

MINUTES OF THE HOUSE FEDERAL AND STATE AFFAIRS COMMITTEE

The meeting was called to order by Chairman John Edmonds at 1:30 P.M. on February 17, 2005 in Room 313-S of the Capitol.

All members were present except:

Representative Judy Loganbill- excused

Committee staff present:

Athena Andaya, Kansas Legislative Research Department
Dennis Hodgins, Kansas Legislative Research Department
Carol Doel, Committee Secretary

Conferees:

Rep. Jim Yonally
Doug Lawrence, Kansas Greyhound Association
Larry Waldrop, Riverfalls Gaming
Bob Stephen, Riverfalls Gaming
Ed Gillette, Riverfalls Gaming
Don Denny, Unified Government Wyandotte County Kansas
Brian Garrells, City Manager of Eureka
Andy Stanton, Dodge City Convention & Visitors Bureau
E.L. "Tom" Farr, VFW - State of Kansas Commander of Dist. 1
Paul Treadwell, President of Kansas Quarter Horse Racing Assn.
Pam Davis Board of Directors Thoroughbred Assn.
Steve Ward, Kansas Greyhound
Glenn Thompson, Stand Up for Kansas
Marsch Strahm, Concerned Women for America
Ron Hein, Prairie Band Potawatomi Nation
Whitney Damron, Kickapoo Tribe
Keith Thomas, Park City, Kansas
Kevin Neuman, Grey 2K USA
Vern Schwanke, Bowling Proprietors Association
Kathy Bassett, Topeka, Kansas
Rex Haney, Kansas State Bowling Proprietors

Others attending:

See attached list.

Chairman Edmonds called the meeting to order and opened the floor for bill introductions.

The Chair requested introduction of a bill for Andy Sanchez, Executive Director of the Kansas Association of Public Employees dealing with certain people who attended the law enforcement training center.

With no objections, this was accepted for introduction.

There were no other bill introductions and Chairman Edmonds opened the meeting for public hearing on **HB 2415** a bill dealing with gaming and recognized Representative Yonally as a proponent.

Representative Yonally addressed the committee stating that he was not actually testifying, but wished to thank the committee for having a hearing on this bill as he thinks it is very important matter and he hoped they would give it favorable consideration. Secondly, he introduced Mr. Doug Lawrence a representative of the Kansas Greyhound Association.

Mr. Lawrence presented testimony as a proponent to **HB 2415** with the first item being a comparison of selected bills concerning gaming which was compiled by the Kansas Legislative Research Department. (Attachment 1) He further explained that their theme in putting together this latest iteration of a gaming bill is: *More Money Faster for Education*. (Attachment 2) Also presented by Mr. Lawrence was a feasibility of electronic and/or casino gaming in Kansas which was prepared by Sebastian Sinclair, President Christiansen

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MINUTES OF THE House Federal and State Affairs Committee at 1:30 P.M. on February 17, 2005 in Room 313-S of the Capitol.

Capital Advisors, LLC and Behavior Research Center as prepared for The Kansas Lottery. (Attachment 3)

Next Mr. Lawrence distributed a study on the social and economic impact of gaming and the role of the state and local governments and their citizens in making public policy regarding gaming which was done by The Public Sector Gaming Study Commission. This study covered illegal gambling, the effects of pathological gambling, crime, suicide, and bankruptcy. (Attachment 4)

Larry Waldrop, Managing Member, River Falls Gaming LLC came before the committee as a proponent of **HB 2415** relating that the purpose of his appearance is to emphasize the elements of a "Destination Casino Resort". It is their feeling that this type of development will not only increase tourism in Kansas, but will also capture more tourism dollars from the visitors to existing attractions such as the Kansas Speedway, Cabela's and The Nebraska Furniture Mart, but most importantly it will generate much needed revenue to the state with a limited number of locations. (Attachment 5) Mr. Waldrop also presented the committee with a brochure entitled *Destination Kansas River Falls Gaming LLC*. (Available from River Falls Gaming LLC 116A SW 8th Ave. Topeka, Kansas. 66603 or 214 728-1374)

Attorney General Bob Stephan, LLC, in support of **HB 2415** offered an executive summary on the constitutionality of a state owned and operated casino. In his testimony General Stephen stated that it is abundantly clear that under the Constitution of the State of Kansas and case law that Kansas has the constitutional authority to enact, through the legislature, a state owned and operated casino. (Attachment 6)

Ed Gillette, legal consultant for Destination Kansas/River Falls Gaming, L.L.C. and a former member of Governor Kathleen Sebelius' Committee on Gaming, came before the committee with testimony in support of **HB 2415**. Mr. Gillette gave an account of a committee which conducted eight public meetings throughout the State, which heard live testimony from both proponents and opponents. A final report was prepared and presented stating that if the committee's recommendation was not acted on quickly the opportunity for a destination casino could be lost to the outside competition. (Attachment 7)

Testimony from the Unified Government Public Relations, Wyandotte County, supporting **HB 2415** was Mike Taylor the Public Relations Director. In this testimony, Mr. Taylor related that a "no" vote to expanded gaming in Kansas is not going to protect the Kansas economy or prevent Kansans from gambling at casinos in neighboring states. A "no" vote will deprive Kansas from generating revenue that its own citizens would rather see benefit its own State. A "no" vote prohibits the Kansas economy from benefitting. (Attachment 8)

Brian Garrels, City Administrator for the City of Eureka appeared before the committee in support of the proposed **HB 2415** with the key reasons being:

1. A county-wide vote to allow shot machines at Eureka Downs was required and it is their feeling that citizens should have the opportunity to vote.
2. Kansas racing establishments would be able to provide larger purses.
3. The addition of slot machines will help increase the productivity and vitality of Eureka Downs. This will in turn create an economic ripple effect that will necessitate hiring more trainers, selling more hay and other agricultural products as well as hiring additional work force.
4. Small rural areas have a very limited opportunity to compete with larger urban areas for substantial population and economic growth. This bill should help education funding, not only at a state level, but at a local level. (Attachment 9)

Mr. Garrels also distributed a racing history of Eureka Downs as well as statistics for impact to Eureka Downs and Kansas. (Attachment 10)

Andy Stanton, Board of Director of Boot Hill Museum, Inc. and Dodge City Convention and Visitors Bureau offered the opinion that the challenge to the committee is to evaluate the impacts and effects of expanded gaming and to evaluate proposals that would:

1. Maximize tax revenue to the State of Kansas;
2. Enhance entertainment opportunities in Kansas communities;
3. Enhance economic opportunities in Kansas communities;
4. Provide a sustainable, realistic business model.

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He further related that Dodge City and Ford County leaders believe they have a sustainable business model that effectively answers each of these issues and offered them for the committees' review. ([Attachment 11](#))

E.L. "Tom" Farr, District 1 Commander of the Kansas Veterans of Foreign Wars (VFW) and also representing the Kansas VFW Ladies Auxiliary in support of **HB 2415**. Mr. Farr explained the organizations which he represents and the projects they are involved in benefit many people. They feel they need to be included in the gaming bill in Kansas so they can continue to operate for the good of the community, the State of Kansas, and the United States. ([Attachment 12](#))

President of the Kansas Quarter Horse Racing Association, Paul Treadwell, addressed the committee in support of **HB 2415** relating the opinion that the gaming dollars and tourists who brought them are leaving the state for other gaming locations. He further states that this state needs economic development and this bill provides several avenues for that to happen, however, they feel that the greatest benefit from this bill would be the funds that it would make available for the education system in Kansas. ([Attachment 13](#))

Speaking for the Kansas Thoroughbred Association, Pam Davis promoting **HB 2415** presented information relating to the equine and agricultural economy in the State of Kansas. According to her testimony, equine operations have a positive impact on our agricultural business and Ag related occupations. ([Attachment 14](#)) Ms. Davis also submitted information regarding the population survey of the Kansas Race Horse Industry. ([Attachment 15](#)) as well as a booklet entitled *KANSAS EQUINE SURVEY 1996*. (Compiled and issued by Kansas Agricultural Statistics - 632 SW Van Buren, Rm 200 - Topeka, KS 66603)

Appearing as a proponent to **HB 2415** was Steve Ward of the Kansas Greyhound Association who related that they believe that the passage of this bill will have an immediate impact on our industry. It takes two years to get a dog ready to run and they believe there will be an immediate surge of investment and activity in Kansas just because this legislation has passed. ([Attachment 16](#))

No other person wished to address the bill as a proponent and the floor was opened to the opinions of the opponents on **HB 2415** with Kathy Bassett a concerned private citizen delivering her testimony. Mrs. Bassett related her personal family problems and community problems caused by the effects of gaming which include financial ruin, increased crime with resultant imprisonment, divorce and attempted and successful suicides. ([Attachment 17](#))

Glenn Thompson, Executive Director of Stand Up for Kansas, urged a no vote on **HB 2415** stating that this bill would create major policy problems for the state and numerous economic and social problems for Kansas citizens. ([Attachment 18](#)) Mr. Thompson also submitted for review a copy of a newsletter entitled *The Fox Should Not Watch The Hen House* ([Attachment 19](#)) and *Bad Bet On The Prairie* ([Attachment 20](#))

Marsha Strahm, Legislative Liaison for Concerned Women for America of Kansas (CWA) testified as an opponent to **HB 2415** stating that the enticement of gambling has the most allure for those in our society that can least afford to lose. They also feel that gambling breeds crime by placing vulnerable people in circumstances that tempts them to criminal activity to feed their gambling habit. They further stated that gambling is an economic negative and that government should be about protecting the family unit and providing safety and security for all its citizens. ([Attachment 21](#))

Testimony in opposition to **HB 2415** was delivered by Ron Hein, Legislative Counsel for the Prairie Band Potawatomi Nation (PBNN). Their 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). Mr. Hein further gave their opinion on gaming expansion and the effect upon economic development in the State. They feel that 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. ([Attachment 22](#))

Whitney Damron delivered testimony on behalf of the Kickapoo Tribe in Kansas and Sac and Fox Nation

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of Missouri in Kansas and Nebraska opposing **HB 2415**. It is their opinion that this bill and other gaming bills obviously have ramifications for the Tribes' Kansas City project and their existing casinos. One of the most troubling aspects of this bill is sections dealing with disclosure of ownership interests and those subject to criminal background review. Mr. Damron further related that if the Legislature passes legislation like that in **HB 2415** they will be subjected to an annual parade of gaming interests who have been left out of the perceived Holy Grail of economic prosperity. They urged that the Committee not proceed with this or other gaming proposals and instead consider the benefits of expanded tribal gaming that can bring economic benefits to the state and potentially resolve the gaming debate for years to come. (Attachment 23)

Keith Thomas, a concerned citizen from Park City, Kansas, delivered testimony in opposition to **HB 2415**. Mr. Thomas related that he had done significant research on gambling and is opposed primarily for economic reasons. He further stated that it is his opinion that gambling leaves innocent victims in its wake, along with associated costs such as higher insurance rates, court activity, associated regulatory and enforcement costs, settlements and medical costs. In closing, Mr. Thomas, related that the redistribution of money within our economy coupled with the revenue taken out of the economy in the form of profit to gambling interests will not result in economic growth or development for our state. (Attachment 24)

GREY2K USA protecting greyhounds nationwide, was represented by Kevin Neuman. They are in opposition to **HB 2415** stating that if this bill is passed Kansas will have the dubious honor of:

1. Being the only state that owns and operates casinos;
2. Clearly favoring a for-profit business - the greyhound racing and breeding industry in Kansas - to be artificially propped up when other businesses do not have such subsidies;
3. Ignoring the experiences of other states that have rued their decisions to authorize slot machine purse subsidies, discovering them to be bad public policy;
4. Being the only state that has, by statute, excluded a greyhound from being a dog.

They strongly urge the Committee to oppose **HB 2415**. (Attachment 25)

Owner of Colby Bowl Fun Center, Colby, Kansas, Vern Schwanke, opposes **HB 2415** relating that passage of this bill, would mean that the Kansas Lottery would be coming to his community to directly compete with his recreation business. He further stated that if expanded gaming is not done fairly, with a concern for a level playing field, it will have negative consequences to recreation businesses in Kansas. (Attachment 26)

Rex Haney, representing Gage Bowls, Topeka, Kansas and a member of the Kansas State Bowling Proprietors Association presented testimony in opposition to **HB 2415** stating that they already compete for the recreational dollar of the Kansas consumer, and their businesses would be further harmed if gaming were expanded. (Attachment 27)

Chairman Edmonds asked if any other person wished to address the bill in opposition to **HB 2415**. Hearing none, he recognized the written testimony of Stephanie Eickhoff, Mayor of the City of Edwardsville, Kansas who encourages the passage of **HB 2415** (Attachment 28), Jim Dehoff, Executive Secretary of the Kansas AFL-CIO also encouraging passage of this legislation (Attachment 29), as well as written testimony from Counselor At Law, Eugene Ralston who also is a proponent of **HB 2415** (Attachment 30)

With no further business before the committee, Chairman Edmonds adjourned the meeting.

FEDERAL AND STATE AFFAIRS

GUEST LIST

Date 2-17-05

Keith Thomas, Park City, KS	
E. J. Jan, Div I, VFW Council 121	
Chale E. Delly	Eureka
Cliff Rutland	Independence, KS
Andy Stanton	Dodge City, KS
W. G. Gaddy	KC VA
Brenda Webb	KS BPA
Tom Long	Hamilton KS
Robert [unclear]	Bascher KS
Mary Purcell	Lawrence, KS
T. C. [unclear]	"
Connie Upker	Bascher KS
Ronnie Jones	KQARA Eureka, KS
BRIAN GARRETS	CITY OF EUREKA
Victorie Hornbecke	Greenwood County ED Director
Mike Pitis	City of Eureka
Mike Stout	Seminole, KS
VERN SCHWANKE	Colby, KS
Kathy Bassett	Topeka, KS
Glen Thompson	Stand'by For KS,
Ron Hein	RBB Prairie Bird Botanical Nat'l
KRIS KIBACH	UMKC SCHOOL OF LAW
Myrna Hale	Augusta Pub. Library
Doug Smith	PSA

FEDERAL AND STATE AFFAIRS

GUEST LIST

Date 2-17-05

Jaye Seegarden	Augusta
Cecilia Middlestar	Augusta
Bob Johnston	Remond
Ed Killelte	Tenaha
Doug Lawrence	KGA
Steve WARD	KGA
Will Lawrence	
Tom Burgess	KFG
Pharola Shaheen	Curt of the
Janelle Nussner	Hein Law Firm
Don Murray	Federico Consul
Judy S. Law	Kearney Associates
Alexis Ghavardi	MVA
Pam Davis	Westmoreland
Jim Yocally	REP.
Whitney Samson	Kcego Tribe / Sac: Jux Nation
Bob Winter	"
Ann Walker	" "
Walter D.	" "
Don Dwyer	UNIFIED WYLO / KCA
JP Small	KQTRA
Jim Gaultland	RC
Koss Vogel	Galena K
Charleston York	The American Legion
Demp, Burgess	KTA

FEDERAL AND STATE AFFAIRS

GUEST LIST

Date 2-17-05

Jane Rutherford	Little Joe & Rel.
Rob Tennison	Kansas Outdoors
Jeff Rutland	Horsemen
Karen Tolle	KQHRA
Sandra Keo	Sac and Fox Nation
Ed Cogen	St F Nation
Roy Ky	
John Markish N. N. V. V.	Golden Eagle Casino
Robert Rudge	KHA - KQHRA
MIKE TAYLOR	Unifield Gov Wyandotte County
Pat Hurley	PAT HURLEY & CO.
Michael Rutledge	Golden Eagle Casino
Surreal Simon	Golden Eagle Casino
Homer Kumbler	
Gary Smith	KTA
Grand Assmann	KTA
Dezlit Daniels	K-T-A
Jack Lister	K-T-A
Tom Bruno	Bruno Associates
CHRISTIAN REAMER	DAV
Awan Peterson	KS Grayhound Assn
John Federn	Havreli's
Gene Kelita	KQHRA

Revised Comparison of Selected Bills Concerning Gaming

	SB 168 (Capitol Consulting Group) HB 2415 (Rep. Yonally et al.)	SB 170 (Senator Vratil)
Games Authorized	Electronic gaming machines, Destination casino games, Video lottery terminals (VLTs)	Electronic gaming machines, Lottery Facility Games
Authorized Locations	Destination development zones: Northeast zone—Wyandotte county; Southeast zone—Crawford and Cherokee counties; South central zone—Sedgwick county. Parimutuel Tracks, Veterans Clubs	Lottery Gaming Facilities (unlimited), Facilities restricted to one manager within a 20 mile radius of each other. Certain restriction applies to specific counties in Kansas.
Regulatory Agencies	Kansas Lottery; Kansas Racing and Gaming Commission	Kansas Lottery
County Election Required	Yes	Yes
Required Payout	At least 87 percent for electronic gaming machines VLTs payout at least 87 % and not more than 95% and up to 99% if authorized by the Lottery Director	At least 87 percent
Accelerated payment	\$15,000 for each electronic gaming machine (except veterans)	\$15,000 for each authorized electronic gaming machine
Limits on Number of Machines	VLTs—not more than 4,000 at all parimutuel locations and not more than 500 at all club locations. No limit on casinos	Not less than 300 per facility
Effective Date	<i>Kansas Register</i>	<i>Kansas Register</i>
Disposition of Destination Casino Revenue (Casino revenue minus expenses)	<p>Destination Gaming Casinos</p> <p>Lottery Commission Oversight 2.0 %</p> <p>Problem Gambler 0.5 %</p> <p>City and County 4.0 %</p> <p>Operating Expenses to be determined</p>	<p>Gaming Facility Manager Expenses and Interest on Bonds 50.0%</p> <p>(if expenses exceed 50%, the state pays 75% and the manager pays 25% of overage of expenses.)</p> <p>(if there are excess funds after expenses and interest on bonds are paid, then those excess funds would be distributed 12.5 % to the Facility Manager and 37.5 % to the State)</p>
Disposition of Net Gaming Revenue (Destination casino revenue minus amounts paid in prizes)	<p>Destination Gaming Casinos</p> <p>State General Fund not less than 22.0 % of the destination casino revenue</p> <p>Destination Casino Manager negotiated by contract</p>	<p>Lottery Gaming Facility Manager 12.5%</p> <p>Education Fund and Principal on Bonds (elementary, secondary and higher education) 37.5%</p> <p>Total 100%</p>

FEDERAL AND STATE AFFAIRS
 Date 2-17-05
 Attachment 1

	SB 168 (Capitol Consulting Group) HB 2415 (Rep. Yonally <i>et al.</i>)	SB 170 (Senator Vratil)																										
Disposition of Net Gaming Revenue (Destination casino revenue minus amounts paid in prizes)	<p>Video Lottery Terminals at Parimutuel Locations</p> <table border="0"> <tr><td>Horse Supplements</td><td>7.0 %</td></tr> <tr><td>Dog Supplements</td><td>7.0 %</td></tr> <tr><td>County</td><td>1.5 %</td></tr> <tr><td>City</td><td>1.5 %</td></tr> <tr><td>Problem Gambler</td><td>0.5 %</td></tr> <tr><td>Parimutuel Manager</td><td>negotiated by contract</td></tr> <tr><td>Lottery Operating Expenses</td><td>to be determined</td></tr> <tr><td>State General Fund</td><td>not less than 35%</td></tr> </table> <p>(After all of the expenses are paid, the remainder shall be transferred to the SGF, but not less than 35% and will be used for funding of elementary and secondary public education.)</p> <p>Video Lottery Terminals at Club Locations</p> <table border="0"> <tr><td>Veterans Benefit Fund</td><td>14.0 %</td></tr> <tr><td>Problem Gambler</td><td>0.5 %</td></tr> <tr><td>Club Manager</td><td>negotiated by contract</td></tr> <tr><td>Lottery Operating Expenses</td><td>to be determined</td></tr> <tr><td>State General Fund</td><td>not less than 35 %</td></tr> </table> <p>(After all of the expenses are paid, the remainder shall be transferred to the SGF, but not less than 35% and will be used for funding of elementary and secondary public education.)</p>	Horse Supplements	7.0 %	Dog Supplements	7.0 %	County	1.5 %	City	1.5 %	Problem Gambler	0.5 %	Parimutuel Manager	negotiated by contract	Lottery Operating Expenses	to be determined	State General Fund	not less than 35%	Veterans Benefit Fund	14.0 %	Problem Gambler	0.5 %	Club Manager	negotiated by contract	Lottery Operating Expenses	to be determined	State General Fund	not less than 35 %	
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Doug Lawrence
Capitol Consulting Group
800 SW Jackson
Topeka, KS 66612

Testimony re: HB 2415
House Federal and State Affairs Committee
On behalf of
Kansas Greyhound Association
February 17th, 2005

Mr. Chairman, Members of the Committee:

HB 2415 represents, literally, years of experience and work by a wide range of people. It reflects a compromise of unprecedented proportions among the interests who believe that expansion of the Kansas Lottery is an appropriate – even necessary – means of supplementing education funding without raising taxes.

Behind this legislation is a loose coalition of supporters. The Kansas Greyhound Association, Kansas Thoroughbred Association and Kansas Quarterhorse Association along with some developers who are willing to step forward and make huge investments in Kansas have been working together for the last several years. This coalition continues to grow, with new members added even today.

Our theme in putting together this latest iteration of a gaming bill is:

More Money, Faster for Education.

HB 2415 Structure

Ninety percent of the language in our legislation is the same as SB 499, a proposal made by Governor Sebelius last year. There are some important changes, however.

The bill is divided into two main parts:

Destination Casinos
Video Lottery Terminals

The Destination Casino portion of the bill, beginning on page 1 and running through page 13, lays out the requirements for development of large destination casinos in three locations in Kansas. The locations are Wyandotte County, Sedgwick County and two counties in Southeast Kansas, Crawford and Cherokee Counties.

FEDERAL AND STATE AFFAIRS

Date 2-17-05
Attachment 2

The Video Lottery Terminal portion establishes a mechanism of placing video lottery terminals in Parimutuel racing facilities in Kansas, and Private Clubs operated by non profit veteran's service organizations. That portion begins on page 14.

Both portions of this bill are crucial to the strategy of generating a new revenue stream for Kansas in a manner that will be useful in helping to solve the state's financial quandary this year and into the future.

We believe this package will generate \$150 million dollars in Fiscal Year '06, and make available another \$200 million dollars in FY '07. We believe actual numbers will be higher than the estimates we are using today.

Key Provisions

- Local Voters must approve ANY form of expanded gaming in their community before the lottery can move forward on proposals.
- Accelerated payment to the state of \$15,000 per electronic gaming machine of Video lottery terminal.
- All facilities are managed on behalf of the state through a management contract with the Kansas Lottery, with stringent requirements to maintain integrity and quality of operations.
- Funding for education
- Funding for Treatment of problem gamblers
- Aggressive programs required for problem gambler interdiction at casinos
- Funding for Cities and Counties where facilities are located to assist in dealing with issues associated with placement of these facilities
- Funding for services to veterans through existing state programs
- Expansion of the Live Horse and Greyhound racing industry throughout the state through enhanced purses and breed development funds.
- Major expansion of the state's tourism effort through the focus on development of Major Destination Resort developments in Key market areas in our state.

This room is full of people who came here from all over the state to address this legislation both as supporters and opponents. I am available every day in the Capitol, and believe that these folks should be given a fair chance to speak on this bill. As a result, I will make myself available to answer questions in any manner deemed appropriate by the Chairman, including appearing before this committee later to deal with specific details of this legislation and the issue.

We appreciate your time, and urge your support for HB 2415

**The Feasibility of Electronic and/or Casino
Gaming in Kansas**

Final Report

Prepared by: Sebastian Sinclair, President, Christiansen Capital Advisors, LLC and
Behavior Research Center
Prepared for: The Kansas Lottery
Tuesday, March 09, 2004

The Feasibility of Electronic and Casino Gaming in Kansas: Executive Summary

The Kansas Lottery is reviewing the feasibility and desirability of expanded gaming in the Sunflower State. To assist in this review the Lottery has retained Christiansen Capital Advisors, LLC and Behavioral Research Center, Inc. to conduct market research and related services pertaining to electronic and/or casino gaming in the State of Kansas. Presently, the only kinds of gambling permitted in the State of Kansas are pari-mutuel dog and horse racing under the regulation of the Kansas Racing and Gaming Commission ("pari-mutuel racing"), charitable bingo, tribal casinos per compacts negotiated between the State of Kansas and certain Native American tribes, and games offered by the Kansas Lottery.

During recent legislative sessions, various bills have been introduced to expand gaming in Kansas, including slot machines, video lottery terminals ("VLT's"), casinos (including not only electronic machines, but also table games), and/or other similar types of gaming. Various scenarios for expanded gaming have been proposed, including limiting gaming to presently operating pari-mutuel tracks, a combination of pari-mutuels and "at-large" facilities, one or two "mega resorts," gaming at all Kansas Lottery retail locations, and so forth. Absent a change in the State Constitution, the Kansas Lottery will own and operate any expanded gaming ventures.

OBJECTIVES OF THIS STUDY

Although market research and other similar studies have been conducted by entities interested in operating expanded gaming facilities, no research has been performed on behalf of the Kansas Lottery or the State of Kansas. Christiansen Capital Advisors, LLC ("CCA") has been engaged by the Kansas Lottery ("the Lottery") to conduct market research and provide related services pertaining to electronic and/or casino gaming in the State of Kansas. Specifically, CCA has been asked to do the following:

- To determine whether the expansion of gaming in the State of Kansas is economically feasible;
- If the expansion of gaming in Kansas is feasible, determine what type(s) of gaming is (are) preferable;
- To determine at what venue(s) expanded gaming should be conducted;
- To make any other suggestions and provide such market research and feasibility information as may be deemed necessary for the State of Kansas to adequately evaluate the issue of expanded gaming.

CCA and Behavior Research Center, Inc. ("BRC") determined that the most effective way of addressing these issues is to establish a baseline description of gambling in Kansas before considering potential expansion.

Subcontractor BRC conducted consumer marketing research designed to provide the Kansas Lottery with a valid assessment of public attitudes toward the expansion of gaming, the location of potential new gaming operations, and so forth. A description of the tasks performed by CCA and BRC and the methodology employed is presented in Section 2 of this report.

SUMMARY OF SURVEY FINDINGS

CCA and BRC determined that 55% of adult Kansas residents favor the expansion of destination resort gaming. Kansas residents expressed lukewarm support for State-owned and operated slot machines at fraternal organizations, such as American Legion and Elks Club halls. Kansas residents are ambivalent regarding slot machines at horse and dog tracks. Half oppose allowing Indian tribes to build casinos on non-reservation land or installing video lottery terminals at Kansas Lottery retail outlets.

CCA evaluated the city/cities and/or area(s) of the State to determine where expanded gaming should be located and what level of gaming activity each market will bear. Among the scenarios considered were stand-alone casinos, expanded gaming at existing pari-mutuel facilities, and expanded gaming at Class A fraternal organizations.

THE GOVERNOR'S GAMING COMMITTEE RECOMMENDATIONS

In its final report the Governor's Gaming Committee¹ warned that Kansas should guard against the "proliferation of small, shabby slot parlors." The Committee recommended that the State establish strict criteria to ensure that additional gaming venues, should they be established, are high quality tourist destinations. To that end, the Committee strongly recommended that the State seek independent advice about the market potential for expanded gaming. Estimates of demand for gaming, and especially estimates of how large Kansas gaming markets can become, are fundamental to the formulation of sound gaming policy. Christiansen Capital Advisors, LLC has been hired by the State Lottery to provide this independent analysis.

Utilizing the results of the survey research described in Section 2 as a guide, CCA has been asked to make recommendations to the Kansas Lottery concerning in what city/cities and/or area(s) of the State expanded gaming could and/or should be located, what kind of expanded gaming should be authorized (i.e., what scenario(s)), and the level of gaming activity each Kansas market will support. In the following section CCA presents our findings concerning these matters.

SCENARIO 1: THREE RESORTS, SLOTS AT TRACKS, AND MACHINES AT FRATERNAL ORGANIZATIONS

Exhibit ES.1 summarizes our findings (from Section 4) concerning the revenue potential of three destination resorts, in Kansas City, Wichita, and Dodge City, together with slot machines at the racetracks and at fraternal organizations. We estimate that destination resorts in these

¹ Governor's Gaming Committee, Final Report, December 18, 2003. pp 44-45.

three cities, slot machines at racetracks (“racinos”), and devices at Class A fraternal organizations would generate gross gaming revenue (“win”) of \$752.6 million.

Exhibit ES.1 Scenario 1 Revenue Projections (\$s in millions)

	Revenue Potential Average Facilities	Revenue Potential Destination Casinos
Casinos		
Kansas City	\$ 177.3	\$ 235.3
Dodge City	42.1	62.2
Wichita	156.0	191.1
Racinos		
Woodlands	115.7	77.0
Wichita Greyhound Park	69.9	55.9
Anthony Downs	12.1	11.5
Eureka Downs	14.5	13.0
Camptown	75.3	75.3
Fraternal Organizations	31.2	31.2
Total	\$ 694.0	\$ 752.6

Source: Christiansen Capital Advisors, LLC

SCENARIO 2: THREE RESORTS (2 AT RACETRACKS), SLOTS AT 3 TRACKS, AND MACHINES AT FRATERNAL ORGANIZATIONS

Exhibit ES.2 summarizes our findings (from Section 4) concerning the revenue potential of three destination resort casinos (at the Woodlands location, Wichita Greyhound Park, and Dodge City) and three racinos (Anthony Downs, Eureka Downs, and one in Pittsburg). We estimate that three destination resorts at these locations, three racinos, and devices at Class A fraternal organizations under Scenario 2 would generate gross gaming revenue (“win”) of \$681 million.

Exhibit ES.2 Scenario 2 Revenue Projections (\$s in millions)

	Revenue Potential
Casinos	
Dodge City	\$ 62.2
Racinos	
Woodlands	268.9
Wichita Greyhound Park	209.4
Anthony Downs	16.5
Eureka Downs	15.3
Camptown	74.8
Fraternal Organizations	
	33.8
Total	\$ 681.0

Source: Christiansen Capital Advisors, LLC

SCENARIO 3A: THREE RESORTS, SLOTS AT TRACKS, AND MACHINES AT FRATERNAL ORGANIZATIONS

Exhibit ES.3 summarizes our findings (from Section 4) concerning the revenue potential of three destination casinos (in Kansas City, Wichita, and near Galena), five racinos (at the Woodlands location, Wichita Greyhound Park, Anthony Downs, Eureka Downs, and one in Pittsburg), and slot machines at Class A fraternal organizations. We estimate that destination resorts, racinos, and devices at fraternal organizations under Scenario 3a would generate gross gaming revenue ("win") of \$898 million.

Exhibit ES.3 Scenario 3a Revenue Projections (\$s in millions)

	Revenue Potential	
	Destination Casinos	
Casinos		
Kansas City	\$	235.3
Galena		240.8
Wichita		193.1
Racinos		
Woodlands		77.0
Wichita Greyhound Park		68.3
Anthony Downs		15.9
Eureka Downs		9.0
Camptown		27.6
Fraternal Organizations		31.2
Total	\$	898.0

Source: Christiansen Capital Advisors, LLC

SCENARIO 3B: THREE RESORTS AND MACHINES AT FRATERNAL ORGANIZATIONS

Exhibit ES.4 summarizes our findings (from Section 4) concerning the revenue potential of three destination casinos (in Kansas City, Wichita, and near Galena) and slot machines at Class A fraternal organizations. We estimate that destination resorts at these three locations and devices at fraternal organizations under Scenario 3b would generate gross gaming revenue ("win") of \$887 million.

Exhibit ES.4 Scenario 3b Revenue Projections (\$s in millions)

	Revenue Potential	
	Destination Resorts	
Casinos		
Kansas City	\$	288.4
Galena		254.7
Wichita		303.3
Fraternal Organizations		40.6
Total	\$	887.0

Source: Christiansen Capital Advisors, LLC

Dodge City vs. the Galena Area

CCA believes that, at least from an economic perspective, a resort in or around the Galena, Kansas area makes more sense than one in Dodge City. With only 63,055 adults within 50 miles, and 732,419 within 150 miles, the Dodge City market will simply not support a large destination casino. The market (gross gaming revenue) potential of a Dodge City casino (destination resort or otherwise) is only \$62.2 million (Exhibit ES.1), compared to a market potential of \$254 million for a casino in Southeast Kansas.

While it is true that a casino in the Galena area would be vulnerable to new competition in Missouri should a new license be approved closer to Springfield, cutting off that market, and/or in Oklahoma should casinos be approved in that State, cutting off Tulsa, such risks are inherent in this type of development. Similarly, a casino and/or racino in Kansas City runs the risk that Missouri will remove its present loss limit, thereby increasing the competitiveness of Missouri casinos. All things considered, CCA feels that a destination resort in Southeastern Kansas will significantly outperform one in Dodge City.

LARGE DESTINATION CASINO(S)

The survey results (from Section 2) indicate that the preferred form of expanded gaming in Kansas is destination resort casinos. This policy option would maximize the economic contributions of expanded gaming, i.e., jobs and the capital investment that creates jobs. The Kansas gaming market, particularly around Kansas City, is relatively congested. A large new casino anywhere in the State will compete for patronage with table and machine games not only in Kansas but with casinos elsewhere in the region. In these market conditions simply adding more machines and tables is not the optimum strategy. If a large new casino is to be built, CCA recommends that the emphasis should be placed on non-gaming attractions. Giving area residents good reasons to visit the new facility and spend time on the property that extend beyond the opportunity to engage in gaming will be critically important in determining return on investment ("ROI") and, as important, the new facility's survival prospects in the almost certainly more competitive market conditions that will develop in the years to come.

Kansas City

For the reasons discussed above and in Section 4 the performance of a casino in Kansas City will be directly related to the attractiveness of the new facility. It is important to remember that the Kansas City market is a competed one, with little unsatisfied demand for gaming.

The creation of a quality destination resort would thus be of the utmost importance. Destination resorts are more attractive than other forms of gaming, drawing customers from greater distances and taking share in competed markets.

CCA further recommends that any policy adopted by Kansas with regard to casino gaming not include loss limits. In any scenario, Kansas casinos would have a significant competitive advantage over Missouri riverboats if they are not subject to a loss limit. The competitive disadvantage for Missouri riverboats created by the \$500 loss limit in that State was described by the Missouri Gaming Commission in its 2003 annual report:

"For the past eight years, the Commission has fulfilled this statutory requirement by reporting that the data unequivocally shows the loss limit renders Missouri casinos less competitive than casinos in neighboring jurisdictions. Furthermore, the loss limit results in less gaming tax revenue for education, fewer tourists and less admission fee revenue for veterans, the National Guard, college student loans and early childhood development programs.

The reason the loss limit renders Missouri casinos less competitive is that customers do not like it. Those who use Missouri casinos find the loss limit a patronizing intrusion by government into a private business transaction. Perhaps more important to the issue of competitiveness are those who dislike the loss limit so much that they refuse to patronize Missouri casinos, choosing instead to visit casinos in neighboring jurisdictions or to gamble illegally at truck stops and private clubs. In addition, since Missouri is the only jurisdiction in the world with a loss limit, tourists and business travelers find it particularly confusing. Out-of-state customers visiting Missouri casinos for the first time often have a look of bewilderment when learning of the loss limit. They typically go directly to the entrance of the casino where they are rerouted to a ticketing window. Once there, the customer is told to produce government approved photo identification and complete paperwork attesting to their identity. Finally, the casino issues the customer a player's card that will make a permanent record of their casino visits and track their play. Understandably, many customers simply leave rather than completing the process."

No loss limits and a quality destination casino would allow Kansas to recapture a significant portion of the Kansas personal income now flowing into Missouri casinos. Moreover, Kansas City already has two powerful non-gaming attractions: Cabela's in Kansas City, and the nearby Kansas City Speedway. A joint casino resort facility development with either of these attractions would make sense if Kansas elects to build a large new casino. Cabela's is reportedly attracting record numbers of visitors to its recently opened store: Cabela's and the other retail anchors at the Village West development expect to attract between 7 million and 9 million visitors each year, from distances as great as 200 miles, throughout the Midwest region.

Population and personal income in the market area, loss limits, and non-gaming attractions such as Cabela's or Kansas City Speedway are not the only factors that would determine the ability of casino resorts to compete in Kansas markets. Among the most important of these other factors are overall supply/demand relationships (for machine and table gaming) in the market (Section 1); the quality of the machine games offered; the kind and quality of competition Kansas casinos have to deal with; the kind and quality of the casino facilities themselves (a function of the rate of gaming privilege tax); the casino(s)' location(s) in relation to transportation systems, which in Kansas means particularly the Interstate Highways, hours of operation (per day or per year), whether liquor is served in the casino(s), and, very importantly, the consumer price (takeout percentage) of the machines and table games.

Finally, CCA believes the Kansas City market can not support more than one destination casino.

ADDING VLTs TO THE KANSAS LOTTERY

This policy option would maximize the fiscal contribution of expanded gaming, i.e., tax revenues, while minimizing expanded gaming's economic contributions (jobs and capital

investment). It could also maximize expanded gaming's social costs (in the form of compulsive gambling) and create enhanced business and revenues for the Kansas Lottery franchisees authorized to operate VLTs. By adding to the supply of gaming machines in Kansas this policy option would erode the market economics for a large new casino, making such a project more difficult to finance and further congesting the market in which it would operate if it is financed and built.

The survey results (from Section 2) indicate that this form of gambling has the least support among Kansas residents.

RACINOS

A more difficult question to answer is whether Kansas should add racinos to its menu of expanded gaming options. Support among the populace for racinos is tepid, with only 47% of those surveyed in favor of allowing slots at racetracks. And, as we note in the full report, there is a limit to the gambling demand in Kansas City and in other Kansas markets, even less competed ones such as Wichita. Adding racino facilities to these markets does little to increase market demand; primarily, this option redistributes a slightly larger pie among more facilities.

This will become an important consideration should lawmakers in Kansas decide to pursue the recommendations contained in the final report of the Governor's Gaming Committee and what our survey results indicate is the preferred option (destination resort gaming) of Kansas residents. Machines at the Woodlands and Wichita Greyhound Park, and, to a lesser extent, in Pittsburg, would limit the amount of capital that can responsibly be invested in destination casinos that share these markets. A rule of thumb is that invested capital should be roughly equal to expected gross gaming revenues. So, for example, if slots are allowed at the Woodlands the appropriate capital investment in a resort casino located two miles away adjacent to the Speedway drops from approximately \$275-\$300 million to approximately \$225 million. Smaller capital investment translates into a less attractive facility with a smaller geographic reach.

The other side of this coin, from a policy viewpoint, is that if slot machines are not allowed at pari-mutuel facilities they will likely suffer severe negative competitive impacts. Some tracks may close, layoffs will be inevitable and it will most certainly hurt breeders and associated agri-business in Kansas.

From a fiscal perspective these policy options are a wash. CCA projects that three destination resorts and five racinos could produce as much as \$898 million in gaming revenue. Three destination resorts alone would recapture much of the racino revenue and generate approximately \$887 million in gaming revenue.

This issue is likely to be decided by political rather than economic considerations, and based upon the foregoing analysis CCA can not make a recommendation in this regard.

FLORIDA STATE UNIVERSITY**FLORIDA INSTITUTE OF GOVERNMENT****Research & Policy Issues****The Public Sector Gaming Study Commission**

The Public Sector Gaming Study Commission was a specially constituted national commission of state and local government leaders to study the social and economic impact of gaming and the role of the state and local governments and their citizens in making public policy regarding to gaming.

The National Council of Legislators from Gaming States (NCLGS) commissioned the study. NCLGS is a non-partisan organization of state legislators who chair or are active members of the committees responsible for gaming in their respective state houses across the country.

The study was needed for reasons of state sovereignty, state revenue, and state social policy. It was needed now because gaming regulation has historically been the province of the states and because a multi-million dollar study that was conducted by the National Gambling Impact Study Commission (NGISC) had no public sector input.

To view the PSGSC Final Report on-line, you must have Adobe Acrobat Reader.

[Download your free copy here.](#)

- **[Executive Summary](#)**
- **[Final Report \(Table of Contents\)](#)**
- **[Final Report](#)**
- **[Research Bibliography](#)**

Serving on the PSGSC were:

- Honorable Steven Geller, Chairman, PSGSC,
Florida State Senator, President of NCLGS
- Rebecca Paul, Vice-Chair, PSGSC, President/CEO,
Georgia Lottery Corporation

FEDERAL AND STATE AFFAIRS

Date 2-17-05

Attachment 4

- Honorable Roy Barnes, Governor of Georgia
- Honorable Lana Oleen, Kansas State Senator
- Honorable Michael Caron, Connecticut State Representative
- Honorable Frankie Sue Del Papa, Nevada Attorney General
- Honorable Willie Brown, Mayor of San Francisco
- Richard Hill, President of National Indian Gaming Association
- Chuck Patton, Executive Director, Mississippi Gaming Commission
- Benjamin Nolt, Executive Secretary,
Pennsylvania Horse Racing Commission
- Ralph Lopez, Sheriff, Bexar County, Texas

For more information, please contact the PSGSC staff at the Florida Institute of Government:

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INTRODUCTION

This is the Final Report of the Public Sector Gaming Study Commission (PSGSC). The Commission was appointed by the National Council of Legislators from Gaming States (NCLGS), which is a non-partisan organization of state legislators who chair or are active members of the legislative committees responsible for gaming in their respective states. The ¹National Council of Legislators from Gaming States neither supports nor opposes gaming, but it does advocate a strong role for state government in the formulation, implementation, and evaluation of gambling policy.

The Commission was funded from many sources, including NCLGS, the Florida, Kansas, Ohio, and Connecticut legislatures, and private donations.¹ More than half of the money raised came from public sources. Private sector donations came from foundations, non-gambling related businesses, and groups and businesses involved in gambling. No contribution in excess of \$15,000 was accepted from any private sector source. Recognizing the particular sensitivity of some groups to the casino industry, no money was accepted from casinos. All contributions were made to the Florida State University Research Foundation. To further assure independence, staff for the Commission was drawn from the Florida Institute of Government at Florida State University, and a tenured full-professor was selected to be the Commission's Executive Director.

This report is divided into three main sections. The first section is this introduction, which explains the Commission's purpose and policy orientation. The second section presents the Commission's findings and observations. The topics covered in this section include: the economic and social impacts of gaming in its various forms; the effects of the legalization of gambling on crime, illegal gambling, and pathological gambling behavior; and the states' role in setting gaming policy. The report concludes with the Commission's recommendations.

The Scope and Deliberative Procedures of the PSGSC

The Public Sector Gaming Study Commission was established to provide advice from the public sector about policy toward gaming and gambling at all levels of government. Consistent with this purpose, the PSGSC is composed entirely of public sector representatives. The Commission includes a state governor, three state legislators, three state regulators, a state attorney general, the Chairman of the National Indian Gaming Association, the mayor of a major city, and the President of the Major County Sheriffs' Association (part of the National Sheriffs' Association). The eleven commission members are from 10 different states ranging geographically from California to Connecticut to Florida. Both major political parties are represented.

legal questions as to the zoning and public health and safety regulations that can be applied.¹²²

Concerns about the Social and Psychological Impacts of Gambling

While legalized gambling is recognized to produce economic benefits in certain circumstances, it is also thought by some to cause, or be linked to, increases in illegal gambling, pathological gambling, crime, divorce, bankruptcy, and suicide. This section of the report reviews the evidence on these connections. Illegal gambling and pathological gambling are discussed first because they are the problems on which there has been the most research. They also relate in important ways to the premises of National Gambling Impact Study Commission, which suggested that the propensity to gamble is increasing, and the prevalence of pathological gambling is growing, because of the availability of so-called "convenience gambling."¹²³

Illegal Gambling. The NGISC did not make its assumptions about gambling behavior very explicit, but its concerns about "convenience gambling," as well as some of the questions asked in its research, reveal an underlying theory. The NGISC Final Report tends to view gambling as a *temptation* that, by offering a chance at easy money, pulls people away from the responsibilities of work, family, and citizenship. In part, this image of gambling as a temptation is why the NGISC was so concerned about the availability of gambling opportunities in convenience stores, restaurants, and the like. If gambling is tempting, and if some people have trouble dealing with the temptation, then it is best to keep the opportunity to gamble away from everyday life and confine it to casinos, racetracks, riverboats and cruise ships. By the same token, the view that gambling is a temptation also suggests that a casual and limited exposure to gambling may inculcate a growing desire to gamble, and in this way attract large numbers of otherwise normal people into a debilitating chase for quick riches. To the extent that the temptation theory of gambling is true, then a policy of legalization could actually backfire; rather than replacing legal gambling with illegal gambling, legal forms of gambling could become gateways to illegal gambling activities that are more intense.

Scientific Findings Challenging Concerns about Convenience Gambling. However, one of the NGISC's own research products suggests that its temptation theory of gambling has at least two major flaws. The NGISC contracted with the National Research Council (NRC) for a review of the scientific literature and research on gambling behavior. The NRC report casts doubt on the NGISC's premise that the allure of gambling is financial. The prevailing scientific theory is that gambling is motivated, not simply or even primarily by a quest for money, but by a natural human desire to take risks.¹²⁴

The other flaw in the temptation theory is its assumption that for some people gambling grows progressively and inexorably habitual and out of control. Actually, the NRC concluded that pathological gambling does not develop inexorably through a series of stages, beginning with casual gambling and becoming increasingly

disordered.¹²⁵ Rather, it appears to be a very special condition, separate and distinct from gambling behavior that is more mildly problematic.

Research Findings on Changes in Gambling Behavior, 1975-1998. A theory of how legalization may have affected gambling behavior has been proposed by Dr. Howard Shaffer, Executive Director of the Harvard University Medical School Division on Addictions and an eminent scholar and leading researcher in the field. He argues that, as illicit behavior such as gambling becomes more acceptable, it causes fewer problems for both the individual and the society, because norms for controlling the activity are developed and socially enforced.¹²⁶ From this perspective, gambling's legalization over the past three decades should be evaluated along a variety of dimensions. One issue, of course, is whether legalization has sparked a rise in pathological gambling, but also important are the effects of legalization on how gambling is personally perceived and socially regulated.

The second major research product of the NGISC, a survey of gambling behavior by the National Opinion Research Center (NORC) at the University of Chicago, suggests that legalization may have had several positive impacts along the lines pointed to by Shaffer. The NORC survey was designed to be comparable to the survey, discussed earlier, that was conducted in 1975 by the University of Michigan (UM) for the Commission on the Review of the National Policy Toward Gambling (CRNPTG), which issued its Final Report (*Gambling in America*) in 1976.

The Prevalence of Gambling. One of the most important findings from the NORC survey has to do with changes in the prevalence of gambling in America since 1975. Both NORC and the University of Michigan considered respondents' gambling patterns in the previous year and over the course of their lifetimes. The former is referred to as "past year gambling" and the latter as "lifetime gambling." NORC discovered that the proportion of adults in the U.S. population who report having gambled in the previous year has increased very little since 1975, despite the legalization of many forms of gambling in many states during this period. In the 1975 UM study, 61 percent of respondents reported having gambled in the previous year, while in NORC's study the comparable figure was 63 percent. On the other hand, the percentage of people who have tried gambling at some point in their lives has increased substantially, from 68 percent in 1975 to 86 percent in 1998. Given the sample sizes of the two studies on past year gambling, the difference between these percentages is not statistically significant. In other words, from a statistical perspective, the rate of past year gambling is within the margin of error of each of the studies and is virtually unchanged since 1975. Together, these findings mean that Americans have become much more likely to have experimented with gambling, but this experimentation has not turned them into people who gamble regularly or routinely.

This conclusion shocked the NORC researchers and should have caused the NGISC to rethink its premises, both about gambling being a dangerous temptation and about convenience gambling posing special risks. If lotteries and commercial casinos, which are the main forms of gambling that have been legalized during the period in question, are as attractive to people as the NGISC seems to think, then the greater exposure to gambling that has clearly occurred in the past 25 years should have been

associated with a corresponding increase in past-year gambling. Because the stability of past-year gambling is so remarkable, the NORC report presents, as its very first finding, the point that past-year gambling has increased so little. The NORC report also depicts the finding visually in its first graph, remarks that the observation is surprising, and discusses it at some length. Incredibly, however, the Final Report of the NGISC does not even mention the finding at all, much less ponder its implications for gambling policy. Worse still, on the first page of the body of the NGISC report, NORC's number for the frequency of past-year gambling is misquoted to make it appear as if gambling is more common than it actually is. To quote the report:

This Commission's research suggests that 86 percent of Americans report having gambled at least once during their lives. Sixty-eight percent of Americans report having gambled at least once in the past year.¹²⁷

Again, the correct figure for past-year gambling is 63 percent, not 68. Surely this slip of the digit was an unintentional error, but the fact that it was made in an upward direction and on such a significant data-point, a data-point contrary to the Commission's premises and yet emphasized by the Commission's researchers, shows just how badly the NGISC failed to maintain objectivity and a spirit of inquiry.

Effects of Legalization on Illegal Gambling and "Friendly Betting". As we have seen, Shaffer's ideas about gambling lead us to be curious about how legalization has affected not simply the frequency of gambling, but also how people gamble, particularly with respect to forms of gambling that remain illegal. The figure below (Figure 1) shows how the distribution of gambling across the basic types identified by the 1975 UM study has changed over the past 25 years. The percentages for lifetime non-bettors and past-year bettors shown in the first two bar couplets of Figure 1 correspond to the findings reported by NORC that the prevalence of lifetime gambling has dramatically increased (and hence lifetime non-gambling is much lower), while the prevalence of past-year gambling has increased slightly. What NORC did not report is that past-year illegal gambling is down slightly (from 11 percent to 9 percent), and past-year betting with friends (which is also illegal) is down greatly, from 50 percent of adults in 1975 to just 12 percent in 1998.

The drop in wagering between friends or acquaintances is another remarkable finding that was overlooked by the NGISC. The drastic decline in this form of gambling suggests that the legalization of lotteries and casinos has had the effect of removing "friendly betting" from the mainstream culture. For those who, like the NGISC, have been concerned about convenience gambling because it brings gambling into everyday life, this cultural shift should be comforting, because it means that the most casual and pervasive form of gambling in America may have been greatly reduced.

Effects of Legalization on Who Gambles and in What Ways. It is also possible to track the changes that have occurred since 1975 in the frequency with which a number of different demographic groupings gamble. The figures graphing these frequencies are contained in Appendix E. As shown in the graphs for lifetime non-bettors, the tendency to have tried gambling in some form or another is spread more evenly across the population now than it was 25 years ago. The groups that evidence the greatest

increase in contact with gambling are whites, women, retirees, and Southerners. The latter three groups had in the past been much less likely than other groups to have tried gambling.

Gambling with friends is down across the entire spectrum of demographic categories. This is further evidence that the observed decline in friendly betting is a general cultural phenomenon rather than a change in behavior among isolated groups.

In 1975, the UM study reached mixed conclusions about how legalizing certain forms of gambling might affect illegal gambling. On the one hand, the study authors thought that lotteries and legal casinos would probably increase the prevalence of gambling in general, which might wash over into illegal gambling and cause an increase there too. But on the other hand, some of the data indicated that illegal gambling would decline even if gambling in general rose.

As previously stated, the NORC data show that illegal gambling is down slightly. More important, though, is that the decrease has been greatest in geographical areas and along social dimensions where illegal gambling had been most common, notably in the Northeast and among nonwhites, highschool dropouts, and the unemployed.

Legal gambling via casinos, lotteries, and the like, has also shifted in some interesting ways. The biggest increase has been among highschool dropouts, seniors, widows, and Southerners. The patterns on the other variables mean that the increases among the latter three groups represent an influx of new gamblers into the activity. In contrast, the increase among high school dropouts reflects a shift from the illegal sector to the legal sector. Of particular interest, given the concerns of the NGISC about the potential impacts of convenience gambling on children, is the gambling behavior of the youngest age group. Among adults 18 to 24 years old, gambling is down, not up. The scientific theory that gambling is motivated primarily by an impulse for risk-taking suggests an explanation for this shift; young people are not gambling as much now, probably because gambling is legal and hence they do not find it as risky or exciting.

It is difficult to examine these findings and not conclude that America's decision to legalize gambling more widely has had some important social benefits. Legalization has caused a decrease in illegal gambling, especially among the groups who have engaged in it most often in the past; it has reduced the extent to which gambling is isolated among subgroups of the population, where it is likely to be part of subcultures without appropriate social constraints on gambling activity; it has shifted gambling away from the youngest age groups to the oldest, who are most mature and least susceptible to pathological gambling; and it has almost eliminated friendly betting from daily life.¹²⁸

However, the PSGSC approaches these potential positive effects with caution, for questions remain that can only be answered after considerable long-term research has been conducted. Some seniors, for example, may be participating more in gambling activities because they are lonely or depressed.¹²⁹ The PSGSC views with concern the increase in gambling by seniors because some seniors do not have the level of support that younger people often do—family, friends, parents—and some seniors can not regenerate lost earnings as can their younger, working counterparts. The PSGSC

recommends that additional study of the effects of gambling on this age group is needed and encourages researchers to work with gerontologists and other experts.

Effects of Legalization on Pathological Gambling. Certainly it is possible that these benefits from gambling's wider legalization could have been gained at the expense of an increase in gambling that is pathological. In 1975, the UM researchers had cautioned that this might happen. "The data tend to support the contention," the UM report warned, "that widespread legalization of gambling in the nation may result in a significant increase in the incidence of compulsive gambling."¹³⁰ This remains a reasonable fear.

The recommendations of the NGISC and its tone of alarm suggest that the problem of pathological gambling is growing, but the data on pathological gambling trends are actually inconclusive. Several observations are relevant. First, the strongest support for thinking that there has been an increase in the prevalence of pathological gambling comes from the meta-analysis conducted by Shaffer and others in 1997 of 120 studies of disordered gambling in a number of different states. A meta-analysis uses empirical analytic techniques to draw conclusions from previous studies that have been conducted independently and usually with different methodologies and target groups. Shaffer concluded that "during the past two decades, gambling disorders have evidenced an increasing rate among adults sampled from the general population."¹³¹ However, this conclusion covered disordered gambling and was not limited to the more extreme form of disordered gambling that meets the American Psychiatric Association's criteria for pathological gambling.

Further, Shaffer et al. noted that a majority of the studies he examined had been released since 1992 and that much of the newer research had focused on groups that tend to experience gambling problems. In his words, "This pattern of recent investigations of 'higher risk' populations may have created misleading perceptions of increasing rates of disordered gambling."¹³² Shaffer and his coauthors implied that the more important finding from his analysis is that "an individual's risk of disordered gambling is primarily dependent upon their age, clinical situation, and gender."¹³³ Women, adolescents, and people with other emotional problems are most vulnerable to losing control of their gambling activities.¹³⁴

A second observation that the NGISC should have considered more carefully is the conclusion reached for the Commission by the National Research Council. After its review of research on the question, the NRC decided that it is unclear whether pathological gambling had increased subsequent to the expansion of legalized gambling. The NRC could say only that pathological gambling had not declined during this period. Given that, as Shaffer et al. point out, disordered gambling is a "robust phenomenon" in the sense that it can be seen with a variety of investigative procedures, and in light of the large extent to which gambling has been legalized in America over the past few decades, the failure to find an obvious pattern of increasing prevalence of pathological gambling should raise serious doubts about just how likely the disorder is to be triggered by increasing opportunities to gamble.¹³⁵

A third challenge to the sense of alarm voiced by the NGISC is that pathological gambling is quite rare in the general population. This had already been found by the UM survey, which supported an estimate of a .77 percent incidence of "compulsive gamblers." But the UM study, while validated through clinical observation, was conducted before the American Psychiatric Association had developed and later revised its diagnostic criteria for the disorder, and it has been speculated since then that pathological gambling is more common than UM concluded. However, both Shaffer and NORC arrived at similarly low numbers. On the basis of his meta-analysis, Shaffer reached an estimate of 1.6 percent for experiencing pathological gambling at some point in one's lifetime, and 1.1 percent for past-year incidence. The 1998 survey by NORC, which is the most reliable source of data currently available on this matter, included a battery of questions to identify various levels of disordered gambling as well as pathological—based on a somewhat more exacting standard than those used in prior studies—gambling, and it reached an estimate of .8 percent for lifetime incidence and .1 percent for past-year.¹³⁶ In its review of a subset of the studies included in the meta-analysis by Shaffer et al., the NRC supported an estimate of .9 percent prevalence for past-year and 1.5 percent for lifetime.¹³⁷

Regardless of which of these figures one accepts, they are all quite low relative to the incidence of other adult psychiatric disorders in the United States. The lifetime incidence rate for drug dependence is 6.2 percent, for major depressive episodes is 6.4 percent, and for alcohol dependence is 13.8 percent.¹³⁸ The past year prevalence rates for these disorders are 2.5 percent for drug dependence, 3.7 percent for depression, and 6.3 percent for alcohol abuse/dependence.¹³⁹

Fourth, NORC did not find that the new forms of gambling legalized in the past twenty years, such as the so-called convenience gambling, are more likely than other forms of gambling to be associated with pathological gambling. Quite the opposite. In NORC's survey of a randomly selected national sample, the prevalence of pathological gamblers was lowest among lottery participants.¹⁴⁰ The NORC data also support this conclusion in the aggregate; the prevalence of gambling problems is lower in lottery states than in states without lotteries.¹⁴¹ The NGISC may or may not have been correct that pathological gambling is linked to some forms of convenience gambling—such as video poker—but the NGISC went too far in applying this conclusion to state-run lotteries. Further study is needed on video poker and similar games to determine if, as the NGISC concluded, they are likely to pull people into a gambling compulsion.

Yet a fifth consideration ignored by the NGISC is the likelihood that much pathological gambling stems from other psychological disorders. The American Psychiatric Association's diagnostic criteria for pathological gambling alerts analysts to the possibility that pathological gambling may be a symptom of a bipolar mood disorder. If mania is evident, the criteria call for pathological gambling to be rejected as a diagnosis. Shaffer has pointed out that much research on the prevalence of pathological gambling has ignored this issue and has taken for granted that pathological gambling is a primary disorder. The NORC research shows that Shaffer's concerns are well founded. The National Opinion Research Center applied the APA diagnostic criteria to its national random sample and also tested for various psychological

problems, including evidence of mania and depression. The survey revealed that as many as 40 percent of pathological gamblers reported symptoms associated with manic disorder.¹⁴² This finding suggests that much of the behavior thought of as compulsive gambling, which is of such concern to policy makers and researchers, actually may not be caused by gambling at all, but may be only a reflection of an underlying mood disorder.

In short, there is no solid basis for concluding that the wider legalization of gambling, which has cut into illegal gambling and friendly betting, has caused a concomitant increase in pathological gambling. In fact, it appears that pathological gambling is quite rare within the general population, it does not appear to be increasing in frequency, it is not associated with lotteries, and much of what has been thought to be pathological gambling may stem from other emotional problems. As Shaffer has recommended, we should move away from questions about pathological gambling in general and should focus instead on how legalization has affected different subgroups of the population and on what kinds of gambling problems are occurring that do not rise to the level required to meet the diagnostic criteria for the pathology. This is the kind of information needed to shape gambling policy productively, a position that both the industry and the states support. While pathological gambling does not appear to be as widespread or insidious a condition as previously thought, the PSGSC does acknowledge that there are some individuals who do suffer, some severely, from compulsive gambling behavior. Sound public policy cannot be made if the needs of those people are not taken into consideration. The PSGSC recommends, therefore, that more objective, longitudinal studies be conducted in the area of pathological and problem gambling behavior.

The problem of compulsive gambling is not one taken lightly by either states or the gambling industry. Though there are many more efforts that can be made, industry sponsored programs are, at least, a step in the right direction. Many lotteries sponsor "play responsibly" campaigns, which encourage ticket buyers to spend wisely, even in light of an extraordinarily large jackpot. Campaign messages are printed on posters, brochures, and sometimes even on the tickets themselves and are distributed through television and radio broadcasts.¹⁴³ The casino gaming industry, through the American Gaming Association (AGA), its trade industry, sponsors a Responsible Gaming Task Force, whose accomplishments include a gaming resource guide, a responsible gaming workshop and training implementation program, and a curriculum to address underage gambling. The AGA also operates the Gaming Entertainment Research and Education Foundation, which provides support for the National Center for Responsible Gaming (NCRG). The role of the NCRG is to fund independent, scientific research on problem gambling that can be used to develop prevention, treatment, and intervention programs.¹⁴⁴ Tribal governments also take an active position and contribute to state problem gambling councils and other compulsive gambling organizations.¹⁴⁵ The National Thoroughbred Racing Association, the Thoroughbred Racetracks of America, Harness Tracks of America, and the American Quarter Horse Association have all endorsed Responsible Wagering Initiatives and have encouraged their members to implement such programs.¹⁴⁶ One additional step that can be taken by all gambling-specific venues is to remove automatic teller and other cash machines from gambling

floors. By having patrons leave the gambling area to get additional cash, gambling operators are providing their patrons with a short "cooling-off" period during which the patrons can decide whether or not they should continue to gamble. This does not imply that the PSGSC supports removing cash machines from the premises, only that states consider legislation on a state-by-state basis. The PSGSC also encourages states to examine the policy of some gambling facilities to provide free alcoholic drinks on the gambling floor to their patrons and consider requiring gambling-specific venues to either sell alcoholic drinks on the gambling floor or provide free alcoholic drinks in areas other than the gambling floor.

In addition to industry-supported compulsive gambling measures, there is currently a network of compulsive gambling councils, a national organization and several state-based councils, that provide assistance to problem gamblers. Services typically provided by these groups include training programs for gambling counselors, educational materials for gamblers, their families, and the general public, "hotline" numbers for emergency calls, and referrals to qualified treatment professionals.¹⁴⁷ One area of concern that was brought to the attention of the PSGSC is what happens to individuals when they call the emergency numbers supported by the gambling councils. The gambler is usually not offered treatment by the council, but is instead referred to a treatment facility. Though a few states contribute to such treatment facilities, most of them are privately operated. Health insurance companies typically do not pay for such treatment, so often the cost is borne by the individual. Unfortunately, this means that there are most likely people who need assistance but who can not afford it. In addition, members of the treatment community say that there are too few counselors available who can treat gambling problems, or even recognize them in individuals who may be seeking treatment for some other difficulty. Therefore, the PSGSC recommends that states and the counseling industry work together to expand educational and training opportunities to ensure that there are a sufficient number of competent individuals who can offer counseling services to those who cannot break free of compulsive gambling behavior.¹⁴⁸ The PSGSC also recommends that states at least consider making gambling treatment a mandated insurance benefit, although the PSGSC is not making a recommendation that each state necessarily include it, as Commission members believe that these decisions should be left to each individual state. In addition, the PSGSC suggests that states that currently have legalized gambling operations set aside monies in their general funds for gambling treatment and prevention programs.

Crime. There is a long-held assumption that where gambling appears, particularly casino gambling, crime will inevitably follow, either organized crime or money laundering (as is shown on television and in movies), crimes committed against residents and visitors (such as muggings or auto theft), or the so-called white collar crimes committed by gambling addicts (such as embezzlement or fraud). However, this conception appears to be based on fictional portrayals of the industry and unsubstantiated anecdotal evidence. Based on its recent victimization survey, the Bureau of Justice reports that property crime, which includes burglary, larceny-theft, motor vehicle theft, among other infractions, is enjoying a 20-year decline, this during a 20-year expansion of legalized gambling.¹⁴⁹ In addition, national crime statistics

published by the Federal Bureau of Investigation indicate that property crime, burglary, robbery, larceny-theft, and auto theft have declined during the past several years.¹⁵⁰

Most states that have legalized gaming have state gaming regulatory or control commissions. Though the exact operations of these commissions vary among states, for the most part these commissions monitor the daily operations of the gaming facilities, conduct financial audits, conduct background checks on potential employees, license operators and vendors, and so forth. In addition, most casinos are owned by publicly-held entertainment corporations, which are subject to scrutiny by the Securities and Exchange Commission and susceptible to the perceptions of their investors. There are more than 1,000 regulators in Nevada and New Jersey alone, at an estimated cost of \$70 million.¹⁵¹ A recent University of Maryland study concludes that there is no evidence that casinos have had a major impact on crime; and, further, that in some cases the lack of recorded crimes was "no doubt influenced by the sharp growth in the size of the city police force."¹⁵²

Tribally-owned casinos also have stringent regulatory constraints, as they are not only monitored by the National Indian Gaming Commission and by state gaming commissions, but also, in accordance with IGRA, by tribal gaming commissions. As a recent Indian gaming study states, "the regulatory and policing structures seem to have kept organized criminal involvement away from casino gaming for nearly a decade."¹⁵³

When casinos are brought into low-income areas, crime, rather than increasing, may actually decline. This is because the increased economic activity provides revenues for the public sector, which can then expand the police presence. Also, most of the activity in areas with casinos occurs inside the casinos themselves, and they are highly regulated and policed.

Even in communities that do report an increase in crime and other social problems, it is not clear that the rise is directly attributable to gambling. Gambling establishments vary in size and range among geographic regions. Venues are located in large cities, such as Las Vegas, and in small or suburban towns, such as Tunica, Mississippi, and Joliet, Illinois, and they run the gamut from expansive casinos to small gaming halls. Some facilities are designed to attract visitors to the host area, some to serve local patrons; some facilities offer amenities in addition to gaming, such as restaurants and bars, theaters, or theme attractions. These differences play an important role in determining the effect that gambling has on crime rates.¹⁵⁴ More specifically, tourists traveling into an area may be both potential targets for crimes and potential offenders. The implication of this factor is that it is not so much the activity that generates crime as it is the volume of people that are attracted to the host area.

Though much of the evidence that is available is anecdotal, the majority of the information collected during the past decade indicates that there is no link between gambling, particularly casino-style gambling, and crime. The security on the premises of gambling facilities, the multiple layers of regulatory control, and the economic and social benefits that gambling seems to offer to communities are effective deterrents of criminal activity.

Suicide. One of the more severe consequences thought to be associated with gambling when it gets out of control, leads to large debts, or causes family problems, is suicide. Again, though, the available research does not provide clear support for this hypothesis. One study that examined mortality rates prior to and following the introduction of gambling in six counties located within New Jersey, South Dakota, Colorado, Mississippi, and Illinois found that deaths by suicide decreased after legalized gambling was introduced in five of the six counties. The slight increase in the sixth county was so insignificant that it could not be attributed to gambling. This study also found that the reported high frequency of visitor suicide in Atlantic City, Reno, and Las Vegas were not significant when corrected for the volume of visitors each city receives annually. The high number of visitor suicides for these cities does not imply that gambling is the cause of the suicides, merely that these cities receive a higher proportion of visitors than most other cities.¹⁵⁵

For gaming-area residents, the risk of suicide is no higher than that faced by residents of non-gaming areas . . . For gaming-area visitors, the risk of suicide is no higher than that faced by visitors to non-gaming areas. When 91 U.S. metropolitan areas are ranked by visitor suicides in proportion to their visitor volume, Las Vegas, Reno and Atlantic City rank an unremarkable 26th, 37th, and 87th, respectively.¹⁵⁶

While this evidence on suicide rates appears compelling, the PSGSC acknowledges that there are too few studies and too many conflicting opinions regarding suicide to justify any gambling policy recommendations at this time, and the Commission recommends additional research in this area be conducted.

Bankruptcy. Another purported serious consequence of compulsive gambling is bankruptcy; however, like the connections between gambling and both crime and suicide, the reported link between gambling and bankruptcy relies on anecdotal reports that are not substantiated by quantitative data. For example, A study of Indian gaming in Arizona found that in six out of nine Arizona counties in which Indian gaming was introduced, the bankruptcy rates were lower than the state's average rate.¹⁵⁷

A recent analysis by the United States Department of the Treasury shows that while there should be concern about the rising rate of bankruptcies in a time of economic prosperity and low-unemployment, the exact cause of this rise is not precisely known. The report lists changes in bankruptcy laws, changes in social mores about declaring bankruptcy, increases in credit card debt and unsecured consumer credit, lack of health insurance, failed businesses, and poor financial planning as potential causes.¹⁵⁸ In addition, the PSGSC heard testimony that supported that, at least in isolated incidences, the rise in consumer credit may be a factor in the rise in declared bankruptcies.

After eliminating state-specific factors, the Department of the Treasury report concedes that:

it is, therefore, very likely that numerous factors have contributed to the observed increases in the national bankruptcy rate . . . Our estimates reveal that on average, frequent high-risk gambling raises the probability

of bankruptcy by 6 percentage points from that of the base group, occasional gamblers. Since only 2.7 percent of the population fall into the category of frequent, high-risk gamblers, the impact of these activities on overall bankruptcy rates is relatively small.¹⁵⁹

The PSGSC recommends that additional research on bankruptcy rates and factors be conducted before public policy recommendations are made.

Conclusion on Social Concerns. The gambling industry has experienced an amazing expansion rate during the past decade, but how long this trend will continue and the impact it will have on communities that rely on casinos or other gambling facilities as their primary source of jobs and tax revenues is uncertain. It is the individual case studies, examined in aggregate, that will provide the true picture of the impacts of widespread legalized gambling. The PSGSC recognizes the possibility that some of the community growth that has occurred is due to the overall positive expansion of the national economy and not necessarily due to the introduction of gambling venues. Therefore, the PSGSC recommends that the economies of these communities should be evaluated periodically to determine the long-term effects of gambling, especially in light of the booming national economy of the past several years, and it should be determined whether any other industry besides gaming can possibly offer the same economic and social benefits, especially to impoverished communities. Additional research should also consider longitudinal national, regional, and community data on such social issues as crime (prostitution, fraud, embezzlement, theft, loan sharking, and drug sales) and should control for such exogenous factors as the overall declines in criminal activity experienced during the past few years. In addition, gambling research should also examine illegal gambling trends. Failure to look at illegal gambling will distort conclusions that are reached about gaming in general and effective countermeasures will be difficult to implement.

The States' Role in Gaming and Gambling Policy

Historically, regulation of gaming and gambling in the United States has been the purview of the state governments. The states are fully competent to continue handling this responsibility. The federal government should exert authority over gaming and gambling only when interests beyond the state level are directly involved. Such potential areas of concern include (1) tribally-run gambling operations, due to the longstanding relationship between Indian tribes and the federal government, (2) Internet and telephone gambling, because of the ability of gambling via telecommunication devices to circumvent traditional state boundaries and policies, and (3) parimutuel wagering to the extent that it involves interstate wagering.

Tribal Gaming. The Indian Gaming Regulatory Act (IGRA) established a process for states and tribes to negotiate Class III gaming compacts. While the IGRA process has worked in most states and has served as a stepping stone toward improved government-to-government relationships, there have been some problems in the process.

**LARRY WALDROP
MANAGING MEMBER, RIVER FALLS GAMING LLC**

**Before the House Federal and State Affairs Committee
February 17, 2005**

Chairman Edmonds and members of the Committee, I thank you for the opportunity to address you concerning this very important issue today. I would also at this time like to thank the other proponents that have come together as a unified coalition in support of this bill. This is the first time in the many years that proposed expansion of Kansas Lottery has been presented that the various proponents have joined together in support of one bill.

The purpose of my appearance before you today is to emphasize to you the elements of a "Destination Casino Resort". This type of development will not only increase tourism in Kansas, but will also capture more tourism dollars from the visitors to existing attractions such as the Kansas Speedway, Cabela's and The Nebraska Furniture Mart. Most importantly, "Destination Casino Resorts" will generate the most, much needed, revenue to the state with a limited number of locations.

In order to attract new tourist, a facility must offer much more than just a casino. The development must offer first class accommodations, quality dining, entertainment venues and services that lead to extended stays and not just in and out of the casino. In order to accomplish this goal a developer must have the opportunity to realize a reasonable return on investment.

Our proposal will include a 400- room hotel, resort spa and fitness center, a "Branson style" showroom, special events center for larger entertainment venues and conventions and several quality themed restaurants.

Our development and investment team is committed to spend over \$200 million to bring to Kansas a first class resort in Wyandotte County. Also, in this room today are representatives of development groups that have committed to make similar investments in Southeast Kansas and Wichita.

These developments will create over 5,000 construction jobs, 6,000 permanent jobs and another 10,000 jobs in support related companies. Annually, the State will receive over \$200 million in direct revenue and local units of governments will have an additional \$30 to \$40 million.

The State of Kansas has people that are willing and able to invest hundred's of millions of dollars in the state. I encourage this committee to advance House Bill 2415 and allow developers and investors to bring to Kansas quality developments that will increase tourism and add revenue to the State to supplement education.

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EXECUTIVE SUMMARY

Constitutionality of a State Owned and Operated Casino

In 1992 the Kansas Supreme Court in the case of State ex rel. Stephan v. Finney (251K 559) alluded to the fact that casino gaming was included within the definition of a lottery.

To lend further credibility to the constitutionality of a state owned and operated casino under Article 15, Section 3c one only has to look at the Indian Gaming Regulatory Act (IGRA), which states in part, tribes in states that otherwise allow gaming, have a right to conduct gaming on Indian lands.

IGRA divides gaming into three classes. Class I games are social games played for minimal prizes. Regulation thereof is wholly left to the tribe. Class II games are bingo and bingo-like games. The regulation thereof is a matter wholly between the tribe and National Indian Gaming Commission. Class III games are those not in Class I or II and include slot machines, lotteries, pari-mutuel wagering, and casino gambling.

IGRA further provides that Class III gaming activities shall be lawful on Indian lands only if such activities are:

... (B) Located in a State that permits such gaming for any purpose by any person, organization, or entity. ...

Kansas is a state that permits Class III gaming under Article 15, Section 3c. It is because of that that there is casino gaming on tribal land.

The Kansas Supreme Court in 1994 in the case of the State of Kansas, ex rel. Robert T. Stephan, Attorney General, Petitioner v. The Honorable Joan Finney, Governor of the State of Kansas, Respondent, made certain findings in regard to Article 15, Section 3c of the Kansas Constitution.

Under the provisions of the IGRA, Indian tribes are allowed to conduct casino type gambling on Indian lands only if located in a State that permits such gaming for any purpose by any person, organization, or entity. As to Kansas, if the lottery statute authorized a casino in Kansas, then the Indian tribes could also engage in the operation of casinos.

In 1895 the legislature defined lottery to include "schemes for the distribution of money or property, among persons who have given or agreed to give a valuable consideration for the chance, whether called a lottery, raffle or gift enterprise, or by some other name."

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A state-owned lottery, as that term is used in Article 15, Section 3c of the Kansas Constitution means any state-owned and operated game, scheme, gift, enterprise or similar contrivance wherein a person agrees to give valuable consideration for the chance to win a prize or prizes.

In the Finney opinion the Supreme Court very clearly defines lottery as encompassing state owned and operated casino gambling. The next issue is what is meant by state owned and operated.

The elements of owning and operating a casino are much the same as a lottery. These elements include:

1. Designating the location of a casino.
2. Develop a casino management contract.
3. Place ownership and control of a casino with the state and exercise that authority through a state agency.
4. The designation of gaming machines and devices.
5. Adopt requirements for personnel to be employed at the casino
6. Adopt forfeiture provisions in the event of a violation of state laws or regulations.
7. Provide for the disposition of gaming revenues.
8. Develop a procedure to determine and pay operating expenses.
9. If the state permits a private entity to operate a casino, it may contract with the private entity in regard to compensation.
10. The state is not required to own the real estate upon which a casino operates or the casino buildings or gaming equipment as long as it owns and operates the casino itself.

In order to carry out the requirements necessary the state can enter into a management contract encompassing the element of ownership and control. That is what is provided for in the bill before you. The state would enter into a management contract which is under the control of the state. The state would: (1) Specify the location of the casino; (2) Require a marketing plan; (3) Determine the size, scope and nature of the casino; (4) Approve all agreements and contracts that pertain to any and all aspects of the operation of the casino; (5) Approve financing commitments for construction of the casino; (6) Approve the viability of land upon which the casino is to be constructed; (7) Provide for approval of a casino by residents of the city and/or county where it would be located; (8) Provide for revenue to the state by reason of operation of a casino; (9) Police and audit the operation of the casino to make certain that state and federal requirements and laws are being complied with; (10) Require appropriate background checks of employees and all parties who have a financial interest in the casino; (11) Enter into a comprehensive management plan with a casino operator setting out the duties and responsibilities of the casino operator and appropriate penalties for a failure to comply with any law or regulation of the state; (12) Provide that all revenue will be remitted to the state and the state will distribute said revenue in accordance with the management contract.

It is abundantly clear that under the Constitution of the State of Kansas and case law that Kansas has the constitutional authority to enact, through the legislature, a state owned and operated casino.



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Testimony Regarding S. B. #168
H. B. #2415
Presented by Edward C. Gillette

Mr. Chairman, Members of the Committee:

My name is Ed Gillette and I am legal consultant for Destination Kansas/River Falls Gaming, L.L.C. and also happen to be a former member of Governor Kathleen Sebelius' Committee on Gaming.

I speak to you today in favor of S. B. #168/H. B. #2415 and will enumerate my reasons for this support.

First I would like to give you a little bit of background information about myself. I was born and raised in Wyandotte County, Kansas and currently reside in Edwardsville, Kansas and I will soon be moving to a new home that my wife and I are having built in western Wyandotte County in Kansas City, Kansas. I have practiced law in Kansas City, Kansas and the surrounding communities for over 20 years now and was pleased to accept Governor Sebelius' appointment in July of 2003 to the Governor's Gaming Committee to review possibilities for expanded gaming in Kansas.

Our particular committee conducted eight public meetings throughout the State, heard over 30 hours of live testimony, reviewed literally thousands of pages of information on gaming and had a number of informal conversations between committee members on the pros and cons of the issue. To be more specific, the committee heard from both proponents and opponents of expanded gaming. Proponents included a number of Indian tribes, private entities seeking to be involved in gaming in Kansas, and community representatives desiring to attract gaming sites.

Opponents included various individuals in groups that opposed gaming on a variety of levels including social, moral and economic grounds. The committee also had input from legal counsel, legislators and a broad array of professionals in both State and local government.

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A final report of the Governor's Gaming Committee was prepared and presented on December 18, 2003 and at that time, now a year and three months later, the chairman, Tom Wright, stated, "If this committee's recommendations are not acted on quickly, the opportunity for a destination casino could be lost to outside competition. If Kansas intends to expand gaming, particularly in Kansas City, it should waste no more time."

Obviously time is of the essence. One need only look to Kansas City, Missouri and see the build up of the riverboats and the continued record level of profits that casinos in our sister state generate to know that revenue is lost and continues to be lost while this issue is debated. The State of Kansas now finds itself in a position where that revenue is needed to finance education and I urge the members of this committee to consider state owned and operated gaming as a viable option and source to solve the education funding problem.

Be sure that the Gaming Committee was of the opinion, and I quote, "It is argued that a state owned casino would generate more profits than an Indian casino..." The Committee summary further stated, "Because of IGRA's restrictions on revenue sharing, the state might receive less revenue from an Indian casino than from other models. The state's experience with Indian gaming to this point – with no revenue sharing and weak regulatory controls – has been less than satisfying..."

My committee also came to the conclusion that the preponderance of information submitted to it suggested that only Wyandotte County has the potential to support more than one significant casino. The best, most objective information, however, suggests that Wyandotte County can only support one large destination casino.

The committee report indicated that in order to attract tourists beyond the immediate region, the destination casino should also offer sufficient amenities, including a large hotel, good restaurants, lively entertainment venues and ample meeting facilities. It should be located in an attractive and well-visited location. Village West in Kansas City, Kansas and Cabella's, which is the number one attraction in the State, was noted as maximizing this destination effect.

A COALITION OF GROUPS HERE TODAY IS READY TO MAKE THAT HAPPEN.

One of the charges of the Governor's Gaming Committee was to maximize revenue to the State, no matter what model it chose. There is no doubt that a vast majority of the Gaming Committee members felt that a State owned and operated facility would do that versus enhancement of Indian gaming outside its current venue. A destination casino brings with it not only expanded gaming in the Kansas City area with this plan, but also the promise of jobs, economic vitality, and significant revenues that could be put toward important public objectives, including school finance.

Figures of \$650,000,000.00 to \$750,000,000.00 in gross revenues several years from now in the Kansas City marketplace were known to the committee members at the time of its report.

The problem with the expansion of Indian Gaming in the Kansas City area is two-fold. First is the issue of whether or not the Department of Interior will agree to off reservation land in trust and second, the Indian tribes demand of exclusivity.

Concerning the issue of land in trust, the Gaming Committee was made aware of a November 12, 2002 letter which Secretary Norton issued to New York Governor George Pataki stating the following:

“I fully support Indian gaming as envisioned by the drafters of IGRA – that Indian tribes should have the full economic opportunity of gaming within the boundaries of reservations existing at the time of IGRA’s passage. But I am also mindful that when tribes seek to game on off-reservation land, the State has a greater governmental interest in regulating tribal off-reservation gaming activities. Tribes are increasingly seeking to develop gaming facilities in areas far from their reservations, focusing on selecting a location based on market potential rather than exercising governmental jurisdiction on existing Indian lands. It is understandable that tribes who are geographically isolated may desire to look beyond the boundaries. However, I believe that IGRA does not envision that off-reservation would become pervasive.

...Thus, to the extent that other states and tribes model future compacts after this one, and seek to have the United States take land into trust for these gaming ventures, they should understand that my views regarding land acquired through a congressional settlement are somewhat different from my views when a tribe is seeking a discretionary off-reservation trust acquisition or a two-part determination under IGRA. While I do not intend to signal an absolute bar on off-reservation gaming, I am extremely concerned that the principles underlying the enactment of IGRA are being stretched in ways Congress never imagined when enacting IGRA.”

With that having been said, the Gaming Committee report made it clear that one should have this uncertainty squarely in mind when deciding whether to support an Indian casino.

Other incidental problems associated with compacting are the issue of whether or not revenue sharing can be done and more importantly, to what extent since the Secretary requires states to provide something of significant value to the Indian gaming operation.

Also, does state control infringe and therefore improperly and possibly illegally usurp the Federal control and authority under IGRA? Furthermore, can a compact be entered into by the Governor and approved by the legislature concerning land in trust if not settled first by the Secretary of Interior?

On the issue of exclusivity, I can tell you that ever member of the Gaming Committee opposed exclusivity. While the committee was meeting, the only proponents of gaming

who spoke in support of exclusivity were the Sac and Fox Nation/Kickapoo/Intertribal Gaming Management Consortium. The Delaware tribe didn't request it, nor did the Wyandotte Nation seek it.

We know at this point in time the Prairie Band Potawatomie Nation supports only tribal gaming and specifically a tribal or destination casino in Wyandotte County if it is coupled with a closure of such other tribes existing casinos, that being the Kickapoo tribe and the Golden Eagle Casino located near Horton in northeast Kansas and the Sac and Fox Casino near Powhattan, again in northeast Kansas, which would then effectively give the Prairie Band Potawatomie Nation exclusive control over northeast Kansas since only the Iowa tribe at that time would then exist in northeast Kansas with its casino near White Cloud and its approximately 350 slot machines, 6 table games and limited amenities.

It was not lost on the Gaming Committee that Harrah's/Prairie Band Casino on reservation near Mayetta in northeast Kansas was the state's second most visited tourist site behind Cabella's in the Village West, Kansas City, Kansas area.

The committee report makes it clear that,

“Because the state owned and operated model would not operate under revenue sharing restrictions such as those in IGRA, the state could theoretically reap greater revenues with a state-owned and operated casino than with an Indian casino.”

I again remind this committee that many members and in fact a significant majority of the Governor's Gaming Committee members voiced concern that the state's experience with Indian gaming had been less than ideal to that point in time. In fact, the committee consensus on this issue was as strong as any the committee had reached.

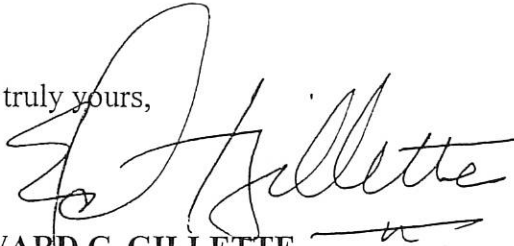
On the issue of exclusivity or competition within a single market, it was the sense of the committee that the state should allow multiple casinos in a single market only under limited controlled circumstances.

THE COMMITTEE POINTEDLY STATED THAT IT DID NOT SUPPORT FULL EXCLUSIVITY FOR AN INDIAN CASINO IN EXCHANGE FOR REVENUE SHARING.

The committee further stated that only Wyandotte County had the potential to support more than one significant casino. In fact, the best most objective information suggests that even Wyandotte County could only support only one large destination casino and to the extent that the state prefers a large destination casino, then it appears that developing one casino in Wyandotte County is a better idea than attempting to develop many casinos.

Thank you very much for permitting me to testify and I will be happy to yield to any questions at this time.

Very truly yours,

A handwritten signature in cursive script, appearing to read "E. Gillette". The signature is written in black ink and is positioned above the printed name.

EDWARD C. GILLETTE
Attorney at Law

ECG:ng

Enclosure

cc: File



Testimony

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House Bill 2415 Kansas Expanded Lottery Act

Delivered to
House Federal and State Affairs Committee
February 17, 2005

Every year since 1991, local government in Wyandotte County and Kansas City, Kansas have lobbied the Kansas Legislature for expanded gaming in Kansas, and most specifically, the opportunity for a destination casino in Wyandotte County. In 1996, the Citizens of Wyandotte County sent a very clear mandate when 82% of the electorate overwhelmingly said they supported expanded casino gaming in their community. Today, the issue of expanded gaming is still a mandate of the people of Wyandotte County.

For 15 years opponents of gaming have stood before the Legislature saying casino gaming would be detrimental to the Kansas economy. The Unified Government of Wyandotte County/Kansas City, Kansas also believes casino gaming is detrimental to the Kansas economy, but not for the same reason as the opponents of casino gaming. The State of Kansas is losing millions of Kansas dollars to the State of Missouri. A January 13, 2005 story in the *Kansas City Star* states: ***"Sharp marketplace competition made 2004 the 10th consecutive year of growth for Kansas City's casino gaming industry."***

A very large portion of this money came from Citizens of Kansas. Previous studies show that hundreds of thousands of Kansans frequent casinos that do not benefit the State of Kansas. These same casinos are spending big money to lobby legislators to vote against expanded gaming in Kansas because they do not want the State of Kansas to share in their ongoing windfall. This statement begs the question: How many hundreds of millions of dollars that could benefit the State of Kansas has been lost to other states because the State does not allow expanded casino gaming?

A "no" vote to expanded gaming in Kansas is not going to protect the Kansas economy or prevent Kansans from gambling at casinos in neighboring states. A "no" vote will deprive Kansas from generating revenue that its own Citizens would rather see benefit its own State. Kansans are already spending Kansas dollars in other states. A "no" vote prohibits the Kansas economy from benefiting.

There are many communities in Kansas that want nothing to do with expanded gaming. Wyandotte County welcomes it. HB 2415 contains a safeguard for Kansas communities that do not want gaming by requiring the local electorate to make the final decision. The Unified Government supports HB 2415 because it allows the State and local communities to be in control. HB 2415 provides the checks and balances that will provide strong oversight and accountability. We also support HB 2415 because of its provisions that would benefit The Woodlands, which was at one time the #1 tourist attraction in the State of Kansas. Casino gaming is wanted in Wyandotte County. It makes sense for our community, and it makes sense for the State of Kansas to benefit from casino gaming in Wyandotte County. It is time for the State of Kansas to benefit from a thriving industry that is benefiting greatly from Kansas dollars. It is time for the State of Kansas to benefit from a thriving industry that benefits hundreds of millions of dollars from tourists. The Unified Government of Wyandotte County/Kansas City, Kansas, and its Citizens, urge you to give strong consideration in supporting HB 2415.

FEDERAL AND STATE AFFAIRS

Date 2-17-05

Attachment 8

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City of Eureka

Transcript for House Bill # 2415 Hearing Speech

February 17, 2005

My name is Brian Garrels, City Administrator for the City of Eureka, along with Vickie Hornbuckle, Greenwood County Economic Development Director, and Mike Pitko, Mayor of Eureka. We are here today to express our enthusiastic support for the proposed House Bill 2415.

Kansas government is encouraging economic growth in rural Kansas. Greenwood County is consistent with the Governor's definition of rural Kansas and is ranked by the Index of Economic Development as the fourth poorest county in Kansas. House Bill 2415 would provide Greenwood County and the City of Eureka, through the Eureka Downs, an important opportunity for economic growth and expansion.

Education financing is an issue that the Legislature has struggled with during previous legislative terms and this one as well. House Bill 2415 offers a viable addition to the education financing formula, dramatically increases the funding amount spent on education without raising taxes and creates economic growth and expansion. The revenues generated through the gaming industry would also enhance the horse racing and agricultural industry in Kansas and Eureka and Greenwood County in particular.

Some key reasons for our support for this House Bill 2415 include:

1. The bill requires a county-wide vote to allow slot machines at Eureka Downs. We believe our citizens should have the opportunity to vote on this issue and decide the future of our race track and our community.
2. Kansas' racing establishments would be able to provide larger purses. Through this bill Kansas will be able to compete with other states in the racing industry to attract owners, trainers, and jockeys from other states and to retain the ones from Kansas.
3. Kansas government has supported increasing economic development for rural counties. Greenwood County's main industry is agriculture therefore classified as a rural county. The addition of slot machines will help increase the productivity and vitality of Eureka Downs. This will in turn create an economic ripple effect that will necessitate hiring more trainers, selling more hay and other agricultural products,

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hiring additional workforce during the race season and facilitate a need for development that is long awaited in our county. Not to mention the benefits to

farriers, veterinarians, feed stores, gas stations, local shops, restaurants, motels, and more. We believe that this opportunity is precisely what our communities need to jump start our economies.

4. Small rural areas such as ours have very limited opportunities to compete with larger urban areas for substantial population and economic growth. This places an increased burden on the cost of education simply by virtue of declining or stagnant population. Bill 2415 should help education funding, not only at a state level, but especially at our local level with the addition more citizens.

In closing, horseracing has been a historical attraction in Eureka since 1872 and is considered the oldest horseracing location in Kansas. Currently large sums of money are leaving Kansas for other gaming/racing locations in adjoining states. With House Bill 2415 we have the opportunity to retain and attract outside dollars and remain competitive with our neighboring states. Bill 2415 also offers local voters the opportunity to support and enhance one of our community's largest assets while improving the quality of education in Kansas. By supporting the Bill you will provide opportunities for the City of Eureka, Greenwood County, Eureka Downs, horseracing in general and associated agricultural economies. By supporting this bill you will help sustain the historical and cultural attraction that our area has known for over 132 years and keep Eureka, Kansas considered the "Horse Racing Capital of Kansas".

Statistics for Impact to Eureka Downs and Kansas

1. Eureka Downs racing history. Eureka racing history dates back 132 years to Oct. 2, 1872, making it the oldest existing racetrack in Kansas. Later in 1903, the Greenwood County Fair Association was organized and took ownership of the track. Eureka Downs received its official designation as a quarter horse track in 1962. With the advent of pari-mutual legislation in 1988 Eureka Downs was the first track to receive a pari-mutuel license in Kansas. The nineteen-day race meet began on September 3, 1988. (All historical information was taken from *The History of Greenwood County, Kansas Volume II*, pages 151-154)
2. During the 2003 racing season at Eureka Downs, May 1 through July 5, total expenditures \$819,235. This amount includes \$136,717 for salaries paid to 66 employees. The concessions (which are separate from Eureka Downs) had gross expenditures of \$58,862 and employed an additional 27 local people. Total from these two expenditures was \$878,097. A majority of these dollars were spent in Greenwood County. Based on the widely accepted estimate, that each dollar spent turns over at least seven times, the economic impact to Greenwood County far exceeds \$6 million dollars. If race days double to 40 days and slots were added these figures would increase tremendously. Not to mention the jobs that would be added for year round operations.
3. An analysis completed on "The Importance of Purses To the Iowa Thoroughbred Race Horse Industry" by Thalheimer Research Associates, Inc., showed that the dedication of a specific amount of slot machine revenue to purses would result in large purse increases. The percent of gross revenue allotted to horse purses from the slot machines of the five existing pari-mutuel tracks will increase the purse structure for racing in Kansas. This in turn will create an economic ripple effect throughout the horse industry in Kansas. Breeders will be encouraged to raise more Kansas Bred horses so they can participate in the Kansas racing program. A higher quality of breeding stock will be in demand to compete for these purses, which will increase the value of horses raised in Kansas. Kansas will be able to compete with other state in the racing industry and attract owners, trainers, jockeys from other states to participate in the Kansas racing program.
4. The agricultural industry in Kansas would experience a much-needed boost. The American Quarter Horse population includes 91,094 American Quarter Horses, 4,856 new foals registered and 2,986 transfers of ownership in 2004. The potential for the breeding program to be revitalized because of increased purse structure from expanded gaming is incredible. Breeders are taking their mares to other states to foal so they can compete for higher purses in other states programs.
5. The national average cost to train one horse for a month is \$1,500. At Eureka Downs a fair estimated cost to train one horse per month would be \$1,000. These expenses include; labor (grooms & exercise riders), feed, fuel, horse

shoeing, license fees, veterinary expense, supplies, meals, housing, truck, horse trailer, walker, and miscellaneous equipment. At Eureka Downs there are 350 stalls. Because of the increased purse structure from the revenue of expanded gaming these 350 stalls would be filled with horses during the race meet. Assuming the 40-day race meet would be held throughout a three and half month period, the economic impact to the local community and the state would be \$8.5 million from the backside alone. These figures are based on the equation used by economists to calculate the number of times a dollar turns over in the local and state economy before it is dissipated.

6. Information about the Iowa Racing program taken from the Prairie Meadows racing media guide 1989-2001 edition, pages 123-128:
 - a. April 1995 Prairie Meadows opened the new casino taking in \$1million the 1st weekend.
 - b. Based on a study by Iowa Department of Agriculture horse breeding increased 80% in 1995. From 210 mares registered in the Iowa Bred program to 379 in 1995.
 - c. In 1997 Iowa State University economists release a study indicating horse racing, breeding and related tourism generated \$48 million in annual spending in Iowa, and provided 442 industry related jobs and a total of 1,133 jobs in Iowa's economy.
 - d. In 2000 Prairie Meadows expanded the casino and grand entrance 50,000 square feet.
 - e. Iowa's foal crop breeding statistics had increased 104.4% from 1986 to 1999.

7. Estimated Direct and Indirect Gross Sales and Employment in Iowa Horse and Horseracing Industries, 1999.

Activity	Gross Sales (Millions)	Total Employment
Horse Racing and Breeding	\$228.9	2,698
Prairie Meadows Live Racing	18.3	474
Tourism (horse racing only)	5.37	89
Total	\$252.57	3,261

(Information taken from Prairie Meadows Economic Impact of the horse racing industry, 1999, page 1)

8. What expanded gaming can do for a community; information acquired per phone conversation, February 3, 2004 with Jeff Mark, City Administrator of Altoona, Iowa.
 - a. 1995 population in Altoona was 7,433 – 2000 population 10,345 – 2004 Estimated population 13,000

- b. Direct benefit is \$700,000 for the cities percent from expanded gaming revenue, which goes into the General Fund.
 - i. Some of the projects completed because of this revenue; Recreation Center, Library, Fire Station, Skate Park, Aquatic Park, and Bike Trails.
 - c. There has been a dramatic increase in commercial business growth for Altoona due to the casino and racetrack at Prairie Meadows.
 - d. Because of these amenities businesses and people are more inclined to move there.
9. Information about SunRay Park in Farmington, New Mexico per phone conversation February 3, 2004 with Rocky Watson, San Juan County Auditor and Tony Atkinson, County Manager February 6, 2004. SunRay Park is very similar to what could happen here at Eureka Downs with the addition of expanded gaming and year round simulcasting. SunRay Park is owned by San Jaun County, the County leases the track to a management company for the operation of the casino and racing. They run a 40-day race meet and currently have 480 slots at the casino that operates year round.
- a. The county receives the greatest of 15% or \$2 million a year for the lease of the fair grounds for this racetrack.
 - b. The income goes into the County General for Capital Outlay, which is used for roads, buildings, equipment etc.
 - c. One result of this income is the new 53,000 sq. ft. convention center at the fair grounds, which enabled the County to host the National Finals High School Rodeo in 2002 and 2003.
 - d. The County also expanded the fair grounds so they could host four RV conventions each year. 1,500 RV's from across the United State come together at the fair grounds for each of these four conventions
10. Many people have asked me "just what will slots do for our community"? I have put together some information based on the bill the Kansas Quarter Horse Racing Association is supporting. In this bill it states, "To any city where the pari-mutuel licensee location is located, it will receive 5% of net revenue from the gaming facility". It also states, "To any county where the pari-mutuel licensee location is located, it will receive 8% of net revenue from the gaming facility". The number of electronic gaming machines authorized in the contract shall not be less than 300 machines. Based on information I have gathered from SunRay Park in New Mexico and Prairie Meadows in Iowa I have put together the following estimates:
- a. Average yearly income from 300 machines is estimated to be \$22 million, 5% to Eureka City would be approximately \$1.1 million.
 - b. Greenwood County would receive 8%, which would be approximately \$1.7 million.
 - c. These funds could be put into the General Fund just as the other communities I have talked about did and used for Capital Outlay.

11. Altoona Iowa Police Department, Chief of Police John Gray, per phone conversation February 19, 515-967-5132. I asked Chief Gray about increase in crime due to expanded gaming at Prairie Meadows. He said, "With the increase in people coming to the casino/track of 8,000 to 10,000 per day they expected to receive more calls." The problems have not been overwhelming though. The Altoona Police Dept. tracks the # of cases per month and since the casino opened in 1995 they may have had an increase in cases varying from 3 to 12% per month. After the opening of the casino they did notice an increase in "gas drive offs" and "bad check" cases, but again it was not overwhelming.

Reference:

1. "The History of Greenwood County, Kansas Volume II", pages 151-154
2. Eureka Downs financial figures by Fred Puthoff, KQHRA Treasurer
3. Kansas Horseman's Association, Joyce Billings
4. American Quarter Horse Association
5. "An Analysis Of The Importance Of Purses To The Iowa Thoroughbred Race Horse Industry" completed in December 2003, by Thalheimer Research Associates, Inc., Lexington, KY, phone 859-255-3073
5. Prairie Meadows racing media guide 1989-2001 edition, pages 123-128
6. Prairie Meadows "Economic Impact of The Horse Racing Industry 1999" prepared by Dan Otto of Ames Economic Associates March 2001.
7. Police Chief John Gray, Altoona, Iowa
8. Sheriff Department, San Jaun County, New Mexico 505-334-6107
9. Iowagaming.org pressroom
10. abiworld.org (American Bankruptcy Institute)
11. www.1800betsoff.org statistics for Iowa gambling
12. National Gambling Impact Study Commission
(<http://govinfo.library.unt.edu/ngisc/index.html>)

**Testimony before the
House Federal and State Affairs Committee**

February 17, 2005

By:

Andy Stanton
Board of Directors - Boot Hill Museum, Inc.
&
Dodge City Convention & Visitors Bureau

Chairman Edmonds, Vice Chairman Siegfried and Committee Members:

Boot Hill Museum and the Dodge City Convention & Visitors Bureau speak today in support of legislation to allow for expanded gaming in the State of Kansas.

Dodge City appreciates the kind reception by the Chair and Committee members in hearing our testimony in support of expanded gaming, specifically as it relates to Southwest Kansas. For us, this is simply family business – develop a partnership that will increase tourism, economic development to Kansas, and generate meaningful tax revenues at the State, regional, and local levels. Governor Sebelius, spoke to Dodge City residents and stated that her administration will *“look to partnerships with local communities for tourism and travel as a strategy for growing this economy”*. As one of Kansas’ primary tourism destination sites, Dodge City fully agrees.

We believe a challenge to your committee is to evaluate the impacts and effects of expanded gaming and to evaluate proposals that would:

- maximize tax revenue to the State of Kansas,**
- enhance entertainment opportunities in Kansas communities,**
- enhance economic opportunities in Kansas communities, and**
- provide a sustainable, realistic business model.**

Dodge City and Ford County leaders believe we have a sustainable business model that effectively answers each of these issues.

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○ **Maximize Tax Revenue to the State of Kansas**

Based on conservative models, Dodge City has proposed tax distribution percentages in the past that would direct revenues to State general funds, State and Southwest Kansas tourism, and local City-County municipalities in excess of \$17 Million annually.

Analysis of conservatively projected revenues indicates that a destination casino located in Dodge City would provide that level of new tax, based on estimated gross annual gaming revenues of \$54 Million. Consultants engaged by the Kansas Lottery projected even higher gross revenues from a Casino in Dodge City, exceeding \$60 Million annually.

In addition, local tax revenues are estimated to be:

Ford County / Dodge City – Complex Property Taxes	\$ 1,250,550.
Local Transient Guest Tax – Casino Hotel	103,718.
Sales Taxes – Food & Beverage – Casino Complex	308,531.
Sales Taxes – Retail Sales & Entertainment – Complex	252,359.
Sales Taxes – Lodging – Casino Complex Hotel	<u>126,191.</u>
	\$ 2,051,349.
 Total Annual Tax and Economic Development Funding	 \$ 19,296,349.

○ **Enhance Entertainment Opportunities in Kansas Communities**

In 1997 Dodge City said that it would become the entertainment capital of SW Kansas and voters made a commitment to that goal when over 70% approved a one-half cent sales tax to build entertainment facilities. Today, we have a nationally recognized motor-speedway complex, state-of-the-art baseball and soccer fields, and improved concert-arena facilities.

This *'entertainment facility'* sales tax had no sunset and included a voter commitment to fund a \$30 Million Convention/Special Events Center that is currently in the development stages. Ford County voters reaffirmed their commitment to this entertainment and tourism development tax in November 2004, again without a sunset.

It is a model of public-private partnership in the development of a destination casino/convention complex. The local voter approved a \$30 Million convention/special event center – a natural companion to a State owned and operated Casino and the private development of Hotel facilities – and will decide on site and design in an April 2005 vote. Gaming compliments the investment platform Dodge City and Ford County citizens have already made in their community and our objective to be the center of regional entertainment facilities.

Old west history clearly involved gaming parlors and games of chance. Dodge City has been a destination site in Kansas since 1872 and we're proud of our worldwide brand name. A gaming-convention complex is a comfortable companion to Dodge's invitation to revisit the legend and our promise of *'Old West – New Excitement'*.

○ **Enhance Economic Opportunities In Kansas Communities**

Dodge City needs to diversify from its concentration of employment in agricultural and meat processing industries. Tourism and entertainment represent a large segment of our economic base and provide significant opportunities for expansion.

With a capitalized investment between \$55–70 Million to complete the casino – hotel complex, and up to as much as \$30 Million in local sales tax for development of a convention/special events Center, the casino complex will provide for approximately 300 new jobs with estimated annual payrolls of nearly \$8 Million.

In addition, Non-lodging tourism spending is projected to increase by \$2,592,960 and gross lodging sales (Casino Hotel facilities) to increase by \$1,728,640. In 2002, combined lodging and tourism spending in Dodge City was estimated to be \$15,516,540. With the development of a destination casino/convention center/hotel complex, lodging and tourism spending is projected to increase 28% to \$19,838,140.

Dodge City has proposed 1.00% of gross gaming revenues be dedicated to fund the development of a grant pool, administered through the Kansas Department of Commerce Travel and Tourism Development Division, for member-entities of 'Wild West Country', an unfunded regional tourism group comprised of 22 counties in southwest Kansas. We believe that by funding such grant-pool, members of this southwest Kansas tourism coalition will effectively gain a participatory ownership in the Dodge City casino complex that directly enhances the tourism and economic development projects in their individual communities. In other words, each member-entity has the opportunity to directly benefit from expanded gaming through funding of their local individual tourism and economic development activities. Collectively, this enhances Kansas' ability to develop regional tourism themes that will significantly benefit all southwest Kansas communities.

○ **Provide a Sustainable, Realistic Business Model**

Dodge City has long maintained a seasoned tourism infrastructure through Boot Hill Museum, who greets over 90,000 visitors per year; a very active Convention and Visitors Bureau who coordinates our marketing and delivery of first class community services, and a Chamber of Commerce-Economic Development Corporation who continuously measure and guide our community development.

- Dodge City has funding in place to be a significant partner in a Destination Casino complex.
- Dodge City has several sites identified that are either already public owned, or available for siting of a destination complex.
- Dodge City is very experienced in the development and management of tourism services and companion industries.
- Dodge City has brought together a primary team of City, County, Economic Development Corporation, Family Facilities Advisory Board, Boot Hill Museum and Boot Hill Gaming representatives to facilitate the local control and success of an expanded gaming complex in our community.

Simply, Dodge City is prepared to expand its tourism services through the implementation of expanded gaming with probably the least difficulty of any city in Kansas. Dodge City is prepared to provide a first-class destination gaming facility. It's a very natural extension of our existing brand name – known world wide.

- **Summary**

A telephone poll completed in March 2003 revealed that 69% of Ford County residents approved the idea of an expanded gaming facility in Dodge City. A second poll of southwest Kansas residents provided a 61% approval rating. [Polls – conducted by High Plains Publishers, with a 3% +/- degree of error]

Dodge City wants to stress to the Committee the value of Kansas approving legislation providing for destination casinos. While we understand the complexity and confusion attached to many of the proposals for expanded gaming, none of that exists with the presentation you are hearing today.

We provide a clear, concise proposal for the approval of a destination gaming facility that is a partnership between our local community – the State of Kansas – and private development. We believe our proposal sets the standard for meeting the challenges of maximizing tax revenues, enhancing entertainment and economic opportunities, and being based on a solid business platform.

Gaming and Dodge City. It's very simple – it just fits!

- **Exhibits**

Included with this testimony are several 'white-papers' that discuss specific areas of Dodge City's proposed Casino. These local reports were prepared as a discussion of the 2004 Governor's Bill for expanded gaming. During the 2005 legislature, any final resolution on expanded gaming in Kansas will probably include much of what was proposed in SB-499 in 2004. With this in mind, these papers are included as they give specific answers to important questions that should be asked, including:

- **A Casino in Dodge City –**
 - Local Impacts and Revenues
 - Ownership and Financing
 - Oversight and Regulation
 - Selection and Local Vote
 - Feasibility of Casino Gaming in Dodge City



February 25, 2004

A Casino in Dodge City – Local Impacts and Tax Revenues

Boot Hill Gaming, Inc., a subsidiary of Boot Hill Museum has been working with other Kansans to bring gaming to our state. We know that hundreds of thousands of people travel hundreds of thousands of miles each year to gamble. Why not bring some of them to Kansas – particularly Dodge City and southwest Kansas?

The local economic impact for Dodge City and the surrounding 22 counties in Southwest Kansas would be monumental. Based on conservative figures, we could expect more than 500,000 visitors each year in our area, visiting towns along the way to Dodge City.

The casino alone would create more than 300 new jobs, adding nearly \$8 million in new local payrolls.

Boot Hill Gaming's plan has provisions for payments to the State of Kansas, Ford County, the City of Dodge City and Boot Hill Museum. Besides helping the budget in Topeka, this plan would improve life in Southwest Kansas.

Senate Bill 499 provides specific percentages of gross gaming revenue to be paid to the state (minimum of 22%) and county (4% divided between City and Boot Hill Museum) and additional funding for regulation (2%) and problem-gambler treatment services (0.5%). When these percentages are applied to estimated gaming revenue, a casino in Dodge City would provide nearly \$16 million annually in new tax revenues.

That means approximately \$12 million annually in new tax revenue to the state – over \$800,000 annually to both Ford County and Dodge City - \$270,000 a year to fund quality problem-gambler treatment services- over \$1 million each year back into tourism development for the state, southwest region and Boot Hill Museum – and full costs of regulation and oversight by the state.

In addition, the casino and ancillary service facilities (hotel, dining, entertainment venue, and conference facilities) would add at least \$30 million of infrastructure to our County/City tax base and pay significant property taxes. Projections show that the destination casino enterprise would generate nearly \$700,000 annually in sales and transient guest taxes to Ford County and Dodge City.

Overall, the casino enterprise is projected to contribute nearly \$19 million annually in new tax revenues and regulatory fees – not including benefits of \$7 million in new payrolls.

When we look beyond the revenue capacity of the casino complex, the project will serve as a catalyst for a host of new and expanded retail and service businesses in Dodge City and add significantly to the value of regional marketing and tour promotion. It's conservatively estimated that non-lodging tourism spending and gross lodging property sales in Dodge City would grow by at least 28% as a direct result of the gaming – convention complex.

Private funding – managed locally for the benefit of Dodge City – a clear companion to our tax-supported entertainment facility, equals a tremendous step forward in diversifying our local economy, expanding our tourism and providing direct and measurable tax and financial impacts.



February 24, 2004

A Casino in Dodge City – Ownership and Financing

Recently, there have been some misconceptions over who will own and operate a casino complex proposed to be built in Dodge City.

Boot Hill Gaming, Inc. (BHG) is a for-profit, wholly-owned subsidiary of Boot Hill Museum. It was formed to separate their lobbying efforts from Boot Hill's normal role as a museum and entertainment facility and charged with the idea of determining whether casino gaming would be beneficial for Dodge City. Boot Hill Museum's primary goal was to find a permanent revenue source that would ensure the museum's future. A percentage of gaming revenue was a very likely source, as pari-mutuel tracks are required to pay a percentage of their revenue to local non-profit organizations.

Senate Bill 499 states that a destination casino enterprise must include ancillary operations including service facilities such as a restaurant, hotel, entertainment venue, and meeting space that is a part of the destination casino complex. In other words, Dodge City cannot just build a stand-alone casino - it must include ancillary facilities and services.

The bill also states that a destination casino enterprise, including its physical infrastructure and real estate and all property and equipment shall be owned by the destination enterprise manager. BHG fits the definition of being the destination enterprise manager and may be the one that provides financing for construction and development of the whole complex, including the destination casino.

The bill requires that there be an investment in infrastructure of at least \$30 Million and must demonstrate through a market study that at least 15% of its gaming patrons would reside outside of Kansas. In addition, proposed legislation requires an accelerated payment of \$15,000 per slot machine (with 1,000 machines this will be about \$15 Million) that is due at the time of contract between the State and the destination enterprise manager. This is a 'pre-payment' of tax and recoverable over a five-year period.

The destination enterprise manager must also purchase or lease gaming equipment at a cost between \$10 and \$15 Million, including computer networks and communication systems with the state Lottery. However, to be in accordance with the Kansas constitution, the certificate of authority issued by the state will place "full, complete and ultimate ownership and control of the gaming operation of the destination casino with the Kansas Lottery".

Total costs should run between \$55 and 70 Million to build and equip the casino complex. Those costs would be funded privately by BHG - the casino operator that will eventually be hired - the hotel developer - or some combination of all three. There will be no tax-dollars used in building the destination casino enterprise.

There has been discussion that a Special Event Center, funded by Why Not Dodge sales tax revenues, could be located adjacent to the destination casino complex. This would represent use of tax-dollars, however that project would be independent from the destination casino enterprise.

The destination casino is not dependent upon having the Special Event Center, however BHG believes the Center may be more successful because of its correlation with the casino complex.



February 27, 2004

A Casino in Dodge City – Oversight & Regulation

Boot Hill Gaming, Inc., a subsidiary of Boot Hill Museum, proposes to develop a destination casino complex in Dodge City that will include a casino – plus lodging, dining, conference meeting space, and entertainment facilities. The casino will be about 40,000 square feet and have approximately 1,000 slot machines.

According to the Governor's bill on expanded gaming (SB-499), the casino must purchase or lease all of the gaming equipment, computer networks and communication systems from the Kansas Lottery. The constitution of the State of Kansas, as amended in 1986, stipulates that the Kansas Lottery must 'own and operate' the gaming equipment and if a 'Certificate of Authority' was issued for a casino in Dodge City it must place "*full, complete and ultimate ownership and control of the gaming operation of the destination casino with the Kansas Lottery*".

So, in simple terms, how would that work? All of the slot machines are electronically linked through a computer network to the Lottery in Topeka. Literally, when a patron bets \$1.00 and pulls the handle – or pushes the button, that bet is immediately recorded on Lottery computer systems in Topeka. When winnings are paid out from that same slot machine, it is recorded on the Lottery computer. At the end of each day, the casino manager must transfer the net cash receipts (bets –less–winnings) to the Kansas Lottery. Once per week, the Lottery will pay the casino manager a percentage of those receipts that is negotiated in a contract. The Lottery also transfers a percentage of the gross receipts to the various taxing authorities named in the bill and ultimately in the contract, i.e., 22% to the State – 2% for regulation – .5% for problem gaming – 4% to Ford County for distribution, etc.

As you can see, the control of gaming revenues and cash are tightly monitored by the Kansas Lottery and net profit margins are actually negotiated by the casino manager in their contract with the Lottery. The casino manager must be able to meet all expenses and net profit margins within a specific percentage of gaming revenues that is stipulated in the contract. All cash receipts are controlled by the state.

All employees of the casino must pass background investigations and are subject to continuous monitoring by the state. Anyone involved in management of the casino, or the casino enterprise, including board members and directors, must also successfully pass a background investigation and are not allowed to place wagers in the casino they manage. The Kansas Lottery also provides supervision and oversight for the operation of the casino and may have gaming inspectors on duty at the casino facility at any time.

While the casino complex will be built with private funds, and the cost of that capitalized investment repaid by the owners, the actual net profit margins are controlled by their contract with the state and the public's interest in regulation and oversight is well served.



March 1, 2004

A Casino in Dodge City – Selection Process and Local Vote

The Governor's gaming bill (SB-499) would be officially known as the Kansas Expanded Gaming Opportunity Act. The act would create a new Destination Casino Commission that would be attached to, and be a part of, the Kansas Lottery and operate under the Lottery's Executive Director. The Destination Casino Commission would have seven members, each serving a term of four years.

The destination casino commission will review proposals for destination casino enterprises and in its discretion, may issue a certificate of authority for the proposed destination casino if the commission determines that:

- The proposal includes the required components for dining, lodging, meetings and conferences and entertainment venues, in addition to the casino operation.
- The proposal demonstrates through a market study that, considering all other competing gaming and entertainment venues, it would: economically feasible, profitable for the state, and not render economically infeasible any other destination enterprise and casino or tribal gaming facility which is approved by the state.
- The proposal consists of an investment in infrastructure of at least a) \$75 million, or b) at least \$30 million and demonstrates through a market study that at least 15% of its gaming consumers would reside outside the state of Kansas.
- The applicant has access to sufficient financial resources and is current with taxes and other fiscal Kansas filings.
- The applicant, principals and officers, directors, if a corporation, have completed acceptable background investigations by Federal or State authorities.

If the destination casino commission has more than one proposal for a destination casino, they will select the one that in their judgement is in the best interest of the state as a whole and shall favor proposals that:

- Have larger investments in infrastructure, create more jobs and higher payroll, have lower management fees and expenses, create more revenue for the state, more likely to succeed in the marketplace, have more experienced and qualified management team, have more effective and aggressive plans for identifying and counteracting problem gaming, could attract more tourists, and have support of the local community.

The certificate of authority will define the scope and nature of the destination enterprise, casino, and ancillary operations. It will include a comprehensive plan for the operation, oversight and monitoring of the enterprise including management of the casino; accounting procedures to determine casino revenues, expenses and net; location and operating of electronic gaming machines; and minimum requirements for destination enterprise and casino managers to provide qualified oversight, security and supervision.

Before the Lottery's executive director enters into a management contract, there must be a vote in the County where the casino enterprise is to be located. The vote shall be held not less than 90 days after a resolution is adopted or petition is filed as specified by the board of county commissioners.



A Casino in Dodge City – Feasibility of

You've read and heard the reports of a study of gaming in Kansas commissioned by the Kansas Lottery. The report was released during 2004. The surprise event was the focus on how successful a casino resort could be in Southeastern Kansas, namely Galena. Comparing Dodge City and the Galena area, the consultants stated in their report:

"...a destination casino resort in or around the Galena, Kansas area makes more sense than one in Dodge City. With only 63,055 adults within 50 miles...the Dodge City market will simply not support a large destination casino. CCA estimates that the potential gross gaming revenue from a Dodge City casino would be \$62.2 million, compared to a market potential of \$254 million for a destination casino in Southeast Kansas"

The report by CCA discusses the market potentials of Wyandotte County at \$235 million and Wichita, Sedgwick County area at \$191.1 million.

We don't disagree! Dodge City has always presented itself as the 'fourth market' for expanded gaming in Kansas.

The good news is that the consultants (CCA) estimated Dodge City gaming revenues at \$62 million, higher than Dodge City projects at \$54 million. CCA built their assumptions entirely on a trade-pull area – drive in patrons – not including Dodge City's existing tourism, bus tour development and world-wide brand name.

Dodge City has always proposed it's site a the smaller of the four with an estimated cost of construction between \$50-70 million or less. In fact, the Governor's bill in 2004 (SB-499) was designed to favor a Dodge City facility by lowering the minimum capital investment to \$30 million. The large complexes proposed in Northeast and Southeast Kansas are easily in the \$150 to \$200 million plus range.

Dodge City is not the biggest casino proposal in Kansas, but it is the most organized in the State, developed entirely by local non-profit and municipal interests, and dedicated only to the development of tourism in the 22 Counties of Southwest Kansas, new businesses and tax revenues. It is a project 'of-the-people – for-the-people' in Southwest Kansas.

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TESTIMONY OF E.L. (TOM) FARR DISTRICT 1 COMMANDER

Thank you for the opportunity to testify on behalf of the Kansas Veterans of Foreign Wars and the Kansas VFW Ladies Auxiliary.

I am the district commander of northeast Kansas VFW, adjutant to Post 1650, Topeka, and the legislative chairman of District 1.

The Kansas Veterans of Foreign Wars has approximately 35,000 members and the Ladies Auxiliary has approximately 20,000 members.

VFW Post 1650 had 5 VLT machines, which were legal under the previous attorney general. They were removed at the request of Kansas Attorney General, Phil Kline. They were in our Post for approximately 9 months.

As we are all aware, the State of Kansas is in need of new money. We have made some calculations which are very interesting. We took one month's record of receipts when it was in legal operation. On the average a machine brought in \$3400 gross per month. We paid out \$2100 prize money, and sales tax per month was over \$250 per machine. Net profit was over \$1000 per month per machine.

The VFW Posts with Class A licenses would be at least 45 VFW Posts. Using these numbers, we could bring in \$56,250 sales tax per month for a total estimate of \$675,000 per year in sales tax from VFW posts (VLT machines). Our records show that there was a net profit of over \$1,000 per machine per month to split between the VFW Post and the vendor. It would be possible for the 45 VFW locations to have a net profit of \$225,000 per month or an amount of \$2,700,000 per year to be split between the post, state, and others.

Using the figure of a possible 43% net profit to the state of Kansas, \$1,161,000 per year could be earned by these machines. Adding the two together, you have the potential to earn (\$675,000 sales tax and \$1,161,000 profit) \$1,836,000 on Video Lottery Machines for the State of Kansas each year.

These machines would be used by VFW members and guests. An officer of the post would be on duty when these machines were available to the members and guests. We also have a lounge manager on duty.

The veterans' posts as well as the State of Kansas have a need for this money. Most VFW posts are open a maximum of 50-55 hours per week. Contrast this with the casinos which are open 24 hours a day, seven days a week.

Veterans of Foreign Wars posts operate as a nonprofit organization and support their community and the servicemen who are presently serving their country. The past three

FEDERAL AND STATE AFFAIRS

Date 2-17-05

Attachment 12

years we have the closing of 3 posts, and 5 posts who have had to give up their post homes due to the cost of maintaining them. We now have 20 posts in district 1.

Listed below is some of the projects which our posts do:

1. Aid to veterans and families
2. Poppy drive which distributes flowers made by disabled veterans. Proceeds are used to help veterans and families.
3. Adoption of military units who are posted overseas.
4. Operation Uplink which distributes phone cards to our servicemen.
5. Outstanding teacher awards (3 levels)
6. Clothing bank and other activities at the veterans hospitals.
7. Funeral detail for all veterans. Meals for their family on the day of the funeral.
8. Support of the local R.O.T.C.'s
9. Financial support to Topeka Rescue Mission, Doorstep, TARC, Muscular Dystrophy, Special Olympics, Let's Help, Cancer Society, Salvation Army, and others.
10. Special events at post home: Thanksgiving dinner, Run Across Kansas for students, children's Christmas party, endowment program for college students. Voice of Democracy program for grades 9 through 12; Patriotic pen essay contest for middle school students; Law officer of the year; Fireman of the year; EMT; support the boy scouts.
11. Special programs of the post: Korean War Veterans, World War II Vets; VietNam Vets; Gulf War Veterans; Desert Storm Veterans.
12. Memorial Day Service
13. Veterans Day Service
14. Many other events

It is the contention of the veterans' organizations that these organizations need to be included in the gaming bill in Kansas so that we can continue to operate for the good of our community, the State of Kansas, and the United States, in taking care of our veterans, their families and those serving our nation today. Never have we as a nation been more dependent on our veteran organizations and the service men and women overseas.

In closing, I would like to talk briefly about the Department Surgeon's report. (See attached).

Thank you again for giving me the chance to speak, and our thanks and support to each and everyone of you legislators.

12-2

DEPARTMENT OF KANSAS
VETERANS OF FOREIGN WARS

DEPARTMENT SURGEON SUMMARY

DATE: JANUARY 15, 2005

THIS REPORT IS FOR THE FIRST THREE QUARTERS OF 2004 - 2005 FROM APRIL 1, 2004 TO DECEMBER 31, 2004

DISTRICT	MEMB TOTAL	RPT THIS QUARTER	NUMBER OF WORKERS	NUMBER OF HOURS WORKED	NUMBER OF MILES	HOSPITAL EQUIP. \$\$\$	THIS QUARTERS CREDIT \$\$\$\$\$	TOTAL # OF REPORTS	TOTAL OF YEAR TO DATE CREDIT \$\$\$\$\$
DISTRICT 1	4,618	YES-3	996	4373	22015	\$22,572.50	\$100,930.92	9	\$299,319.12
DISTRICT 2	4,855	YES-3	186	544	2750	\$6,094.00	\$20,650.04	9	\$44,729.55
DISTRICT 3	5,161	YES-3	1265	4312	23433	\$52,708.00	\$144,874.47	9	\$563,989.84
DISTRICT 4	3,357	YES-1	168	1123	10500	\$53,926.00	\$58,115.00	3	\$75,060.78
DISTRICT 5	4,360	YES-3	144	1648	7971	\$24,229.00	\$55,787.18	9	\$121,322.10
DISTRICT 6	4,118	YES-3	441	5968	73899	\$11,461.00	\$124,454.89	9	\$268,256.19
DISTRICT 7	2,981	YES - 1	102	757	3814	\$5,210.00	\$17,081.67	5	\$92,421.32
DISTRICT 8	2,935	YES-3	671	1517	21487	\$19,395.00	\$60,472.78	9	\$171,337.81
DISTRICT 9	2,945	YES-3	60	112	1994	\$16,120.00	\$10,935.11	9	\$53,265.54
TOTALS	35,330	YES-17	4033	20354	167863	\$211,715.50	\$593,302.06	71	\$1,689,702.25

FORM COMPLETED BY DEPARTMENT SURGEON:

HERB SCHWARTZKOPF

RR 1 BOX 146

RANSOM, KS 67572-9501 (785-731-2459)

FORWARD THIS SUMMARY TO THE DEPARTMENT HEADQUARTERS

The Kansas Quarter Horse Racing Association

P.O. Box 228 • 210 N. Jefferson • Eureka, KS 67045
Phone 620/583-7510 • Toll Free 1-866-583-7510 • FAX 620/583-7118
Web Page Address: www.kqhra.com • E-Mail: kqhra@eureka Herald.com

February 17, 2005

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

Hello my name is Paul Treadwell, I am the President of the Kansas Quarter Horse Racing Association. Kansas has long history of horse and greyhound racing. It has and continues to play an important role in our agricultural economy as well as our entertainment industry.

When Kansas voters approved changing our Constitution to permit the lottery and parimutuel racing, they intended to permit gaming activities carefully regulated by our State which would return a benefit to taxpayers. Parimutuel racing, once the state's top tourist attraction, generated millions of dollars for our state government. Today those gaming dollars and the tourists who brought them are leaving the state for Missouri riverboats, Native American casinos, Iowa and Oklahoma. The state and its taxpayers receive nothing from those nearby gambling facilities while at the same time deposits of parimutuel gaming revenues have continued to decline.

The state of Oklahoma passed a gaming bill in November of 2004. Those funds were designated to education. The state of Oklahoma, as well as the state of Kansas, has come to realize that their public education system is not adequately funded. The public education system is the most important program that the state funds and help administrate. This not only keeps small towns and urban communities with strong economic development, but the children that are produced in that system are certainly the future of our state.

Secondly this state needs economic development, this bill provides several avenues for that to happen. One avenue is to increase breeding and racing of greyhounds and horses in the state of Kansas which will provide funds for economic development and support in small communities and rural areas in our state. It will also bring in a new industry with the casinos that will hire thousands of workers, create needed construction jobs and cause an influx of tourism in the state, which will help to create millions of dollars of additional revenue for the businesses in the state of Kansas.

We must not continue to export our gaming dollars to Missouri, Iowa and Oklahoma. We must keep those dollars in Kansas to help fund education and improve racing and breeding in Kansas and to build a new industry with the casinos. We as a racing industry are barely surviving due to the intense competition from Iowa, New Mexico, Louisiana and now Oklahoma, with their supply of funds from gaming in their states. By passing this bill we will be competitive with those states and we'll see huge increases in the racing and breeding industry of horses and greyhounds.

But the greatest benefit that this bill has is that it makes approximately \$100 million in state funds available for the education system in Kansas, this means that we will save \$100 million in taxes. When you increase these taxes locally or by state the people of Kansas will have to pay that money. So I strongly encourage you to stop the gaming dollars going to other states and keep those moneys here in Kansas.

Paul Treadwell
Member, Legislative Committee and Board of Directors
Kansas Quarter Horse Racing Association

FEDERAL AND STATE AFFAIRS

Date 2-17-05

Attachment 13

KANSAS THOROUGHBRED ASSOCIATION

**President**

David Assmann
913-441-0148

Vice President

Dwight Daniels
785-738-3749

Directors

Philip Burford
316-838-0861

Kelly Clark
620-855-2125

Pam Davis
785-457-2863

Albert Freeman
620-624-1564

Linda Gleason
620-227-8242

Steve Herd
620-622-4875

Kenneth Hurley
785-739-2340

R.G. Jordan
620-358-2790

John McCoy
913-441-4115

Robert W. McCoy
913-491-3381

Jim Percival
620-251-6558

Doug Schiffner
620-275-8551

Bob Schreiber
620-653-7691

David Sirucek
913-334-4389

Gary Smith
913-764-0416

Tommy Taylor
316-744-3870

February 17, 2005

Dear Federal and State Affairs Committee:

I am presenting on behalf of the Kansas Thoroughbred Association in support of House Bill No. 2415. Please read the enclosed surveys relating to the equine industry in Kansas. We thank you for your consideration in this matter.

Sincerely,

Kansas Thoroughbred Association

Good morning-

My name is Pam Davis, Westmoreland, in Pottawatomie County. I am currently employed at the College of Veterinary Medicine at Kansas State University in the Department of Anatomy & Physiology where I have been for 26 years. I have been a member of the Kansas Thoroughbred Assoc. since it began 18 years ago. I raise Thoroughbred race horses. I am also involved with 4-H as President of the State Horse Parent Action Committee and also currently a member of the Rural Agricultural Leadership Class, KARL Class VII.

My purpose is to present some information relating to the equine and agricultural economy in our state.

Since 1989 to 2003 there has been a change in number of horses Thoroughbred and Quarter Horses put into the Kansas Bred Program. Starting with 3230 and falling to 252, when you compare these numbers with states that have recently added alternative gaming the numbers of mares bred and stallions standing in those states have increased. These numbers greatly impact the equine industry in our state. With every mare bred there are usually 2 or 3 offspring too young to race, at home. All these animals have to be fed and cared for in order for them to develop into athletes. This fact impacts our agricultural business and Ag related occupations. Your feed and tack stores, farriers, veterinarians, custom hay producers, accountants, trainers, grooms, haulers, race tracks, training centers, and state agencies, all of these allow and supply jobs to our state.

As reported in the 1996 KS Equine Survey, 35.3 million dollars was spent of feed alone. Equipment purchased was 15.6 million. Just think of the dollars generated in property and sales tax. These dollars support local communities and the state.

The number of equine operations reported by type: 14,840 farms, typically family farms.

Boarding and training facilities numbered 960. These operations encompass over 14 million acres with approximately 950 million acres devoted to the horse part of the farming operation.

As the racing industry gets stronger, that means the potential to generate dollars. We would bet that those dollars would go right back into the equine operation to expand and develop the farm's program, whether it be breeding or racing these horses.

Horses are labor intensive. Over \$14 million was reported in expenses for labor. I can speak to this subject first hand. I feed and clean stalls daily.

Another positive impact of the income from the racing industry is supporting equine and canine research at Kansas State. Since, 1990 to 2003 there has been over 2.6 million dollars spent as reported in the KS Racing Commission's annual report. This research has had a positive impact on our future veterinarians' education and has been major benefit to understanding our equine and canine athletes.

One of the problems we have as an industry is a lack of enhancement for our breeding and racing programs. Some people foal and breed their mares out side our state to take advantage of other racing and breeding programs. And many people race their horses outside the state as well. Now is the time to strengthen our racing program.

Ag in the Classroom is a great program for our students. Many states have a website that one can look up and learn about the state's agricultural products. Our state doesn't even mention horses on its page and we have great numbers, more than many states that have horses listed. We have the best situation for rearing horses, affordable land and a great agricultural infrastructure.

For the first time all the breed associations are united in the effort to expand and improve our racing and breeding environment. It is a MUST that we have quarantined live racing in any bill that is put forth. We also feel strongly that the number of 2500 slot machines is just not enough to grow our industry and improve the

agricultural economy based on this industry. Let's take this opportunity to make the breeding and racing industry strong. This can only happen with the support of you, our legislators.

Kansas Horse Racing Industry

➤ 270 Million Dollar Investment

➤ 103 Million Dollar Annual
Economic Impact



➤ 1300 Jobs

➤ 1600 Kansas Owners

"IT'S AS BIG AS YOU THINK!"

FEDERAL AND STATE AFFAIRS

Date 2-17-05

Attachment 15

POPULATION SURVEY OF THE
KANSAS RACE HORSE INDUSTRY

INTRODUCTION

This report is based on 351 questionnaires sent to owners of Kansas race horses, compiled from the membership records of the Kansas Quarter Horse Racing Association, (KQHRA), the Kansas Thoroughbred Association, (KTA), and the Kansas Horsemen's association, (KHA), which is the Kansas Bred registration agency. There were 160 usable responses to the questionnaire for a response rate of 46% from horse racing farms and ranches located in 55 of the 105 counties in the State of Kansas. The population did not include racetrack operations, tourism or commercial/industry support service providers.

The questions on the survey consisted of the following: (1) County in which the horses are located; (2) number of horses of Racing age; (3) number of Breeding stock horses; (4) number of Full Time employees; and (5) number of Part Time employees.

The survey was conducted by mail during the period commencing on January 6, 2005 and concluded on January 25, 2005. Considering the unusually high response rate of 46%, the results should provide reasonably accurate estimates of numbers and economic impact to the agricultural industry in the State of Kansas. Quoting from the 2003 Equine survey by the Pennsylvania Department of Agriculture and Pennsylvania State University "By recognizing all the breeding farms and stables, land, equipment, facilities and products necessary to produce and use horses, one begins to understand how the horses and people involved represent an influential industry. Finding a rival in

complexity would be a challenge". Such is the case with the horse racing industry in Kansas.

SURVEY RESULTS

Table #1 Basic Facts about the Kansas Race Horse Industry:

Number of Horses	7783
Number of Owners/Breeders	1615
Number of Employees (JOBS)	994

Kansas Horse Racing Property Value:

Value of Kansas Horses	\$23,349,000.00
Value of Real Estate & Equipment	<u>\$248,724,762.00</u>
Total Kansas Horse Racing Property Value	\$272,073,762.00

Annual Kansas Horse Racing Expenditures:

Value of Feed & Hay	\$4,319,565.00
Bedding	\$1,183,016.00
Vitamins & Supplements	\$716,036.00
Supplies, Tack & Equipment	\$1,486,553.00
Training and Boarding	\$5,549,279.00
Farrier	\$1,159,667.00
Veterinary	\$2,926,408.00
Horse Transportation	\$902,828.00
Wages	\$15,200,199.00
Advertising	\$583,725.00
Car & Truck Maintenance	\$1,019,573.00
Insurance	\$1,836,788.00
Office Supplies	\$264,622.00
Facility Maintenance	\$980,658.00
Travel and Accommodations	\$918,394.00
Utilities	\$965,092.00
Dues and Subscriptions	\$171,226.00
Other Operating Expense	<u>\$3,183,247.00</u>
TOTAL	\$43,366,876.00

Values shown in Table #1, above, are compiled from surveys conducted most recently by the Pennsylvania Department of Agriculture and Pennsylvania State University, May 2003 and The American Horse Council, Washington, D.C., 1996, as adjusted by numbers for the State of Kansas. Each survey cited used the economic impact software program IMPLAN (Impact Analysis for Planning). The IMPLAN model

is used extensively throughout the United State to determine economic effects of 528 industries.

Economic multipliers, Table #2, below, are used to translate the economic DIRECT impact into the TOTAL ECONOMIC IMPACT; the multiplier gives an estimate of the additional economic activity generated by a change in output. This is the so-called “ripple effect” or “spin off” of direct economic activity generated.

Based on the IMPLAN model, the Kansas horse racing industry multipliers are as follows:

Table #2 Application of IMPLAN Economic Multipliers:

	ACTUAL/MILLIONS	MULTI.	IMPACT/MILLIONS
Industry Out Put	\$43,366,000.00	\$1.75	\$75,890,500.00
Employment (Jobs)	994	1.36	1351
Labor Income (Wages)	\$15,200,000.00	\$1.81	<u>\$27,512,000.00</u>
ANNUAL ECONOMIC IMPACT ON KANSAS AGRICULTURE			\$103,402,500.00

THE KANSAS HORSE RACING INDUSTRY

IT'S AS BIG AS YOU THINK

Compiled and Distributed by
WEELBORG FARM
CANTON, KS.
MEMBER OF: KANSAS QUARTER HORSE RACING ASSOCIATION
KANSAS THOROUGHBRED ASSOCIATION
KANSAS HORSEMEN'S ASSOCIATION

Steve Ward
Kansas Greyhound Association

Testimony on House Bill 2415

Before the Senate Federal and State Affairs Committee
February 17, 2005

The Kansas Greyhound Association is proud to be part of a coalition of Breed interests to support HB 2415. We've worked hard with our friends in the Live Horse Racing industry to find common ground to present legislation, which benefits the state, by helping fund education without a tax increase, and creates an opportunity for dramatic growth of the Greyhound and Horse industries in our state.

We believe this legislation is a careful balance that meets the needs of everyone.

Kansas is a leader in the Greyhound industry. We like to tell people that Kansas is to Greyhounds what Kentucky is to Thoroughbreds. Kansas Greyhound operators are the best in the world. Greyhounds bred and trained in Kansas are racing all over the world today. Last year, a Kansas breeder from Emporia sold one of his 2-year-old pups for over \$70,000. It was a record.

Unfortunately that valuable dog was bought by a man from Colorado and shipped to West Virginia to race. Because purses in Kansas have been hurt by the development of Missouri riverboats and Indian Casinos, our operators are increasingly taking their best dogs to states where Video Lottery terminals are authorized at the tracks. Places like Iowa, West Virginia, Delaware and Rhode Island where purses are substantially higher. The good news is those folks bring home to Kansas millions of dollars in purses. Unfortunately, it is extremely difficult and expensive to spend all of your time in other states to make a living. In the end our industry is shrinking as Kansans decide they need to be closer to the locations where the business is competitive.

Passage of this bill will have an immediate impact on our industry. It takes two years to get a dog ready to run. And we believe there will be an immediate surge of investment and activity in Kansas just because this legislation has passed.

According to an economic impact study conducted last year, our industry generates more than \$150 million dollars in direct economic activity in the state. We believe this legislation will expand that by more than \$100 million dollars and have a direct positive impact in communities throughout the state – including in your community.

We would appreciate your favorable vote on House Bill 2415. Thank you.

FEDERAL AND STATE AFFAIRS

Date 2-17-05

Attachment 16

Testimony to House Federal and State Affairs Committee
On House Bill 2415

Kathy Bassett
3817 SW Dukeries
Topeka, Kansas 66610
785-478-9737
February 17th, 2005

Good morning Mr. Chairman and members of the committee. I am speaking as a private citizen of Topeka, Kansas, in opposition to House bill 2415.

I adamantly oppose the expansion of gambling in the state of Kansas. I am not here to give you statistics, though there are plenty to support the reasoning behind this opposition. I have had the last 20 months to look at these statistics myself, and unfortunately have good reason to examine them. I am well aware of the effect of gaming on communities and personal lives, including financial ruin, increased crime with resultant imprisonment, divorce, and attempted and successful suicides.

Let me introduce you to a native Kansas family: my family.

My brother, David, and I were the two children of a Kansas farmer, raised on a farm outside of St. John, Kansas. We grew up riding horses and driving a wheat truck. Our father died in 1993 and is buried in the cemetery in St. John. Our mother is a nurse, now 73 years old, living in Topeka.

David and I were as close as a brother and sister could ever be. We absolutely loved each other, and I can honestly say each of us thought the other was just about the "coolest" person living. David attended college, receiving a total of 4 degrees, the final being his Masters of Social Work, and worked for nine years as a mental health counselor and eventually a supervisor, all in Topeka. He was married to an attorney.

I am a nurse, married to an Emergency physician, and have two sons, Jason, 29 years old, and Blake, 20 years old. Jason has three young sons, ages six years to nine months.

When Harrahs first opened their casino north of Topeka, my son Jason went to work for them dealing Blackjack, and eventually learned all of the games. He and his wife moved to Carson City, Nevada, where he worked for Harrahs in neighboring Lake Tahoe. He became a night shift pit boss supervisor. He also began to gamble.

My brother David began going to Harrahs and developed a gambling addiction. David and his wife attempted to control this addiction themselves. David began borrowing money from our mother, who had also started to gamble. Initially they all won significant amounts of money, interspersed with some losses.

In May of 2003, the first bomb fell on our heads, when my son Jason was arrested for felony theft. He had been embezzling money at work to cover his own gambling debts, and had also been giving money to David and his grandmother to help cover their gambling losses, all of this unbeknownst to me. We started working through the long legal process of Jason's defense, and trying to keep his young family intact.

In the fall of 2003, my elderly mother filed bankruptcy due to gambling debts, which necessitated her continued full time employment as a nurse to pay off this bankruptcy.

Jason's marriage began to suffer, and he and his wife moved back to Kansas in fall of 2003 to be with family, while we all awaited Jason's trial and sentencing.

Christmas Eve, 2003, our family were all able to be together at our home, including Jason with his children, and David. Because David and his wife were very private people, I and the rest of my family had no idea how desperately my brother was struggling to overcome his gambling addiction.

The weekend after Christmas, David took the drastic step of having himself voluntarily banned for life from Harrahs, including having himself fingerprinted by Harrahs personnel. It was a very traumatic event for him. The next day, while he was alone, David took money he was holding for our mother to keep her from gambling, and drove himself past Harrah's to the Golden Eagle Casino. He gambled, and lost again. In a desperate state of mind, he drove back home, got his shotgun, and in his final act to protect his family and keep any of us from finding him, he drove the nearly four hours to St. John, the only place that he could find solace. On top of our father's grave, he put the gun in his mouth and pulled the trigger. He left a suicide note asking to be buried as close to our father as possible, and told his wife to find someone "free of addiction". In his note he said he could not live with the "panic, shame, and despair" that his gambling caused. He was only 37 years old.

It breaks my heart to know what a tortured four hour drive that must have been for David: the last hours of his life, alone, and in such deep despair. My brother loved life, and lived it to help others, and to enjoy the blessings we have been given.

David thought he would never be able to rid himself of his addiction, and was so profoundly disappointed in himself, he felt on that day that he could not face life as a gambling addict. The day my brother died is the only time I ever saw David hurt anyone, and I forgave him instantly. But the unrelenting pain of December 29th, 2003, the day I met Topeka's police chaplain, Mr. Lee Martin, will be forever burned into my soul, as well as my family's. I didn't know a heart could survive that kind of hurt. My mother will never recover, my two sons miss him profoundly, and I can honestly say I look forward to the day that I hear "I love you, Kate", the final words I heard from David, at our home, Christmas Eve.

David had spent 9 years as a Masters trained counselor, and part of his job was manning gambling and suicide hotlines. He was surrounded by a family of professionals: an

attorney wife, a mother and sister that are nurses, a brother-in-law that is a physician, and two nephews and a host of friends that would have moved mountains for him.

Only a short five months later, on May 24th, 2004, I stood behind my son, Jason, and heard him receive a sentence of four to ten years imprisonment in the state of Nevada. He received the maximum sentence on one felony count of theft, with NO prior record, for a non-violent crime, reflecting the political clout of the gaming industry. I can honestly say I wish David were "just in prison for a few years". At least Jason is alive, and will be coming home. He has the full support of what remains of his family. The last image I have of David is of him lying in the casket that we picked out in St. John, New Years Eve, 2003.

So, in the space of one years time, we endured the incarceration of my son, Jason, and the suicide of my brother, David. These happened as a direct result of their involvement with a Kansas casino. Presently, Kansas has a limited number of gaming facilities. If they are allowed to increase, devastating tragedies like these will increase exponentially. The benefits touted by the gaming industry are nothing but a clever use of smoke and mirrors, and are far outweighed by the financial and social consequences to Kansans. Since our family's tragedy, I have heard of many others on the brink of financial ruin from gambling.

The ramifications of Jason's incarceration are tremendous, but I am happy to say that he is doing as well as can be expected, and will be home some day. By grit and determination, Jason is completing his degree during his incarceration. His felony conviction will always follow him, but he is determined to use his own mistakes as an open example to others.

If I may add one more thought here: before all of these events occurred in our lives, I had NO idea what a menace gambling is, nor how dangerous casinos really are. I thought if people wanted to gamble, it was their choice, and I hoped they enjoyed themselves. Personally I have been in a casino maybe five times. I never did understand the attraction, and in fact, found them boring. Such ignorance came with an unimaginable price.

I am not a professional speaker. I am here today as a sister and a mother. While I do not approve of what David and Jason have done, I understand the source of their mistakes. We were blessed to have David in our lives, and are blessed to still have Jason. It is too late now to help our precious David, but it isn't too late to help other individuals, and families. No one should have to endure the heartache my family has endured. Please do not pass this bill. No one ever thinks they will experience tragedies like this. I certainly never thought so! My well-equipped brother could not break the choke-hold that gambling had on his life. Expanding gambling will only ensure that other families will have broken hearts as well.

Thank you for your time and attention.
Kathy Bassett

Kathy Bassett



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

**Testimony To House Federal and State Affairs Committee
On House Bill 2415**

Glenn O. Thompson
Executive Director
February 17, 2005

Introduction

Good afternoon Chairman Edmunds 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 House Bill 2415.**

This bill would create major policy problems for the state and numerous economic and social problems for Kansas citizens. Today, I would like to focus on two of the policy problems.

1. Depending on casino revenues for education funding would be bad public policy

The sole purpose of this bill is to fund education, since all revenues remaining, after paying expenses, would be used exclusively for education. (p. 11)

We agree with Gov. Kathleen Sebelius, who said, in 2002, that using gambling to fund education and social services is "... *bad public policy. To look at this as a way to get out of our budget crisis, I think is ridiculous.*"¹

Even Nevada Governor Kenny Guinn has realized recently that depending on gambling revenues for funding state services is bad public policy. In his 2003 state of the state address, Guinn stated,

"For years, our economy has depended almost exclusively on tourism and gaming, rather than by exporting goods and services..... Unfortunately, this strategy has failed.

"My fellow Nevadans, the lesson from the last 20 years is clear; our revenue system is broken because it has relied on regressive and unstable taxes.

"Nevada ranks near the bottom in per pupil spending on education, and spends less per capita on Medicaid than any other state. If those two areas don't concern you, take a look at where Nevada ranks in high school dropout rates, teenage pregnancy, and children living in poverty."²

FEDERAL AND STATE AFFAIRS

Date 2-17-05

Attachment 18

1 "Sebelius: Using gambling to save budget is bad policy," Lawrence Journal-World, M.

2 State-of-the-state address by Nevada Gov. Kenny Guinn to the state legislature, Jan. 20, 2003

2. State-owned and operated casinos would create major regulation and corruption problems.

House bill 2415 would permit an **unlimited number of** relatively small, **state-owned and operated** casinos (minimum of 300 slot machines) in any county in the state, subject to approval in a county-wide referendum and approval by the lottery executive director and the commission. (p. 6)

So, counties with higher populations, such as Johnson and Sedgwick, could have numerous small casinos.

The potential for investors to make hundreds of millions of dollars from these casinos, combined with the state owning and operating the casinos, make government corruption not only possible, but highly probable. **The fox would be watching the hen house!**

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. **That's why no other state is in the casino business. The risk is too high!**

The 2004 Final Report of Governor Sebelius' Gaming Committee addressed this problem.

*"... 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.*

*"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.**"³*

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."⁴

Last March, Attorney General Phill Kline wrote a letter to legislative leaders expressing concerns regarding the state owning and operating casinos. Attachment 1 contains excerpts from his letter.

Furthermore, if you would like to learn more about casino related corruption in government, I would suggest you read Tyler Bridges' excellent documentary, *Bad Bet on the Bayou*. Attachment 2 contains excerpts from the book.

Conclusion

House bill 2415 would create major state policy problems. We urge you to oppose this bill.

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

4 Ibid, p. 29



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

Casino Alert

A Newsletter for Kansas Legislators

February 8, 2005

The fox should not watch the hen house!

Last week, two bills, SB 168 and SB 170, were introduced into the senate for state-owned-and-operated casinos. The state would serve as both the regulator and the regulated, a formula for encouraging corruption.

In March, 2004, Attorney General Phill Kline wrote a letter to Speaker Doug Mays, expressing concerns regarding the governor's gaming bill for state-owned-and-operated casinos. A letter from Mr. Thomas Williams, Special Agent in Charge of the Investigative Division of the AG's office, was attached. Mr. Williams has had over 25 years experience with federal law enforcement agencies and formerly served as Supervisor of the Public Corruption Task Force of the FBI Kansas City, Missouri field office. Williams was assigned to that FBI office shortly after Riverboat gambling was legalized in Missouri in 1992.

Williams' letter is an excellent overview on casino related corruption, particularly in Missouri. The following excerpts are relevant to proposed state-owned-and-operated casinos in Kansas, particularly SB 168 and SB 170.

"My experience in working and supervising public corruption investigations in Kansas City and the western judicial district of Missouri was that Missouri was no different from many other venues. The legalization of casino gaming was followed by corruption, and corruption was not far behind.

"As a result of the F.B.I.'s investigative efforts in Kansas City and elsewhere, numerous public officials were successfully prosecuted for corruption related crimes. In Kansas City alone, there were more than a half dozen public officials convicted as the result of corruption investigations arising from gaming related allegations. In addition to those public officials, more than twice that number of associates and co-conspirators were also convicted. In one instance, a gaming company entered into a pretrial diversion agreement and paid the government hundreds of thousands of dollars. In another situation, a casino operator was ordered to pay \$1 million fine after information surfaced that an individual acting on behalf of the gaming company sought to influence a public official. In totality, this illegal behavior involved elected and appointed officials at the state, county and city level, including a ranking member of the Missouri House of Representatives and the chairman of a commission responsible for the issuance of gaming licenses.

"The value of the bribes and kickbacks in Missouri ranged from a few hundred dollars to more than one million dollars. The common theme was always greed.

"One only needs to review the archives of the Kansas City Star and other leading state news publications during the middle years of the 1990s to read about the numerous high profile public corruption cases that ultimately culminated in federal convictions of state representatives, county legislators, city council members and a host of others. The genesis of this new flurry of corruption was the introduction of legalized riverboat gaming...."

Casinos breed government corruption. State-owned casinos would make corruption even more

FEDERAL AND STATE AFFAIRS

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For additional information, contact Glenn Thompson at (316) 634-2674 or cell (785) 250-7070.



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

Casino Alert

A Newsletter for Kansas Legislators

February 4, 2004

Bad bet on the Prairie

Bad Bet on the Bayou, by Tyler Bridges,¹ is an excellent documentary on Louisiana's love affair with expanding gambling and the resulting corruption that eventually led to the downfall and conviction of numerous government officials, including Governor Edwin Edwards.

"In the 1990s, the potential for corruption would prove even more alluring in the Bayou State. From 1990 to 1992, Louisiana legalized a statewide lottery; a land casino in New Orleans that promised to be the world's largest gambling hall; fifteen floating casinos on lakes and rivers; and video poker machines ... throughout Louisiana. The owners of these cash businesses would turn to politicians to get an operating license, win a zoning variance, or have the competition stifled." (p. 5)

In 1991, a bill permitting **fifteen riverboat casinos** was passed by the legislature and signed by the governor. Winners of licenses were supposed to be selected by a **seven-member riverboat board** appointed by the governor. (p. 41) But, as the board announced the first eight winners, it became obvious "that applicants with ties to Governor Edwards were getting the licenses." (p. 127) Then, as thirty-six companies jockeyed for licenses for the final seven riverboats, the governor and his legislative cronies orchestrated selection of the winners. Board members were simply political pawns. (p. 128 - 148)

Video lottery terminals at bars, restaurants, and highway truck stops were also legalized in 1991. With each machine producing as much as \$1000 per week, the Mafia quickly infiltrated businesses established to distribute and operate the machines. In 1994 the FBI arrested seventeen people associated with the operation, charging them with illegally conducting a gambling business. By the time the trials were over in 1995, twenty-one people associated with organized crime were convicted or pleaded guilty. (p. 173-192)

In subsequent months, "a host of news reports would show that one public official after another had jumped aboard the gambling gravy train." (p. 239) "The politicians had promised that the benefits from gambling would be widespread when they legalized casinos and video poker in the early 1990s. **They had not mentioned that they would be the prime beneficiaries.**" (p. 241)

The expansion of gambling in Louisiana is ominously similar to the proposal offered last week by Gov. Sebelius for expanding gambling in Kansas: five "destination casino complexes" selected by an appointed Destination Casino Commission; 2500 video lottery terminals divided among the five parimutuel racetracks; and five video lottery terminals at each of the 240 fraternal and veterans' organizations throughout the state.

Will Kansas become a bad bet on the prairie?

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¹ Tyler Bridges, *Bad Bet on the Bayou*, Farrar, Straus and Giroux, New York, 2001

For additional information, contact Glenn Thompson at (316)



February 15, 2004

My name is Marsha Strahm and I am Legislative Liaison for Concerned Women for America of Kansas. Concerned Women for America of Kansas is deeply concerned about the proposed expansion of gambling in our state for several reasons.

- The enticement of gambling has the most allure for those in our society that can least afford to lose. The elderly, the young and those addicted to gambling are the ones who will spend the most money gambling; they are also the ones most frequently targeted by the gambling industry. The disadvantaged classes flock to gambling venues in the hope of making quick money, but most often go home with empty pockets, having no hope left to pay the bills, to put food on the table or to provide for their children. Gambling's innate characteristic is its premise of getting something for nothing ...at someone else's expense. Government should not be involved in cultivating greed.
- Gambling also breeds crime both by placing vulnerable people in circumstances that tempts them to criminal activity to feed their gambling habit. By opening the door to those who make a living of exploiting gambling addicts the state creates more problems than it solves. Organized crime uses gambling as one of its more profitable enterprises.
- Gambling is an economic negative. Using gambling as a means to generate additional revenues is a road that leads to a blind alley. It drives away businesses by consuming discretionary and non-discretionary income of the citizens, and it creates a need for more social services. Crime, child abuse, domestic violence, alcohol and drug abuse and lost work productivity sap the strength from a prosperous and healthy community and leave it facing staggering social and economic costs.
- Government should be about protecting the family unit and providing safety and security for all its citizens, rather than providing a green light for the basest instincts of our society. Gambling serves to devastate families, individuals and in the end, a stable community if it is allowed to proliferate.

We stand against the expansion of gambling in Kansas.

*CWA of Kansas
P.O. Box 11233
Shawnee Mission, Kansas 66207
913-491-1380
Judy Smith, State Director*

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Ronald R. Hein

Attorney-at-Law

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Testimony re: HB 2415
House Federal and State Affairs Committee
Presented by Ronald R. Hein
on behalf of
Prairie Band Potawatomi Nation
February 17, 2005

Mr. Chairman, Members of the Committee:

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

The PBPN opposes HB 2415.

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

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members who both work and live on the reservation are exempt from state income taxes. 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 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 principal 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 multiple destination casinos, plus Video Lottery Terminals (VLTs) at five (six) track facilities, plus VLTs at any of several hundred locations throughout Kansas at Veterans 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 seriously 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.

Governor's Gaming Committee Findings

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."

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.]

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.]

HB 2415 Is Not the Way To Expand Gaming

HB 2415 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.

HB 2415 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". 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 (25%) for number of out of state tourists.

This demonstrates very clearly that even the proponents feel that the vast majority of the gamblers are going to be pulled from the surrounding communities. No matter what the bill calls them, these are "**convenience casinos**", 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.

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The decision on additional casinos should be made by the legislature, not by the commission as provided for in HB 2415.

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 with the plethora of casinos and VLTs provided for in this bill. **This bill is gambling everywhere.** There can be 3 or more destination casinos, 4,000 VLTs at 6 parimutuel tracks, and an additional 500 VLTs at veterans clubs throughout the state. This virtually assures the state that gambling will be competing with other tax-paying businesses, and that the vast majority of the money "earned" from gambling will be sucked out of the Kansas economy. This will virtually guarantee an adverse economic impact on state revenues from existing businesses in the state. This bill is the epitome of what the Governor's Gaming Commission was trying to avoid as it looked to the interests of the state of Kansas.

HB 2415 spends a lot of words and space stressing all of the certification requirements of the casino manager. Even the certificate of authority arguably gives the casino manager a property right in the management of the casino. **IF** this is a state owned and operated casino, the state ought to just be able to enter into a contract that authorized the state to terminate the contract if the manager or its agents commit malfeasance of any nature. This bill sets up a procedure for "suspension, revocation or non-renewal" of the certificate. Most owners and operators of a business in the real world do NOT have to go through the gymnastics this bill provides for to hire or fire or contract with or terminate a contract with a manager.

If the state is the owner and operator of these casinos, I would think the legislature, as the board of directors, would want to know how much revenue the state is going to get, and how much revenue the casino manager is going to get. But apparently pursuant to HB 2415, the board of directors has no say in that.

Lastly, I find it interesting this concept of the "manager" who is only contracted to "manage" must pay a \$15,000 per machine payment. Let's say I own a restaurant, and I want to hire a manager. Do I tell the manager that he must buy the tables, and then pay me a \$15,000 payment per table in advance, to be later deducted from the income that **MY** business generates from those same tables. Does this make sense to anyone? Anyone who can't see through this little game being played by the prospective casino managers who are willing to invest in these accelerated payments, in my opinion, because they expect to share in the profits of gaming. And if they are sharing in the profits of gaming, that raises the question why isn't the owner, the state of Kansas, enjoying all of the profits?

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Who wrote this bill? This bill doesn't look like it was written for the benefit of the state of Kansas. **This bill looks like it was written to protect and further the interests of the casino managers.**

State Owned and Operated

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 HB 2415, which, I believe, is an unlawful delegation of legislative authority, in violation of the Kansas Constitution. This seems to be a "certificate of authority" to operate the casino, in violation of the Kansas Constitution. A casino which is not "owned and operated" by the state will not pass constitutional muster.

The language in this bill is more like the "licensed and regulated" language used in the Kansas Constitution for pari-mutuel gambling, which the Governor's legal counsel has noted is a completely different standard than the "owned and operated" requirement of the Constitution for the lottery.

HB 2415 and other such proposals which provide for non-state companies to be granted a "certificate of authority" to operate gaming will be subject to legal challenge, are likely to 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.

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TESTIMONY

**TO: The Honorable John Edmonds, Chair
And members of the
House Federal and State Affairs Committee**

**FROM: Whitney Damron
On behalf of the:**

- • **Kickapoo Tribe in Kansas**
- • **Sac and Fox Nation of Missouri in Kansas and Nebraska**

RE: Testimony on HB 2415; Expanded Gaming Proposal

DATE: February 17, 2005

Good afternoon Chairman Edmonds and Members of the House Federal and State Affairs Committee. I am Whitney Damron and I appear before you today on behalf of the Kickapoo Tribe and the Sac and Fox Nation to offer comments on HB 2415 that propose to expand gaming in Kansas through state-owned and operated casinos and video lottery machines.

With me today are Ms. Emily Conklin, Vice Chair of the Kickapoo Tribe, Ms. Fredia Perkins, Vice Chair of the Sac and Fox Nation, leaders and members of both tribes and various advisors working with the Tribes on their Kansas City gaming compact.

By way of information for the Committee, the Kickapoo Tribe and the Sac and Fox Nation have successfully owned and operated casinos on their respective reservations in Kansas dating back to 1997. Those casinos were made possible by the Federal Indian Gaming Regulatory Act, which was adopted by Congress in 1987 and subsequent compacts negotiated between the Tribes and the State of Kansas in 1995.

In 2000, after eight years of gaming legislation failure, Governor Bill Graves sent a letter to the four resident tribes of Kansas encouraging them to join together to develop a large, 4-tribe destination resort and casino in Wyandotte County in hopes of resolving the perennial debate over expanded gaming once and for all. Ultimately only the Kickapoo Tribe and the Sac and Fox Nation decided to pursue this initiative. Since that time, my clients have worked diligently, if not patiently, to assemble a team of tribal leaders and

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professionals to negotiate agreements with the State of Kansas, the Unified Government of Wyandotte County and Kansas City, Kansas, the Board of Public Utilities in Kansas City, Kansas and other parties as necessary.

As members of this committee are aware, the Kickapoo Tribe and the Sac and Fox Nation successfully concluded negotiations for a gaming compact with Governor Sebelius in the fall of 2004 after nearly two years of discussions and four months of intense negotiations with the Governor's office, which included participation by the office of the Attorney General. Although that compact could have been considered last fall by the Legislative Coordinating Council, as we know, that was not done. However, both the Governor and the Tribes have indicated a willingness to submit that compact to the Joint Committee on State-Tribal Relations for consideration later this session.

HB 2415 and other gaming bills do not necessarily preclude legislative consideration of the compact, but they obviously have ramifications for the Tribes' Kansas City project and their existing casinos and therefore both Tribes felt it appropriate to present these comments to you today.

HB 2415 An Act concerning lotteries; enacting the Kansas expanded lottery act; authorizing operation of destination casinos, electronic gaming machines, video lottery terminals and other lottery games at certain locations; prohibiting certain acts and providing penalties for violations.

HB 2415 would authorize one or more "destination casinos" to be built in three geographic areas as defined in New Section 2 (k)(1-3):

- Wyandotte County
- Crawford and Cherokee Counties
- Sedgwick County

The total number of machines or positions allowed at the destination casinos are not defined and thus presumed to be market-driven and unlimited.

Most destination casino proposals for the Kansas City market suggest 2,500 machines per facility and perhaps the same or slightly less for Wichita and southeast Kansas. HB 2415 allows for multiple casinos in each market, so one can assume there will be multiple proposals for each market area, resulting in a total of 12,000 to 15,000 gaming machines in our state at destination casinos.

HB 2415 would also allow a pari-mutuel licensee to place electronic gaming machines at their facilities. The five pari-mutuel facilities allowed to receive machines are designated in the bill in New Section 16:

- Wyandotte County (The Woodlands)
- Sedgwick County (Wichita Greyhound Park)
- Crawford County (Camptown Greyhound Park)
- Greenwood County (Eureka Downs)
- Harper County (Anthony Downs)

The total number of video lottery machines allowed at all pari-mutuel tracks cannot exceed 4,000, as stated in the bill in New Section 13 (a)(6)(E).

HB 2415 would also allow the placement of no more than a total of 500 video lottery terminals at veterans organizations, as defined by I.R.S. Code 501 (c)(19), as stated in the bill in New Section 13 (a)(6)(E).

In total, although not limited to this number, it is reasonable to assume the passage of HB 2415 would result in at least 18,000 - 20,000 electronic gaming machines in Kansas.

Ownership Concerns.

One of the most troubling aspects of HB 2415 is contained in sections dealing with disclosure of ownership interests and those subject to criminal background review.

Several sections of HB 2415 require persons directly or indirectly owning a 5% or more interest in a destination casino management company, an electronic gaming machine manufacturer, technology providers, computer system providers and other such entities, including management services, to be disclosed to the state, be subject to a background review as the executive director of the Kansas Lottery deems appropriate and be subject to suspension, revocation or non-renewal of their license if they have provided false or misleading information to the Kansas Lottery or its employees (New Section 5 (a)(12)(F-D)).

These provisions should be of great concern to this Committee and to the public at large.

New Section 4 (a)(4) requires a minimum investment in infrastructure, including ancillary destination enterprise operations, of at least \$150 million or in the alternative, at least \$50 million if 25% of a destination casino's gaming customers would reside outside the State of Kansas.

Are the proponents of HB 2415 suggesting an individual, company or other entity with an ownership interest of less than 5% should not have to be disclosed to the State? Are those with less than a 5% ownership interest free to provide false or misleading information to the Kansas Lottery without recourse? Can felons, including those convicted of gambling-related offenses and crimes of moral turpitude escape disclosure and review of their background if they own less than 5% of such entities?

As we read the bill, there appears to be no limit on the number of such owners that can participate in such contracts or agreements. Could there be 15-20 or even more minority partners of such a venture who would not be required to disclose their interests to the public or the Kansas Lottery?

One legal advisor to one of the gaming proponents this year recently indicated in a newspaper article that should their project come to fruition, that he has an option to "convert his legal fees to equity in the project." Should HB 2415 or something similar be passed, how many other such deals will the public never know about because they fall under the 5% limitations contained in this bill?

My clients believe this Committee and the Kansas Legislature should demand to know who is involved with promoting gaming legislation in our state. 5% limitations on the disclosure of ownership and background review are more suited to publicly traded companies with thousands of shareholders, not closely held companies, partnerships, LLC's and similar entities. This language should not be allowed to remain in any gaming legislation considered by the Kansas Legislature. We cannot imagine it would be a burden to disclose this information for any gaming proponent.

State Revenues.

New Section 5 (a)(I)(4) indicates the State shall receive not less than 22% of revenues from the destination casino.

New Section 5 (a)(I)(3) indicates a procedure for calculating and paying the operating expenses of the destination casino will be implemented. This entire section and issue is lacking any definition or detail. Expenses are not clearly defined; interest payments, principal payments, capital accounts, etc.

What happens if expenses exceed revenues? What happens if the facility goes into default or minimum payments are not made from operating revenues?

There appears to be no way out for the State should they find themselves locked into a 15 year management agreement with a destination casino manager that simply cannot make the casino work.

We are confident the State of Missouri and the Missouri Riverboats will not remain static. There is a reason that in the past, all four of the riverboats operating in the Kansas City area have lobbyists in Kansas. At this time, I believe at least three of four have lobbyists here and most likely in the audience (Harrah's, Ameristar, Isle of Capri and Argosy).

Any casino in the Kansas City market will face aggressive competition from Missouri and a long-term contract with a management company without a mechanism to dissolve the agreement for cause does not make sense.

Approval by Local Units of Government.

New Section 5 (a)(6) requires an applicant for a destination casino to “have formal endorsements from local units of government where the proposed destination casino will be built.”

This section invites forum shopping by developers who may seek to circumvent consideration by one city over another. For example, we are currently seeing this in Wichita where the Iowa Nation is seeking to develop a casino in Park City, which is located adjacent to the city with the largest population center in the region: Wichita.

Similar proposals made to smaller cities located in close proximity to larger cities will lead to conflicts between municipalities, interfere with planned growth and possibly affect the delivery of public services (i.e., water, sewer, transportation, infrastructure, etc.).

The Governor’s office has indicated they will not negotiate with the Iowa Tribe until a number of criteria are met, including the support of the City of Wichita and Sedgwick County. Similar language should be included in any gaming bill.

Temporary Facilities.

New Section 2 (q) would allow for temporary gaming facilities for a period of up to two years. A temporary facility in one of the three market areas identified in the bill would be a short-sighted attempt by a developer to maximize their revenues, shore up a shaky financial plan and do untold harm to the market area that would take many years to recover.

A temporary facility will diminish the gaming market by leading off with a substandard product that will make long-term success more difficult to achieve. A quality development would not want to rush into the market with a temporary facility. If a temporary facility is allowed, you can expect the final development in the years to come to be less than envisioned at the time of the award of licensure because the revenues from a temporary facility will no longer support the initial proposal. You can also expect to see efforts to extend the usage of a temporary facility and the financial markets will lower their projections for success at the facility based upon the lower revenues generated by a substandard facility that is not a destination resort.

In contrast, the Tribal agreement with the Unified Government specifically prohibits a temporary facility and this commitment was made at the request of the Tribes. The Tribes’ contractor, J.E. Dunn, was selected in part because of their ability to construct the casino on a “flash track” schedule – 24/7, which would allow the casino to be completed in one year. The hotel and related amenities would be constructed on a traditional construction schedule and take approximately two years.

Accelerated Payments to the State.

HB 2415 required the casinos and pari-mutuel track operators to loan money to the state in the amount of \$15,000 per gaming machine. These loans are generally assumed to be repaid over a five year period and will necessarily reduce revenues to the State during that time.

The bill is silent as to whether interest will be charged to the State on these loans. However, since the State will be required to pay the operating expenses for any casino, it is assumed the costs for borrowing this money will be included in such payments.

Constitutionality

Proponents of this legislation have gone to great lengths to opine upon the constitutionality of HB 2415, just as they have done each and every year. At more than one hearing over the years there have been attorneys stand before legislative committees and render legal opinions on the constitutionality, citing and interpreting past attorney general opinions and minimal case law.

We believe the constitutionality of gaming legislation is a very important issue and cannot be ignored by the Legislature, nor will it be ignored by the courts if a gaming bill is passed.

In early 2004, the Kickapoo Tribe and the Sac and Fox Nation sought a legal opinion on the constitutionality of gaming legislation introduced into the 2004 Legislature as well as earlier gaming legislation. The Tribes sought the legal services of Mr. Jim Borthwick, a respected partner with the Kansas City-based law firm of Blackwell Sanders Peper Martin, LLP. Mr. Borthwick has over 40 years litigation experience and is well-respected in the legal community. His firm, Blackwell Sanders, has a worldwide presence and is recognized as one of the leading commercial law firms in the Midwest. Suffice to say, Mr. Borthwick and his firm have the capability to research and render an opinion on the constitutionality of gaming legislation.

We have asked Mr. Borthwick to review HB 2415 and other gaming bills in the Senate in light of the requirement for a state-owned and operated lottery under the Kansas Constitution. Although Mr. Borthwick could not be here today, we will provide a copy of Mr. Borthwick's opinion to the Committee when it becomes available next week.

Obviously there will be no accelerated payments made to the state under either of these bills until all constitutional questions have received a final determination in the courts.

Closing Remarks.

Expanded gaming legislation dates back to 1993, but has failed each and every year. The reasons are many, but I think most would agree the proposals for expanded gaming have gotten progressively bigger as the years have passed by and that has contributed to the apprehension of the Legislature and the public for expanding gaming in our State.

Initially the pari-mutuel track owners sought permission for a few hundred video lottery gaming machines to “save pari-mutuel”. Those proposals began to expand over the years from more than just a few hundred to thousands. And then other interests began to pay attention: the fraternal, the bowling alleys, convenience stores and others. And finally, the proposals for “full blown casinos” began to appear and have grown stronger in the past few years.

Gaming proposals that once suggested three to five locations now range from dozens to an unlimited number of locations and machines, driven by the perceived economic success of the Missouri riverboats and of course, the lure of profits for the proponents of expanded gaming.

Wyandotte County has certainly been at the forefront of efforts for expanded gaming and I believe most Kansans and even a majority of the Kansas Legislature would not begrudge casino gaming in Wyandotte County. But we do not have a bill confined just to Wyandotte County. Each and every year, more and more entities come to Topeka and ask to be part of a gaming bill.

After thirteen years, there is no end in sight to the proposals and until the State either approves a tribal gaming compact that includes a defined market for the State or a constitutional amendment is passed to allow state regulated, privately owned casinos, then the gaming debate will continue.

If the Legislature passes legislation like HB 2415, then for ever more, the Legislature will be subjected to an annual parade of gaming interests who have been left out of the perceived Holy Grail of economic prosperity: Their very own local casino.

We believe the law is clear: If the state wants additional gaming, there are two avenues they can pursue today; State-owned and operated gaming or expansion of tribal gaming, as my clients have proposed for Wyandotte County. What we have hear today and what the Legislature has seen in the past from gaming interests is an attempt to put a square peg in a round hole – which is a metaphor for saying they are attempting to create a state-owned and operated gaming scheme that in reality is state regulated and privately operated.

We respectfully urge the Committee not to proceed with this or other gaming proposals and instead carefully consider the benefits of expanded tribal gaming that can bring economic benefits to the state and potentially resolve the gaming debate for years to come.

Thank you for your consideration of our thoughts today. I would be pleased to stand for questions at the appropriate time.

**Testimony to House Federal and State Affairs Committee
on House Bill 2415
Keith Thomas
5044 Primrose Circle
Park City, Kansas 67219
February 17, 2005.**

Good afternoon Chairman Edmonds and members of this committee. Thank you for this opportunity to speak at this public hearing. I am speaking as a private citizen. I urge you to oppose House bill 2415.

I am opposed to the expansion of gambling primarily for economic reasons.

Gambling takes the cream from the top of our economy. This is the disposable/discretionary income that people have to spend that's left over after the bills are paid. Gambling will not produce economic development or growth when the majority of revenue comes from within our region.¹ We simply cannot afford to have hundreds of millions of dollars taken out of our economy.

I learned early in my research of the economics of gambling that proponents and opposition alike as well as government entities acknowledge that there is a gambling impact to the economy. What they disagree on is the numbers involved, whether it's people or revenue. One issue that I believe needs to be addressed is that even if we use the smaller estimate of the numbers of people affected when referring to the social economic impact that will occur, the number is still devastating.² In other words, if 5,000 families were wiped out financially due to a tornado or flood (which is a lower number than what a pro-gambling study commissioned by the Wichita Downtown Development Corporation acknowledges)³ we would consider that a disaster. It is no less a disaster if gambling brings this upon our populace, with the support of our government.

Gambling, like drunk driving, leaves innocent victims in its wake, along with associated costs. Just as we all pay a price for drunk drivers through higher insurance rates, court activity, associated regulatory and enforcement costs, settlements and medical costs, just to name a few, society will have to pay a price for increased gambling. Gambling areas incur higher rates of personal bankruptcies⁴, embezzlements, divorces, domestic abuse, robberies, check and credit card fraud, property crimes.

In the case of drunk driving our society discourages the behavior because the costs and the human toll are deemed to be too high. However, when it comes to gambling, the government helps enable the very gambling industry that contributes to the problem.

In the *January 2001 FBI Law Enforcement Bulletin* it is noted that the number of pawn shops in Biloxi, Mississippi doubled in the first year of casino gambling and doubled again 4 years later until there were over 30 pawn shops. In addition to increasing law enforcement manpower requirements it shows an increase in the disposing of material goods. People were pawning their possessions—not acquiring new ones. Biloxi also experienced a dramatic increase in reported crimes. Additionally, this bulletin noted that in New Jersey in the 9 years following the introduction of the first casino there was a 138% increase in all crime combined.

Government should not look upon gambling as a revenue panacea. In his 2003 state of the state speech Nevada Governor Guinn noted that the state was anticipating \$300 million dollar deficit and that they were going to have to reduce their dependency upon gambling revenue. Their state was looking at tax increases and new tax revenue streams. Just this year it was reported in Nevada that the gambling industry was complaining about a 30% increase in their property taxes and how their workers are affected by tax increases.⁵

While it is true that jobs will be created there will also be jobs lost. For instance it can be expected to see smaller mom and pop restaurants close while gaining pawn shop employees. In Atlantic City there were 242 restaurants when casino gambling was introduced. By 1996 the number was down to 142 and if casino restaurants are taken out of the number drops to 66.⁶

In closing I can only say that the redistribution of money within our economy coupled with the revenue taken out of the economy in the form of profit to gambling interests will not result in economic growth or development for our state.

¹ Christiansen Capital Advisors LLC, "The Feasibility of Electronic and/or Casino Gaming in Kansas (3.09.2004) See also GVA Marquette Advisors, "Economic & Social Impact Analysis [sic] for a Proposed Casino & Hotel (April 2004)

² GVA Marquette Advisors, "Economic & Social Impact Analysis [sic] for a Proposed Casino & Hotel (April 2004)

³ Ibid

⁴ Ernie Goss and Edward Morse, "The Impact of Casino Gambling on Bankruptcy Rates: A County by County Analysis" (March, 2004)

⁵ "Property tax debate biggest concern for gambling industry" Associated Press (2.07.2005)

⁶ "Impact of Gambling, Economic Effects More Measurable Than Social Effects" General Accounting Office (April 2000 Report)



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Protecting Greyhounds Nationwide

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February 17, 2005; Page 1 of 2

Testimony to House Federal and State Affairs Committee
House Bill 2415
Presented by Kevin Neuman
(913) 681-2228

► Introduction:

Good morning Chairman Edmonds and other members of this committee. I am Kevin Neuman and promise to limit my comments to my allotted time, even while wearing three different hats for this testimony:

1. As a Kansas private citizen opposed to gambling in Kansas
2. As a Kansas businessman
3. As an advocate of the greyhound dog...but not the greyhound breeding, training or racing industry

I have no profit motive from any outcome of House Bill 2415 wearing any of those hats. My compensation is simply the much appreciated opportunity to express my beliefs to this committee.

► House Bill 2415 is clearly self serving for the greyhound racing and breeding industry:

My wife and I adopted our first greyhound twelve years ago and have volunteered for a local greyhound placement organization – not associated with greyhound racing or any track – as well as the national organization, GREY2K USA about which information is attached to this testimony. When we use the word “greyhound” it is as a wonderful, loving and sensitive creature who is subjected to an industry which uses it for the creation of profit.

On no less than twenty occasions is the word “greyhound” used in House Bill 2415. It is mentioned regarding ‘greyhound racing programs’ and ‘greyhound racing purse supplements’ and ‘greyhound breeder funds’ and funding the ‘development, promotion and representation of the greyhound industry in Kansas.’ When the greyhound racing industry uses the word ‘greyhound’ in House Bill 2415, they mean ways to secure for their industry special treatment and revenues like purse subsidies.

► House Bill 2415 unreasonably protects and caters to the for-profit Kansas racing and breeding industry:

As a Kansan and Kansas businessman I find it difficult to understand why the state of Kansas should artificially prop up a for-profit business, the effect of the purse subsidies created in Section 19. Folks in the bowling, or theater or restaurant business would certainly question their state selectively supporting a for-profit entertainment business, like House Bill 2415 would do for the greyhound racing and breeding industry. If House Bill 2415 is approved, I hope a future Kansas governor will not be like two governors of Rhode Island¹ who have gone public in criticizing that state’s greyhound track subsidies.

Additionally, the language in Section 16 fully ties live racing to slots, requiring that the tracks conduct a minimum number of live races in order to operate slots. This essentially removes live racing from ordinary market pressures. It will likely NOT result in renewed interest in live racing, but will instead ensure that live racing exists for decades to come, benefiting, of course, the greyhound racing and breeding industry.



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In researching what real impact the greyhound racing and breeding industry has on the economy of Kansas, the last official statement I could locate was from a March, 1996 Legislative Post Audit Report² that said “we estimate that the economic benefit to Kansas agribusiness supplying goods and services to breeders and owners of race animals as a result of parimutual racing in Kansas was about \$15.2 million in 1995.” Is this industry worth the special treatment House Bill 2415 provides?

► **Greyhound racing is not the future:**

According to figures published in *International Gaming and Wagering Business (IGWB)*³, the total amount of money wagered at dog tracks nationwide fell by 31.9% from 1993 to 1998. The amount of money bet on live racing dropped 56.9% in the same time period⁴.

Magna Entertainment announced on December 24, 2004 that it would not renew its lease on the Multnomah Greyhound Park in Portland, Oregon, one of the oldest tracks in the country, effectively ending 70 years of greyhound racing in Oregon.

The public no longer wants greyhound racing and the state of Kansas should not keep it on life support here.

► **Conclusion:**

If House Bill 2415 is passed, Kansas will have the dubious honor of:

1. Being the only state that owns and operates casinos
2. Clearly favoring a for-profit business - the greyhound racing and breeding industry in Kansas - to be artificially propped up when other businesses do not have such subsidies
3. Ignoring the experiences of other states that have rued their decisions to authorize slot machine purse subsidies, discovering them to be bad public policy
4. Being the only state that has, by statute, excluded a greyhound from being a dog⁵

For my belief that Kansas businesses ought to have a level playing field and my strong opposition to gambling in Kansas and my love for the greyhound dog – and believe me, they really are dogs – I am opposed to House Bill 2415 and strongly urge you to be opposed as well.

Thank you for the time and I stand for questions.

¹ Rhode Island Governors Almond and Carcier

² Reviewing the Impact of Parimutual Racing in Kansas on the Kansas Racehorse and Greyhound Industries

³ Source: *Greyhound Network News*, August issues, 1994-1999

⁴ The U.S. dog racing industry has not reported its national attendance figures in several years

⁵ K.S.A. 47-1701

GREY2K USA



Across the country, GREY2K USA is achieving victories for greyhound protection. From informing the media about greyhound abuse to defeating industry bills that would subsidize racing cruelty, we are hard at work to end dog racing.

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- ◆ Michael Trombley
- ◆ Lisa Weisberg, Esq.
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House Federal and State Affairs Committee

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

House Bill No. 2415
February 17, 2005

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 past 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 House Bill No. 2415, 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.

We are also tax payers. Every year, our bowling center sends as much money to the State of Kansas, and local government, as we make in salary for ourselves. This is in the form of beverage licenses, sales tax, beverage taxes, property and income taxes, and lottery profits. We employ 15 to 20 people, who then pay Kansas Income Tax, making our small business a heavily taxed contributor, with over \$60,000 of a \$350,000 gross income paid directly to the state.

FEDERAL AND STATE AFFAIRS

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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.

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 127 bowling centers in Kansas, the economic impact with charities, communities, and the State of Kansas, is many millions of dollars.

House Bill No. 2415 has a provision to allow veterans organizations with class A liquor licenses, to have video lottery machines. This proposal is just a "feel good" approach to expanded gaming opportunities in Kansas, but it will be extremely harmful to independent recreation business, who, unlike veterans organizations, pay full taxes to the State of Kansas. We are already faced with competition by the various bingo nights operated by the fraternal and religious organizations. The recreation business depends on discretionary spending. 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 Kansas 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.

House Bill No. 2415 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 veterans organization, while at the same time, my taxpaying, lifelong business is prohibited, by Kansas law, to have the same opportunity. House Bill No. 2415 also **requires** destination casinos to develop entertainment facilities, i.e. bowling centers. 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.

House Federal and State Affairs Committee

Testimony of Rex Haney
Kansas State Bowling Proprietors Association

Opposition to House Bill No. 2415
February 17, 2005

I would like to thank the Senate Committee on Federal & State Affairs for this opportunity to express our opposition to House Bill No. 2415. My name is Rex Haney and I am representing Gage Bowls, Topeka, Ks and a member of 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. 168 and 170. Many of our bowling centers have been impacted in a very negative way since the implementation of riverboat casinos 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, 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 government 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 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.

FEDERAL AND STATE AFFAIRS

Date 2-17-05

Attachment 27

CITY OF EDWARDSVILLE

"All-America City - 1992"



690 S. 4th St.
P.O. Box 13738
Edwardsville, KS 66113
(913) 441-3707
Fax (913) 441-3805

February 17, 2005

House Federal and State Affairs Committee
Room 313-South

RE: HB 2415

Senate Federal and State Affairs Committee
Room 241-North

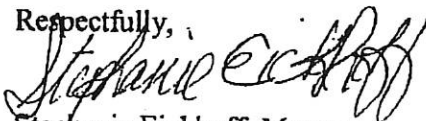
RE: SB 168

Dear Members,

The City of Edwardsville Kansas strongly supports the Kansas Legislatures initiatives to increase revenue and improve educational opportunities to our citizens. We understand that the Legislature is considering the passage of legislation that would authorize the Kansas lottery to conduct games of chance at pre-approved locations throughout the state.

We encourage rapid procedure of this process. We look forward to working with you in the future.

Respectfully,


Stephanie Eickhoff, Mayor

FEDERAL AND STATE AFFAIRS

Date 2-27-05

Attachment 28



President
Ron Eldridge

Executive Secretary
Treasurer
Jim DeHoff

Executive Vice
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Wilma Ventura
Betty Vines
Dan Woodard*

Testimony on HB 2415
to the House Federal & State Affairs Committee

by Jim DeHoff, Executive Secretary
Kansas AFL-CIO
February 17, 2005

Chairman Edmonds and Committee Members,

I am Jim DeHoff, Executive Secretary of the Kansas AFL-CIO. I appear before you today to urge your support of HB 2415.

Kansas has the opportunity to expand gaming for Kansas residents, who in many cases, simply drive to Missouri for recreation gaming. The State of Kansas is missing out on millions of dollars of revenue.

HB 2415 would be an excellent economic development opportunity with the additional job opportunities that expanded Kansas gaming would provide. It is estimated that Kansas would realize a net gain of up to 10,000 new jobs on a permanent basis and up to 4,500 new jobs in construction. Businesses in the community would realize gains in support services for the recreational casino facilities.

We urge your support for passage of HB 2415.

Thank you.



FEDERAL AND STATE AFFAIRS

Date 2-17-05

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RALSTON, POPE & DIEHL, L.L.C.

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Of Counsel: Karen Colburn

Denver Office 1-303-830-2522

February 16, 2005

Testimony concerning racing:

I am Gene Ralston and I am a member of the Kansas Quarter Horse Racing Association and am on the Board of Directors of the KQHRA. I am also a member of the American Quarter Horse Association and a member of the Racing Committee of that organization.

What we have currently in the State of Kansas as it relates to horse racing is a sport which is hurt economically by the exportation of dollars out of the State. There are many owners of race horses and trainers of race horses who do not come to Kansas or race in Kansas because of the purse structure and the availability of racing opportunities. These owners and trainers spend their racing dollars in California, New Mexico, Oklahoma, Texas, Louisiana, Iowa as well as other States. Iowa, Louisiana and New Mexico have all seen a substantial economic impact because of racing legislation which has been established in

FEDERAL AND STATE AFFAIRS

Date 2-17-05

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their respective states. Oklahoma recently acquired legislation which allows expansion of gambling in the State of Oklahoma. As a result the Heritage Place Winter Sale of race horses in Oklahoma City was attended by more people than ever before and its average purchase was greater than it had ever been in the history for that particular sale. This bill which you have before you would increase purse sizes and attract trainers and owners to race here in Kansas and consequently increase the funds going to the State as well as enhance other businesses which support the racing industry.

Thank you for your consideration.