

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 April 2, 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

Others attending: Please see attached.

Chairperson Harrington asked Senator Lyon to present the subcommittee report on the gaming bills.

Senator Lyon presented the subcommittee report. (Attachment 1)

Following explanation, he presented the committee with a comparison between the two bills that the subcommittee had decided to pass along to the full committee without recommendation:

SB 226—Concerning electronic gaming machines and
SB 108—Concerning video lottery games

This chart presented the bills in their original forms and with the amendments made by the subcommittee. (Attachment 2)

Senator Lyon emphasized the committee's role in representing the interests of the state; he said that all of these bills had been drafted by groups that would benefit from them, and that should be taken into consideration.

Senator Gooch stated that the best results that could come from the subcommittee were to bring back two bills for the committee to consider rather than one, but that he hoped the committee would present these and see action on the issue.

Following further discussion, Senator Lyon made a motion to pass both SB 226 and SB 108 to the full Senate without recommendation. Senator O'Connor seconded the motion.

Senator Vratil stated that he was curious as to why the subcommittee had included wording about votes in contiguous counties every six years.

Senator Lyon responded that part of it had to do with the expense and the idea that every two years was pretty often to vote on the issue, and the other part had to do with the fact that the subcommittee had been impressed with the idea that areas will be changed by this decision, and those impacts extend beyond county lines. He stated that this was a real concern in rural communities because, positive or negative, the changes will take place in a big enough circumference to influence other counties.

Senator Vratil also raised concerns about competitive bidding and on what commodities that would be applied. Senator Lyon stated that it was to refer to a requirement for software etc. for the lottery to keep that under control.

Ms. Kiernan stated that there is a bidding requirement under state purchasing law regarding major procurement and that such a provision could be included under Lottery law. She went on to explain the issue further to the committee.

CONTINUATION SHEET

MINUTES OF THE SENATE FEDERAL AND STATE AFFAIRS COMMITTEE at 10:45 a.m. on April 2, 2003 in Room 245-N of the Capitol.

Following further discussion, Senator Vratil stated that he would like to introduce a substitute motion.

Chairperson Harrington stated that she would not entertain a substitute motion right now. Senator Vratil said that he would respect the wishes of the Chair.

Senator Gooch stated that he was no longer sure what the committee was voting on.

Chairperson Harrington restated that motion from Senator Lyon, seconded by Senator O'Connor to pass **SB 226** and **SB 108** to the full Senate without recommendation. The motion passed.

The committee meeting adjourned at 11:15 a.m.

SENATE FEDERAL AND STATE AFFAIRS COMMITTEE
GUEST LIST

DATE: April 2, 2003

NAME	REPRESENTING
Glen Thompson	Stand Up For K.S.
Shelia Brungreen	Boat Kill Gaming
Mindy VanHoy	Boat Kill Gaming
Barbara (Book)	Boat Kill Gaming
John C. (Sotterby)	The Woodlands
Stuart Little	The Woodlands
Aaron Matthew Myill	
Casey Madder	
Ashley Engel	
Kurtis Campbell	
Mark Klingler	God
Amanda Donahue	
Abigail Rhoades	
PATRICIA VAN DER WEELE	
Ashley Eber	
Melissa Hillebrand	
Dany Ann	
Terry Petrie Jr	ACHS
Yanni Kohfeldt	

SENATE FEDERAL AND STATE AFFAIRS COMMITTEE
GUEST LIST

DATE: April 2 2003

NAME	REPRESENTING
Koichi Amano	Japan
Jacob Nickerson	
Kerri Spielman	Office of Senate Maj. Ldr
Dakota Ely	
Crystal Lee Harvey	NCHS

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STATE CAPITOL, ROOM 143-N
 TOPEKA, KANSAS 66612-1504
 (785) 296-7372



TOPEKA

SENATE CHAMBER

COMMITTEE ASSIGNMENTS
 MEMBER: FEDERAL AND STATE AFFAIRS
 STATE BUILDING CONSTRUCTION
 TRANSPORTATION
 UTILITIES

SUBCOMMITTEE REPORT ON GAMING April 2, 2003

I. INTRODUCTION

On March 12, 2003, Chairman Nancey Harrington appointed a Subcommittee to review the four gaming bills assigned to the Committee (SB 108, SB 208, SB 226, and SB 249). The Subcommittee members were Senator Bob Lyon (Chair), Senator Kay O'Connor, and Senator U.L. (Rip) Gooch. The Subcommittee met during the period March 21 through March 28, 2003. The Subcommittee heard testimony and received written statements from representatives of the following entities and organizations: Office of the Governor; Racing and Gaming Commission; Kansas Lottery; River Falls Gaming LLC; Butler National Corporation; Wichita Greyhound Park; Kansas Racing LLC; Prairie Band Potawatomi Nation; Kickapoo Tribe; Sac and Fox Nation; Kansas Clubs and Associates; Petroleum Marketers and Convenience Store Association of Kansas; Stand Up for Kansas; Kansas American Legion; Veterans of Foreign Wars; Kansas Sunflower Club; Kansas Chamber of Commerce and Industry; Kansas City Intertribal Gaming Management Consortium; Kansas Thoroughbred Association; Kansas Greyhound Association; Kansas Charities Cooperative; Boothill Museum; Kansas Quarter Horse Racing Association; and interested private citizens.

II. GENERAL CONCLUSIONS

The Subcommittee heard from a parade of gambling businesses, investors, and lobbyists, each promoting their bill as the best way to expand gambling in the state. The bills vary widely in scope.

Senate Bill 108 would permit video lottery machines statewide at lottery retailers, such as grocery stores, bars, and convenience stores.

Senate Bill 226 would permit electronic gaming machines at the five parimutuel racetracks.

Senate Bill 249 would permit electronic gaming machines and other lottery games (such as table games) at the five parimutuel racetracks and at an unlimited number of "at-large" facilities.

Senate Fed & State
 Date: 04 / 02 / 2003
 Attachment # 1

(The sponsor requested that Senate Bill 208 not be considered.)

The Subcommittee heard conflicting testimonies on several key issues.

Proponents for slot machines casinos at the racetracks and proponents for the proposed River Falls casino said the casinos would be "destination casinos", attracting a significant amount of revenue from out-of-state tourists. Opponents said studies of similar casinos in other states indicate the casinos would be "convenience" casinos, with approximately 85 percent of revenues coming from gamblers living within a 50-mile radius of the facility.

Proponents of SB 226 (The Woodlands, and others) said that the Kansas City regional gambling market would support only one additional casino. Larry Seckington, a conferee representing the Woodlands, estimated net revenue for the casino to be \$122 million the first full operating year. Proponents of SB 249 (River Falls casino) said the Kansas City market will support two and possibly three more casinos. Larry Waldrop, a conferee representing River Falls, estimated that the River Falls casino would have a net revenue of \$230 million, more than Harrah's approximately \$200 million in 2002.

In view of these conflicting testimonies and the impact of expanding gambling on the state, surrounding businesses and local citizens, an independent market study by a qualified company is obviously needed prior to further consideration of this issue by the full Committee.

Expanded gambling should be a long-term policy issue, not a fix for a short-term budget problem. Offers from casino proponents to provide accelerated revenues are offensive to many legislators and should not be included in the state budget.

Gambling addiction would be significantly increased in counties surrounding each casino. The report of the 1999 National Commission states, ". . . the presence of a gambling facility within 50 miles roughly doubles the prevalence of problem and pathological gamblers" (See National Gambling Impact Study Commission final report, page 4-4.)

As shown by studies in other states, the casinos would have a significant economic and social impact on surrounding counties. Consequently, approval of a casino should require a referendum not only in the county where the casino would be located but also in each contiguous county, as recommended by the Kansas Legislature's 1995 Special Committee on Gambling.

The easy accessibility of instant-gratification lottery machines at lottery retailers would make such machines highly addictive, as demonstrated in other states such as South Dakota.

Since the Kansas Constitution stipulates that "All laws of a general nature shall have a uniform operation throughout the state . . ." [Art. 2, par. 17], the Subcommittee does not support legislation permitting casinos only at selected cities or counties. However, if the legislative body chooses to include such casinos, the legislation should specify the specific location and contractor for each casino. Permitting a small number of government officials

to select the winner of multi-million dollar casino bidding competitions encourages government corruption.

Since the Constitution also requires that the state "own and operate" the casinos, the Kansas Lottery should serve as the system integrator, specify and procure all hardware and software for the central computer and gaming machines, and furnish the hardware and software for the gaming machines to the contractors.

The percentage of net revenues for the State General Fund from racetrack casinos is low and should be increased to more than 25 percent. (Recently, the Maryland Senate passed a parimutuel casino bill allocating 46 percent to the state.)

To maximize the state's share of net revenue, the state should contract directly with the parimutuel racetrack owner, not the parimutuel nonprofit licensee. The nonprofit licensee should not be included in the distribution of casino net revenue.

III. POSITION OF INDIVIDUAL SUBCOMMITTEE MEMBERS

Senator Lyon stated that gaming is a controversial issue, and that in a effort to carry the process along as far as possible, he has tried to keep an open mind on the issues. He stated that he was concerned for the people of the state of Kansas and wanted to look out for the public good, which is more than a dollar and cents issue. He is concerned about the degree from which gaming revenues come from a small number of players who are gambling excessively, and he is also concerned about the danger of gambling dollars being diverted from local businesses. He noted that many of the proposals that have been submitted have come from those who will benefit financially from gaming. He said that he is concerned about the voices we have not heard and the questions which have not been asked which would make him uncomfortable putting forth a unanimous recommendation from the subcommittee.

Senator Gooch stated that he was in agreement with a number of the points made by Senator Lyon. He had visited with many people concerning the gaming issue and had received many letters from both supporters and opponents. Senator Gooch stated that he wanted the subcommittee to make a recommendation to the full committee, even if it is something on which not all members of the subcommittee are going to agree. He would like something to go to the full committee, so that it might discuss the issues. He recommended that the subcommittee forward **SB 226** to the full committee for additional work. He stated that his support of **SB 226** comes from the fact that it had received more study than the others and that the Governor had endorsed it.

Senator O'Connor stated that before becoming a member of the subcommittee, she did not want to expand gambling in the state. She stated that, in reference to video lottery, she had moved in her position due to new information in the technological advances of video lottery, and that she found video lottery to be interesting. Concerning the tribal casino proposal, she felt that having three casinos was better than four, and understands that Tribal casino gaming operates under different rules than the proposed bills. She stated that the video lottery concept is not a destination casino, but that the five machine limit might

deter potential problem gamblers. She stated that she would support the bill more if it would be possible to include funding of a 50% tax credit to those donating monies to various scholarship funds. She stated that she would be in favor of **SB 108** being worked by the subcommittee, although she could not support any of the bills in their current form.

IV. SENATE BILL 226

Notwithstanding the positions of Subcommittee members stated in Section III, the Subcommittee offers to the Committee Senate Bill 226 and the amendments shown in the attached comparison table, if the Committee desires to work a bill to expand gambling in the state.

This offer is not a recommendation but simply a fulfillment of the Subcommittee assignment.

V. SENATE BILL 108

Notwithstanding the positions of Subcommittee members stated in Section III, the Subcommittee offers to the Committee Senate Bill 108 and the amendments shown in the attached table, if the Committee desires to work a bill to expand gambling in the state.

This offer is not a recommendation but simply a fulfillment of the Subcommittee assignment.

SB 226—CONCERNING ELECTRONIC GAMING MACHINES

	SB 226	Senate Subcommittee Amendments
Games Authorized	Electronic gaming machines	Electronic gaming machines
Authorized Locations	Parimutuel tracks (§3)	Parimutuel tracks (§3)
Regulatory Agencies	Kansas Lottery; Racing and Gaming Commission	Kansas Lottery; Racing and Gaming Commission
County Election Required	Yes (§5)—County with track, every 2 years	Yes (§5)—Also contiguous counties, every 6 years
Required Payout	At least 87 percent (§3(m))	At least 87 percent (§3(m))
Game Operators	Parimutuel licensees (§3a)	Track owners (§3a)
Limits on Number of Machines	No	No
Sales Tax Exempt	Maybe (§21; §28)	Yes (§21)
Competitive Bidding	Not required (§4)	Required (§4)
Minimum Employment Age	16 (§14)	21 (§14)
Effective Date	<i>Kansas Register</i>	<i>Kansas Register</i>
Disposition of Net Gaming Revenue	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 <u>67.5%</u> 100.0%	Track Owners: (§8(c)) Regulation 1.0% Problem Gambler 0.5% County 1.5% City 1.5% State General Fund 30.0% Horse Supplements 1.5% Dog Supplements 1.5% Nonprofit Organizations 0.0% Track Owners <u>62.5%</u> 100.0%

SB 108—CONCERNING VIDEO LOTTERY GAMES

	SB 108	Senate Subcommittee Amendments																		
Games Authorized	Video lottery games	Video lottery games																		
Authorized Locations	Lottery retailers (§1)	Lottery retailers (§1)																		
Regulatory Agencies	Kansas Lottery (§1)	Kansas Lottery (§1)																		
Limit on Prizes	No	Maximum, \$1,000																		
County Election Required	No	No																		
Player ID/License	No	Required																		
Required Payout	At least 87 percent (§1(f))	At least 87 percent (§1(f))																		
Limits on Business	None	At least 1,000 feet between businesses																		
Limits on Number of Machines	5 per retailer (§1 (c) (1))	5 per retailer (§1 (c) (1))																		
Limits on Games	None	2 minutes between games; 2 minutes between wager and outcome; games of skill only																		
Sales Tax Exempt	Yes (§6)	Yes (§6)																		
Annual Report	No	Report to Legislature																		
Scholarship/Tax Credit	No	10% of revenue to fund tax credits for donations to scholarships; 50% tax credit																		
Effective Date	Statute Book	Statute Book																		
Disposition of Net Gaming Revenue	<p>Lottery Retailers: (§1(g))</p> <table style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 60%;">Technology Provider</td> <td style="text-align: right;">20.0%</td> </tr> <tr> <td>Retailer</td> <td style="text-align: right;">30.0%</td> </tr> <tr> <td>Lottery Operating Fund</td> <td style="text-align: right;"><u>50.0%</u></td> </tr> <tr> <td></td> <td style="text-align: right;">100.0%</td> </tr> </table> <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>	Technology Provider	20.0%	Retailer	30.0%	Lottery Operating Fund	<u>50.0%</u>		100.0%	<p>Lottery Retailers: (§1(g))</p> <table style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 60%;">Technology Provider</td> <td style="text-align: right;">20.0%</td> </tr> <tr> <td>Retailer</td> <td style="text-align: right;">30.0%</td> </tr> <tr> <td>Lottery Operating Fund</td> <td style="text-align: right;">40.0%</td> </tr> <tr> <td>Tax Credit</td> <td style="text-align: right;"><u>10.0%</u></td> </tr> <tr> <td></td> <td style="text-align: right;">100.0%</td> </tr> </table> <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>	Technology Provider	20.0%	Retailer	30.0%	Lottery Operating Fund	40.0%	Tax Credit	<u>10.0%</u>		100.0%
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