

## MINUTES OF THE HOUSE FEDERAL AND STATE AFFAIRS COMMITTEE

The meeting was called to order by Chairman John Edmonds at 1:30 P.M. on March 31, 2006 in Room 313-S of the Capitol.

All members were present except:

Representative Don Dahl- excused  
Representative Lance Kinzer- excused  
Representative Judy Loganbill- excused  
Representative Candy Ruff- excused  
Representative Kenny Wilk- excused

Committee staff present:

Athena Andaya, Kansas Legislative Research Department  
Dennis Hodgins, Kansas Legislative Research Department  
Mary Torrence, Revisor of Statutes Office  
Carol Doel, Committee Secretary

Conferees:

Doug Lawrence  
Shelley Hensel  
John Ballou  
Pam Davis  
Larry Waldrop  
Ross Vogel  
Brian Thompson  
Carl Hill  
Ed Hayes  
Ed Redman  
Dean Kelly  
Glen Thompson  
Ron Hein  
Lana Oleen

Others attending:

See attached list

Chairman Edmonds opened the meeting for introduction of bills. Hearing none, the floor was opened for public hearing on **HB 3020** - Kansas expanded lottery act.

Doug Lawrence of the Kansas Greyhound Association provided testimony supporting **HB 3020**. Mr. Lawrence stated that the bill will revive the live racing industry in Kansas. Adding electronic gaming machines at the tracks will allow those facilities to compete against existing Missouri Riverboats, and tribal casinos in Oklahoma and Kansas. (Attachment 1) Mr. Lawrence also provided the sales tax revenues chart by county (Attachment 2)

Shelley Hansel of the Wellington Area Chamber of Commerce addressed the committee in favor of **HB 3020**. Ms. Hansel stressed the amount of gaming revenue that the State of Kansas is losing every day. The regions is exporting gaming dollars to outside gaming influences and in return the State of Kansas has to face the consequences, receiving none of the revenue. (Attachment 3)

John Ballou testified on behalf of the Ruffin Companies who are the owners of the Wichita Greyhound Park and the Fronenac Greyhound Park of Pittsburgh supporting **HB 3020**. (Attachment 4)

The Kansas Thoroughbred Association was represented by Pam Davis who presented testimony favoring the passage of **HB 3020**. They pointed out the tremendous impact that gaming at the race tracks will have on the agribusiness aspect of the race horse industry. (Attachment 5) Ms. Davis also provided copies of the population survey of the Kansas race horse industry. (Attachment 6)

CONTINUATION SHEET

MINUTES OF THE House Federal and State Affairs Committee at 1:30 P.M. on March 31, 2006 in Room 313-S of the Capitol.

Managing Member, River Falls Gaming LLC, Larry Waldrop, presented testimony favoring **HB 3020**. Mr. Waldrop stated that his company and its partners are prepared to invest in excess of \$250 million dollars to develop a facility that will not only recapture dollars for the state that are currently being expended in adjoining states, but one that will attract visitors from throughout the Midwest and beyond. (Attachment 7)

Gary Hall from Kansas for Economic Growth addressed the committee favoring **HB 3020**. The Kansans for Economic Growth was established too help southeast Kansas locate a Destination Casino in that area. He stated that a tempered approach to expanded gambling could end the expanded gambling debate and give a desperately needed shot in the arm to the southeast Kansas economy. (Attachment 8)

Carl Hill, chief of staff of the Kansas Association of Public Employees (KAPE) testified proposing the passage of **HB 3020**. They believe that **HB 3020** would provide a solution to a meaningful retirement benefit package that is long overdue with the understanding that 25% of the net gaming revenue will be contributed to a retirement trust fund. (Attachment 9)

Ed Hayes, a retired deputy sheriff of Johnson County, supports the passage of **HB 3020**. He feels that the passage of this bill would better his retirement benefits. (Attachment 10)

Dean Kelly, a Topeka resident, supports **HB 3020** because it provides needed dollars for the retirement system and it provides dollars for Kansas schools. (Attachment 11)

Written testimony supporting **HB 3020** was provided by Paul Treadwell, President of the Kansas Quarter Horse Racing Association (KQHRA) (Attachment 12), Mary Cochran (Attachment 13), Dee Stuart, Mayor of Park City (Attachment 14), Larry Seckington, Legal Counsel for Kansas Racing, L.L.C. (Attachment 15), and Herbert Hickman (Attachment 16).

There were no other proponents for **HB 3020** and the Chairman opened the floor to the opponents.

Glenn Thompson, Executive Director, Stand Up for Kansas which is a state-wide coalition of grassroots citizens who oppose the expansion of gambling in Kansas. Their testimony presented their opinions as to the reasons **HB 3020** should not be passed. In their conclusion the stated that **HB 3020** is clearly bad public policy. (Attachment 17)

Ron Hein presented testimony opposing **HB 3020** on behalf of the Kansas Tribal Economic Prairie Band Potawatomi Nation (PBPN). It is their opinion that in estimating revenue benefits to the state of Kansas from gaming, the committee should take into consideration the impact on Lottery revenues, bingo revenues, the impact on charities running bingo operations and the impact on tax revenue and economic benefits of other businesses in the state who will lose business to the expansion of gaming. Also the studies show that the economy of their Tribes will be seriously impacted by expanded gaming. (Attachment 18)

Lanna Oleen, Spokesperson for Kansas Tribal Economic Development Assn. (KTEDA) opposing **HB 3020** presented seven points to ponder in expanded gaming. (Attachment 19)

David Owens represents Homeless Come Home and opposes **HB 3020** which would expand gambling in the State of Kansas. Mr. Owens stated that he felt that expanded gambling would have an impact on the homeless of Kansas. (No Written Testimony)

With no other person wishing to address the bill, Chairman Edmonds closed the public hearing on **HB 3020**.

Chairman Edmonds directed the committees' attention to **SB 486** - Governor's task force on racial profiling extended to 2012.

Representative Burroughs made a conceptual motion to **SB 486** to extend the date to July 1, 2009. Representative Kelsey seconded the motion. Vote was taken and the bill amended.

The Chair entertained a motion to reflect Senator Betts' wish to change the language in line 37, page 1 of

CONTINUATION SHEET

MINUTES OF THE House Federal and State Affairs Committee at 1:30 P.M. on March 31, 2006 in Room 313-S of the Capitol.

of **SB 486** to read “two consecutive terms” rather than “two terms in a lifetime.”

Representative Brunk made the motion to change the language in line 37, page 1 of **SB 486** to read two consecutive terms. Representative Siegfroid seconded the motion. Vote was taken, bill was amended.

Representative Burroughs moved the **SB 486** be passed out favorably as amended. Seconded by Representative Miller. Vote was taken, bill was moved.

Chairman Edmonds requested a motion to adopt the committee minutes of March 20<sup>th</sup>, 21<sup>st</sup>, 23<sup>rd</sup>, and 29<sup>th</sup>.

Representative Siegfroid moved that the committee minutes of March 20<sup>th</sup>, 21<sup>st</sup>, 23<sup>rd</sup>, and 29<sup>th</sup> be adopted. Representative Burroughs seconded the motion. Minutes were adopted.

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

FEDERAL AND STATE AFFAIRS  
GUEST LIST  
Date 3-31-06

Yvonne Wenzel	Ruffin Company
Yvonne Wenzel	Rain Falls, Tenn
Philip Hurley	OTRA
Sam Davis	KS Thoroughbred Assoc.
Gary Smith	KS Thoroughbred Ass.
Adrian Asmann	KS Thoroughbred Ass.
John Ballou	Ruffin Companies
Carl Hill	KS Assn of Public Employees
Don Murray	Federico Consulting
DOUG LAWRENCE	Kc Greg/son ASSN
Debra Hill	Helm Law Firm
Shelley Hansel	Wellington Chamber
Karen Berane	Chisholm Creek Ventures, LLC
Ann Watkins	KTEDA
Kim Vogel	KAG
Kathy Glenn	Kc. Human Rights Com.
Kirk Fischer	" " "
Mike Taylor	UG
Kathleen Selman	KA AAC
STEPHEN, MONTGOMERY	KAGC
Ed Van Patten	Lottery
Karen Wood	retiree
GARY Settichus	Retired
PHILIP A. HODLEY	PATRICK J. HODLEY & CO.
Whitney Jansen	Krepps / Sals & Fox

Kansas Greyhound Association  
711 Old Hwy 40  
Abilene, Ks 67410

Testimony in support of HB 3020

March 31, 2006

From: Doug Lawrence

To: Chairman Edmonds and Members of the House Federal and State Affairs Committee

The Kansas Greyhound Association SUPPORTS HB 3020. We appreciate the hard work that went into development of this bill. While there are some provisions that cause us concern, in consideration of the total bill we believe this legislation is fair to all parties involved, and is good public policy. It will provide an opportunity for our state to rebuild the Greyhound Industry in Kansas, and bring home some of the best greyhound operators in the nation.

Kansans have a long history of success in the greyhound industry nationwide. While that success continues today, our operators are increasingly faced with tough choices about where they should operate. Many have moved major portions of their operations to states like Iowa, West Virginia and Florida.

The principal reason is larger purses as the result of supplements paid at tracks which have been allowed to install slot machines. In many of those states, special purse supplements are paid to dogs bred and registered in that state. Kansas breeders and operators must consider the value of locating their operations in those other states in order to qualify for the larger purses. That's bad news for Kansas when the best and the brightest in our industry pull up stakes and move to Iowa or West Virginia for example.

HB 3020 will revive the live racing industry in Kansas. Adding electronic gaming machines at the tracks will allow those facilities to compete against existing Missouri Riverboats, and tribal casinos in Oklahoma and Kansas. Purses will increase, and a program to encourage Kansas bred greyhounds to compete in Kansas, will combine make our state attractive for greyhound operators.

Bringing Kansas Greyhound operators back to Kansas means more income tax collections, property tax collections, and jobs. Taxes and jobs that are being lost to other states right now.

FEDERAL AND STATE AFFAIRS

Date 3-31-06

Attachment 1

There are several provisions in this bill important to our industry:

1. Days of racing requirements in section 16 beginning on page 23 establish a minimum number of greyhound races to be run at each track operating electronic gaming machines. Because the tracks are the marketplace for the greyhounds bred and raised in Kansas, the more races held means more opportunities for greyhound operators to race.
2. Purse Supplements in section 17 beginning on page 24 establish a participation in the electronic gaming machine revenues. Studies show that live racing at a track INCREASES the gaming machine revenues and benefits the state. High quality live racing requires higher purses, because higher purses attract better greyhounds and operators. Better racing improves the entertainment value of the live racing. Think of live racing as an exciting and entertaining floor show. The better the show, the bigger the crowds.
3. Section 36 (b) on page 38 creates the Kansas greyhound breeding development fund, which is a program which enhances purses for Kansas Bred Greyhounds. These enhancements encourage Kansans to bring their dogs back to our state to race, and increase the market value of Kansas Bred Greyhounds. Kansas has some of the best breeders and operators in the nation, those operators generate millions of dollars in economic activity in our state. We need to keep them here, and encourage them to expand and grow their business in our state. This section is crucial to that effort.

In addition to these provisions it is important to recognize that the pari-mutuel race tracks in our state are our partners. They provide the marketplace for our agricultural product. In order for our industry to be successful, the tracks need a business model that works financially. They need adequate returns on their investment and the opportunity to compete with other gaming interests on a level playing field.

We are encouraged by the opportunities provided by HB 3020, and ask for your favorable consideration of this important legislation.

## Sales tax revenue analysis

Attached sheet shows what has happened in the two locations in Kansas where Casino gaming is already active in operation.

The chart shows the total gaming revenues, and growth from 1994 through 2003 in the Kansas City Market

Total sales tax collections in Wyandotte and Johnson County are also shown. While some argue that development of casino's within a community has a negative impact on the local economy. You would expect that the sales tax collections in two counties adjoining a 600 million dollar gaming market would show the impact.

In fact, since the inception of gaming in the Kansas City Market, sales tax collections have increased dramatically in that same period. Growth of more than 100% in Johnson County and 82% in Wyandotte County.

Another snapshot of local economic activity is the Tribal Casinos in Northeast Kansas.

Again, in 1994, before Tribal Casino Operations began, are shown for Jackson and Brown County. And then state sales tax collections for those two counties are charted from 1994 through 2003. Again dramatic growth in the two home counties.

We also chart the surrounding counties. While growth in sales tax is variable in those other counties, they are still uniformly up.

FEDERAL AND STATE AFFAIRS

Date 3-31-06

Attachment 2

2-2

### Sales tax revenues by County

	1994	1999	2000	2001	2002	2003	*
Kansas City Market Place				Missouri Riverboats			* Increase since 1994
Riverboat Revenues	\$ 200,000,000.00	\$ 476,000,000.00	\$ 521,000,000.00	\$ 545,000,000.00	\$ 596,000,000.00	\$ 613,000,000.00	
Wyandotte	\$ 42,412,210.00	\$ 61,184,899.00	\$ 62,838,752.00	\$ 64,692,840.00	\$ 69,681,296.00	\$ 77,209,466.00	82%
Johnson	\$ 209,073,906.00	\$ 376,628,416.00	\$ 386,036,973.00	\$ 391,729,802.00	\$ 413,264,258.00	\$ 426,614,389.00	104%
Jackson / Brown County				Tribal Casino Market Place			
Jackson	\$ 2,431,218.00	\$ 3,937,881.00	\$ 4,121,776.00	\$ 4,235,000.00	\$ 4,593,830.00	\$ 4,840,131.00	99%
Brown	\$ 2,417,344.00	\$ 3,186,535.00	\$ 3,282,866.00	\$ 3,251,017.00	\$ 3,310,598.00	\$ 3,477,696.00	44%
Nemaha	\$ 2,551,273.00	\$ 3,592,923.00	\$ 3,600,371.00	\$ 3,438,500.00	\$ 3,522,799.00	\$ 3,580,312.00	40%
Pottawatomie	\$ 8,506,974.00	\$ 11,833,766.00	\$ 14,052,638.00	\$ 14,110,072.00	\$ 15,280,185.00	\$ 16,021,847.00	88%
Doniphan	\$ 1,309,340.00	\$ 1,598,333.00	\$ 1,821,392.00	\$ 1,513,806.00	\$ 1,413,831.00	\$ 1,515,664.00	16%
Atchison	\$ 3,944,875.00	\$ 5,273,545.00	\$ 5,267,668.00	\$ 5,269,937.00	\$ 5,781,643.00	\$ 6,442,484.00	63%
Jefferson	\$ 1,796,401.00	\$ 2,744,255.00	\$ 3,232,199.00	\$ 2,985,968.00	\$ 3,210,912.00	\$ 3,434,395.00	91%
Shawnee	\$ 76,494,963.00	\$ 110,557,817.00	\$ 109,164,198.00	\$ 112,462,897.00	\$ 117,427,107.00	\$ 120,837,004.00	58%
Wabaunsee	\$ 600,632.00	\$ 961,022.00	\$ 985,108.00	\$ 968,951.00	\$ 1,016,437.00	\$ 1,165,266.00	94%

Source: Kansas Department of Revenue





# Sumner County Economic Development Commission

Physical Address: 123 N. Jefferson, Wellington, Kansas 67152

Mailing Address: P. O. Box 279, Wellington, Kansas 67152

Office Phone Number: (620) 326-8779 Office Fax Number: (620) 326-6544

Email Address: [scedc@co.sumner.ks.us](mailto:scedc@co.sumner.ks.us)

Website: [www.gosumner.com](http://www.gosumner.com)

To: Honorable Representative John Edmonds  
Chairman, Federal and State Affairs Committee  
From: Debra Teufel, Sumner County Economic Development Commission  
and Shelley Hansel, Wellington Area Chamber of Commerce  
Date: March 30, 2006  
Re: HB 3020

2006  
BOARD OF  
DIRECTORS

◇◇◇

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Thank you for allowing us to testify before you regarding House Bill 3020. We ask to appear to present our support for expanding gaming in this State, however we would like to present our case for amending this bill to include Sumner County in the south Kansas gaming zone.

One of the most important issues to Sumner County voters in recent months has involved the topic of a destination resort casino. On October 17, 2005, the Sumner County Commissioners held a public meeting in Wellington, Kansas and voted unanimously to hold a county referendum to allow our voters the opportunity to speak on the matter of bringing a destination resort casino to our area. This referendum was based on language in the Governor's Gaming Committee Report from 2003, which stated that any expansion of gaming should be contingent on the approval of the site's home community.

On December 20, 2005, the Sumner County voters demonstrated their approval. The Special Advisory Mail Ballot Election results were tabulated and 63% of the voters overwhelmingly responded yes to the following question:

"Do you support a destination resort casino in Sumner County, Kansas, in the event such is legally permitted by the State and is otherwise deemed in the best interest of the county by the Board of County Commissioners?" The official results were 4,842 in favor, 2,838 against.

DIRECTOR

◇◇◇

Debra L. Teufel

The Governor's Gaming Committee Report states that, "The state should expand gaming in the form of a large destination casino. It should be an attractive setting and include restaurants, a hotel, and entertainment venues for shows and concerts.... The destination casino approach would maximize the benefits and minimize the costs of gaming."

A destination casino in Sumner County, based on the bill, would be of the highest quality. We envision a resort type facility that would include a hotel, a large convention center, restaurants, spa, retail amenities, a water park and a casino that would be big enough for an estimated 1.5 million visitors a year. This would allow us to attract regional as well as national conventions and have a place to bring in large scale entertainment events to our area.

FEDERAL AND STATE AFFAIRS

Date 3-31-06

Attachment 3

SCEDC

Committed to Improving Economic Development in Sumner County

We do not want the small scale casinos which we see immediately south of us in Oklahoma, nor do we want to only expand gaming in Southcentral Kansas through venues such as slot machines at a facility that will do little to attract new visitors to our state. We want to be the home to a development that could be of the utmost quality to attract new tourism and recreational visitors to our state.

Our voters supported a destination development for several reasons, primarily, job growth, tax relief, trade capture, and tourism. There are obvious economic benefits to a project of this nature. We measure our projects based on job creation, diversification of the employment base, capital investment, and potential for increased trade. This project will accomplish all of these, bringing in over 1500 jobs to Sumner County which has struggled during past years due to the high concentration of aviation manufacturing jobs.

Sumner County has long been known as the Wheat Capital of the World, but in recent years with declining commodity prices, and increasing costs of operation, our agriculture based community has suffered. Sumner County is also home to numerous suppliers and subcontractors to the Wichita manufacturing community, however we need to diversify our employment so that we are not the hardest hit when this industry struggles, for example when our unemployment levels skyrocketed to over 11% in recent years. Over 4,000 Sumner County residents commute outside of our county for employment, a trend that we would like to reverse. We are making major strides to now bring in new job opportunities through our existing employers and recruitment opportunities.

However, the opportunity for Sumner County to be the chosen site for a destination casino would not only bring in jobs, it would also bring in 1.5 million visitors. Our location on I-35, a transportation corridor for over 18,000 vehicles per day, would be perfect to capture the travelers that use this highway to travel through our state. We want to be the destination for the travelers, not just another place that they drive through on their way to visit our neighboring states. These visitors would spend money in the area, which could result in new spin off businesses, increasing the trade capture of the region and reducing our economic leakage. Our current loss of trade to our neighboring counties is 53%. A project like this could help balance the trade capture of the region and help offset the loss that Sumner County is currently experiencing.

I cannot stress enough how important the new visitors to our county could help our existing businesses, who today struggle to survive on the sales they are able to make within our population base of roughly 26,000. Inevitably, many of the new visitors that a casino would bring in will circulate spending throughout other businesses in our community and the entire region. The added payroll potentially worth over \$60 million will also employ local residents, circulating more spending to all of our existing businesses in the region, and stabilizing our employment base.

It is important to note that Sumner County voters supported this project because of the increased capital investment it would bring to our county. Our current assessed valuation is roughly \$161 million. This project would be a \$300 million capital investment which would grow our tax base and stabilize property taxes for our residents in a county that has one of the highest tax levies in the region.

Resolutions of support have been adopted by the Sumner County Commission, Wellington City Council, Sumner County Economic Development Commission, and the Wellington Area Chamber of Commerce. However, we are not alone in our request to bring this project to Sumner County. A Resolution of support has been adopted by our neighbors to the east, the Cowley County Commission. The Winfield Chamber of Commerce has voiced support as well.

Furthermore, the Regional Economic Area Partnership, REAP, made up of 31 cities and counties in South Central Kansas, has adopted the following position statement on this subject which states, "If state lawmakers authorize an expansion of casino gaming in the state, REAP believes that Southcentral Kansas should not be foreclosed from casino development through legislative action, but allow for citizen initiative and home rule authority to determine local projects." We hope you will take this support into consideration today.

Southcentral Kansas, and Sumner County specifically, as a border county to Oklahoma, are no different than other border counties such as Crawford, Cherokee and Wyandotte Counties who have been included in language in the proposed bill.

Southcentral Kansas is the prime target market for the Oklahoma casinos. In total there are 42 gaming establishments within 100 miles of our border, with two new large casinos under development within 20 miles. These casinos make no secret that their target market is Kansas residents. We are reminded of this daily in our local newspapers, radio ads, area billboards, and even television advertising.

The Native Lights casino opening soon, just 3 miles south of Arkansas City, was one of the top advertisers during the prime television slots during the Super Bowl this year, and their radio and billboard ads are a constant reminder that Kansans will be their prime targets. Today we are exporting tourism and gaming dollars out of Kansas at an alarming rate. During a February 2006 license plate survey at the Kaw Nation Southwind Casino at Newkirk, Oklahoma, 58% of the cars were from Kansas. With this we also lose money from fuel, tobacco, and food sales.

In addition, tour buses leave our region weekly for out of state gaming destinations. According to a report in the Wichita Business Journal an estimated 12,000 people per year catch one of the weekly trips from Wichita to the Indian casinos. If each person spends only \$50 per trip, that's \$600,000 leaving the area each year. These numbers do not include all of the senior citizen bus trips that depart from other small area communities. We need to reverse this trend, keeping these dollars in Kansas and bringing conventions & tours TO OUR STATE, helping our local attractions. Let's stop EXPORTING our dollars!! You are all familiar with the term OUTSOURCING. Currently we are outsourcing our gaming and tourism to our neighboring states and to the Indian reservation casinos.

The bottom line is Kansas is LOSING REVENUE. Sumner County faces the same issues as the other counties included in this bill. The solution to this is not simply slots at a race track because that provides very few new jobs and new revenue. The solution is to build a DESTINATION RESORT CASINO in Sumner County that will be an attraction bringing in NEW visitors, and providing a quality place for our residents that already choose gaming as a form of entertainment. A destination casino would attract conventions and new business to the State of Kansas.

Of course we have not mentioned the impact this will have on funding for education and other needs in our state. It has been estimated that a destination casino in our area would generate roughly \$50 million annually for the State.

Furthermore, this ties directly to the affordable airfares initiative that is important to us all. We are all faced with the price tag of higher airfares if we do not come up with funding at the local and state level to help keep airfares in check. Our cities and counties are being asked to help fund this program; however, we have to have new revenue coming in to do this. This project would help us do just that, without raising taxes. Plus, let's face it, one of the top destinations out of Mid Continent airport is Las Vegas. We know we cannot compete with Las Vegas, but we could reverse some of this trend, and bring in conventions to our state if we have a destination resort casino in the area, helping to grow the incoming passenger count at Mid Continent and assist in alleviating that need for subsidies.

It is also important to mention the impact to Kansas and to the border county businesses as a result of the Oklahoma Powerball Lottery. In 2004, Oklahoma voters approved sale of Powerball Lottery tickets which went into effect in January of 2006. Previously Sumner County convenience stores sold in excess of \$10,000 per day in lottery tickets to Oklahoma residents. Since January, recent reports show that border convenience stores are suffering with sales of sometimes only \$200 per day. Statewide, Kansas is estimated to lose roughly \$12-15 million annually from Powerball sales in Oklahoma. Where will we replace this lost revenue for our State? Where can our local businesses make up this loss of revenue? These are more reasons that Sumner County needs to be included in House Bill 3020.

We cannot afford to expand gaming only in areas such as Wyandotte, Crawford, and Ford Counties, while only placing slot machines at the Wichita Greyhound Park in South Central KS. Sumner County as part of the Wichita MSA, the states largest metropolitan area and should not be ignored in our request to be included in this bill. We cannot ignore the economic basis for building a destination resort casino in Sumner County to stop the leakage of dollars that are flowing into Oklahoma every day and the ability to attract new visitors and spending to the State of Kansas.

If we do not include Sumner County in this bill, the State of Kansas is leaving money on the table, and shortchanging the economic growth of our area, while continuing to export over 1/3 of the State's potential gaming dollars to other states. Today we have all of the issues that come with gaming, without any of the benefits and revenue.

Additionally, please do not allow one red cent of state, county, city or any other level of government financial subsidy to be used for the building of gaming facilities. Casino and Racino gaming should be 100% PRIVATELY FUNDED! We can not have the state, cities, or counties giving financial incentives, land, buildings or financial benefits to specific developers. If you do this you will be inviting backdoor deals and hidden plans which will turn away voters at the polls. We want and accept State permitted gaming, we don't want state, county or city financed gaming in any way!

March 31, 2006

Page 5

In conclusion, the Sumner County Commissioners took the right steps to pave the way for this project, allowing our citizens to decide if they support a destination resort casino in our county. Sumner County voters overwhelmingly said YES. I cannot stress enough the amount of gaming revenue that our State is losing every day. Our region is exporting gaming dollars to outside gaming influences, and in return the State of Kansas has to face the consequences, receiving none of the revenue. If Sumner County is not included in a bill to expand gaming, it is the entire State that loses. We ask that you consider an amendment to include Sumner County in the south Kansas gaming zone in House Bill 3020. We sincerely thank you for your consideration of our request.

Thank You Mr. Chairman and members of the committee.

I am here today on behalf of Ruffin companies. Ruffin companies as many of you know own the Wichita Grey Hound Park and the Fronenac Grey Hound Park, outside Pittsburgh. We stand in support of HB 3020. Ruffin companies has always stood in strong support of any and all Bills that allow for the peoples right to vote for electronic gaming machines at Pari-mutual race facilities. We would encourage your support of HB 3020.

Thank you

John Ballou.

FEDERAL AND STATE AFFAIRS

Date 3-31-06

Attachment 4

# KANSAS THOROUGHBRED ASSOCIATION

**President**

David Assmann  
913-441-0148

**Vice President**

Dwight Daniels  
785-738-3749

**Directors**

Kelly Clark  
620-855-2125

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David Sirucek  
913-334-4389

Gary Smith  
913-764-0416

Tommy Taylor  
316-744-3870

March 30, 2006

Dear Chairman Edmonds and committee members:

Please accept our report and our published information. Our association is behind the proposed House Bill #3020. We hope that you consider the tremendous impact that the gaming at the race tracks will have on the agribusiness aspect of the race horse industry. Kansas is a great place to raise horses! Please, keep in mind that for every \$1.00 that is spent to grow to at least \$7.00. Our neighboring states are enjoying the benefit of the slots at the race tracks.

Our industry needs to grow and it certainly needs your support by passing this bill. We already have gaming, and we get no monies into the state Treasury. With the slots at the tracks you know the state will get their percentage. Help us help the state of Kansas.

Sincerely,

Pam Davis,  
KTA Board member

FEDERAL AND STATE AFFAIRS

Date 3-31-06

Attachment 5

Report from Pam Davis representing the Kansas Thoroughbred Association

Good Morning –

My name is Pam Davis from 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 employed for 29 years. I have been a member of the Kansas Thoroughbred Association since it began 20 years ago. I have been breeding Thoroughbred horses for over 30 years. I have been involved with the county horse and state 4-H project. As a past President of the State Horse Parent Action Team and a county leader for over 15 years.

My purpose today is to present some information relating to the equine and agricultural economy in our state. As a past Kansas Rural Agricultural Leadership Class VII member, I feel that I can help tell you that our agricultural base is great. This is a great state with the potential for raising horses. Our Kansas Bred horse numbers have fallen dramatically since 1989 to the present. Our Kansas Bred Program consists of fewer and fewer horses. Starting with 3230 horses down to 252. When you compare these numbers with states that have recently added alternative gaming to expand the earning opportunities for horses in the state bred program, it is tremendous. On a recent visit with a professional horse hauler, he said that he has brought in 18 new stallions into the state of Oklahoma since January 2006. It could be our state expanding the breeding program, if we had more opportunities to increase revenue.

We already have gaming in the state; why not allow gaming that will bring money into the state coffers.

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 businesses and Ag related occupations. Your feed and tack stores, farriers, veterinarians, custom hay producers, accountants, trainers, grooms, haulers, all are integral members of the equine industry. As reported in the 1996 KS Equine Survey, 35.3 million dollars was spent on feed alone. Equipment purchased was in excess of 15.6 million dollars. Just think of the dollars generated from property and sales tax, alone. 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. Given the opportunity for our state's racing industry to get stronger that means the potential to generate dollars. We would bet that those dollars would go right back into the equine operation.

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

Another positive impact of the income from the racing industry is supporting equine and canine research at KSU's college of Vet. Med. Since, 1990 to 2005 there has been over 2.6 million dollars spent as reported in the KS Racing Commission's annual report. This past month the committee that distributes the racing funds came to Kansas State to hear the research proposals. When we started with the horse racing at the Woodlands there was over \$100,000. given to equine research this past month we are down to \$10,000. Why can't we do better? This research has had a positive impact on our future veterinarians' education and benefits 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 outside our state to take advantage of other racing and breeding programs.

Now is the time to strengthen our racing and breeding programs' in the Classroom is a great program for our students. Many states have a website that you can look up and learn about a state's agriculture. Our state doesn't even mention horses and a state such as New Jersey does. What is wrong with this picture of our agriculture? Kansas has one of the best environments for raising horses. Affordable land and a great agricultural infrastructure. For the first time all the breed associations are united in the efforts to allow expanded gaming in order to improve our equine industry. You our legislators have the power to help the Agricultural economics of the equine industry expand. This expansion can only come about with your support of gaming and allowing the state of Kansas to generate monies from this industry.

# Kansas Horse Racing Industry

➤ 270 Million Dollar Investment

➤ 103 Million Dollar Annual  
Economic Impact



➤ 1300 Jobs

➤ 1600 Kansas Owners

***"IT'S AS BIG AS YOU THINK!"***

FEDERAL AND STATE AFFAIRS

Date 3-31-06

Attachment 6

POPULATION SURVEY OF THE  
KANSAS RACE HORSE INDUSTRY

INTRODUCTION

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

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

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

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

### SURVEY RESULTS

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

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

**Kansas Horse Racing Property Value:**

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

**Annual Kansas Horse Racing Expenditures:**

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

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			<b>\$103,402,500.00</b>

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

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

**Before the House Federal and State Affairs Committee  
March 31, 2006**

**Chairman Edmonds and members of the Committee, I thank you for the opportunity to address you concerning this very important issue today. I would also at this time like to thank the other proponents that have come together as a unified coalition in support of this bill. We look forward for the opportunity to submit our proposal for a "Destination Casino Resort" in Wyandotte County.**

**In the past testimony before this committee, I have outlined the many features of a "Destination Casino Resort", so I will not go into that detail today, I will assure you that our company and its partners are prepared to invest in excess of \$250 Million dollars to develop a facility that will not only recapture dollars for the state that are currently being expended in adjoining states, but one that will attract visitors from thru out the Midwest and beyond.**

**There are two issues I would like to point out to the committee that I feel are misrepresented at times and not understood by many in the gaming debate.**

**The first issue is that this gaming bill is not about whether to allow Kansans to gamble or not. Kansans are already gambling and gambling already exists in Kansas, be it the tribal facilities or the casinos located on the borders of Missouri and Oklahoma. The true question before the legislature with this bill is "will Kansas benefit from gaming that takes place in the state", recapture dollars that are currently going to the Missouri education system and generate much needed new revenue to the state's general fund.**

**The second issue is the debate over the question if the state should be in the gaming business. Some opponents will tell you that Kansas would be the only state in the union to own gaming. The state is already in the gambling business with the lottery and Club Keno and there are three other states in the union that own the business of gaming.**

**This bill has many provisions of "state owned and operated" gaming that currently exist in Delaware, New York and Rhode Island. In these states, as it would be in Kansas, private developers would make the necessary capital investment to provide the facilities and under a management agreement with the state, these developers / operators manage the facilities for the state. In these states, the state owns the business of gaming, they provide a central computer system that monitors the games the state owns and they control the revenue that is derived from these games.**

**The state of Kansas will not be the only state to own and operated gaming.**

**Thank you for the time to clarify these two points before you this afternoon.**

*Gary L. Hall*  
*Kansans for Economic Growth*

PO Box 217  
1001 West Seventh Street  
Galena, KS 66739  
(620) 875-6566

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March 30, 2006

To the members of the Kansas Legislature:

My name is Gary Hall and I am a Galena business owner. As a Kansas business owner for many years I have been a casual observer of the state legislature. During the past few years I have noted the struggles associated with the issue of gambling in Kansas. I have heard the pros and cons and understand the difficulty and complexity associated with this issue for legislative members. Unfortunately, I have also noticed the rhetoric on both sides of the issue continues to escalate every year.

In my part of Kansas we view gaming as an economic development opportunity. Cherokee County is the poorest county in the poorest region of the state. Last week our fortunes became even worse when it was announced that the King Louie Plant in Baxter Springs which employs over 150 people would be closing. King Louie has been an employer in our area for over 50 years and the effect of losing 150 jobs will be easily evident.

I don't have a vision of Kansas becoming the next Las Vegas, quite frankly, I think it would be very bad for the state to become overrun with gambling facilities. However, a tempered approach to expanded gambling could end the expanded gambling debate and could give a desperately needed shot in the arm to the Southeast Kansas economy. What you have to understand is within a few minutes drive of Cherokee County there are numerous Indian Tribal Casinos. **The other day I heard something distressing**, an Oklahoma tribe purchased land in Kansas for a parking lot for a new facility they intend to build in Oklahoma but within a feet of the Missouri/Kansas border. **Please understand we already have gaming near Southeast Kansas, but none of the benefits.**

Since many of you are not familiar with Southeast Kansas, it is difficult to imagine a Destination Casino in such a rural area. It is a function of geography, the corner of Southeast Kansas is within minutes of three states and less than an hour and a half drive of 1.6 million people including Springfield/Branson, MO; the expansive growth of Northwest Arkansas; Tulsa, Oklahoma and the high volume of traffic on Interstate 44 one of the country's busiest highways. Studies indicate a facility in Southeast Kansas would have revenue that would rival any of the facilities in the Kansas City, MO market. The

FEDERAL AND STATE AFFAIRS

Date 3-31-06

Attachment 8

facility would **create 1,700 on site jobs** and vast economic development opportunities off site. It is estimated that the facility would **create \$400 million in economic activity** for Southeast Kansas.

Living very near the border of two states, citizens of Southeast Kansas are all too familiar with buying fuel, food and cigarettes in other states less expensively than in Kansas while our home state misses out on the tax dollars being produced. **Those same states have now made it convenient for Kansans to gamble in their states and Kansas does not get any of the benefits or even a contribution to problem gaming funds.** One quick point -- studies have indicated 85% of the visitors to a Southeast Kansas Destination Facility would be from out of state.

**Gaming opponents will claim** that allowing a gaming facility to be built takes dollars away from other businesses in the area. That is true, just as any competitive business does. For instance, allowing an out of state car dealer to move into town takes money from an economy as does an Olive Garden restaurant or any other national chain restaurant with its corporate headquarters located outside of Kansas, those arguments even though literally true, are basically irrelevant from an economic development point of view.

**Finally the question of how we stop the annual squeeze play** placed on legislators from gaming lobbyists. Some might suggest that legislators like the attention annually, and the contributions from both the opponents and proponents. I suggest it all could be brought to an end with one reasonable bill that doesn't expand gambling to every town in Kansas. A bill that provides state oversight of operations, allows Kansas to compete with operators in Missouri and Oklahoma. A bill that once passed will take the incentive from further expansion off the table forever.

Kansans for Economic Growth was established to help Southeast Kansas locate a Destination Casino in our area. Our mission is to see a first class resort and hotel facility built in Southeast Kansas. We want to allow our citizens the same opportunity neighboring states do to spend entertainment dollars in Kansas, provide jobs for Kansans, have homes and new businesses spring up in Kansas, and have tax dollars remain in Kansas instead of bleeding to other states as is so often the case. Another interesting fact about gaming, markets which are the most economically depressed see the biggest increase in economic development created by Destination Casinos. Unfortunately, Southeast Kansas qualifies as economically depressed.

What are the solutions? We would suggest legislation to provide Destination Casinos in Southeast Kansas and Wyandotte County would be a strategic move to provide facilities in areas already negatively effected by out of state casinos. We also agree that allowing licensed racing operations slot machines helps those tracks and the industries they support including dog and horse breeders across the state of Kansas, without expanded gaming throughout the state of Kansas.

If you have been an opponent of gaming in the past please reconsider. We cannot stop



our citizens from patronizing facilities just across the border, but we can keep Kansas from looking like Las Vegas. You have the opportunity to allow two Destination Casinos built within minutes of out of state operations. You can allow just a few more options to patrons of the race tracks currently located in Kansas where gaming occurs. Finally you have the opportunity to put this issue behind us for years and focus on other matters of concern to you and your constituents.

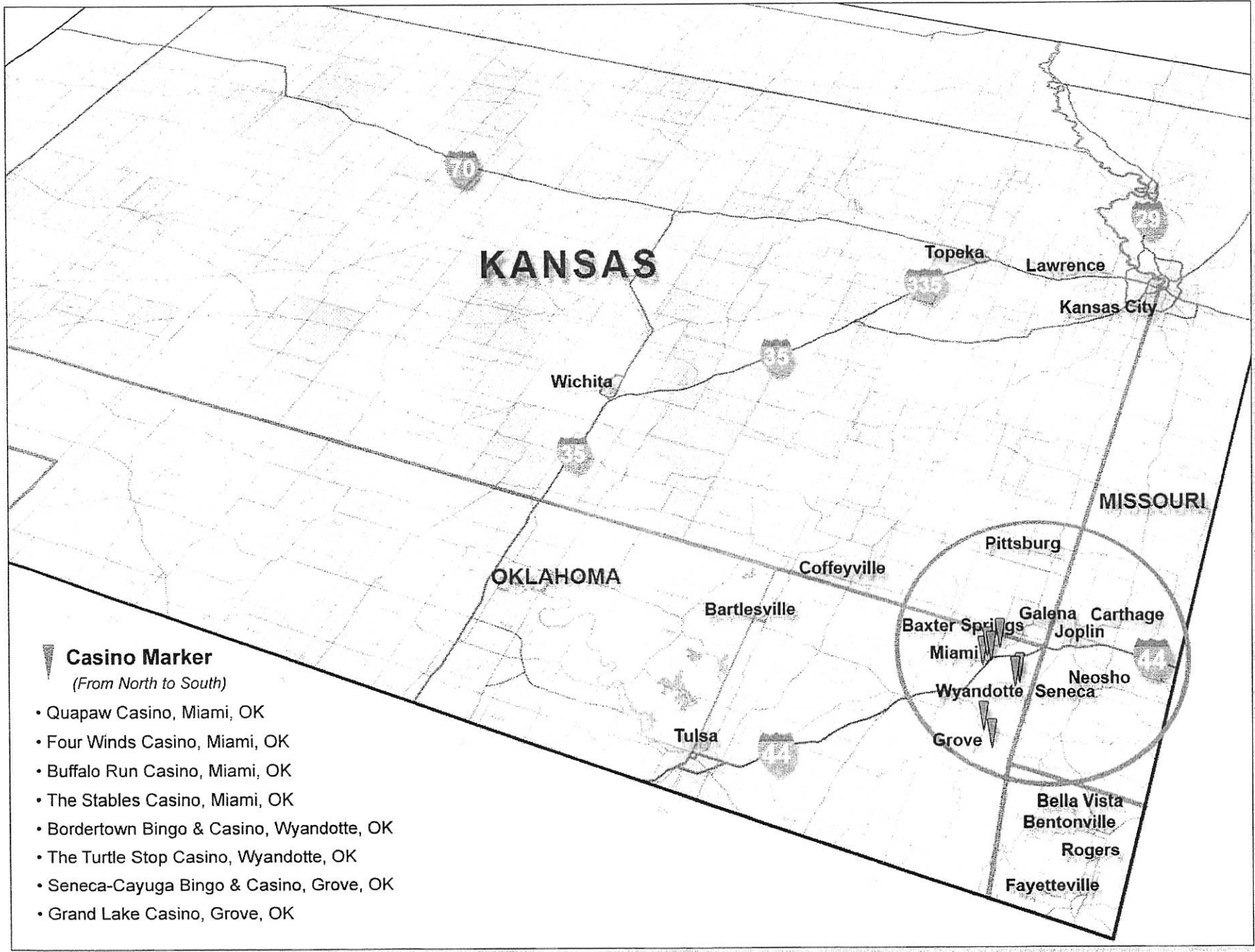
Thank you for your time and service to the citizens of Kansas.

Sincerely,

A handwritten signature in cursive script that reads "Gary Hall". The signature is written in black ink and is positioned above the typed name and title.

Gary L. Hall  
Kansans for Economic Growth

Enclosure (1)



# SOUTHEAST KANSAS GAMING FACILITY IMPACT

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## STRATEGIC LOCATION

- 85% of customers would come from out of state
- Visible from Interstate 44, traffic counts similar to Interstate 70
- 1.6 million people live within 100 miles (Springfield/Branson, MO; NW Arkansas; Tulsa, OK)
- Gaming prevalent in NE Oklahoma, nine tribal facilities within a few minute of Southeast Kansas....the area already has gaming without the benefits

## FACILITY HIGHLIGHTS

- Expected revenue would exceed any Kansas City, MO riverboat
- Annual facility revenues of \$240 million – more than any gaming facility in Kansas City
- A true world-class family entertainment destination offering the full range of accommodations, amenities & dining facilities of a luxury hotel, destination resort and casino.
- 75,000 visitors a week, 3.9 million visitors a year
- 1,700 onsite jobs
- 2,000 offsite jobs

## ECONOMIC IMPACT

- \$25,000 average employee salary (median per capita income in Cherokee County is \$15,000)
- \$40 million in wages at facility yearly, economic impact of those wages \$80 million
- \$56 million in goods and services purchased yearly by the facility, preferably purchased in the local Kansas market
- Over 1,000 construction jobs creating over \$35 million in construction wages
- Overall annual economic impact of the facility is \$400 million
- These are expected numbers based off normal outcomes, these numbers could be higher given the fact gaming facilities have an even more positive economic impact effect in areas that are economically depressed

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T E S T I M O N Y

By

The Kansas Association of Public Employees  
Supporting House Bill 3020

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Before the House Committee on Federal and State Affairs  
The Honorable John Edmonds, Chairman  
Friday, March 31, 2006 -- Kansas Statehouse -- Topeka, Kansas

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MR. CHAIRMAN AND MEMBERS OF THE COMMITTEE:

I am Carl Hill, chief of staff of the Kansas Association of Public Employees. On behalf of our President, Brian R. Thompson, and other representatives of our organization who join me here this afternoon, we appreciate the opportunity to discuss with you our support for House Bill 3020. KAPE represents more than 20,000 public employees and retirees across Kansas.

Represented in this room this morning are retired public employees who through their loyalty, ingenuity and initiative laid the foundation of any success we claim today for productivity and efficiency in state government. We should continue to recognize and reward their contributions, accordingly, by approving a meaningful retirement benefits package that is long overdue.

We believe that House Bill 3020 provides such a solution. The Kansas Association of Public Employees supports in principle a cost-of-living adjustment that is: 1) affordable and 2) sustainable. As we understand the bill, 25 percent of the net gaming revenue will be contributed to a retirement trust fund, which then could be used for cost-of-living adjustments to retirement system recipients and/or to pay down the unfunded liability, which we would characterize as not only significant, but staggering.

Our Association has consistently heard from its retiree members that a cost-of-living adjustment is long overdue, and we concur. Consider that the Social Security Administration recognized the need for such an adjustment and raised its COLA to beneficiaries by 4.1 percent on January 1, 2006.

We all conceded that costs of even the essentials have escalated, and it no longer should be an issue of making choices or altering of lifestyles for our career public servants who worked hard to earn what they have.

Many arguments can be made – pro or con – about expanded gaming. But the facts are these: It's here, It's staying, It's time for Kansas to get in the game and recoup the revenue that neighboring states siphon off of Kansas gamblers. Then, let's do the right thing by present and future public employee retirees by providing regular cost-of-living adjustments and by reducing or eliminating the unfunded liability.

In summary, KAPE supports House Bill 3020, and urges you to do the same.

Thank you, Mr. Chairman, for the opportunity to appear today. May I invite your questions?  
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TESTIMONY

Before the House Committee on Federal and State Affairs  
Supporting House Bill 3020  
Friday, March 31, 2006 -- Statehouse, Topeka, Kansas

MR. CHARIMAN AND MEMBERS OF THE COMMITTEE:

My name is Ed Hayes. I am a retired deputy sheriff of Johnson County, and when I retired in 1993 after 29 years of service, I held the rank of captain.

I am here today to ask for your support of House Bill 3020. Regardless of your personal position on gaming, this bill provides much needed help to our state retirement system.

While I am here representing myself, I will tell you that I have spent the last three months contacting KP&F members to help get something done to provide relief to retirees. I have spoken with many sheriffs and chiefs of police by telephone and e-mail, and they too, agree that an increase in benefits is long overdue and should be on a more regular basis.

We have two concerns: 1) For active officers their retirement package is a big incentive for their staying in what is very dangerous and sometime deadly occupation, the system needs to be solvent and able to provide regular cost-of-living adjustments or we will lose these officers to other careers; 2) We need to provide cost-of-living adjustments for those people who have done without for so long.

We all know that the price of things is going up. But instead of telling you how the high prices for gasoline, etc. have affected me, let me say that I recently received my property tax valuation statement and my valuation went up \$24,000.

I will close by saying that Social Security gave me a shot in the arm when I began drawing it, and I probably am in a little better position to handle the higher costs of every day items and even a few of the unexpected things like the jump in my property valuation; but I'm not going to get any more shots in the arm like that to take care of any more real major increases without changing a lifestyle I have worked hard to earn. Social Security and my state retirement are it, and I will need regular cost-of-living adjustments just to keep going.

Please pass House Bill 3020.

Thank you.

FEDERAL AND STATE AFFAIRS

Date 3-31-06

Attachment 10

TESTIMONY

Before the House Committee on Federal and State Affairs  
Supporting House Bill 3020  
Friday, March 31, 2006 -- Statehouse, Topeka, Kansas

MR. CHARIMAN AND MEMBERS OF THE COMMITTEE:

My name is Dean Kelley. I am a resident of Topeka, and for 46-years I was an employee of the state of Kansas. I spent 36 of those years with the pension system.

I support House Bill 3020 for two main reasons:

- 1) It provides needed dollars for the retirement system, which should provide cost-of-living adjustments and help to reduce the unfunded liability.
- 2) It provides dollars for Kansas schools.

I can see no reason why House Bill 3020 should not be supported. It seems good for all Kansans – school children and retirees, alike.

Therefore, I urge you to support House Bill 3020.

FEDERAL AND STATE AFFAIRS

Date 3-31-06

Attachment 11

# 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

March 30, 2006

## Testimony in Support of HB 3020

Mr. Chairman and Members of the House Federal and State Affairs Committee:

Hello my name is Paul Treadwell, I am the President of the Kansas Quarter Horse Racing Association. *KQHRA supports HB 3020*. 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, particularly in our rural areas and the agricultural sector of our state's economy, 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 millions of added revenue in state funds available for the education system in Kansas, this means that we will save millions 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. **Please favorably consider HB 3020.** Thank you.

Paul Treadwell, President  
Kansas Quarter Horse Racing Association

FEDERAL AND STATE AFFAIRS

Date 3-31-06  
Attachment 12



Before the House Committee on Federal and State Affairs  
Supporting House Bill 3020  
Friday, March 31, 2006 -- Statehouse, Topeka, Kansas

MR. CHARIMAN AND MEMBERS OF THE COMMITTEE:

My name is Mary Cochran. I live in Olathe, Kansas, and I could not attend today's hearing but I wanted to voice my support for House Bill 3020. I retired in 1988 as a school secretary from a small consolidated school in Olathe.

My husband and I were always very careful with our money, and I was always thankful that my KPERS check was there as a backup. In January, I lost my husband, so my lifestyle has changed. I have moved into town, where costs are higher, so it would be nice if our KPERS checks were a little bigger.

I have two granddaughters – one is a public school teacher in Kansas and the other is studying to become one – so I am concerned about the future of the retirement system for them. We need to pay down this enormous debt so there are retirement benefits for them.

I know from my experience in the school system that budgets have to be balanced, and that it is hard to know where to strike the balance. However, it seems that providing regular cost of living adjustments for retirees and ensuring future benefits should hold a higher priority.

Personally, I am not a fan of gambling, but people are going to do it – whether they do it at the Indian casinos or across the line in Missouri – so we need to reap the benefits and put the money to good use.

If House Bill 3020 provides money to the retirement system, then I am for it. I urge you to support it, also.

Thank you.

FEDERAL AND STATE AFFAIRS

Date 3-31-06  
Attachment 13



City of Park City  
6110 North Hydraulic  
Park City, KS 67219-2499  
316.744.2026 • fax 316.744.3865

Good Morning Chairman and members of the Committee. My name is Dee Stuart and I am the Mayor of Park City. I appreciate your acceptance of this testimony.

In November of 2004, the City Council of the City of Park City passed a memorandum of understanding with a small Indian tribe from northeast Kansas that they would support their efforts to bring economic development to Park City and prosperity to their members through a destination casino. Since that time the proposal has changed, but our desire for that economic development has not. That project would have brought \$300 million in fully taxable property to Sedgwick County, 2500 permanent full time jobs, and thousands of visitors to our area. Visitors who would have spent tourist dollars, not only at the casino with its theaters, restaurants, and hotels, but at other attractions in the area, some of which are struggling to survive.

Property tax dollars from this casino could have helped pay for the addition needed to the Sedgwick County Jail and helped to keep homeowners taxes down. \$50 million up front money would have been paid to the State of Kansas, presumably for education funding, from just this one casino.

But, the Sedgwick County Commission decided that the people of Sedgwick County could wait until after a bill had passed the legislature to allow a vote. All the residents of Sedgwick County have asked is the right to express their feelings on this very contentious issue. The developers of the Park City Casino offered to stand the expense of a referendum; the County Commissioners ignored the stated conditions of the Governor and legislative leaders because they thought they knew better. Some of them will not be thinking for the County this time next year.

So now what do we have? What kind of plan is before you? What share of the expanded gaming in this bill will actually benefit south central Kansas? Could you give Sedgwick County a chance?

You've heard the statistics, the projections, the arguments. I think you would probably not be debating expanded gaming now if you weren't forced into it by the need for education money. But if you're going to have to do it, consider doing it right. While over 60% of the people in Sedgwick County support a destination casino, a vote for a racino could turn out differently. The lure of a racino is not the same as the excitement of a destination casino. A destination casino would provide private investment of \$300 million (much of which would be taxed at sale), jobs, property taxes, and a share of the proceeds to fund local, county and state programs, including treatment of social problems.

The City of Park City could support slot machines at the Wichita Greyhound Park if a true destination casino were also in the plan, bringing true economic development to benefit the entire region. There's an old saying that the same water floats all boats; the same could be said here.

FEDERAL AND STATE AFFAIRS

Date 3-31-06

Attachment 14



**City of Park City**  
**6110 North Hydraulic**  
**Park City, KS 67219-2499**  
**316.744.2026 • fax 316.744.3865**

We weren't allowed to vote last year since a county commission cannot be forced to a referendum, even by petition. Please grant us our share of the American democracy of which we are all so proud. I appeal to your sense of fairness and ask that you ensure *positive* economic development for central Kansas through a countywide referendum in Sedgwick County.

Create jobs, bring a permanent increase in property tax revenues, let us build a shining example of what Kansans with vision can do.

Thank you.

Dee Stuart  
Mayor, City of Park City

**KANSAS RACING, L.L.C.**  
**P.O. Box 385**  
**St. Joseph, Missouri 64502**  
**816/233-8285 --- Fax: 816/233-8240**

March 31, 2006

House Committee on Federal and State Affairs

**RE: HB-3020**

Mr. Chairman and Members of the Committee:

On behalf of Kansas Racing, L.L.C., owner of the Woodlands Horse & Dog Track in Kansas City, Kansas, we want to thank you for the opportunity to address the committee concerning the Kansas Expanded Lottery Act. We would also like to thank the many people who worked long and hard to draft this legislation.

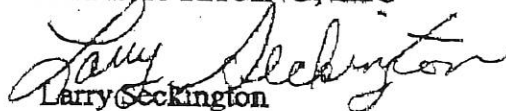
We have carefully reviewed the proposed legislation. It is obvious that the drafters diligently balanced the desires of all affected interests, including the State of Kansas, in the provisions of this bill. We believe this balancing of interests has produced a bill that is fair to all parties in all aspects, including regulatory oversight and division of revenue.

We support this bill and sincerely hope that other gaming operators and managers and the horse and dog industries will support it also. While some may not have gotten everything they want, this bill is as fair and equitable as any gaming legislation that has been proposed over the last eight years.

We encourage each member of this committee to fully endorse this legislation and would hope that it will pass into law without any amendments.

Thank you again for your time and your support.

**KANSAS RACING, LLC**

  
Larry Seckington  
Legal Counsel

LS/pjm

FEDERAL AND STATE AFFAIRS

Date 3-31-06

Attachment 15

TESTIMONY

Before the House Committee on Federal and State Affairs  
Supporting House Bill 3020  
Friday, March 31, 2006 -- Statehouse, Topeka, Kansas

MR. CHARIMAN AND MEMBERS OF THE COMMITTEE:

I am Herbert Hickman of Pittsburg, Kansas, and I could not attend today's hearing, so I have asked the Kansas Association of Public Employees enter this testimony on my behalf in support of House Bill 3020.

I retired in July of 1997 after a 39-year career with the Department of Social and Rehabilitation Services. My KPERS benefit is exactly the same today as it was when I retired, yet the costs of many items have gone up.

As an example: My Blue Cross and Blue Shield insurance premium was \$391.97 in 1997. Today, that premium is \$746.50. And, we know that the price of necessities has gone up.

If House Bill 3020 helps to address the KPERS issue, then it is about time we get it.

Please support HB 3020.

FEDERAL AND STATE AFFAIRS

Date 3-31-06

Attachment 16

# STAND UP FOR KANSAS

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

## Testimony To House Federal and State Affairs Committee On House Bill 3020

Glenn O. Thompson  
Executive Director, Stand Up For Kansas  
March 31, 2006

### Introduction

Good afternoon Chairman Edmonds and members of this 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 House Bill 3020 for the following reasons.

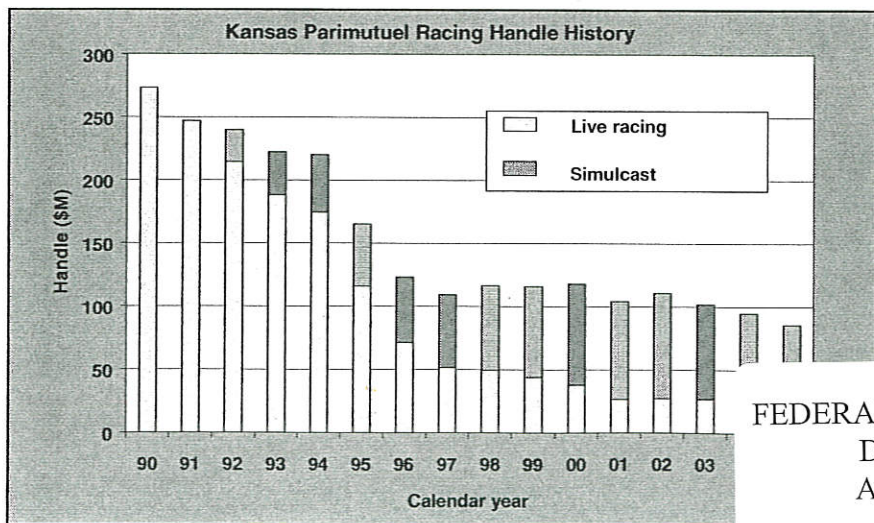
#### 1. The state should not be in the casino business.

The state would own, operate, regulate and police the casinos, encouraging corruption of government officials. How can the state regulate and police the casinos it owns? This is a recipe for disaster. That's why no other state is in the casino business.

Furthermore, the conflict of interest section in this bill is very weak. For example, the bill contains no prohibitions on state or local elected officials, their family members or their agents investing in the casinos. This deficiency is inviting government corruption, particularly for state-owned casinos.

#### 2. Subsidizing the dying parimutuel racing industry with slot machines is bad public policy.

Why should the state subsidize the parimutuel racing industry with slot machines? Why should the state award the track owners sole-source contracts for casinos without competition? The state has not propped up any other industry with expanding gambling. Live parimutuel racing is a dying industry throughout America. And, Kansas is no exception, as shown in the following chart.



FEDERAL AND STATE AFFAIRS

Date 3-31-06

Attachment 17

Since 1990, when parimutuel racing was introduced, the live handle (amount bet) at Kansas parimutuel racetracks has decreased from \$273 M to \$20 M, an average decrease of 15% per year.

Racetrack owners and breeders said simulcasting would stop the hemorrhaging. So, legislators approved simulcasting in 1992. But, simulcasting had no noticeable impact on attendance at live races, and the handle continued to decline.

Now, the governor and senate leaders are proposing this bill to prop up a dying industry.

But, leading economics scholars who study the gambling industry say slot machines at tracks in other states, such as Iowa, Delaware, Louisiana, New Mexico, New York, Rhode Island and West Virginia, have had little impact on attendance at live races.<sup>1</sup>

**Bill Eadington, an economics professor at the Univ. of Nevada at Reno says "... there's little evidence of crossover between patrons of the slot machines and bettors at the horse track."**<sup>1</sup>

And, Bill Thompson, an economics professor at the Univ. of Nevada at Las Vegas says putting casinos at racetracks "does nothing but prop up an ailing industry and line the pockets of track owners."<sup>1</sup>

### **3. This bill completely ignores the recommendations of the Ks. Lottery study**

In 2003, the Ks. Lottery commissioned Christiansen Capital Advisors (CCA), the premier consulting firm on casino economics, to study the Kansas gambling market and to recommend the most attractive venues for expanding gambling.

The CCA final report<sup>2</sup> was very clear on several key points:

- The Kansas City market is very competitive, with little unsatisfied demand for gaming and can not support more than one additional casino. (pp. 6& 7)
- "... 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 (slots at racetracks) to these markets does little to increase market demand; primarily, this option redistributes a slightly larger pie among more facilities." (p. 8)
- "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." (p. 8)

**Nevertheless, this bill does exactly what CCA recommended the state not do. It permits 5,500 slot machines at the tracks. Although the bill has no breakdown on how these machines would be distributed, a spreadsheet presented at a recent senate committee meeting showed 2,000 machines at the Woodlands, more machines than three of the KC Missouri riverboats, as shown in the table below.**

**Kansas City Missouri Riverboat Casinos - FY 2005 Financial Performance<sup>3</sup>**

Casino	Adjusted Gross Receipts (AGR) (\$M)	AGR from slot machines (\$M)	% AGR from slot machines	Slot machines	Daily win per machine (\$)
Ameristar/KC	245	213	87%	3003	194
Harrah's/North KC	185	159	86%	1701	256
Argosy/Riverside	150	131	87%	1748	205
Isle of Capri/KC	101	89	88%	1550	157
Total	681	592	87%	8002	203

The large number of slot machines at the Woodlands would seriously reduce the revenue of any other casino in Wyandotte county. In fact, this begs the question, "Why would any prudent business person invest \$235 million up front, as required by the bill, in a large casino complex in Wyandotte county, with several thousand slot machines at the nearby Woodlands."

Furthermore, thousands of slot machines at the Wichita Greyhound Park and Camptown Greyhound Park would discourage investors from putting \$235 million into casinos in Sedgwick, Crawford and Cherokee counties.

#### **4. The casinos in Sedgwick county would pull hundreds of millions of dollars out of the region.**

Three studies have shown that a casino in Sedgwick county would pull over a hundred million dollars annually out of the region: the 2004 study commissioned by the Ks. Lottery,<sup>4</sup> a 2004 study commissioned by the Wichita Downtown Development Corporation,<sup>5</sup> and a study conducted this year by Dr. William Thompson of the Univ. of Nevada at Las Vegas and presented to the Senate Commerce Committee earlier this month.<sup>6</sup>

Dr. Thompson concluded in his study that a casino in Sedgwick Co. would be a major economic parasite on both the local region and the state. Thompson estimated the casino would drain \$145 million annually from Sedgwick and surrounding counties. Furthermore, the casino would drain \$31 million annually from the state. **This would not be economic development for south-central Kansas or the state!**

#### **5. The 16 year moratorium in the bill is a joke!**

Does any legislator really think that a \$5 million penalty on the state (p. 19, lines 32 - 41) would stop additional gambling expansion? If this were not such a serious issue, this subsection would be comical!

#### **6. The casinos would create thousands of new pathological gamblers, particularly in south-central Kansas, and cost Kansas citizens millions of dollars**

**Accessibility** is a key 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.*"<sup>7</sup> 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.

**Furthermore, if this bill passes, social costs for new pathological gamblers in Kansas will be in the hundreds of millions of dollars.** Economists estimate that, on the average, a pathological gambler costs society over \$13,000 per year for crime, business expense, unemployment, money from family and friends, illness, social services, bankruptcy and other family costs.<sup>8</sup>

For example, last year a former school superintendent in a small town 70 miles northeast of Kansas City confessed to stealing over \$844,000 from his school district to satisfy his gambling addiction problem.<sup>9</sup>

A study commissioned by the Wichita Downtown Development Corporation estimated a casino in Sedgwick County would create between **5,200 and 7,800 new pathological gamblers**. 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 webs. The study concluded that the social cost for the new pathological gamblers would range "between \$71 and \$106 million,"<sup>10</sup> much more than the revenue the state would receive from the Sedgwick county casino.



## **7. Why is the state leaving millions of dollars on the table?**

Other states are beginning to realize that casino licenses are very valuable commodities. For example, last year the Isle of Capri paid the state of Illinois over \$500 million (128% of estimated annual revenue) for a riverboat casino license. Several other bids were about the same.

Why then is the casino manager at Wichita Greyhound Park required to pay only \$5 million for an exclusive gaming zone privilege fee and absolutely nothing if a regional casino is approved in Sedgwick county? (p. 19) Furthermore, why are the casino managers at the Woodlands and Camptown not paying any gaming privilege fees? How were these privilege fees computed?

## **8. Surrounding counties have no voice in the referendums**

At least 75% of the casino revenue will come from gamblers living within the surrounding 50-mile radius region. So, most of the revenue will come from the home county and the surrounding contiguous counties. Nevertheless, the surrounding counties will have no voice in the referendums. We urge you amend the bill to include both the home county and the contiguous Kansas counties in the referendums.

## **Conclusion**

Finally, this bill contains many other deficiencies that I will not discuss because of the time constraint.

In summary, the bill is clearly bad public policy. We urge you to oppose it.

- 
- 1 "Experts on Gambling Say Racinos Have Unconvincing Track Record," The Sunday Challenger (of KY), Feb. 20, 2006
  - 2 Sebastian Sinclair, President, Christiansen Capital Advisors (CCA), LLC, Final Report, "The Feasibility of Electronic and/or Casino Gaming in Kansas," Mar. 9, 2004, Study commissioned by Kansas Lottery
  - 3 Missouri Gaming Commission FY 2005 Annual Report
  - 4 Sinclair Final Report
  - 5 GVA Marquette Advisors, Final report, "Economic & social impact analysis for a proposed casino & hotel," April 2004, Study commissioned by Wichita Downtown Development Corp., p. VII-9
  - 6 William N. Thompson, Ph. D., Professor of Public Administration, Univ. of Nevada, Las Vegas, "Economic Impacts of Expanded Gaming in Kansas," March 14, 2006
  - 7 Final Report, The National gambling Impact Study Commission, June 1999, p. 4-4
  - 8 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.
  - 9 "Ex-superintendent admits losing school's \$844,478 on gambling," by Mark Morris, *The Kansas City Star*, Mar. 9, 2005.
  - 10 GVA Marquette Advisors, Final report, p. VII-9

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**Testimony re: HB 3020  
House Federal and State Affairs Committee  
Presented by Ronald R. Hein  
on behalf of  
Kansas Tribal Economic Development Association  
March 31, 2006**

My name is Ron Hein, and I am legislative counsel for Prairie Band Potawatomi Nation (PBPN), but today I have been authorized to present testimony on behalf of Kansas Tribal Economic Development Association (KTEDA), an association comprised of the Kickapoo Tribe in Kansas, the Prairie Band Potawatomi Nation, and the Sac and Fox Nation.

KTEDA opposes HB 3020.

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

We have much to learn from the history of gaming from what has occurred with pari-mutuel gambling in Kansas, and with gaming in Missouri. Once the state starts down the slippery slope of state owned and operated casino gaming, the state will not be able to stop itself from falling further into expanded gaming as more groups and areas of the state demand to be included. If the intent of this legislation is to insure that everyone in the state is within close proximity to a gaming machine, then this bill fulfills that expansive intent.

A review of the history of pari-mutuel gaming in Kansas will demonstrate that even this massive gambling bill is probably not the end of efforts to expand gaming in Kansas. Gaming is likely to be a legislative issue every year for the next ten years as proponents seek greater and greater benefits, fewer and fewer restrictions, and more and more money. The legislature should not be deceived that even this massive of a gambling bill will put an end to expanded gambling.

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

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

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

The legislature should not make any recommendation for expanded gaming without determining how much of the revenue generated by expanded gaming will come from

FEDERAL AND STATE AFFAIRS

Date 3-31-06

Attachment 18

dollars already being spent at other businesses within the state, and how much state and local tax revenues will be lost from those businesses.

### **Governor's Gaming Committee Findings**

The Governor's Gaming Committee spent a great deal of time researching gambling in the summer of 2004. Among other things, they made some findings as set out below:

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

The Governor's Gaming Committee went on to recommend: "A large destination casino—either state-owned and operated or Indian—in Wyandotte County, supplemented by slots at the tracks. In addition to this destination casino, the committee feels that the state should maximize its potential for immediate revenue by placing a **limited number of video lottery terminals** at the pari-mutuel tracks." [Emphasis supplied.]

The Governor's Gaming Committee also noted the following:

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

### **Process**

This bill deals with an issue which is extremely significant to the vast majority of the public who either support or oppose gaming, which is extremely complicated for a number of reasons, and which is legally complicated due to the unique wording of the Kansas Constitution regarding casino gambling.

Given that this bill was introduced on Wednesday, this has been a short amount of time to read and analyze the bill which is significantly different from legislation in this and previous years.

There also is not sufficient time to address the numerous policy issues raised by this bill and this subject which should be addressed by this Legislature prior to this state becoming the first state in the nation to attempt to own and operate casinos. I will touch on just a small number of problems with this bill.

I would also note for the record, that although we oppose the expansion of State gambling, **IF** the State is going to expand gambling that is truly state-owned and operated, the State should hire outside consultants, conduct a thorough **public** study of the best terms for the State, and then write its own legislation which truly benefits the State rather than the gambling interests.

### **HB 3020 Is Not the Way To Expand Gaming**

1. **Governor's Gaming Committee** HB 3020 does not meet the findings or the recommendations of the Governor's Gaming Committee. The Governor's Gaming Report clearly supported a destination casino in Wyandotte County with limited slots at the tracks.
2. **HB 3020 Promotes Slots Parlors vs. Destination Casinos** HB 3020, like SB 587, places, again, too much focus on slots at the tracks. The 5,500 slots permitted by this bill will serve as a deterrent to true destination casinos. Destination casinos will have to compete with the heavy numbers of slots that have been authorized for the pari-mutuel tracks if they are in a non-exclusive zone. This will have the effect of reducing the amount of revenue which will be available for the "destination" casinos and will mean that those casinos will, by necessity, be built smaller. This bill may just jeopardize their status as a destination casino, or may jeopardize their construction.
3. **Economic and Ethical Risks** HB 3020 is dangerous because of the economic and ethical risks that are created, as noted by the Governor's Gaming Committee, with **one** state-owned casino, let alone with the plethora of casinos and slots provided for in this bill. This bill will allow for up to three casinos and four pari-mutuel slot parlors. **This bill is gambling everywhere.** This bill virtually assures the state that gambling will be competing with other tax-paying businesses, and that the vast majority of the money "earned" from gambling will be sucked out of the Kansas economy. This will virtually guarantee an adverse economic impact on state revenues from existing businesses in the state.
4. **Exclusivity** The question should be asked why this and other gaming bills contain provisions for exclusivity for the pari-mutuel tracks. This bill permits the tracks to build a separate building for the slots, so slots will be the demise of horse racing, not its savior. All this exclusivity does for the track owner is insure that the two individuals who own the current tracks have an exclusive right to make a lot of additional income at the hands of Kansans who lose their money at gaming.
5. **Percentages** HB 3020 provides for the slots at the track manager to receive, potentially, more revenue from the gaming there than the State (the ostensible "owner" of the gaming operation) receives. And this amount is after the expenses have been paid (15% of the revenue goes for expenses). I would question the public policy of such an arrangement. This also raises constitutional questions as to who is truly the owner and operator of these machines.
6. **Optional Provisions** HB 3020 provides that certain provisions are mandated to be included in the management contracts, but other provisions are optional. These provisions include:

“minimum requirements for a racetrack gaming facility manager to provide qualified oversight, security and supervision of electronic gaming machines, including the use of qualified personnel with experience in applicable technology”;

“Background investigations to be performed by the Kansas racing and gaming commission”; and

“Provisions for termination of the management contract by either party for cause”.

**7. Accelerated Payment** This bill also requires the managers of each pari-mutuel facility to pay the State of Kansas \$15,000 per machine in accelerated gaming revenues. Previous legislation has indicated that these would be “up front” payments. This bill provides that the payments will be made one month before the end of the fiscal year in which the management agreement was entered or in which the facility opens (if it is not open). As there is a credit against the “accelerated gaming revenue” payment of all amounts allocated to the state, there is very little revenue that is actually an “accelerated payment”. This works very favorably to the benefit of the pari-mutuel track owners but works to the detriment of the state, which could have invested the accelerated payment and made interest during that period of time (up to one year).

**8. State’s Share of Revenue Too Low** The state’s share of the revenue from the pari-mutuel tracks can certainly be higher than what is provided in this bill. The state taking a smaller share might be to permit the facility managers to make more profits and to build facilities apart from the Tracks. However, that would seem to be inconsistent with the intent of the proponents of expanded gaming, who for years have argued that Kansas needs slots at the tracks in order to “save the tracks”.

**9. Lost State Revenue** You have all heard the proponents boast about how much revenue will result from expanded gaming. What you do **not** hear from the gambling proponents is an analysis of **how much revenue will be lost** to the state of Kansas by such widespread expansion of gaming. The amount of money that will be lost by the citizens at the various facilities set out in this legislation, probably will approximately total the same amount that would have been lost by SB 587, which was killed earlier this year. That amount was \$727 million, or **three quarters of a billion dollars**. Many of these dollars are already being spent with other businesses in the state, whether they be restaurants, community theaters, bowling alleys, movie theaters, car dealerships or any other recreational or non-recreational activities which will lose business. What is the cost to the state in lost tax revenue, lost property taxes, lost employment taxes, lost lottery revenue, lost income taxes of three quarters of a billion dollars being removed from the economy. Only when that question is answered can the legislature determine that **net** revenue to the state of Kansas.

**11. Experience** Last year, the Senate unanimously adopted an amendment that any company seeking to operate any of the gaming facilities needed to have at least three years experience in operating Class III gaming. That policy made good sense because, generally the State of Kansas, when it is entering into contracts, especially multi-million dollar contracts, is able to expect the best and the most talented vendors to respond to requests for proposals on such contracts. It strikes me as odd that such requirement was retained as to destination casinos, but was eliminated as to the new pari-mutuel track in Ford County.

The bill structures a procedure whereby an operator with no experience can attempt to build a race track, without demonstrating any experience at operating Class III gaming. Nor is there a provision that this company demonstrate that they have had any experience at pari-mutuel track operations either. It would strike me that if there is going to be a new pari-mutuel track built in Kansas, which would certainly be contrary to the rest of the nation, it would at least seem to make sense that the state of Kansas would require that the new track operator have at least three years experience in operating Class III gaming for the purposes of operating slots at the tracks, and at least three years experience in pari-mutuel track operations prior to getting a license to operate a new pari-mutuel track.

12. **Confidentiality** A provision in this bill makes all financial records of the manager confidential except for the net revenue to the state. The amount of money the managers profit under this bill is kept secret from the news media, the public, and the legislature. Will the profits for these gambling proponents be \$30,000,000 per year? \$50,000,000 per year? The public has a right to know how many profits are being drained by the state of Kansas, who is the perceived "owner" of the gambling operations. Only then can the legislature assess whether this bill is a good deal for the state, who is supposed to be the owner and the operator of the gaming operation. **The legislature has never asked this question regarding the gambling operators profits to determine this "dirty little secret" as to how much money will be siphoned off from the state to benefit the gaming operators.** Another section of the bill provides for audits of the gambling operations and other information to be exempt from the Open Records Act.

13. **Background Checks** Any owner of the gambling facility with less than a 5% share is not subject to a criminal background check. For a \$200 million facility, that would be an owner of a \$10 million share. A family of 5 could have a \$50 million dollar share. If the legislature is going to allow gambling in this state, then the legislature should at least attempt to guard against corruption in this state. This provision is a loophole for corruption, and does not meet the standards set for gaming in other states. **The question needs to be asked and answered, who is being protected by this provision, and why is it in this gambling bill?**

14. **Alcohol** HB 3020 exempts the gambling facility from complying with Kansas alcohol laws. This provision could permit free alcohol, and could also permit other violations of alcohol laws.

15. **Moratorium** HB 3020 attempts to provide for a moratorium, but the moratorium in this bill is a "fake" moratorium. The legislature can not bind a future legislature, and contract penalties can be waived when parties are willing to do so when it is in their economic interest to do so. Statutory moratoriums do not guarantee that gaming will not expand in the future. In addition, moratoriums do not prohibit statutory changes that reduce or remove restrictions on gambling operators, that terminate requirements for horse racing or dog racing, or that otherwise change the rules for gambling in Kansas.

### **Constitutionality--State-Owned and Operated**

The Governor's committee was very clear that the state must "own and operate" the gaming as required by the Kansas Constitution. By regulating operations, using "managing contracts" rather than "certificates of authority" as in previous years, and by using "certification" processes rather than "licensing" for the operators may be an attempt

to camouflage the fact that this bill still uses a license and regulate approach rather than a state-owned and operated model, does not render this legislation "state-owned and operated". Its constitutionality is still in question.

The Kansas Constitution clearly states that casino gaming, as a lottery, must be owned and operated by the state of Kansas. This is to be distinguished from pari-mutuel racing which can be conducted constitutionally so long as it is "licensed and regulated by the state". From a policy perspective, if the state is going to initiate state-owned and operated gaming, why doesn't it simply establish state-owned and operated gaming, rather than using the machinations of entering into the elaborate, so-called management contracts which result in significant revenues being paid to private enterprises that is not consistent with the level of services which they are providing to the state of Kansas.

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

If gaming is to be expanded in Kansas, it should involve Tribal Gaming (including a Tribal destination casino in Wyandotte County if coupled with closure of such Tribes' existing casinos); it should be restricted (both in number of communities and number of slot machines); and it should be structured permanently to solve the issue for the future, most preferably through a constitutional amendment. Gaming should not be omnipresent, nor should it be substituted for or operated to the detriment of other businesses which have made Kansas great.

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



**Testimony on HB 3020  
House Federal and State Affairs Committee  
Submitted by Lana Oleen, Spokesperson  
Kansas Tribal Economic Development Assn. (KTEDA)  
March 31, 2006**

**SEVEN POINTS TO PONDER IN EXPANDED GAMING**

- 1. BACKGROUND OF EXPERIENCE ON GAMING ISSUES**
- 2. DEADLINE-DRIVEN LEGISLATION IN THIS BILL**
- 3. LEGISLATIVE POWER DIMINISHED IN THIS BILL**
- 4. RESEARCH MATERIAL AVAILABLE FOR REVIEW**
- 5. REASONABLE, RESPONSIBLE APPROACH TO GAMING THROUGH TRIBAL COMPACT AN OPTION**
- 6. STATE-OWNED GAMING DOES NOT GUARANTEE CONTINUED FUNDING FOR EDUCATION**
- 7. STATE SHOULD BE IN CHARGE OF DETERMINING THIS IMPORTANT PUBLIC POLICY ISSUE**

FEDERAL AND STATE AFFAIRS

Date 3-31-06

Attachment 19

