

MINUTES OF THE SENATE FEDERAL AND STATE AFFAIRS COMMITTEE

The meeting was called to order by Chairman Pete Brungardt at 10:30 a.m. on Thursday, February 17, 2005, in Room 241-N of the Capitol.

All members were present except:
Senator Anthony Hensley (E)

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:
Doug Lawrence, Kansas Greyhound Association
Bob Stephan, Legal Advisor, Destination Kansas/River Falls Gaming (DK/RFG)
Ed Gillette, Legal Advisor, DK/RFG
Larry Waldrop, Legal Advisor, DK/RFG
Jim DeHoff, Executive Secretary of the Kansas AFL/CIO
Phil Ruffin, Wichita Greyhound Park/Camptown
Steve Ward, President, Kansas Greyhound Association
Paul Treadwell, President, Kansas Quarter Horse Racing Association
Pam Davis, Kansas Thoroughbred Association
Brian Garrels, City Administrator, Eureka, Ks.
Don Denney, Unified Government of Wyandotte County
Gene Ralston, Board of Directors, Kansas Quarter Horse Association
Glenn Thompson, Executive Director, Stand Up for Kansas
Kathy Bassett, Topeka resident
Rex Haney, Gage Bowl, Topeka
Vern Schwanke, Bowling Proprietors Association
Kevin Neuman, Grey2K USA (written only)
Frances Wood, Women's Christian Temperance Union (written only)
Ron Hein, Prairie Band Potawatomi Nation
Whitney Damron, Kickapoo Tribe and Sac & Fox Nation

Others attending:
See attached list.

Chairman Brungardt called for bill introductions. Amy Campbell requested, on behalf of the Kansas Association of Beverage Retailers, the introduction of a bill which would make the Kansas Liquor Control Act uniform.

Senator Vratil made a motion to introduce the requested bill, seconded by Senator Reitz, and the motion carried.

Senator Vratil made a motion to introduce the bill, seconded by Senator Reitz, and the motion carried.

SB 168 - Kansas expanded lottery act; authorizing destination casinos, electronic and video gaming and other games at certain locations

Chairman Brungardt opened the hearing on **SB 168**. He called upon Doug Lawrence, Kansas Greyhound Association, to testify in support of **SB 168**. Mr. Lawrence referred to the handouts with his written testimony, noting the Legislative Research Department's comparison of **SB 168** and **SB 170** giving a breakdown of issues between the two bills. He also included a copy of the Feasibility Study conducted by the Kansas Lottery last year, and referenced page 5 depicting the largest revenue projection scenario for the state was shown for the three casino areas of Kansas City, Wichita, and Southeast Kansas, that amounted to almost \$900 million. A discussion of problem gambling developed by the Public Sector

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Gaming Study Commission, Florida State University, was also included in the handouts. Mr. Lawrence said that former Kansas Senator Lana Oleen served on the National Council of Legislators from Gaming States (NCLGS) which had commissioned the study. ([Attachment 1](#))

Mr. Lawrence explained that there was a loose coalition of supporters behind this proposed legislation which included the Kansas Greyhound Association, Kansas Thoroughbred Association, and Kansas Quaterhorse Association along with some developers who were willing to step forward and make huge investments in Kansas and have been working together for the last several years. He stated that 90% of the language in **SB 168** comes from **SB 499** introduced by Governor Sebelius last year. He said the bill was divided into two main parts, i.e. Destination Casinos and Video Lottery Terminals. The Destination Casino portion of the bill, beginning on page 1 and going through page 13, describes the requirements for development of large destination casinos in three locations in Kansas. The Video Lottery Terminal portion establishes a mechanism of placing video lottery terminals in Parimutuel racing facilities in Kansas, and private clubs operated by non-profit veteran's service organizations which begins on page 14.

Mr. Lawrence said that both portions of this bill are crucial to the strategy of generating a new revenue stream for Kansas. He said it was estimated that this bill would generate \$150 million in Fiscal Year '06, and make available another \$200 million dollars in FY '07 when all the components are combined. Mr. Lawrence outlined ten key provisions which are detailed in his written testimony.

Ed Gillette, legal consultant for Destination Kansas/River Falls Gaming, L.L.C. and also a former member of Governor Sebelius' Committee on Gaming, testified in favor of **SB 168**. He told the Committee that the Committee on Gaming conducted eight public meetings throughout the State, heard over 30 hours of live testimony, reviewed literally thousands of pages of information on gaming and had a number of informal conversations between committee members on the pros and cons of the issue. The proponents and opponents of expanded gaming were also heard from by the Committee on Gaming. He explained what that committee concluded and talked about the committee report. ([Attachment 2](#))

Mr. Gillette stated that the problem with the expansion of Indian Gaming in the Kansas City area was two-fold. First is the issue of whether or not the Department of Interior will agree to off reservation land in trust, and second, the Indian tribes demand of exclusivity. He explained the process and discussion that went into the study by the Committee on Gaming. He stated emphatically that the Committee on Gaming pointedly stated that it did not support full exclusivity for an Indian casino in exchange for revenue sharing. Mr. Gillette added that the Committee on Gaming further stated that only Wyandotte County had the potential to support more than one significant casino, and that it was a better idea to develop one casino in Wyandotte County than attempting to develop many casinos.

Robert Stephan, Legal Advisor for Destination Kansas/River Falls Gaming, spoke in favor of **SB 168**. He talked about the constitutional authority of the State of Kansas in owning and operating a casino gaming establishment. Mr. Stephan gave background history of the constitutional issues debated over the years he was the Kansas Attorney General. As the Attorney General he stated he had issued an Executive Summary as well as a Memorandum in regard to constitutionality of state owned and operated casinos as detailed in his written testimony. On page two of his written testimony, Mr. Stephan listed the ten elements of owning and operating a casino which are much the same as a lottery. He concluded his testimony by stating that it was abundantly clear that under the Constitution of the State of Kansas and case law that Kansas has the constitutional authority to enact, through the Legislature, a state owned and operated casino. ([Attachment 3](#))

Senator Vratil questioned in regard to page 2 and 3 of Mr. Stephan's Memorandum, as to where those elements came from and whether they were from case law or were Mr. Stephan's conclusions. Mr. Stephan responded that he took it from case law that involved the elements that would be needed to designate a state owned and operated lottery. Senator Vratil requested that those case citations be furnished the Committee, and Mr. Stephan said he would be glad to furnish that information.

Senator Vratil asked Mr. Stephan to clarify the tenth element listed relating to the state not being required to own the real estate upon which a casino operates or the casino buildings or gaming equipment as long

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as it owns and operates the casino itself. He asked what is left, and Mr. Stephan said the money. He explained that it was the same way as a Lottery dispenses its tickets through Quick Shops and other retail establishments in the state. The Lottery does not own the buildings, the land, or equipment, but they receive the money that comes from the Lottery. Senator Vratil questioned whether anyone had challenged the constitutionality of the Lottery. Mr. Stephan replied that he did not know, but stated that he could not believe that the Lottery would be deemed unconstitutional because of the earlier testimony of the Supreme Court's previous rulings regarding the Lottery.

Larry Waldrop, Managing Member of River Falls Gaming LLC, testified in support of **SB 168**. He stated that this was the first time in the many years that proposed expansion of Kansas Lottery has been presented that the various proponents have joined together in support of one bill. He explained the elements of a Destination Casino Resort, and emphasized that this type of development will not only increase tourism in Kansas, but will also capture more tourism dollars from the visitors to existing attractions. More importantly, he stated that destination Casino Resorts will generate the much needed revenue to the state with a limited number of locations. ([Attachment 4](#))

Mr. Waldrop talked about the proposal including a 400 room hotel, resort spa and fitness center, a "Branson style" showroom, special events center for larger entertainment venues and conventions and several quality themed restaurants. The development and investment team is committed to spend over \$200 million to bring to Kansas a first class resort in Wyandotte County which will also create over 5,000 construction jobs, 6,000 permanent jobs and another 10,000 jobs in support related companies. He stated that annually the State will receive over \$200 million in direct revenue and local units of governments will have an additional \$30 to \$40 million.

Jim DeHoff, AFL/CIO, spoke in favor of **SB 168** as it would be an excellent economic development opportunity with the additional job opportunities that expanded Kansas gaming would provide. He said that it is estimated that Kansas would realize a net gain of up to 10,000 new jobs on a permanent basis and up to 4,500 new jobs in construction. Businesses in the community would realize gains in support services for the recreational casino facilities. ([Attachment 5](#))

Steve Ward, Kansas Greyhound Association, submitted written testimony in favor of **SB 168**, in the interest of time and allowance for more proponents to be heard. ([Attachment 6](#))

Phil Ruffin, Wichita Greyhound Park/Camptown, testified in support of **SB 168**. (no written testimony was submitted)

Paul Treadwell, Kansas Quarter Horse Racing Association, testified in support of **SB 168**. He said that when Kansas voters approved changing the state's Constitution to permit the lottery and parimutuel racing, the voters intended to permit gaming activities carefully regulated by the State which would return a benefit to taxpayers. The state and its tax payers do not receive anything from the gaming dollars that are spent on Missouri riverboats and at Native American casinos in Iowa and Oklahoma. Mr. Treadwell stated that the state needs economic development, and this bill provides several avenues for that to happen. He explained one avenue is to increase breeding and racing of greyhounds and horses in Kansas which will provide funds for economic development and support small communities and rural areas in the state. He concluded that the greatest benefit that this bill has is that it makes approximately \$100 million in state funds available for the education system in Kansas. He included with his written testimony information regarding having over 91,000 quarter horses in Kansas and having over 7,000 members in their association. Mr. Treadwell stated that those numbers could increase greatly, possibly doubling, with the passage of **SB 168**. ([Attachment 7](#))

Senator Vratil inquired of Mr. Treadwell whether the purse supplements that are called for in this bill were for economic development purposes for greyhounds and quarter horses; and Mr. Treadwell responded affirmatively, and that it was for the thoroughbreds, greyhounds and quarter horses. Senator Vratil commented that to his knowledge this would be the only situation in Kansas history where for economic development purposes an entity like Mr. Treadwell's, the Quarter Horse Association, would be receiving a guaranteed stream of revenue from the State of Kansas in perpetuity without any

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accountability provisions. He asked Mr. Treadwell if he could identify any other entity in the State of Kansas that has that kind of beneficial situation. Mr. Treadwell responded that there were none that he knew of; however, those groups are having to compete against other states for races and against the economy itself. Senator Vratil asked if Mr. Treadwell believed in accountability for the expenditure of state dollars. Mr. Treadwell replied that he did.

Pam Davis, Kansas Thoroughbred Association, testified in support of **SB 168**. She spoke about the positive impact of the income from the racing industry and breeding programs in Kansas. She talked about the Agricultural business and Ag related occupations that come from this industry and equine programs. Ms. Davis stated that one of the problems the industry has was a lack of enhancement for breeding and racing programs. She explained that a lot of people foal and breed their mare outside of Kansas in order to take advantage of other racing and breeding programs. She urged the Committee to pass **SB 168** in order to improve the agricultural economy based on this industry. (Attachment 8)

Brian Garrels, City Administrator for Eureka, Ks., spoke in favor of **SB 168**. He stated with the passage of this bill Kansas' racing establishment would be able to provide larger purses. Kansas would be able to compete with other states in the racing industry to attract owners, trainers, and jockeys from other states and to retain the ones from Kansas. He added that the addition of slot machines would help increase the productivity and vitality of Eureka Downs. It would create an economic ripple effect that would necessitate hiring more trainers, selling more hay and other agricultural products, hiring additional workforce during the race season and facilitate a need for development in Greenwood County. He said small rural areas have very limited opportunities to compete with larger urban areas for substantial population and economic growth. Mr. Garrels concluded his testimony by saying that horse racing has been a historical attraction in Eureka since 1872, and with the passage of this bill, the Legislature would be helping sustain the historical and cultural attraction that the area has know for over 132 years. (Attachment 9)

Don Denny, Unified Government of Wyandotte County, testified in support of **SB 168**. He stated that every year since 1991, local government in Wyandotte County and Kansas City, Kansas, have lobbied the Legislature for expanded gaming in Kansas, and most specifically, the opportunity for a destination casino in Wyandotte County. In 1996, there was a very clear mandate when 82% of the electorate overwhelmingly said they supported expanded casino gaming in their community. He pointed out that the State of Kansas was losing millions of Kansas dollars to the State of Missouri because of the continual increase in the casino gaming industry in Missouri. Mr. Denny said a "no" vote to expanded gaming in Kansas was not going to protect the Kansas economy or prevent Kansans from gambling at casinos in neighboring states, but it would prohibit the Kansas economy from benefiting. (Attachment 10)

Gene Ralston, Kansas Quarter Horse Association, spoke in favor of **SB 168**. He spoke about the exportation of dollars out of Kansas which hurts the state economically. There are many owners of race horses and trainers of race horses who do not come to Kansas or race in Kansas because of the purse structure and the availability of racing opportunities. He said these owners and trainers spend their racing dollars in California, New Mexico, Oklahoma, Texas, Louisiana, Iowa, as well as, other states because of racing legislation which has been established in those states. Mr. Ralston stated that this bill would increase purse sizes and attract trainers and owners to race here in Kansas, and consequently, increase the funds going to the State as well as enhance other business which support the racing industry. (Attachment 11)

Mayor Stephanie Eickhoff, City of Edwardsville, submitted written testimony in support of **SB 168**. (Attachment 12)

Chairman Brungardt called the first opponent to testify against **SB 168**. Glenn Thompson, Stand Up For Kansas, testified that there were numerous deficiencies contained in the bill including not specifying the percentage of video lottery terminals (VLTs) revenue to be paid to parimutuel sales agents (racetracks) and club sales agents (veteran clubs) and the percentage of VLT revenue to be retained by the state. He stated the primary reason Stand Up For Kansas opposes expanding gambling in Kansas was the severe adverse economic and social impacts the proposed casinos would have on citizens living in surrounding regions. He talked about the two studies completed in 2004: (1) a study commissioned by the Kansas

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Lottery, and (2) a study commissioned by the Wichita Downtown Development Corp. Mr. Thompson's detailed comparisons of the two studies was outlined in his written testimony. (Attachment 13)

Mr. Thompson emphasized that the accessibility to a casino is a major contributor to gambling addiction. He concluded that the so-called destination casinos and parimutuel racetrack casinos proposed in **SB 168** would simply be regional casinos, pulling most revenue, totaling hundreds of millions of dollars, from surrounding counties. Terms used in the bill to promote the casinos as major tourist attractions, such as "destination casinos," "tourism," and "economic development," are not consistent with results of the Kansas Lottery study and the Wichita downtown Development Corp. study.

Kathy Bassett, citizen of Topeka, testified in opposition to **SB 168** and **SB 170**. She stated she adamantly is against the expansion of gambling in Kansas because of the effect gaming has on communities and personal lives, including financial ruin, increased crime with resultant imprisonment, divorce, and attempted and successful suicides. Ms. Bassett told the Committee how gambling destroyed members of her family, including her only brother, her mother, and her son. Her brother, David, was a very educated man with four degrees including a Masters of Social Work, and had worked for nine years as a mental health counselor and eventually a supervisor. Her mother was a nurse who also developed a gambling habit and had loaned her brother money to help cover his losses. Her son, Jason, began gambling after working for Harrahs in Topeka and at Lake Tahoe. He began embezzling money at work to cover his own gambling debts and had given money to his uncle and his grandmother to help cover their gambling losses.

Ms. Bassett related that her son was arrested for felony theft in May of 2003, and subsequently went to prison. Jason's marriage also suffered, and he has three young sons. Her elderly mother filed bankruptcy due to gambling debts in the fall of 2003, which necessitated her mother's continued full time employment as a nurse to pay off the bankruptcy. Ms. Bassett gave emotional testimony about the weekend after Christmas of 2003, when her brother, David, committed suicide on top of their father's grave. He left a note asking to be buried as close to his father as possible, and told his wife to find someone "free of addiction." She stated that the foregoing tragedies were the direct result of involvement with a Kansas casino. She said she did not approve of what her brother and son did, but understood the source of their mistakes. Ms. Bassett urged the Committee to not allow the expansion of gambling in the State of Kansas as it would only cause other devastating tragedies for Kansas families, both financially and socially. (Attachment 14)

Rex Haney, owner of Gage Bowls in Topeka, Past President of the Kansas State Bowling Proprietors Association, testified against **SB 168**. He explained that the number of bowling centers in Kansas have decreased about 10% since the Bowling Proprietors last testified before the Legislature on gaming. He said it was ironic that he read in the newspaper the day before that the Indian gaming and other gambling is up by 10%. Mr. Haney talked about how the bowling centers in Kansas compete every day for the recreational dollar of the Kansas consumers, and that those businesses are further harmed if gaming were expanded only to the areas stated in **SB 168**. He emphasized that the bowling centers are facilities for families, fund raisers for charities, and also conduct youth sports such as high school bowling. He explained that bowling centers have had a very positive effect with respect to the Kansas economy in relationship to the number of employees that work at the centers, payrolls, sales tax collected, and personal and property taxes paid. Mr. Haney stated that State gaming should not single out certain groups and give those groups certain monopoly privileges that would cause the decline of other entertainment segments in Kansas. (Attachment 15)

Vern Schwanke, co-owner of Colby Bowl Fun Center, spoke in opposition to **SB 168** in its present form. He spoke about fairness and the effects this bill, in its current form, would do to existing businesses in the recreation and hospitality industry in Kansas. He pointed out that a provision in this bill would allow veterans organizations with Class A liquor licenses, to have video lottery machines. This proposal is just a "feel good" approach to expanded gaming opportunities in the state, but it will be extremely harmful to independent recreation business because, unlike veterans organizations, they pay full taxes to the State of Kansas. He explained that the recreation business depends on discretionary spending, and at a time when the small businesses face 15% to 20% annual increases in utilities, property insurance, and healthcare

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insurance; it is impossible to increase their prices at the same pace. The Kansas Lottery would be coming to the smaller communities to directly compete with recreation businesses. It would be done through a not-for-profit veterans organization, while at the same time, the taxpaying, lifelong business are prohibited by Kansas law to have the same opportunity. He said the State should not be in the business of picking economic winners and losers, nor should it be competing with its own citizens in the recreation business.

Mr. Schwanke concluded that if expanded gaming is not done fairly, with a concern for a level playing field, it will have negative consequences to recreation businesses in Kansas. Expansion must provide opportunity for taxpaying recreation businesses, such as bowling centers, to compete. (Attachment 16)

Kevin Neuman, Grey2K USA, submitted written testimony in opposition of **SB 168**. (Attachment 17)

Frances Wood, Director of Legislation, Women's Christian Temperance Union, submitted a written statement for the record in opposition to **SB 168** and **SB 170**. (Attachment 18)

Chairman Brungardt announced that the hearing on **SB 168** would be continued at the next Committee meeting on February 22 in order to hear the remaining opponents that were signed up to testify.

The meeting was adjourned at 12:05 p.m. The next meeting is scheduled for Tuesday, February 22, at 10:30 a.m.

SENATE FEDERAL & STATE AFFAIRS COMMITTEE GUEST LIST

DATE Thurs., Feb. 17, 2005

Pro Alexander	" "
Sandra Keo	" "
E. Loree Green	" "
Freddie Perkins	Sand. Fox Nation
Bob Winter	Kickapoo
Koss Vogel	KS Econ Growth
Michelle Burhenn	KC Star
Frances Wood	Women's Christian Impersonation Union
Will Lawrence	
David Lawrence	KS Greyhound Assn
Steve Ward	KS Greyhound Assoc.
Phil Ruffin	Ruffin Co's
Louie East	WCTU - Topeka
W. Family Anderson	WCTU - Cap. City Unit
Night Daniels	K.T.A.
Jim W. Hall	Kansas AFL-CIO
Susan Farson	KS Greyhound Assn
Rozella Ramirez	Kickapoo Tribe in KS
Angie Miller	Damon & Associates
Debbie Whitbird	Kickapoo Tribe in KS.
Linda Bontreger	Kickapoo Tribe
Kathy Bradley	Kickapoo Tribe
Lisa Stanley	Kickapoo Tribe in Kansas
Ed. Amey	Colby Bowl - KSOPA
VERN SCHWABKE	COLBY BOWL - KSOPA

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Tom Long	KQHRA
Ronnie Jones	KQHRA
Whites Jaman	Kickapoo Tribe / Sac: Fox Nation
Brenda Webb	KS BPA.
Bernita Preston	WCTU & FBC
CHRISTIAN KRAMER	Disabled American Veterans
Wayne Bollig	KCUA
William Hoch	JTC
Rest Namonahle	GOLDEN EAGLE CASINO
Bubba Darnell	Kickapoo Tribe
Michael Rutledge	Golden Eagle Casino
David Jones	Golden Eagle Casino
Nathan Tebbagh	Golden Eagle Casino
David Brodoff	Golden Eagle Casino
Chad Kehl	Eureka KS
Gene Windedahl	K.T.A
Vincent P. Paine	K.T.A.
Ray Patterson	KTA
Robert Rodgers	KHA -- KQHRA
Jack Jester	KTA - Boulder Springs, KS
Mickie Hombeck	Greenwood County Economic Development Director
BRIAN GARRELS	CITY OF EUREKA
MIKE PITKO	CITY OF EUREKA - MAYOR

Doug Lawrence
Capitol Consulting Group
800 SW Jackson
Topeka, KS 66612

Testimony re: SB 168
Senate Federal and State Affairs Committee
On behalf of
Kansas Greyhound Association
February 17th, 2005

Mr. Chairman, Members of the Committee:

SB 168 represents, literally, years of experience and work by a wide range of people. It reflects a compromise of unprecedented proportions among the interests who believe that expansion of the Kansas Lottery is an appropriate – even necessary – means of supplementing education funding without raising taxes.

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

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

More Money, Faster for Education.

SB 168 Structure

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

The bill is divided into two main parts:

Destination Casinos
Video Lottery Terminals

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

Senate Federal & State Affairs
Committee
2-17-05
Attachment 1

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

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

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

Key Provisions

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

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

We appreciate your time, and urge your support for SB 168

Revised Comparison of Selected Bills Concerning Gaming

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

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

The Feasibility of Electronic and/or Casino Gaming in Kansas

Final Report

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

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

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

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

OBJECTIVES OF THIS STUDY

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

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

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

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

SUMMARY OF SURVEY FINDINGS

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

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

THE GOVERNOR'S GAMING COMMITTEE RECOMMENDATIONS

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

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

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

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

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

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

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

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

Source: Christiansen Capital Advisors, LLC

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

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

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

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

Source: Christiansen Capital Advisors, LLC

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

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

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

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

Source: Christiansen Capital Advisors, LLC

SCENARIO 3B: THREE RESORTS AND MACHINES AT FRATERNAL ORGANIZATIONS

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

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

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

Source: Christiansen Capital Advisors, LLC

Dodge City vs. the Galena Area

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

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

LARGE DESTINATION CASINO(S)

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

Kansas City

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

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

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

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

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

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

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

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

ADDING VLTs TO THE KANSAS LOTTERY

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

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

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

RACINOS

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

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

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

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

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

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

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

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

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

To view the PSGSC Final Report on-line, you must have Adobe Acrobat Reader.
[Download your free copy here.](#)

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

Serving on the PSGSC were:

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

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

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INTRODUCTION

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

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

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

The Scope and Deliberative Procedures of the PSGSC

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

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

Concerns about the Social and Psychological Impacts of Gambling

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

The States' Role in Gaming and Gambling Policy

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

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



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

Mr. Chairman, Members of the Committee:

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

The committee report makes it clear that,

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

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

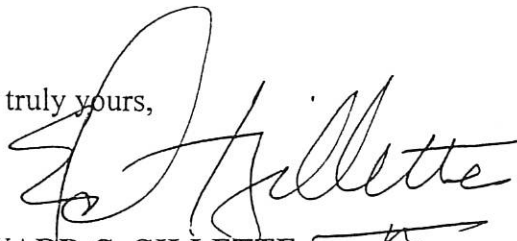
On the issue of exclusivity or competition within a single market, it was the sense of the committee that the state should allow multiple casinos in a single market only under limited controlled circumstances.

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

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

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

Very truly yours,

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

EDWARD C. GILLETTE
Attorney at Law

ECG:ng

Enclosure

cc: File

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EXECUTIVE SUMMARY

Constitutionality of a State Owned and Operated Casino

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

The State of Kansas has people that are willing and able to invest hundred's of millions of dollars in the state, so why should there be consideration to allow the use of the State's bonding programs. I encourage this committee to advance Senate Bill 168 and allow developers and investors to bring to Kansas quality developments that will increase tourism and add revenue to the State to supplement education.

Senate Federal & State Affairs
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Attachment 4

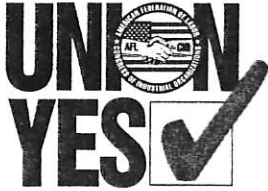
Kansas AFL-CIO

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Jerry Lewis
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Pam Pearson
Dave Peterson
Emil Ramirez
Steve Rooney
Debbie Snow
Richard Taylor
Wilma Ventura
Betty Vines
Dan Woodard*

Testimony on SB 168
to the Senate Federal & State Affairs Committee

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

Chairman Brungardt and Committee Members,

I am Jim DeHoff, Executive Secretary of the Kansas AFL-CIO. I appear before you today to urge your support of SB 168.

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

SB 168 would be an excellent economic development opportunity with the additional job opportunities that expanded Kansas gaming would provide. It is estimated that Kansas would realize a net gain of up to 10,000 new jobs on a permanent basis and up to 4,500 new jobs in construction. Businesses in the community would realize gains in support services for the recreational casino facilities.

We urge your support for passage of SB 168.

Thank you.



Senate Federal & State Affairs
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Steve Ward
Kansas Greyhound Association

Testimony on Senate Bill 168

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

The Kansas Greyhound Association is proud to be part of a coalition of Breed interests to support SB 168. We've worked hard with our friends in the Live Horse Racing industry to find common ground to present legislation, which benefits the state, by helping fund education without a tax increase, and creates an opportunity for dramatic growth of the Greyhound and Horse industries in our state.

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

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

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

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

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

We would appreciate your favorable vote on Senate Bill 168. Thank you.

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Attachment 6

The Kansas Quarter Horse Racing Association

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

February 17, 2005

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

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

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

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

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

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

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

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

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AMERICAN QUARTER HORSE ASSOCIATION

THE AMERICAN QUARTER HORSE INDUSTRY IN KANSAS FOR 2004

American Quarter Horse Population

- < 91,094 American Quarter Horses
- < 4,856 new foals registered
- < 2,986 transfers of ownership

AQHA Membership

- < 5,835 annual / 3 year memberships
- < 835 life memberships
- < 588 amateur card holders
- < 598 youth association members

AQHA Shows

- < 33 shows processed and 3 special events
- < 427 average entries per show and 67 average entries per event

AQHA Racing

- < American Quarter Horses race in Kansas at 3 different tracks
- < In 2004, the Total Gross Quarter Horse Purse was \$1,076,589
- < In 2004, the Total Pari-mutuel Quarter Horse Handle was \$1,570,101

Walt Fletcher of Lakin, KS is a member of AQHA's Executive Committee.

AMERICAN QUARTER HORSE RACING**State Statistics --- 1990-2004***(Stats in Bold Italics indicate years the state has had alternative gambling)*

Year	Number of Race Days	Number of Races	Number of Starters	Number of Starts	Average Field Size	Total Gross QH Purses	Avg Purse per Race	Added Money	Total Pari-mutuel QH Handle
IOWA									
<i>2004</i>	<i>47</i>	<i>213</i>	<i>664</i>	<i>1,698</i>	<i>7.97</i>	<i>2,310,880</i>	<i>10,849</i>	<i>1,953,376</i>	<i>7,287,273</i>
<i>2003</i>	<i>47</i>	<i>196</i>	<i>633</i>	<i>1,567</i>	<i>7.99</i>	<i>2,086,966</i>	<i>10,648</i>	<i>1,711,007</i>	<i>8,047,108</i>
<i>2002</i>	<i>45</i>	<i>209</i>	<i>749</i>	<i>1,800</i>	<i>8.61</i>	<i>2,731,971</i>	<i>13,072</i>	<i>2,321,025</i>	<i>7,742,535</i>
<i>2001</i>	<i>44</i>	<i>201</i>	<i>670</i>	<i>1,713</i>	<i>8.52</i>	<i>2,397,818</i>	<i>11,929</i>	<i>2,009,166</i>	<i>5,529,665</i>
<i>2000</i>	<i>45</i>	<i>201</i>	<i>633</i>	<i>1,683</i>	<i>8.37</i>	<i>2,151,533</i>	<i>10,704</i>	<i>1,829,894</i>	<i>5,594,437</i>
<i>1999</i>	<i>45</i>	<i>207</i>	<i>622</i>	<i>1,754</i>	<i>8.47</i>	<i>2,152,002</i>	<i>10,396</i>	<i>1,852,992</i>	<i>10,329,623</i>
<i>1998</i>	<i>45</i>	<i>201</i>	<i>601</i>	<i>1,651</i>	<i>8.21</i>	<i>1,829,074</i>	<i>9,100</i>	<i>1,484,470</i>	<i>8,725,261</i>
<i>1997</i>	<i>45</i>	<i>199</i>	<i>569</i>	<i>1,636</i>	<i>8.22</i>	<i>1,466,571</i>	<i>7,370</i>	<i>1,243,766</i>	<i>6,200,485</i>
<i>1996</i>	<i>62</i>	<i>130</i>	<i>336</i>	<i>1,087</i>	<i>8.36</i>	<i>502,890</i>	<i>3,868</i>	<i>386,934</i>	<i>2,351,585</i>
<i>1995</i>	<i>62</i>	<i>132</i>	<i>315</i>	<i>1,132</i>	<i>8.58</i>	<i>485,933</i>	<i>3,681</i>	<i>375,435</i>	<i>1,244,795</i>
1994	60	127	304	1,052	8.28	371,474	2,925	252,885	957,934
1993	59	150	390	1,390	9.27	362,373	2,416	237,027	1,277,058
		(No QH racing in 1992)							
1991	105	249	609	2,477	9.95	513,996	2,064	355,585	4,172,571
1990	93	205	486	1,947	9.50	421,172	2,054	328,759	4,864,911

KANSAS

2004	56	209	658	1,600	7.66	1,076,589	5,151	816,080	1,570,101
2003	57	200	625	1,577	7.89	1,201,137	6,006	942,270	1,537,744
2002	49	173	533	1,300	7.51	1,061,537	6,136	834,665	809,382
2001	52	168	477	1,286	7.65	939,540	5,593	731,850	562,395
2000	52	184	446	1,334	7.25	974,514	5,296	759,733	556,619
1999	48	169	473	1,198	7.09	839,339	4,967	657,359	540,692
1998	46	167	398	1,152	6.90	711,202	4,259	570,658	570,080
1997	48	147	404	1,100	7.48	658,895	4,482	520,278	513,290
1996	47	168	441	1,239	7.38	801,687	4,772	613,010	680,359
1995	70	233	482	1,660	7.12	810,599	3,479	603,401	951,957
1994	87	308	651	2,362	7.67	1,070,547	3,476	735,325	1,759,947
1993	72	209	561	1,787	8.55	898,704	4,300	599,540	1,599,326
1992	63	217	625	1,816	8.37	938,738	4,326	530,203	3,059,198
1991	73	254	794	2,304	9.07	1,393,581	5,487	742,502	8,528,531
1990	114	525	1,277	4,223	8.04	1,740,906	3,316	1,096,484	12,958,184

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Year	Number of Race Days	Number of Races	Number of Starters	Number of Starts	Average Field Size	Total Gross QH Purses	Avg Purse per Race	Added Money	Total Pari-mutuel QH Handle
LOUISIANA									
2004	125	1,155	2,496	9,986	8.65	17,149,422	14,848	15,427,086	36,037,982
2003	95	667	1,718	5,808	8.71	9,326,607	13,983	8,071,041	32,113,824
2002	143	655	1,595	5,692	8.69	6,636,235	10,132	5,556,740	42,127,423
2001	127	537	1,318	4,735	8.82	3,818,545	7,111	2,768,875	31,888,425
2000	136	580	1,356	5,183	8.94	4,417,240	7,616	3,503,300	29,411,529
1999	141	597	1,221	4,980	8.34	3,932,010	6,586	3,023,759	26,579,424
1998	145	650	1,245	5,364	8.25	3,662,493	5,635	2,824,190	19,594,056
1997	147	704	1,355	5,774	8.20	3,425,083	4,865	2,564,985	14,397,658
1996	123	760	1,444	6,082	8.00	3,343,787	4,400	2,381,362	12,206,313
1994	69	640	1,383	5,355	8.37	2,354,302	3,679	1,571,610	12,382,024
1993	133	1,129	2,052	9,492	8.41	3,442,087	3,049	2,407,115	30,708,409
1992	125	1,351	2,274	11,675	8.64	4,870,194	3,605	3,811,950	50,228,598
1991	104	1,165	2,011	9,660	8.29	3,674,729	3,154	2,661,924	37,765,402
1990	107	1,172	2,364	10,235	8.73	3,787,094	3,231	2,485,200	30,314,370

NEW MEXICO									
2004	266	1,322	3,139	11,812	8.93	23,749,495	17,965	17,379,732	36,012,890
2003	246	1,232	2,928	10,797	8.76	22,750,122	18,466	16,612,635	30,982,553
2002	242	1,170	2,630	10,076	8.61	18,754,174	16,029	13,102,000	25,499,247
2001	252	1,179	2,506	10,069	8.54	16,894,855	14,330	11,802,545	25,688,800
2000	258	1,149	2,392	9,806	8.53	14,856,432	12,930	9,617,375	24,639,648
1999	232	1,009	2,017	8,553	8.48	9,688,655	9,602	5,264,305	17,770,335
1998	162	764	1,782	6,737	8.82	7,644,967	10,007	3,141,200	15,193,560
1997	197	856	1,832	7,494	8.75	7,355,260	8,593	3,324,210	15,539,590
1996	285	1,081	1,987	9,158	8.47	7,612,761	7,042	3,429,155	19,285,320
1995	334	1,163	2,068	9,777	8.41	7,647,262	6,575	3,506,250	26,705,079
1994	347	1,116	2,019	9,532	8.54	7,678,303	6,880	3,887,265	29,655,754
1993	347	1,190	2,381	10,394	8.73	9,238,107	7,763	4,368,769	33,076,125
1992	391	1,402	2,650	12,240	8.73	8,872,505	6,328	4,041,008	36,596,510
1991	415	1,625	3,116	14,226	8.75	10,399,469	6,400	4,420,788	39,899,632
1990	429	1,800	3,656	16,455	9.14	11,686,973	6,493	5,102,386	45,844,405

Good morning-

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

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

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

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

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

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

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

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

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

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

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

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

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

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City of Eureka

Transcript for Senate Bill # 168 Hearing Speech

February 17, 2005

My name is Brian Garrels, City Administrator for the City of Eureka, along with Vickie Hornbuckle, Greenwood County Economic Development Director, and Mike Pitko, Mayor of Eureka. We are here today to express our enthusiastic support for the proposed Senate Bill 168.

Kansas government is encouraging economic growth in rural Kansas. Greenwood County is consistent with the Governor's definition of rural Kansas and is ranked by the Index of Economic Development as the fourth poorest county in Kansas. Senate Bill 168 would provide Greenwood County and the City of Eureka, through the Eureka Downs, an important opportunity for economic growth and expansion.

Education financing is also an issue that the Legislature has struggled with during previous legislative terms and this one as well. Senate Bill 168 offers a viable addition to the education financing formula, dramatically increases the funding amount spent on education without raising taxes and creates economic growth and expansion. The revenues generated through the gaming industry would also enhance the horse racing and agricultural industry in Kansas and Eureka and Greenwood County in particular.

Some key reasons for our support for this Senate Bill 168 include:

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

Kansas

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

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

4. Small rural areas such as ours have very limited opportunities to compete with larger urban areas for substantial population and economic growth. This places an increased burden on the cost of education simply by virtue of declining or stagnant population. Bill 168 should help education funding, not only at a state level, but especially at our local level with the addition more citizens.

In closing, horseracing has been a historical attraction in Eureka since 1872 and is considered the oldest horseracing location in Kansas. Currently large sums of money are leaving Kansas for other gaming/racing locations in adjoining states. With Senate Bill 168 we have the opportunity to retain and attract outside dollars and remain competitive with our neighboring states. Bill 168 also offers local voters the opportunity to support and enhance one of our community's largest assets while improving the quality of education in Kansas. By supporting the Bill you will provide opportunities for the City of Eureka, Greenwood County, Eureka Downs, horseracing in general and associated agricultural economies. By supporting this bill you will help sustain the historical and cultural attraction that our area has known for over 132 years and keep Eureka, Kansas considered the "Horse Racing Capital of Kansas".

Statistics for Impact to Eureka Downs and Kansas

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

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

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

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

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

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

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

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

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

Reference:

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



Testimony

Unified Government Public Relations
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Senate Bill 168 Kansas Expanded Lottery Act

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

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

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

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

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

There are many communities in Kansas that want nothing to do with expanded gaming. Wyandotte County welcomes it. SB 168 contains a safeguard for Kansas communities that do not want gaming by requiring the local electorate to make the final decision. The Unified Government supports SB 168 because it allows the State and local communities to be in control. SB 168 provides the checks and balances that will provide strong oversight and accountability. We also support SB 168 because of its provisions that would benefit The Woodlands, which was at one time the #1 tourist attraction in the State of Kansas. Casino gaming is wanted in Wyandotte County. It makes sense for our community, and it makes sense for the State of Kansas to benefit from casino gaming in Wyandotte County. It is time for the State of Kansas to benefit from a thriving industry that is benefiting greatly from Kansas dollars. It is time for the State of Kansas to benefit from a thriving industry that benefits hundreds of millions of dollars from tourists. The Unified Government of Wyandotte County/Kansas City, Kansas, and its Citizens, urge you to give strong consideration in supporting SB 168.

Senate Federal & State Affairs
Committee

2-17-05
Attachment 10

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

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Denver Office 1-303-830-2522

February 16, 2005

Testimony concerning racing:

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

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

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

Thank you for your consideration.

Kansas Horse Racing Industry

➤ 270 Million Dollar Investment

➤ 103 Million Dollar Annual
Economic Impact



➤ 1300 Jobs

➤ 1600 Kansas Owners

"IT'S AS BIG AS YOU THINK!"

POPULATION SURVEY OF THE
KANSAS RACE HORSE INDUSTRY

INTRODUCTION

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

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

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

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

SURVEY RESULTS

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

Number of Horses	7783
Number of Owners/Breeders	1615
Number of Employees (JOBS)	994
<u>Kansas Horse Racing Property Value:</u>	
Value of Kansas Horses	\$23,349,000.00
Value of Real Estate & Equipment	<u>\$248,724,762.00</u>
Total Kansas Horse Racing Property Value	<u>\$272,073,762.00</u>
<u>Annual Kansas Horse Racing Expenditures:</u>	
Value of Feed & Hay	\$4,319,565.00
Bedding	\$1,183,016.00
Vitamins & Supplements	\$716,036.00
Supplies, Tack & Equipment	\$1,486,553.00
Training and Boarding	\$5,549,279.00
Farrier	\$1,159,667.00
Veterinary	\$2,926,408.00
Horse Transportation	\$902,828.00
Wages	\$15,200,199.00
Advertising	\$583,725.00
Car & Truck Maintenance	\$1,019,573.00
Insurance	\$1,836,788.00
Office Supplies	\$264,622.00
Facility Maintenance	\$980,658.00
Travel and Accommodations	\$918,394.00
Utilities	\$965,092.00
Dues and Subscriptions	\$171,226.00
Other Operating Expense	<u>\$3,183,247.00</u>
TOTAL	<u>\$43,366,876.00</u>

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

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

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

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

Table #2 Application of IMPLAN Economic Multipliers:

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

THE KANSAS HORSE RACING INDUSTRY

IT'S AS BIG AS YOU THINK

Compiled and Distributed by
WEELBORG FARM
CANTON, KS.

MEMBER OF: KANSAS QUARTER HORSE RACING ASSOCIATION
KANSAS THOROUGHBRED ASSOCIATION
KANSAS HORSEMEN'S ASSOCIATION

CITY OF EDWARDSVILLE

"All-America City - 1992"



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

February 17, 2005

House Federal and State Affairs Committee
Room 313-South

RE: HB 2415

Senate Federal and State Affairs Committee
Room 241-North

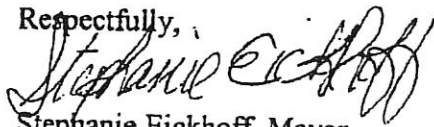
RE: SB 168

Dear Members,

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

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

Respectfully,


Stephanie Eickhoff, Mayor

Senate Federal & State Affairs
Committee

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STAND UP FOR KANSAS

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

Testimony To Senate Federal and State Affairs Committee On Senate Bill 168

Glenn O. Thompson
Executive Director, Stand Up For Kansas

February 17, 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 oppose Senate Bill 168.**

This bill contains numerous deficiencies. For example, the bill does not even specify the percentage of VLT revenue to be paid to parimutuel sales agents (racetracks) and club sales agents (veteran clubs) **and the percentage of VLT revenue to be retained by the state.**

But, I don't want to use my time today discussing the many deficiencies in the bill.

Instead, I would like to discuss the primary reason we oppose expanding gambling in Kansas: the severe adverse economic and social impacts the proposed casinos would have on citizens living in surrounding regions.

Casinos can be classified into two basic types: destination and regional.

A **destination casino** obtains most revenue from gamblers living outside the surrounding 50-mile radius region. The casino imports more money into the region than it exports, thereby **increasing** wealth of the region. For example, 85 % of Las Vegas gamblers live outside Nevada.¹

A **regional casino** obtains most revenue from gamblers living within the surrounding 50-mile radius region. The casino exports more money out of the region than it imports, thereby **decreasing** wealth of the region. For example, Kansas City riverboats, which obtain 78% of revenue from gamblers living within a 50-mile radius, are regional casinos.²

Economic Impact

Now, with that background, let's look at the economic impact a casino would have on the surrounding region, using Sedgwick and surrounding counties as an example.

Two studies completed in 2004, a study commissioned by the Kansas Lottery³ and a study commissioned by the Wichita Downtown Development Corp.⁴, provide excellent data for understanding the economic impact on the region.

In the Kansas Lottery study Scenario 3A is very close to the proposed bill. This study estimated a destination casino in Wichita and video lottery terminals (VLTs) at Wichita Greyhound Park (WGP) would have a

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combined total revenue of \$261 million, with 77% (\$201 M) coming from gamblers living within a 50-mile radius region.⁵

The Wichita Downtown Development Corp. study estimated a destination casino in Wichita would have a revenue of **\$182 million by the fifth year, 76% of which would come from gamblers living within a 50-mile radius region.**⁶ This study did not include VLTs at WGP.

So, both studies estimated that casinos in Sedgwick Co. would pull over 75% of revenue from gamblers living within the surrounding 50-mile radius region. No more than 25% would come from gamblers living outside that region.

Where would the money go? Based on average expenditures at other casinos, such as Kansas City riverboats,⁷ approximately 30% of the revenue would stay in the area for payroll, employee benefits, local taxes, and local expenses. The remaining 70% (\$127 M to \$183 M) would be exported out of the area.

A recent article in the Wichita Eagle stated McConnell Air Force Base has an annual payroll of \$147 million.⁸ **So, exporting between \$127 million and \$183 million annually out of the region would have approximately the same economic impact on the region as closing McConnell Air Force Base!**

By the way, casino proponents often argue that this money is already leaving Sedgwick County as bus-loads of gamblers travel to casinos in northeast Kansas. But, facts don't support this assertion. A bus-load of gamblers departing Wichita every day of the year exports about \$1 million dollars annually.⁹ Five buses loaded with gamblers export about \$5 million annually. That's about one-thirtieth of the amount a casino in Sedgwick County would export annually.

Social Impact

A casino in Sedgwick County would have not only an adverse economic impact on the surrounding region, it would have a severe social impact.

Accessibility to a casino is a major contributor to gambling addiction.

The 1999 final report of the National Gambling Impact Study Commission states, "... *the presence of a gambling facility within 50 miles roughly doubles the prevalence of addicted gamblers.*"¹⁰

After casinos were introduced in Iowa in 1989 the number of problem and pathological gamblers increased from 1.7% to 5.4% during the subsequent six years.¹¹

Later in this hearing today, you will hear a testimony from a mother living in Topeka whose family was destroyed by gambling addictions because casinos were **easily accessible.**

The Wichita Downtown Development Corporation report estimates a casino in Sedgwick County would create between **5,200 and 7,800** pathological gamblers.¹² In addition, tens of thousands of family members and other citizens -- spouses, children, parents, brothers and sisters, friends, and employers -- would become entangled in the addiction web.

Social Cost

Economists have determined that, on the average, a pathological gambler costs society about **\$13,586 per year** for crime, business and employment, money from family and friends, illness, social services, bankruptcy and other family costs.¹³

Based on this research, the Wichita Downtown Development Corporation report states the 5,200 to 7,800 new pathological gamblers created by the casino would cost the community -- you, me and other citizens in this region -- an annual social cost burden ranging "**between \$71 and \$106 million.**"¹⁴

So, Kansas citizens would pay approximately \$2.00 social costs for each \$1.00 received by the state.

Conclusion

The so-called destination casinos and parimutuel racetrack casinos proposed in the bill would simply be regional casinos, pulling most revenue, totaling hundreds of millions of dollars, from surrounding counties. Terms used in the bill to promote the casinos as major tourist attractions, such as "destination casinos", "tourism", and "economic development", are not consistent with results of the Kansas Lottery study and the Wichita Downtown Development Corp. study.

The casinos proposed in Senate bill 168 would create enormous wealth for investors from Texas, Canada, Las Vegas and other locations, as discussed in the attached article. However, the casinos would have a devastating impact on Kansas citizens living in surrounding regions.

We urge you to oppose Senate bill 168.

References

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- 5 Ks. Lottery study, pp. 81 and 84.
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- 7 Missouri Gaming Commission Annual Report for FY 2003
- 8 "Defending Kansas Bases," *The Wichita Eagle*, Jan. 17, 2005, p. 1A
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- 11 Rachel A. Volberg, "Gambling and Problem Gambling in Iowa: A Replication Survey," Iowa Department of Human Services, July 28, 1995.
- 12 Study commissioned by Wichita Downtown Development Corp., op. cit., p. VII-9
- 13 Earl L. Grinols and David B. Mustard, "Business Profitability versus Social Profitability: Evaluating Industries with Externalities, The Case of Casinos, Managerial and Decision Economics, Vol. 22, Nbr. 1-3, Jan.- May 2001.
- 14 Final report, "Economic & social impact analysis for a proposed casino & hotel," GVA Marquette Advisors, April 2004, Study commissioned by Wichita Downtown Development Corp., p. VII-9

New group tries to gain OK for River Falls casino plan

Texas real estate developer Larry Waldrop and his **River Falls Gaming LLC** have been trying for years to persuade Kansas lawmakers to approve the group's ambitious casino resort plan for Wyandotte County.



RICK ALM

Waldrop is back this year with a new lineup of financial backers and others. They are an interesting but odd lot.

There are a couple of former Kansas lawmakers, one former Kansas attorney general, father and son Canadian accountants and a gaggle of gambling and lodging industry veterans, including one indicted in the late '70s in an alleged kickback scandal involving a Las Vegas casino and the **Teamsters Union**.

Majority interest in the River Falls effort is held by Al and Harley Mintz, founder and managing partner respectively, of **Mintz & Partners**, a Toronto-based accounting and

GAMBLING & TOURISM

business consulting firm. The Mintzes also are active in the Toronto and Ontario real estate markets where they have built, managed or owned scores of apartment buildings, shopping malls and hotels.

"Other than losing money in Las Vegas this is our first foray into legalized gambling," said Harley Mintz. He said it also is the family's first business venture south of the Canadian border.

Mintz said he was persuaded to invest in the U.S. project after one visit to the Kansas site.

"The property and location is spectacular ... gorgeous," Harley Mintz said of the **Village West** entertainment district that has sprung up around **Kansas Speedway**.

The Mintz investment is personal through their **Destination Kansas LLC**, group that includes a third partner, Toronto attorney Stephen Elliott.

Others involved in the River Falls project include longtime Kansas

City area hotelier Joe Ross, who once was a partner with actress Debbie Reynolds in an ill-fated Las Vegas casino and hotel that bore her name.

Ross managed the hotel. He said he sold off his interest a few years before the property went belly up after Reynolds and others tried to convert the place to time-share condos.

"I saw the train wreck coming," Ross said. Since the 1960s Ross said he has owned or operated 57 hotels in the area, mostly in Kansas, with long-gone **Glenwood Manor** probably the best known.

These days Ross said he now is pretty much out of the operational side of the lodging industry, brokering hotel sales through his **Grand American Hotel Corp.**

Former Kansas Attorney General Bob Stephan and former state Sen. Norman Gaar, a Johnson County attorney, also are part of the group. Gaar described their role as "consulting attorneys," adding that he has an option to convert his legal fees to equity in the project.

Former Kansas House member Doug Lawrence backs River Falls as

lobbyist for the **Kansas Greyhound Association**, which endorsed the plan.

Still others include former **Nevada Gaming Control Board** chairman Mike Rumbolz; Ron Volkman, a former executive with the race track group **Magna Entertainment** that in the past has sought to enter the Missouri market with off-track betting; and Las Vegas-based **Quantum Gaming LLC** partners Jack S. Deremer, Dennis Piotrowski and Patrick Minchey.

Piotrowski was acquitted of federal charges along with several others in the wake of a 1979 **Aladdin Hotel Corp.** scandal that alleged a kickback scheme involving that Las Vegas casino where he had been general manager.

"The government had no case," said Piotrowski, who has remained active in the commercial and tribal gaming industries with licenses to work in Nevada and Colorado.

Quantum CEO Deremer has been a key player in the opening or operation of commercial and tribal facilities in at least 11 states, and has worked in executive capacities for several slot and gaming technology

firms. Minchey until recently was an executive with Minnesota-based **Southwest Casino and Hotel Corp.** which was instrumental last year in an unsuccessful effort to win statewide voter approval of a casino in Rockaway Beach, Mo.

His **Minchey Gaming LLC** is active in a Nevada casino consulting work and is seeking a casino management agreement with a Louisiana tribe.

The Quantum group would form the core management team for a River Falls casino operation.

At this early juncture Minchey appears to be out of the loop. It took a few minutes of explaining by a reporter in a telephone call last week before Minchey remembered that he was an investor in the project.

River Falls' proposed \$200 million casino resort project would sit on 52 acres in Edwardsville, along the south side of I-70 between the I-435 exit and 110th Street, the main exit for Kansas Speedway.

To reach Rick Alm, call (816) 234-4785 or send e-mail to ralm@kcstar.com

Kansas City Star 02/08/08

Testimony to Senate Federal and State Affairs Committee
On Senate Bill 168

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

Good morning Mr. Chairman and members of the committee. I am speaking as a private citizen of Topeka, Kansas, in opposition to Bills SB 170 and SB 168.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Thank you for your time and attention.

Kathy Bassett

Kathy Bassett

Senate Federal and State Affairs Committee

Testimony of Rex Haney
Kansas State Bowling Proprietors Association

Opposition to Senate Bill No. 168 and Senate Bill No. 170
February 17, 2005

I would like to thank the Senate Committee on Federal & State Affairs for this opportunity to express our opposition to Senate Bill No. 168 and Senate Bill No. 170. My name is Rex Haney and I am representing Gage Bowls, Topeka, Ks and a member of the Kansas State Bowling Proprietors Association.

There are 114 Bowling Centers in Kansas that have 1850 bowling lanes within their walls. This number has fallen from the 127 Bowling Centers that existed when we last testified before your committee. We compete every day for the recreational dollar of the Kansas consumers, and our businesses would be further harmed if gaming were expanded only to the areas stated in Senate Bill No. 168 and 170. Many of our bowling centers have been impacted in a very negative way since the implementation of riverboat casinos and Indian casinos in the Kansas City and Topeka areas.

Bowling centers have had a very positive effect with respect to the Kansas economy. There are 114 bowling centers in Kansas with over 2,700 employees. Our payrolls are in the excess of 20 Million Dollars, sales tax collected at over 4 1/2 Million Dollars, personal and property taxes of over 2 Million Dollars make us a major player in the Kansas Recreation economy.

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

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

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Attachment 15

Senate Federal and State Affairs Committee

Testimony of Vern Schwanke

Owner of Colby Bowl Fun Center, Colby, KS.

Senate Bill No. 168

February 17, 2005

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

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

As a representative of all the small bowling centers in Kansas, the majority being in small towns, I come here today in opposition to Senate Bill No. 168, **in it's present form**. I am here to talk about fairness, and the effects this bill, in it's current form, would have on existing businesses in the recreation and hospitality industry in Kansas.

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

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

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2-17-05
Attachment 16

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

We are not unique. This same scenario applies every recreation business in Kansas, making the total dollar impact to our communities and Kansas significant. This participation is accomplished by people who have lived and worked in Kansas for many years, and most, their entire lives. With 127 bowling centers in Kansas, the economic impact with charities, communities, and the State of Kansas, is many millions of dollars.

Senate Bill No. 168 has a provision to allow veterans organizations with class A liquor licenses, to have video lottery machines. This proposal is just a "feel good" approach to expanded gaming opportunities in Kansas, but it will be extremely harmful to independent recreation business, who, unlike veterans organizations, pay full taxes to the State of Kansas. We are already faced with competition by the various bingo nights operated by the fraternal and religious organizations. The recreation business depends on discretionary spending. At a time when we face 15% to 20% annual increases in utilities, property insurance, and healthcare insurance, it is impossible to increase our prices at the same pace. Western Kansas also see our citizens going to Cripple Creek and Central City Colorado, when that money could just as well be kept in our own state and communities.

Senate Bill No. 168 would mean that the Kansas Lottery would be coming to my community, to **directly compete with my recreation business**. This would be done through a not for profit veterans organization, while at the same time, my taxpaying, lifelong business is prohibited, by Kansas law, to have the same opportunity. Senate Bill No. 168 also **requires** destination casinos to develop entertainment facilities, i.e. bowling centers. The State of Kansas should not be in the business of picking economic winners and losers. The State of Kansas should not be competing with it's own citizens in the recreation business. Instead, let us participate.



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

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

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

Members of the Committee, thank you for hearing us.



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Protecting Greyhounds Nationwide

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

► Introduction:

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

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

I have no profit motive from any outcome of Senate Bill 168 wearing any of those hats. My compensation is simply the much appreciated opportunity to express my beliefs to this committee.

► Senate Bill 168 is clearly self serving for the greyhound racing and breeding industry:

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

On no less than twenty occasions is the word “greyhound” used in Senate Bill 168. It is mentioned regarding ‘greyhound racing programs’ and ‘greyhound racing purse supplements’ and ‘greyhound breeder funds’ and funding the ‘development, promotion and representation of the greyhound industry in Kansas.’ When the greyhound racing industry uses the word ‘greyhound’ in Senate Bill 168, they mean ways to secure for their industry special treatment and revenues like purse subsidies.

► Senate Bill 168 unreasonably protects and caters to the for-profit Kansas racing and breeding industry:

As a Kansan and Kansas businessman I find it difficult to understand why the state of Kansas should artificially prop up a for-profit business, the effect of the purse subsidies created in Section 19. Folks in the bowling, or theater or restaurant business would certainly question their state selectively supporting a for-profit entertainment business, like Senate Bill 168 would do for the greyhound racing and breeding industry. If Senate Bill 168 is approved, I hope a future Kansas governor will not be like two governors of Rhode Island¹ who have gone public in criticizing that state’s greyhound track subsidies.

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



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In researching what real impact the greyhound racing and breeding industry has on the economy of Kansas, the last official statement I could locate was from a March, 1996 Legislative Post Audit Report² that said “we estimate that the economic benefit to Kansas agribusiness supplying goods and services to breeders and owners of race animals as a result of parimutual racing in Kansas was about \$15.2 million in 1995.” Is this industry worth the special treatment Senate Bill 168 provides?

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

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

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

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

► **Conclusion:**

If Senate Bill 168 is passed, Kansas will have the dubious honor of:

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

For my belief that Kansas businesses ought to have a level playing field and my strong opposition to gambling in Kansas and my love for the greyhound dog – and believe me, they really are dogs – I am opposed to Senate Bill 168 and strongly urge you to be opposed as well.

Thank you for the time and I stand for questions.

¹ Rhode Island Governors Almond and Carcieri

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

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

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

⁵ K.S.A. 47-1701

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Members of the Senate Federal and State Affairs Committee
February 17, 2005

The Capital City Woman's Christian Temperance Union desires to go on record in opposition to Senate Bills 168 and 170. We will consider the testimonies of Kathy Bassett and Glenn Thompson, of Stand up For Kansas, for our reasoning.

In addition, the Kansas WCTU also wants to go on record as opposed to these bills and all expanded gambling.

Some of our members are in attendance at the committee hearing today.

Frances Wood

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