

MINUTES OF THE SENATE FEDERAL AND STATE AFFAIRS COMMITTEE

The meeting was called to order by Chairman Pete Brungardt at 10:40 a.m. on Tuesday, February 15, 2005, in Room 231-N of the Capitol.

All members were present.

Committee staff present:

Athena Andaya, Kansas Legislative Research Department  
Dennis Hodgins, Kansas Legislative Research Department  
Mary Ann Torrence, Revisor of Statutes Office  
Dee Woodson, Committee Secretary

Conferees appearing before the committee:

Senator Dennis Wilson  
Scott Heidner, American Council of Engineering Companies of Kansas  
Melissa Wangemann, Legal Counsel, Secretary of State's Office  
Senator John Vratil  
Clark Stewart, Chief Executive Officer, Butler National Corporation, Olathe  
Jeff Thorpe, President, Boot Hill Gaming, Dodge City, Ks.  
Gene Schwein, Citizen, Ulysses, Ks.  
Clausie Smith, Mayor, Bonner Springs, Ks. (written only)  
Glenn Thompson, Executive Director, Stand Up For Kansas  
Marsha Strahm, Legislative Liaison, Concerned Women for America of Kansas  
Mike Farmer, Executive Director, Kansas Catholic Conference  
Pat Bullock, Heart of Kansas Southern Baptist Association  
Ron Hein, Legal Counsel, Prairie Band Potawatomi Nation  
Kevin Neuman, Citizen, Johnson County

Others attending:

See attached list.

Chairman Brungardt called for bill introductions. Senator Dennis Wilson requested a bill be introduced on behalf of the Kansas Association of Counties, which deals with municipalities deposit of public funds.

Senator Gilstrap moved to have the bill introduced, seconded by Senator Reitz, and the motion carried.

Scott Heidner, American Council of Engineering Companies of Kansas, requested a bill concerning a technical amendment regarding confined feeding facilities, construction thereof, requiring licensed professional engineer, and amending K.S.A. 2004 Supp. 65-171d and repealing the existing section.

Senator Ostmeyer moved to have the bill introduced, seconded by Senator Reitz, and the motion carried.

**SB 121 - Charitable organizations and solicitations act; registration statement; audited financial statement**

Chairman Brungardt opened the hearing on **SB 121**. Melissa Wangemann, Secretary of State's Office, testified in support of **SB 121**. She explained the bill updates one statute contained within the Charitable Organizations and Solicitations Act to alleviate the filing burden on small charities that register with our office. Ms. Wangemann said that charitable organizations register with the Secretary of State, and they must file a financial statement with their registration, detailing the activities of their last fiscal year. In lieu of filing the financial statement, a charitable organization may file a copy of its income tax returns. She added that any organization that collects more than \$100,000 in annual contributions must also submit an audited financial statement from a CPA. Charitable organizations receiving \$100,000 in contributions are relatively small, and an audit generally costs \$7,000-\$10,000, thus this filing requirement can cost up to 10% of their annual income. Miss Wangemann stated that the Secretary of State receives very few requests from the public for copies of the audited statements.

## CONTINUATION SHEET

MINUTES OF THE Senate Federal and State Affairs Committee at 10:40 a.m. on Tuesday, February 15, 2005, in Room 231-N of the Capitol.

Miss Wangemann said **SB 121** increases the threshold amount requiring an audit from \$100,000 to \$500,000, and that the new amount was consistent with federal law. She added that to offset the loss of the audited information, the bill requires filing of income tax returns, which are currently filed at the discretion of the charity. She explained that charities that do not file income tax returns, those receiving less than \$25,000 annually, would continue to file a financial statement on a form provided by the Secretary of State. ([Attachment 1](#))

David Owens, lobbyist on homeless issues, commented from the audience that increasingly there are non-profits that do hold funding over services. In other words, he stated the charities care more about the funding than the services the charity provides people.

Chairman Brungardt closed the hearing on **SB 121**.

### **SB 170 - Authorizing electronic gaming machines and lottery facility games**

Chairman Brungardt opened the public hearing on **SB 170**. Senator Vratil explained the reasoning for drafting the bill was because expansion of gaming has the potential to encourage investment, create jobs, attract tourists and provide much needed revenue to the State. He stated that the State has the responsibility to be in full control of oversight and accountability for gaming in Kansas. ([Attachment 2](#))

Senator Vratil explained the key elements of his proposed bill: (1) the legislation is constitutional because it allows state-owned and operated destination casinos with the gaming area and lottery gaming machines being owned by the State; (2) the balance of the facility, such as hotels, restaurants, convention spaces and other non-gaming entertainment areas, should remain on the public tax rolls to benefit the local and state taxpayers; (3) the bill provides for state-owned and operated destination casinos that are managed by the private sector; (4) the Kansas Lottery Commission would oversee a competitive process to locate and develop the casinos; (5) the Kansas Lottery Commission would conduct thorough background investigations on prospective facility managers, principals, officers and directors to maintain the integrity of each destination casino; (6) a trust fund account would be established within the state's funds to be used exclusively for necessary and appropriate funding for elementary, secondary and higher education; (7) an accelerated payment to the State of \$15,000 per electronic gaming machine would be required; (8) the Kansas Lottery Commission would authorize all lottery facility management contracts and would approve the location of the facility, construction costs, and establish accounting mechanisms to facilitate proper and full accountability with the State; (9) all gaming machines would be directly linked on-line to a central lottery communications system; (10) no casino would be authorized without the approval of the voters in the county where the facility would be located; (11) any proposed destination casino would comply with any planning and zoning regulations of the city or county in which it is located; and (12) the bill provides a constitutional manner for the state to maximize oversight to ensure proper accountability while maximizing revenues to the State.

Senator Vratil stated that in regard to the trust fund established by the passage of **SB 170**, the State would receive 75% of the net casino revenues, of which 100% of the 75% would be used for necessary and appropriate funding for education. He said the estimate that the trust fund could expect to receive was from \$200,000,000 to \$250,000,000 each year. He also estimated that the accelerated payments would total \$120,000,000 the first year. Senator Vratil clarified that the bill was calculated to avoid litigation and protracted litigation over the constitutionality of any expanded gaming in the State of Kansas. It is much less likely under this proposed bill that a law suit will be filed challenging expanded gaming in the state. He stressed that this bill was also market driven. There are no limitations on the number of machines except for a minimum of 300 per facility, and there is no limitation on the number of destination casinos. He said all those matters would be determined by the market in the normal course of business.

Senator Vratil emphasized that **SB 170** does not "divide up the pie" among the various interest groups. This bill maximizes the revenue that will come to the State of Kansas through expanded gaming. He said there are no provisions in the bill which provide a guaranteed stream of revenue to dog and horse owners and breeders, cities, counties, veteran's organizations, charitable organizations, or the any other multitude way the "pie has been divided" under other expanded gaming bills. He added that if the State of



## CONTINUATION SHEET

MINUTES OF THE Senate Federal and State Affairs Committee at 10:40 a.m. on Tuesday, February 15, 2005, in Room 231-N of the Capitol.

Kansas wants to appropriate money for economic development purposes to any or all of those entities, but those entities should be accountable to the public and to the Legislature for their receipt and use of those funds.

Committee questions related to the proposal being market driven in determining how many sites and how many machines, and whether that was a result of a market study and a decision by the Lottery Commission. Also question was asked about the bullet point relating to a county in which a destination casino is targeted and the group of people to vote on whether a casino should be allowed even though a casino affects many counties surrounding the casino and should specify a certain number of miles around the casino location.

Clark Stewart, Chief Executive Officer of Butler National Corporation, Olathe, testified in support of **SB 170**. He stated that to maintain Kansas' high standards of education, new funding mechanisms must be explored. He stated that he supported a part of the solution to maximize revenue to the State of Kansas and to dampen potential tax increases. Mr. Stewart stated that if state owned and operated gaming is permitted, jobs will be created at the destination entertainment locations, economic development will be added to serve these destinations, and gaming will become a significant revenue source of Kansas. He concluded by saying the proposed legislation requires the approval of the voters in the county where the facility would be located. The proposed destination casino must comply with any planning and zoning regulations of the city or county in which it is located, and local communities would determine if they want a destination casino in the jurisdiction. (Attachment 3)

Jeff Thorpe, Boot Hill Gaming, Dodge City, Ks., spoke in support of **SB 170**. He stated that this proposed bill would help increase tourism, economic development in Kansas, and generate meaningful tax revenues at the State, regional, and local levels. Mr. Thorpe said the Committee needed to evaluate a proposal 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; and (4) provide a sustainable, realistic business model. He emphasized that Dodge City and Ford County leaders believe they have a sustainable business model that effectively answers each of above items to be evaluated. His written testimony detailed how Dodge City would accomplish each of the above items. With his written testimony Mr. Thorpe included several attachments that describe specific areas of Dodge City's proposed casino in the form of reports that were prepared as a discussion of the 2004 Governor's bill for expanded gaming. (Attachment 4)

Gene Schwein, farmer and former County Commissioner from Ulysses, Ks., testified in favor of **SB 170**. He expressed concern about the Kansas economy, and the need for the State to provide additional dollars for public education. He stated that Kansas needed to hold the line on taxes, because that would enable businesses to grow and expand. Mr. Schwein said he supported **SB 170** because it provides needed funds for public schools, a new revenue source for the State Treasury, the State would control casino managers, local control requires the approval of the voters in the county of the casino location, and it creates new jobs and economic development. (Attachment 5)

Committee questions related to **SB 170** being "market driven" and the provision prohibiting any manager, who manages the casino or operates the casino in certain counties on the Missouri side of the Kansas City metropolitan area, from also operating a casino in certain designated counties on the Kansas side, which could afford an opportunity for a conflict of interest in shifting business from one casino to another casino. Also, question was asked how much money would have to be lost in order to generate \$250,000,000 for the trust fund, and those dollar figures had not been computed yet.

Senator Brownlee referred to page 9 of the bill, line 21, relating to a resolution being submitted to voters whether the operation of lottery gaming facilities by the Kansas lottery be permitted in such and such county, and asked if this provision was being rather deceptive because lottery has more than one meaning and it really is talking about casinos. Senator Vratil responded that a lottery gaming facility is defined in the State Statutes. He added that the term "casino" is not really defined any place, and from a legal standpoint that would be ambiguous.

## CONTINUATION SHEET

MINUTES OF THE Senate Federal and State Affairs Committee at 10:40 a.m. on Tuesday, February 15, 2005, in Room 231-N of the Capitol.

Senator Brownlee referred to Kansas Development Finance Authority (KDFA) statute, and whether this bill would allow KDFA to finance casinos.

Chairman Brungardt asked Steve Weatherford, President of KDFA, who was in the audience, to assist the Committee in answering Senator Brownlee's question. Mr. Weatherford responded there was nothing currently in KDFA to prevent from issuing bonds for purposes stated in **SB 170**, but it would still need to be approved by the KDFA Board just as any other issuance of debt that KDFA does on behalf of the State of Kansas. He explained that a public purpose would have to be found, and KDFA would have to go through the regular procedures and processes that normally would be performed. This would be treated as a state owned facility which would be the same as issuing the debt that currently is being used to do the renovations at the State Capitol.

Written testimony was submitted by Clausie Smith, Mayor, City of Bonner Springs, Kansas, in support of **SB 170**. (Attachment 6)

Chairman Brungardt called the first opponent to testify against **SB 170**. Glenn Thompson, Stand Up For Kansas, said his organization was a state-wide coalition that opposed the expansion of gambling in Kansas. He explained that **SB 170** would create major public policy problems for Kansas and numerous economic and social problems for its citizens. The bill would permit an unlimited number of relatively small, state-owned and operated casinos in any county in the state, and counties with higher populations, such as Johnson and Sedgwick, could have numerous small casinos. Mr. Thompson stated that with a government agency overseeing the state-owned casinos, it would make government corruption not only possible, but highly probable. He emphasized that casinos, crime and corruption are inseparable, and that is why no other state is in the casino business since the risk is too high. His written testimony included two attachments referencing Attorney General Phill Kline's letter to legislative leaders expressing concerns regarding the state owning and operating casinos and excerpts from Tyler Bridges' documentary, *Bad Bet on the Bayou*, relating to casino corruption in government. (Attachment 7)

Marsha Strahm, Concerned Women for America of Kansas, testified in opposition to **SB 170**. She said that the enticement of gambling has the most allure for those in society that can least afford to lose. She stated that gambling is an economic negative in that it drives away businesses by consuming discretionary and non-discretionary income of the citizens. It creates a need for more social services. Ms. Strahm stressed that 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 instinct of society. (Attachment 8)

Mike Farmer, Kansas Catholic Conference (KCC), spoke against the passage of **SB 170**. He talked about the increase in the number of people whose passion for gambling is enslaving them as gambling in our state escalates. He included with his written testimony a copy of the June 1999 *Readers Digest* article, "Addicted to Luck" by Matea Gold and David Ferrell. He explained the six key points of the article. Mr. Farmer stated that accessibility is a key contributor to gambling addiction. He quoted from the final report of the National Gambling Impact Study Commission, "...the presence of a gambling facility within 50 miles roughly doubles the prevalence of problem and pathological gamblers." Mr. Farmer concluded that the KCC opposed the expansion of gambling because of the tremendous social cost to Kansas' families. (Attachment 9)

Pat Bullock, Heart of Kansas Southern Baptist Association, testified against **SB 170**. He talked about a Washington D.C. study from 1999, regarding pathological or problem gambling causing economic and social costs to individuals and families. Mr. Bullock also told about another study that shows millions of today's teenagers are gambling, either with friends at school or at parties as well as on the Internet. He stated that government will become responsible for perpetrating an addiction on citizens in the name of trying to increase funds for government budgets, and that profits are grossly overstated. (Attachment 10)

Ron Hein, Prairie Band Potawatomi Nation (PBPN), testified in opposition to **SB 170**, and stated that PBPN has consistently opposed legislation that provided for the expansion of Class 3 gaming by the State of Kansas. He explained that such gaming would negate the benefits that Tribal gaming provides to native American Indian Tribes through the federal Indian Gaming Regulatory Act (IGRA). (Attachment 11)



## CONTINUATION SHEET

MINUTES OF THE Senate Federal and State Affairs Committee at 10:40 a.m. on Tuesday, February 15, 2005, in Room 231-N of the Capitol.

Mr. Hein stated that it was correct when gaming proponents contend that the state receives no revenue from Tribal gaming, and the tribe does not pay a specified percentage of gaming revenues to the state. However, state and local government, school districts, and other taxing subdivisions benefit from Tribal gaming by virtue of numerous taxes paid as a result fo Tribal gaming and the economic development currently generated for Northeast Kansas.

Mr. Hein explained that Tribal members pay federal income taxes, and only those Tribal members who both work and live on the reservation are exempt from state income taxes. Tribal members pay sales taxes on purchases made off the reservation, which is virtually all purchases by tribal members. He also said that areas being served by Tribal gaming and the reservations were severely economically disadvantaged before Tribal gaming, and unemployment ran as high as 78% on the PBPB reservation.

Mr. Hein shared the history of gaming from what has occurred with parimutuel gambling in Kansas, and with gaming in Missouri. He stated that gaming is likely to be a legislative issue every year for the next ten years, and even this massive gambling bill is probably not the end of efforts to expand gaming in Kansas. He explained how gaming expansions will effect economic development in Kansas. He reviewed the findings of the extensive study done by the Governor's Gaming Committee during the summer of 2004, and included quotes from the study in his written testimony. Mr. Hein said that **SB 170** does not meet the findings or the recommendations of the Governor's Gaming Committee. The bill has numerous detailed procedures and provisions which have not been included in earlier versions of gambling legislation which the Legislature has reviewed.

Mr. Hein explained that the Governor's committee was very clear that the state must "own and operate" the gaming as required by the Kansas Constitution, and there is no language in the Kansas Constitution about "certificates of authority," as set out in **SB 170**. This seems to be an unlawful delegation of legislative authority in violation of the Kansas Constitution. He concluded by saying gaming should not be omnipresent, nor should it be substituted for or operated to the detriment of other businesses which have made Kansas great.

Kevin Newman, Johnson County resident, testified in opposition to **SB 170**. He questioned how by having casinos in Johnson, Leavenworth, Wyandotte and Miami counties (let alone the other 101 Kansas counties) could be conceived as anything but "regional" casinos, each with a minimum of 300 slot machines; competing with each other for Kansas gamblers and potentially wreaking havoc on the local economies. He pointed out that Johnson County did not need gambling because it remains the largest source of Kansas tax revenue according to new statistics released by the County Economic Research Institute Inc. of Overland Park. A recent Kansas Department of Revenue report shows Johnson County was the biggest source of cash from individual income, sales and property taxes. The gambling issue has taken a lot of valuable time away from the Kansas Legislature, and Mr. Newman does not want this topic to take time away from public officials; those at the county and even municipal levels. (Attachment 12)

Brief Committee discussion and comments followed.

The meeting was adjourned at 12:15 p.m. The next meeting is scheduled for February 16, 2005.

SENATE FEDERAL & STATE AFFAIRS COMMITTEE GUEST LIST

DATE Tues, Feb. 15, 2005

Emile Conklin	Kickapoo Tribe
Robert Winton	"
<del>Ray Wald</del>	Reiner Falls
<del>Don Lawrence</del>	RGA
Scott Heidner	ACEC Kansas
Glenn Thompson	Stand up for Ks.
Pat Bullock	Southern Baptist
Kevin Newman	Kansas citizen
Bev Terry Fox	Southern BAPTIST
Bill Mason	Retired
T.O. ANDERSON	ISS CPA
Gene Schwert	self
David Jones	Kickapoo Tribe
Damon K. Williams	Kickapoo Tribe in Kansas
Jesse Boyton	KSOS
Kevin Boone	LTCS.
Mike Farmer	Kansas Catholic Conference
Keith Kocher	KS Lottery
JEFF THORPE	Boot Hill Gaming
Eldon Wood	
Frances Wood	Woman's Christian Temperance Union
Rozella Ramirez	Kickapoo Tribe in KS
Debbie Whitebird	" " "
Roet Nanomanthe	GOLDEN EAGLE CASINO.
Bella Amell	Kickapoo Tribe in Kansas



SENATE FEDERAL & STATE AFFAIRS COMMITTEE GUEST LIST

DATE 2-15-05

Pg. 2

Ellis Droug	Kickapoo
Nathan L. Taylor	Golden Eagle Casino
Michelle Thomas	Kickapoo Tribe
George Wingerd	Ruffin Companies
JOHN C. BOTTENBERG	THE WOODLANDS
Marsha Strahm	CWA of ILA
Michelle Burhenn	KC Star
Z. Spot Butler	Attorney
C. Reed	BNC Butler National Corporation
Clark Howard	BNC Butler National Corporation
John D. Pinegar	Butler National Corporation
John Peterson	Havvahs
Jan Watkins	Sac & Fox / Kickapoo Tribal Consortium
Steve Wetherford	K & FA
Rebecca Rice	Ks Clubs & Associates
Michael Rutledge	Golden Eagle Casino
Jarrad Simon	Golden Eagle Casino
Ron Underwood	Golden Eagle Casino
Kathy Moore	Golden Eagle Casino
David Buchholz	Golden Eagle Casino
Paul Sm	Golden Eagle Casino
Steve Panty	Golden Eagle Casino
DAVE McCLAIN	GOLDEN EAGLE CASINO
Kathy Bradley	Golden Eagle Casino
Matthew T. Cisneros	Kickapoo Tribe / Golden Eagle Casino





RON THORNBURGH  
Secretary of State



Memorial Hall, 1st Floor  
120 S.W. 10th Avenue  
Topeka, KS 66612-1594  
(785)296-4564

## STATE OF KANSAS

### TESTIMONY OF THE SECRETARY OF STATE TO THE SENATE FEDERAL AND STATE AFFAIRS COMMITTEE ON SB 121

FEBRUARY 15, 2005

Mr. Chairman and Members of the Committee:

I appreciate the opportunity to appear today in support of SB 121, a bill requested by the Secretary of State. SB 121 updates one statute contained within the Charitable Organizations and Solicitations Act to alleviate the filing burden on small charities that register with our office.

#### BACKGROUND INFORMATION

Charitable organizations register with the Secretary of State. They must file a financial statement with their registration, detailing the activities of their last fiscal year. In lieu of filing the financial statement, a charitable organization may file a copy of its income tax returns. Any organization that collects more than \$100,000 in annual contributions must also submit an *audited* financial statement from a CPA.

#### OBJECTIVE OF LEGISLATION

Charitable organizations receiving \$100,000 in contributions are relatively small, and an audit generally costs \$7,000-\$10,000. Thus, this filing requirement can cost up to 10% of their annual income. The Secretary of State receives very few requests from the public for copies of the audited statement.

SB 121 increases the threshold amount requiring an audit from \$100,000 to \$500,000. The new amount is consistent with federal law, which requires organizations at the \$500,000 level to complete an audit in order to receive federal funds. To offset the loss of the audited information, the bill requires filing of income tax returns, which are currently filed at the discretion of the charity. Charities that do not file income tax returns—those receiving less than \$25,000 annually—would continue to file a financial statement on a form provided by the Secretary of State.

I appreciate your support of this legislation, and would be happy to answer questions.

Melissa A. Wangemann, Legal Counsel  
Deputy Assistant Secretary of State

Business Services: (785) 296-4564  
FAX: (785) 296-4570

Web Site: [www.kssos.org](http://www.kssos.org)  
E-mail: [kssos@kssos.org](mailto:kssos@kssos.org)

Senate Federal & State Affairs  
Committee  
2-15-05  
Attachment 1

# State of Kansas

JOHN VRATIL  
SENATOR, ELEVENTH DISTRICT  
JOHNSON COUNTY  
LEGISLATIVE HOTLINE  
1-800-432-3924  
www.johnvratil.com



COMMITTEE ASSIGNMENTS  
CHAIR: JUDICIARY  
VICE CHAIR: EDUCATION  
MEMBER: FEDERAL AND STATE AFFAIRS  
ORGANIZATION, CALENDAR  
AND RULES  
SENTENCING COMMISSION  
INTERSTATE COOPERATION

## Vice President Kansas Senate

### Senate Bill 170 - Expanded Gaming Federal & State Affairs By Sen. John Vratil February 15, 2005

Mr. Chairman and Members of the Committee:

For more years than I've been a member of the Senate, expansion of gaming has been an issue that seems to be discussed and debated annually. The discussion began years ago when the Kansas Lottery and pari-mutuel wagering on dogs and horses was approved. Many proposals have been floated, some good and some otherwise.

I am requesting Committee support for SB 170, a bill that should receive serious consideration by the 2005 Kansas Legislature. Expansion of gaming has the potential to encourage investment, create jobs, attract tourists and provide much needed revenue to the State. As lawmakers, if we are going to approve expansion of gaming, I believe the State has the responsibility to be in full control of oversight and accountability.

Key elements of Senate Bill 170 include:

- The legislation is constitutional. It allows state-owned and operated destination casinos. The gaming area and lottery gaming machines would be owned by the State.
- The balance of the facility, such as hotels, restaurants, convention spaces and other non-gaming entertainment areas, should remain on the public tax rolls to benefit the local and state taxpayers.
- The bill provides for state-owned and operated destination casinos that are managed by the private sector, persons who have experience in the management of gaming-related facilities.

HOME  
9534 LEE BLVD.  
LEAWOOD, KS 66206  
(913) 341-7559  
jvratil@lathropgpage.com

DISTRICT OFFICE  
10851 MASTIN BLVD.  
SUITE 1000  
OVERLAND PARK, KS 66210-2007  
(913) 451-5100  
FAX (913) 451-0875

Senate Federal & State Affairs  
Committee  
2-15-05  
Attachment 2



- The Kansas Lottery Commission would oversee a competitive process to locate and develop the casinos. The Kansas Lottery Commission has the capability to closely oversee destination casinos where the operation of such a facility would promote tourism and economic development.
- The Kansas Lottery Commission would conduct thorough background investigations on prospective facility managers, principals, officers and directors to maintain the integrity of each destination casino.
- A trust fund account would be established within the state's funds to be used exclusively for necessary and appropriate funding for elementary, secondary and higher education. The state would receive 75% of the net casino revenues. 100% of that 75% would be used for necessary and appropriate funding of education. We estimate the trust fund could expect to receive \$200,000,000 to \$250,000,000 each year.
- An accelerated payment to the State of \$15,000 per electronic gaming machine would be required. The accelerated payment enables the state to meet urgent financial needs for funding elementary, secondary and higher education. We estimate the accelerated payments would total \$120,000,000 the first year.
- The Kansas Lottery Commission would authorize all lottery facility management contracts and would approve the location of the facility, construction costs, and establish accounting mechanisms to facilitate proper and full accountability with the state.
- All gaming machines would be directly linked on-line to a central lottery communications system to provide monitoring, auditing and other available program information to the Kansas Lottery. This provides real-time state oversight.
- No casino would be authorized without the approval of the voters in the county where the facility would be located.
- Any proposed destination casino would comply with any planning and zoning regulations of the city or county in which it is located.
- The bill provides a constitutional manner for the state to maximize oversight to ensure proper accountability while maximizing revenues to the state.

###

## **Revenue Brief**

### **February 15, 2005**

**Assumption:** Amortization of payback of the accelerator is 5 years.

**Looking only at revenues from the state-owned part** of the lottery gaming facility.

**Does not include other revenues** generated through privately owned hotels, conference facilities, restaurants, gift shops, etc.

**Accelerator payment** of \$120 million first year (based on \$15,000 per machine at two casinos with a combined total of 8000 machines).

**Potential annual revenues during the 5 year period** that the state is paying off the accelerator payment (the \$15,000 per machine) and pays **25%** of the net to the facility manager.

Potential annual revenues: **\$200 million to \$250 million.**

These numbers assume the hotel is a private enterprise which will be paying *ad valorem* taxes, sales taxes, income taxes on employees, etc.



## **Potential sites:**

- Wyandotte County and Northeast Kansas
- Wichita
- Southeast Kansas
- Dodge City

## **Examples**

### **ALL NEW Facility**

**Approval process:** 3 - 6 months. If approved today (2/15), a temporary facility could be available about early to mid August 2005. It would be running by December 2005 and the “real deal” would be running by AUGUST 2006.

### **Track Folks**

If approved today, could open by early to mid-September while building an adjacent facility. If the tracks use an “existing building,” they would need to define an acceptable way for the gaming area to become state-owned. We believe it would be much like a retailer who has a lottery machine and the state, in theory, owns the counter on which the machine sits.



# Butler National Corporation

19920 WEST 161st STREET OLATHE, KANSAS 66062-2700 U.S.A.

**Testimony By Clark D. Stewart  
To Senate Federal and State Affairs Committee  
Tuesday, February 15, 2005  
Regarding Senate Bill no. 170**

Mr. Chairman and members of the Committee, I am Clark Stewart from Olathe, Kansas. I serve as Chief Executive Officer of Butler National Corporation, a Kansas corporation, engaged in the manufacture and sale of Classic Aviation Products, Defense Contracting and Electronics, Avionics, Aircraft Modification, Environmental Monitoring and Management Services.

I am pleased to testify today in support of Senate Bill no. 170. I am here to support a part of the solution to maximize revenue to the State of Kansas and to dampen potential tax increases. I believe that above all other considerations; we should focus on the need to fund our educational system in Kansas.

Before, I specifically address the merits of the bill I would like to offer some personal comments. As a Kansas business manager and taxpayer, I am concerned about the need for additional revenue to the State. I am sure that all of you share some of this concern.

I was born in Kansas, graduated from High School with 17 fellow students, graduated from a Kansas University with BS and MS degrees. Except for service in the USAF, I have lived in Kansas 65 years. I am the CEO of a small public company with approximately 100 employees. Our productivity per employee is equal to General Electric. We are proud to be a Kansas business.

To expand our economy, we need to look at ways to retain existing jobs and businesses and to create new jobs and businesses. Kansas must be competitive in the attraction and retention of business. To accomplish this goal, property taxes, income taxes, sales taxes and all insurance costs must not continue to climb. In addition, we must educate our Kansas youth and keep them in Kansas.

To maintain our high standards of education, new funding mechanisms must be explored. A Kansas education must be one of the best. We must build our system to keep our best students in Kansas. Keeping our best students means more jobs and more business in Kansas.

For several years, the Kansas Legislature has studied and discussed the possibility of additional lottery gaming in the State. Many proposals have been submitted for consideration. I have followed this closely and developed a few observations.

First, we really need to put gaming in context. Assuming state owned and operated gaming is permitted, jobs will be created at the destination entertainment locations, economic development will be added to serve these destinations and gaming will become a significant revenue source for Kansas. Kansas gaming money will be retained in Kansas and new money will come to the Kansas destination locations.

Senate Bill no. 170 establishes the methodology to operate Kansas owned gaming. Senate Bill no. 170 is a market driven solution to provide for Kansas gaming in the best interest of Kansas. It should do this in a manner that is constitutional, maximizes revenue to the State, mandates accountability and provides a level playing field for interested parties.

Senate Bill no. 170 is drafted to work as presented. It creates the opportunity for state-owned and operated destination casinos. The lottery gaming machines and all other games would be owned or leased by the State. This is a crucial element to address the issue of constitutionality and to ensure proper accountability while maximizing controllable and understandable revenues to the state.

The proposed legislation requires the approval of the voters in the county where the facility would be located. The proposed destination casino must comply with any planning and zoning regulations of the city or county in which it is located. Local communities would determine if they want a destination casino in the jurisdiction.

**Senate Federal & State Affairs  
Committee  
2-15-05  
Attachment 3**

Managers of the destination casinos will be selected from the private sector, they will have experience in the management of gaming related facilities and have clean backgrounds. To maintain the integrity of each destination casino and the reputation of the State of Kansas, the bill mandates a rigorous background investigation of prospective facility managers, principals, officers and directors.

Senate Bill no. 170 creates a level playing field that is fair to all prospective managers. The Kansas Lottery Commission would oversee a competitive process to locate and develop the destination casinos. The Kansas Lottery Commission has the expertise to oversee destination casinos that would create tourism, economic development and state revenue.

Indian Tribes, existing pari-mutuel racing facilities, private entities and others with experience in the management of gaming related facilities could make a proposal to operate a destination casino. This is a very important provision in the bill. Not only is it the right thing to do, it stimulates competition among interested parties to create the most profitable destination casinos that should maximize revenue to the State.

Senate Bill no. 170 provides maximum oversight to ensure proper accountability. All gaming machines and other games would be directly linked on-line to a central lottery communications system to provide monitoring, auditing and other safe guards to the State.

Kansas owned gaming revenues go to education. A trust fund account would be established from which the State would receive 75% of net casino revenues after repayment of advances for land, buildings and equipment owned by the State. Of that amount, 100% of the revenues received by the State would be used for necessary and appropriate funding of education.

This bill provides a method to solve the education shortfall with out a general tax increase. According to my conservative calculations the State should net in excess 200 million dollars per year.

The destination casinos cannot be opened immediately. To address the urgent and immediate financial need for education funds, Senate Bill no. 170 provides that the State would receive an accelerated payment of \$15,000 per electronic gaming machine when the management contract is approved. Our company is prepared to advance \$120,000,000 upon approval of management contracts as defined in the bill. The state would repay the accelerator over a five-year period.

Mr. Chairman and members of the Committee, I am here in the best interest of Kansas. Assuming this legislation becomes law, Butler National will certainly evaluate the final result to determine if it makes good sense for our company to submit a proposal to the Kansas Lottery Commission. This bill does not favor Butler National in any of its provisions.

If we make a proposal as the result of the passage of Senate Bill no. 170, we will be assured that our proposal evaluated on a level playing field with all other proposals.

I would like to leave you with one final thought. We all must do what is in the best interest of Kansas. I believe this includes all Kansans. Senate Bill no. 170 ensures proper accountability while maximizing revenues to the state. That should be good for all of us, particularly our Kansas students.

Thank you for your time and consideration.

Clark D. Stewart  
Butler National Corporation  
19920 W. 161<sup>st</sup> Street  
Olathe, KS 66062  
913-780-9595





# Testimony before the Senate Federal and State Affairs Committee

February 15, 2005

By:

Jeff Thorpe  
Board of Directors - Boot Hill Museum, Inc.  
&  
President, Boot Hill Gaming, Inc.

Chairman Brungardt, Vice Chairman Reitz and Committee Members:

Boot Hill Museum, through its subsidiary Boot Hill Gaming, speaks 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.

Senate Federal & State Affairs  
Committee

2-15-05  
Attachment 4

o **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.

o **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 is already one of Kansas' best destination sites which is part of the formula for success with expanded gaming opportunities.

**We don't have to create awareness – the World knows about Dodge City and its history of gaming since the 1870's.**

Dodge City has always proposed its site as 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 type of facility by lowering 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 largest 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.**

Gene Schwein  
Ulysses, Kansas  
Senate Federal and State Affairs Committee  
February 15, 2005  
Senate Bill 170

Mr. Chairman and members of the Committee, I am Gene Schwein from Ulysses, Kansas. I am a farmer and former county commissioner.

I am a taxpayer who is concerned about the Kansas economy. Like all businesses, I'm facing increasing costs to maintain my farming operation and realize a profit.

While serving as a county commissioner I recall many instances when the state did not have adequate dollars to support state mandated programs and I vividly recall when the state eliminated demand transfers to local units of government.

The State has an immediate need to provide additional dollars for public education. I am proud of the schools in Kansas. But we all know more funds are needed. Where will those dollars come from?

We cannot look to sales tax, property tax and income tax. We need to hold the line on taxes. That will enable businesses to grow and expand. Now is the time to consider state gaming.

I like SB 170 for several reasons:

- Provides needed funds for public school
- New revenue source for the state treasury
- State controls the casino managers
- Local control -- requires the approval of the voters in the county where the facility would be located.
- Creates new jobs and economic development

Thank you for taking the time to listen to my comments.

Senate Federal & State Affairs  
Committee  
2-15-05  
Attachment 5



TREE CITY USA

# City of Bonner Springs



STATEMENT BY MAYOR CLAUSSIE W. SMITH, CITY OF BONNER SPRINGS  
February 17, 2005

To: Senate Federal and State Affairs Committee:

On behalf of the City of Bonner Springs, we urge passage of Senate Bill 170 that would allow development of destination hotels and casinos in Kansas. It seems to me that this legislation is far overdue. There is overwhelming support in our community and in Wyandotte County for the establishment of casinos.

In Wyandotte County, more than 80 percent favored casinos in a non-binding election a few years back. Right now, Kansans are voting in favor of casinos with their billfolds by going to Missouri and the riverboats. It is time that we keep that money in Kansas.

This is a win-win situation for everyone. When passed, I believe it will certainly be a major economic development boost and will also provide much needed revenue for cities, counties, school districts and the state.

I strongly urge approval of Senate Bill 170.

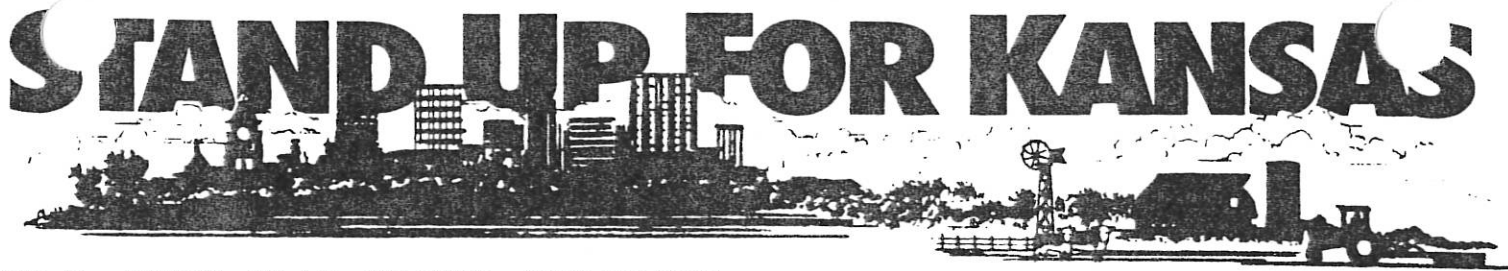
Respectfully,

Claussie W. Smith, Mayor  
City of Bonner Springs, Kansas

205 E. 2nd STREET, P.O. BOX 38, BONNER SPRINGS, KS 66012  
913-422-1020—FAX 913-441-1366  
[www.bonnersprings.org](http://www.bonnersprings.org)

Senate Federal & State Affairs  
Committee  
2-15-05  
Attachment 6





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

**Testimony To Senate Federal and State Affairs Committee  
On Senate Bill 170**

Glenn O. Thompson  
Executive Director  
February 15, 2005

**Introduction**

Good morning Chairman Brungardt and members of the committee. Thank you for this opportunity to speak at this public hearing. I am speaking on behalf of Stand Up For Kansas, a state-wide coalition of grassroots citizens who oppose the expansion of gambling in Kansas. **We urge you to VOTE NO on Senate Bill 170.**

**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.*"<sup>1</sup>

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."<sup>2</sup>*

Senate Federal & State Affairs  
Committee

2-15-05  
Attachment 7

<sup>1</sup> "Sebelius: Using gambling to save budget is bad policy," Lawrence Journal-World, May 7, 2002

<sup>2</sup> 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.**

Senate bill 170 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.**"<sup>3</sup>*

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."<sup>4</sup>*

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**

**Senate bill 170 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

# STAND UP FOR KANSAS



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-and-operated casinos would make corruption even more prevalent.**

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

7-3

# STAND UP FOR KANSAS



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,<sup>1</sup> 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?**

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





February 15, 2004

Members of Senate Federal and State Affairs Committee:

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*

Senate Federal & State Affairs  
Committee  
2-15-05  
Attachment 8



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

**Senate Federal and State Affairs Committee  
Testimony in Opposition to SB 170**

Chairman Brungardt and members of the committee:

Thank you for the opportunity to testify this morning in opposition to Senate Bill 170. My name is Mike Farmer and I am the Executive Director of the Kansas Catholic Conference, the public policy office of the Catholic Church in Kansas. We urge you to oppose the expansion of gambling in Kansas.

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

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

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

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

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

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

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

MOST REVEREND PAUL S. COAKLEY, S.T.L., D.D.  
DIOCESE OF SALINA

MICHAEL P. FARMER  
Executive Director

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

MOST REVEREND GEORGE K. FITZSIMONS, D.D.  
RETIRED

Senate Federal & State Affairs  
Committee

2-15-05  
Attachment 9

MOST REVEREND EUGENE J. GERBER, S.T.L., D.D.  
BISHOP EMERITUS - DIOCESE OF WICHITA

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

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

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

Because of this tremendous social cost to Kansas’ families, we oppose the expansion of gambling and urge you to oppose SB 170.

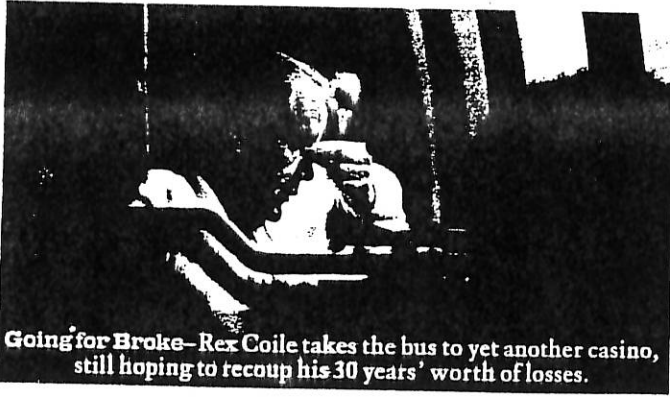
Thank you,

  
Mike Farmer  
Executive Director

# Addicted to Luck

Legalized gambling might be a boon for government, but Americans are losing big

By MATEA GOLD AND DAVID FERRELL  
From LOS ANGELES TIMES



Going for Broke—Rex Coile takes the bus to yet another casino, still hoping to recoup his 30 years' worth of losses.

**R**EX COILE'S LIFE is a narrow box, so dark and confining he wonders how he got trapped inside and whether he'll ever get out. At 54, he never goes to the movies, never travels on vacation, never spends Christmas with his family.

Instead, Coile shares floor space in

cheap motels with other compulsive gamblers, comforting himself with dreams of jackpots that will magically wipe away three decades of wreckage. In the card clubs of Southern California, he lost his marriage, his home, his car and, not least of all, his pride.

And still, Coile is back at the card clubs. His pale eyes are expressionless, his hair yellowish and brittle.

READER'S DIGEST

It's hard to imagine he was once a promising book editor.

At 11 p.m. one Tuesday, with a bankroll of \$55—all he has—he is at a poker table. The stack of \$1 chips dwindles. Down \$30, he says he'll stop at midnight. Midnight comes and goes. Coile starts winning. Chips pile up—\$60, \$70. "A shame to go when the cards are falling my way," he says. "I'll go at two. Win, lose or draw."

The cards keep falling. At 2 a.m. Coile is up \$97. He makes a new decision: "A few more hands."

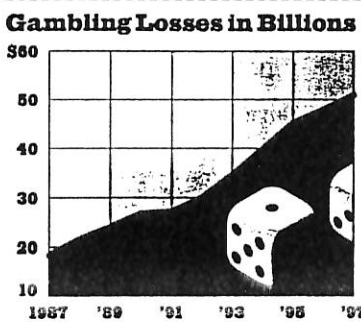
**Steep Price**

**G**AMBLING is exploding across America, from the mega-resorts of Las Vegas to the gaming parlors of Indian reservations, from the riverboats along the Mississippi to the corner mini-marts selling lottery tickets. Now, with all but three states—Hawaii, Utah and Tennessee—sanctioning legalized gambling, evidence is mounting that society is paying a steep price.

In 1997 bettors blew a whopping \$50.9 billion—roughly five times the amount lost in 1980. That's more than the public spent on movies, theme parks, recorded music and sporting events combined. Of those losses, an estimated 30 percent pours from problem gamblers.

Studies place the total number of these compulsive gamblers at 4.4 million, about equal to the nation's ranks of adult hard-core cocaine and

heroin users. Since 1992 the number of Gamblers Anonymous groups nationwide has jumped from about 700 to over 1300. "It's the hidden disease of the '90s," says Paul Ashe, president of the National Council on Problem Gambling. "You can't see



the card tracks on their arms. You can't smell the dice on their breath."

Compulsive gambling has been linked to child abuse, domestic violence, bankruptcies, welfare fraud and other criminal ills. A survey of 228 members of Gamblers Anonymous found that almost half admitted to insurance fraud, embezzlement or arson.

Today, 37 states run their own lotteries—generating almost \$12 billion in net income—and spend millions on seductive advertisements. "When the cigarette industry did this with Joe Camel, the country was outraged," says Valerie Lorenz,

ILLUSTRATED BY JARED SCHNEIDMAN DESIGN

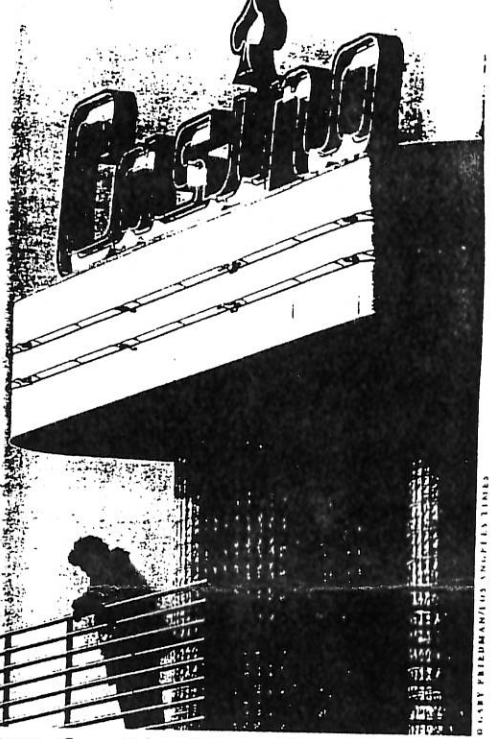
blackjack, women tend to play noncompetitive games like slot machines and video poker. Their motivation is often to escape boredom, abusive relationships or grief, says Henry Lesieur, president of the Institute for Problem Gambling in Pawtucket, R.I.

Gwen, a waitress and single mother, had just come off a three-day bender at the Hollywood Park Casino. She blew a paycheck, emptied her new checking account, gambled right through her work shift. The rent on her Los Angeles bungalow was due in four days, but she didn't know where she would get the money. She had already pawned most of her possessions. Often, Gwen borrowed money from her 15-year-old son and pawned his belongings as well.

One night, driving home from the casino, Gwen contemplated veering off the road, ending it all. "I just don't want to be here," she mumbled.

**Scarce Options**

**T**HERE ARE about 10,000 treatment programs around the country for substance abusers, but very few centers minister to bettors. So most gamblers are on



Lost—Gwen (above) pawned her son's possessions to gamble at the Hollywood Park Casino.

their own, seeking help—when they choose to—primarily through Gamblers Anonymous meetings.

The federal government spends almost nothing on compulsive gambling. According to Baltimore expert Lorenz, just 28 states provide any money for treatment, education or prevention. The less than \$20 million spent nationwide is a small fraction of the billions reaped in revenues.

In 1996 Congress created the National Gambling Impact Study

Addicted to Luck

Commission to examine the effects of legalized gambling on society. Rep. Frank Wolf (R., Va.) and Sen. Paul Simon (D., Ill.) sponsored the commission bill, envisioning an impartial body with full powers to subpoena industry executives and internal documents. "It's just tearing people up," Wolf says of habitual gambling. "We have record bankruptcies at a time of economic growth. Older, retired people are losing their life savings. The suicides, the heartbreak ... it's a sickness."

Counterattack

**T**O BLUNT the work of the commission, the gambling industry is waging a multi-million-dollar campaign through its nonprofit American Gaming Association, which represents more than 100 casinos and other companies in the business. It is run by attorney Frank J. Fahrenkopf, Jr., who lobbies Congressmen about how gambling creates government revenue and jobs. Dozens of once-languishing towns are booming again, he declares, because of casinos. "We don't outlaw automobiles because there are aggressive drivers who cause accidents," he says.

Before the commission bill was passed, Fahrenkopf's organization and several casino powerhouses mobilized a massive lobbying effort. Casinos poured

millions of dollars into the political coffers of Democrats and Republicans alike.

The blitz paid off: the industry won important changes in the commission's composition and authority. The idea of a neutral panel was dashed, and seats were opened to vested interests from both sides, including those considered pro-gambling. And though the commission was given authority to subpoena documents, it was blocked from forcing casino executives to testify. Says Mark Andrews, Jr., a St. Louis businessman who led a losing fight against expansion of riverboat gambling in Missouri, "This industry has the money and muscle to conquer everything for their benefit at any cost."

AS THE GAMBLING INDUSTRY and its critics battle, people like Gwen try to keep their heads above water even as they are unable to comprehend their

Where to Find Help

- IF SOMEONE YOU KNOW has a gambling problem, contact:
- ▶ National Council on Problem Gambling, P.O. Box 9419, Washington, D.C. 20016; 800-522-4700; www.ncpgambling.org
  - ▶ Gamblers Anonymous, P.O. Box 17173, Los Angeles, Calif. 90017; 213-386-8789; www.gamblersanonymous.org
  - ▶ Gam-Anon, P.O. Box 570157, Whitestone, N.Y. 11357; 718-352-1671



## Addicted to Luck

executive director of the Compulsive Gambling Center in Baltimore. "Now our government is doing it."

### Ruined Lives

**M**ANY gambling addicts share a common beginning: a hefty payday that they spend years trying to recapture. As they chase the elusive exhilaration of a big win, their families are often left to struggle for normality in a world of deceit and madness. Money starts vanishing: \$200 here, \$500 there.

The husband of Jessica,\* a 42-year-old homemaker in Whittier, Calif., was making decent money as an industrial-plant manager. But, she says, "he fantasized about having this Monte Carlo existence."

Lottery keno became the rhythmic pulse of her husband's life. For five years he would leave the house at 5:30 a.m. every weekend and join other regulars at a local doughnut shop, watching the numbers flash on a monitor. He'd shuffle home hours later, refusing to divulge his losses.

Like tens of thousands of spouses of compulsive gamblers, Jessica struggled to pay the bills. She hid money in cereal boxes, books, couch cushions. On payday, when her husband's check was directly deposited into their account, they would race each other to the bank. Jessica would go to one branch and he'd head to another. She would sit at the drive-up window, jamming her withdrawal slip in the pneumatic tube the mo-

\*Name changed to protect privacy.

ment the bank opened. If she got the money, they could pay the utilities. If not, he'd be off to the races, the casinos or the doughnut shop.

Jessica joined Gam-Anon, a support group for family and friends of compulsive gamblers. Now divorced, she doesn't know where her ex-husband lives. With delinquent mortgage payments of \$23,000, and unable to meet the demands of the bankruptcy court, she was forced out of her home. "The only reason we filed for bankruptcy was because of gambling," Jessica says. "I'm sure that if it happened to me, it's happened to a lot of other people."

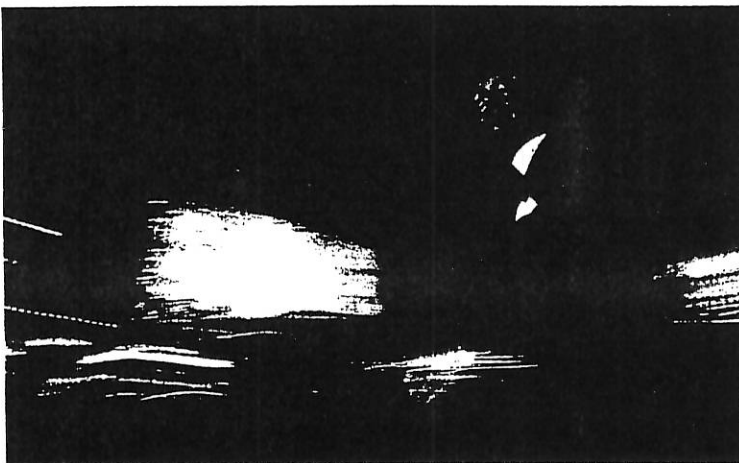
### New Victims

**T**RADITIONALLY, compulsive gamblers have been middle-aged men. Today, though, increasing numbers of women are getting hooked. And senior citizens are a lucrative new customer base. Lonely after the loss of a spouse or a career, some elderly see gambling as a harmless way to pass time.

A Florida resident, 62, started visiting the casinos in Biloxi, Miss., after her husband died. "I withdrew from everything except gambling," she says. "It was a place to get away, and no one was there who could remind me of Jim." The former schoolteacher lost almost \$800,000 in 2½ years and was arrested for writing bad checks.

A third of problem gamblers are now women. While men usually prefer competitive games like poker and

## Addicted to Luck



© GARY FRIEDMAN/LOS ANGELES TIMES

**Gambling Czar**— Frank J. Fahrenkopf, Jr., head of the American Gaming Association, leads the industry's massive battle against its foes.

own obsession. Several years ago, on her son's tenth birthday, Gwen went to buy party supplies but ended up at the Commerce Casino. Hours passed as Gwen ran through the \$2000 in her bank account. Her family paged her, and her son begged her to come home. "Even if you don't have a present for me, it's okay," he said.

When she finally showed up, the youngster was hunched in a corner, waiting. "That's where he's been sitting all day," her sister said in disgust.

Gwen approached him. "Mom," he asked, looking up, "why couldn't you come to my party?"

The memory still sears. "I have hurt so many people with my gambling," says Gwen, who now attends Gamblers Anonymous meetings. "A lot of people think gambling is harmless. They don't know it can make you steal and mistreat your loved ones. They don't know this is a deadly disease that can kill you."

For information on prices and availability of reprints write: Reader's Digest, Reprint Department-R, Box 408, Pleasantville, NY 10570 or call: 1-800-289-5457. For magazine subscription information call: 1-888-344-3782.

REPRINTED FROM THE JUNE 1999 ISSUE OF READER'S DIGEST

© 1999 THE READER'S DIGEST ASSOCIATION, INC., PLEASANTVILLE, N.Y. 10570 PRINTED IN U.S.A.

This reprint does not constitute an endorsement, implied or otherwise, by Reader's Digest. It may not be reprinted by anyone other than Reader's Digest or used in any way for advertising or promotional purposes without the written permission of Reader's Digest. The reprint may not be distributed in any other than Reader's Digest and no message, with the exception of the donor's name may be imprinted on it. Reader's Digest, The Digest and the Reader's Digest logo are registered trademarks of The Reader's Digest Association, Inc.

Pat Bullock  
Heart of Kansas Southern Baptist Association  
3474 South Meridian  
Wichita, Ks 67217

Casinos and operations that espouse gambling promise benefits that cannot be produced. There are many reasons for that but I will talk about things that are a concern to me.

The first issue I have with legalizing gambling is that it impacts the family in a devastating way. Two of the issues are intricately intertwined. The family and finances suffer for those who get caught up in gambling.

The committee on the Social and Economic Impact of Pathological Gambling in Washington DC gave a review of their study in 1999. They stated that "Gambling has ...resulted in economic and social costs to individuals and families, as well as communities...Such costs include traffic congestion, demand for public infrastructure or services (roads, schools, police, fire protection, etc.)...increased crime, and pathological or problem gambling. To the extent that pathological gambling contributes to bankruptcy and bad debts, these increase the cost of credit throughout the economy...This is found on pages 156-157 of their review.

Another study shows that millions of today's teenagers are gambling, either with friends at school or at parties, or on the Internet. Some are sneaking into casinos. In one state 34,000 young people were evicted from casinos. There is no study to show what the long-term affect is on teenagers who gamble.

Why has this become a problem with teenagers? George Meldrum of the Delaware Council on Gambling problems gives some reasons. I will mention two. He says, "This is the first generation of kids growing up when gambling is legal and available". There is a lack of parental concern also.

Government will become responsible for perpetrating an addiction on citizens in the name of trying to increase their funds for their budgets. Profits are grossly overstated. There is a substantial increase in law enforcement, judiciary, and welfare costs to the state. It must stack the odds against the little guy if it is to make a profit. Gambling has no

Senate Federal & State Affairs  
Committee  
2-15-05  
Attachment 10

product, and therefore cannot add to the overall economic growth of the state. What is frightening is that it simply redistributes money from its poorest citizens to the government. The government becomes a predator.

I must state my Biblical reasons also. Gambling is based upon greed rather than working for a living. Exodus 20:17 says "You shall not covet your neighbor's house you shall not covet your neighbor's wife, or his manservant or maidservant, his ox or donkey, or anything that belongs to your neighbor." Proverbs 15:27a states that, "A greedy man brings trouble to his family." I Timothy 6:9 states that "people who want to get rich fall into temptation and a trap..."

Men who believed that we should work to provide for ourselves founded our nation.

# HEIN LAW FIRM, CHARTERED

5845 SW 29<sup>th</sup> Street, Topeka, KS 66614-2462

Phone: (785) 273-1441

Fax: (785) 273-9243

Ronald R. Hein  
Attorney-at-Law  
Email: rhein@heinlaw.com

**Testimony re: SB 170**  
**Senate Federal and State Affairs Committee**  
**Presented by Ronald R. Hein**  
**on behalf of**  
**Prairie Band Potawatomi Nation**  
**February 15, 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 SB 170 for the reasons set out in this testimony.

## **PBPN Position and IGRA**

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

## **Tribal Gaming Generates Tax Revenue and Economic Development**

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

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

Senate Federal & State Affairs  
Committee  
2-15-05  
Attachment 11

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

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

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

### **Gaming History and the Slippery Slope**

We have much to learn from the history of gaming from what has occurred with parimutuel gambling in Kansas, and with gaming in Missouri. Once the state starts down the slippery slope of casino gaming, the state will not be able to stop itself from falling further into expanded gaming as more groups and areas of the state demand to be included. 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.

### **Gaming Expansions Effect upon Economic Development and the State**

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

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



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

### **SB 170 Is Not the Way To Expand Gaming**

The Governor's Gaming Committee spent a great deal of time researching gambling in the summer of 2004. 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.]

SB 170 does not meet the findings or the recommendations of the Governor's Gaming Committee.

The Governor's Gaming Committee also noted the following:

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

SB 170 could provide for multiple casinos in lieu of "destination casinos". This approach to gaming has the potential to pull the vast majority of the gamblers from the surrounding communities, which makes them "convenience casinos", which even the Governor's Gaming Committee recommended the state avoid.

Virtually all of the decisions relating to how many casinos, where they are located, how big they are, who is authorized to "operate" them, etc. appear to be up to the Executive Director of the Lottery, not the legislature. There are at least two major policy problems

February 15, 2005

Page 4

with such a procedure. **The legislature should have a say on all of the issues listed above**, rather than just one person in the executive branch of government. Secondly, **this is one of the most major policy issues to be decided in Kansas in years, and ALL of the details are left up to the Lottery Director as the "director deems appropriate"**. [See SB 170, page 6, lines 27-40.]

Another problem with SB 170 is the allocation of funds. Fifty percent (50%) of the gaming revenues after pay out of prizes, goes into an account (LGFOA-Lottery Gaming Facility Operating Account) to pay the expenses of the gaming facility operator in operating the gaming facility, which expenses are to include the interest on the bonds for the facility, and the other 50% is distributed as follows: 25% to the gaming facility operator (ostensibly as sheer profit to the operator because all of the expenses have been paid) and 75% to the trust fund for the state to be used for school finance. But, for some reason, before the money is available for school finance, there is a provision that IF the gaming facility operator does NOT pay principle on the bonds, the state will pay the principle on the bonds when the payments are due. Apparently payment on the bonds is NOT an expense that was to be borne out of the 50% share for expenses. It is unclear WHO is responsible for paying the bonds. It is also unclear who gets the depreciation expense for the facility.

Has any study been done that 50% is the appropriate amount to be paid for expenses (not apparently counting depreciation on bond retirement expenses)? Has any study been done as to whether 12.5% of the gaming revenues after payouts is a legitimate amount to pay a "manager"? Why is the amount to be paid the "manager/operator" not bid out so the state can get the best deal possible?

SB 170 has numerous detailed procedures and provisions which have NOT been included in earlier versions of gambling legislation which the legislature has reviewed. The legislature should make certain that they fully appreciate all of the financial and other details of SB 170, before taking action on the bill, if they truly are interested in maximizing revenues to the state from gambling. Some of the provisions of the bill appear that the "manager" is the real operator of the gaming, not the state.

### **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 SB 170, which seems to be 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 SB 170 is more like the "licensed and regulated" language used in the Kansas Constitution for pari-mutuel gambling, which the Governors legal counsel has noted is a completely different standard than the "owned and operated" requirement of the Constitution for the lottery.

SB 170 and other such proposals which provide for non-state companies to be granted a "certificate of authorization" (which I note has been changed from last year's SB 499's

February 15, 2005

Page 5

“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.

**Testimony to Senate Federal and State Affairs Committee**

**Senate Bill 170**

Presented by Kevin Neuman

(913) 681-2228

**► Introduction:**

Good morning Chairman Brungardt and other members of this committee. I am Kevin Neuman, a Kansas private citizen, and I appreciate very much the opportunity to speak at this public hearing.

I live and work in Overland Park and am a constituent of Senator Vratil, who I respect very much but respectfully differ from him on the merits of SB170.

**► SB170 casinos would really be “regional”, not “destination”**

Casinos can be classified as either “regional”, drawing from the local community or “destination” like Las Vegas or Atlantic City that become gambling destinations of people not living in that area. Since gambling proponents are aware of studies that show “regional” casinos very adversely affect local economies and increase crime and bankruptcies, they are now call *all* proposed gambling facilities as “destination.” If Johnson, Leavenworth, Wyandotte and Miami counties all had casinos (let alone the other 101 Kansas counties), how could they be conceived as anything but “regional” casinos - each with a minimum of 300 slot machines - competing with each other for Kansas gamblers and potentially wreaking havoc on the local economies.

**► Johnson County does not need gambling and the state of Kansas does not need Johnson County to have gambling:**

What’s at risk? The Kansas City Star just had a story<sup>1</sup> about new statistics released by the County Economic Research Institute Inc. of Overland Park showing that Johnson County remains the largest source of Kansas tax revenue. A recent Kansas Department of Revenue report says Johnson County was the biggest source of cash from individual income, sales and property taxes. In fiscal year 2004, more than \$431 million in state sales tax was collected in Johnson County, about 27 percent of the statewide total. The message is that Johnson County is an economic engine for itself and Kansas and is a perfect example of the old adage “if it’s not broken, don’t fix it.” Can we risk breaking that engine, and those of other counties showing economic progress, with the negative economic dynamics that could be the result of casinos popping up in and around Johnson County?

**► Johnson County officials do not need to spend time on gambling:**

Surely many members of the Kansas legislature are weary of spending time on the gambling topic. Another reason I am opposed to SB170 is that it could likely begin a process that would steal time from even more public officials - those at the county and even municipal levels - as they would logically dedicate resources to understand their responsibilities for county referendums and ultimately could conclude that they, too, should come to future state hearings like this to get a place in the line of gambling money recipients. I do not wish that on state officials and certainly do not want what has plagued the Kansas legislature for the last decade to spread to Johnson County officials. Enough is enough.

Senate Federal & State Affairs  
Committee

2-15-05

Attachment 12

**Testimony to Senate Federal and State Affairs Committee**  
**Senate Bill 170 (& 168),**  
Presented by Kevin Neuman  
(913) 681-2228

► **Gambling is not a substitute for traditional economic growth:**

Proponents of Kansas gambling constantly point across the river at the success of Missouri riverboats. Preceding the 2004 legislative session, I testified before the Kansas Governor's Committee on Gaming and used a metaphor asking why we would want Missouri's potholes. Today I would extend that analogy to the many Missouri state services being eliminated, in spite of the alleged gambling revenues received by that state. Missouri has not gambled itself rich enough to pay for basic state services and Kansas won't either when studies have shown a state incurs at least \$1.75 in social costs<sup>2</sup> for every \$1 of gambling revenue. Even Nevada, the epitome of a "destination" casino, admits it should not have chosen gambling as a way to fund their state<sup>3</sup>. States cannot use gambling to treat funding symptoms when the cure to the budget disease is developing and encouraging traditional economic growth.

---

<sup>1</sup> Kansas City Star, Monday, February 14, 2005

<sup>2</sup> **Business Profitability Versus Social Profitability: Evaluating Industries with Externalities, The Case of the Casino Industry** By Earl L. Grinols and David B. Mustard, Department of Economics, University of Illinois

<sup>3</sup> Nevada Governor Kenny Guinn in his state-of-the-state address presented to the Nevada legislature on Jan. 20, 2003.