are all just praying that we are one of the few that has a seat when the great ship goes down.

Similarly, the State of Kansas struggles under the weight of its own budget woes. The budget while always important has become the issue of the session. This bill has the potential to lift the State out of its budget problem and help our industry at the same time.

I contend that it was wrong, last year, to consider the revenues the State would get in the form of increased cigarette tax and gasoline tax without considering the revenue the State would lose from closed stores, laid off people, lower sales tax, and corporate profits. And it would be wrong to count the potential \$300,000,000.00 revenue the State could directly realize from Video lottery sales without considering the additional revenue of

Petroleum Marketers and Convenience Store Association of Kansas
201 NW Highway 24 • Suite 320 • PO Box 8479
Topeka, KS 66608-0479
785-233-9655 Fax: 785-354-4374

Sn Fed St
03/12/03
Attach #5

increased employment, sales and corporate profits that would be realized by all participating lottery retailers, not just our members.

This proposal is the only one brought to the legislature that has the potential to alleviate the State's budget problems in the long term. Because the only way you get out of your budget problems long term, is with a vibrant growing economy. And this is almost always led by resurgence by small business. I urge you to support the passage of this bill and form a true partnership with small businesses in Kansas. After all we're all in this boat together.

Thank you and I'll stand for any questions.

Terry P. Presta

TESTIMONY PRESENTED
TO
THE SENATE COMMITTEE ON FEDERAL AND STATE AFFAIRS

Re: SB 108 and SB 249

By Rebecca Rice, Legislative Counsel
Kansas Clubs and Associates

March 12, 2003

Chairman Harrington and members of the committee, my name is Rebecca Rice and I appear before you as legislative counsel for Kansas Clubs and Associates. Kansas Clubs and Associates is comprised of liquor licensees located primarily in Wyandotte County and a few other locations in Northeast and Southeast Kansas.

Kansas Clubs and Associates is opposed to SB 249. These licensees have annually opposed over the years gambling expansion legislation that provides a monopoly for the gambling expansion to the two operating and one defunct racetracks. Monopoly gambling does not maximize the amount of revenue that the State can gain from gambling expansion. Therefore, support - other than by the racetracks - for monopoly gambling expansion remains illogical. If the state wants gambling expansion for additional general fund revenues, SB 108 will maximize gambling revenues - both directly and indirectly.

The rationale some use for supporting "monopoly" legislation like SB 249 is that the general public will not tolerate gambling "everywhere". Gambling "everywhere" is too "unattractive". It isn't the "image" the state wants to project. And yet, Kansas does have gambling "everywhere" with the Lottery. A patron can play keno all day at any lottery vendor's establishment with a Keno terminal. Therefore, the "unattractive" argument is hard to accept as a *real* reason.

So, why do so many find it preferable to adopt monopoly, preferential legislation that will economically harm, local small businesses - including lottery vendors which then harms the Kansas Lottery? Why not support gambling expansion legislation that will result in:

- dramatically more money for the general fund;
- strengthening local retailers rather than weakening them through unfair government manipulation of the marketplace;
- encouraging the public to spend their entertainment dollar in their hometown supporting their local merchants?

Monopoly legislation benefits three businesses rather than thousands. The three affected cities and counties might receive greater benefit - at least short-term - from monopoly legislation. But, the number of small businesses lost through further government market manipulation will harm those cities over the long term.

SnFedSt
03/12/03
Attach #6

And, why are we more concerned with those three cities and counties rather than all Kansas cities and counties? So many cities and counties throughout Kansas would flourish with a mere fraction of the total state incentives that have been spent in these three cities and counties over the last 10 years. Why would we give more to the detriment of all others?

Kansans realize that the Kansas economy is continuing its decline. Small businesses feel that decline as much or more as any other business. Knowing of that decline and struggle, why would this legislature consider legislation that is *designed* to further cannibalize the businesses in the remaining 102 counties?

I have asked the "monopoly" question – in one form or another - for at least 10 years during the annual legislative ritual of receiving testimony on the various gambling bills. I've never received an answer that was logical only ones that were pragmatic.

In the last 2 or 3 years, I've asked a new question. But - unlike the monopoly question tht seems to have no answer - the new question will soon become either more important or cease to be a question. And it is:

How certain are you that "monopoly" style gambling legislation will not lead to unintended and undesirable consequences?

Specifically, are you certain that "Home Rule" authority can not be applied to the now "traditional" monopoly gambling legislation? If you aren't certain beyond doubt, is a city's ability to *charter out* an acceptable result?

As this committee is aware, we are expecting the Wyandotte County court decision in *State of Kansas vs. The Unified Board of Commissioners of the Unified Government of Wyandotte County* to be issued soon. In that case, the state is challenging the unified government's authority to invoke the Home Rule constitutional amendment to *charter out* from the Liquor Control Act.

Although significant differences exist between regulation of the liquor industry and the state's constitutional authority to own and operate a lottery, both are based on constitutional amendments granting the legislature specific authorities. Therefore, the ruling should be instructive for this purpose. So, we are asking this committee and the Senate to forestall working a "monopoly" gambling expansion bill until the Wyandotte County court decision is issued, which we anticipate will be soon.

In addition, we are asking that the committee weigh the fact that SB 108 is constitutional. As structured, there is no question that the proposed gambling expansion meets the constitutional requirement of *state owned and operated*. SB 108 does not treat cities differently so it would not be subject to Home Rule Authority. As with all "monopoly" legislation, there is a legitimate question as to whether the proposed expansion would meet the *state owned and operated* constitutional test.

For those reasons Madame Chairman, we ask this committee to not support SB 249 or legislation similar to it. If a decision is made to further fund state government with gambling proceeds, we ask that the committee support SB 108 or similar legislation. SB 108 protects local businesses and enhances gambling revenue. It is not subject to Home Rule Authority and it meets the constitutional requirement of *state owned and operated*.

STAND UP FOR KANSAS

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

**Testimony To Senate Federal and State Affairs Committee
on
Senate Bills 108, 208, 226 and 249**

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

March 12, 2003

Introduction

Good morning Madam Chair and 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 the four senate bills being discussed today and tomorrow.

Since I will be speaking as an opponent both days, I will use my time today to discuss general issues applicable to most or all of the bills and then, tomorrow, discuss specific issues associated with each bill.

What is the purpose of expanding gambling in Kansas?

Last week, Senator Oleen presented to the committee an overview on the history of gaming in Kansas, including the three recommendations of the 1995 Special Committee on Gaming.¹ The first recommendation was:

"The Legislature should articulate goals for legalization of additional gambling."

To assist the 1995 Special Committee, the staff offered five questions, which I suggest this committee consider also. (The underline is for emphasis and is not in the Special Committee report.)

1. What public good is achieved by legalization of additional forms of gambling in Kansas?
2. Would additional types of gambling result in increased revenue for the state and its subdivisions that could not be obtained in another way?
3. Would legalization and regulation of additional types of gambling generate revenue for socially desirable purposes and provide entertainment at low cost (direct and indirect) to the state without causing harm or diverting revenue from other desirable purposes?
4. Is there evidence that illegal gambling could be reduced through legalization of additional types of gambling?
5. Is there a significant determinable unmet demand in Kansas for additional legal gambling?

Sn Fed St
03/12/03
Attach #7

During the remainder of my time today, I would like to discuss issues related to these critical questions.

1. Is Kansas going to get on the gambling expansion slippery slope?

Nine casino bills have been introduced so far this session, ranging from slots at the tracks to video lottery machines in grocery stores to a casino at Boot Hill to casinos in every county. This is a vivid example of the treacherous slippery slope of expanding gambling. Where does it end? Is Kansas going to become addicted to casino revenues?

If legislators approve even one of the casino bills this year, there will be no end to proposals for more expanded gambling in future years. Now is the time to draw a line in the sand!

2. These bills require the state get into the casino business!

The casinos would 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?

3. The casinos would be convenience casinos, not destination casinos.

Approximately 85 % of the casino revenues would come from gamblers living within a 50 mile radius of the casinos, as shown in Attachment 1. The casinos would pull hundreds of millions of dollars from citizens and businesses in the surrounding communities.

In 1990, the Illinois state legislature approved riverboat casinos to promote economic development and tourism. Six years later, an independent study was conducted to determine if this objective was achieved.^{2&3} 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.

As you know, numerous communities across Kansas are losing thousands of jobs and millions of dollars in revenue. Sedgwick County has lost over 10,000 jobs since Sept. 11, 2001.

Casinos created by these bills would drain thousands of additional jobs and hundreds of millions of additional dollars from these same communities. Businesses in these communities would have to lay off thousands of employees as revenues decreased.

4. The casinos would destroy thousands of families and cost Kansas citizens hundreds of millions of dollars in social costs.

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." The easy accessibility to these machines would cause thousands of citizens to develop gambling addiction problems and destroy thousands of Kansas families.

Numerous research studies indicate that when a casino begins operating in a region approximately 1.0% of the persons living within a 50-mile radius of the casino become pathological gamblers.

Bills permitting slot machines throughout the state would cause the number of pathological gamblers to increase by at least **27,000 persons** (1.0% of the state population), costing Kansas citizens at least **\$367 million** (\$13,586 per gambler⁴) annually for crime, absenteeism, and other social costs. (See Attachment 2)

A casino at the Wichita Greyhound Park would cause at least **7000 citizens** in surrounding counties to become pathological gamblers, costing Kansas citizens at least **\$95 million in social costs**.

5. The casinos would provide no revenue in FY 2004

Engineering design, purchase, installation and test of the Ks. Lottery central computer system for the casinos would require approximately 12 to 15 months, according to the Executive Director of the Ks. Lottery.⁵ Consequently, the casinos would produce no revenue for the state until the second half of FY 2005, as shown in Attachment 3.

6. Casinos at the three major racetracks would net the state less than \$50 million annually.

Also shown in Attachment 3, the net revenue to the state from the three major racetrack casinos would be about \$46 million, excluding social costs, based on percentages in last year's House Bill 2183. When social costs are included, net revenue would be negative \$90 million. Businesses closed by the casinos would decrease the revenue to the state even more.

7. The casinos would drain millions of dollars from the state.

Net income for the three major racetrack casinos would be approximately \$300 to \$325 million annually.⁶ At least \$75 million to \$100 million of this revenue would leave the state as profits for the two owners.

8. 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 the referendum.

9. A casino in Wyandotte Co. would not stop Kansans from gambling at Missouri riverboats.

A Legislative Division 2002 100-hour audit estimated that a casino at the Woodlands would capture only 14 % of the Kansas City casino market, since it would be competing with four nearby riverboat casinos.⁶

10. The impact of the parimutuel racing industry on the Kansas economy is often grossly exaggerated.

Members of the parimutuel racing industry have stated in the past that the industry contributes hundreds of millions of dollars to the Kansas economy. However, a 1996 study by the Post Audit staff concluded, "We estimate that the economic benefit to Kansas agribusinesses supplying goods and services

to breeders and owners of race animals as a result of having parimutuel racing in Kansas was about \$15.2 million in 1995." ⁷

Conclusion

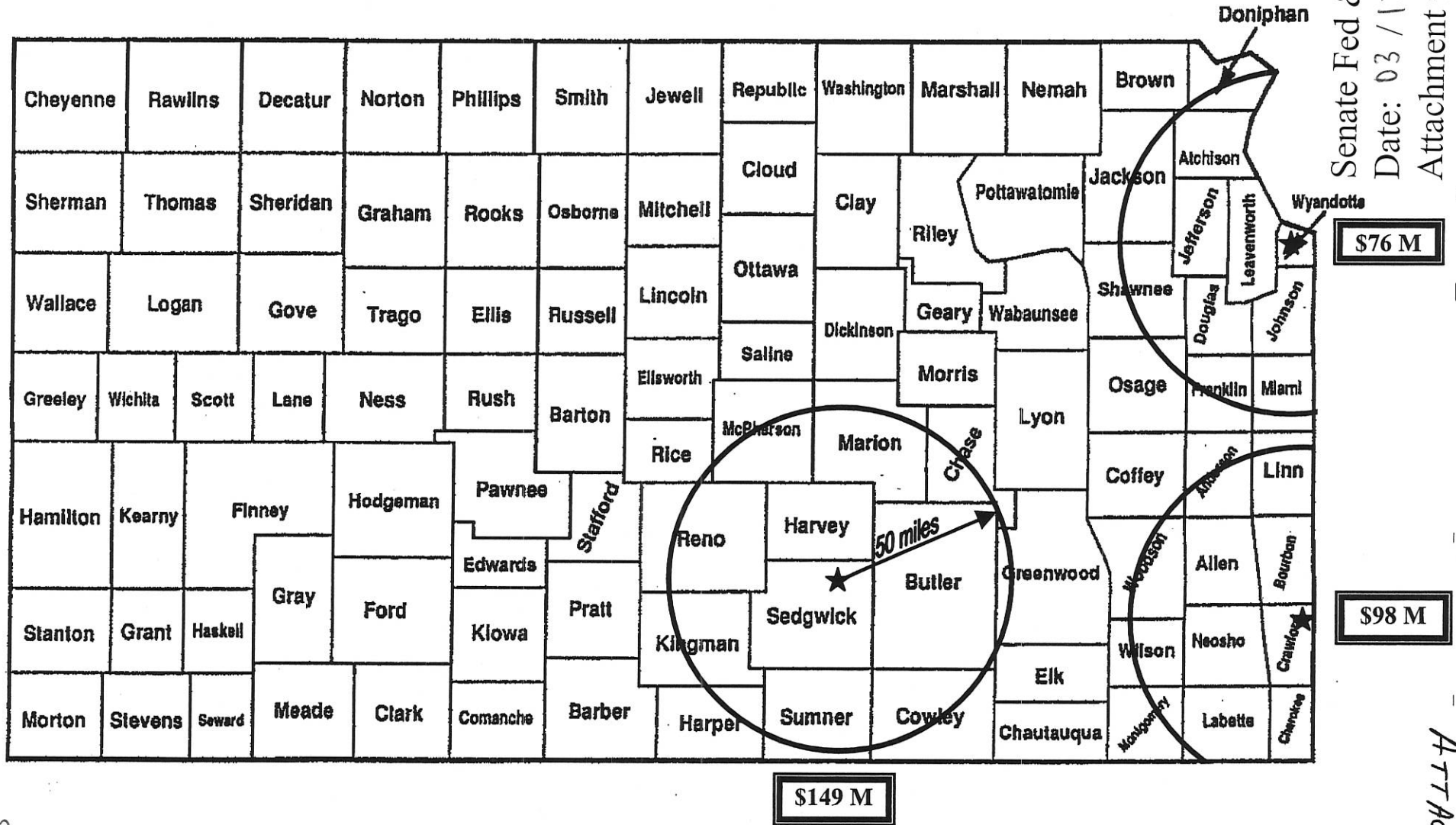
In conclusion, we understand you must make tough decisions during these next few weeks, as you try to strike a balance between reducing state expenditures and increasing revenues. But, expanding gambling is not the answer. **We urge you oppose these bills.**

Endnotes

- 1 "Report of Special Committee on Gaming to the 1996 Kansas Legislature, Proposal No. 36," *Kansas Legislative Research Department*, Dec. 1995.
- 2 "Demographic survey of riverboat casino patrons in Illinois," April 26, 1996, *Chicago Better Government Association*, [www.bettergov.org/gambling.htm].
- 3 "Demographic survey of riverboat casino patrons in Illinois," June 11, 1996, *Chicago Better Government Association*, p. 1 [www.bettergov.org/gambling.htm].
- 4 Earl L. Grinols and David B. Mustard, "Business Profitability versus Social Profitability: Evaluating Industries with Externalities, The Case of Casinos," *Managerial and Decision Economics*, Vol. 22, Nbr. 1-3, Jan.- May 2001, p. 143-162.
- 5 Letter from Ed Van Petten to Rep. William G. Mason, April 8, 2002.
- 6 "Expanded Gaming: Reviewing the Reliability of Estimates of Potential Revenues that Might Accrue to the State from Allowing Slot Machines At Race Tracks," 100-Hour Audit, Kansas Legislative Division of Post Audit, Feb. 2002.
- 7 "Reviewing the Impact of Parimutuel Racing in Kansas On the Kansas Racehorse and Greyhound Industries," Performance Audit Report, *Kansas Legislative Division of Post Audit*, March 1996.

Approximately 85% of racetrack casino revenues would come from counties within a 50 miles radius

Senate Fed & State
Date: 03 / 12 / 2003
Attachment # 8



Estimated total net revenue: \$323 Million
(Source: Ks. Legislature Performance Audit Report, Feb. 2002)

SaFed St
03/11
Attachment # 8

ATTACHMENT 1
5

STAND UP FOR KANSAS



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

Casino Alert

A Newsletter for Kansas Legislators

January 29, 2002

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

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

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

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

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

“Free revenue” from legalized gambling is not free!

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

Sn Feed St
03112103
Attach # 9

**Net State Revenue
(Based on 2002 HB 2183)**

3/12/03

	\$ Millions		
	FY 2004	FY 2005	FY 2006
Percent operational	0	50	100
Estimated net revenue of three parimutuel racetrack casinos	\$ -	\$ 150.0	\$ 300.0
Transfer to State General Fund (25%)	\$ -	\$ 37.5	\$ 75.0
Transfer to Operational/Reg Fund (1%)	\$ -	\$ 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
Net state revenue excluding social costs	\$ (3.6)	\$ 21.1	\$ 45.7

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
Net revenue including social cost (\$M)			\$ (90.2)

Cost to state of closed businesses		? but significant	? but significant
-------------------------------------------	--	-------------------	-------------------

Sn Fed St
03/12/03
Attach #10

TESTIMONY IN OPPOSITION TO
SENATE BILLS 108; 249; 208; 226
SENATE FEDERAL AND STATE AFFAIRS
CHARLES M. YUNKER, DEPARTMENT ADJUTANT
KANSAS AMERICAN LEGION
MARCH 12, 2003

Thank you for permitting me to address you regarding expanded gaming in Kansas. My name is Charles Yunker and I am the State Adjutant for The Kansas American Legion. I might add that my counterpart for the Veterans of Foreign Wars, Mr. Darrell Bencken, is in Washington, D.C. this week however he has asked that I speak on his behalf since our two organizations are in complete agreement on this issue. Also in the interest of time I have been asked to speak on behalf of the Kansas Sunflower Club Association whose membership includes The American Legion, VFW, Knights of Columbus, Eagles, Elks, Moose, Shrine and others.

You have before you during this legislative session several bills which would expand gaming in Kansas. However in our view, each of those bills contain fundamental flaws. That is; each would grant a monopoly to a select few and at the expense of many.

Slot machines on reservations in Kansas have already impacted every community in Kansas and in particular the community service programs of every veterans and fraternal organization in the state. Should any of the gaming bills introduced thus far during this legislative session become law those local communities and every veterans and fraternal organization will be negatively impacted even more. It simply is not fair, nor does it make sense to harm many while benefitting a few.

Years ago this state had slot machines. They were illegal, but they did exist and they benefitted every community where they existed. I would like to cite just one example and have included a letter in my written testimony from Mr. Ray Schulz of Great Bend who is a past State Commander of The American Legion.

Sn Fed St
03/12/03
Attach #11

Cmdr. Schulz's letter outlines the lack of refrigeration to store blood at the Great Bend, KS hospitals because those hospitals didn't have the money to purchase adequate refrigeration equipment. However the area American Legion, Eagles, Elks and Knights of Columbus all stepped forward and used their slot machine revenue to purchase refrigeration units.

Mr. Schulz makes an interesting and very true observation in his letter, "It has been said that slot machine money in those instances was easy money and it was. Money raised by solicitations for charity is hard money." I think most of us in this room today have, at one time or another, been involved in fund raising for our churches, schools, and other local organizations; and understand that requesting charitable donations can be a very difficult task. Thus Cmdr. Schulz's words ring true in that slot machine money is easy money but solicitations for charity is hard money.

Attached to my testimony is the draft of a bill which was put together too late to be introduced. It's not perfect, but in our view it offers more to the State of Kansas and its citizens than anything that has been introduced. It grants local veterans and fraternal organizations the opportunity to offer their members slot machines within the confines of their Class "A" non profit private clubs. It includes safeguards and controlled access. It requires approval by local citizens. It provides a fair source of funds to the State of Kansas including an established percentage to fund the Kansas Veterans Cemetery System, Kansas Soldiers Home and Kansas Veterans Home. We are asking you to let veterans themselves help fund those vital state programs. It is our understanding that the administration will favor a gaming bill which includes fraternal and veteran's organizations supporting veterans services.

It even includes provisions for the parimutuel tracks to offer

machines to their customers. In other words we are willing to share the ability to offer machines to the very industry that seeks to exclude us.

Thus the question comes down to fairness. Ask yourself; who do you trust with slot machines: your friends and neighbors back in your home District whose vote you counted upon to get elected, or a well heeled few whose industry has always fallen short of their promises and projections, and who year after year have told legislators they needed slots to survive or they would go out of business -- yet they're still in business.

I urge you to amend every gaming bill before you this year to include the language provided in my attachment including identifying the following fraternal organizations by name: Fraternal Order of Eagles, Benevolent Protective Order of Elks, Loyal Order of Moose, Benevolent Protective Order of Nobels of the Mystic Shrine and Knights of Columbus.

RAY S. SCHULZ
3003 BROADWAY
GREAT BEND, KS 67530

Honorable Ruth Teichman
Kansas Senate
State Capitol
Topeka, KS 66612

February 7, 2003

Dear Sir:

I want to urge you to vote positive on any bill that is introduced to legalize slot machines in Kansas provided that such bill includes veterans and fraternal organization such as the Elks, Moose, Eagles, Shrine, K of C, American Legion, Veterans of Foreign Wars and the DAV

I served as State Commander of the American Legion in 1950-1951 and I know from personal experience that economic benefit to a town or area where slots have once upon a time operated.

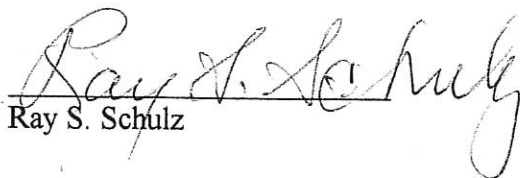
In Great Bend five large brick buildings were built and paid for with slot machine money. In addition each of these five clubs were substantial contributors to any and all worthy causes during the time slot machines operated here. And I am sure the same thing occurred in Stafford, St. John, Ellinwood, Hoisington and Claflin.

When the Red Cross brought the blood mobile program to Barton County it nearly failed because the three local hospitals did not have refrigerators to store the blood nor the money to buy such. The Eagles, Elks, American Legion and K of C in Great Bend, Hoisington and Ellinwood used slot machine money to furnish their hospitals with refrigerators. This is not an isolated instance. Dozens of other occurrences could be related.

It had been said that slot machine money in those instances was easy money and it was. Money raised by solicitations for charity is hard money.

Therefore again I urge you to vote positive for the bill for all organizations to have slots.

Sincerely,


Ray S. Schulz

Charles Yunker

From: Jerry Griggs [JGriggs@tra.com]
Sent: Friday, February 28, 2003 3:37 PM
To: 'jackson@senate.state.ks.us'; 'toelkes@house.state.ks.us'; 'hensley@senate.state.ks.us';
'bunten@senate.state.ks.us'; 'kirk@house.state.ks.us'; 'hutchins@house.state.ks.us';
'burgess@house.state.ks.us'; 'gordon@house.state.ks.us'; 'mays@house.state.ks.us';
'kuether@house.state.ks.us'; 'flora@house.state.ks.us'; 'nichols@house.state.ks.us'
Cc: 'vfw1650@vfw-online.com'; 'yunker@ksamlegion.org'
Subject: Gaming in Kansas



Gaming in
Kansas.txt (1 KB)

Dear Senators & Representatives

I am a member of the Loyal Order of Moose, Lodge #555, in Topeka and represent some 2500 members and their families, as this lodges governmental affairs person.

The Governor is currently engaged in negotiating a compact with the Indian Tribes to locate a Casino in Wyandotte County. I have been informed that a key provision of this compact is an "Exclusivity Clause" eliminating the opportunity for any other community or entities to ever have the opportunity to develop a gaming plan for Kansas. Should this compact reach the Kansas Legislature for approval, on behalf of the 2500 members and families of the Moose Lodge, I urge you to reject the proposal. Giving exclusivity to anyone in a business environment is bad public policy.

What we would support would be legislation that includes us in the mix. We are asking that veterans and fraternal organizations with Class A Club licenses who have existed for at least five years and who own their own buildings, or have a long term lease on a facility, be permitted: Five slot machines plus one machine per 50 members of that local Post, Chapter, or Lodge for the use of their bonafide members and quests (as per ABC rules and regulations) within the confines of their Class A Club which is not open to the general public. We ask that a County option measure be included, and a portion of the proceeds be deposited with the State Treasurer for the exclusive use of building and maintaining the Kansas Veterans Cemetery System.

In conclusion, we ask that you support legislation that permits a level playing field for those interested in providing gaming in Kansas.

Respectfully,

Jerry L. Griggs
Treasurer and Governmental Affairs Liaison
Moose Lodge #555
1901 N. Kansas Ave. 66608

1 AN ACT concerning lotteries; authorizing electronic gaming machines
2 at certain locations; amending K. S. A. 2001 Supp. 19-101a, 74-8702,
3 74-8710, 74-8711 and 74-8836 and repealing the existing sections. Be
4 it enacted by the Legislature of the State of Kansas: Section 1. K.
5 S. A. 2001 Supp. 74-8702 is hereby amended to read as follows: 74-
6 8702. As used in the Kansas lottery act, unless the context otherwise
7 requires:

8 (a) "Commission" means the Kansas lottery commission.

9 (b) "Executive director" means the executive director of the Kansas
10 lottery.

11 (c) "Gaming equipment" means any electric, electronic, computerized
12 or electromechanical machine, mechanism, supply or device, or any
13 other equipment, which is:

14 (1) Unique to the Kansas lottery and used pursuant to the Kansas
15 lottery act;

16 (2) Integral to the operation of an electronic gaming machine;
17 or

18 (3) Affects the results of an electronic gaming machine by
19 determining win or loss.

20 (d) "Kansas lottery" means the state agency created by this act to
21 operate a lottery or lotteries pursuant to this act.

22 (e) "Lottery retailer" means any person with whom the Kansas lottery
23 has contracted to sell lottery tickets or shares, or both, to the
24 public.

25 (f) "Lottery" or "state lottery" means the lottery or lotteries
26 operated pursuant to this act.

27 (g) "Major procurement" means any gaming product or service,
28 including but not limited to facilities, advertising and promotional
29 services, annuity contracts, prize payment agreements, consulting
30 services, equipment, tickets and other products and services unique
31 to the Kansas lottery, but not including materials, supplies,
32 equipment and services common to the ordinary operations of state
33 agencies.

34 (h) "Person" means any natural person, association, limited liability
35 company, corporation or partnership.

35 to the Kansas lottery, but not including materials, supplies,
36 equipment and services common to the ordinary operations of state
37 agencies.

38 (h) "Person" means any natural person, association, limited liability
39 company, corporation or partnership.

40 (i) "Prize" means any prize paid directly by the Kansas lottery
41 pursuant to its rules and regulations.

42 (j) "Share" means any intangible manifestation authorized by the
43 Kansas lottery to prove participation in a lottery game.

44 (k) "Ticket" means any tangible evidence issued by the Kansas lottery
45 to prove participation in a lottery game.

46 (l) "Vendor" means any person who has entered into a major
47 procurement contract with the Kansas lottery.

48 (m) "Returned ticket" means any ticket that was transferred to a
49 lottery retailer, which was not sold by the lottery retailer and
50 which was returned to the Kansas lottery for refund by issuance of a
51 credit or otherwise.

52 (n) "Video lottery machine" means any electronic video game machine
53 that, upon insertion of cash, is available to play or simulate the
54 play of a video game authorized by the commission, including but not
55 limited to bingo, poker, blackjack and keno, and which uses a video
56 display and microprocessors and in which, by chance, the player may
57 receive free games or credits that can be redeemed for cash.

58 (o) (1) "Lottery machine" means any machine or device that allows a
59 player to insert cash or other form of consideration and may deliver
60 as the result of an element of chance, regardless of the skill
61 required by the player, a prize or evidence of a prize, including,
62 but not limited to:

63 (A) Any machine or device in which the prize or evidence of a prize
64 is determined by both chance and the player's or players' skill,
65 including, but not limited to, any machine or device on which a

66 lottery game or lottery games, such as poker or blackjack, are
67 played;

68 (B) any machine or device in which the prize or evidence of a prize
69 is determined only by chance, including, but not limited to, any slot
70 machine or bingo machine; or

71 (C) any lottery ticket vending machine, such as a keno ticket vending
72 machine, pull-tab vending machine or an instant bingo vending
73 machine.

74 (2) "Lottery machine" shall not mean: (A) Any food vending machine
75 defined by K. S. A. 36-501 and amendments thereto;

76 (B) any nonprescription drug machine authorized under K. S. A. 65-
77 650, and amendments thereto;

78 (C) any machine which dispenses only bottled or canned soft drinks,
79 chewing gum, nuts or candies; or

80 (D) any machine excluded from the definition of gambling devices
81 under subsection (d) of K. S. A. 21-4302, and amendments thereto.

82 (n) "Administrator of charitable gaming" means the administrator
83 designated pursuant to K. S. A. 2001 Supp. 79-4717 and amendments
84 thereto

85 (o) Nonprofit Veterans' Organization: is any organization within
86 this State or any branch, lodge or chapter of a national or State
87 organization within this State, the membership of which consists
88 exclusively of individuals who qualify for membership because they
89 were or are members of the armed services or forces of the United
90 States, or an auxiliary unit or society of such a nonprofit veterans'
91 organization, the membership of which consists exclusively of
92 individuals who were or are members of the armed services or forces
93 of the United States, or are cadets, or are spouses, widows or
94 widowers of individuals who were or are members of the armed services
95 or forces of the United States, and of which no part of the net
96 earnings inures to the benefit of any private shareholder or
97 individual member of such organization, and has been organized and
98 operated as a bona fide veterans' organization and which has been

99 exempted from the payment of Federal income taxes as provided by
100 section 501(c)(19) of the Federal Internal Revenue Code of 1954, as
101 amended, or determined to be organized and operated as a bona fide
102 nonprofit veterans' organization by the Secretary of Revenue. (1994
103 Code) and the following fraternal organizations Fraternal Order of
104 Eagles, Benevolent Protective Order of Elks, Loyal Order Moose,
105 Benevolent Protective Order of Nobels of the Mystic Shrine and
106 Knights of Columbus.

107 (p) "Bingo licensee location" means Nonprofit Veterans' Organization
108 premises where a bingo licensee is authorized to manage operate or
109 conduct games of bingo pursuant to the bingo act.

110 (q) "Electronic gaming machine" means any electronic,
111 electromechanical, video or computerized device, contrivance or
112 machine authorized by the Kansas lottery which, upon insertion of
113 cash, tokens, electronic cards or any consideration, is available to
114 play, operate or simulate the play of a game authorized by the Kansas
115 lottery at a bingo licensee location or pari-mutuel licensee
116 location, including, but not limited to, bingo, poker, blackjack,
117 keno and slot machines, and which may deliver or entitle the player
118 operating the machine to receive cash, tokens, merchandise or credits
119 that may be redeemed for cash, but no electronic gaming machine shall
120 dispense automatically, or be capable of dispensing automatically,
121 cash directly to the player. Electronic gaming machines may use bill
122 validatoions and may be single-position reel-type, single or multi-
123 game video and single-position multi-game video electronic game,
124 including but not limited to, poker, blackjack and slot machines.
125 Electronic gaming machines shall be linked to a central computer at a
126 location determined by the executive director for purposes of
127 security, monitoring and auditing.

128 (r) "Facility owner licensee, "facility manager licensee" and
129 "organization licensee" have the meanings provided by K. S. A. 74-
130 8802, and amendments thereto.

131 (s) "Lottery gaming machine operator" means any bingo licensee or
132 pari-mutuel licensee with which the executive director has contracted
133 for the placement of an electronic gaming machine pursuant to this
134 act.

135 (t) "Net machine income" means the total of all cash and the face
136 value of all tokens or electronic cards placed in an electronic
137 gaming machine, less cash, merchandise or credits that may be
138 redeemed for cash paid to players as winnings.

139 (u) "Pari-mutuel licensee" means a facility owner licensee or a
140 facility manager licensee.

141 (v) "Pari-mutuel licensee location" means:

142 (1) A racetrack facility, as defined by K. S. A. 74-8802, and
143 amendments thereto, where live horse racing or live greyhound racing
144 has been authorized or for which an application for authorization to
145 conduct live horse racing or live greyhound racing pursuant to the
146 Kansas pari-mutuel racing act is pending prior to February 1, 2000;
147 (2) a facility located on real estate where such 3 racetrack facility
148 is located; or

149 (3) a racetrack facility located at, on or immediately adjacent to
150 the real estate of Eureka Downs or Anthony Downs. A pari-mutuel
151 licensee location may include any existing structure at a racetrack
152 facility described in this subsection or any structure that may be
153 constructed on real estate where such racetrack facility is located.

154 (w) "Progressive electronic game" means a game played on an
155 electronic gaming machine for which the payoff increases uniformly as
156 the game is played and for which the jackpot, determined by
157 application of a formula to the income of independent, local or
158 interlinked electronic gaming machines, may be won.

159 (x) "Technology provider" means any person or entity other than a
160 lottery gaming machine operator that designs, manufactures, installs,
161 operates, distributes, supplies or replaces an electronic gaming
162 machine for sale, lease or use in accordance with this act.

163 (y) "Token" means a metal or other representative of value, which is
164 not legal tender, redeemable for cash only by the issuing lottery
165 gaming machine operator at its bingo licensee location or pari-mutuel
166 licensee location and issued and sold by a lottery gaming machine
167 operator for the sole purpose of playing an electronic gaming
168 machine.

169 **Sec 2.** (a) Sections 2 through 22, and amendments thereto, shall be
170 known as the Kansas gaming revenue recovery act and shall be part of
171 and supplemental to the Kansas lottery act. (b) If any provision of
172 this act or the application thereof to any person or circumstance is
173 held invalid, the invalidity shall not affect any other provision or
174 application of the act, which can be given effect without the invalid
175 provision, or application. To this end the provisions of this act are
176 severable.

177 **Sec 3.** (a) The executive director may contract with bingo licensees
178 and pari-mutuel licensees for the operation and management, by the
179 state of Kansas, of electronic gaming machines at bingo licensee
180 locations and pari-mutuel licensee locations in counties where a
181 proposition submitted pursuant to section 5, and amendments thereto,
182 has been approved by the voters of such county. Such contracts shall
183 be subject to the provisions of this act and rules and regulations
184 adopted under this act but shall not be subject to the provisions of
185 K. S. A. 75-3738 through 75-3744, and amendments thereto. (b) The
186 executive director shall select as lottery gaming machine operators
187 such bingo licensees and pari-mutuel licensees as the executive
188 director deems best able to serve the public convenience and promote
189 marketing plans developed by the Kansas lottery. In the selection of
190 lottery gaming machine operators, the executive director shall
191 consider factors such as financial responsibility, security of the
192 licensee location, integrity, reputation, volume of expected sales
193 and such other factors as the 4 executive directors may deem
194 appropriate. (c) The executive director may charge an application fee
195 to bingo licensees and pari-mutuel licensees applying to become

196 lottery gaming machine operators. (d) No lottery gaming machine
197 operator contract awarded under this act shall be transferable or
198 assignable. (e) Each lottery gaming machine operator shall be issued
199 a lottery gaming machine operator certificate, which shall be
200 conspicuously displayed at the place where the lottery gaming machine
201 operator is authorized to operate and manage electronic gaming
202 machines. (f) To be selected as a lottery gaming machine operator, a
203 bingo licensee or pari-mutuel licensee must: (1) Have sufficient
204 financial resources to support the activities required under this
205 act; (2) be current in payment of all taxes, interest and penalties
206 owed to any taxing subdivision where the bingo licensee or pari-
207 mutuel licensee is located; and (3) be current in filing all
208 applicable tax returns and in payment of all taxes, interest and
209 penalties owed to the state of Kansas, excluding items under formal
210 appeal pursuant to applicable statutes. (g) The lottery gaming
211 machine operator, at its own expense, shall purchase for the Kansas
212 lottery a license for all software programs used by such lottery
213 gaming machine operator to operate electronic gaming machines. The
214 Kansas lottery shall be the licensee and owner of all such software
215 programs and shall sublicense such software programs to each lottery
216 gaming machine operator. Electronic gaming machines purchased or
217 leased by the lottery gaming machine operator, at its own expense,
218 may be installed, operated or managed, owned or leased by a lottery
219 gaming machine operator or by a technology provider under contract
220 with the lottery gaming machine operator as provided by this act.
221 Such machines shall be subject to the ultimate control of the Kansas
222 lottery in accordance with this act. Each specific type of electronic
223 gaming machine shall be approved by the Kansas lottery in accordance
224 with K. S. A. 74-8710, and amendments thereto. The use of progressive
225 electronic gaming machines is expressly permitted. (h) Each contract
226 between the executive director and a lottery gaming machine operator
227 shall provide that the Kansas lottery shall receive all of the net
228 machine income derived from the operation of electronic gaming

229 machines at the bingo licensee or pari-mutuel licensee location. (i)
230 Each contract between the executive director and a lottery machine
231 operator which is a bingo licensee shall: (1) Require that such
232 licensee shall own the premises where the licensee operates
233 electronic gaming machines or shall lease such premises 5 under an
234 agreement that grants the licensee exclusive, fulltime occupancy of
235 such premises; and (2) limit the number of electronic gaming machines
236 operated on such premises to five machines plus one additional
237 machine for each 50 members of such licensee, excluding reciprocal
238 members, as determined in accordance with rules and regulations of
239 the secretary of revenue pursuant to the club and drinking
240 establishment act. (j) The initial term of a contract pursuant to
241 this section shall be not less than the remaining term of the Kansas
242 lottery. Such contract may be renewed with each extension of the
243 Kansas lottery as provided in K. S. A. 74-8723, and amendments
244 thereto. (k) (1) The Kansas lottery shall examine prototypes of
245 electronic gaming machines and shall notify the administrator of
246 charitable gaming and the Kansas racing and gaming commission which
247 such types of electronic gaming machines are in compliance with the
248 requirements of this act. (2) No electronic gaming machine shall be
249 operated at a bingo licensee location pursuant to this act unless the
250 administrator of charitable gaming first issues a certificate for
251 such machine authorizing its use at a specified bingo licensee
252 location. No electronic gaming machine shall be operated at a pari-
253 mutuel licensee location pursuant to this act unless the executive
254 director of the Kansas racing and gaming commission first issues a
255 certificate for such machine authorizing its use at a specified pari-
256 mutuel licensee location. (3) Each electronic gaming machine shall
257 have the certificate prominently displayed thereon. Any machine,
258 which does not display the certificate required by this section, is
259 contraband and a public nuisance subject to confiscation by any law
260 enforcement officer. (4) The executive director shall require any
261 manufacturer, supplier, provider, lottery gaming machine operator or

262 other person seeking the examination and certification of electronic
263 gaming machines to pay the anticipated actual costs of the
264 examination in advance. After the completion of the examination, the
265 executive director shall refund any overpayment or charge and collect
266 amounts sufficient to reimburse the executive director for any
267 underpayment of actual costs. The executive director may contract for
268 the examination of electronic gaming machines as required by this
269 subsection, and may rely upon testing done by or for other states
270 regulating electronic gaming machines, if the executive director
271 deems such testing to be reliable and in the best interest of the
272 state of Kansas. (1) Electronic gaming machines operated pursuant to
273 this act shall: (1) Pay out an average of not less than 82% of the
274 amount wagered over the life of the machine; 6 (2) be linked to a
275 central lottery communications system to provide auditing and other
276 program information as approved by the Kansas lottery. The
277 communications systems certified by the Kansas lottery shall not
278 limit participation to only one electronic gaming machine
279 manufacturer, distributor, supplier or provider; and (3) be online
280 and in constant communication with a central computer located at a
281 location determined by the executive director. The lottery gaming
282 machine operator shall lease or purchase at its own expense for the
283 Kansas lottery all gaming equipment necessary to implement such
284 central communications and auditing functions.

285 **Sec 4.** In addition to the powers granted pursuant to K. S. A. 74-8704
286 and section 3, and amendments thereto, the executive director shall
287 have the power to: (a) Enter into contracts with bingo licensees for
288 placement and replacement of electronic gaming machines at bingo
289 licensee locations and enter into contracts with pari-mutuel
290 licensees for placement and replacement of electronic gaming machines
291 at pari-mutuel licensee locations. Such contracts shall be subject to
292 rules and regulations adopted pursuant to this act but shall not be
293 subject to the provisions of K. S. A. 75-3738 through 75-3744, and
294 amendments thereto. (b) Examine or cause to be examined by any agent

295 or representative designated by the executive director any books,
296 papers, records or memoranda of any lottery gaming machine operator
297 for the purpose of ascertaining compliance with the provisions of the
298 Kansas lottery act or rules and regulations adopted hereunder. (c)
299 Issue subpoenas to compel access to or for the production of any
300 books, papers, records or memoranda in the custody or control of any
301 lottery gaming machine operator, or to compel the appearance of any
302 lottery gaming machine operator for the purpose of ascertaining
303 compliance with the provisions of this act or rules and regulations
304 adopted hereunder. Subpoenas issued under the provisions of this
305 subsection may be served upon natural persons and corporations in the
306 manner provided in K. S. A. 60-304, and amendments thereto, for the
307 service of process by any officer authorized to serve subpoenas in
308 civil actions or by the executive director or an agent or
309 representative designated by the executive director. In the case of
310 the refusal of any person to comply with any such subpoena, the
311 executive director may make application to the district court of any
312 county where such books, papers, records, memoranda or person is
313 located for an order to comply. (d) Inspect and view the operation of
314 all machines, systems or facilities where electronic gaming machines
315 controlled and operated by the Kansas lottery are located. (e)
316 Inspect and approve, prior to publication or distribution, all
317 advertising by a lottery gaming machine operator which includes any
318 reference to the Kansas lottery.

319 **Sec 5.** (a) Electronic gaming machines shall not be operated pursuant
320 to this act in counties where, in accordance with this section, the
321 qualified voters of the county have voted not to permit operation of
322 electronic gaming machines at bingo licensee locations and pari-
323 mutuel licensee locations within the county. (b) The board of county
324 commissioners of any county where there is a bingo licensee location
325 or pari-mutuel licensee location may submit by resolution, and shall
326 submit upon presentation of a petition filed in accordance with
327 subsection (c), to the qualified voters of the county a proposition

328 to prohibit the operation of electronic gaming machines at bingo
329 licensee locations and pari-mutuel licensee locations within the
330 county. The proposition shall be submitted to the voters either in a
331 countywide special election called by the board of county
332 commissioners for that purpose and held not less than 90 days after
333 the resolution is adopted or the petition is filed or at the next
334 general election, as shall be specified by the board of county
335 commissioners or in the petition, as the case may be. (c) A petition
336 to submit a proposition to the qualified voters of a county pursuant
337 to this section shall be filed with the county election officer. The
338 petition shall be signed by qualified voters of the county equal in
339 number to not less than 10% of the voters of the county who voted for
340 the office of secretary of state at the last preceding general
341 election at which such office was elected. The following shall appear
342 on the petition: "We request an election to determine whether the
343 operation of electronic gaming machines by the Kansas lottery shall
344 be prohibited in county at pari-mutuel licensee locations and at
345 locations where nonprofit veterans' organizations conduct bingo. "(d)
346 Upon the adoption of a resolution or the submission of a valid
347 petition calling for an election pursuant to this section, the county
348 election officer shall cause the following proposition to be placed
349 on the ballot at the election called for that purpose: "Shall the
350 operation of electronic gaming machines by the Kansas lottery be
351 prohibited in county at pari-mutuel licensee locations and at
352 locations where nonprofit veterans' organizations conduct bingo? "(e)
353 If a majority of the votes cast and counted at such election is in
354 favor of prohibiting the operation of such games at bingo licensee
355 locations and pari-mutuel licensee locations, the executive director
356 may not enter contracts with bingo licensees and pari-mutuel
357 licensees to operate such games at bingo licensee locations and pari-
358 mutuel licensee locations in the county. If a majority of the votes
359 cast and counted at an election under this section is in favor of
360 permitting the operation of electronic gaming machines at bingo

361 licensee locations and pari-mutuel licensee locations in the county,
362 the Kansas lottery shall may operate such games in the county. The
363 county election officer shall transmit a copy of the certification of
364 the results of the election to the administrator of charitable gaming
365 and the executive director. (f) The election provided for by this
366 section shall be conducted, and the votes counted and canvassed, in
367 the manner provided by law for question submitted elections of the
368 county. (g) If in any election provided for by this section a
369 majority of the votes cast and counted is against permitting the
370 operation of electronic gaming machines in the county, another
371 election submitting the issue of the operation of electronic gaming
372 machines in the county shall not be held for at least two years from
373 the date of such election.

374

375 **Sec 6.** (a) All purse supplements paid pursuant to this act shall be
376 according to the point schedule in effect on January 1, 2003, at the
377 pari-mutuel licensee location in Sedgwick county. All purse
378 supplements paid pursuant to this section shall be in addition to
379 purses and supplements paid under K. S. A. 74-8801 et seq., and
380 amendments thereto. (b) Except as provided in subsection (e), no
381 electronic gaming machine shall be operated pursuant to this act at a
382 pari-mutuel licensee location unless the facility where the
383 electronic gaming machine is operated displays live and simulcast
384 pari-mutuel races on video terminals and has installed pari-mutuel
385 windows for wagering on pari-mutuel races. (c) Except as provided in
386 subsection (d): (1) No electronic gaming machine shall be operated
387 pursuant to this act at a pari-mutuel licensee location in Sedgwick
388 county unless, during the first full calendar year and each year
389 thereafter in which electronic gaming machines are operated at such
390 location, the pari-mutuel licensee shall conduct at such location at
391 least eight live racing programs each calendar week for the number of
392 weeks equal to or greater than the number of weeks raced during the
393 1998 calendar year, with at least 12 live races conducted each

394 program. (2) No electronic gaming machine shall be operated pursuant
395 to this act at a pari-mutuel licensee location in Wyandotte county
396 unless, during the first full calendar year and each year thereafter
397 in which electronic gaming machines are operated at such location,
398 the pari-mutuel licensee shall conduct at such location at least
399 seven live racing programs each calendar week for the number of weeks
400 equal to or greater than the number of weeks raced during the 1998
401 calendar year, with at least 12 live races conducted each program.

402 (3) No electronic gaming machine shall be operated pursuant to this
403 act at a pari-mutuel licensee location in Crawford county unless,
404 during the first full calendar year and each year thereafter in which
405 electronic 9 gaming machines are operated at such location, the pari-
406 mutuel licensee shall conduct at such location live racing the number
407 of days agreed upon by the organization licensee and the pari-mutuel
408 licensee but not less than 150 days, comprised of at least seven live
409 racing programs each calendar week, with at least 12 live races

410 conducted each program. (d) The Kansas lottery may provide exceptions
411 to the requirements of subsection (c) for a pari-mutuel licensee
412 conducting live racing when events beyond the control of the licensee
413 may render racing impossible or impractical. Such events shall
414 include any natural or manufactured disaster, shortage of qualified
415 racing animals due to kennel sickness or otherwise or state imposed
416 limitations on operations. (e) The Kansas racing and gaming
417 commission may authorize the operation of electronic gaming machines
418 at the racetrack facility at Eureka Downs and the racetrack facility
419 at Anthony Downs on days when simulcast pari-mutuel races are
420 displayed at such facility without requiring live horse racing or
421 live greyhound racing at such facility. The Kansas racing and gaming
422 commission shall not authorize the operation of such machines at such
423 racetrack facility unless the qualified voters of the county where
424 such racetrack facility is located have voted pursuant to section 5,
425 and amendments thereto, to permit operation of such machines within
426 the county.

427 Sec 7. (a) There is hereby established in the state treasury the live
428 horse racing purse supplement fund. Moneys available in such fund
429 shall be paid to pari-mutuel licensees for distribution as purse
430 supplements in accordance with rules and regulations of the Kansas
431 racing and gaming commission. Such moneys shall be distributed from
432 the separate horse purse supplement accounts maintained pursuant to
433 this section, in accordance with rules and regulations of the Kansas
434 racing and gaming commission, provided that not less than \$1,600,000
435 shall be guaranteed annually by pari-mutuel licensees to be charged
436 against the accounts of such licensees on a pro rata basis. (b) There
437 is hereby established in the state treasury the live dog racing purse
438 supplement fund. Moneys available in such fund shall be paid to pari-
439 mutuel licensees for distribution as purse supplements in accordance
440 with rules and regulations of the Kansas racing and gaming
441 commission. (c) There is hereby established in the state treasury the
442 electronic gaming machine operation and regulatory fund. Moneys in
443 such fund shall be used to pay for the expenses of the Kansas lottery
444 and the Kansas racing and gaming commission attributable to the
445 operation and regulation of electronic gaming machines. Moneys in
446 such fund may be expended only pursuant to appropriation and moneys
447 in excess of those appropriated to the Kansas lottery and the Kansas
448 racing and gaming 10 commission may be transferred to the state
449 general fund and expended as provided by appropriation. (d) There is
450 hereby established in the state treasury the electronic gaming
451 machine fund.

452 Sec 8. (a) The executive director shall collect and remit to the
453 state treasurer in accordance with K. S. A. 75-4215, and amendments
454 thereto, all net machine income received from lottery gaming machine
455 operators. Upon receipt of the remittance, the state treasurer shall
456 deposit the entire amount in the state treasury and credit it to the
457 electronic gaming machine fund, established pursuant to section 7,
458 and amendments thereto. Separate accounts shall be maintained in the
459 electronic gaming machine fund for receipt of moneys from each

460 lottery gaming machine operator. (b) Not less than once each week,
461 the state treasurer shall transfer the following amounts from the
462 total receipts credited to each account in the electronic gaming
463 machine fund for receipt of moneys from lottery gaming machine
464 operators which are bingo licensees: (1) To the electronic gaming
465 machine operation and regulatory fund established pursuant to section
466 7, and amendments thereto, 1%; (2) to the problem gambling grant fund
467 established pursuant to K. S. A. 2001 Supp. 79-4805, and amendments
468 thereto, 0.5%; (3) to the county where the lottery gaming machine
469 operator's licensee location is located, 1%; (4) to the city where
470 the lottery gaming machine operator's licensee location is located,
471 1%; (5) to the veterans services fund established pursuant to section
472 23, and amendments thereto, 5%; and (6) to the state general fund,
473 28%. (c) Not less than once each week, the state treasurer shall
474 transfer the following amounts from the total receipts credited to
475 each account in the electronic gaming machine fund for receipt of
476 moneys from lottery gaming machine operators which are pari-mutuel
477 licensees: (1) To the electronic gaming machine operation and
478 regulatory fund established pursuant to section 7, and amendments
479 thereto, 1%; (2) to the problem gambling grant fund established
480 pursuant to K. S. A. 2001 Supp. 79-4805, and amendments thereto,
481 0.5%; (3) to the county where the lottery gaming machine operator's
482 licensee location is located, 1%; (4) to the city where the lottery
483 gaming machine operator's licensee location is located, 1%; (5) to
484 the state general fund, 20%. (6) to the live horse racing purse
485 supplement fund established pursuant to section 7, and amendments
486 thereto, 7%; 11 (7) to the live dog racing purse supplement fund
487 established pursuant to section 7, and amendments thereto, 7%; and
488 (8) to the nonprofit organization licensed by the Kansas racing and
489 gaming commission to conduct races at the pari-mutuel licensee
490 location, 1%. (d) After distribution of moneys pursuant to subsection
491 (b) or (c), the state treasurer, not less than once each week, shall
492 remit the balance in the account for each lottery gaming machine

493 operator to such lottery gaming machine operator. (e) After
494 distribution of moneys pursuant to subsection (b) or (c), the state
495 treasurer, not less than once each week, shall remit the balance in
496 the account for each lottery gaming machine operator to such lottery
497 gaming machine operator.

498 **Sec 9.** (a) Except as when authorized in accordance with subsection
499 (c), it is unlawful for any bingo licensee or pari-mutuel licensee to
500 allow any person to play electronic gaming machines or share in
501 winnings of a person knowing such person to be: (1) Under 21 years of
502 age; (2) the executive director, a member of the commission or an
503 employee of the Kansas lottery; (3) an officer or employee of a
504 vendor contracting with the Kansas lottery to supply gaming equipment
505 or tickets to the Kansas lottery for use in the operation of any
506 lottery conducted pursuant to this act; (4) a spouse, child,
507 stepchild, brother, stepbrother, sister, stepsister, parent or
508 stepparent of a person described by subsection (a)(2) or (3); or (5)
509 a person who resides in the same household as any person described by
510 subsection (a)(2) or (3). (b) Violation of subsection (a) is a class
511 A nonperson misdemeanor upon conviction for a first offense.
512 Violation of subsection (a) is a severity level 9, nonperson felony
513 upon conviction for a second or subsequent offense. (c) The executive
514 director may authorize in writing any employee of the Kansas lottery
515 and any employee of a lottery vendor to play an electronic gaming
516 machine to verify the proper operation thereof with respect to
517 security and contract compliance. Any prize awarded as a result of
518 such ticket purchase shall become the property of the Kansas lottery
519 and be added to the prize pools of subsequent lottery games. No money
520 or merchandise shall be awarded to any employee playing an electronic
521 gaming machine pursuant to this subsection.

522 **Sec. 10.** Each lottery gaming machine operator shall post one or more
523 signs at the operator's bingo licensee location or pari-mutuel
524 licensee location to inform patrons of the toll-free number available
525 to provide information and referral services regarding compulsive or

526 problem gambling. The text shall be determined by the secretary of
527 the department of health and environment. Failure by a lottery gaming
528 machine operator to post and maintain such signs shall be cause for
529 the imposition of a fine not to exceed \$500 per day.

530 **Sec. 11.** Each lottery gaming machine operator shall provide access
531 for the executive director, the executive director's designee or the
532 commission to all its records and the physical premises where the
533 electronic gaming machine activities occur for the purpose of
534 monitoring or inspecting the electronic gaming machines and gaming
535 equipment. None of the information disclosed pursuant to this
536 subsection shall be subject to disclosure under the Kansas open
537 records act, K. S. A. 45-216 et seq., and amendments thereto.

538 **Sec. 12.** (a) Wagers shall be received only from a person at a bingo
539 licensee location or pari-mutuel licensee location. No person present
540 at a bingo licensee location or pari-mutuel licensee location shall
541 place or attempt to place a wager on behalf of another person who is
542 not present at the bingo licensee location or pari-mutuel licensee
543 location. (b) Violation of this section is a class A nonperson
544 misdemeanor upon a conviction for a first offense. Violation of this
545 section is a severity level 9, nonperson felony upon conviction for a
546 second or subsequent offense.

547 **Sec. 13.** A person under age 21 shall not be permitted in an area of a
548 bingo licensee location or pari-mutuel licensee location where gaming
549 is being conducted, except for a person at least 18 years of age who
550 is an employee of the bingo licensee or pari-mutuel licensee. No
551 employee under age 21 shall perform any function involved in gaming
552 by the patrons. No person under age 21 shall be permitted to make a
553 wager on an electronic gaming machine.

554 **Sec. 14.** Pursuant to section 2 of the federal act entitled "An Act to
555 Prohibit Transportation of Gambling Devices in Interstate and Foreign
556 Commerce, "15 U. S. C. 1171 through 1777, the state of Kansas, acting
557 by and through the duly elected and qualified members of the

558 legislature, does hereby in this section, and in accordance with and
559 in compliance with the provisions of section 2 of such federal act,
560 declare and proclaim that it is exempt from the provision of section
561 2 of such federal act to the extent that such gambling devices are
562 being transported to or from the Kansas lottery or to or from a
563 lottery gaming machine operator at a bingo licensee location or pari-
564 mutuel licensee location within the state of Kansas.

565 **Sec. 15.** Except for persons acting in accordance with rules and
566 regulations of the Kansas lottery, rules and regulations of the
567 secretary of revenue adopted pursuant to K. S. A. 79-4708, and
568 amendments thereto, and rules and regulations of the Kansas racing
569 and gaming commission in performing installation, maintenance and
570 repair services, any person who, with the intent to manipulate the
571 outcome, pay-off or operation of an electronic gaming machine,
572 manipulates the outcome, pay-off or operation of an electronic gaming
573 machine by physical, electrical or mechanical means shall be guilty
574 of a severity level 8, nonperson felony.

575

576 **Sec 16.** Nothing in this act shall restrict the jurisdiction of the
577 administrator of charitable gaming to regulate activities conducted
578 at bingo licensee locations, including the premises on which
579 electronic gaming machines are operated. Nothing in this act shall
580 restrict the jurisdiction of the Kansas racing and gaming commission
581 to regulate activities conducted at pari-mutuel licensee locations,
582 including the premises on which electronic gaming machines are
583 operated. The days and hours of operation and the number of
584 electronic gaming machines shall not be restricted unless otherwise
585 authorized by this act.

586

587 **Sec 17.** (a) The administrator of charitable gaming and the
588 administrator's designated employees may observe and inspect all
589 electronic gaming machines and facilities operated by bingo

590 licensees. (b) The administrator of charitable gaming may examine, or
591 cause to be examined by any agent or representative designated by the
592 administrator, any books, papers, records or memoranda of any bingo
593 licensee, or of any business involved in electronic gaming, for the
594 purpose of ascertaining compliance with any provision of this act or
595 any rules and regulations adopted hereunder. (c) The secretary of
596 revenue, upon recommendation of the administrator of charitable
597 gaming, may adopt rules and regulations with respect to security,
598 safety and honest conduct at all bingo licensee locations. (d) The
599 administrator of charitable gaming shall have the power to
600 investigate alleged violations of this act and any rules and
601 regulations, orders and final decisions of the administrator. (e) The
602 administrator of charitable gaming shall have the power to authorize
603 security measures required in any areas where electronic gaming
604 machines are located. (f) The administrator of charitable gaming
605 shall have the power to take any other action as may be reasonable or
606 appropriate to enforce the provisions of this act and any rules and
607 regulations, orders and final decisions of the administrator.

608 **Sec 18.** (a) The Kansas racing and gaming commission and its
609 designated employees may observe and inspect all electronic gaming
610 machines and facilities operated by pari-mutuel licensees. (b) The
611 Kansas racing and gaming commission may examine, or cause to be
612 examined by any agent or representative designated by such
613 commission, any books, papers, records or memoranda of any pari-
614 mutuel licensee, or of any business involved in electronic gaming,
615 for the purpose of ascertaining compliance with any provision of this
616 act or any rules and 14 regulations adopted hereunder. (c) The Kansas
617 racing and gaming commission may adopt rules and regulations with
618 respect to security, safety and honest conduct at all pari-mutuel
619 licensee locations. (d) The Kansas racing and gaming commission shall
620 have the power to investigate alleged violations of this act and any
621 rules and regulations, orders and final decisions of such commission.
622 (e) The Kansas racing and gaming commission shall have the power to

623 authorize security measures required in any areas where electronic
624 gaming machines are located. (f) The Kansas racing and gaming
625 commission shall have the power to take any other action as may be
626 reasonable or appropriate to enforce the provisions of this act and
627 any rules and regulations, orders and final decisions of such
628 commission.

629 **Sec 19.** (a) It is a class A nonperson misdemeanor for the executive
630 director, any member of the lottery commission, any employee of the
631 Kansas lottery or any member, employee or appointee of the Kansas
632 racing and gaming commission, including stewards and racing judges,
633 knowingly to: (1) Participate in the operation of or have a financial
634 interest in any business which has been issued a concessionaire
635 license, racing or wagering or electronic gaming machine equipment or
636 services license, facility owner license or facility manager license,
637 or any business which sells goods or services to an organization
638 licensee; (2) participate directly or indirectly as an owner,
639 operator, manager or consultant in electronic gaming in Kansas; (3)
640 place a wager on or bet or play an electronic gaming machine in
641 Kansas; (4) accept any compensation, gift, loan, entertainment, favor
642 or service from any pari-mutuel licensee, except such suitable
643 facilities and services within a racetrack facility operated by an
644 organization licensee as may be required to facilitate the
645 performance of the executive director's, member's, employee's or
646 appointee's official duties; (5) enter into any business dealing,
647 venture or contract with an owner or lessee of a pari-mutuel licensee
648 location in Kansas; or (6) engage in any activity described in
649 subsection (a) (1), (2), (4) or (5) within two years from the last
650 day of service as such executive director, member, employee or
651 appointee. (b) It is a class A nonperson misdemeanor for the
652 administrator of charitable gaming or any employee or agent of the
653 administrator, knowingly to: (1) Participate in the operation of or
654 have a financial interest in any business which has been issued an
655 electronic gaming machine equipment 15 or services license; (2)

656 participate directly or indirectly as an owner, operator, manager or
657 consultant in electronic gaming in Kansas; (3) place a wager on or
658 bet or play an electronic gaming machine in Kansas; (4) accept any
659 compensation, gift, loan, entertainment, favor or service from any
660 bingo licensee, except such suitable facilities and services at a
661 bingo licensee location as may be required to facilitate the
662 performance of the administrator's, employee's or appointee's
663 official duties; (5) enter into any business dealing, venture or
664 contract with an owner or lessee of a bingo licensee location in
665 Kansas; or (6) engage in any activity described in subsection (b) (
666 1), (2), (4) or (5) within two years from the last day of service as
667 such administrator, employee or agent. (c) It is a severity level 8,
668 nonperson felony for any person playing or using any electronic
669 gaming machine at a bingo licensee location or pari-mutuel licensee
670 location in Kansas knowingly to: (1) Use other than a lawful coin or
671 legal tender of the United States of America, or to use coin not of
672 the same denomination as the coin intended to be used in an
673 electronic gaming machine, except that in the playing of any
674 electronic gaming machine or similar gaming device, it shall be
675 lawful for any person to use gaming billets, tokens or similar
676 objects therein which are approved by the Kansas lottery; (2) possess
677 or use, while on the premises of a bingo licensee location or pari-
678 mutuel licensee location any cheating or thieving device, including
679 but not limited to, tools, wires, drills, coins attached to strings
680 or wires or electronic or magnetic devices to facilitate removing
681 from any electronic gaming machine any money or contents thereof,
682 except that a duly authorized agent or employee of the administrator
683 of charitable gaming, the Kansas lottery, the Kansas racing and
684 gaming commission, a bingo licensee or a pari-mutuel licensee may
685 possess and use any of the foregoing only in furtherance of the
686 agent's or employee's employment at the bingo licensee location or
687 pari-mutuel licensee location; or (3) possess or use while on the
688 premises of any bingo licensee location or pari-mutuel licensee

689 location any key or device designed for the purpose of or suitable
690 for opening or entering any electronic gaming machine or similar
691 gaming device or drop box, except that a duly authorized agent or
692 employee of the administrator of charitable gaming, the Kansas
693 lottery, the Kansas racing and gaming commission, a bingo licensee or
694 a pari-mutuel licensee may possess and use any of the foregoing only
695 in furtherance of the agent's or employee's employment at the bingo
696 licensee location or pari-mutuel licensee location.

697 **Sec 20.** (a) No bingo licensee shall permit any business not 16 owned
698 and operated by the bingo licensee to provide electronic gaming
699 machine equipment or services, as designated by rules and regulations
700 of the commission, to a bingo licensee unless such business has been
701 issued an electronic gaming machine equipment or services license by
702 the executive director. No organization licensee or facility manager
703 licensee shall permit any business not owned and operated by the
704 organization licensee to provide electronic gaming machine equipment
705 or services, as designated by rules and regulations of the
706 commission, to an organization licensee unless such business has been
707 issued an electronic gaming machine equipment or services license by
708 the executive director. Such equipment and services shall include,
709 but are not limited to, surveillance, electronic computer components,
710 random number generator or cabinet thereof and token redemption
711 equipment or services. (b) Businesses required to be licensed
712 pursuant to this section shall apply for electronic gaming machine
713 equipment or services licenses in a manner and upon forms prescribed
714 and furnished by the executive director. The executive director shall
715 require disclosure of information about the owners and officers of
716 each applicant and may require such owners and officers to submit to
717 fingerprinting. The executive director also may require disclosure of
718 information about and fingerprinting of such employees of each
719 applicant as the commission considers necessary. Electronic gaming
720 machine equipment or services licenses shall be issued for a period
721 of time established by the executive director but not to exceed 10

722 years. The commission, by rules and regulations, shall establish a
723 schedule of application fees and license fees for electronic gaming
724 machine equipment or services licenses based upon the type and size
725 of business. The application fee shall not be refundable if the
726 business fails to qualify for a license. If the application fee is
727 insufficient to pay the reasonable expenses of processing the
728 application and investigating the applicant's qualifications for
729 licensure, the executive director shall require the applicant to pay
730 to the Kansas lottery, at such times and in such form as required by
731 the executive director, any additional amounts necessary to pay such
732 expenses. No license shall be issued to an applicant until the
733 applicant has paid such additional amounts in full, and such amounts
734 shall not be refundable except to the extent that they exceed the
735 actual expenses of processing the application and investigating the
736 applicant's qualifications for licensure. (c) The executive director
737 may require applicants as a condition of licensure to consent to
738 allow agents of the Kansas bureau of investigation or security
739 personnel of the Kansas lottery to search without warrant the
740 licensee's premises and personal property and the persons of its
741 owners, officers and employees while engaged in the licensee's
742 business within the premises of the bingo licensee or within the
743 racetrack facility or adjacent facilities under the control of the
744 organization licensee, for the purpose of investigating criminal
745 violations of this act or violations of rules and regulations of the
746 commission. (d) The executive director may refuse to issue an
747 electronic gaming machine equipment or services license to any
748 business if any person having an ownership interest in such business,
749 any person who is an officer of such business or any person employed
750 by such business within the racetrack facility or premises of the
751 bingo licensee: (1) Has been convicted of a felony in a court of any
752 state or of the United States or has been adjudicated in the last 10
753 years, in any such court of committing as a juvenile an act which, if
754 committed by an adult, would constitute a felony; (2) has been

755 convicted of a violation of any law of any state or of the United
756 States involving gambling or controlled substances or has been
757 adjudicated in the last 10 years in any such court of committing as a
758 juvenile an act which, if committed by an adult, would constitute
759 such a violation; (3) fails to disclose any material fact or provides
760 information, knowing such information to be false, in connection with
761 the application for the license; (4) has been found by the executive
762 director to have violated any provision of this act or any rule and
763 regulation of the executive director; or (5) has failed to meet any
764 monetary or tax obligation to the federal government or to any state
765 or local government. (e) The executive director may suspend or revoke
766 the electronic gaming machine equipment or services license of any
767 business for any reason which would justify refusal to issue such a
768 license. (f) The commission may provide by rules and regulations for
769 the temporary suspension of an electronic gaming machine equipment or
770 services license. Such suspension shall be for a period not exceeding
771 30 days. Upon expiration of such suspension, the license shall be
772 restored unless the license has been suspended or revoked as a result
773 of proceedings conducted pursuant to subsection (e).

774 **Sec 21.** No taxes, fees, charges, transfers or distributions, other
775 than those provided for in this act, shall be made or levied from or
776 against the net machine income of the Kansas lottery by any city,
777 county or other municipality.

778 **Sec 22.** Each lottery gaming machine operator shall hold the executive
779 director of the Kansas lottery, the Kansas lottery commission, the
780 executive director of the Kansas racing and gaming commission, the
781 Kansas racing and gaming commission, the secretary of revenue, the
782 administrator of charitable gaming and the state harmless from and
783 defend 18 and pay for the defense of any and all claims which may be
784 asserted against the executive director, the commission, the
785 executive director of the Kansas racing and gaming commission, the
786 Kansas racing and gaming commission, the secretary of revenue, the
787 administrator of charitable gaming and the state, or the agents or

788 employees thereof, arising from electronic gaming machines located at
789 the bingo licensee location or pari-mutuel licensee location of such
790 lottery gaming machine operator. The provisions of this section shall
791 not apply to any claims arising from the negligence or willful
792 misconduct of the executive director, the commission, the executive
793 director of the Kansas racing and gaming commission, the Kansas
794 racing and gaming commission, the secretary of revenue, the
795 administrator of charitable gaming and the state, or the agents or
796 employees thereof.

797 **Sec 23.** (a) There is hereby established in the state treasury the
798 veterans' services trust fund. Moneys in such fund shall be used only
799 for the establishment and maintenance of the state system of
800 veterans' cemeteries, establishment and maintenance of the state
801 veterans' homes and expansion of program to promote veterans benefit
802 awareness. (b) All expenditures from the veterans' services trust
803 fund shall be made in accordance with appropriation acts upon
804 warrants of the director of accounts and reports issued pursuant to
805 vouchers approved by the executive director of the Kansas commission
806 of veterans' affairs or by a person designated by the executive
807 director.

808 **Sec. 24.** K. S. A. 2001 Supp. 74-8710 is hereby amended to read as
809 follows: 74-8710. (a) The commission, upon the recommendation of the
810 executive director, shall adopt rules and regulations governing the
811 establishment and operation of a state lottery as necessary to carry
812 out the purposes of this act. Temporary rules and regulations may be
813 adopted by the commission without being subject to the provisions and
814 requirements of K. S. A. 77-415 through 77-438, and amendments
815 thereto, but shall be subject to approval by the attorney general as
816 to legality and shall be filed with the secretary of state and
817 published in the Kansas register. Temporary and permanent rules and
818 regulations may include but shall not be limited to: (1) Subject to
819 the provisions of subsection (c), the types of lottery games to be
820 conducted, including but not limited to instant lottery, on-line and

821 traditional games, but not including games on video lottery machines
822 or lottery machines *and the types of electronic gaming machines to be*
823 *operated at bingo licensee locations and pari-mutuel licensee*
824 *locations.* (2) The manner of selecting the winning tickets or shares,
825 except that, if a lottery game utilizes a drawing of winning numbers,
826 a drawing among entries or a drawing among finalists, such drawings
827 shall always be open to the public and shall be recorded on both
828 video and audio tape. 19 (3) The manner of payment of prizes to the
829 holders of winning tickets or shares. (4) The frequency of the
830 drawings or selections of winning tickets or shares. (5) The type or
831 types of locations at which tickets or shares may be sold. (6) The
832 method or methods to be used in selling tickets or shares. (7)
833 Additional qualifications for the selection of lottery retailers and
834 the amount of application fees to be paid by each. (8) The amount and
835 method of compensation to be paid to lottery retailers, including
836 special bonuses and incentives. (9) Deadlines for claims for prizes
837 by winners of each lottery game. (10) Provisions for confidentiality
838 of information submitted by vendors pursuant to K. S. A. 74-8705, and
839 amendments thereto. (11) Information required to be submitted by
840 vendors, in addition to that required by K. S. A. 74-8705, and
841 amendments thereto. (12) The major procurement contracts or portions
842 thereof to be awarded to minority business enterprises pursuant to
843 subsection (a) of K. S. A. 74-8705, and amendments thereto, and
844 procedures for the award thereof. (13) *Rules and regulations to*
845 *implement, administer and enforce the provisions of the Kansas gaming*
846 *revenue recovery act.* (b) No new lottery game shall commence
847 operation after the effective date of this act unless first approved
848 by the governor or, in the governor's absence or disability, the
849 lieutenant governor. (c) The lottery shall adopt rules and
850 regulations concerning the game of keno. Such rules and regulations
851 shall require that the amount of time which elapses between the start
852 of games shall not be less than four minutes.

853 Sec. 25. K. S. A. 2001 Supp. 74-8711 is hereby amended to read as
854 follows: 74-8711. (a) There is hereby established in the state
855 treasury the lottery-operating fund. (b) *Except as otherwise provided*
856 *by the Kansas gaming revenue recovery act*, the executive director
857 shall remit all moneys collected from the sale of lottery tickets and
858 shares and any other moneys received by or on behalf of the Kansas
859 lottery to the state treasurer in accordance with the provisions of
860 K. S. A. 75-4215, and amendments thereto. Upon receipt of each such
861 remittance, the state treasurer shall deposit the entire amount in
862 the state treasury to the credit of the lottery-operating fund.
863 Moneys credited to the fund shall be expended or transferred only as
864 provided by this act. Expenditures from such fund shall be made in
865 accordance with appropriations acts upon warrants of the director of
866 accounts and reports issued pursuant to vouchers approved by the
867 executive 20 director or by a person designated by the executive
868 director. (c) Moneys in the lottery operating fund shall be used for:
869 (1) The payment of expenses of the lottery, which shall include all
870 costs incurred in the operation and administration of the Kansas
871 lottery, *other than expenses incurred pursuant to the Kansas gaming*
872 *revenue recovery act*; all costs resulting from contracts entered into
873 for the purchase or lease of goods and services needed for operation
874 of the lottery, including but not limited to supplies, materials,
875 tickets, independent studies and surveys, data transmission,
876 advertising, printing, promotion, incentives, public relations,
877 communications and distribution of tickets and shares; and
878 reimbursement of costs of facilities and services provided by other
879 state agencies; (2) the payment of compensation to lottery retailers;
880 (3) transfers of moneys to the lottery prize payment fund pursuant to
881 K. S. A. 74-8712, and amendments thereto; (4) transfers to the state
882 general fund pursuant to K. S. A. 74-8713, and amendments thereto;
883 (5) transfers to the state gaming revenues fund pursuant to
884 subsection (d) of this section and as otherwise provided by law; and
885 (6) transfers to the county reappraisal fund as prescribed by law.

886 (d) The director of accounts and reports shall transfer moneys in the
887 lottery operating fund to the state gaming revenues fund created by
888 K. S. A. 79-4801, and amendments thereto, on or before the 15th day
889 of each month in an amount certified monthly by the executive
890 director and determined as follows, whichever is greater: (1) An
891 amount equal to the moneys in the lottery operating fund in excess of
892 those needed for the purposes described in subsections (c) (1)
893 through (c) (4); or (2) except for pull-tab lottery tickets and
894 shares, an amount equal to not less than 30% of total monthly
895 revenues from the sales of lottery tickets and shares less estimated
896 returned tickets. In the case of pull-tab lottery tickets and shares,
897 an amount equal to not less than 20% of the total monthly revenues
898 from the sales of pull-tab lottery tickets and shares less estimated
899 returned tickets.

900 **Sec. 26.** K. S. A. 2001 Supp. 74-8836 is hereby amended to read as
901 follows: 74-8836. (a) *Except as provided by subsection (1),* any
902 organization licensee that conducts at least 150 days of live racing
903 during a calendar year or a fair association that conducts fewer than
904 22 days of live racing during a calendar year may apply to the
905 commission for a simulcasting license to display simulcast horse or
906 greyhound races and to conduct intertrack pari-mutuel wagering
907 thereon. If the organization licensee conducts races at a racetrack
908 facility that is owned by a facility owner licensee, both licensees
909 shall join in the application. A simulcasting license granted 21 to a
910 fair association that conducts fewer than 22 days of live racing
911 shall restrict the fair association's display of simulcast races to a
912 number of days, including days on which it conducts live races, equal
913 to not more than twice the number of days on which it conducts live
914 races. (b) (1) A simulcasting license granted to an organization
915 licensee other than a fair association shall authorize the display of
916 simulcast races at the racetrack facility where the live races are
917 conducted so long as the licensee conducts at least eight live races
918 per day and an average of 10 live races per day per week. If a

919 simulcasting licensee conducts live horse races on a day when
920 simulcast races are displayed by the licensee and the licensee
921 conducts fewer than an average of 10 live horse races per day per
922 week, not less than 80% of the races on which wagers are taken by the
923 licensee during such week shall be live races conducted by the
924 licensee unless approved by the recognized horsemen's group or upon a
925 finding by the commission that the organization licensee was unable
926 to do so for reasonable cause. If a simulcast licensee conducts live
927 greyhound races on a day when simulcast races are displayed by the
928 licensee and the licensee schedules fewer than 13 live greyhound
929 races during a performance on such day, not less than 80% of the
930 races on which wagers are taken by the licensee during such
931 performance shall be live races conducted by the licensee. (2) A
932 simulcasting license granted to a fair association shall authorize
933 the display of simulcast races at the racetrack facility where the
934 races are conducted only if live races are scheduled for two or more
935 days of the same calendar week, except that the licensee may conduct
936 simulcast races in the week immediately before and immediately after
937 a live meeting if the total number of days on which simulcast races
938 are displayed does not exceed the total authorized in subsection (a).
939 In no case shall the live meet or simulcast races allowed under this
940 subsection exceed 10 consecutive weeks. For purposes of this
941 subsection, a calendar week shall be measured from Monday through the
942 following Sunday. (3) Notwithstanding the provisions of subsection
943 (a), (b)(1) or (b)(2), a fair association may apply to the
944 commission for not more than five additional days of simulcasting of
945 special events. In addition, the commission may authorize a fair
946 association to display additional simulcast races but, if such fair
947 association is less than 100 miles from an organization licensee that
948 is not a fair association, it also shall secure written consent from
949 that organization licensee. (4) Notwithstanding the provisions of
950 subsection (b)(1), if an emergency causes the cancellation of all or
951 any live races scheduled for a day or performance by a simulcasting

952 licensee, the commission or the commission's designee may authorize
953 the licensee to display any simulcast races previously scheduled for
954 such day or performance. 22 (5) Notwithstanding the provisions of
955 subsection (b) (1), the commission may authorize the licensee to
956 display simulcast special racing events as designated by the
957 commission. (c) The application for a simulcasting license shall be
958 filed with the commission at a time and place prescribed by rules and
959 regulations of the commission. The application shall be in a form and
960 include such information as the commission prescribes. (d) To qualify
961 for a simulcasting license the applicant shall: (1) Comply with the
962 interstate horse racing act of 1978 (15 U. S. C. 3001 *et seq.*) as in
963 effect December 31, 1991; (2) submit with the application a written
964 approval of the proposed simulcasting schedule signed by: (A) The
965 recognized horsemen's group for the track, if the applicant is
966 licensed to conduct only horse races; (B) the recognized greyhound
967 owners' group, if the applicant is licensed to conduct only greyhound
968 races and only greyhound races are to be simulcast; (C) both the
969 recognized greyhound owners' group and a recognized horsemen's group,
970 if the applicant is licensed to conduct only greyhound races and
971 horse races are to be simulcast; (D) the recognized greyhound owners'
972 group, if the applicant is licensed to conduct both greyhound and
973 horse races, only greyhound races are to be simulcast and races are
974 to be simulcast only while the applicant is conducting live greyhound
975 races; (E) the recognized horsemen's group for the track, if the
976 applicant is licensed to conduct both greyhound and horse races, only
977 horse races are to be simulcast and races are to be simulcast only
978 while the applicant is conducting live horse races; or (F) both the
979 recognized greyhound owners' group and the recognized horsemen's
980 group for the track, if the applicant is licensed to conduct both
981 greyhound races and horse races and horse races are to be simulcast
982 while the applicant is conducting live greyhound races or greyhound
983 races are to be simulcast while the applicant is conducting live
984 horse races; and (3) submit, in accordance with rules and regulations

985 of the commission and before the simulcasting of a race, a written
986 copy of each contract or agreement which the applicant proposes to
987 enter into with regard to such race, and any proposed modification of
988 any such contract or agreement. (e) The term of a simulcasting
989 license shall be one year. (f) A simulcasting licensee may apply to
990 the commission or its designee for changes in the licensee's approved
991 simulcasting schedule if such changes are approved by the respective
992 recognized greyhound owners' group or recognized equestrians' group
993 needed throughout the term of the license. Application shall be made
994 upon forms furnished by the commission and shall contain such
995 information as the commission prescribes. (g) Except as provided by
996 subsection (j), the takeout for simulcast 23 horse and greyhound
997 races shall be the same as it is for the live horse and greyhound
998 races conducted during the current or next live race meeting at the
999 racetrack facility where the simulcast races are displayed. For
000 simulcast, races the tax imposed on amounts wagered shall be as
001 provided by K. S. A. 74-8823, and amendments thereto. Of the balance
002 of the takeout remaining after deduction of taxes, an amount equal to
003 a percentage, to be determined by the commission, of the gross sum
004 wagered on simulcast races shall be used for purses, as follows: (1)
005 For greyhound races conducted by the licensee, if the simulcast race
006 is a greyhound race and the licensee conducts only live greyhound
007 races; (2) for horse races conducted by the licensee, if the
008 simulcast race is a horse race and the licensee conducts only live
009 horse races; (3) for horse races and greyhound races, as determined
010 by both the recognized horsemen's group and the recognized greyhound
011 owners' group, if the simulcast race is a greyhound race and the
012 licensee does not conduct or is not currently conducting live
013 greyhound races; or (4) for horse races and greyhound races, as
014 determined by both the recognized horsemen's group and the recognized
015 greyhound owners' group, if the simulcast is a horse race and the
016 licensee does not conduct or is not currently conducting live horse
017 races. That portion of simulcast purse money determined to be used

018 for horse purses shall be apportioned by the commission to the
019 various horse race meetings held in any calendar year based upon the
020 number of live horse race dates comprising such horse race meetings
021 in the preceding calendar year. (h) Except as provided by subsection
022 (j): (1) If a simulcasting licensee has a license to conduct live
023 horse races and the licensee displays a simulcast horse race: (A) All
024 breakage proceeds shall be remitted by the licensee to the commission
025 not later than the 15th day of the month following the race from
026 which the breakage is derived and the commission shall remit any such
027 proceeds received to the state treasurer in accordance with the
028 provisions of K. S. A. 75-4215, and amendments thereto. Upon receipt
029 of each such remittance, the state treasurer shall deposit the entire
030 amount in the state treasury to the credit of the Kansas horse
031 breeding development fund created by K. S. A. 74-8829, and amendments
032 thereto; and (B) all unclaimed ticket proceeds shall be remitted by
033 the licensee to the commission on the 61st day after the end of the
034 calendar year and the commission shall remit any such proceeds
035 received to the state treasurer in accordance with the provisions of
036 K. S. A. 75-4215, and amendments thereto. Upon receipt of each such
037 remittance, the state treasurer shall deposit the entire amount in
038 the state treasury to the credit of the Kansas horse breeding
039 development fund created by K. S. A. 74-8829, and amendments thereto.
040 24 (2) If a simulcasting licensee has a license to conduct live
041 greyhound races and the licensee displays a simulcast greyhound race,
042 breakage and unclaimed winning ticket proceeds shall be distributed
043 in the manner provided by K. S. A. 74-8821 and 74-8822, and
044 amendments thereto, for breakage and unclaimed winning ticket
045 proceeds from live greyhound races. (3) If a simulcasting licensee
046 has a license to conduct live racing of only horses and the licensee
047 displays a simulcast greyhound race, unclaimed winning ticket
048 proceeds shall be distributed in the manner provided by K. S. A. 74-
049 8822, and amendments thereto, for unclaimed winning ticket proceeds
050 from live greyhound races. Breakage for such races shall be

051 distributed for use to benefit greyhound racing as determined by the
052 commission. (4) If a simulcasting licensee has a license to conduct
053 live racing of only greyhounds and the licensee displays a simulcast
054 horse race: (A) All breakage proceeds shall be remitted by the
055 licensee to the commission not later than the 15th day of the month
056 following the race from which the breakage is derived and the
057 commission shall remit any such proceeds received to the state
058 treasurer in accordance with the provisions of K. S. A. 75-4215, and
059 amendments thereto. Upon receipt of each such remittance, the state
060 treasurer shall deposit the entire amount in the state treasury to
061 the credit of the Kansas horse breeding development fund created by
062 K. S. A. 74-8829, and amendments thereto; and (B) all unclaimed
063 ticket proceeds shall be remitted by the licensee to the commission
064 on the 61st day after the end of the calendar year and the commission
065 shall remit any such proceeds received to the state treasurer in
066 accordance with the provisions of K. S. A. 75-4215, and amendments
067 thereto. Upon receipt of each such remittance, the state treasurer
068 shall deposit the entire amount in the state treasury to the credit
069 of the Kansas horse breeding development fund created by K. S. A. 74-
070 8829, and amendments thereto. (i) The commission may approve a
071 request by two or more simulcasting licensees to combine wagering
072 pools within the state of Kansas pursuant to rules and regulations
073 adopted by the commission. (j) (1) The commission may authorize any
074 simulcasting licensee to participate in an interstate combined
075 wagering pool with one or more other racing jurisdictions. (2) If a
076 licensee participates in an interstate pool, the licensee may adopt
077 the takeout of the host jurisdiction or facility. The amount and
078 manner of paying purses from the takeout in an interstate pool shall
079 be as provided by subsection (g). (3) The tax imposed on amounts
080 wagered in an interstate pool shall be as provided by K. S. A. 74-
081 8823, and amendments thereto. Pari-mutuel taxes may not be imposed on
082 any amounts wagered in an interstate combined wagering pool other
083 than amounts wagered within this jurisdiction. (4) Breakage for

084 interstate combined wagering pools shall be calculated in accordance
085 with the statutes and rules and regulations of the host jurisdiction
086 and shall be allocated among the participating jurisdictions in a
087 manner agreed to among the jurisdictions. Breakage allocated to this
088 jurisdiction shall be distributed as provided by subsection (h). (5)
089 Upon approval of the respective recognized greyhound owners' group or
090 recognized horsemen's group, the commission may permit an
091 organization licensee to simulcast to other racetrack facilities or
092 off-track wagering or intertrack wagering facilities in other
093 jurisdictions one or more races conducted by such licensee, use one
094 or more races conducted by such licensee for an intrastate combined
095 wagering pool or use one or more races conducted by such licensee for
096 an interstate combined wagering pool at off-track wagering or
097 intertrack wagering locations outside the commission's jurisdiction
098 and may allow pari-mutuel pools in other jurisdictions to be combined
099 with pari-mutuel pools in the commission's jurisdiction for the
100 purpose of establishing an interstate combined wagering pool. (6) The
101 participation by a simulcasting licensee in a combined inter-state
102 wagering pool does not cause that licensee to be considered to be
103 doing business in any jurisdiction other than the jurisdiction in
104 which the licensee is physically located. (k) If the organization
105 licensee, facility owner licensee if any and the recognized
106 horsemen's group or recognized greyhound owners' group are unable to
107 agree concerning a simulcasting application, the matter may be
108 submitted to the commission for determination at the written request
109 of any party in accordance with rules and regulations of the
110 commission. (l) *The commission, by rules and regulations, may provide*
111 *exceptions to the requirements of subsection (a) for the display of*
112 *simulcast racing at Eureka Downs and Anthony Downs.* (m) This section
113 shall be part of and supplemental to the Kansas pari-mutuel racing
114 act.

115 Sec. 27. K. S. A. 2001 Supp. 19-101a is hereby amended to read as
116 follows: 19-101a. (a) The board of county commissioners may transact

117 all county business and perform all powers of local legislation and
118 administration it deems appropriate, subject only to the following
119 limitations, restrictions or prohibitions: (1) Counties shall be
120 subject to all acts of the legislature which apply uniformly to all
121 counties. (2) Counties may not consolidate or alter county
122 boundaries. (3) Counties may not affect the courts located therein.
123 (4) Counties shall be subject to acts of the legislature prescribing
124 limits of indebtedness. 26 (5) In the exercise of powers of local
125 legislation and administration authorized under provisions of this
126 section, the home rule power conferred on cities to determine their
127 local affairs and government shall not be superseded or impaired
128 without the consent of the governing body of each city within a
129 county which may be affected. (6) Counties may not legislate on
130 social welfare administered under state law enacted pursuant to or in
131 conformity with public law No. 271- 74th congress, or amendments
132 thereof. (7) Counties shall be subject to all acts of the legislature
133 concerning elections, election commissioners and officers and their
134 duties as such officers and the election of county officers. (8)
135 Counties shall be subject to the limitations and prohibitions imposed
136 under K. S. A. 12-187 to 12-195, inclusive, and amendments thereto,
137 prescribing limitations upon the levy of retailers' sales taxes by
138 counties. (9) Counties may not exempt from or effect changes in
139 statutes made nonuniform in application solely by reason of
140 authorizing exceptions for counties having adopted a charter for
141 county government. (10) No county may levy ad valorem taxes under the
142 authority of this section upon real property located within any
143 redevelopment project area established under the authority of K. S.
144 A. 12-1772, and amendments thereto, unless the resolution authorizing
145 the same specifically authorized a portion of the proceeds of such
146 levy to be used to pay the principal of and interest upon bonds
147 issued by a city under the authority of K. S. A. 12-1774, and
148 amendments thereto. (11) Counties shall have no power under this
149 section to exempt from any statute authorizing or requiring the levy

150 of taxes and providing substitute and additional provisions on the
151 same subject, unless the resolution authorizing the same specifically
152 provides for a portion of the proceeds of such levy to be used to pay
153 a portion of the principal and interest on bonds issued by cities
154 under the authority of K. S. A. 12-1774, and amendments thereto. (12)
155 Counties may not exempt from or effect changes in the provisions of
156 K. S. A. 19-4601 through 19-4625, and amendments thereto. (13) Except
157 as otherwise specifically authorized by K. S. A. 12-1,101 through 12-
158 1,109, and amendments thereto, counties may not levy and collect
159 taxes on incomes from whatever source derived. (14) Counties may not
160 exempt from or effect changes in K. S. A. 19-430, and amendments
161 thereto. (15) Counties may not exempt from or effect changes in K. S.
162 A. 19-302, 19-502b, 19-503, 19-805 or 19-1202, and amendments
163 thereto. (16) (A) Counties may not exempt from or effect changes in
164 K. S. A. 13-13a26, and amendments thereto. (B) This provision shall
165 expire on June 30, 2003. 27 (17) (A) Counties may not exempt from or
166 effect changes in K. S. A. 2001 Supp. 71-301a, and amendments
167 thereto. (B) This provision shall expire on June 30, 2003. (18)
168 Counties may not exempt from or effect changes in K. S. A. 19-15,139,
169 19-15,140 and 19-15,141, and amendments thereto. (19) Counties may
170 not exempt from or effect changes in the provisions of K. S. A. 12-
171 1223, 12-1225, 12-1225a, 12-1225b, 12-1225c and 12-1226, and
172 amendments thereto, or the provisions of K. S. A. 12-1260 through 12-
173 1270 and 12-1276, and amendments thereto. (20) Counties may not
174 exempt from or effect changes in the provisions of K. S. A. 19-211,
175 and amendments thereto. (21) Counties may not exempt from or effect
176 changes in the provisions of K. S. A. 19-4001 through 19-4015, and
177 amendments thereto. (22) Counties may not regulate the production or
178 drilling of any oil or gas well in any manner which would result in
179 the duplication of regulation by the state corporation commission and
180 the Kansas department of health and environment pursuant to chapter
181 55 and chapter 65 of the Kansas Statutes Annotated and any rules and
182 regulations adopted pursuant thereto. Counties may not require any

183 license or permit for the drilling or production of oil and gas
184 wells. Counties may not impose any fee or charge for the drilling or
185 production of any oil or gas well. (23) Counties may not exempt from
186 or effect changes in K. S. A. 79-41a04, and amendments thereto. (24)
187 Counties may not exempt from or effect changes in K. S. A. 79-1611,
188 and amendments thereto. (25) Counties may not exempt from or effect
189 changes in K. S. A. 79-1494, and amendments thereto. (26) Counties
190 may not exempt from or effect changes in subsection (b) of K. S. A.
191 19-202, and amendments thereto. (27) Counties may not exempt from or
192 effect changes in subsection (b) of K. S. A. 19-204, and amendments
193 thereto. (28) Counties may not levy or impose an excise, severance or
194 any other tax in the nature of an excise tax upon the physical
195 severance and production of any mineral or other material from the
196 earth or water. (29) Counties may not exempt from or effect changes
197 in K. S. A. 79-2017 or 79-2101, and amendments thereto. (30) Counties
198 may not exempt from or effect changes in K. S. A. 2-3302, 2-3305, 2-
199 3307, 2-3318, 17-5904, 17-5908, 47-1219 or 65-171d or K. S. A. 2001
200 Supp. 17-5909 or 65-1,178 through 65-1,199, and amendments thereto.
201 (31) Counties may not exempt from or effect changes in K. S. A. 2001
202 Supp. 80-121, and amendments thereto. (32) Counties may not exempt
203 from or effect changes in K. S. A. 2001 28 Supp. 19-228, and
204 amendments thereto. (33) *Counties may not exempt from or effect*
205 *changes in the Kansas lottery act.* (b) Counties shall apply the
206 powers of local legislation granted in subsection (a) by resolution
207 of the board of county commissioners. If no
208 statutory authority exists for such local legislation other than that
209 set forth in subsection (a) and the local legislation proposed under
210 the authority of such subsection is not contrary to any act of the
211 legislature, such local legislation shall become effective upon
212 passage of a resolution of the board and publication in the official
213 county newspaper. If the legislation proposed by the board under
214 authority of subsection (a) is contrary to an act of the legislature
215 which is applicable to the particular county but not uniformly

216 applicable to all counties, such legislation shall become effective
217 by passage of a charter resolution in the manner provided in K. S. A.
218 19-101b, and amendments thereto. (c) Any resolution adopted by a
219 county which conflicts with the restrictions in subsection (a) is
220 null and void.

221 **Sec. 28.** K. S. A. 2001 Supp. 19-101a, 74-8702, 74-8710, 74-8711 and
222 74-8836 are hereby repealed. **Sec. 29.** This act shall take effect and
223 be in force from and after its publication in the statute book. 29

To: Senate Federal and State Affairs Committee

From: Larry Waldrop

Date: March 12, 2003

Re: Senate Bill 249; River Falls Casino; Edwardsville, Kansas

Honorable Chair Harrington and members of the committee, I am Larry Waldrop, a managing partner in the River Falls Casino project. I appreciate the opportunity to appear before the Senate Federal and State Affairs Committee to testify with respect to SB 249.

Senate Bill 249 has been introduced in the 2003 Kansas Legislative session, the Bill to amend the State Lottery Act allowing gaming machines at the existing pari-mutuel locations and other designated locations. The designated locations will require a vote of the people in the county of the proposed location, the approval of the local Government of the proposed site, the recommendation of the Executive Director of the Lottery and the Governor's approval. The Governor's decision will be based on the promotion of tourism and economic development for the State of Kansas.

The one location that will greatly promote tourism and create economic development for the State is the River Falls Casino in the City of Edwardsville. Located adjacent to Interstate 435 on Woodend Road, the property borders the Kansas River and Johnson County. The high visibility of this site, the existing road infrastructure and the close proximity to the State's largest and highest per-capita income population and the I-435 / I-70 tourism corridor, will create more income for the State than other proposed designated locations.

Tourism will be enhanced by the construction of a "first class" facility that will include a Class "A" hotel, quality restaurants, conference and meeting facilities and a 2,000-seat performance theatre for "Branson" type entertainment. Adding this facility to the existing I-70 / I-435 tourism corridor will broaden the area's appeal for the out of state tourist. It has been projected that Cabela's Outfitters and Nebraska Furniture Mart will attract up to 10 million visitors a year and River Falls Casino will ensure that these visitor's entertainment dollars stay in Kansas, instead going to Missouri for dining and gaming.

Economic development for the State will begin with the construction of the \$125 million facility, that will create 1,500 construction jobs and 1,500 to 2,000 permanent jobs required to operate the facility. In addition, the State will capture gaming tax revenue that is currently going to Missouri. Of the \$600 million revenue realized by the four-riverboat casinos in Kansas City, Missouri, it has been estimated that between 38% and 48% comes from Kansas' citizens. The State of Kansas is losing over \$70 million a year in tax revenue. Therefore, the State of Kansas will realize approximately \$50 million added to the general fund annually and the Department of Tourism will receive more than

SnFed St
03/12/03
Attach #12

\$10 million annually from this facility. Local governments will receive over \$10 million annually in revenue.

Why gaming in Kansas? This question can be answered many different ways. First, the State is currently losing millions a year in taxes to gaming facilities in Missouri. Second, the Federal government mandate of Tribal casinos will bring more gaming facilities to Kansas, with the State receiving no tax revenues. Third, tourism will increase in the State. In conclusion, the approval of gaming in Kansas will add revenue to the State's much-depleted budget and help prevent the elimination of many basic services to its citizens.

I appreciate the opportunity to share with you about SB 249 and would ask you please to support the passage of this bill.

Thank you.

**Testimony before Senate Federal and State Affairs
On Behalf of
Butler National Corporation**

By
Doug Lawrence
Capitol Consulting Group
800 SW Jackson, Suite 1300
Topeka, Kansas 66612

March 12, 2003

About Butler National Corporation:

Butler National is a Kansas Corporation based in Olathe, with facilities in Newton as well as other facilities in Florida and Arizona. Last year, Governor Bill Graves named Butler National 2002 Kansas Exporter of the year. The company provides a number of aviation modification services, avionics, defense electronics, environmental monitoring equipment and gaming management services.

Butler National Services Corporation provides management services for operation of the Stables, an Indian gaming facility in Miami Oklahoma.

Butler National Corporation supports SB 249 with modifications:

SB 249 provides an opportunity for a community that wants to enhance its local tourism efforts with a gaming facility to work with the Kansas Lottery and a developer to bring such a facility. Local approval is required, including a vote of the people.

SB 249 also provides a mechanism to enhance the operations of Horse and Dog tracks in the state and to provide benefits to the associated agricultural community.

Most Importantly, SB 249 offers the state a much-needed opportunity to increase its revenue base, at a time when the state faces significant budget shortfalls. We believe with some modifications, SB 249 offers a framework that can provide significant new revenues for the state in FY 2004, if properly structured.

The Bill structure should:

1. Generate significant state revenues in FY 2004.
2. Comply fully with the 1993 Kansas Supreme Court decision on the lottery
3. Provide a financial structure that offers a sustainable business plan that gives managers reasonable access to financial markets, and an opportunity to make a profit, while giving the state the maximum potential revenue stream.
4. Be non-exclusive
5. Not offer managers an indefinite franchise to operate these games.

In light of the structure we have outlined we would propose a number of changes to SB 249.

State Revenue Accelerator

We would suggest the addition of a requirement that, as the final step in the licensing and authorization process, the proposed operator be required to make a payment to the state of \$15,000 per authorized machine. That payment would be an acceleration of a portion of the state's share of future revenues, and would be recovered by deducting the advanced payment from the state's share of revenues over the course of a 5-year period. This provision would apply to all facilities authorized to conduct games, both racetrack and stand alone facilities.

We believe this accelerator has the potential of generating more than \$150 million for the state in FY 2004.

Model Business Structure after Federal Indian Gaming Regulatory Act

IGRA contains standards for approved management contracts, in which vendors provide management services and financing for construction and operation of Indian owned gaming facilities.

We suggest that those standards apply to stand-alone authorized facilities.

1. State would receive 70% of the net revenue after expenses
2. Manager would receive 30% of the net revenue after expenses
3. Expenses defined as outlined in IGRA, subject to negotiation with the Kansas Lottery.
4. Financing arranged and provided by the manager.
5. Contract terms limited to 7 years with transfer of the building to the state at the end of the contract period.

Why use the IGRA Model?

This model is functioning already in Kansas with the Indian Gaming Facilities. It is a business model that Butler National has successful operation experience with in Oklahoma.

Investment bankers, banks and others who would finance these facilities understand this model. It is demonstrated in Kansas and other markets where gaming is emerging.

This model increases the state's participation in the upside of financial models. This model can generate significantly more revenue for the state than that proposed by the racing industry.

This model meets a strict interpretation of the 1993 Kansas Supreme Court Case, which established the "owned and operated" test.

We are proposing that the IGRA model apply only to the stand-alone facilities, however we believe that it would work in all cases.

Dedicated Funding

Most bills have predefined percentages of revenue to be dedicated to various purposes. We do not presume to tell you how or where the state's share of this revenue stream is divided, but believe that those dedicated payments should come from the state's share, as they do in the other bills.

Summary

We support SB 249 with our proposed changes.

Those changes would provide the state with a substantial and predictable source of new revenue in FY 2004, give the state an equal or potentially larger share of the net revenues from gaming facilities, and a package that can be financed and implemented.

Butler National Corporation

www.butlernational.com | 913.780.9595 Phone | 913.780.5088 Fax
19920 W. 161st Street, Olathe, KS 66062



**BUTLER NATIONAL
IS THE CURRENT KANSAS
EXPORTER OF THE YEAR**

- **Butler National's parent corporation is a KANSAS corporation**
- **Butler National started as a new corporation in Mission, KS in 1960**
- **Eighty percent (80%) of Butler National's Board of Directors and seventy-five percent (75%) of Butler National's employees live in KANSAS**
- **We come from the roots of the Sunflower**
- **We are committed to improve the economic climate in KANSAS**
- **We sell products made in Kansas to over 50 countries**
- **We strive to hire Kansans**
- **We bring people educated in Kansas back to Kansas**

Aircraft Modifications:

The aircraft modification segment modifies small business and cargo type aircraft at our facility in Newton, Kansas. The modifications include aircraft conversion from passenger to freighter configuration, addition of aerial photography capability, stability enhancing modifications for Learjets, and other special mission modifications.

We are developing a solution for the upcoming requirements for reduced vertical separation minimums (allowing aircraft to fly closer together in altitude).

Defense Contracting & Electronics Overview:

Our Avionics and our Modifications Segments supply defense and commercial aviation products to the various agencies of the Department of Defense and the Federal Aviation Administration. The sale of these products directly to the United States and/or to other Department of State approved governments and contractors is the business of our Defense Contracting and Electronics Segment.

This is both a service and manufacturing oriented business segment. Engineering design and specialized manufacturing solutions are provided to maintain and update classic military and commercial aviation systems. In general, we provide a unique response to opportunities to update or extend the useful life of products with obsolete components and technology.



**AVCON INDUSTRIES
NEWTON, KANSAS**

Butler National Corporation has demonstrated its dedication to quality design and manufacturing for over forty years, and today Butler National employees continue to design and manufacture new solutions to meet those high standards.

SnFedSt
03/12/03
Attach #14

Avionics :

The avionics segment has had various agreements with Douglas, McDonnell Douglas, and Boeing Long Beach to manufacture and repair airborne switching units for Boeing McDonnell Douglas and its customers. Switching units are used to switch the presentation to the flight crew from one radio system to another, from one navigational system to another and to switch instruments in the aircraft.

Avionics provides new replacement units and overhaul service directly to the major airlines using the aircraft manufactured by McDonnell Douglas. This part of the avionics business segment offsets the loss of sales from the original equipment units.

Classic Aviation Products:

Our mission is to provide and support economical solutions for older aircraft, often referred to as "Classic" aircraft. As a result of more than 40 years in the aircraft switching unit business, we recognize the need to support many aircraft in the last half of their expected life.

We have adopted a business mission that promotes us as a designer and supplier of "Classic Aviation Products." Part of our Classic products mission is directed to supporting safety of flight for the Classic aircraft ("Safety Products").

Our Transient Suppression Device ("TSD") is one effective solution to the Federal Aviation Administration requirements to protect aircraft fuel tanks from hazardous energy levels.

Environmental Monitoring Overview:

Our environmental monitoring segment is engaged in the sale of monitoring and control equipment and the sale of monitoring services for water and wastewater remote pumping stations through electronic surveillance by radio or telephone. We contract with the government and private owners of water and wastewater remote pumping stations to provide both monitoring and preventive maintenance services for the customer.

Management and Services Overview:

This segment continually seeks opportunities for strategic management assistance where we have specialized management expertise. We provide management services to Indian tribes and others in connection with the Indian Gaming Regulatory Act of 1988. We have three management agreements in place.



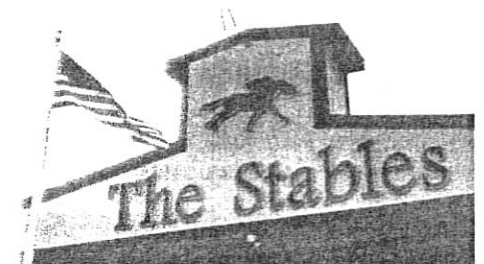
We provide management services for the "Stables," a Class III gaming establishment in Miami, Oklahoma, owned by the Miami and the Modoc Tribes. The Stables opened on September 21, 1998.

The Stables contributes approximately \$10 million in economic activity to the Miami economy each year. It provides new job opportunities, economic development and philanthropic endeavors to Northeast Oklahoma, Southeast Kansas and Southwest Missouri.

The Stables is a quality "cut above the others" establishment. The Stables draws customers from Arkansas, Kansas, Missouri and Oklahoma as well as many tourists from I-44. The Stables is located adjacent to the city of Miami, Oklahoma, a few minutes west of Interstate Route 44, (the famous U.S. Route 66).

The Stables, features all Class II games permitted under the Indian Gaming Regulatory Act, including high stakes bingo and pull-tabs. The Stables is unique in that it has an approved Class III gaming compact with the State of Oklahoma to offer Off-Track-Betting on horse racing ("OTB"). Both the OTB facility and the bingo operation feature state-of-the-art electronics and games.

The 24,000 square foot building includes the Stables Bingo hall, seating approximately 500 players, the "Clubhouse", a fine dining restaurant, the OTB area known as "Trackside" and an adjacent bar and lounge. The Stables employs approximately 130 people with an annual payroll in excess of \$1.5 million.



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. #249

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. *We support #249*
We do not support #208 or #226

John McCoy

Sn Fed St
03/12/03
Attach #15

Gary Smith

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.

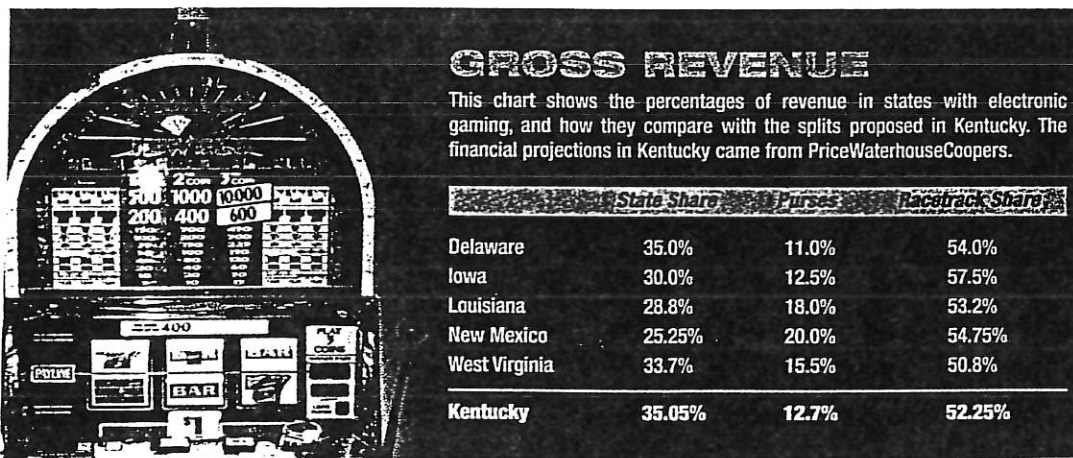
The breeding of horses increases agri-business bottom line. To care for a mare in Kansas, an average owner now spends about \$10 a day, or \$3650 a year. The cost for keeping the horses I own is considerably higher. My average monthly cost to maintain the mares and foals at my farm is approximately \$7200 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.

Sn Fed St
03/12/03
Attach #16

The chart shown here gives you an idea of what other states have done, and the percentages to the state, tracks, and to purses. This was published in The Blood Horse, March 9, 2002, a weekly publication for the thoroughbred industry.



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 • www.kansaschamber.org
SB 208, 226 & 249

March 12, 2003

KANSAS CHAMBER OF COMMERCE AND INDUSTRY

Testimony before the Senate Committee on Federal and State Affairs
By Terry Leatherman, Vice President – Legislative Affairs

Madam Chairperson and members of the Committee:

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

To make clear KCCI's position, it should be noted the Kansas Chamber does not support or oppose the introduction of video lottery or permitting electronic games at non pari-mutuel facilities. Thank you for considering the Kansas Chamber support of permitting electronic games of chance at existing Kansas pari-mutuel facilities during the Committee's deliberations regarding this issue.

About the Kansas Chamber of Commerce and Industry

The Kansas Chamber of Commerce and Industry (KCCI) is the leading broad-based business organization in Kansas. KCCI is dedicated to the promotion of economic growth and job creation and to the protection and support of the private competitive enterprise system.

KCCI is comprised of nearly 2,000 businesses, which includes 200 local and regional chambers of commerce and trade organizations that represent more than 161,000 business men and women. The organization represents both large and small employers in Kansas. 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.

Sn Fed St
03/12/03
Attach #17

KANSAS

DIVISION OF THE BUDGET
DUANE A. GOOSSEN, DIRECTOR

KATHLEEN SEBELIUS, GOVERNOR

March 4, 2003

The Honorable Nancey Harrington, Chairperson
Senate Committee on Federal and State Affairs
Statehouse, Room 143-N
Topeka, Kansas 66612

Dear Senator Harrington:

SUBJECT: Fiscal Note for SB 108 by Senate Committee on Federal and State Affairs

In accordance with KSA 75-3715a, the following fiscal note concerning SB 108 is respectfully submitted to your committee.

SB 108 would authorize the Executive Director of the Kansas Lottery to enter into a contract with a lottery retailer for the placement of a video lottery machine in the retailer's facility. A video lottery machine is an electronic machine that can be used to play games such as bingo, poker, or blackjack. No more than five machines would be allowed in a facility. After a machine is placed in a retailer's facility, the machine would continue to be under the direct control of the Kansas Lottery and linked to a central processing unit at the Lottery. The lottery retailers would pay their own operating costs associated with the machines.

In addition, at least 87.0 percent of money wagered would be paid out as prizes. The machine operators would receive 30.0 percent of net revenue from the machines, 20.0 percent would go to technology service providers, and the balance would be deposited in the Lottery's Lottery Operating Fund. From the Lottery Operating Fund, .1 percent of monies derived from the operation of video lottery machines, or \$1.0 million, whichever is less, would be transferred to the Problem Gambling Grant Fund in the Department of Social and Rehabilitation Services. Net revenue is the amount of money wagered minus prizes paid out.

The Kansas Lottery indicates that passage of SB 108 could generate \$377.0 million in net revenues from video lottery machines. The agency indicates that it is difficult to estimate the fiscal effect of the bill, since the number of retailers who choose to buy or lease the gaming

The Honorable Nancey Harrington, Chairperson

March 4, 2003

Page 2—108fn.doc

machines at their facilities or the number of gaming machines at each facility cannot be determined. The Lottery based its net revenue estimate on Oregon's gaming market. The agency notes that \$377.0 million in net revenues would not be generated in the first year of the bill's implementation, since time may be necessary for it to buy and set up the gaming machines.

According to the agency's estimate, lottery retailers would receive \$113.1 million, which is 30.0 percent of net revenues, 20.0 percent or \$75.4 million to technology providers, \$1.0 million to the Problem Gambling Grant Fund, and the balance of \$187.5 million to the Lottery Operating Fund. From the \$187.5 million, the Kansas Lottery would need \$500,000 in start-up costs, which include a new computer system, training of personnel, and travel and other operating costs. Ongoing costs would be approximately \$400,000 for personnel and traveling. The balance of the \$187.5 million would be transferred to the State Gaming Revenues Fund. Under existing law, monies over \$50.0 million in the Lottery Operating Fund are transferred to the State General Fund. Passage of SB 108 could increase State General Fund revenue by approximately \$187.0 million. Any fiscal effect as a result of this bill is not accounted for in *The FY 2004 Governor's Budget Report*.

Sincerely,



Duane A. Goossen
Director of the Budget

cc: Jim Giordano, Lottery

KANSAS

DIVISION OF THE BUDGET
DUANE A. GOOSSEN, DIRECTOR

KATHLEEN SEBELIUS, GOVERNOR

March 11, 2003

The Honorable Nancey Harrington, Chairperson
Senate Committee on Federal and State Affairs
Statehouse, Room 143-N
Topeka, Kansas 66612

Dear Senator Harrington:

SUBJECT: Fiscal Note for SB 249 by Senate Committee on Ways and Means

In accordance with KSA 75-3715a, the following fiscal note concerning SB 249 is respectfully submitted to your committee.

SB 249 would amend the Kansas Lottery Act to allow the operation of electronic gaming machines at parimutuel licensee locations. The bill defines an "electronic gaming machine" as any device, that upon the insertion of cash, tokens, or electronic cards, would allow the user to play certain games authorized by the Lottery. The player could receive cash, tokens, merchandise, or credits redeemable for cash. Progressive electronic machines would also be permitted on which the payoff increases uniformly as the game is played.

The Executive Director of the Kansas Lottery would contract with parimutuel licensees for the operation and management of electronic gaming machines. The Executive Director, with the approval of the Governor, could also contract with a person to operate gaming machines at locations where the Executive Director determines that the operation of the machines would promote tourism and economic development. Contract requirements would state that electronic gaming machines could pay out no less than 87.0 percent of the amount wagered, and that all machines would be linked through a central communications system, approved by the Kansas Lottery. The Kansas Lottery would be required to approve all proposed games. Also, all locations that operate electronic gaming machines would be required to post signs related to compulsive and problem gambling. The bill would establish criminal punishment for violations of the new additions to the Kansas Lottery Act. The bill would state that all bets must be done in person. Also, individuals could not place bets for people not in attendance. Nobody under 21 years of age would be permitted in the area of gaming, except employees of the facility who are 18 years or older and are not directly involved in gaming.

The bill would allow operation of electronic gaming machines only in counties where voters have voted to permit the machines at parimutuel licensee locations and locations approved by the Governor to promote tourism and economic development. A parimutuel licensee location is one that has been authorized to conduct live horse or greyhound racing, under the Kansas Parimutuel Racing Act, or had authorization pending prior to February 1, 2000, a facility on real estate where a racetrack is located, or a racetrack facility near or on real estate of the Eureka Downs or Anthony Downs facilities. In addition, the transportation of gambling devices to parimutuel licensees in Kansas would be permitted, which is currently against the law.

The Kansas Racing and Gaming Commission would continue to regulate activities at parimutuel licensee locations and be responsible for inspection and certification of electronic gaming machines. The Commission would be able to adopt and enforce rules and regulations regarding security, safety, and honest conduct at all parimutuel licensee locations. The agency would require an annual audit of parimutuel licensees contracting with the Kansas Lottery, to be conducted by a licensed accounting firm at the licensee's expense. Electronic gaming machines would be exempt from state and local sales tax. State elected officials and local elected officials, in the city or county where the parimutuel racetrack facility is located, would be added to the list of individuals directed to refrain from business dealings with any parimutuel licensee or electronic gaming machine contractor.

At least weekly, the Kansas Lottery would remit to the State Treasurer all "net machine income" to be deposited into the Electronic Gaming Machine Fund. This fund would maintain separate accounts for each gaming machine operator. This bill creates several other funds. The Electronic Gaming Machine Operation and Regulatory Fund (EGMORF) would be used for the expenses of the Kansas Lottery and the Kansas Racing and Gaming Commission for the operation and regulation of electronic gaming machines. Any funds in excess of those needed for operations would be transferred to the State General Fund. The Live Horse Racing Purse Supplement Fund and the Live Dog Racing Purse Supplement Fund would be used for distribution of purse supplements in accordance with the rules and regulations of the Kansas Racing and Gaming Commission.

The Problem Gambling Grant Fund is an existing fund used for the treatment of pathological gamblers. The bill would expand the use of such fund to include the continued training of addiction professionals and marketing the addiction program. The bill sets forth a formula for distribution of the revenue generated from the tourism facility and parimutuel licensees separately.

Revenue from Tourism Facility:

<u>Fund or Recipient</u>	<u>Percent of Net Revenue</u>
EGMORF	1.0
Problem Gambling Grant Fund (limited to \$4.0 million)	0.5
State Tourism Fund	5.0
State General Fund	20.0
Gaming Machine Operators (revenue share with counties and cities by contract)	73.5

Revenue from Parimutuel Licensees:

<u>Fund or Recipient</u>	<u>Percent of Net Revenue</u>
EGMORF	1.0
Problem Gambling Grant Fund (limited to \$4.0 million)	0.5
Counties	1.0
Cities	1.0
State General Fund	20.0
Live Horse Racing Purse Supplement Fund	6.0
Live Dog Racing Purse Supplement Fund	4.0
Nonprofit Organization (licensed to conduct races)	1.0
Gaming Machine Operators	65.5

The agencies affected by the bill have provided estimates for part of the revenue that this bill would raise. The estimates of net revenue are uncertain and vary depending on assumptions made and comparisons used by each agency.

According to the Kansas Lottery, SB 249 would generate approximately \$225.0 million in parimutuel net revenue each year. This estimate does not include revenue generated from the tourism facility. The Lottery based its estimates on Oregon's gaming market. The bill authorizes 1.0 percent of the net revenue generated from electronic gaming machines to be transferred to the EGMORF. Additional operating expenditures incurred by the agency after enactment of the bill would be paid from the EGMORF. The Lottery estimates start-up costs of \$257,000. The start-up costs include \$135,000 for 3.0 Enforcement Agent positions, as well as \$110,000 for equipment, \$8,000 for training and \$4,000 for travel. The agency noted that it is difficult to estimate revenue generated by the tourism facility without information including the specific location of the facility and how many gaming machines would be operated at the facility.

The Kansas Racing and Gaming Commission estimates net revenues between \$271.5 million and \$310.3 million based on a review of other states, and \$349.0 million based on industry trends. The Commission did not estimate revenues from the tourism facility. The Commission would pay expenses associated with operation and regulation under this bill from the EGMORF. As explained above, 1.0 percent of net revenue would be transferred to the EGMORF. The agency states the first year of operation would cost \$2.8 million from the EGMORF and \$2.6 million in the second year. This estimate includes 48.0 new FTE positions: 1.0 Deputy Director of Gaming, 33.0 Enforcement Agents, 1.0 Assistant Attorney General, 1.0 Auditor, and 12.0 support staff positions, at a cost of \$2.0 million, including fringe benefits and overtime. Other operating expenditures are estimated at \$848,097.

The Commission assumes passage of SB 249 could lead to the reopening of the Camptown Greyhound Park since gaming machines at racetracks could increase the amount of activity in that industry. The parimutuel wagering taxes collected by the Commission from Camptown would cover operating costs related to the reopening of the facility. The revenue is estimated at approximately \$900,000, and the costs at \$665,716. These costs include salaries for

The Honorable Nancey Harrington, Chairperson

March 11, 2003

Page 4—249fn.doc

9.0 FTE positions and 1.0 temporary position, as well as \$230,405 for other operating expenditures. Any parimutuel wagering taxes collected are in addition to revenue generated from the operation of electronic gaming machines. The bill also would require the Woodland Racetrack to run a 60-day horse meet. Currently, the facility runs a 30-day horse meet. The extension of the horse meet will increase the agency's operating expenditures and increase the parimutuel wagering taxes collected from the facility. It is assumed that the additional revenue will cover the agency's increased costs, estimated at \$133,491 in salaries and wages.

SB 249 would also have a fiscal effect on the Department of Social and Rehabilitation Services (SRS). According to the bill, the Problem Gambling Grant Fund would receive .5 percent, up to \$4.0 million, of net revenues generated by both parimutuel and the tourism facility. The additional revenue would allow SRS to enhance the problem gambling program with continued treatment of pathological gamblers. SB 249 would also increase funding for promoting tourism and economic development in the state.

Under SB 249, the cities and counties would receive 1.0 percent of the net revenue generated in their jurisdiction. The Kansas Association of Counties indicates that there may be costs to the counties associated with operating ballots for voters to decide whether to allow the operation of electronic gaming machines in their county. Any fiscal impact as a result of this bill would not be accounted for in *The FY 2004 Governor's Budget Report*.

Sincerely,



Duane A. Goossen
Director of the Budget

cc: Steve Neske, Revenue