

MINUTES OF THE SENATE FEDERAL AND STATE AFFAIRS COMMITTEE

The meeting was called to order by Chairman Pete Brungardt at 10:30 a.m. on February 18, 2004 in Room 231-N of the Capitol.

All members were present.

Committee staff present:

Russell Mills, Legislative Research
Dennis Hodgins, Legislative Research
Theresa Kiernan, Revisor of Statutes' Office
John Beverlin, Committee Secretary

Conferees appearing before the committee:

Ron Hein, Prairie Band Potawatomi Nation
Tom Palace, Petroleum Marketers and Convenience Store Association of Kansas
Rex Haney, Kansas State Bowling Proprietors Association
Vern Schwanke, Colby Bowl Fun Center
Glenn Thompson, Stand Up for Kansas
Garry Winget, Kansans for Addiction Prevention
Beatrice Swoopes, Kansas Catholic Conference
Major Mark Martsof, The Salvation Army
Ruth Ann Schoonover
Jean Plummer

Others attending:

See Attached List.

Chairperson Brungardt called the meeting to order and opened the second day for hearings on **SB 499 Kansas expanded gaming opportunity act; authorizing destination casinos, electronic and video gaming and other games at certain locations.** He welcomed Ron Hein to the podium.

Mr. Hein presented testimony against **SB 499 (Attachment 1)**.

Chairperson Brungardt thanked Mr. Hein and called Tom Palace to the podium.

Mr. Palace presented testimony against **SB 499 (Attachment 2)**.

Chairperson Brungardt thanked Mr. Palace and welcomed Rex Haney to the podium.

Mr. Haney presented testimony against **SB 499 (Attachment 3)**.

Chairperson Brungardt thanked Mr. Haney and welcomed Vern Schwanke to the podium.

Mr. Schwanke presented testimony against **SB 499 (Attachment 4)**.

Chairperson Brungardt thanked Mr. Schwanke and welcomed Glenn Thompson to the podium.

Mr. Thompson presented testimony against **SB 499 (Attachment 5)**.

Chairperson Brungardt thanked Mr. Thompson and welcomed Garry Winget to the podium.

Mr. Winget presented testimony against **SB 499 (Attachment 6)**.

Chairperson Brungardt thanked Mr. Winget and welcomed Beatrice Swoopes to the podium.

Ms. Swoopes presented testimony against **SB 499 (Attachment 7)**.

CONTINUATION SHEET

MINUTES OF THE SENATE FEDERAL AND STATE AFFAIRS COMMITTEE at 10:30 a.m. on February 18, 2004 in Room 231-N of the Capitol.

Chairperson Brungardt thanked Ms. Swoopes and welcomed Major Mark Martsolf to the podium.

Major Martsolf explained to the committee that he was from the Salvation Army. He further explained to the committee the effects of gambling on the population. He stated the Salvation Army had seen an increase in need in Missouri due to the increase in problem gamblers.

Chairperson Brungardt thanked Major Martsolf and welcomed Ruth Ann Schoonover to the podium.

Ms. Schoonover presented testimony against **SB 499** (Attachment 8).

Chairperson Brungardt thanked Ms. Schoonover and welcomed Jean Plummer to the podium.

Ms. Plummer presented testimony against **SB 499** (Attachment 9).

Chairperson Brungardt thanked Ms. Plummer and called the committee's attention to written testimony. Written testimony was presented by the Kansas Charities Cooperative (Attachment 10), Kevin G. Neuman (Attachment 11), and Mayor Stephanie Eickhoff of the City of Edwardsville, a proponent of the bill (Attachment 12). He then asked the committee for questions.

Senator Barnett asked whether research could validate Mr. Thompson's statement about the lack of prohibition against an elected official or his or her family members working for or owning a casino.

Chairperson Brungardt asked the researcher to find the answerer to Senator Barnett's question.

Theresa Kiernan explained to Senator Barnett that the bill puts limits on individuals employed by the lottery concerning their ties to casinos. She also explained that if a legislator is appointed to the gaming commission, they would also be restricted.

Senator Barnett asked whether an independent impact study had been done. He explained that if such a study had not been done, if answerers could be found for the questions raised by Ms. Plummer's testimony.

Chairperson Brungardt stated there had been several different types of impact studies done, but none for the state of Kansas.

Chairperson Brungardt asked the committee for additional questions. None were asked.

The meeting was adjourned at 11:45 a.m. The next meeting is scheduled for February 19, 2004, at 10:30 a.m. in room 231-N.

Senate Federal and State Affairs Committee

Date: FEBRUARY 18, 2004

Name:

Representing:

Jeri Fowler	KSC
Ed Van Petter	KSL
DAN SING	SELF
Pat Barone	CR. Co.
BOB TERVUP	CR. Co
Tom Johnson	Self
Tom Palace	PMCA OF KANSAS
Mary Hillebrandt	Alan Cobb & Associates
Walter Woffen	V.F.W
E. S. "Tom" Law	Dr. Vice Commander VFW Dist 1
Joni Steal	City of Junction City
Allert A. Hall	Kinsley, Kans., 67547
Richard Stuckey	Topeka BPOE
Ruth Ann Schoonover	citizen opposed to gambling
Jean Plummer	citizen - Eldorado
Bettie Thompson	Stand up For Kansas
Robin Jennison	Ruffin
Umberto Keller	Helm Law Firm
Ron Herd	Prairie Band Potawatomi Nation
Glean Thompson	Stand Up For Ks.
Major Mark Martsof	The Salvation Army
Wood JOHN C. BOTTENBERG	KS Ks Racing LLC
Larry Seckington	KS. RACING LLC

Senate Federal and State Affairs Committee

Date: FEBRUARY 18, 2004

Name:

Representing:

JEFFERSON D. LAWSON

DEPT OF KS VFW

DANIEL BECKER

KANSAS VETERANS OF FOREIGN WARS

VERN SCHWANKE

KANSAS BOWLING CENTERS

REX HANEY

KANSAS BOWLING CENTERS

Larrie Ann Lower

KS Bowling Centers

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Ronald R. Hein

Attorney-at-Law

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**Testimony re: SB 499
Senate Federal and State Affairs
Presented by Ronald R. Hein
on behalf of
Prairie Band Potawatomi Nation
February 19, 2004**

Mr. Chairman, Members of the Committee:

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

PBPN Position and IGRA

The Prairie Band Potawatomi Nation (PBPN) has consistently opposed legislation providing for the expansion of Class 3 gaming by the state of Kansas. The PBPN opposition stems primarily from the recognition that such gaming would negate the benefits that Tribal gaming provides to Native American Indian Tribes through the federal Indian Gaming Regulatory Act (IGRA.) IGRA was approved by Congress to promote economic development of Indian Tribes, and to provide for the regulation of gaming on Indian reservations. IGRA is administered at the federal level, but there are provisions for compacts to be entered into with the state, and the state is involved in the oversight of daily gaming operations. There are restrictions on the ability of the states to require payments to the state as a part of the consideration for gaming compacts.

Tribal Gaming Generates Tax Revenue and Economic Development

Expanded gaming proponents contend that the state receives no revenue from Tribal gaming. It is correct that the Tribes do not pay a specified percentage of gaming revenues to the state. State and local government, school districts, and other taxing subdivisions benefit from Tribal gaming by virtue of numerous taxes paid as a result of Tribal gaming and the economic development that they currently generate for Northeast Kansas.

The myth that no taxes are generated from Tribal gaming exists because some people believe that Native Americans do not pay taxes. So there is no misunderstanding, all Tribal members pay federal income taxes. Regarding state income tax, only those Tribal members who both work and live on the reservation are exempt from state income taxes.

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Attachment: # 1

Any Tribal member who lives off the reservation but works on the reservation and any Tribal member who lives on the reservation but works off the reservation pays state income taxes. A very small percentage of Tribal members both live and work on the reservation. Lastly, Tribal members pay sales taxes on purchases made off the reservation, which is virtually all purchases by tribal members.

Gaming is one of the few tools provided by federal and state law for Indian reservations to generate economic development and revenue necessary to run governmental programs. Other communities have expressed a need for gaming in order to help stimulate economic development. The areas being served by Tribal gaming and the reservations were severely economically disadvantaged before Tribal Gaming. I understand that prior to gaming, unemployment ran as high as 78% on the PBPB reservation

Other communities have available economic and tax advantages that do not exist for the four Kansas resident Tribes. Gaming has been the one economic development program which the federal and state governments have allowed the Tribes to utilize. Now, expanded gaming threatens that source of revenue for the Tribes and the areas surrounding the reservations.

With Tribal Gaming, dollars generated for the Tribes are used for community improvements and services such as fire protection, education, elderly programs, low-income housing, and other social programs and remain within the state as additional economic development for Kansas and local communities,

Gaming History and the Slippery Slope

We have much to learn from the history of gaming from what has occurred with parimutuel gambling in Kansas, and with gaming in Missouri. Once the state starts down the slippery slope of casino gaming, the state will not be able to stop itself from falling further into expanded gaming as more groups and areas of the state demand to be included. That can be demonstrated by this bill. Just talking about expanding gaming has already caused Kansas to fall down the slippery slope of gaming. Originally, gaming legislation was slots at the tracks. Now we have a bill which will establish up to five destination casinos, plus slots at five track facilities with up to 2,500 slot machine, plus up to five slots each at several hundred locations throughout Kansas at Veterans and other organizations. If the intent of this legislation is to insure that everyone in the state is within close proximity to a gaming machine, then this bill fulfills that intent.

A review of the history of parimutuel gaming in Kansas will demonstrate that even this massive gambling bill is probably not the end of efforts to expand gaming in Kansas.

Gaming is likely to be a legislative issue every year for the next ten years as proponents seek greater and greater benefits, less and less restrictions, and more and more money. The legislature should not be deceived that even this massive of a gambling bill will put an end to expanded gambling.

Today, slots at the tracks proponents claim that if the state is going to save parimutuel gaming, the tracks must have slot machines. The only reduction in gambling that may occur in the next few years will be dog and horse racing. With the competition of slots, parimutuel tracks will not survive, and I would suspect, in time, the gaming operators will turn more and more to just paying off the horse and dog operators with funds from slots. Actual racing will decline just like it did with parimutuel over the last 10 years.

Gaming Expansions Effect upon Economic Development and the State

In estimating revenue benefits to the state of Kansas from gaming, this committee should take into consideration the impact on Lottery revenues, the impact on bingo revenues, the impact on charities running bingo operations, and the impact on tax revenue and economic benefits of other businesses in the state who will lose business to the expansion of gaming. Also, our own studies show that the economy of our Tribe, of the other Tribes, and of Northeast Kansas will be negatively impacted by expanded gaming.

Our studies also indicate that of the total market for gaming in Kansas, the majority of such market will consist of revenues now committed to existing Kansas businesses, not new "economic development" generated from out of state sources.

The legislature should not make any recommendation for expanded gaming without determining how much of the revenue generated by expanded gaming will come from dollars already being spent at other businesses within the state, and how much state and local tax revenues will be lost from those businesses.

SB 499 Is Not the Way To Expand Gaming

The Governor's Gaming Committee spent a great deal of time researching gambling this summer. Among other things, they made some findings as set out below:

"The state should expand gaming in the form of a large destination casino. ...The state should avoid "convenience gaming," in which the gaming facilities would merely redistribute dollars within the region. ...The **best location in Kansas for a destination casino is Wyandotte County**...A destination casino should not be established outside of Wyandotte County without convincing and significant evidence of such a venture's

viability.”

SB 499 goes to great lengths to call the multiple casinos contemplated by this legislation “destination casinos”. But calling them that does not convert a “convenience casino” into a “destination casino”. I note that if the certificate holder spends enough money for the casino, there is no requirement to establish that it will bring in tourists from out of state. And for the cheaper casino, it sets a very low threshold for number of out of state tourists. I believe that this demonstrates very clearly that even the proponents feel that the vast, vast majority of the gamblers are going to be pulled from the surrounding communities. To me, this sounds more like a “convenience casino” which even the Governor’s Gaming Committee recommended the state avoid. Calling it a different name in the bill does not change the casino’s character.

The Governor’s Gaming Committee went on to recommend:

“A large destination casino—either state-owned and operated or Indian—in Wyandotte County, supplemented by slots at the tracks. ... In addition to this destination casino, the committee feels that the state should maximize its potential for immediate revenue by placing a **limited number of video lottery terminals at the parimutuel tracks.**”
[Emphasis supplied.]

SB 499 does not meet the findings or the recommendations of the Governor’s Gaming Committee. There is some value in a destination casino in Wyandotte County. The case for other so-called “destination” casinos has not been made. The decision on additional casinos should be made by the legislature, not by some committee controlled by the party of the Governor, whichever party controls the Governor’s office.

The Governor’s Gaming Committee also noted the following:

“Because the Kansas Constitution generally prohibits gaming, the **only two legal models currently available** (absent a constitutional amendment) **for a casino are a state-owned and operated casino** (under Article 15, Section 3c of the Kansas Constitution) **and an Indian casino** (under IGRA). ... To pass muster under Article 15, Sections 3 and 3c of the Kansas Constitution, the **gaming operation of a state-owned and operated casino must be controlled and directly managed by a state agency.** ... **This approach, however, would place the State of Kansas in the uncomfortable position of being the first state in the Union to own and operate a full casino. Taking the plunge into full-blown gaming presents the state with significant ethical and economic risks. The state should thus enter this territory with extreme caution.**” [Emphasis supplied.]

SB 499 doesn't just dip the State of Kansas into the water, it takes the whole ship of State over the waterfall, taking a risky plunge into waters will prove to be very deep and very dangerous for the businesses and the taxpayers of this state.

This bill is dangerous because of the economic and ethical risks that are created, as noted by the Governor's Gaming Committee, with one state owned casino, let alone five (or possibly more, depending upon whether parimutuel tracks with up to 2,500 machines are considered casinos).

Lastly, the Governor's committee was very clear that the state must "own and operate" the gaming as required by the Kansas Constitution. There is no language in the Kansas Constitution about "certificates of authority", as set out in SB 499, which sound very much like an unlawful delegation of legislative authority, in violation of the Kansas Constitution, and a casino which is not "owned and operated" by the state, which would also not pass constitutional muster.

Proposals which provide for parimutuel tracks or other companies granted a "certificate of authority" to operate gaming will be subject to legal challenge and probably will be challenged as being unconstitutional, and are likely to be found unconstitutional.

If Gaming Must Be Expanded, How Should the State Expand Gaming

As stated at the beginning of this testimony, the Prairie Band Potawatomi Nation opposes state expansion of gaming. But if gaming is to be expanded in Kansas, it should involve Tribal Gaming (including a Tribal destination casino in Wyandotte County if coupled with closure of such Tribes' existing casinos), it should be restricted (both in number of communities and number of slot machines), and it should be structured to solve the issue for the foreseeable future, most preferably through a constitutional amendment. Gaming should not be omnipresent, nor should it be substituted for or operated to the detriment of other businesses which have made Kansas great.

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



Testimony: Senate Federal and State Affairs Committee
From: Thomas M. Palace
Date: February 18, 2004
RE: SB 499

Mr. 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 260 independent Kansas petroleum companies and convenience store owners throughout Kansas.

We appreciate the opportunity to appear before you in opposition to SB 499.

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

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.

Last year PMCA reported that by expanding the Kansas Lottery to include video lottery, the state could generate between \$200-300 million annually after the first full year. This revenue estimate is based upon population comparisons to South Dakota and Oregon, and the number of machines placed throughout the state. Lottery officials in both states have indicated that these numbers are a good estimate as to what Kansas could generate as net machine income in the first full year of operation. Additionally, in our proposal, the state would take 50% of the net machine income, a percentage much higher than the state would receive in SB 499.

With competition being what it is today in the convenience store industry, we would like this committee to consider amending SB 499 with SB 108 (carryover bill from 2003) that would allow current lottery retailers to put Video Lottery Terminals in their stores.

Senate Federal and State Affairs Committee

Testimony of Rex Haney
Kansas State Bowling Proprietors Association

Opposition to Senate Bill No. 499
February 18, 2004

I would like to thank the Senate Committee on Federal & State Affairs for this opportunity to express our opposition to Senate Bill No. 499. My name is Rex Haney and I am representing the Kansas State Bowling Proprietors Association.

There are 114 Bowling Centers in Kansas that have 1850 bowling lanes within their walls. This number has fallen from the 127 Bowling Centers that existed when we last testified before your committee. We compete every day for the recreational dollar of the Kansas consumers, and our businesses would be further harmed if gaming were expanded only to the areas stated in Senate Bill No. 499. Many of our bowling centers have been impacted in a very negative way since the implementation of riverboat casino's and Indian casinos' in the Kansas City and Topeka areas.

Bowling centers have had a very positive effect with respect to the Kansas economy. There are 114 bowling centers in Kansas with over 2,700 employees. Our payrolls are in the excess of 20 Million Dollars, sales tax collected at over 4 ½ Million Dollars, personal and property taxes of over 2 Million Dollars make us a major player in the Kansas Recreation economy.

And, no monopoly exists for the groups in this bill when it comes to making charitable contributions to the community. Our bowling centers across the state raise millions of dollars for charities each year. These fund-raisers range from nearly three-quarters of a million dollars raised annually for Big Brothers & Big Sisters in Wichita, \$100,000 dollars for the Junior Achievement in Topeka, \$50,000 raised for El Centro in Kansas City, Kansas, to thousands of youth organizations and non-profit groups that use our facilities to raise funds for their existence. All of these activities lighten the burden of the social agencies and local governments and encourage self-efficiency.

In the past we have supported that expanded gaming should be conducted at any facility which is a lottery vendor and which is also licensed under the Club and Drinking Establishment Act, or any pari-mutuel dog or horse racing facility, would be eligible to have lottery electronic gaming machines placed on their premises – but it would be up to the Lottery to determine where machines will be placed and, subject to limitation, the number of those machines. The bill required that all such machines be placed in an area where admissions to minors are restricted. We believed that if gaming is to be expanded, it should be to the substantial benefit of the State and that it should involve the potential participation of businesses that provide entertainment and recreation. The State should simply not single out certain groups and give them certain monopoly privileges, to do so will hasten the decline of the other entertainment segments in the state of Kansas such as the bowling industry.

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Date: FEBRUARY 18, 2004

Attachment: # 3

Senate Federal and State Affairs Committee

Testimony of Vern Schwanke
Owner of Colby Bowl Fun Center, Colby, KS.

Senate Bill No. 499
February 18, 2004

Mr. Chairman, and members of the Committee, thank you for the opportunity to speak to you today.

My name Vern Schwanke, co-owner of Colby Bowl Fun Center, I am also the President of the Kansas State Bowling Proprietors Association.

As a representative of all the small bowling centers in Kansas, the majority being in small towns, I come here today in opposition to Senate Bill No. 499, **in it's present form**. I am here to talk about fairness, and the effects this bill, in it's current form, would have on existing businesses in the recreation and hospitality industry in Kansas.

My brother and I have owned and operated a bowling center in Colby for 30 years, as our father did for the previous 30 years. As members of a small community, we have done community service in many ways, from city council and planning commissions, to serving on the local hospital board. We are major contributors to many local charities, including Big Brothers and Big Sisters, whose bowlathon is their major fund raising opportunity of the year, and we provide this for both Thomas and Sheridan County Big Brothers/Sisters. We support our local school systems, in a time of reduced funding, with numerous and continual donations of funds for various projects. This involvement in our communities is repeated in every community across Kansas, by bowling centers and other recreation and hospitality businesses, as we try to make our towns good places to live.

Colby Bowl Fun Center signed on with the Kansas State Lottery at it's start, and so my customers have contributed many more dollars to Kansas, dollars that come from my customers pockets. We receive as commission, less than 4% of the money spent on the lottery in our center, not enough to pay the cost of an employee's time to continually process the tickets, make the deposits, and do the bookwork.

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We are not unique. This same scenario applies every recreation business in Kansas, making the total dollar impact to our communities and Kansas significant. This participation is accomplished by people who have lived and worked in Kansas for many years, and most, their entire lives. With 114 bowling centers in Kansas, the economic impact with charities, communities, and the State of Kansas, is many millions of dollars.

Senate Bill No. 499 has a provision to allow fraternal organizations with liquor licenses, to have 5 video lottery machines. This proposal is just a "feel good" approach to expanded gaming opportunities in Kansas, but it will be extremely harmful to an independent recreation business, who, unlike fraternal organizations, pay full taxes to the State of Kansas. We are already faced with competition by the various bingo nights operated by the fraternal organizations. At a time when we face 15% to 20% annual increases in utilities, property insurance, and healthcare insurance, it is impossible to increase our prices at the same pace. Western Kansans also see our citizens going to Cripple Creek and Central City Colorado, when that money could just as well be kept in our own state and communities.

Senate Bill No. 499 would mean that the Kansas Lottery would be coming to my community, to **directly compete with my recreation business**. This would be done through a not for profit fraternal organization, while at the same time, my taxpaying, lifelong business is prohibited, by Kansas law, to have the same opportunity. The State of Kansas should not be in the business of picking economic winners and losers. The State of Kansas should not be competing with it's own citizens in the recreation business. Instead, let us participate

This is not about the expansion of gaming, this is about fairness and the maintenance of a level playing field for the citizens of Kansas. If Kansas is going to expand gaming, it must do so in a **fair manner**, with consideration for existing taxpaying businesses, or the tax base is going to be diminished, as small recreation and hospitality businesses face bankruptcy.

Kansas already has a network of these businesses, bowling centers included, with facilities available and ready. We are already connected to the Kansas Lottery, and have a track record of supporting our state fiscal needs. We have had beverage licenses for years, and have been paying taxes in excess of standard retail businesses. We have experience in the area of controlled environments in relation to age issues. We are involved members of our communities. The bowling centers of Kansas would be significant source of gaming revenue for the state, if they are allowed to participate, and compete.

Expanded gaming will have far reaching effects for generations to come. If not done fairly, with a concern for a level playing field, it will have negative consequences to recreation businesses in Kansas. Expansion must provide opportunity for taxpaying recreation businesses, such a bowling centers, to compete.

Members of the Committee, thank you for hearing us.



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

Senate Bill 499
Testimony To Senate Federal and State Affairs Committee

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

February 18, 2004

Introduction

Good morning Chairman Brungardt 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 Senate Bill 499.**

Senate Bill 499 is an extremely bad bill. It would permit 253 casinos throughout the state: 243 at fraternal and veteran's clubs, 5 at racetracks and 5 at stand-alone locations. **But, citizens would not get to vote on 248 of the casinos.** The Ks. Lottery would be authorized to begin installing video lottery terminals at the 5 tracks and 243 clubs immediately, without any referendums.

The casinos would be Kansas-class, drive-in casinos, not "world-class, destination casinos." World-class destination casinos cost \$1 billion or more and obtain most revenue from customers living outside the state. The casinos proposed in SB 499 could cost as little as \$30 million and obtain as little as 15% from gamblers living outside the state.

The casinos would pull hundreds of millions of dollars from surrounding communities. Over 15,000 Ks. citizens would become pathological gamblers, costing citizens in the state over \$200 million in social costs.

The economic and social impact of the proposed casinos are discussed in more depth in exhibit 1.

Now, during the remainder of my time, I would like to focus on three major problems related to the state owning the casinos.

1. Regulation

State-owned casinos would create major regulation problems.

Casinos, crime and corruption are inseparable. States with casinos don't eliminate these problems; they simply minimize the problems with strict, independent state agencies that regulate, at arms length, privately owned casinos. There is no way Kansas, or any other state, could perform such an essential function for casinos owned by the state. That's why no other state is in the casino business. The risk is too high!

The Final Report of the Governor's Gaming Committee had much to say about this problem and the need for "extreme caution." The Findings section states:

*"... the state will be in the uncomfortable position of being **the first and only state government to own and operate full-scale casinos.** Although gaming has benefits, it also has **significant economic and ethical risks.** ... Gaming's association with crime and other social pathologies is widely recognized, if not completely understood. Because of these risks, **some have expressed concern about having the state serve as the primary provider of gaming instead of its regulator.**"*

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"It would be a remarkable and unprecedented step for the state to enter the business of casino gaming. In spite of the potential benefits and revenues gaming might bring to Kansas, our state government should take this step with extreme caution."¹ (underline added)

But, rather than exercising "extreme caution," the governor is urging legislators to rush into a state-owned, high-risk, casino business venture that no other state has undertaken.

In another section the report warns:

"... overseeing and regulating 400 – 500 small gaming sites – many hundreds of miles from Topeka – is a near impossibility. As a result, this model would create a situation in which the gaming equipment, financial records, and operations of these gaming facilities would go widely uninspected and unexamined by the state."² (underline added)

Nevertheless, SB 499 would legalize video lottery terminals at 243 fraternal and veteran's clubs throughout the state.

At the national level, the governor's proposal for state-owned casinos has been criticized severely. At an industry conference in Las Vegas two weeks ago, the president and chief executive of the American Gaming Association, Frank Fahrenkopf, Jr., said:

"This idea of a state-run facility is, on many levels, a bad idea. Every jurisdiction with legalized casino gaming has in place an extensive regulatory regime to ensure fairness of the games and prevent criminal activities. This system ceases to exist when government and owner become one and the same."³

Then, the Kansas City Star editorial board concluded a scathing editorial (exhibit 2) with the statement, *"The legislature should waste no time on this plan. It's not even worthy of floor debate."⁴*

2. Political corruption

Now let's talk about a repugnant subject that is often avoided: political corruption. The potential for hundreds of millions of dollars of profits from the casinos combined with the state owning and operating the casinos make political corruption not only possible, **but highly probable.** If you know little about how casinos precipitate political corruption or think it wouldn't happen in Kansas, read the book, "Bad Bet on the Bayou," a documentary on the corruption created by legalizing casinos in Louisiana.⁵

Political corruption inevitably follows casinos. Here's three obvious problems in SB 499 that would encourage corruption:

- Although elected officials will appoint the casino commission and enact statutes governing the state-owned casinos, the bill contains no prohibition on casino investors and owners, racetrack owners, fraternal organizations, veteran's organizations and their families making contributions to the campaign committees of elected officials and PACs.
- The bill contains no prohibition on an elected official, government employee, or their families investing in, owning or managing a company affiliated with a casino.

1 Governor's Gaming Committee Final Report, Dec. 18, 2003, p. 38

2 Ibid, p. 29

3 Rick Alm, "Kansas governor's casino proposal criticized," *The Kansas City Star*, Feb. 2, 2004

4 "Opinion," *The Kansas City Star*, Feb. 7, 2004

5 Tyler Bridges, *Bad Bet on the Bayou*, Farrar, Straus and Girous, NY, 2001

- The bill contains no prohibition on an elected official, government employee, or their families serving on the commission. In Louisiana, members of a similar casino selection commission found out quickly that they were simply political pawns of elected officials.⁶

3. Marketing: Preying on addicted gamblers

Studies indicate approximately 30 percent of casino players have a gambling addiction problem.^{7,8}

Nevertheless, most casinos use sophisticated, high-technology "**behavior modification**" methods and comps to lure targeted players to increase the frequency of their casino visits and extend their gambling time.⁹ Such methods encourage targeted customers to gamble more, **even if they have a gambling addiction problem.**

Since casinos obtain approximately 80 to 85 percent of their revenue from 20% of their customers,¹⁰ targeted players are selected carefully, based on their actual or potential gambling losses. The process begins the first time a player enters the casino and continues each time the player returns. Sophisticated computer programs track each player's wins and losses, duration of his play, frequency of his play, denominations played, and how many coins he inserts into each machine.

In the book, *Jackpot -- Harrah's Winning secrets for Customer Loyalty*, Rich Mirman, senior vice president of marketing for Harrah's, says, "After one hour, we can look at this (information) and get a sense of the player we want to be our customer -- and we also know that we should start comping this individual."¹¹

The computer produces individual "**behavior modification reports**" that identify **specific comps** for each targeted player, based on the player's gambling activity. Mirman continues:

"Once we know the potential value of a customer and what offers motivate him to visit us, we rely on our Pavlovian marketing approach to be the carrot to get him to visit our casino. Our objective is to change a customer's behavior."

"The Harrah's model sets budgets and calendars for gamblers, calculating their "predicted lifetime value." When a gambler's value is less than predicted -- say he skips a monthly visit -- Harrah's "intervenes" with a letter or phone call offering a free meal, a show ticket, or a cash voucher ('comps'). Telemarketers are trained to get customers to talk about their casino experiences, and then to listen for particular phrases such as hotel room, or steak dinner, to come up with the most alluring offer."¹²

Surely, the state is not going to permit such grossly offensive marketing techniques to lure addicted citizens to gamble more.

4. Other problems in SB 499

Senate bill 499 contains numerous other problems, some of which are listed in exhibit 2.

Conclusion

The governor's bill for state-owned casinos throughout Kansas would create major regulation, economic and social problems. Furthermore, the bill contains numerous deficiencies. We urge you to oppose this bill.

6 *Ibid*, pp. 128-148

7 WEFA Group, "A Study Concerning the Effects of Legalized Gambling on the Citizens of the State of Connecticut," Prepared for State of Connecticut, Department of Revenue Services, Division of Special Revenue, June 1997, p. 8-3.

8 Montana Gambling Study Commission Final Report, Chap. 6, 1998

9 Robert L. Shook, *Jackpot*, John Wiley & Sons, 2003, p. 156

10 *Ibid*, p. 236

11 *Ibid*, p. 229

12 *Ibid*, p. 229

Economic and social impact of proposed casinos

1. ECONOMIC IMPACT: The casinos would have a devastating economic impact on surrounding communities and businesses.

The casinos would be **Kansas-class, drive-in casinos, not "world-class, destination casinos,"** as promoted by the governor. World-class casinos cost \$1 billion, or more, and in Las Vegas obtain 85% of revenue from customers living outside the state. The casinos proposed in SB 499 could cost as little as \$30 million and obtain as little as 15% from customers living outside the state.

Studies of casinos similar to those proposed show that approximately 80% of the revenue comes from gamblers living within a 50 mile radius. For example, the four riverboats in Kansas City obtain 78% of revenues from customers living within 50 miles.¹ Harrah's Kansas City casino obtains 80% of its business from customers living within a 50-mile radius.² Proponents have shown no evidence that the proposed casinos would pull more revenues from outside a 50-mile radius than the KC riverboats.

The casinos would drain hundreds of millions of dollars and thousands of jobs from surrounding communities. Businesses in these communities would be hurt severely or destroyed as revenues decreased. During a recent TV special in Wichita, a Council Bluffs business leader stated, "Iowa casinos have taken 30% of disposal income from other local businesses."³

The financial impact of typical drive-in casinos in Kansas can be estimated using Kansas City riverboat casinos as a model, the population within a 50-mile radius of each casino, and the per capita income of the surrounding counties. As shown in exhibits 3 and 4:

- A casino in Wichita would pull approximately \$85 million out of the surrounding region.
- A casino in Junction City would pull approximately \$25 million out of the surrounding region.
- A casino in Dodge City would pull approximately \$10 million out of the surrounding region.

Further, the governor ignored the committee's recommendation on convenience gaming: "The state should avoid 'convenience gaming,' in which the gaming facilities (casinos) would merely redistribute dollars within the region."⁴ Nevertheless, the bill would permit convenience casinos at racetracks and fraternal and veteran clubs.

2. SOCIAL IMPACT: The casinos would destroy thousands of families and cost Kansas citizens hundreds of millions of dollars in social costs.

ACCESSIBILITY is a primary cause of gambling addiction. The 1999 National Gambling Impact Study Commission Report states, "the presence of a gambling facility within 50 miles roughly doubles the prevalence of problem and pathological gamblers."⁵ In Iowa the number of problem and pathological gamblers increased from 1.7% in 1989 to 5.4% in 1995 after casinos were introduced.⁶ Approximately 58% of Kansas citizens live more than 50 miles from a casino. Legalizing casinos throughout the state would make casinos easily accessible to these citizens, resulting in **over 15,000 persons** (1% of the newly exposed population) becoming pathological gamblers. The added social costs for these newly addicted gamblers would be **over \$200 million annually** (\$13,586 per person per year).

Endnotes

- 1 "Gaming Market Assessment Update: Woodlands Casino, KC, KS.," Prepared for Ks. Racing, LLC, St. Joseph, Mo. by The Innovation Group, New Orleans, LA., Dec. 2002
- 2 Robert L. Shook, *Jackpot!*, John Wiley & Sons, Inc., 2003, p. 154
- 3 KWCH Wichita, Feb. 1, 2004
- 4 Governor's Gaming committee Final Report, Dec. 18, 2003, p. 2
- 5 The National Gambling Impact Study Commission Report, June 1999, p. 4-4
- 6 Rachel A. Volberg, "Gambling and Problem Gambling in Iowa: A Replication Survey," Iowa Department of Human Services, July 28, 1995.

Other deficiencies in bill

Referendums

1. The bill has no provisions for citizens living in counties surrounding the five "destination casinos" to vote, although a large portion of the casinos revenues would be pulled from these surrounding counties.
2. The bill contains no minimum time between referendums if a referendum fails to pass.

Commission

3. As discussed in a previous committee meeting, the Destination Casino Commission would be stacked 5 to 2 in favor of the governor.

Problem gambling

4. The bill has no limitations on machines bets and prizes at destination casinos and racetracks, similar to the limitations at fraternal and veterans clubs.
5. The bill has no daily loss limits on gamblers.
6. The bill has no prohibitions on serving or consuming liquor in the casinos.
7. The bill has no restrictions on the maximum daily operating time, so the casinos could operate 24 hours per day, encouraging gambling addiction.
8. The bill has no prohibition on use of credit cards or ATMs.
9. The bill permits persons 18 years of age or older to work in casinos. This should be changed to 21, the same age as required to gamble.
10. The bill requires fraternal and veteran's organizations to be in continuous operation at least five years to qualify for VLTs. So, the state would see an explosion of new fraternal and veterans clubs applying for VLTs after 5 years.

Management and reporting

11. The bill contains no requirement for recompeting destination casino contracts after expiration. The executive director of the Ks. lottery is given the discretion to renew the contracts indefinitely.
12. Although the governor is promoting gambling expansion to "draw thousands of tourists -- and their dollars -- from across the region," the bill requires no reports to legislators and citizens on the revenue derived from Kansans (by county) and out-of-state players. Financial reports, broken down by casino, should be published monthly.

Exhibit 3

Kansas City riverboat casinos financial overview

(Source: Missouri Gaming Commission FY 2003 Annual Report)

Casino	Adjusted Gross Revenue (AGR) \$ M	Est. Capital Investment \$M	AGR divided by Capital Investment	Employees	Payroll \$M	Employees avg annual payroll	Payroll plus benefits \$M	Payroll plus benefits as a % of AGR
Ameristar	\$ 210	\$ 346	0.61	1,918	\$ 37	\$ 19,201	\$ 52	25.0
Harrah's	\$ 208	\$ 199	1.05	1,589	\$ 32	\$ 20,076	\$ 45	21.5
Isle of Capri	\$ 99	\$ 58	1.71	734	\$ 17	\$ 23,108	\$ 22	22.0
Argosy	\$ 96	\$ 95	1.01	836	\$ 16	\$ 18,947	\$ 24	25.2
Total	\$ 613	\$ 697	0.88	5,077	\$ 102	\$ 19,998	\$ 143	23.3

Exhibit 4

2/16/04

5-1

Financial estimates for three typical drive-in casinos

Line		KC riverboat casinos (FY 2003 actual)	Wichita casino (estimate)	Junction City casino (estimate)	Dodge City casino (estimate)
1	Population within 50 miles*	2,065,157	675,245	227,445	93,358
2	Weighted per capita income*	\$ 22,706	\$ 20,190	\$ 17,357	\$ 16,131
3					
4	<i>Where the money comes from</i>				
5	From within 50-mile region (78%)	\$ 478	\$ 139	\$ 41	\$ 16
6	From outside 50-mile region (22%)	\$ 135	\$ 39	\$ 11	\$ 4
7	Adjusted gross revenue (\$ Millions)	\$ 613	\$ 178	\$ 52	\$ 20
8					
9	<i>Where the money goes</i>				
10	Payroll & benefits (23%)		\$ 41	\$ 12	\$ 5
11	Local taxes and local expenses (7%)		\$ 12	\$ 4	\$ 1
12	Leaves region (70%)		\$ 125	\$ 36	\$ 14
13					
14	Cash flowing into region (22%)		\$ 39	\$ 11	\$ 4
15	Cash flowing out of region (70%)		\$ 125	\$ 36	\$ 14
16					
17	Net cash leaving region (48%)		\$ 85	\$ 25	\$ 10
18					
19	* U.S. Census Bureau, 2000 census				

KANSANS FOR ADDICTION PREVENTION (KAP)

Formerly Kansans for Life at It's Best

TESTIMONY: Senate Federal and State Affairs Committee, 18 Feb 04

The question that the continuing push for gambling in Kansas has raised for me is why. Why after all of the clear, documented testimony that has been presented over the past years are we still even considering expanded gambling in opposition to our very own constitution? I must conclude that presenting facts will not put this issue to rest. So what is the motivation that keeps this alive even when the facts are an overwhelming body of evidence?

The State of Kansas is not willing to face its statutory obligations by raising a sufficient amount of taxes. We have persons with an ideology about transfer of wealth and the activities of government in the lives of its people. These persons resist the word tax at an irrational level. I did some research on the word "tax." My dictionary has as one of its definitions, "to make serious demands on or of; burden; strain." I propose that in all of your deliberations that you always substitute the phrase, "**tax on the poor**," for any reference to gambling in Kansas. Surveys indicate that three out of four persons caught up in gambling will be in the lower income tier. The elderly are included in this tier of gambling participants.

The "**tax on the poor**" that is being proposed is an incredibly inefficient tax. There have been periods in history when government contracted with individuals to be tax collectors. The tax collector was given an amount that was to be raised, then they were able to keep whatever amount of money beyond that that they raised. Under the current proposal, the casino would get a far greater amount of the "**tax on the poor**" than the state would receive. The economy of Kansas would be damaged at a measurable level.

In the 2001 study by Earl Grinols, a professor at the University of Illinois at Champaign and a former senior economic advisor to President Regan he concluded that casino gambling causes \$190 in social costs for every \$34 of economic benefit. "An economy that includes casino gambling is worse off by \$156 per capita compared to the same economy where casino gambling is prohibited," Grinols wrote. (Wichita Eagle February 1, 2004) The private collector of the **tax on the poor** may gain millions of dollars each year, it is only the people of the state, and the economy of the state that will suffer.

It is clear that not all political decisions are rational and based on what the data indicates will be the best outcome for the most people. However, we urge you to consider the facts and what is best for the people of Kansas and not expand gambling. We urge you to consider the facts and what is best for the economy of Kansas and not expand gambling. Any positive economic claims made by people wishing to expand gambling are self serving and bogus. Note that the opponents to gambling are not self serving.

Garry Winget, President KAP
2337 S. Green, Wichita, KS 67211 316-681-0122

February 18, 2004
Senate Federal and State Affairs Com.
Date: FEBRUARY 18, 2004
Attachment: # 6



6301 ANTIOCH • MERRIAM, KANSAS 66202 • PHONE/FAX 913-722-6633 • WWW.KSCATHCONF.ORG

***Senate Federal and State Affairs Committee
Testimony in Opposition to SB 499***

Chairman Brungardt and members of the committee:

Thank you for the opportunity to testify this morning in opposition to Senate Bill 499. My name is Beatrice Swoopes and I am the Associate Director of the Kansas Catholic Conference, the public policy office of the Catholic Church in Kansas. We urge you to oppose the expansion of gambling in Kansas.

The Kansas Catholic Conference believes the Church's perspective on gambling has much to contribute to this debate. This perspective urgently reminds us of our responsibility to assess it as a concrete reality in our world. Thus we offer the following observations for the consideration of Catholics and all people of good will in our state.

We take as our starting point the traditional position of the Catholic Church on games of chance concisely expressed in *The Catechism of the Catholic Church* (2413). "Games of chance (card games, etc.) or wagers are not in themselves contrary to justice. They become morally unacceptable when they deprive someone of what is necessary to provide for his needs and those of others. The passion for gambling risks becoming an enslavement."

As gambling in our state increases, so also does the number of people whose passion for gambling is enslaving them. They lose money, many times in large amounts, which they and their families sorely need. The harm resulting from this enslavement is an increasingly serious problem that we must honestly face.

I have given you a copy of the June 1999 Readers Digest article, "Addicted to Luck," by Matea Gold and David Ferrell. I believe that you will find this article very compelling. Let me briefly call your attention to some of the key points in the article:

1. "Now, with all but three states - Hawaii, Utah and Tennessee - sanctioning legalized gambling, evidence is mounting that society is paying a steep price."
2. "In 1997 bettors blew a whopping \$50.9 billion... Of those losses, an estimated 30 percent pours from problem gamblers." Almost one-third of the gamblers in casinos have a gambling problem!

MOST REVEREND GEORGE K. FITZSIMONS, D.D.
DIOCESE OF SALINA

MOST REVEREND JAMES P. KELEHER, S.T.D.
Chairman of Board
ARCHDIOCESE OF KANSAS CITY IN KANSAS

MOST REVEREND THOMAS J. OLMSTED, J.C.D., D.D.
DIOCESE OF WICHITA

MOST REVEREND RONALD M. GILMORE, S.T.L., D.D.
DIOCESE OF DODGE CITY

MOST REVEREND MARION F. FORST, D.D.
RETIRED

MICHAEL P. FARMER
Executive Director

MOST REVEREND EUGENE J. COOPER, S.T.L., D.D.
Senate Federal and State Affairs Com.

Date: FEBRUARY 18, 2004

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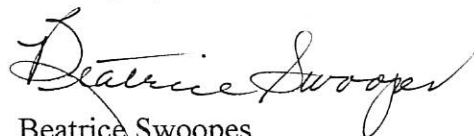
3. “Studies place the total number of these compulsive gamblers at 4.4 million, about equal to the nation’s ranks of adult hard-core cocaine and heroin users.”
4. “Compulsive gambling has been linked to child abuse, domestic violence, bankruptcies, welfare fraud and other criminal ills. A survey of 228 members of Gamblers Anonymous found that almost half admitted to insurance fraud, embezzlement or arson.”
5. “As they (problem gamblers) chase the elusive exhilaration of a big win, their families are often left to struggle for normality in a world of deceit and madness. Money starts vanishing: \$200 here, \$500 there.”
6. “It’s just tearing people up,’ (Congressman Frank Wolf of Virginia) says of habitual gambling. ‘We have record bankruptcies at a time of economic growth. Older, retired people are losing their life savings. The suicides, the heartbreak ... it’s a sickness.’”

Accessibility is a key contributor to gambling addiction. The final report of the National Gambling Impact Study Commission states, “...the presence of a gambling facility within 50 miles roughly doubles the prevalence of problem and pathological gamblers.” (page 4-4)

We, of course, recognize that Kansas’ citizens can gamble at Indian casinos in northeast Kansas and riverboat casinos in Missouri. However, making casinos more accessible to citizens throughout Kansas would result in thousands of new problem gamblers and destroy thousands of families in our state.

Because of this tremendous social cost to Kansas’ families, we oppose the expansion of gambling and urge you to oppose SB 499.

Thank you,



Beatrice Swoopes
Associate Director

I am RuthAnn Schoonover. I live at 2801 SW Westport Dr., Topeka Ks. , where I have resided for two 1/2 years with my husband Jim who teaches school in Topeka. I urge you to oppose Senate Bill 499. As a self-employed business person and a life-long Kansas resident,, I have come to appreciate our state and its great heritage. I am feeling abit like David against Goliath, but I am here representing the people who have been harmed by gambling in many ways and have lost millions of dollars. Until about 17 years ago, casino gambling was something that was available only in places far away from Kansas, such as Las Vegas. With the lottery introduced in 1987 and casinos on Indian reservations in the 1990's, we suddenly embraced and legitimized an activity where money is not only spent, but lost . Now we see a Kansas where more bankruptcies have been declared than ever before. And families suffer when money is spent for gambling "entertainment" - children are dragged along (some casinos have day care) or left unattended at home. Gambling does NOTHING to better our state or our families. State-owned casinos will mean the STATE will be responsible for the social problems and human suffering casinos bring. Some people gamble for recreation but many gamble to obtain money. Instead of creating a product or offering a service to earn money, this second group of gamblers doesn't accomplish anything and yet expects to acquire money. The more people there are who gamble to acquire money, the poorer society is.**

Many addicted gamblers have told me it is a matter of ACCESSIBILITY. If the casino is close by, the temptation becomes greater and they tend to go - oftentimes, spending money that is needed to go for food, shelter, clothing, gasoline, etc. A personal friend has told me "When the urge hits, it's impossible to control. I'll do anything and risk everything to go gamble. If the money isn't in the bank account, I'll write a hot check or pawn possessions." Stories of grandparents getting their monthly social security check and heading out to casinos abound. Workers who are paid weekly lose it all in one night. The drive home for these gamblers can be tortuous. I've seen buses pull up at Senior housing in Lawrence and haul seniors off with enticements of \$10.00 and a free lunch, in order to lure them into spending more money and wasting their time. How many grandparents are not even around for their grandchildren because they are pulling a one-armed bandit somewhere? How many suffer depression and thoughts of suicide after losing their money? Worse yet, how many suicides are committed because they gambled one too many times? I'm sure local bankers could relate some heart-rendering stories of people who've lost it all. Several women who worked in local banks confirmed to me that they saw first-hand bank accounts drained due to gambling losses. Do we want to add Topeka and Dodge City to the list of CONVENIENT gambling spots who cannibalize their own?

Expanding the number of casinos will INCREASE crime, social and behavior problems, suicide, and financial ruin for many Kansas citizens. Our young people and elderly seem exceptionally vulnerable. The many ads we are barraged with on television, newspaper, and billboards all show people smiling, happy, and seeming to win every time the realistic images of sad, losing faces and desperate people are never shown. It boils down to millions of dollars being taken from the hands of many regular people and put in the bank accounts of a select few. You as

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legislators have the utmost responsibility to safeguard our citizens and say “no” to Gov. Sebelius ill-thought out proposals to expand gambling. The National Government’s Commission on Gambling states the following in Sec. 3-18 of their report: “The Commission recommends that jurisdictions considering the introduction of new forms of gambling or the significant EXPANSION of existing gambling operations should sponsor comprehensive GAMBLING IMPACT statements. Such analyses could be conducted by qualified independent research organizations and should encompass, in so far as possible the economic, social and regional effects of the proposed action.”* Governor Sebelius has NOT ORDERED these independent impact studies for our state.

When examined, gambling fails a cost-benefit test. Even using conservative estimates, it’s \$3.00 spent for every \$1.00 benefit.** Nor do we have enough support groups for problem gamblers. Lawrence, Ks., has need for a gambler’s anonymous group but doesn’t yet have one. The Topeka Gamblers Anonymous spokesperson told me in the past two years their attendance has increased sevenfold. How much damage will be done to our families if we choose this wrong path? How much money that could have funded college educations or retirements will be lost? How many marriages will fail and parents and children suffer? How many businesses will close due to customers choosing casinos over necessities needed at home? Most of the money taken in by casinos and race tracks is gambled by those who can least afford it.

I feel so strongly about this issue that I have come here before you to testify on behalf of all the people I know personally who have been harmed by the casinos located nearby. Don’t add any more of these blights to our communities. In its final report, the National Commission on Gambling recommended a “pause” in the growth of gambling and that policymakers may wish to “impose an explicit moratorium “ on gambling expansion . * We need to say NO to gambling and call it for what it is, not entertainment, but a parasitic activity that will HARM our economy and our families. In 2003, 42 states REJECTED expanded gambling in their area, including Kansas. *** Surely this rejection speaks of the understanding that gambling brings more HARM than good. In the name of economic expansion, we would be burdened with the social liability of increased crime, poverty, and family breakups. We must have the courage to defeat any new gambling initiatives in 2004 and the years to come. For our future generations’ sake as well as our own. Thank you.

* NGISC REPORT RECOMMENDATIONS June 18, 1999, p. 2, p. 12.

**NCALG(National Coalition Against Legalized Gambling) Economics of Gambling: Summary Points, Prof. Earl Grinols, Dept. of economics University of Illinois, July 2003, p.2.

***SCORE CARD: GAMBLING EXPANSION IN 2003. Hills, Chad. p. 1.

Testimony to Senate Federal and State Affairs Committee

On

Senate Bill 499

By

Jean Plummer

323 ½ N. Main

El Dorado, KS 67042

316-321-3502

February 18, 2004

Good morning Chairman Brungardt and members of the committee. Thank you for this opportunity to speak at this public hearing. I am Jean Plummer; I live at 323 ½ N. Main, El Dorado, where I have lived for 22 years. I'm present today to tell you why I am urging you to oppose Senate Bill 499 to expand gambling in our state.

In 1952, my sister, the late Billie Joanne Fudge Wagner, joined the Navy and after graduating from basic training in Bainbridge, Maryland, left for a tour of duty in Seattle, Washington. There she met a charming man, also in the Navy, whose nickname was Lucky.

After their marriage, Billie asked to be discharged so she could follow Lucky's deployment, which took them to Japan.

One of three girls who grew up in a middleclass home, Billie was raised with high ethical values and a very stable home. Our parents were frugal with their money, but gave generously of their time to community service work such as Girl Scouts, the American Legion, VFW and other local benefits.

While life went on with raising Billie's two younger sisters, they had to idea the kind of life Billie was actually living. Her letters,

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phone calls and infrequent visits home were very positive and very misleading about the actual facts of her life.

Sometime after their marriage we heard the painful account of her life with Lucky and that he was a compulsive gambler, with his habits had certainly not living up to his name.

During much of their marriage, Billie worked outside the home in civil service and other jobs, but the money was used more and more frequently on Lucky's "habit." Even though she learned early in her marriage of his problem, she lived with the hope that he would change.

During their two-year tour in Japan, Billie later confessed that many times she did not have money for food. (She was unable to work because of the language barrier) Many times her diet consisted of just plain cooked beans. Knowing that a complaint to Lucky's superior officers would only bring a black mark on his military record and with pride that would not let her ask her family for help, she struggled with lack of financial means for food and other basic necessities and verbal and emotional abuse. In short—many days, this wife of a higher-ranking enlisted man went hungry. With no close friends and almost no social life, Lucky's increasing frustration at their financial situation turned to even more abusive behavior.

I will never forget my mother's tears when she learned that while our family had adequate financial resources, their oldest daughter had actually had nothing but plain beans to eat and sometimes not even that commodity. When our parents learned of her desperate situation, Billie and Lucky were back in the states. They sent her a bus ticket to come home and when she arrived, she came with the clothes on her back and a pair of thongs. At this point she didn't even have adequate clothes to apply for a job.

Until I learned of her experiences, I never had thoughts about gambling one-way or the other. Since that time, I've had other friends that became bankrupt because of this compulsive behavior. These people I know do not travel to places like Las Vegas or Tunica for "social or controlled" gambling, but take the "free" ride to casinos closer to home.

Billie was always grateful that she and Lucky had no children to go hungry. I know if she were still alive, she could tell you more heart wrenching details of this time in her life when an even barely adequate diet was denied her because of Lucky's compulsive gambling. I've seen her story magnified several times in our society—many times with the victims being young children. For the past 30 years I have been an advocate for abused women and children and rape victims. Often, their problems were magnified because of their spouse or significant other, gambling away money they did not have to lose.

I wonder why we spend so much money and time on social services and programs to help families—then ask our state taxpayers to support and legislators to enact legislation that will cause these problems. How do we count the cost of human suffering and rehabilitation for the addicted, and justify government provision for the cause? Gentlemen, I ask you to look beyond gambling as a source of false revenue for our fine state, and see the realism of what it actually costs in human suffering. I've done some research lately on the economic impact of gambling and am also concerned that the gambling drain on discretionary income will affect many of our small businesses and entertainment venues.

Thank you for allowing me to share our family story of the detrimental results of compulsive gambling. Again—I ask you to oppose Senate Bill 499 that would expand gambling and suffering in our state.



Kansas Charities Cooperative

"Uniting To Serve Kansas"

Address

2347 Amidon
Wichita, Kansas 67204

February 16, 2004

Board of Directors

Ron Anderson
Am-Vets

John McKenzie
Knights of Columbus

Margaret Ritthaler
Fresh Start

Louis Sage
*Fraternal Order
of Eagles*

Wesley Wilbur
I.O.O.F.

Cissie Bryant
*Wichita Women
Bowling Assoc.*

Paul Heidt
*Midwest Historical &
Genealogical Society*

John Robertson
Junior Thunder Hockey

David Collins
Northeast Optimist Club

Martha Bichel
Elks Lodge

Chauncey Littlejohn
Omega Psi Phi Fraternity

Steve Gorrell
Optimist Club of Derby

Ester Guerra
Wichita Figure Skating Club

Thank you Chairman Brungardt and members of the Senate Federal and State Affairs committee for the opportunity to express our concerns about the Governor's proposal to expand casino style gaming throughout the State of Kansas. Kansas Charities Cooperative is an Association of non-profit 501 C3 organizations that operate bingo games as a means of fund raising. There are nearly 400 bingo licensees in Kansas and all funds raised from bingo operations fund charitable causes. Most of the members of our organization operate games in leased facilities, as our facilities either do not accommodate a public game, or we do not own a building.

We are strongly opposed to the Governor's proposal to place five casinos in the State of Kansas. Casino gaming puts small bingo games out of business. We simply cannot compete with the higher prize rewards and the faster games that a casino offers. In areas where casino gaming has become legalized, bingo games cease to exist.

We are also strongly opposed to the Governor's proposal to place 5 slot machines in each fraternal hall in Kansas. Fraternal organizations are federally recognized 501 C3 organizations, just as charitable organizations are. We all qualify to operate bingo games in Kansas. We are all regulated by the Kansas Department of Revenue and all our bingo games and revenues are subject to the same audit. We have to ask, why are charitable bingo operations discriminated against in the Governor's plan? If you are going to legalize slot machines for fraternal organizations, we believe you should legalize them for charitable organizations also. We have to ask, will those bingo halls that lease to fraternal organizations be allowed to have slot machines in their buildings? There are fraternal organizations in Kansas that, even though they own a building, do not want bingo operations in their building, and they lease a facility. Do those leased facilities benefit from the Governor's plan, and not others? Or, more important, could a fraternal organization lease or purchase a corner in the local bar or gas station and qualify for the placement of 5 slot machines? We think there are many questions that need to be asked about this proposal.

Again, we ask as we did last year, that you limit the expansion of casino style gaming to the Kansas City area. Bingo games no longer operate in that area of the state because of the river boats in Missouri. A casino in Wyandotte County will not hurt any of the nearly 400 bingo licensees in Kansas.

Thank you for hearing our concerns, and we ask that you vote against the Governor's proposal for expanded gaming. Senate Federal and State Affairs Com.

Date: FEBRUARY 18, 2004

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Testimony to the Kansas Senate Federal & State Affairs Committee
From Kevin G. Neuman, Overland Park, KS
In Opposition to SB 499
Wednesday, February 18, 2004

Chairman Brungardt and other members of the committee,

I apologize for not presenting this testimony in person, but I am traveling this week on business.

The mathematics on SB 499 -- where the money comes from and where the money goes --are very disturbing.

For the state of Kansas to receive revenues of \$100 million, \$3.5 billion dollars needs to be gambled, calculated as follows:

Total gambled (\$M)	\$3,500
Prizes (87%)	<u>3,045</u>
Remaining revenue to casino	\$455
Revenue to state (22%)	\$100

At racetracks casino revenue would have to be \$555 million, rather than \$455 million, to produce \$100 million for the state, since the state would receive only 18% of the casino revenue.

Since the bill requires only 15% of the revenue to come from gamblers living outside Kansas, \$386 million (85%) of the \$455 million would come from Kansans.

These numbers, then, raise several key points:

- 1) The state would get only 26% of the money lost by Kansans (\$100 million out of \$386). **This doesn't sound like a very good deal for Kansans!**
- 2) Of the \$455 million, the state would get 18%, local communities 4%, oversight 2%, and gambling addiction programs 0.5 %, leaving 75.5 % (\$344 million) for the casino owners. **Again, this doesn't sound like a very good deal for Kansans!**
- 3) Finally, I've read studies by major university professors that show the "not so hidden" social cost for problem gamblers is \$2.00 to \$3.00 for each dollar the state receives in casino revenue. Even if the \$2.00 is only \$1.00, Kansas citizens would spend at least \$100 million in social costs for the \$100 million received by the state.

So, in summary, Kansans would lose, as a minimum, \$486 million (\$386 million + \$100 million) so the state could get \$100 million and casino owners could get \$344 million.

Using casinos as a source of revenue just does not make economic sense!

I urge you to vote no on SB 499.

Kevin Neuman
12574 Grandview Street
Overland Park, KS 66213
(913) 681-2228

Senate Federal and State Affairs Com.

Date: FEBRUARY 18, 2004

Attachment: # 11

CITY OF EDWARDSVILLE

"All-America City - 1992"



Chairman Pete Brungardt
Senate Federal and State Affairs
Topeka, Kansas
Room 231
February 17, 2004

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Chairman Brungardt and members of the Committee,

Good Morning and I thank you for the opportunity to provide written testimony to your committee this morning concerning gaming issues in Kansas. Although this hearing is specific to SB 499, Legislature that is designed to fix the wave of revenue flowing out of Kansas for the past 11 years, I wanted to make some comments more related to the broad policy concerns of this legislation.

When the committee works the legislation I hope you will pay particular attention to providing local units of government the authority to select the specific developers for each sight. Currently the bill is written to provide state approval and selection of the developer and this would exclude local governments from selecting their partners. Also in the legislation the committee should specify the exact percentage of revenue that will be distributed to Cities and Counties rather than providing a range of up to 4%.

The opportunities to rebuild the Kansas economy must encompass more than just the issue of gaming. Gaming is not and will not provide the single solution to issues of unemployment, underemployment and the lack of revenue to educate Kansas children. However, if properly structured, allowing gaming with destination resorts and other tourism opportunities would provide a long term economic activity that currently does not exist in Kansas. The City of Edwardsville looks forward to partnering with the State of Kansas to provide new jobs, develop destination entertainment facilities and finally develop new streams of revenue to educate the children of Kansas.

I appreciate your patience in dealing with this issue and pledge our assistance to accomplish our mutual goals of building a strong and diverse economy. You have my respect and admiration for working on such a difficult issue for the great State of Kansas.

Mayor Stephanie Eickhoff

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