

Approved: March 20, 2007

Date

MINUTES OF THE HOUSE FEDERAL AND STATE AFFAIRS COMMITTEE

The meeting was called to order by Chairman Arlen Siegfroid at 1:30 P.M. on March 14, 2007 in Room 313-S of the Capitol.

All members were present except:

Representative Broderick Henderson- excused

Committee staff present:

Kathie Sparks, Kansas Legislative Research Department
Dennis Hodgins, Kansas Legislative Research Department
Mike Heim, Revisor of Statutes Office
Carol Doel, Committee Assistant

Conferees:

Ron Hein, Prairie Band Potawatomi Nation
Lana Oleen

Others attending:

See attached list

The Chairman requested a bill introduction regarding gambling and moved the bill with a second by Representative Peterson. With no objections, the bill will be accepted.

The Chair directed attention to informational articles requested by Committee members.

- Information regarding donations made to the Governor's Campaign Committee by gaming and gambling interests across the state. (Attachment 1)
- The Economic Impacts of Expanded Gaming in Kansas by William N. Thompson, Ph.D. - Professor of Public Administration University of Nevada, Las Vegas. (Attachment 2)
- A report from the Governor's Committee on Gaming prepared and compiled by Kickapoo Tribe in Kansas and Sac and Fox Nation. (Attachment 3)
- Kansas Racing and Gaming commission Live Horse- Greyhound Handle 1990-2006 (Attachment 4)

Chairman Siegfroid opened the meeting for continuation of public hearing on **HB 2569** - Kansas destination casino act; destination casino commission.

Ron Hein, Legal Counsel for Prairie Band Potawatomi Nation returned before the Committee with a continuation of his testimony as an opponent of **HB 2569**. Mr. Hein related that one of the issues which he discussed was experience. Any gambling bill should require that class III gambling operators, have at least three, or even preferably five or ten years experience, in operating a Class III casino. Any bills which provide for slots at the tracks or for a new parimutuel track, should require eight years experience in operating Class III gambling or experience in operating parimutuel tracks. In his testimony, Mr. Hein also spoke on constitutionality - state-owned and operated casinos, problem gambling and if gambling must be expanded, the method of expansion. (Attachment 5)

Lana Oleen consultant for the Prairie Band Potawatomi Nation presented testimony on their behalf as an opponent to **HB 2569**. Subjects covered by Ms. Oleen included, committee responsibility, components of the bill, new, smarter generation model of gaming, executive director/regulation and oversight, feasibility, border wars, destination casinos, state-owned and, state-operated requirement for constitutionality. (Attachment 6)

Written testimony in opposition to **HB 2569** was submitted by Kansas Racing, L.L.C. (Attachment 7) and as a proponent of **HB 2055**, **HB 2568**, and **HB 2569** by Sedgwick County. (Attachment 8)

With no other person wishing to speak to **HB 2569**, Chairman Siegfroid closed the public hearing.

With time being an issue for the Committee the Chair announced that **HB 2568** - Kansas destination casino

CONTINUATION SHEET

MINUTES OF THE House Federal and State Affairs Committee at 1:30 P.M. on March 14, 2007 in Room 313-S of the Capitol.

act; destination casino commission; stated owned and operated - which was to be heard today would be rescheduled, however he recognized Bob Johannes, owner of Park Lanes and Ranch Bowl in Kansas City and Kenny Lynch, owner of Holiday Lanes, Pittsburg, Kansas testify on **HB 2568**.

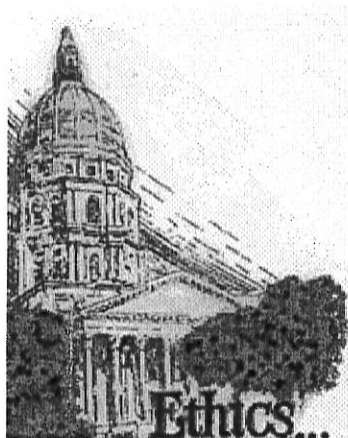
Mr. Johannes opposes **HB 2568** as he feels that this proposal limits gaming to a few casino and or track facilities. The bill ignores the impact that these types of facilities have on small entertainment businesses such as bowling centers, movie theaters, restaurant and bar facilities. (Attachment 9)

Mr. Lynch also opposes **HB 2568** relating that the passage of this bill would mean that the Kansas Lottery would be coming to his community to directly compete with his recreation business. The bill also requires destination casinos to develop entertainment facilities, i.e. bowling center. He voiced the opinion that the State of Kansas should not be competing with its own citizens in the recreation business. (Attachment 10)

With no further business before the Committee, the Chairman adjourned the meeting.

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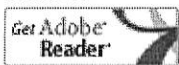
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FEDERAL AND STATE AFFAIRS
Date 3-14-07
Attachment 1

#2

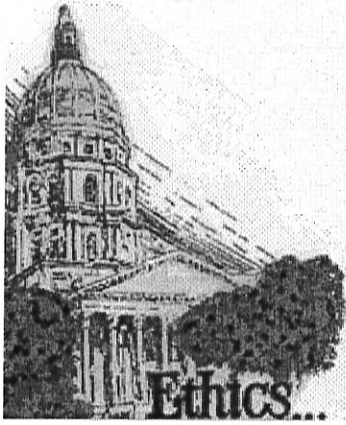
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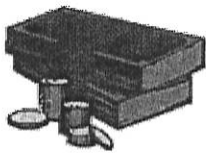
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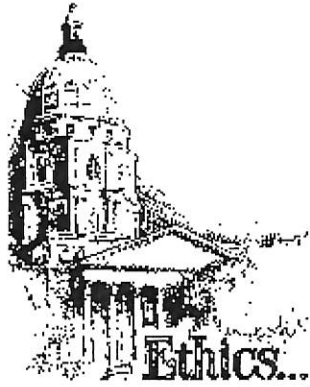
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List of Contributors for Statewide Races

NEW SEARCH

hint: Contributor names are "Last First" for individuals.

Contributor name

Contribution type

Select dates to include:

Optionally select your own dates:

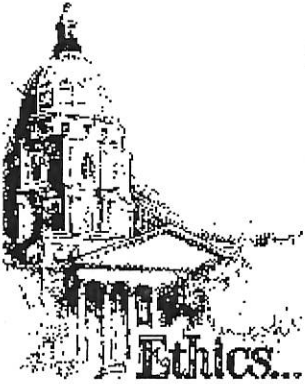
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#17



Itemized Contributions for Statewide Races

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hint: You can enter just the beginning part of a name

Candidate Last name Sebelius

Candidate First name

Office Any

hint: Contributor names are "Last First" for individuals.

Contributor name

Contribution type Any

Contribution detail Check this box for more details about each item.

Select dates to include: Any

Optionally select your own dates:

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To Month Day Year

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Itemized Contributions for Statewide Races

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SEBELIUS, KATHLEEN

11-04-2002	?, DAN	50.00	SEBELIUS, KATHLEEN
11-21-1994	A L DEWITT S G BROWN PA	100.00	SEBELIUS, KATHLEEN
09-27-1994	AB SALES INC	500.00	SEBELIUS, KATHLEEN
11-12-1997	ABDALLAH, DONNA & DON	100.00	SEBELIUS, KATHLEEN
10-31-2002	ABRAHAM, ESTANNE	250.00	SEBELIUS, KATHLEEN
09-16-1994	ACCURSO LAW FIRM THE	500.00	SEBELIUS, KATHLEEN
10-14-1998	ACHTERBERG, CONSTANCE	100.00	SEBELIUS, KATHLEEN
11-19-1994	ACME SPINNING COMPANY	100.00	SEBELIUS, KATHLEEN
11-08-1994	ADAIR THOMAS M	150.00	SEBELIUS, KATHLEEN
10-25-2002	ADAM, JOAN	400.00	SEBELIUS, KATHLEEN
07-16-1998	AFFILIATED REAL ESTATE SERVICES LLC	250.00	SEBELIUS, KATHLEEN
11-10-1997	AFFILIATED REAL ESTATE SERVICES LLC	250.00	SEBELIUS, KATHLEEN
10-22-2002	AFL-CIO COPE FUND	2000.00	SEBELIUS, KATHLEEN
11-04-1994	AFL-CIO TRI COUNTY COUNCIL AREA COPE	200.00	SEBELIUS, KATHLEEN
10-06-1998	AFLCIO	2000.00	SEBELIUS, KATHLEEN
11-19-1994	AHLSTROM MAE J	50.00	SEBELIUS, KATHLEEN
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10-14-1998	ALBOTT, WILLIAM	50.00	SEBELIUS, KATHLEEN
11-10-1997	ALBOTT, WILLIAM	50.00	SEBELIUS, KATHLEEN
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10-31-2002	ALDEN, CAROLE	50.00	SEBELIUS, KATHLEEN
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10-24-2002	ALDERSON, ALAN F	250.00	SEBELIUS, KATHLEEN
09-23-1998	ALDERSON, ALDERSON, WEILER, CONKLIN & BURGHA	300.00	SEBELIUS, KATHLEEN
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11-26-1994	ALDOROTY KAREN & NEIL	50.00	SEBELIUS, KATHLEEN
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11-25-1994	ALEXANDER KEN & PAM	100.00	SEBELIUS, KATHLEEN
11-30-1994	ALEXANDER MATILDA	100.00	SEBELIUS, KATHLEEN
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10-07-1997	ALL, MATTHEW D	50.00	SEBELIUS, KATHLEEN
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11-17-1994	ALLAN GREEVER P	50.00	SEBELIUS, KATHLEEN
11-08-2002	ALLDERDICE, LINDA AUERBACH	100.00	SEBELIUS, KATHLEEN
11-28-1994	ALLEN CO DEMOCRATIC CENTRAL COMMITTEE	77.50	SEBELIUS, KATHLEEN
09-02-1994	ALLEN JUNE	50.00	SEBELIUS, KATHLEEN
11-08-1994	ALLEN JUNE	50.00	SEBELIUS, KATHLEEN
10-21-2002	ALLEN, DORIS	100.00	SEBELIUS, KATHLEEN
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08-24-1998	ALLEN, SUZANNE	150.00	SEBELIUS, KATHLEEN
07-01-1998	ALLEN, SUZANNE E	150.00	SEBELIUS, KATHLEEN
10-31-2002	ALLENBRAND, SHIRLEY	1000.00	SEBELIUS, KATHLEEN

1-8

Economic Impacts of Expanded Gaming in Kansas

By

William N. Thompson, Ph.D.
Professor of Public Administration
University of Nevada, Las Vegas
Las Vegas, NV 89154-6026

March 14, 2006

FEDERAL AND STATE AFFAIRS

Date 3-14-07

Attachment 2

ABOUT THE AUTHOR

William N. Thompson is a professor and past chair of the Public Administration Department at the University of Nevada, Las Vegas. He received B.A. and M.A. degrees (Political Science) from Michigan State. His Ph.D. is from the University of Missouri-Columbia. Thompson served on faculties of Southeast Missouri State, Western Michigan Univ., and Troy State Univ. (Europe). He also served as Research Associate with the National Association of Attorneys General, and Research Advisor to Administrator of Pension and Welfare Benefits Programs in the U.S. Dept. of Labor. For two years he was the elected Supervisor of Kalamazoo Township in Michigan.

Since coming to Nevada in 1980, he has been actively studying public policy and gambling. He and John Dombink of the University of California-Irvine were gaming consultants to the President's Commission on Organized Crime. The two collaborated in writing The Last Resort: Success and Failure in Campaigns for Casinos (U.Nevada Press, 1990). Thompson's articles on gambling have appeared in numerous publications including the The Annals of the American Academy of Political Science, Indian Gaming, Journal of Gambling Studies, Casino Executive, Gaming Law Review and International Gaming and Wagering Business. He has lectured extensively on the topic of international casinos, and he wrote a 45 article series for the Las Vegas Sun on world casinos. He also co-authored (with Michele Comeau) Casino Customer Service=The WIN WIN Game(Gaming and Wagering Bus., 1992, 1996); he is also the author of Legalized Gambling: A Reference Handbook (1994, 2ed 1997), and Native American Issues (1996),(both ABC-CLIO). He was a consultant to the Wisconsin Public Research Institute, co-authoring: The Economic Impact of Native American Casinos in Wisconsin (1995), The Social Cost of Gambling in Wisconsin(1996), and Crime and Casinos in Wisconsin(1996).

Dr. Thompson appeared as a gambling authority on N.B.C.'s "Today Show" with Jane Pauley and Matt Lauer, A.B.C.'s "World News Tonight" with Peter Jennings, "Nightline" with Ted Koppel, and C.N.N.'s "Crossfire" with John Sununu and Mike Kinsley and "News Stand: Fortune Magazine," C.B.S.'s "48 Hours," "Newshour with Jim Lehrer," "Going Places" with Al Roker and "Frontline," each on P.B.S., "Lifestyles of the Rich and Famous," the C.B.C.'s "Sunday Morning," N.P.R.'s "Morning Edition," "All Things Considered," and "Studio 2" on TVOntario. He has been quoted in news media including Time, Newsweek, Business Week, Fortune, Forbes, Wall Street Journal, The Economist, Finanacial Post, Governing, Macleans, Canadian Business, Christian Science Monitor, Washington Post, New York Times, The Globe and Mail, Vancouver Sun, and Los Angeles Times. He served as a consultant for Loto Quebec, Crystal Casino, Winnipeg, The Detroit Casino Study Commission, Puerto Rico Tourism Co., Netherlands Board of Casino Games, and Native American gaming in Michigan, Arizona, Idaho, Texas, and Montana.

ECONOMIC IMPACTS OF EXPANDED GAMING

OVERVIEW

The State of Kansas has in the past and is presently examining the possibility of expanding the availability of gambling within the state in order to foster economic development and generate government revenue. Such possibilities include the establishment of "state-owned and operated destination resort casinos" and a large number of slot machines at pari-mutuel race tracks. The state has also examined the possibility of tribal compacts creating destination casinos with tribal financial contributions to the state. The compacts would allow a limited number of slots at pari-mutuel tracks. This report examines the economic impacts to these two approaches to expanded gaming.

Expanded gaming is often touted as a tool for economic development and as a good vehicle to generate revenue for the state. It can be both under the right circumstances. It can also have very negative economic impacts under the wrong circumstances.

Gaming enterprises can certainly pay a lot of revenue to the state, hire a lot of people and direct revenues to a lot of operators and suppliers. Kansans are currently spending money at Missouri riverboats in Kansas City and Native American facilities in Northeast Kansas and Oklahoma which could benefit Kansas. As lawmakers grapple for answers to policy questions regarding legislation, regulation and taxation for expanded gaming, the economic impacts of expanded gaming are often presumed to be positive due to the revenue it would provide to state government.

Information on gaming proposals usually concentrates on gross gaming revenues and revenues the state and local community will receive. A federally established National Gambling Impact Study Commission strongly recommended that states authorizing casino gaming within their boundaries go beyond that simple revenue analysis to determine the actual economic impacts that will occur when gaming is authorized or expanded. This report provides an analysis of the economic impacts expanded gambling would have on the State of Kansas and the specific communities where expanded gambling facilities are proposed to be located.

The economic benefits and costs of two approaches to expanded gaming are analyzed:

- SB 587 which proposes two destination casinos in Kansas City and Southeast Kansas and 5000 or more slot machines at four pari-mutuel tracks in Kansas City, Frontenac, Wichita and Dodge City;
- Tribal Compact Approach which proposes two destination casinos in Kansas City and Southeast Kansas and 1200 slot machines at the pari-mutuel tracks in Kansas City and Frontenac.

The analysis follows the flow of money into and out of gaming facilities and assesses the positive and negative impacts of that monetary flow on the State and on the communities where facilities are proposed.

In developing this report, the following information was analyzed:

- The official Nevada Gaming Abstract
- Jason Ader's North American Gaming Almanac (ed.)
- Bear-Stearns North American Gaming Almanac 2002-2003
- Christiansen Capital Advisors LLC, The Feasibility of Electronic and/or Casino Gaming in Kansas, Final Report March 09, 2004.
- The Governor's (Kansas) Gaming Committee, Final Report, December 18, 2003
- Report of the Special Committee on Gaming to the 1996 Kansas Legislature (December 1995)
- Marquette Advisor's Gaming Feasibility Reports for Kansas City and Galena
- National Gambling Impact Study Commission Report
- Proposed State-Tribal Compacts for Kansas City and Southeast Kansas, 2004-2005
- Kansas Senate proposed legislation outline for expanded gaming, February 2006

This study identifies the factors to consider in determining the economic benefits and costs of expanded gaming in the areas where new gaming facilities are proposed and on the state as a whole. The analysis can be likened to a "bath tub" model which factors the inputs and outputs of revenue (water) in the economic "bath tubs" of those locales and the State of Kansas.

The source of the gambling money coming into the "bath tub" is important.

- Gambling money already being spent on gaming by Kansans in Missouri or Oklahoma gaming facilities adds revenue to the tub.
- Money from Missouri, Oklahoma and Arkansas residents spent at new Kansas gaming facilities adds revenue to the tub.
- Money spent by Kansans at new gaming facilities not previously spent on gaming does not add revenue to the tub. This money is already in the tub and some of it leaves due to gaming expenditures which leave the state.

Where the money goes is also important.

- Much of the tax money which flows to Topeka from new gaming facilities does not return to local economies, but benefits the state as a whole.
- Net wages and fringe benefits of Kansas residents from new jobs adds revenue to the state and local economic "bath tubs." Federal taxes flow out of the tubs.

- Gaming machines are purchased from Nevada and other states, representing a flow of revenue out of the state and local economic tubs.
- Cities on the border with Missouri have some job, construction, supply and advertising revenue flow across the border and out of the tub.
- Net revenues facility operators receive flow mainly toward the area of residence and location of the operator's other business concerns. Operator revenue which stays in a community and Kansas fills the tub, revenue which goes to other states drains the revenue in the tub.

These factors vary by locale of the gaming facility, by type of facility, by number of jobs created, and by where operator profits go. The impact of those factors on the flow into and out of various locales and the State of Kansas are developed under the market and revenue projections and assumptions set out in the following sections.

The State of Kansas engaged Christiansen Capital Advisors, a premier gaming industry analyst, to study the levels of gaming activity each Kansas market would support, what kind of expanded gaming the public wants and various types of gaming facilities which could capture the available market. The Christiansen study provided very good information for policymakers on those issues. However, Christiansen was not asked, and did not assess the economic impacts of expanded gaming on the communities studied or the state as a whole. Available gaming market revenue was projected and scenarios for capturing that market were analyzed. No tax rates were recommended and no net economic impact was discussed. This report utilizes Christiansen and Marquette GVA market projections and data in analyzing net economic impacts and the revenues available to the state under the two competing proposals.

Eugene Christiansen, in "Taxes and Regret: A Review of 2002 US Casino Results" asked "what kind of gambling industry do people... want?" He stated that "These are long term choices" and once a state embarks on the wrong pathway, it is hard to turn back. The wrong path is maximum government revenue but minimal capital investment, minimal job creation and maximum social costs. In Christiansen's study for the State of Kansas, he cited those economic considerations in the policy choices confronting policymakers and noted that simply adding gaming machines is not an optimum strategy.

An expanded gaming approach that concentrates on economic development creates the greatest positive impact on the state and local communities. Such an approach is also critical to insure that expanded gaming facilities will be competitive in already existing markets.

As with any economic expansion, there are resulting social costs and business effects. Kansas can minimize the negative aspects of expanded gaming to local communities and to the state with a strategy that maximizes capital investment.

Kansas facilities which capture Kansas money currently being spent at Kansas City riverboat casinos and at Oklahoma tribal facilities near Southeast Kansas, as well as Missouri and Oklahoma gaming revenue which would flow to Kansas facilities, make Kansas City and Southeast Kansas prime locations for expanded gaming in Kansas. The environment for

positive economic impacts from expanded gaming exists in those communities and for the State. Large casinos with the right mix of slot machines at pari-mutuel tracks in border communities like Kansas City and Southeast Kansas can generate substantial positive economic impacts.

This report finds that the expanded gaming approach which has a higher capital investment in destination casino facilities, a reasonable state revenue share and limited slots at tracks will generate more and better jobs and have a much more positive economic impact on the state than an expanded gaming approach which relies too heavily on slot machines at pari-mutuel tracks and casinos with a higher state revenue share. The report also finds that placing slot machines at tracks in communities where there is no existing gaming market produces very negative impacts for those communities and the state.

This report also looks at an issue that is often brushed off: the costs of compulsive or problem gambling. Those costs are real and should not be ignored. Kansas already faces those costs in communities with gaming nearby, such as Northeast and Southeast Kansas. Adding gaming facilities in those communities would not significantly increase the costs of problem gaming. In communities like Wichita and Dodge City where there are not gaming facilities nearby, in addition to significant negative economic impacts of racino gaming facilities there would also be high social costs.

The findings of the report are summarized in the Executive Summary.

EXECUTIVE SUMMARY

This Report analyzes the net economic impacts created by two approaches to expanded gaming in Kansas:

- SB587 which proposes state-owned and operated casino facilities in Kansas City and Southeast Kansas and 5500 slot machines located at pari-mutuel tracks in Kansas City, Frontenac and Wichita, with the possibility of slot machines placed at a new pari-mutuel track in Dodge City;
- A Tribal Compact approach which proposes destination resort casinos in Kansas City and Southeast Kansas and 1200 slot machines located at two pari-mutuel tracks in Kansas City and Frontenac.

Net Economic impacts of expanded gaming on local communities and the State of Kansas are calculated by determining

- The amount of money which comes into and flows out of the local communities in which gaming facilities would be located;
- The amount of money which flows to the Kansas economy and the amounts which flow out of the State of Kansas.

This "bath tub" economic model analyzes the sources of gambling money and where it flows.

Some gaming revenue is a positive addition to state and local economies.

- Gaming revenue from Kansans presently flowing to Missouri and Oklahoma gaming facilities which returns to new Kansas gaming facilities adds money to the local and state "bath tubs." It captures money now leaving Kansas.
- Gaming money from Missourians, Oklahomans and Arkansans spent at new Kansas gaming facilities also adds revenue to the local and state economic "bath tubs." It is new money flowing into those economies.

Some gaming revenue does not add revenue to local or state economies.

- Money from Kansans which is not currently being spent at out of state facilities, but will be spent at new Kansas gaming facilities, is already in the local and state economies.

Some revenue from gaming facilities leaves local and state economic "bath tubs."

- Revenue flows out of state to buy slot machines from Nevada and other states.
- The State's share of revenue from gaming flows out of the local economic "bath tub" to Topeka to the state tub and Federal taxes flow out. Some of those state revenues flow back to the local area.

- Employees' net salary and fringe benefits stay in the local tub where the employees live. Federal taxes on employee wages flows out of state to Washington, DC.
- The money that facility operators make mostly flows to the area of owner residence and location of the facility operator's other business concerns. This can either add to local and state economies or drain from them.

The net impact of these sources and flows of revenue on community and state economies determines in a very basic way whether a facility will have a positive or a negative economic impact.

The findings of this analysis are summarized as follows:

- Tribal destination resort casinos in Kansas City and Southeast Kansas plus 600 slot machines each at the Woodlands and Frontenac would have a significantly more positive economic impact on the State of Kansas than the SB 587 approach of two casinos and several thousand slot machines at four track facilities.
 - There is over \$100 million difference annually in the net positive impact on the State of Kansas between these two approaches—a **\$287 Million positive impact for the compact approach vs \$184 Million net positive economic impact for the SB 587 approach.**
- The tribal compact approach produces significantly better positive economic impacts for the state than the SB 587 approach in both Kansas City (**\$122 Million versus \$80 Million**) and Southeast Kansas (**\$165 Million versus \$144 Million**).
- Tribal destination casinos in Kansas City and Southeast Kansas with a 20% state revenue share would produce virtually identical revenue for the state as state-owned and operated casino facilities with a 24% state revenue share (**\$96 Million annually under SB 587 approach and \$95 Million under the compact scenario**).
- Before casinos are built, 5000 or more slot machines at 3 track facilities in Kansas City, Frontenac and Wichita under the SB 587 approach produce a less positive economic impact on the State of Kansas than 1200 slots at track facilities in Kansas City and Frontenac (**\$55 Million positive vs \$74 Million positive**).
- Before casinos are built, 1200 slot machines placed at two tracks in Kansas City and Frontenac under a tribal compact approach would produce a net positive impact for the State similar to 3000 slot machines at the Kansas City and Frontenac tracks contemplated under SB 587 (**\$74 Million positive vs \$86 Million positive**).
- The economic impacts on local communities between the compact approach and the SB 587 approach vary significantly.
 - The economic impact of slot machines at pari-mutuel facilities to the Wichita and Dodge City areas under the SB 587 approach is very negative:

- over \$140 million negative for the Wichita area
- over \$40 million negative for the Dodge City region.
- In Kansas City, the compact approach has three times the positive impact of SB 587—a net of \$24 million vs \$8 million—after casinos are built.
- Both before and after casinos begin operation, the negative impact of 2000 slots at the Woodlands in Kansas City under SB 587's approach is approximately 5 times greater than 600 slot machines at the Woodlands under the compact approach. (Negative \$10 Million vs negative \$2 Million)
- In the Frontenac area, the impacts of slot machines at the tracks under the tribal approach and SB 587 are very similar on both the state and local economies before a casino opens. After a casino opens, however, the compact approach produces a higher overall positive impact on both local and state economies. (State: \$165 Million for compact approach vs \$144 Million under SB 587; Local: \$66 Million for compact approach vs \$43 Million under SB 587).
- The tribal compact approach which limits slot machines to Kansas City and Frontenac would not generate a negative economic impact on Wichita and Dodge City.
- SB 587's approach would generate \$233 million as the state share from gaming after casinos are built but net economic benefits to the state would be only \$184 Million.
- The tribal compact approach would generate \$133 Million in state revenue after casinos are built but net economic benefits to the state would be over twice that amount, \$287 Million.
- The tribal compact approach produces somewhat fewer jobs than the SB 587 approach due to more gaming facilities under the SB 587 approach. However, approximately 350 more higher paying casino jobs are created under the tribal compact approach than under SB 587's approach.
- The net positive economic impact of expanded gaming in Kansas City and Southeast Kansas increases with fewer slot machines at the tracks.
- The number of slot machines placed at tracks in Kansas City and Frontenac will affect the amount of capital invested in and the size and attractiveness of new casinos in those vicinities.
- The availability of potential casino managers in Kansas City may be limited by the \$35 million upfront fee to garner a contract, the substantial investment and risk entailed in capturing market share in the heavily competed Kansas City market, and likely lower than normal ROI for the industry.

- Under a cost benefit analysis, the tribal compact approach is a far better path for the state to follow in pursuit of revenue from expanded gaming than the SB 587 approach.
- Social costs of problem gamblers and crime create additional negative impacts to a local economy where there are not already gaming facilities in the community. Casinos in areas where there are gaming facilities do not add new social costs.
- Social costs of \$23.1 million in the Wichita area would result from expanded gaming in addition to the other projected net negative economic impacts on the area which total over \$140 Million.
- The Dodge City area would experience negative social impact costs totaling \$3,103,707, in addition to the other projected net negative economic impacts from expanded gaming which total over \$40 Million.

APPROACHES ANALYZED

Two proposed approaches to expanded gaming in Kansas are analyzed in this report:

Scenario 1: State-owned and operated casinos in Kansas City and Southeast Kansas; and 5500 state-owned and operated slot machines located at four pari-mutuel tracks in Kansas City, Frontenac, Wichita and Dodge City;

Scenario 2: Tribal destination casinos in two locations, Kansas City and Southeast Kansas; and 1200 state-owned and operated slot machines located at two pari-mutuel tracks, Kansas City and Frontenac.

The analysis in this report utilizes CCA market data and focuses on the flow of revenues and expenditures the two scenarios generate to determine net economic impacts. The report looks at where the money comes from, where it goes and whether the impact is positive or negative on the local community and state.

CCA emphasized that gaming revenue available in each market is limited by demand and advised that adding more facilities (casinos and slots at tracks) to a market does little to increase demand. The available market is divided between facilities according to the number of slot machines at track facilities and the size of casinos which are dependent on the amount of capital which can be responsibly invested. CCA provided market data and revenue projections for both a limited slots at tracks approach (600-800 slot machines) and a racino approach with a large number of slots at tracks.

The projected revenue from a scenario of destination casinos only, with no slots at tracks, was also projected by Christiansen Capital Advisors LLC (CCA) their study for the Kansas Lottery in 2004, though analysis of that scenario had not been requested by the state. This long-term, optimum economic development strategy for expanded gaming identified by CCA (i.e., destination resorts only) is not currently a policy option being considered by Kansas so the net economic impact of that approach is not analyzed herein.

REVENUE DISTRIBUTIONS

Revenue distribution assumptions in the scenarios are based on

1. the expanded gaming approach proposed in SB587
2. a Tribal Compact approach based on a compact negotiated for consideration in 2004.
3. industry expenditure ranges and SB587 and compact provisions.

PROJECTED GAMING REVENUE

Kansas City

Pre Casino Scenario 1

2000 slots @ Woodlands, \$200 WMPD		\$ 146,000,000
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Post Casino Scenario 1

2000 slots @ Woodlands, \$160 WMPD		\$ 116,800,000
Casino facility per CCA projection (based on market and capital availability, amenities equal to riverboat competitors)		177,300,000
Total Projected Gaming Revenue		\$294,100,000

Pre Casino Scenario 2

600 slots @ Woodlands, \$260 WMPD		\$ 56,940,000
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Post Casino Scenario 2

600 slots @ Woodlands, \$260 WMPD		\$ 56,900,000
Casino facility per CCA projection (based on market and capital availability, non-gaming amenities)		235,300,000
Total Projected Gaming Revenue		\$ 292,200,000

Southeast Kansas

Pre Casino Scenario 1

1000 slots @ Frontenac, \$205 WMPD		\$ 74,825,000
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Post Casino Scenario 1

1000 slots @ Frontenac, \$110 WMPD		\$40,150,000
Casino in Galena per CCA (adjusted for 400 more slots at Frontenac than in CCA study)		220,000,000
Total Projected Gaming Revenue		\$260,150,000

Pre Casino Scenario 2

600 slots @ Frontenac, \$340 WMPD		\$ 74,460,000
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Post Casino Scenario 2

600 slots @ Frontenac, \$130 WMPD		\$ 27,600,000
Casino in Galena per CCA		240,800,000
Total Projected Gaming Revenue		\$ 268,400,000

Wichita

Scenario 1

2500 slots @ Greyhound Park, \$240 WMPD		\$219,000,000
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Dodge City

Scenario 1

1000 slots @ pari-mutuel track, \$170 WMPD		\$ 62,000,000
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Total Projected Gaming Revenue

Pre Casino Scenario 1 (without Dodge City)		\$ 462,090,000
Post Casino Scenario 1		835,250,000
Pre Casino Scenario 2		131,400,000
Post Casino Scenario 2		\$ 560,600,000

Slots at Tracks Revenue Projections

- CCA projected gaming revenue of \$260/machine/day with 800 machines at the Woodlands. This average drops as demand is diffused over 2000 machines to \$200/machine/day before a casino is built and \$160/machine/day after the casino opens in Scenario 1. CCA's projection of \$260 is used for 600 machines at the Woodlands in Scenario 2.
- CCA projected approximately \$340/machine/day with 600 machines and no casino in Southeast Kansas and \$130/machine/day for Frontenac with 600 slot machines and a nearby destination casino. CCA's market projection for slots at Frontenac is diffused among 1000 machines pre-casino in Scenario 1 (\$205 WMPD). \$110 WMPD for 1000 slot machines at the Frontenac track is projected after a large casino in Southeast Kansas is constructed under Scenario 1. CCA's \$340 WMPD projection is used for Scenario 2 before a casino is built. CCA's \$130 WMPD projection for 600 machines and a casino in the vicinity is used in Scenario 2.
- CCA projected the Dodge City gaming market at \$62 million. A \$170/machine/day drop is calculated by dividing the available market among 1000 machines.
- In Wichita, CCA projected \$240/machine/day for 800 slots at the track with a destination casino nearby. No nearby casino or other seasonal racinos will diffuse the Wichita tracks' exclusive market. CCA's racino only projection for Wichita indicated a market of approximately \$209,000,000 with two other seasonal racinos in the surrounding market taking approximately \$42 million in revenue. Gaming revenue of \$219 Million is projected at Greyhound Park from 2500 slot machines @ \$240 WMPD.

Casino Revenue Projections

- CCA's revenue projection for an average casino is utilized for Scenario 1 in Kansas City (\$177 million) when 2000 slots projected to garner \$117 Million from the market are placed at the Woodlands. CCA's projection of \$235 million in casino revenue is utilized in Scenario 2 where 800 slot machines projected to garner \$57 Million from the market are placed at the Woodlands.
- Casino revenue in Scenario 1 in Southeast Kansas is projected at \$225 Million when 1000 slots taking \$40 Million from the available market are placed in Frontenac. In Southeast Kansas, CCA's casino revenue projection of \$240 Million is used in Scenario 2 when 600 machines taking \$27 Million from the market are placed at the track in Frontenac.

Existing Gaming Market Revenue vs New Gaming Revenue

- CCA projected negligible (less than 1%) revenue outside a 50 mile distance from facilities under both the Scenario 1 approach (\$177 million casino revenue) and the Scenario 2 approach (\$235 million casino revenue). Gaming revenue at the tracks is projected to come from within 50 miles of the facility, most of it from within 25 miles of the facility.
- This study projects that 50% of the gaming revenue for new Kansas City gaming facilities is already being spent in the Kansas City gaming market and 50% of the revenue will be new.
- At casinos in Kansas City, the revenue already in the market is projected to come 70% from Kansas and 30% from Missouri. Under Scenario 1, new gaming revenue is projected to be generated at the same 70/30 ratio. The casino in Scenario 2 would have a somewhat broader geographic reach, generating new revenue 50% from Kansas and 50% from Missouri.
- At the Woodlands 80% of the revenue from the existing market and 80% of the new revenue is projected to come from Kansas and 20% from Missouri.
- No existing gaming market revenue is projected for the Wichita market. With 1500 slots at Greyhound Park, 80% of the revenue is projected to come from within 25 miles of the facility. 10% of the revenue is projected to come from 25-50 miles of the facility and 10% outside a fifty-mile distance, with 5% of the total revenue is projected to come from out of state.
- For Southeast Kansas facilities, most of the population in this market resides outside Kansas. It is projected 80% of the revenues at a casino and at the Frontenac track would come from non-residents and 20% from Kansans. It is projected that 25% of the revenue is in the existing gaming market and 75% will be new gaming revenue, with the same 80/20 proportions from Kansas and Missouri.

- In Dodge City 35% of gaming revenue will come from within 50 miles of the facility and 65% from outside 50 miles. Approximately 25% of Dodge City gaming revenue is projected to come from out of state. None of the revenue is projected to come from an existing gaming market except out of state revenue.

Revenue Distribution Assumptions

- Scenario 1 assumptions on revenue distribution and expenditures is based on Senate Bill 587.
- The distribution of gross gaming revenue for casinos is provided as follows:

State of Kansas	24%
County/City	3%
Charitable Gaming	1%
Problem Gaming	1%
Regulation	<u>1%</u>
	30%

- A management contract will provide for amounts to be allocated for building lease/maintenance/utilities gaming enterprise expenses, including employees, supplies, gaming machines, marketing, administration and overhead.
- The following allocations are assumed for expenses:

Building/Utilities	11%
Employee Wages	24%
Gaming Supplies/Machines	7%
Other Supply	4%
Advertising/Comps	7%
General Administration	<u>2%</u>
	55%

- Net amount for a management fee is projected at 15% after all expenses and state and local revenue allocations.
- At casinos, employee compensation is projected to average \$41,325 based on salary of \$30,000 plus 30% fringe benefits totaling \$9000 and the employers 7.65% share of SSI/MC.
- The gaming operation is assumed to be state-owned and operated. It is assumed that the cost of all facilities and expenses of gaming will be paid by a casino manager through a contract with the state.

Slots at Tracks Assumptions

- In Scenario 1, the distribution of gross revenues under SB 587 is provided as follows:

State of Kansas	30% (of first \$150 WPMD, 40% on WPMD above \$150)
Greyhound Based Groups	7%
Horse Breed Groups	7%
Local Governments	3%
Charitable Gaming	1%
Problem Gaming	1%
Fair Racing	1%

- Gaming expenses of 15% of gross gaming revenues are provided which include:

Machines/Computer	7.5%
Other expenses (including building maintenance, supplies, general administration and regulation)	<u>7.5%</u> 15%

- The Facility Manager is to receive the 35% of gaming revenues up to \$150 WPMD and 25% on WPMD above \$150.
- Cost of employees is deducted from the track operator share.
- No assumptions are made regarding construction of new facilities at tracks. Such costs would be paid from the track operator's share of revenue.
- Track employee total compensation including fringe benefits average \$34,412 (\$25,000 salary plus 30% fringe benefits equal to \$7500 and 7.65% employer share of SSI/MC equaling \$1912).

Distribution of Revenues/Net Impacts

- Taxes: Gaming taxes remain in the state of Kansas. It is assumed that 20% of gaming tax revenue will return to the Kansas City and Wichita areas, 5% to Southeast Kansas and Dodge City.
- Buildings: Casino building costs, utilities and maintenance remain in the region of the facilities, divided evenly between Kansas and Missouri in both Kansas City and Southeast Kansas.
- Employee Compensation:
 - In Kansas City, employees are assumed to come 65% from Kansas and 35% from Missouri.
 - In Southeast Kansas, the ratio is 50% from Kansans and 50% non-Kansans.

- In Wichita, 100% of employees would be from within Kansas and the Wichita area.
- SSI/MC portion of wages equal to 15.3% leaves the region and state, as does federal income tax of 12%.
- Fringe benefits will stay in the vicinity of the facilities, mostly in Kansas, but some to Missouri. In Kansas City, fringe benefits are allocated 65/35 in Kansas City between Kansas and Missouri. In Southeast Kansas fringe benefits are allocated 50/50 between Kansas and Missouri.
- State income taxes of 3% remain in Kansas. It is assumed 20% of such taxes return to the Kansas City and Wichita areas, 5% to Southeast Kansas and Dodge City.
- Other Expenses: Machine and gaming supply expenses leave the state and region as most machines are manufactured in Nevada, and other western locales outside Kansas.
- Other Supplies are assumed to be purchased in Kansas.
- Advertising: The Kansas City advertising is assumed to be 50% in Kansas, 50% in Missouri due to the predominance of media outlets in Missouri. In Southeast Kansas, advertising is projected to be spent 80% out of state, 20% in Kansas.
- Facility Manager Fees: It is assumed that 75% of net fees will go to the state of operator residence in both scenarios. It is projected 25% will remain in the area of the gaming facility as investment in operations and facilities under both scenarios.
- Breeds: Revenues for dog and horse breeding groups and purses from slots at tracks. Revenue is projected to stay 60% in Kansas and 40% out of state. One half the money staying in Kansas is assumed to stay in the area of the track facility.

Scenario 2

- The distribution of gross gaming revenue for casinos under a compact approach is provided as follows:

State of Kansas	20%
Local Government	4%
Problem Gaming	1%
Regulation	<u>1%</u>
	26%

- The following allocations are assumed for expenses:

Building/Utilities	11%
Employee Wages	24%
Gaming Supplies/Machines	7%
Other Supply	4%
Advertising/Comps	7%
General Administration	<u>2%</u>
	55%

- All other revenue expenditure allocation assumptions for casinos are the same as under Scenario 1.

PROBLEM GAMBLING AND CRIME IMPACTS

The National Gambling Impact Study Commission in its Final Report (1999) stated that its National Opinion Research Center's surveys "found that the presence of a gambling facility within 50 miles roughly doubles the prevalence of problem and pathological gambling." (p. 4-4).

The Report also indicates that surveys find in America there is a 0.6% prevalence rate for pathological gamblers, and a .7% rate for problem gamblers.

As there are casino facilities now within 50 miles of Kansas City and Pittsburg and Galena, no new negative impacts are assumed if casinos and racinos are placed in those locations. We expect an extra .7% problem gamblers in Wichita and an extra .6% pathological gamblers in Wichita (50 mile area). As Wichita has 472,763 adults within a 50 mile radius, we find that the introduction of casinos will add 2836 pathological gamblers and 3309 new problem gamblers.

These troubled gamblers cost societies money as they are prone to miss work, incur debts without repaying the money, and to take property and money that does not belong to them. Moreover they also impose costs on society through criminal justice system and welfare system activity. A survey of Gamblers Anonymous members in southern Nevada found these costs—where they could be easily calculated in dollar terms (suicides and psychological costs could not be, and hence were not factored in to the analysis) came to be \$19,711 per pathological gambler per year. (Thompson and Schwer, "Beyond the Limits of Recreation," *Journal of Public Budgeting, Accounting, and Financial Management*, v. 17, no. 1, Spring 2005, pp. 62-93). However, other studies (cited in the above) found that pathological gamblers not in treatment (such as GA), imposed costs only 51% as high, hence \$10,053 per year/per person.

Further it was found that problem gamblers (less severe troubled gamblers) imposed costs only 49% as high as pathological gamblers, or \$4926 per year/per person.

Not all these costs resulted in money value leaving the economy—or wasted economic dollars—as some costs were merely transfers of wealth. Being conservative we determined that among the various costs only 33.6% represented losses to the economy. The bottomline economic losses, therefore, for one pathological gambler is \$3378 per year, and for one problem gambler \$1655 per year. Simple multiplication finds the added pathological gamblers costing the Wichita area economy \$9,580,008 per year, and problem gamblers costing the economy an extra \$5,476,395 per year. (See appendix for full Thompson, Schwer article).

Similarly we expect no extra crime costs in Kansas City and Pittsburg and Galena, but an extra effect in Wichita. The author's co-research (with Ricardo Gazel and Dan Rickman, *Crime and Casinos: What's the Connection*, 1996, Wisconsin Policy Research Institute) found the presence of casinos in communities resulting in an additional social cost of \$17 per adult due to extra crime costs. These costs can be added to the Wichita impacts.

The crime costs of gambling in the Wichita region with 472,763 adults within 50 miles is \$8,036,971. The total cost of problem gaming to the Wichita area is \$23,093,374.

Projected Pathological Gambling Cost	\$ 5,476,395
Projected Problem Gambling Cost	9,580,008
Crime Cost	<u>8,036,971</u>
	\$ 23,093,374

The projected problem gaming costs to the Dodge City area are similarly calculated with 63,542 adults within 50 miles for a total of 445 problem gamblers in the area and 381 pathological gamblers projected. The total projected cost to the Dodge City area for problem gamblers is \$3,103,707.

Projected Pathological Gambling Cost	\$ 287,018
Projected Problem Gambling Cost	736,475
Crime Cost	<u>1,080,214</u>
	\$ 3,103,707

ECONOMIC IMPACT SUMMARIES

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PRE-CASINO SCENARIO 1							
	IMPACTS		EMPLOYEES		BREEDS/PURSES	FACILITY OWNER/MANAGER	STATE
	Net State Impact	Net Local Impact	No.	Wages/Kansas	Revenue	Fees	Revenue
Kansas City							
Slots	\$ 35,398,491	\$ (11,063,509)	300	\$ 3,770,813	\$ 20,440,000	\$ 11,836,691	\$ 47,450,000
SE Kansas							
Slots	\$ 50,762,613	\$ 8,893,931	150	\$ 1,450,313	\$ 10,475,500	\$ 19,019,375	\$ 24,455,000
Wichita							
Slots	\$ (31,248,375)	\$ (144,735,984)	375	\$ 7,251,563	\$ 30,660,000	\$ 55,532,813	\$ 73,912,500
TOTAL	\$ 54,912,728	\$ (146,905,563)	825	\$ 12,472,688	\$ 61,575,500	\$ 86,388,878	\$ 145,817,500
SCENARIO 2							
	IMPACTS		EMPLOYEES		BREEDS	FACILITY OWNER/MANAGER	STATE
	Net State Impact	Net Local Impact	No.	Wages/Kansas	Revenue	Fees	Revenue
Kansas City							
Slots	\$ 21,874,073	\$ (1,923,908)	90	\$ 1,131,244	\$ 7,971,600	\$ 2,072,719	\$ 25,623,000
SE Kansas							
Slots	\$ 51,816,053	\$ 6,829,901	90	\$ 870,188	\$ 10,424,400	\$ 11,794,875	\$ 33,507,000
TOTAL	\$ 73,690,125	\$ 4,905,994	180	\$ 2,001,431	\$ 18,396,000	\$ 13,867,594	\$ 59,130,000

2-23

OST-CASINO							
SCENARIO 1							
	IMPACTS		EMPLOYEES		BREEDS/PURSES	FACILITY OWNER/MANAGER	STATE
	Net State Impact	Net Local Impact	No.	Wages/Kansas	Revenue	Fees	Revenue
Kansas City							
Casino	\$ 54,677,777	\$ 17,423,177	1030	\$ 12,692,941		\$ 6,648,750	\$ 42,552,000
Slots	\$ 25,718,691	\$ (9,734,909)	300	\$ 3,770,813	\$ 16,352,000	\$ 10,011,691	\$ 35,770,000
SE Kansas							
Casino	\$ 117,845,690	\$ 37,273,190	1307	\$ 13,601,270		\$ 33,750,000	\$ 54,000,000
Slots	\$ 25,831,288	\$ 6,091,644	150	\$ 1,450,313	\$ 5,621,000	\$ 12,723,125	\$ 8,212,500
Wichita	\$ (31,248,375)	\$ (144,735,984)	375	\$ 7,251,563	\$ 30,660,000	\$ 55,532,813	\$ 73,912,500
Dodge City	\$ (9,152,300)	\$ (43,042,994)	150	\$ 2,900,625	\$ 8,687,000	\$ 15,825,625	\$ 19,345,000
TOTAL	\$ 183,672,770	\$ (136,725,877)	3311	\$ 41,667,524	\$ 61,320,000	\$ 134,492,003	\$ 233,792,000
SCENARIO 2							
	IMPACTS		EMPLOYEES		BREEDS	FACILITY OWNER/MANAGER	STATE
	Net State Impact	Net Local Impact	No.	Wages/Kansas	Revenue	Fees	Revenue
Kansas City							
Casino	\$ 100,360,596	\$ 26,565,846	1367	\$ 18,758,878		\$ 44,707,000	\$ 47,060,000
Slots	\$ 21,874,073	\$ (1,923,908)	90	\$ 1,131,244	\$ 7,971,600	\$ 2,072,719	\$ 25,623,000
SE Kansas							
Casino	\$ 146,499,418	\$ 63,519,418	1398	\$ 14,872,382		\$ 45,752,000	\$ 48,160,000
Slots	\$ 18,749,243	\$ 2,943,746	90	\$ 870,188	\$ 3,985,800	\$ 2,596,875	\$ 12,811,500
TOTAL	\$ 287,483,328	\$ 91,105,102	2945	\$ 35,632,691	\$ 11,957,400	\$ 95,128,594	\$ 133,654,500

SCENARIO 1 - STATE REVENUE					
Slot Revenue					
YEAR	Mos.	KANSAS CITY	FRONTENAC	WICHITA	
2007	6	\$ 23,725,000	\$ 12,227,500	\$ 36,956,250	\$ 72,908,750
2008	12	\$ 47,450,000	\$ 24,455,000	\$ 73,912,500	\$ 145,817,500
2009	12	\$ 35,770,000	\$ 8,212,500	\$ 73,912,500	\$ 117,895,000
2010	12	\$ 35,770,000	\$ 8,212,500	\$ 73,912,500	\$ 117,895,000
TOTAL		\$ 142,715,000	\$ 53,107,500	\$ 258,693,750	\$ 454,516,250
Casino Revenue					
2009	12	\$ 42,552,000	\$ 54,000,000		\$ 96,552,000
2010	12	\$ 42,552,000	\$ 54,000,000		\$ 96,552,000
TOTAL		\$ 85,104,000	\$ 108,000,000		\$ 193,104,000
TOTAL ALL		\$ 227,819,000	\$ 161,107,500	\$ 258,693,750	\$ 647,620,250

SCENARIO 2 - STATE REVENUE					
Slot Revenue					
YEAR	Mos.	KANSAS CITY	FRONTENAC		
2007	6	\$ 12,811,500	\$ 16,753,500		\$ 29,565,000
2008	12	\$ 25,623,000	\$ 33,507,000		\$ 59,130,000
2009	12	\$ 25,623,000	\$ 12,811,500		\$ 38,434,500
2010	12	\$ 25,623,000	\$ 12,811,500		\$ 38,434,500
TOTAL		\$ 89,680,500	\$ 75,883,500		\$ 165,564,000
Casino Revenue					
2009	12	\$ 47,060,000	\$ 48,160,000		\$ 95,220,000
2010	12	\$ 47,060,000	\$ 48,160,000		\$ 95,220,000
TOTAL		\$ 94,120,000	\$ 96,320,000		\$ 190,440,000
TOTAL ALL		\$ 183,800,500	\$ 172,203,500		\$ 356,004,000

SCENARIO 1 - LOCAL REVENUE					
Slot Revenue					
YEAR	Mos.	KANSAS CITY	FRONTENAC	WICHITA	
2007	6	\$ 2,190,000	\$ 1,122,375	\$ 3,285,000	\$ 6,597,375
2008	12	\$ 4,380,000	\$ 2,244,750	\$ 6,570,000	\$ 13,194,750
2009	12	\$ 3,504,000	\$ 1,204,500	\$ 6,570,000	\$ 11,278,500
2010	12	\$ 3,504,000	\$ 1,204,500	\$ 6,570,000	\$ 11,278,500
TOTAL		\$ 13,578,000	\$ 5,776,125	\$ 22,995,000	\$ 42,349,125
Casino Revenue					
2009	12	\$ 5,319,000	\$ 6,750,000		\$ 12,069,000
2010	12	\$ 5,319,000	\$ 6,750,000		\$ 12,069,000
TOTAL		\$ 10,638,000	\$ 13,500,000		\$ 24,138,000
TOTAL ALL		\$ 24,216,000	\$ 19,276,125	\$ 22,995,000	\$ 66,487,125

SCENARIO 2 - LOCAL REVENUE					
Slot Revenue					
YEAR	Mos.	KANSAS CITY	FRONTENAC		
2007	6	\$ 854,100	\$ 1,116,900		\$ 1,971,000
2008	12	\$ 1,708,200	\$ 2,233,800		\$ 3,942,000
2009	12	\$ 1,708,200	\$ 854,100		\$ 2,562,300
2010	12	\$ 1,708,200	\$ 854,100		\$ 2,562,300
TOTAL		\$ 5,978,700	\$ 5,058,900		\$ 11,037,600
Casino Revenue					
2009	12	\$ 9,412,000	\$ 9,632,000		\$ 19,044,000
2010	12	\$ 9,412,000	\$ 9,632,000		\$ 19,044,000
TOTAL		\$ 18,824,000	\$ 19,264,000		\$ 38,088,000
TOTAL ALL		\$ 24,802,700	\$ 24,322,900		\$ 49,125,600

SCENARIO 1 - BREED REVENUE					
Slot Revenue					
YEAR	Mos.	KANSAS CITY	FRONTENAC	WICHITA	
2007	6	\$ 10,220,000	\$ 5,237,750	\$ 15,330,000	\$ 30,787,750
2008	12	\$ 20,440,000	\$ 10,475,500	\$ 30,660,000	\$ 40,000,000
2009	12	\$ 16,352,000	\$ 5,621,000	\$ 30,660,000	\$ 40,000,000
2010	12	\$ 16,352,000	\$ 5,621,000	\$ 30,660,000	\$ 40,000,000
TOTAL		\$ 63,364,000	\$ 26,955,250	\$ 107,310,000	\$ 197,629,250

SCENARIO 2 - BREED REVENUE					
Slot Revenue					
YEAR	Mos.	KANSAS CITY	FRONTENAC		
2007	6	\$ 3,985,800	\$ 5,212,200		\$ 9,198,000
2008	12	\$ 7,971,600	\$ 10,424,400		\$ 18,396,000
2009	12	\$ 7,971,600	\$ 3,985,800		\$ 11,957,400
2010	12	\$ 7,971,600	\$ 3,985,800		\$ 11,957,400
TOTAL		\$ 27,900,600	\$ 23,608,200		\$ 51,508,800

2-24

SCENARIO 1: KANSAS CITY

CASINO GAMING REVENUE			Within Kansas	Outside Kansas	Kansas City Area	Leaving Kansas City/Staying in KS
Total Revenue		\$ 177,300,000	\$ 124,110,000	\$ 53,190,000		
Existing Market Revenue			\$ 62,055,000	\$ 26,595,000		
New Market Revenue			\$ 62,055,000	\$ 26,595,000		
State of Kansas	24%	\$ 42,552,000	\$ 42,552,000		\$ 8,510,400	\$ 34,041,600
Local Government	3%	\$ 5,319,000	\$ 5,319,000		\$ 5,319,000	\$ -
Regulation	1%	\$ 1,773,000	\$ 1,773,000		\$ 886,500	\$ 886,500
Charitable Gaming	1%	\$ 1,773,000	\$ 1,773,000		\$ 886,500	\$ 886,500
Problem Gaming	1%	\$ 1,773,000	\$ 1,773,000		\$ 1,773,000	\$ -
Building/Utilities	11%	\$ 19,503,000	\$ 19,503,000		\$ 19,503,000	\$ -
Gaming Supply/Machines	7%	\$ 12,411,000		\$ 12,411,000		\$ -
Other Supply	4%	\$ 7,092,000	\$ 7,092,000		\$ 7,092,000	\$ -
Advertising/Comps	7%	\$ 12,411,000	\$ 6,205,500	\$ 6,205,500	\$ 6,205,500	\$ -
General Administration	2%	\$ 3,546,000	\$ 3,546,000		\$ 3,546,000	\$ -
Wages - No. of employees =	1,030					
Salary	\$ 30,000	\$ 30,890,744				
Fringes	30%	\$ 9,267,223				
SS/MC-ER	7.65%	\$ 2,363,142				
Total Employee Cost		\$ 42,521,109				
Less Fringes	30%	\$ 9,267,223	\$ 6,023,695	\$ 3,243,528	\$ 6,023,695	\$ -
Less SS/MC	15.3%	\$ 4,726,284		\$ 4,726,284		\$ -
Less FIT	12%	\$ 7,200,000		\$ 7,200,000		\$ -
Less SIT	3%	\$ 1,800,000	\$ 1,800,000		\$ 360,000	\$ 1,440,000
Net Employee Wages		\$ 19,527,602	\$ 12,692,941	\$ 6,834,661	\$ 12,692,941	\$ -
Manager Fee	15%	\$ 26,595,000	\$ 6,648,750	\$ 19,946,250	\$ 6,648,750	\$ -
				\$ 60,567,223		\$ 37,254,600
Net Impact on Region/State*			\$ 54,677,777		\$ 17,423,177	

* Existing Gaming Market Revenue which will now come to a new Kansas facility PLUS new gaming revenue **bolded** which is projected to come to Kansas from Out of State (also calculated by Total Revenue Less New Gaming Market Revenue coming from Kansas) less expenditures leaving the region or state.

Net state impact is calculated by subtracting revenue leaving Kansas from the total of **bolded** gaming revenue (which represents capture of existing gaming revenue already in the market and new gaming revenue coming from out of state).

Net local impact is similarly calculated by subtracting revenues leaving the Kansas City area to the State of Kansas and revenues going out of state from the total **bolded** gaming revenue.

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2-26

PRE CASINO - SLOTS AT WOODLANDS			Within Kansas	Outside Kansas	Kansas City Area	Leaving Kansas City/Staying in KS
Total Revenue		\$ 146,000,000	\$ 102,200,000	\$ 43,800,000		
Existing Market Revenue			\$ 51,100,000	\$ 21,900,000		
New Market Revenue			\$ 51,100,000	\$ 21,900,000		
Revenue Sharing - State	33%	\$ 47,450,000	\$ 47,450,000		\$ 9,490,000	\$ 37,960,000
Revenue Sharing - Local	3%	\$ 4,380,000	\$ 4,380,000		\$ 4,380,000	\$ -
Race Purses/Breed Assoc.	14%	\$ 20,440,000	\$ 12,264,000	\$ 8,176,000	\$ 6,132,000	\$ 6,132,000
Charitable Fund	1%	\$ 1,460,000	\$ 1,460,000		\$ 730,000	\$ 730,000
Problem Gaming Fund	1%	\$ 1,460,000	\$ 1,460,000		\$ 1,460,000	\$ -
Fair Racing	1%	\$ 1,460,000	\$ 1,460,000			\$ 1,460,000
Expenses	15%	\$ 21,900,000				\$ -
Machines	7.5%	\$ 10,950,000		\$ 10,950,000		\$ -
Other Expenses (Bldg, GA, Supplies, Regulation)	7.5%	\$ 10,950,000	\$ 10,950,000		\$ 10,950,000	\$ -
Wages - No. Employees =	300					
Salary	\$ 25,000	\$ 7,500,000				
Fringes	30%	\$ 2,250,000				
SS/MC-ER	7.65%	\$ 573,750				
Total Employee Cost	7.07%	\$ 10,323,750				
Less Fringes	30%	\$ 2,250,000	\$ 1,462,500	\$ 787,500	\$ 1,462,500	\$ -
Less SS/MC	15.3%	\$ 1,147,500		\$ 1,147,500		\$ -
Less FIT	12%	\$ 900,000		\$ 900,000		\$ -
Less SIT	3%	\$ 225,000	\$ 225,000		\$ 45,000	\$ 180,000
Net Employee Wages		\$ 5,801,250	\$ 3,770,813	\$ 2,030,438	\$ 3,770,813	\$ -
Net Track Owner Share	32%	\$ 47,346,763	\$ 11,836,691	\$ 35,510,072	\$ 11,836,691	\$ -
				\$ 59,501,509		\$ 46,462,000
Net Impact on Region/State*			\$ 35,398,491		\$ (11,063,509)	

* Existing Gaming Market Revenue which will now come to a new Kansas facility PLUS new gaming revenue **bolded** which is projected to come to Kansas from Out of State (also calculated by Total Revenue Less New Gaming Market Revenue coming from Kansas) less expenditures leaving the region or state.

Net state impact is calculated by subtracting revenue leaving Kansas from the total of **bolded** gaming revenue (which represents capture of existing gaming revenue already in the market and new gaming revenue coming from out of state).

Net local impact is similarly calculated by subtracting revenues leaving the Kansas City area to the State of Kansas and revenues going out of state from the total **bolded** gaming revenue.

SCENARIO 1: KANSAS CITY

CASINO GAMING REVENUE			Within Kansas	Outside Kansas	Kansas City Area	Leaving Kansas City/Staying in KS
Total Revenue		\$ 177,300,000	\$ 124,110,000	\$ 53,190,000		
Existing Market Revenue			\$ 62,055,000	\$ 26,595,000		
New Market Revenue			\$ 62,055,000	\$ 26,595,000		
State of Kansas	24%	\$ 42,552,000	\$ 42,552,000		\$ 8,510,400	\$ 34,041,600
Local Government	3%	\$ 5,319,000	\$ 5,319,000		\$ 5,319,000	\$ -
Regulation	1%	\$ 1,773,000	\$ 1,773,000		\$ 886,500	\$ 886,500
Charitable Gaming	1%	\$ 1,773,000	\$ 1,773,000		\$ 886,500	\$ 886,500
Problem Gaming	1%	\$ 1,773,000	\$ 1,773,000		\$ 1,773,000	\$ -
Building/Utilities	11%	\$ 19,503,000	\$ 19,503,000		\$ 19,503,000	\$ -
Gaming Supply/Machines	7%	\$ 12,411,000		\$ 12,411,000		\$ -
Other Supply	4%	\$ 7,092,000	\$ 7,092,000		\$ 7,092,000	\$ -
Advertising/Comps	7%	\$ 12,411,000	\$ 6,205,500	\$ 6,205,500	\$ 6,205,500	\$ -
General Administration	2%	\$ 3,546,000	\$ 3,546,000		\$ 3,546,000	\$ -
Wages - No. of employees =	1,030					
Salary	\$ 30,000	\$ 30,890,744				
Fringes	30%	\$ 9,267,223				
SS/MC-ER	7.65%	\$ 2,363,142				
Total Employee Cost		\$ 42,521,109				
Less Fringes	30%	\$ 9,267,223	\$ 6,023,695	\$ 3,243,528	\$ 6,023,695	\$ -
Less SS/MC	15.3%	\$ 4,726,284		\$ 4,726,284		\$ -
Less FIT	12%	\$ 7,200,000		\$ 7,200,000		\$ -
Less SIT	3%	\$ 1,800,000	\$ 1,800,000		\$ 360,000	\$ 1,440,000
Net Employee Wages		\$ 19,527,602	\$ 12,692,941	\$ 6,834,661	\$ 12,692,941	\$ -
Manager Fee	15%	\$ 26,595,000	\$ 6,648,750	\$ 19,946,250	\$ 6,648,750	\$ -
				\$ 60,567,223		\$ 37,254,600
Net Impact on Region/State*			\$ 54,677,777		\$ 17,423,177	

* Existing Gaming Market Revenue which will now come to a new Kansas facility PLUS new gaming revenue **bolded** which is projected to come to Kansas from Out of State (also calculated by Total Revenue Less New Gaming Market Revenue coming from Kansas) less expenditures leaving the region or state.

Net state impact is calculated by subtracting revenue leaving Kansas from the total of **bolded** gaming revenue (which represents capture of existing gaming revenue already in the market and new gaming revenue coming from out of state).

Net local impact is similarly calculated by subtracting revenues leaving the Kansas City area to the State of Kansas and revenues going out of state from the total **bolded** gaming revenue.

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2-28

POST CASINO - SLOTS AT WOODLANDS			Within Kansas	Outside Kansas	Kansas City Area	Leaving Kansas City/Staying in KS
Total Revenue		\$ 116,800,000	\$ 81,760,000	\$ 35,040,000		
Existing Market Revenue			\$ 40,880,000	\$ 17,520,000		
New Market Revenue			\$ 40,880,000	\$ 17,520,000		
Revenue Sharing - State	31%	\$ 35,770,000	\$ 35,770,000		\$ 7,154,000	\$ 28,616,000
Revenue Sharing - Local	3%	\$ 3,504,000	\$ 3,504,000		\$ 3,504,000	\$ -
Race Purses/Breed Assoc.	14%	\$ 16,352,000	\$ 9,811,200	\$ 6,540,800	\$ 4,905,600	\$ 4,905,600
Charitable Fund	1%	\$ 1,168,000	\$ 1,168,000		\$ 584,000	\$ 584,000
Problem Gaming Fund	1%	\$ 1,168,000	\$ 1,168,000		\$ 1,168,000	\$ -
Fair Racing	1%	\$ 1,168,000	\$ 1,168,000			\$ 1,168,000
Expenses	15%	\$ 17,520,000				\$ -
Machines	7.5%	\$ 8,760,000		\$ 8,760,000		\$ -
Other Expenses (Bldg, GA, Supplies, Regulation)	7.5%	\$ 8,760,000	\$ 8,760,000		\$ 8,760,000	\$ -
Wages - No. Employees =	300					
Salary	\$ 25,000	\$ 7,500,000				
Fringes	30%	\$ 2,250,000				
SS/MC-ER	7.65%	\$ 573,750				
Total Employee Cost	8.84%	\$ 10,323,750				
Less Fringes	30%	\$ 2,250,000	\$ 1,462,500	\$ 787,500	\$ 1,462,500	\$ -
Less SS/MC	15.3%	\$ 1,147,500		\$ 1,147,500		\$ -
Less FIT	12%	\$ 900,000		\$ 900,000		\$ -
Less SIT	3%	\$ 225,000	\$ 225,000		\$ 45,000	\$ 180,000
Net Employee Wages		\$ 5,801,250	\$ 3,770,813	\$ 2,030,438	\$ 3,770,813	\$ -
Net Track Owner Share	34%	\$ 40,046,763	\$ 10,011,691	\$ 30,035,072	\$ 10,011,691	\$ -
				\$ 50,201,309		\$ 35,453,600
Net Impact on Region/State*			\$ 25,718,691		\$ (9,734,909)	

* Existing Gaming Market Revenue which will now come to a new Kansas facility PLUS new gaming revenue **bolded** which is projected to come to Kansas from Out of State (also calculated by Total Revenue Less New Gaming Market Revenue coming from Kansas) less expenditures leaving the region or state.

Net state impact is calculated by subtracting revenue leaving Kansas from the total of **bolded** gaming revenue (which represents capture of existing gaming revenue already in the market and new gaming revenue coming from out of state).

Net local impact is similarly calculated by subtracting revenues leaving the Kansas City area to the State of Kansas and revenues going out of state from the total **bolded** gaming revenue.

SCENARIO 1: SE KANSAS

2-29

CASINO GAMING REVENUE			Within Kansas	Outside Kansas	SE KS Area	Leaving SE KS/Staying in KS
Total Revenue		\$ 225,000,000	\$ 45,000,000	\$ 180,000,000		
Existing Market Revenue			\$ 11,250,000	\$ 45,000,000		
New Market Revenue			\$ 33,750,000	\$ 135,000,000		
State of Kansas	24%	\$ 54,000,000	\$ 54,000,000		\$ 2,700,000	\$ 51,300,000
Local Government	3%	\$ 6,750,000	\$ 6,750,000		\$ 6,750,000	\$ -
Regulation	1%	\$ 2,250,000	\$ 2,250,000		\$ 1,125,000	\$ 1,125,000
Charitable Gaming	1%	\$ 2,250,000	\$ 2,250,000		\$ 1,125,000	\$ 1,125,000
Problem Gaming	1%	\$ 2,250,000	\$ 2,250,000		\$ 2,250,000	\$ -
Building/Utilities	11%	\$ 24,750,000	\$ 12,375,000	\$ 12,375,000	\$ 12,375,000	\$ -
Gaming Supply/Machines	7%	\$ 15,750,000		\$ 15,750,000		\$ -
Other Supply	4%	\$ 9,000,000	\$ 9,000,000		\$ 9,000,000	\$ -
Advertising/Comps	7%	\$ 15,750,000	\$ 3,150,000	\$ 12,600,000	\$ 3,150,000	\$ -
General Administration	2%	\$ 4,500,000	\$ 4,500,000		\$ 4,500,000	\$ -
Wages - No. of employees =	1,307					
Salary	\$ 30,000	\$ 39,201,452				
Fringes	30%	\$ 11,760,436				
SS/MC-ER	7.65%	\$ 2,998,911				
Total Employee Cost		\$ 53,960,799				
Less Fringes	30%	\$ 11,760,436	\$ 5,880,218	\$ 5,880,218	\$ 5,880,218	\$ -
Less SS/MC	15.3%	\$ 5,997,822		\$ 5,997,822		\$ -
Less FIT	12%	\$ 7,200,000		\$ 7,200,000		\$ -
Less SIT	3%	\$ 1,800,000	\$ 1,800,000		\$ 90,000	\$ 1,710,000
Net Employee Wages		\$ 27,202,541	\$ 13,601,270	\$ 13,601,270	\$ 13,601,270	\$ -
Manager Fee	15%	\$ 33,750,000	\$ 33,750,000		\$ 8,437,500	\$ 25,312,500
				\$ 73,404,310		\$ 80,572,500
Net Impact on Region/State*			\$ 117,845,690		\$ 37,273,190	

* Existing Gaming Market Revenue which will now come to a new Kansas facility PLUS new gaming revenue **bolded** which is projected to come to Kansas from Out of State (also calculated by Total Revenue Less New Gaming Market Revenue coming from Kansas) less expenditures leaving the region or state.

Net state impact is calculated by subtracting revenue leaving Kansas from the total of **bolded** gaming revenue (which represents capture of existing gaming revenue already in the market and new gaming revenue coming from out of state).

Net local impact is similarly calculated by subtracting revenues leaving the Frontenac area to the State of Kansas and revenues going out of state from the total **bolded** gaming revenue.

2-30

RE CASINO - SLOTS AT FRONTENAC			Within Kansas	Outside Kansas	SE KS Area	Leaving SE KS/Staying in KS
Total Revenue		\$ 74,825,000	\$ 18,706,250	\$ 56,118,750		
Existing Market Revenue			\$ 3,741,250	\$ 14,965,000		
New Market Revenue			\$ 11,223,750	\$ 44,895,000		
Revenue Sharing - State	33%	\$ 24,455,000	\$ 24,455,000		\$ 1,222,750	\$ 23,232,250
Revenue Sharing - Local	3%	\$ 2,244,750	\$ 2,244,750		\$ 2,244,750	\$ -
Race Purses/Breed Assoc.	14%	\$ 10,475,500	\$ 6,285,300	\$ 4,190,200	\$ 3,142,650	\$ 3,142,650
Charitable Fund	1%	\$ 748,250	\$ 748,250		\$ 374,125	\$ 374,125
Problem Gaming Fund	1%	\$ 748,250	\$ 748,250		\$ 748,250	\$ -
Fair Racing	1%	\$ 748,250	\$ 748,250			\$ 748,250
Expenses	15%	\$ 11,223,750				\$ -
Machines	7.5%	\$ 5,611,875		\$ 5,611,875		\$ -
Other Expenses (Bldg, GA, Supplies, Regulation)	7.5%	\$ 5,611,875	\$ 5,611,875		\$ 5,611,875	\$ -
Wages - No. Employees =	150					
Salary	\$ 25,000	\$ 3,750,000				
Fringes	30%	\$ 1,125,000				
SS/MC-ER	7.65%	\$ 286,875				
Total Employee Cost	6.90%	\$ 5,161,875				
Less Fringes	30%	\$ 1,125,000	\$ 562,500	\$ 562,500	\$ 562,500	\$ -
Less SS/MC	15.3%	\$ 573,750		\$ 573,750		\$ -
Less FIT	12%	\$ 450,000		\$ 450,000		\$ -
Less SIT	3%	\$ 112,500	\$ 112,500		\$ 5,625	\$ 106,875
Net Employee Wages		\$ 2,900,625	\$ 1,450,313	\$ 1,450,313	\$ 1,450,313	\$ -
Net Track Owner Share	25.4%	\$ 19,019,375	\$ 19,019,375		\$ 4,754,844	\$ 14,264,531
Net Impact on Region/State*			\$ 50,762,613	\$ 12,838,638	\$ 8,893,931	\$ 18,636,431

* Existing Gaming Market Revenue which will now come to a new Kansas facility PLUS new gaming revenue **bolded** which is projected to come to Kansas from Out of State (also calculated by Total Revenue Less New Gaming Market Revenue coming from Kansas) less expenditures leaving the region or state.

Net state impact is calculated by subtracting revenue leaving Kansas from the total of **bolded** gaming revenue (which represents capture of existing gaming revenue already in the market and new gaming revenue coming from out of state).

Net local impact is similarly calculated by subtracting revenues leaving the Frontenac area to the State of Kansas and revenues going out of state from the total **bolded** gaming revenue.

2-31

OST CASINO - SLOTS AT FRONTENAC			Within Kansas	Outside Kansas	SE KS Area	Leaving SE KS/Staying in KS
Total Revenue		\$ 40,150,000	\$ 10,037,500	\$ 30,112,500		
Existing Market Revenue			\$ 2,007,500	\$ 8,030,000		
New Market Revenue			\$ 6,022,500	\$ 24,090,000		
Revenue Sharing - State	20%	\$ 8,212,500	\$ 8,212,500		\$ 410,625	\$ 7,801,875
Revenue Sharing - Local	3%	\$ 1,204,500	\$ 1,204,500		\$ 1,204,500	\$ -
Race Purses/Breed Assoc.	14%	\$ 5,621,000	\$ 3,372,600	\$ 2,248,400	\$ 1,686,300	\$ 1,686,300
Charitable Fund	1%	\$ 401,500	\$ 401,500		\$ 200,750	\$ 200,750
Problem Gaming Fund	1%	\$ 401,500	\$ 401,500		\$ 401,500	\$ -
Fair Racing	1%	\$ 401,500	\$ 401,500			\$ 401,500
Expenses	15%	\$ 6,022,500				\$ -
Machines	7.5%	\$ 3,011,250		\$ 3,011,250		\$ -
Other Expenses (Bldg, GA, Supplies, Regulation)	7.5%	\$ 3,011,250	\$ 3,011,250		\$ 3,011,250	\$ -
Wages - No. Employees =	150					
Salary	\$ 25,000	\$ 3,750,000				
Fringes	30%	\$ 1,125,000				
SS/MC-ER	7.65%	\$ 286,875				
Total Employee Cost	12.86%	\$ 5,161,875				
Less Fringes	30%	\$ 1,125,000	\$ 562,500	\$ 562,500	\$ 562,500	\$ -
Less SS/MC	15.3%	\$ 573,750		\$ 573,750		\$ -
Less FIT	12%	\$ 450,000		\$ 450,000		\$ -
Less SIT	3%	\$ 112,500	\$ 112,500		\$ 5,625	\$ 106,875
Net Employee Wages		\$ 2,900,625	\$ 1,450,313	\$ 1,450,313	\$ 1,450,313	\$ -
Net Track Owner Share	31.7%	\$ 12,723,125	\$ 12,723,125		\$ 3,180,781	\$ 9,542,344
				\$ 8,296,213		\$ 19,739,644
Net Impact on Region/State*			\$ 25,831,288		\$ 6,091,644	

* Existing Gaming Market Revenue which will now come to a new Kansas facility PLUS new gaming revenue **bolded** which is projected to come to Kansas from Out of State (also calculated by Total Revenue Less New Gaming Market Revenue coming from Kansas) less expenditures leaving the region or state.

Net state impact is calculated by subtracting revenue leaving Kansas from the total of **bolded** gaming revenue (which represents capture of existing gaming revenue already in the market and new gaming revenue coming from out of state).

Net local impact is similarly calculated by subtracting revenues leaving the Frontenac area to the State of Kansas and revenues going out of state from the total **bolded** gaming revenue.

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WICHITA, KANSAS						
SLOTS AT GREYHOUND PARK			Within Kansas	Outside Kansas	Wichita Area	Leaving Wichita/ Staying in KS
Total Revenue			\$ 219,000,000	\$ 208,050,000	\$ 10,950,000	
Revenue Sharing - State	34%	\$ 73,912,500	\$ 73,912,500		\$ 14,782,500	\$ 59,130,000
Revenue Sharing - Local	3%	\$ 6,570,000	\$ 6,570,000		\$ 6,570,000	\$ -
Race Purses/Breed Assoc.	14%	\$ 30,660,000	\$ 18,396,000	\$ 12,264,000	\$ 9,198,000	\$ 9,198,000
Charitable Fund	1%	\$ 2,190,000	\$ 2,190,000		\$ 1,095,000	\$ 1,095,000
Problem Gaming Fund	1%	\$ 2,190,000	\$ 2,190,000		\$ 2,190,000	\$ -
Fair Racing	1%	\$ 2,190,000	\$ 2,190,000			\$ 2,190,000
Expenses	15%	\$ 32,850,000				\$ -
Machines	7.5%	\$ 16,425,000		\$ 16,425,000		\$ -
Other Expenses (Bldg, GA, Supplies, Regulation)	7.5%	\$ 16,425,000	\$ 16,425,000		\$ 16,425,000	\$ -
Wages - No. Employees =	375					
Salary	\$ 25,000	\$ 9,375,000				
Fringes	30%	\$ 2,812,500				
SS/MC-ER	7.65%	\$ 717,188				
Total Employee Cost	5.89%	\$ 12,904,688				
Less Fringes	30%	\$ 2,812,500	\$ 2,812,500	\$ -	\$ 2,812,500	\$ -
Less SS/MC	15.3%	\$ 1,434,375		\$ 1,434,375		\$ -
Less FIT	12%	\$ 1,125,000		\$ 1,125,000		\$ -
Less SIT	3%	\$ 281,250	\$ 281,250		\$ 56,250	\$ 225,000
Net Employee Wages		\$ 7,251,563	\$ 7,251,563		\$ 7,251,563	\$ -
Net Track Owner Share	25.4%	\$ 55,532,813	\$ 55,532,813		\$ 13,883,203	\$ 41,649,609
				\$ 31,248,375		\$ 113,487,609
Net Impact on Region/State*			\$ (31,248,375)		\$ (144,735,984)	

* Existing Gaming Market Revenue which will now come to a new Kansas facility PLUS new gaming revenue **bolded** which is projected to come to Kansas from Out of State (also calculated by Total Revenue Less New Gaming Market Revenue coming from Kansas) less expenditures leaving the region or state.

Net state impact is calculated by subtracting revenue leaving Kansas from the total of **bolded** gaming revenue (which represents capture of existing gaming revenue already in the market and new gaming revenue coming from out of state).

Net local impact is similarly calculated by subtracting revenues leaving the Wichita area to the State of Kansas and revenues going out of state from the total **bolded** gaming revenue.

DODGE CITY, KANSAS						
SLOTS AT DODGE CITY			Within Kansas	Outside Kansas	Dodge City Area	Leaving Dodge City/Staying in KS
Total Revenue		\$ 62,050,000	\$ 46,537,500	\$ 15,512,500		
Revenue Sharing - State	31%	\$ 19,345,000	\$ 19,345,000		\$ 967,250	\$ 18,377,750
Revenue Sharing - Local	3%	\$ 1,861,500	\$ 1,861,500		\$ 1,861,500	\$ -
Race Purses/Breed Assoc.	14%	\$ 8,687,000	\$ 5,212,200	\$ 3,474,800	\$ 2,606,100	\$ 2,606,100
Charitable Fund	1%	\$ 620,500	\$ 620,500		\$ 310,250	\$ 310,250
Problem Gaming Fund	1%	\$ 620,500	\$ 620,500		\$ 620,500	\$ -
Fair Racing	1%	\$ 620,500	\$ 620,500			\$ 620,500
Expenses	15%	\$ 9,307,500				\$ -
Machines	7.5%	\$ 4,653,750		\$ 4,653,750		\$ -
Other Expenses (Bldg, GA, Supplies, Regulation)	7.5%	\$ 4,653,750	\$ 4,653,750		\$ 4,653,750	\$ -
Wages - No. Employees =	150					
Salary	\$ 25,000	\$ 3,750,000				
Fringes	30%	\$ 1,125,000				
SS/MC-ER	7.65%	\$ 286,875				
Total Employee Cost	8.32%	\$ 5,161,875				
Less Fringes	30%	\$ 1,125,000	\$ 1,125,000		\$ 1,125,000	\$ -
Less SS/MC	15.3%	\$ 573,750		\$ 573,750		\$ -
Less FIT	12%	\$ 450,000		\$ 450,000		\$ -
Less SIT	3%	\$ 112,500	\$ 112,500		\$ 5,625	\$ 106,875
Net Employee Wages		\$ 2,900,625	\$ 2,900,625		\$ 2,900,625	\$ -
Net Track Owner Share	25.5%	\$ 15,825,625	\$ 15,825,625		\$ 3,956,406	\$ 11,869,219
				\$ 9,152,300		\$ 33,890,694
Net Impact on Region/State*			\$ (9,152,300)		\$ (43,042,994)	

* Existing Gaming Market Revenue which will now come to a new Kansas facility PLUS new gaming revenue **bolded** which is projected to come to Kansas from Out of State (also calculated by Total Revenue Less New Gaming Market Revenue coming from Kansas) less expenditures leaving the region or state.

Net state impact is calculated by subtracting revenue leaving Kansas from the total of **bolded** gaming revenue (which represents capture of existing gaming revenue already in the market and new gaming revenue coming from out of state).

Net local impact is similarly calculated by subtracting revenues leaving the Dodge City area to the State of Kansas and revenues going out of state from the total **bolded** gaming revenue.

2-33

2-34

SCENARIO 2: KANSAS CITY						
TRIBAL CASINO GAMING REVENUE			Within Kansas	Outside Kansas	Kansas City Area	Leaving Kansas City/Staying in KS
Total Revenue		\$ 235,300,000	\$ 164,710,000	\$ 70,590,000		
Existing Market Revenue			\$ 82,355,000	\$ 35,295,000		
New Market Revenue			\$ 82,355,000	\$ 35,295,000		
State of Kansas	20%	\$ 47,060,000	\$ 47,060,000		\$ 9,412,000	\$ 37,648,000
Local Government	4%	\$ 9,412,000	\$ 9,412,000		\$ 9,412,000	\$ -
Regulation	1%	\$ 2,353,000	\$ 2,353,000		\$ 1,176,500	\$ 1,176,500
Problem Gaming	1%	\$ 2,353,000	\$ 2,353,000		\$ 2,353,000	\$ -
Building/Utilities	11%	\$ 25,883,000	\$ 25,883,000		\$ 25,883,000	\$ -
Gaming Supply/Machines	7%	\$ 16,471,000		\$ 16,471,000		\$ -
Other Supply	4%	\$ 9,412,000	\$ 9,412,000		\$ 9,412,000	\$ -
Advertising/Comps	7%	\$ 16,471,000	\$ 8,235,500	\$ 8,235,500	\$ 8,235,500	\$ -
General Administration	2%	\$ 4,706,000	\$ 4,706,000		\$ 4,706,000	\$ -
Wages - No. of employees =	1,367					
Salary	\$ 30,000	\$ 40,996,007				
Fringes	30%	\$ 12,298,802				
SS/MC-ER	7.65%	\$ 3,136,195				
Total Employee Cost		\$ 56,431,004				
Less Fringes	30%	\$ 12,298,802	\$ 7,994,221	\$ 4,304,581	\$ 7,994,221	\$ -
Less SS/MC	15.3%	\$ 6,272,389		\$ 6,272,389		\$ -
Less FIT	12%	\$ 7,200,000		\$ 7,200,000		\$ -
Less SIT	3%	\$ 1,800,000	\$ 1,800,000		\$ 360,000	\$ 1,440,000
Net Employee Wages		\$ 28,859,813	\$ 18,758,878	\$ 10,100,934	\$ 18,758,878	\$ -
Tribal Share	19%	\$ 44,707,000	\$ 44,707,000		\$ 11,176,750	\$ 33,530,250
				\$ 52,584,404		\$ 73,794,750
Net Impact on Region/State*			\$ 100,360,596		\$ 26,565,846	

* Existing Gaming Market Revenue which will now come to a new Kansas facility PLUS new gaming revenue **bolded** which is projected to come to Kansas from Out of State (also calculated by Total Revenue Less New Gaming Market Revenue coming from Kansas) less expenditures leaving the region or state.

Net state impact is calculated by subtracting revenue leaving Kansas from the total of **bolded** gaming revenue (which represents capture of existing gaming revenue already in the market and new gaming revenue coming from out of state).

Net local impact is similarly calculated by subtracting revenues leaving the Kansas City area to the State of Kansas and revenues going out of state from the total **bolded** gaming revenue.

2-35

PRE CASINO - SLOTS AT WOODLANDS			Within Kansas	Outside Kansas	Kansas City Area	Leaving Kansas City/Staying in KS
Total Revenue		\$ 56,940,000	\$ 39,858,000	\$ 17,082,000		
Existing Market Revenue			\$ 19,929,000	\$ 8,541,000		
New Market Revenue			\$ 19,929,000	\$ 8,541,000		
Revenue Sharing - State	45%	\$ 25,623,000	\$ 25,623,000		\$ 5,124,600	\$ 20,498,400
Revenue Sharing - Local	3%	\$ 1,708,200	\$ 1,708,200		\$ 1,708,200	\$ -
Race Purses/Breed Assoc.	14%	\$ 7,971,600	\$ 4,782,960	\$ 3,188,640	\$ 2,391,480	\$ 2,391,480
Charitable Fund	1%	\$ 569,400	\$ 569,400		\$ 284,700	\$ 284,700
Problem Gaming Fund	1%	\$ 569,400	\$ 569,400		\$ 569,400	\$ -
Fair Racing	1%	\$ 569,400	\$ 569,400			\$ 569,400
Expenses	15%	\$ 8,541,000				\$ -
Machines	7.5%	\$ 4,270,500		\$ 4,270,500		\$ -
Other Expenses (Bldg, GA, Supplies, Regulation)	7.5%	\$ 4,270,500	\$ 4,270,500		\$ 4,270,500	\$ -
Wages - No. Employees =	90					
Salary	\$ 25,000	\$ 2,250,000				
Fringes	30%	\$ 675,000				
SS/MC-ER	7.65%	\$ 172,125				
Total Employee Cost	5.44%	\$ 3,097,125				
Less Fringes	30%	\$ 675,000	\$ 438,750	\$ 236,250	\$ 438,750	\$ -
Less SS/MC	15.3%	\$ 344,250		\$ 344,250		\$ -
Less FIT	12%	\$ 270,000		\$ 270,000		\$ -
Less SIT	3%	\$ 67,500	\$ 67,500		\$ 13,500	\$ 54,000
Net Employee Wages		\$ 1,740,375	\$ 1,131,244	\$ 609,131	\$ 1,131,244	\$ -
Net Track Owner Share	15%	\$ 8,290,875	\$ 2,072,719	\$ 6,218,156	\$ 2,072,719	\$ -
				\$ 15,136,928		\$ 23,797,980
Net Impact on Region/State*			\$ 21,874,073		\$ (1,923,908)	
* Existing Gaming Market Revenue which will now come to a new Kansas facility PLUS new gaming revenue bolded which is projected to come to Kansas from Out of State (also calculated by Total Revenue Less New Gaming Market Revenue coming from Kansas) less expenditures leaving the region or state.						
Net state impact is calculated by subtracting revenue leaving Kansas from the total of bolded gaming revenue (which represents capture of existing gaming revenue already in the market and new gaming revenue coming from out of state).						
Net local impact is similarly calculated by subtracting revenues leaving the Kansas City area to the State of Kansas and revenues going out of state from the total bolded gaming revenue.						

2-36

OST CASINO - SLOTS AT WOODLANDS			Within Kansas	Outside Kansas	Kansas City Area	Leaving Kansas City/Staying in KS
Total Revenue		\$ 56,940,000	\$ 39,858,000	\$ 17,082,000		
Existing Market Revenue			\$ 19,929,000	\$ 8,541,000		
New Market Revenue			\$ 19,929,000	\$ 8,541,000		
Revenue Sharing - State	45%	\$ 25,623,000	\$ 25,623,000		\$ 5,124,600	\$ 20,498,400
Revenue Sharing - Local	3%	\$ 1,708,200	\$ 1,708,200		\$ 1,708,200	\$ -
Race Purses/Breed Assoc.	14%	\$ 7,971,600	\$ 4,782,960	\$ 3,188,640	\$ 2,391,480	\$ 2,391,480
Charitable Fund	1%	\$ 569,400	\$ 569,400		\$ 284,700	\$ 284,700
Problem Gaming Fund	1%	\$ 569,400	\$ 569,400		\$ 569,400	\$ -
Fair Racing	1%	\$ 569,400	\$ 569,400			\$ 569,400
Expenses	15%	\$ 8,541,000				\$ -
Machines	7.5%	\$ 4,270,500		\$ 4,270,500		\$ -
Other Expenses (Bldg, GA, Supplies, Regulation)	7.5%	\$ 4,270,500	\$ 4,270,500		\$ 4,270,500	\$ -
Wages - No. Employees =	90					
Salary	\$ 25,000	\$ 2,250,000				
Fringes	30%	\$ 675,000				
SS/MC-ER	7.65%	\$ 172,125				
Total Employee Cost	5.44%	\$ 3,097,125				
Less Fringes	30%	\$ 675,000	\$ 438,750	\$ 236,250	\$ 438,750	\$ -
Less SS/MC	15.3%	\$ 344,250		\$ 344,250		\$ -
Less FIT	12%	\$ 270,000		\$ 270,000		\$ -
Less SIT	3%	\$ 67,500	\$ 67,500		\$ 13,500	\$ 54,000
Net Employee Wages		\$ 1,740,375	\$ 1,131,244	\$ 609,131	\$ 1,131,244	\$ -
Net Track Owner Share	15%	\$ 8,290,875	\$ 2,072,719	\$ 6,218,156	\$ 2,072,719	\$ -
				\$ 15,136,928		\$ 23,797,980
Net Impact on Region/State*			\$ 21,874,073		\$ (1,923,908)	

* Existing Gaming Market Revenue which will now come to a new Kansas facility PLUS new gaming revenue **bolded** which is projected to come to Kansas from Out of State (also calculated by Total Revenue Less New Gaming Market Revenue coming from Kansas) less expenditures leaving the region or state.

Net state impact is calculated by subtracting revenue leaving Kansas from the total of **bolded** gaming revenue (which represents capture of existing gaming revenue already in the market and new gaming revenue coming from out of state).

Net local impact is similarly calculated by subtracting revenues leaving the Kansas City area to the State of Kansas and revenues going out of state from the total **bolded** gaming revenue.

2-37

SCENARIO 2: SE KANSAS						
TRIBAL CASINO GAMING REVENUE			Within Kansas	Outside Kansas	SE KS Area	Leaving SE KS/Staying in KS
Total Revenue		\$ 240,800,000	\$ 48,160,000	\$ 192,640,000		
Existing Market Revenue			\$ 12,040,000	\$ 48,160,000		
New Market Revenue			\$ 36,120,000	\$ 144,480,000		
State of Kansas	20%	\$ 48,160,000	\$ 48,160,000		\$ 2,408,000	\$ 45,752,000
Local Government	4%	\$ 9,632,000	\$ 9,632,000		\$ 9,632,000	\$ -
Regulation	1%	\$ 2,408,000	\$ 2,408,000		\$ 1,204,000	\$ 1,204,000
Problem Gaming	1%	\$ 2,408,000	\$ 2,408,000		\$ 2,408,000	\$ -
Building/Utilities	11%	\$ 26,488,000	\$ 26,488,000		\$ 26,488,000	\$ -
Gaming Supply/Machines	7%	\$ 16,856,000		\$ 16,856,000		\$ -
Other Supply	4%	\$ 9,632,000	\$ 9,632,000		\$ 9,632,000	\$ -
Advertising/Comps	7%	\$ 16,856,000	\$ 8,428,000	\$ 8,428,000	\$ 8,428,000	\$ -
General Administration	2%	\$ 4,816,000	\$ 4,816,000		\$ 4,816,000	\$ -
Wages - No. of employees =	1,398					
Salary	\$ 30,000	\$ 41,954,265				
Fringes	30%	\$ 12,586,279				
SS/MC-ER	7.65%	\$ 3,209,501				
Total Employee Cost		\$ 57,750,046				
Less Fringes	30%	\$ 12,586,279	\$ 8,181,082	\$ 4,405,198	\$ 8,181,082	\$ -
Less SS/MC	15.3%	\$ 6,419,003		\$ 6,419,003		\$ -
Less FIT	12%	\$ 7,200,000		\$ 7,200,000		\$ -
Less SIT	3%	\$ 1,800,000	\$ 1,800,000		\$ 90,000	\$ 1,710,000
Net Employee Wages		\$ 29,744,764	\$ 14,872,382	\$ 14,872,382	\$ 14,872,382	\$ -
Tribal Share	19%	\$ 45,752,000	\$ 45,752,000		\$ 11,438,000	\$ 34,314,000
				\$ 58,180,582		\$ 82,980,000
Net Impact on Region/State*			\$ 146,499,418		\$ 63,519,418	

* Existing Gaming Market Revenue which will now come to a new Kansas facility PLUS new gaming revenue **bolded** which is projected to come to Kansas from Out of State (also calculated by Total Revenue Less New Gaming Market Revenue coming from Kansas) less expenditures leaving the region or state.

Net state impact is calculated by subtracting revenue leaving Kansas from the total of **bolded** gaming revenue (which represents capture of existing gaming revenue already in the market and new gaming revenue coming from out of state).

Net local impact is similarly calculated by subtracting revenues leaving the Frontenac area to the State of Kansas and revenues going out of state from the total **bolded** gaming revenue.

2-38

PRE CASINO - SLOTS AT FRONTENAC			Within Kansas	Outside Kansas	Frontenac Area	Leaving Frontenac/ Staying in KS
Total Revenue		\$ 74,460,000	\$ 52,122,000	\$ 22,338,000		
Existing Market Revenue			\$ 3,723,000	\$ 14,892,000		
New Market Revenue			\$ 11,169,000	\$ 44,676,000		
Revenue Sharing - State	45%	\$ 33,507,000	\$ 33,507,000		\$ 1,675,350	\$ 31,831,650
Revenue Sharing - Local	3%	\$ 2,233,800	\$ 2,233,800		\$ 2,233,800	\$ -
Race Purses/Breed Assoc.	14%	\$ 10,424,400	\$ 6,254,640	\$ 4,169,760	\$ 3,127,320	\$ 3,127,320
Charitable Fund	1%	\$ 744,600	\$ 744,600		\$ 372,300	\$ 372,300
Problem Gaming Fund	1%	\$ 744,600	\$ 744,600		\$ 744,600	\$ -
Fair Racing	1%	\$ 744,600	\$ 744,600			\$ 744,600
Expenses	15%	\$ 11,169,000				\$ -
Machines	7.5%	\$ 5,584,500		\$ 5,584,500		\$ -
Other Expenses (Bldg, GA, Supplies, Regulation)	7.5%	\$ 5,584,500	\$ 5,584,500		\$ 5,584,500	\$ -
Wages - No. Employees =	90					
Salary	\$ 25,000	\$ 2,250,000				
Fringes	30%	\$ 675,000				
SS/MC-ER	7.65%	\$ 172,125				
Total Employee Cost	4.16%	\$ 3,097,125				
Less Fringes	30%	\$ 675,000	\$ 438,750	\$ 236,250	\$ 438,750	\$ -
Less SS/MC	15.3%	\$ 344,250		\$ 344,250		\$ -
Less FIT	12%	\$ 270,000		\$ 270,000		\$ -
Less SIT	3%	\$ 67,500	\$ 67,500		\$ 3,375	\$ 64,125
Net Employee Wages		\$ 1,740,375	\$ 870,188	\$ 870,188	\$ 870,188	\$ -
Net Track Owner Share	16%	\$ 11,794,875	\$ 11,794,875		\$ 2,948,719	\$ 8,846,156
				\$ 11,474,948		\$ 44,986,151
Net Impact on Region/State*			\$ 51,816,053		\$ 6,829,901	
* Existing Gaming Market Revenue which will now come to a new Kansas facility PLUS new gaming revenue bolded which is projected to come to Kansas from Out of State (also calculated by Total Revenue Less New Gaming Market Revenue coming from Kansas) less expenditures leaving the region or state.						
Net state impact is calculated by subtracting revenue leaving Kansas from the total of bolded gaming revenue (which represents capture of existing gaming revenue already in the market and new gaming revenue coming from out of state).						
Net local impact is similarly calculated by subtracting revenues leaving the Kansas City area to the State of Kansas and revenues going out of state from the total bolded gaming revenue.						

2-39

POST CASINO - SLOTS AT FRONTENAC			Within Kansas	Outside Kansas	Frontenac Area	Leaving Frontenac/ Staying in KS
Total Revenue		\$ 28,470,000	\$ 19,929,000	\$ 8,541,000		
Existing Market Revenue			\$ 1,423,500	\$ 5,694,000		
New Market Revenue			\$ 42,705,000	\$ 17,082,000		
Revenue Sharing - State	45%	\$ 12,811,500	\$ 12,811,500		\$ 640,575	\$ 12,170,925
Revenue Sharing - Local	3%	\$ 854,100	\$ 854,100		\$ 854,100	\$ -
Race Purses/Breed Assoc.	14%	\$ 3,985,800	\$ 2,391,480	\$ 1,594,320	\$ 1,195,740	\$ 1,195,740
Charitable Fund	1%	\$ 284,700	\$ 284,700		\$ 142,350	\$ 142,350
Problem Gaming Fund	1%	\$ 284,700	\$ 284,700		\$ 284,700	\$ -
Fair Racing	1%	\$ 284,700	\$ 284,700			\$ 284,700
Expenses	15%	\$ 4,270,500				\$ -
Machines	7.5%	\$ 2,135,250		\$ 2,135,250		\$ -
Other Expenses (Bldg, GA, Supplies, Regulation)	7.5%	\$ 2,135,250	\$ 2,135,250		\$ 2,135,250	\$ -
Wages - No. Employees =	90					
Salary	\$ 25,000	\$ 2,250,000				
Fringes	30%	\$ 675,000				
SS/MC-ER	7.65%	\$ 172,125				
Total Employee Cost	10.88%	\$ 3,097,125				
Less Fringes	30%	\$ 675,000	\$ 438,750	\$ 236,250	\$ 438,750	\$ -
Less SS/MC	15.3%	\$ 344,250		\$ 344,250		\$ -
Less FIT	12%	\$ 270,000		\$ 270,000		\$ -
Less SIT	3%	\$ 67,500	\$ 67,500		\$ 3,375	\$ 64,125
Net Employee Wages		\$ 1,740,375	\$ 870,188	\$ 870,188	\$ 870,188	\$ -
Net Track Owner Share	9%	\$ 2,596,875	\$ 2,596,875		\$ 649,219	\$ 1,947,656
				\$ 5,450,258		\$ 15,805,496
Net Impact on Region/State*			\$ 18,749,243		\$ 2,943,746	

* Existing Gaming Market Revenue which will now come to a new Kansas facility PLUS new gaming revenue **bolded** which is projected to come to Kansas from Out of State (also calculated by Total Revenue Less New Gaming Market Revenue coming from Kansas) less expenditures leaving the region or state.

Net state impact is calculated by subtracting revenue leaving Kansas from the total of **bolded** gaming revenue (which represents capture of existing gaming revenue already in the market and new gaming revenue coming from out of state).

Net local impact is similarly calculated by subtracting revenues leaving the Kansas City area to the State of Kansas and revenues going out of state from the total **bolded** gaming revenue.

Governor's Committee on Gaming

**Additional Information to Consider
Prepared and Compiled by:**

**Kickapoo Tribe in Kansas
Sac and Fox Nation**

**Working Together As The
Intertribal Gaming Management Consortium**

November, 2003

FEDERAL AND STATE AFFAIRS

Date 3-14-07

Attachment 3

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 - Letters of Importance (Department of the Interior)
6. Constitutional Issues (State-Owned and Operated)
7. Compacting Process
8. GVA Marquette Advisors, Inc., Kansas City Gaming Market Study Executive Summary and related information.
9. Labor Issues

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E-MAIL: WBDAMRON@aol.com

MEMORANDUM

TO: The Honorable Tom Wright, Chairman
And Members Of The
Governor's Committee on Gaming

FROM: Whitney Damron
On Behalf Of The:

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

INTERTRIBAL GAMING MANAGEMENT CONSORTIUM

RE: Additional Information for the Committee to Consider

DATE: November 24, 2003


Chairman Wright and Members of the Committee:

On behalf of my clients, the Kickapoo Tribe and the Sac and Fox Nation as well as myself, I wish to express our appreciation to all of you for your service on the Governor's Committee on Gaming. Your report can be a valuable resource to Governor Sebelius as she considers her options for expanded gaming recommendations to the 2004 Kansas Legislature.

We have assembled this informational packet in response to specific issues and questions that have been raised by the Committee and to elaborate on certain matters we believe need clarification before you finalize your report.

Please do not hesitate to contact me if you have questions the Tribes and their Team members might respond to regarding information contained in this report or other matters relating to your committee charge.

Thank you for your attention to this information.


Whitney Damron

Intertribal Gaming Management Consortium

The Kickapoo Tribe and the Sac and Fox Nation have assembled a team of professionals that are recognized as leaders in their respective fields both locally and nationally. Here is a summary listing of those who are actively involved with this project as of this date:

Kickapoo Tribe in Kansas
1121 Goldfinch Road
Horton, Kansas 66439
(785) 486-2131

Sac and Fox Nation
305 North Main Street
Reserve, Kansas 66434
(785) 742-7471

- Ms. Emily Conklin, Vice Chair of the Kickapoo Tribe
- Ms. Fredia Perkins, Vice Chair of the Sac and Fox Nation

- Lance Burr, Special Counsel to the Kickapoo Tribe
- Bob Winter, Special Counsel to the Kickapoo Tribe
- Mr. Paul Alexander, General Counsel to the Sac and Fox Nation

- Whitney Damron, Legislative Counsel to the Consortium
- Mr. Dan Watkins, Legal Counsel to the Consortium

- J. E. Dunn Construction
- HNTB
- Marnell Corrao Associates
- Glaze Commercial Real Estate Advisors, Inc.
- Reece Nichols & Roberts Real Estate
- Parkinson, Foth, Orrick & Brown, LLP
- Smithyman & Zakoura, Chtd.
- Corporate Communications Group, Inc.

**Intertribal Gaming Management Consortium
Kansas City, Kansas Casino Development
Project Summary.**

- Proposal:** First-class resort 250 room hotel with health spa, premier restaurants, and destination and non-gaming destination resort amenities.
- Est. Cost:** \$175+ million.
- Site Size:** The Consortium has optioned 80 acres of land adjacent to the Kansas Speedway and Village West development in western Wyandotte County. The proposal designates 40 acres for the hotel and resort development and retains the remaining 40 acres for additional development opportunities. This real estate is uniquely situated in the most desirable commercial real estate in the Midwest United States.
- Owners:** Intertribal Gaming Management Consortium, a joint venture of two resident Kansas Native American Tribes: The Kickapoo Tribe in Kansas and the Sac and Fox Nation of Missouri in Kansas and Nebraska.
- Financing:** Private financing arranged by the Consortium through leading national and local financial institutions. The Kickapoo Tribe and the Sac and Fox Nation are financing this project without assistance from outside management that necessarily increases costs of financing and reduces the amount of revenues available to the tribes and state and local governments.
- Management:** Experienced first-class management employed by the Consortium.
- Location:** Northeast corner of 118th Street and State Avenue, Kansas City, Kansas.
- Est. Size:** 250 hotel rooms, 80,000 square feet of casino floor with 2,800 gaming positions.
- Market:** The Kansas Speedway and Village West development project attract over 9 million visitors annually. The Consortium's feasibility study, conducted by GVA Marquette Advisors, Inc., anticipates a marketing area generally from Minneapolis to Dallas and St. Louis to Denver.

**Comprehensive Revenue Projections
And
Economic Development Analysis**

**Prepared By The
Intertribal Gaming Management Consortium
In Conjunction With
GVA Marquette Advisors, Inc.
And Other Consortium Advisors**

November, 2003

The Consortium, working together with its financial and market advisors, including GVA Marquette Advisors, Inc., has prepared a comprehensive analysis of the leading options under consideration for expanded gaming in the State of Kansas. This analysis reviews the direct and indirect economic impacts related to various options for expanded gaming and also includes both positive and negative considerations of each option.

The five options analyzed are:

- State-Owned and Operated Slots at Pari-Mutuel Tracks
- The Consortium's Intertribal Casino in Kansas City
- Casino by an Out-of-State (Non-Resident) Tribe in Kansas City
- State-Owned and Operated Casino with a Private Partner
- Combination of Options 1-4

In evaluating the expanded gaming options, the financial projections show the State achieves by far the maximum benefit in the Kansas City market from the casino proposal of the Intertribal Consortium.

The Consortium Proposal produces the most direct and indirect revenue for the State from this mature gaming market because:

- The Tribes will commit a significant amount of equity to the project, thereby lowering financing costs.
- The Consortium will retain its own top management team, thus eliminating the need for contracting for management services with an out-of-state management company.
- The Consortium has developed a comprehensive financing plan for their project in conjunction with leading national and local financial institutions that will insure a competitive financing package for the project.
- The Consortium will negotiate a revenue sharing agreement with the State that allows for a much higher amount of revenue than is available from a State-Owned and Operated casino or casino affiliated with an out-of-state (non-resident) tribe.
- All project parties of interest are Kansas entities, thereby maximizing the impact of revenues for all Kansans (Kansas Tribes, State of Kansas, Wyandotte County, etc.).

Option 1. State-Owned and Operated Slots at Three Pari-Mutuel Tracks.

The slots at pari-mutuel tracks (Kansas City, Wichita and Pittsburg) has some limitations in that they will not become destination attractions regardless of how many machines are allowed at such facilities and will draw patrons from a smaller market radius than a true destination resort. The more machines that are allowed at the facilities, the greater the amount of revenue that will be drawn out of existing businesses in these localities, including a Tribal destination casino in Kansas City. It is highly unlikely slot machines at The Woodlands can compete effectively against aggressive marketing by casinos in Kansas City, Missouri that offer a full complement of gaming opportunities.

For purposes of this report, we have prepared economic projections for placing 500 machines at each existing pari-mutuel track that assumes revenue projections as suggested by G-Tech, the online game provider for the Kansas Lottery as taken from a 2000 Legislative Post Audit study. Such a scenario would produce approximately \$56 million for the State after the first year of operations if the State received 51% of the revenue. Revenues from the Kansas City tracks are the lowest, at about \$15 million, due to the projected lower per machine revenue that would result from stiff competition from Missouri.

Finally, the more slots you allow at a pari-mutuel track, the more the track owners will demand from the State in terms of revenues and market protections (to pay for renovations, marketing and related expenses). Existing facilities should easily be able to accommodate up to 500 machines and not require extensive facility modifications, or significantly impact upon existing local businesses.

Option 2. KC Intertribal Consortium Casino.

The Tribal Consortium proposal would generate \$24 million in direct impact to the State in its first year of operation and an additional \$13 million in indirect revenue (sales and income tax collections). In addition, the \$30-40 million in revenue to the two Kansas Tribes involved in this project would also stay in Kansas and be invested in tribal and local economies.

The Tribal Consortium has secured the best site available anywhere in the Midwest and has proceeded to add members to their team of impeccable credentials and abilities, including construction, project engineers, financial experts and market study professionals.

Option 3. Out-Of-State (Non-Resident) Tribe Casino in KC

Both Non-Resident Tribes with proposals for the Kansas City market are being led by non-tribal managers that have made it clear they will take 30% of gaming proceeds for their management services. First of all, these are exorbitant fees that are unlikely to ever be approved by the Secretary of Interior should either of them become the first ever Native American tribe to receive approval for taking land-in-trust for the purposes of gaming in a state other than their state of official residence. Both of the proposals by the Wyandotte Tribe and the Delaware Tribe face significant obstacles that absolutely have no known parallels for success.

However, should they somehow receive State and Federal approvals, the management fees contemplated by their respective financiers would leave little, if any meaningful revenues available for state and local distribution, much less anything remaining for the tribes' themselves. Furthermore, such revenue pressures will necessarily increase the cost of debt financing for these projects, if possible at all.

Option 4. Joint Venture Proposal between the State and a Developer.

A State-Owned and Operated casino will undoubtedly require a financial partner with gaming experience. A financial partner, especially one without control over the entire operation, will need a return on its financial investment commensurate with the risk it agrees to accept on behalf of the State. Such a scenario does not leave much revenue available for sharing with State and Local governments. Our projections indicate 5% of gaming revenue is available after operations, gaming equipment expenses and management fees. This compares very poorly with the 15% revenue sharing amount assumed in the Tribal Consortium's projections set out in the attached memorandum (10.8% State/4.2% local*).

* Note that revenue sharing agreements between the Tribal Consortium and the State will be negotiated by the Governor as part of a comprehensive compact agreement and is subject to legislative approval. This number is used for illustration purposes, but may actually be higher or lower. See "State Revenues from Tribal Casino" later in this report for more information on tribal revenue sharing agreements.

Option 5. Combination of Tribal Consortium Proposal and Limited Slot Machines at Pari-Mutuel Tracks.

Prior to all three pari-mutuel tracks changing ownership from their initial investors, proponents of expanded gaming suggested allowing a limited number of slot machines at these facilities would allow the tracks to increase purses, thereby attracting better horses and greyhounds, which would result in larger crowds producing higher handles (betting) and translate into more money for tracks, horse and greyhound owners, the State, local governments and all others concerned. However, as we have seen in recent years, such proposals are no longer about the horse and greyhound industry – they are about making millions of dollars for out-of-state track owners that purchased these properties at substantially-reduced prices with only the lure of large financial rewards as their motivation – not helping the Kansas horse and greyhound industry.

Perhaps its time to return to the days when helping the horse and greyhound industry was paramount to creating financial windfalls for track owners.

A limited expansion of State-Owned and Operated slot machines (video lottery) where there is already voter-approved gaming (pari-mutuel tracks), combined with a destination casino facility in Kansas City developed by the Tribal Consortium, would allow Kansas to:

- Significantly enhance Kansas breeding and agricultural interests involved in the pari-mutuel industry.
- Generate the highest percentage of revenue from Kansas Lottery operated slots at existing facilities.
- Realize the maximum state revenue from the Kansas City regional market.
- Provide the opportunity for a Kansas-based, destination resort hotel and casino that would be able to effectively compete for market share against Missouri casinos.
- In combining scenarios 1 and 2 (limited slots at pari-mutuel tracks + Tribal Consortium), there is some reduction in Tribal revenue from the freestanding tribal proposal due to a loss of the available market share to the pari-mutuel tracks. However, the greatest share of the slots revenue to the tracks under this scenario comes from the Missouri gaming market.

Other casino options are not financially able to produce significant revenues for the State.

- Two large scale casinos in Kansas City could potentially grow the market, similar to the Biloxi, Mississippi market growth scenario outlined later in this report. However, affordable financing for two large scale casinos in Kansas City at the same time will be difficult to secure.
- In the Kansas City market, the sum of two smaller casinos will not meet or exceed the benefits of one large casino. Fixed costs will be a higher percentage of total cost for two casinos than for a single casino (Land acquisition, construction, personnel, utilities, etc.). In addition, soft costs, such as marketing and entertainment expenses, will be collectively higher.
- Smaller casinos will not have destination resort attractions and will be at a competitive disadvantage to Missouri casinos for customers both locally and regionally.

In summary, if the desire of the State is to authorize expanded gaming that will allow for the creation of a destination resort hotel and casino in the Kansas City market and also provide for significant revenues for the horse and greyhound industry in a format that will not fundamentally alter the economy of our State while at the same time maximize revenues for the State, then a combination of limited slot machines at pari-mutuel tracks and authorization of a destination resort casino by the Tribal Consortium most effectively accomplishes that objective.

KC Consortium Position Paper

Kansas Gaming Expansion:

There are 5 main options for expanding gaming in the State of Kansas

- Option 1 - Allow State-Owned and Operated slots at Pari-Mutuel Tracks
- Option 2 - KC Intertribal Consortium Casino
- Option 3 – KC Out-of-State (Non-Resident) Tribal Casino
- Option 4 - KC Joint Venture between State and Developer
- Option 5 - Allow some combination of the above

Decision Criteria:

What Criteria should be used to evaluate the options?

- Maximize Total Benefit to the State
 - Direct Impact
 - Indirect Impact
- Feasibility

Direct Impact

- Gaming taxes / revenue sharing
- Local taxes / revenue sharing
- State income taxes
- Property taxes
- Sales Taxes
- Job creation

Indirect Impact

- Economic impact to surrounding area
- Reinvestment of funds in Kansas

Feasibility of Achieving Plan

Market opportunity

- Location
- Demographics
- Competitive landscape

Size and scope of Project

- Number of slots
- Gaming/non-gaming amenities

Construction of Project

- Design
- Architect/construction team
- Project Cost
- Ability to Finance

Management team / expertise

Local support

Assumptions - Option 1

Tracks

500 Slots at each Track
WPU - (Wichita \$245, Pittsburgh \$200, KC \$160)
KC Market assumes \$160 WPU - same as Consortium Casino
Other Markets based on GTECH report
No Growth in WPU
362 Days
51% Revenue Sharing with State
No Revenue Sharing with Local
11% VLT Leasing Costs (Central System, Terminals)
Minimal indirect impact (few new jobs created, goods purchased)
50% Impact in Year 1

Option 1 - Allow State-Owned and Operated slots at the tracks;

Allow some number of slots at 3 tracks in Kansas (Kansas City, Wichita & Pittsburg)

Positives

- High revenue sharing % to State
- Facilities are already built / low incremental costs
- Track owners will make incremental investment in facilities
- Quickest, safest, most secure alternative
- Gaming already exists at tracks
- Horse and greyhound purse supplements

Considerations

- State must invest significant capital to purchase or lease gaming equipment
- Regulatory costs born by the State
- Direct benefits large / indirect benefits limited -- track owners not from Kansas; will not reinvest profits in Kansas
- No destination resort amenities; patrons will primarily be from local populations.
- Facilities limited / few non-gaming amenities
- No lodging facilities (to keep patrons playing longer, to use as a promotional incentive)
- Limit on number of slots allowed at one track will likely need to be limit for all tracks
- Size of facilities will constrain how many slots can put at each track
- Relatively high regulatory costs with three tracks in three parts of state
- Existing pari-mutuel tracks not designed as slot parlors; layout will constrain use of facility.

Revenue Model

Costs to State

Total to State

- Direct benefit
- Indirect benefit

	A	B	C	D	E	F	G	H
1	Estimated Revenues/Machine/Track Site							
2								
3	SITE	\$\$ per Machine per Day	No. of Days of Operation		Total \$\$ per Machine		No. of Machines	Total \$\$
4								
5	Wichita	\$245.00	362		\$ 88,690.00		500	\$ 44,345,000
6	Pittsburg	\$200.00	362		\$ 72,400.00		500	\$ 36,200,000
7	Kansas City	\$160.00	362		\$ 57,920.00		500	\$ 28,960,000
8								
9	TOTAL ALL SITES							\$ 109,505,000
10								
11								
12								
13	POTENTIAL SPLIT OF NET SLOT REVENUES							
14								
15	Wichita				Pittsburg			
16	# Machines/Track		500		# Machines/Track		500	
17	Revenue		\$ 44,345,000		Revenue		\$ 36,200,000	
18								
19	State	51.0%	\$ 22,615,950		State	51.0%	\$ 18,462,000	
20	Local	0.0%	\$ -		Local	0.0%	\$ -	
21	Terminal Providers	8.5%	\$ 3,769,325		Terminal Providers	8.5%	\$ 3,077,000	
22	Central System	2.5%	\$ 1,108,625		Central System	2.5%	\$ 905,000	
23	Purse	6.0%	\$ 2,660,700		Purse	6.0%	\$ 2,172,000	
24	Problem Gambler Programs	0.0%	\$ -		Problem Gambler Programs	0.0%	\$ -	
25	Regulatory	0.0%	\$ -		Regulatory	0.0%	\$ -	
26	Facility Operator	31.0%	\$ 13,746,950		Facility Operator	31.0%	\$ 11,222,000	
27								
28								
29								
30	Kansas City				Total			
31	# Machines/Track		500		# Machines/Track		1500	
32	Revenue		\$ 28,960,000		Revenue		\$ 109,505,000	
33								
34	State	51.0%	\$ 14,769,600		State	51.0%	\$ 55,847,550	
35	Local	0.0%	\$ -		Local	0.0%	\$ -	
36	Terminal Providers	8.5%	\$ 2,461,600		Terminal Providers	8.5%	\$ 9,307,925	
37	Central System	2.5%	\$ 724,000		Central System	2.5%	\$ 2,737,625	
38	Purse	6.0%	\$ 1,737,600		Purse	6.0%	\$ 6,570,300	
39	Problem Gambler Programs	0.0%	\$ -		Problem Gambler Programs	0.0%	\$ -	
40	Regulatory	0.0%	\$ -		Regulatory	0.0%	\$ -	
41	Facility Operator	31.0%	\$ 8,977,600		Facility Operator	31.0%	\$ 33,946,550	
42								
43					State and Local Revenue			
44					Direct Impact		\$ 55,847,550	

Assumptions - Option 2

Consortium Casino

2,500 Slot Destination Resort in Kansas City

GVA Marquette Projections

No Operations in Year 1 (Casino Construction)

No Hotel Revenue or Expense in Year 2 (Hotel Construction)

Hotel Funded with Casino FCF in Year 2

15% Total State and Local Revenue Sharing (10.8% to State, 4.2% to Local)

Tribal Revenue Limited by Bond Covenants

Debt Reserve Builds

Option 2: KC Intertribal Consortium Casino

Allow the Kickapoo and Sac & Fox Tribes to build a 2,500-slot casino in Kansas City.

Positives

- Attractive market opportunity (best location, demographics)
- Appropriately sized casino for market opportunity (competition in MO)
- Competitive advantages over MO competition (land-based, convenient location)
- First class design and construction team
- Full financing plan
- Experienced management team
- Strong local support already secured
- Land parcel secured
- Size and scale of casino will compete favorably against MO competition and generate high gaming revenue
- Hotel and other non-gaming amenities will extend patron stay
- Tribes will finance all land, construction and slot machine costs
- Gaming revenue will be reinvested in Kansas
- Significant direct and indirect benefits to State attributable to destination resort amenities
- Directly creates 1,300 jobs

Considerations

- Perception of giving tribes monopoly in Kansas City
- Revenue sharing % not as high as tracks
- Need BIA approval for land in trust
- Will not generate gaming revenue during initial 12 month construction period
- Failure to include tribes in KC market will likely affect viability of current tribal casinos in Kansas that are not located near large population base or insulated from KC market.

Revenue Model

Costs to State

Total to State

- Direct benefit
- Indirect benefit

Standardone - Construction Casino

A	B	C	D	E	F	G	H	I	J	K	L	M	N	O	P	Q	R	S	T
1	(Dollars in Thousands)	YEAR 1	YEAR 2	YEAR 3	YEAR 4	YEAR 5	YEAR 6	YEAR 7	7 YR TOTAL										
		Casino Construction	Hotel Construction	Year 1 - Full Property	Year 2 - Full Property	Year 3 - Full Property	Year 4 - Full Property	Year 5 - Full Property											
4	Projected Gaming Revenue	\$ -	\$ 171,035	\$ 171,035	\$ 178,890	\$ 187,063	\$ 192,674	\$ 198,454	\$ 1,099,151										
5	Other Revenue	-	21,533	29,980	31,519	32,997	33,983	35,028	185,040										
6	TOTAL REVENUE	\$ -	\$ 192,568	\$ 201,015	\$ 210,408	\$ 220,060	\$ 226,657	\$ 233,482	\$ 1,284,190										
8	Departmental Expenses	-	55,112	28.6%	59,055	29.4%	61,585	29.3%	64,155	29.2%	66,078	29.2%	68,060	29.1%	374,046	29.1%			
9	Undistributed Operating Expenses	-	42,336	22.0%	41,336	20.6%	42,624	20.3%	43,956	20.0%	45,390	20.0%	46,865	20.1%	262,508	20.4%			
10	TOTAL EXPENSES	\$ -	\$ 97,448	50.6%	\$ 100,391	49.9%	\$ 104,209	49.5%	\$ 108,111	49.1%	\$ 111,468	49.2%	\$ 114,925	49.2%	\$ 636,554	49.6%			
12	Cash Flow Before Debt Service and Revenue Sharing	\$ -	\$ 95,120	49.4%	\$ 100,624	50.1%	\$ 106,199	50.5%	\$ 111,949	50.9%	\$ 115,189	50.8%	\$ 118,557	50.8%	\$ 647,638	50.4%			
14	Revenue Sharing (10.8% State, 4.2% Local)		\$ 25,655	15.0%	\$ 25,655	15.0%	\$ 26,834	15.0%	\$ 28,059	15.0%	\$ 28,901	15.0%	\$ 29,768	15.0%	\$ 164,873	15.0%			
16	Debt Service/Interest		\$ 18,330	9.5%	\$ 17,790	8.9%	\$ 17,250	8.2%	\$ 17,250	7.8%	\$ 17,250	7.6%	\$ 17,250	7.4%	\$ 105,120	8.2%			
18	Bond Reserve		\$ -	0.0%	\$ 1,839	0.9%	\$ 21,833	10.4%	\$ 23,594	10.7%	\$ 24,264	10.7%	\$ 24,957	10.7%	\$ 96,486	7.5%			
20	Phase II / Maintenance Capex		\$ 32,000	16.6%	\$ 3,800	1.9%	\$ 3,800	1.8%	\$ 3,800	1.7%	\$ 3,800	1.7%	\$ 3,800	1.6%	\$ 51,000	4.0%			
22	Tribal Share		\$ 19,135	9.9%	\$ 33,539	16.7%	\$ 36,483	17.3%	\$ 39,246	17.8%	\$ 40,974	18.1%	\$ 42,782	18.3%	\$ 212,159	16.5%			
23	Cumulative Tribal Revenue		\$ 19,135		\$ 52,674		\$ 89,157		\$ 128,403		\$ 169,377		\$ 212,159						
25	State Revenue Sharing		\$ 18,472	10.8%	\$ 18,472	10.8%	\$ 19,320	10.8%	\$ 20,203	10.8%	\$ 20,809	10.8%	\$ 21,433	10.8%	\$ 118,708	10.8%			
26	Kansas Income Tax		\$ 2,150		\$ 2,215		\$ 2,299		\$ 2,385		\$ 2,459		\$ 2,538		\$ 14,044				
27	Kansas Sales Tax		\$ 8,190		\$ 8,437		\$ 8,758		\$ 9,086		\$ 9,368		\$ 9,659		\$ 53,499				
28	Total State Revenue		\$ 28,812		\$ 29,124		\$ 30,378		\$ 31,674		\$ 32,636		\$ 33,627		\$ 186,251				
29	Cumulative State Revenue		\$ 28,812		\$ 57,936		\$ 88,313		\$ 119,988		\$ 152,624		\$ 186,251						
31	Local Revenue		\$ 7,183	4.2%	\$ 7,183	4.2%	\$ 7,513	4.2%	\$ 7,857	4.2%	\$ 8,092	4.2%	\$ 8,335	4.2%	\$ 46,164	4.2%			
32	Local Sales Tax		\$ 3,510		\$ 3,616		\$ 3,754		\$ 3,894		\$ 4,015		\$ 4,140		\$ 22,928				
33	Total Local Revenue/Sales Tax		\$ 10,693		\$ 10,799		\$ 11,267		\$ 11,751		\$ 12,107		\$ 12,475		\$ 69,092				
34	Cumulative Local Revenue		\$ 10,693		\$ 21,493		\$ 32,760		\$ 44,511		\$ 56,618		\$ 69,092						
36	Total State & Local Revenue		\$ 39,505		\$ 39,924		\$ 41,644		\$ 43,425		\$ 44,744		\$ 46,102		\$ 255,344				
37	Cumulative State & Local Revenue		\$ 39,505		\$ 79,429		\$ 121,073		\$ 164,498		\$ 209,242		\$ 255,344						
41	State and Local Revenue																		
42	Direct Impact		\$ 25,655		\$ 25,655		\$ 26,834		\$ 28,059		\$ 28,901		\$ 29,768		\$ 164,873				
43	Indirect Impact		\$ 13,850		\$ 14,268		\$ 14,811		\$ 15,366		\$ 15,843		\$ 16,334		\$ 90,471				
44			\$ 39,505		\$ 39,924		\$ 41,644		\$ 43,425		\$ 44,744		\$ 46,102		\$ 255,344	38.2%			
46	Tribal Revenue		\$ 19,135		\$ 33,539		\$ 36,483		\$ 39,246		\$ 40,974		\$ 42,782		\$ 212,159	31.7%			
48	Revenue Retained in Kansas		\$ 58,640		\$ 73,463		\$ 78,127		\$ 82,671		\$ 85,718		\$ 88,884		\$ 467,503				
50	Debt Service (Bond Reserve / Interest)		\$ 18,330		\$ 37,629		\$ 39,083		\$ 40,844		\$ 41,514		\$ 42,207		\$ 201,606	30.1%			

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Assumptions - Option 3

Out of State Tribe Casino

Same Scope and Operational Assumptions as Consortium Casino

8.4% Total State and Local Revenue Sharing (4.2% to State, 4.2% to Local)

30% Management Fee

100% Debt Financed (No Equity Contribution)

No Tribal Revenue

Minimal Debt Reserve

Additional Indirect Impact - 7% State Income Tax on Management Fee

Observations:

- Lower Revenue Sharing %
- Will need to raise \$58 mm more in debt than Consortium (No Equity Contribution, Fund Hotel Costs, Pre-Fund Constr. Interest)
- EBITDA calculated after management fees (\$28 mm - \$39mm)
- Weak credit ratios (Debt/EBITDA, EBITDA/Interest) will significantly increase debt costs
- Negligible net income for all years
- Little excess FCF for Tribal Revenue / Debt Reserve

Option 3: Non-Resident KC Tribal Casino

Allow some other Tribe to build a 2,500-slot casino in Kansas City.

Positives

- Attractive market opportunity (location, demographics)
- Appropriately sized casino for market opportunity (competition in MO)
- Competitive advantages over MO competition (land-based)
- Despite lower revenue sharing % than tracks, size and scale of casino will compete favorably against MO competition and generate high gaming revenue
- Hotel and other non-gaming amenities will extend patron stay
- Tribes will finance all land, construction and slot machine costs

Considerations

- Perception of giving tribes monopoly in Kansas City
- Revenue sharing % not as high as tracks
- Need BIA approval for land in trust; no precedent for Non-Resident Tribe obtaining approval for land-in-trust for gaming
- Will not generate gaming revenue until full Project is planned and implemented—longer timeline than Consortium options due to litigation concerns
- No design or construction team yet identified
- No financing plan yet determined
- No management team yet identified
- Local support not yet secured
- Land not yet secured
- Depending on Tribe residual profits may not be reinvested in Kansas
- Opposition by four Resident Tribes; litigation will result
- If ever allowed, will result in forum shopping by Non-Resident Tribes in other Kansas locations; unquantifiable impact upon state's economy.
- Economic benefits will leave the state (Non-Resident Tribes and out-of-state management)
- Management fees paid by Tribe significantly reduces revenues available for revenue sharing with the state

Revenue Model

Costs to State

Total to State

- Direct benefit
- Indirect benefit

Standaone - Out of State Tribe

A	B	C	D	E	F	G	H	I	J	K	L	M	N	O	P	Q	R
	(Dollars in Thousands)	YEAR 1		YEAR 2		YEAR 3		YEAR 4		YEAR 5		YEAR 6		YEAR 7		7 YR TOTAL	
		Casino Construction		Casino Open		Hotel Construction		Year 1 - Full Property		Year 2 - Full Property		Year 3 - Full Property		Year 4 - Full Property		Year 5 - Full Property	
4	Projected Gaming Revenue	\$ -		\$ 171,035		\$ 171,035		\$ 178,890		\$ 187,063		\$ 192,674		\$ 198,454		\$ 1,099,151	
5	Other Revenue	-		21,533		29,980		31,519		32,997		33,983		35,028		185,040	
6	TOTAL REVENUE	\$ -		\$ 192,568		\$ 201,015		\$ 210,408		\$ 220,060		\$ 226,657		\$ 233,482		\$ 1,284,190	
7																	
8	Departmental Expenses	-		55,112	28.6%	59,055	29.4%	61,585	29.3%	64,155	29.2%	66,078	29.2%	68,060	29.1%	374,046	29.1%
9	Undistributed Operating Expenses	-		42,336	22.0%	41,336	20.6%	42,624	20.3%	43,956	20.0%	45,390	20.0%	46,865	20.1%	262,508	20.4%
10	TOTAL EXPENSES	\$ -		\$ 97,448	50.6%	\$ 100,391	49.9%	\$ 104,209	49.5%	\$ 108,111	49.1%	\$ 111,468	49.2%	\$ 114,925	49.2%	\$ 636,554	49.6%
11																	
12	Cash Flow Before Debt Service and Revenue Sharing	\$ -		\$ 95,120	49.4%	\$ 100,624	50.1%	\$ 106,199	50.5%	\$ 111,949	50.9%	\$ 115,189	50.8%	\$ 118,557	50.8%	\$ 647,638	50.4%
13																	
14	Management Fee			\$ 51,311	30.0%	\$ 51,311	30.0%	\$ 53,667	30.0%	\$ 56,119	30.0%	\$ 57,802	30.0%	\$ 59,536	30.0%	\$ 329,745	30.0%
15																	
16	Revenue Sharing (4.2% State, 4.2% Local)			\$ 14,367	8.4%	\$ 14,367	8.4%	\$ 15,027	8.4%	\$ 15,713	8.4%	\$ 16,185	8.4%	\$ 16,670	8.4%	\$ 92,329	8.4%
17																	
18	Debt Service/Interest			\$ 24,943	13.0%	\$ 24,943	12.4%	\$ 24,943	11.9%	\$ 24,943	11.3%	\$ 24,943	11.0%	\$ 24,943	10.7%	\$ 149,655	11.7%
19																	
20	Bond Reserve			\$ -	0.0%	\$ -	0.0%	\$ -	0.0%	\$ -	0.0%	\$ -	0.0%	\$ -	0.0%	\$ -	0.0%
21																	
22	Phase II / Maintenance Capex			\$ 32,000	16.6%	\$ 3,800	1.9%	\$ 3,800	1.8%	\$ 3,800	1.7%	\$ 3,800	1.7%	\$ 3,800	1.6%	\$ 51,000	4.0%
23																	
24	Tribal Share			\$ -	0.0%	\$ -	0.0%	\$ -	0.0%	\$ -	0.0%	\$ -	0.0%	\$ -	0.0%	\$ -	0.0%
25	Cumulative Tribal Revenue			\$ -		\$ -		\$ -		\$ -		\$ -		\$ -		\$ -	0.0%
26																	
27	State Revenue Sharing			\$ 7,183	4.2%	\$ 7,183	4.2%	\$ 7,513	4.2%	\$ 7,857	4.2%	\$ 8,092	4.2%	\$ 8,335	4.2%	\$ 46,164	4.2%
28	Kansas Income Tax (Payroll)			\$ 2,150		\$ 2,215		\$ 2,299		\$ 2,385		\$ 2,459		\$ 2,536		\$ 14,044	
29	Kansas Income Tax (Mgmt Fees)			\$ 3,592	7.0%	\$ 3,592	7.0%	\$ 3,757	7.0%	\$ 3,928	7.0%	\$ 4,046	7.0%	\$ 4,168	7.0%	\$ 23,082	7.0%
30	Kansas Sales Tax			\$ 8,190		\$ 8,437		\$ 8,758		\$ 9,086		\$ 9,368		\$ 9,659		\$ 53,499	
31	Total State Revenue			\$ 21,115		\$ 21,427		\$ 22,327		\$ 23,256		\$ 23,966		\$ 24,697		\$ 136,790	
32	Cumulative State Revenue			\$ 21,115		\$ 42,543		\$ 64,870		\$ 88,127		\$ 112,093		\$ 136,790			
33																	
34	Local Revenue			\$ 7,183	4.2%	\$ 7,183	4.2%	\$ 7,513	4.2%	\$ 7,857	4.2%	\$ 8,092	4.2%	\$ 8,335	4.2%	\$ 46,164	4.2%
35	Local Sales Tax			\$ 3,510		\$ 3,616		\$ 3,754		\$ 3,894		\$ 4,015		\$ 4,140		\$ 22,928	
36	Total Local Revenue/Sales Tax			\$ 10,693		\$ 10,799		\$ 11,267		\$ 11,751		\$ 12,107		\$ 12,475		\$ 69,092	
37	Cumulative Local Revenue			\$ 10,693		\$ 21,493		\$ 32,760		\$ 44,511		\$ 56,618		\$ 69,092			
38																	
39	Total State & Local Revenue			\$ 31,809		\$ 32,227		\$ 33,594		\$ 35,007		\$ 36,073		\$ 37,172		\$ 205,882	
40	Cumulative State & Local Revenue			\$ 31,809		\$ 64,036		\$ 97,630		\$ 132,637		\$ 168,711		\$ 205,882			
41																	
42																	
43																	
44	State and Local Revenue																
45	Direct Impact			\$ 14,367		\$ 14,367		\$ 15,027		\$ 15,713		\$ 16,185		\$ 16,670		\$ 92,329	
46	Indirect Impact			\$ 17,442		\$ 17,860		\$ 18,568		\$ 19,294		\$ 19,889		\$ 20,501		\$ 113,553	
47				\$ 31,809		\$ 32,227		\$ 33,594		\$ 35,007		\$ 36,073		\$ 37,172		\$ 205,882	30.0%
48																	
49	Management Company			\$ 51,311		\$ 51,311		\$ 53,667		\$ 56,119		\$ 57,802		\$ 59,536		\$ 329,745	48.1%
50																	
51	Tribal Revenue			\$ -		\$ -		\$ -		\$ -		\$ -		\$ -		\$ -	0.0%
52																	
53	Revenue Retained in Kansas			\$ 31,809		\$ 32,227		\$ 33,594		\$ 35,007		\$ 36,073		\$ 37,172		\$ 205,882	
54																	
55	Debt Service (Bond Reserve / Interest)			\$ 24,943		\$ 24,943		\$ 24,943		\$ 24,943		\$ 24,943		\$ 24,943		\$ 149,655	21.8%

3-21

Assumptions - Option 4'

JV State - Developer

Same Scope and Operational Assumptions as Consortium Casino

5.0% Total State and Local Revenue Sharing (3.0% to State, 2.0% to Local)

25% Management Fee

Developer Contributes \$20 million and Debt Finances Remaining Construction Costs

State Leases VLT's instead of Purchasing

11% VLT Leasing Costs (Central System, Terminals)

Additional Direct Impact - 6% Local Hotel Tax

Additional Indirect Impact - 7% State Income Tax on Management Fee

Minimal Pre-tax Income (Minimal Federal Taxes)

Observations:

- Lower Revenue Sharing %
- Will need to raise \$15 mm more in debt than Consortium (Partially Fund Hotel Costs, Pre-Fund Constr. Interest)
- EBITDA calculated after management fees (\$25 mm - \$37mm)
- Weak credit ratios (Debt/EBITDA, EBITDA/Interest) will significantly increase debt costs
- Negligible net income for all years
- Little excess FCF for Debt Reserve

Option 4: KC Joint Venture between State-Owned and Operated Facility and Developer

Create Joint Venture between State of Kansas and developer to build a 2,500-slot Kansas City casino.

Positives

- Attractive market opportunity (location, demographics)
- Appropriately sized casino for market opportunity (competition in MO)
- Competitive advantages over MO competition (land-based)
- Size and scale of casino will compete favorably against MO competition and generate high gaming revenue
- Hotel and other non-gaming amenities will extend patron stay
- No need to wait for BIA approval for land in trust
- Developer will finance all land and casino construction costs

Considerations

- Subject to state constitutional challenge
- State will be required to own and operate the facility
- Legal challenges will have negative effect on construction costs and jeopardize access to capital, thus increasing overall costs of the project
- State must invest significant capital to purchase or lease gaming equipment
- Revenue sharing unlikely to be higher than Tribal casino where State takes no financial risk
- Revenue sharing % not as high as tracks
- Need to find qualified developer
- No design or construction team yet identified
- No financing plan yet determined (other than state financed proposals)
- No management team yet identified
- Local support not yet secured
- Land not yet secured; no site identified
- Will not generate gaming revenue until full Project is planned and implemented—longer timeline than other options
- State must employ key personnel in order to “own and operate” a casino
- Gaming management company contracted to operate casino alongside State personnel will likely require 15-30% after-tax ROI (Return On Investment), reducing the potential benefits to State
- Entity will likely be subject to Federal income taxes
- Depending on management company / developer, residual profits may not be reinvested in Kansas
- Management company / developer residual profits will be subject to Federal and State taxes, thus reducing revenues available for revenue sharing with State and Local.

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A	B	C	D	E	F	G	H	I	J	K	L	M	N	O	P	Q	R
(Dollars in Thousands)		YEAR 1		YEAR 2		YEAR 3		YEAR 4		YEAR 5		YEAR 6		YEAR 7		7 YR TOTAL	
		Casino Open		Casino Open		Casino Open		Casino Open		Casino Open		Casino Open		Casino Open		Casino Open	
		Casino Construction		Hotel Construction		Year 1 - Full Property		Year 2 - Full Property		Year 3 - Full Property		Year 4 - Full Property		Year 5 - Full Property		Year 5 - Full Property	
4	Projected Gaming Revenue	\$ -		\$ 171,035		\$ 171,035		\$ 178,890		\$ 187,063		\$ 192,674		\$ 198,454		\$ 1,099,151	
5	Other Revenue	-		21,533		29,980		31,519		32,997		33,983		35,028		185,040	
6	TOTAL REVENUE	\$ -		\$ 192,568		\$ 201,015		\$ 210,408		\$ 220,060		\$ 226,657		\$ 233,482		\$ 1,284,190	
7																	
8	Departmental Expenses	-		55,112	28.6%	59,055	29.4%	61,585	29.3%	64,155	29.2%	66,078	29.2%	68,060	29.1%	374,046	29.1%
9	Undistributed Operating Expenses	-		42,336	22.0%	41,336	20.6%	42,624	20.3%	43,956	20.0%	45,390	20.0%	46,865	20.1%	262,508	20.4%
10	TOTAL EXPENSES	\$ -		\$ 97,448	50.6%	\$ 100,391	49.9%	\$ 104,209	49.5%	\$ 108,111	49.1%	\$ 111,468	49.2%	\$ 114,925	49.2%	\$ 636,554	49.6%
11																	
12	Cash Flow Before Debt Service and Revenue Sharing	\$ -		\$ 95,120	49.4%	\$ 100,624	50.1%	\$ 106,199	50.5%	\$ 111,949	50.9%	\$ 115,189	50.8%	\$ 118,557	50.8%	\$ 647,638	50.4%
13																	
14	Management Fee			\$ 42,759	25.0%	\$ 42,759	25.0%	\$ 44,723	25.0%	\$ 46,766	25.0%	\$ 48,169	25.0%	\$ 49,614	25.0%	\$ 274,788	25.0%
15																	
16	Revenue Sharing (3.0% State, 2.0% Local)			\$ 8,552	5.0%	\$ 8,552	5.0%	\$ 8,945	5.0%	\$ 9,353	5.0%	\$ 9,634	5.0%	\$ 9,923	5.0%	\$ 54,958	5.0%
17																	
18	Debt Service/Interest			\$ 18,975	9.9%	\$ 18,975	9.4%	\$ 18,975	9.0%	\$ 18,975	8.6%	\$ 18,975	8.4%	\$ 18,975	8.1%	\$ 113,850	8.9%
19																	
20	Bond Reserve			\$ 346	0.2%	\$ 7,725	3.8%	\$ 10,079	4.8%	\$ 12,478	5.7%	\$ 13,418	5.9%	\$ 14,416	6.2%	\$ 58,461	4.6%
21																	
22	Phase II / Maintenance Capex			\$ 32,000	16.6%	\$ 3,800	1.9%	\$ 3,800	1.8%	\$ 3,800	1.7%	\$ 3,800	1.7%	\$ 3,800	1.6%	\$ 51,000	4.0%
26																	
27	State Revenue Sharing			\$ 5,131	3.0%	\$ 5,131	3.0%	\$ 5,367	3.0%	\$ 5,612	3.0%	\$ 5,780	3.0%	\$ 5,954	3.0%	\$ 32,975	3.0%
28	Kansas Income Tax (Payroll)			\$ 2,150		\$ 2,215		\$ 2,299		\$ 2,385		\$ 2,459		\$ 2,536		\$ 14,044	
29	Kansas Income Tax (Mgmt Fees)			\$ 2,993	7.0%	\$ 2,993	7.0%	\$ 3,131	7.0%	\$ 3,274	7.0%	\$ 3,372	7.0%	\$ 3,473	7.0%	\$ 19,235	7.0%
30	Kansas Sales Tax			\$ 8,190		\$ 8,437		\$ 8,758		\$ 9,086		\$ 9,368		\$ 9,659		\$ 53,499	
31	Total State Revenue			\$ 18,464		\$ 18,776		\$ 19,555		\$ 20,357		\$ 20,980		\$ 21,621		\$ 119,753	
32	Cumulative State Revenue			\$ 18,464		\$ 37,241		\$ 56,795		\$ 77,152		\$ 98,132		\$ 119,753			
33																	
34	Local Revenue			\$ 3,421	2.0%	\$ 3,421	2.0%	\$ 3,578	2.0%	\$ 3,741	2.0%	\$ 3,853	2.0%	\$ 3,969	2.0%	\$ 21,983	2.0%
35	Local Rooms Tax			\$ -		\$ 507	6.0%	\$ 540	6.0%	\$ 567	6.0%	\$ 584	6.0%	\$ 601	6.0%	\$ 2,798	6.0%
36	Local Sales Tax			\$ 3,510		\$ 3,616		\$ 3,754		\$ 3,894		\$ 4,015		\$ 4,140		\$ 22,928	
37	Total Local Revenue/Sales Tax			\$ 6,931		\$ 7,544		\$ 7,871		\$ 8,202		\$ 8,452		\$ 8,710		\$ 47,709	
38	Cumulative Local Revenue			\$ 6,931		\$ 14,474		\$ 22,345		\$ 30,547		\$ 39,000		\$ 47,709			
39																	
40	Total State & Local Revenue			\$ 25,395		\$ 26,320		\$ 27,426		\$ 28,559		\$ 29,432		\$ 30,331		\$ 167,462	
41	Cumulative State & Local Revenue			\$ 25,395		\$ 51,715		\$ 79,141		\$ 107,700		\$ 137,131		\$ 167,462			
42																	
43																	
44																	
45	State and Local Revenue																
46	Direct Impact			\$ 8,552		\$ 9,059		\$ 9,484		\$ 9,920		\$ 10,217		\$ 10,524		\$ 57,756	
47	Indirect Impact			\$ 16,843		\$ 17,261		\$ 17,941		\$ 18,639		\$ 19,214		\$ 19,807		\$ 109,706	
48				\$ 25,395		\$ 26,320		\$ 27,426		\$ 28,559		\$ 29,432		\$ 30,331		\$ 167,462	27.2%
49																	
50	Management Company			\$ 42,759		\$ 42,759		\$ 44,723		\$ 46,766		\$ 48,169		\$ 49,614		\$ 274,788	44.7%
51																	
52	Revenue Retained in Kansas			\$ 25,395		\$ 26,320		\$ 27,426		\$ 28,559		\$ 29,432		\$ 30,331		\$ 167,462	
53																	
54	Debt Service (Bond Reserve / Interest)			\$ 19,321		\$ 26,700		\$ 29,054		\$ 31,453		\$ 32,393		\$ 33,391		\$ 172,311	28.0%
55																	

Consortium Casino with 300 Slots at KC Track

A	B	C	D	E	F	G	H	I	J	K	L	M	N	O	P	Q	R
	(Dollars in Thousands)	YEAR 1		YEAR 2		YEAR 3		YEAR 4		YEAR 5		YEAR 6		YEAR 7		7 YR TOTAL	
				Casino Open													
		Casino Construction		Hotel Construction		Year 1 - Full Property		Year 2 - Full Property		Year 3 - Full Property		Year 4 - Full Property		Year 5 - Full Property			
11																	
12	Projected Gaming Revenue	\$ -		\$ 171,035		\$ 171,035		\$ 178,890		\$ 187,063		\$ 192,674		\$ 198,454		\$ 1,099,151	
13	Lost Market Share to Tracks:			(9,000)		(9,000)		(9,000)		(9,000)		(9,000)		(9,000)		(54,000)	
14	Revised Gaming Revenue			\$ 162,035		\$ 162,035		\$ 169,890		\$ 178,063		\$ 183,674		\$ 189,454		\$ 1,045,151	
15																	
16	Other Revenue	-		21,533		29,980		31,519		32,997		33,983		35,028		185,040	
17	TOTAL REVENUE	\$ -		\$ 183,568		\$ 192,015		\$ 201,409		\$ 211,060		\$ 217,657		\$ 224,482		\$ 1,230,191	
18																	
19	TOTAL EXPENSES			\$ 92,894	50.6%	\$ 95,896	49.9%	\$ 99,752	49.5%	\$ 103,689	49.1%	\$ 107,042	49.2%	\$ 110,495	49.2%	\$ 609,788	49.6%
20																	
21	Cash Flow Before Debt Service and Revenue Sharing	\$ -		\$ 90,674	49.4%	\$ 96,119	50.1%	\$ 101,657	50.5%	\$ 107,371	50.9%	\$ 110,615	50.8%	\$ 113,987	50.8%	\$ 620,423	50.4%
22																	
23	Revenue Sharing (10.8% State, 4.2% Local)			\$ 24,305	15.0%	\$ 24,305	15.0%	\$ 25,484	15.0%	\$ 26,709	15.0%	\$ 27,551	15.0%	\$ 28,418	15.0%	\$ 156,773	15.0%
24																	
25	Debt Service/Interest			\$ 18,330	10.0%	\$ 17,790	9.3%	\$ 17,250	8.6%	\$ 17,250	8.2%	\$ 17,250	7.9%	\$ 17,250	7.7%	\$ 105,120	8.5%
26																	
27	Bond Reserve			\$ -	0.0%	\$ 262	0.1%	\$ 20,237	10.0%	\$ 21,979	10.4%	\$ 22,652	10.4%	\$ 23,347	10.4%	\$ 88,476	7.2%
28																	
29	Phase II / Maintenance Capex			\$ 32,000	17.4%	\$ 3,800	2.0%	\$ 3,800	1.9%	\$ 3,800	1.8%	\$ 3,800	1.7%	\$ 3,800	1.7%	\$ 51,000	4.1%
30																	
31	Tribal Share			\$ 16,039	8.3%	\$ 31,962	15.9%	\$ 34,887	16.6%	\$ 37,632	17.1%	\$ 39,362	17.4%	\$ 41,172	17.6%	\$ 201,054	15.7%
32	Cumulative Tribal Revenue			\$ 16,039		\$ 48,001		\$ 82,888		\$ 120,519		\$ 159,881		\$ 201,054			
33																	
34	State Revenue Sharing			\$ 17,500	10.8%	\$ 17,500	10.8%	\$ 18,348	10.8%	\$ 19,231	10.8%	\$ 19,837	10.8%	\$ 20,461	10.8%	\$ 112,876	10.8%
35	Kansas Income Tax			\$ 2,050		\$ 2,116		\$ 2,201		\$ 2,288		\$ 2,362		\$ 2,438		\$ 13,453	
36	Kansas Sales Tax			\$ 7,807		\$ 8,060		\$ 8,384		\$ 8,715		\$ 8,996		\$ 9,287		\$ 51,248	
37	Total State Revenue			\$ 27,357		\$ 27,675		\$ 28,933		\$ 30,233		\$ 31,195		\$ 32,185		\$ 177,578	
38	Cumulative State Revenue			\$ 27,357		\$ 55,032		\$ 83,964		\$ 114,197		\$ 145,392		\$ 177,578			
39																	
40	Local Revenue			\$ 6,805	4.2%	\$ 6,805	4.2%	\$ 7,135	4.2%	\$ 7,479	4.2%	\$ 7,714	4.2%	\$ 7,957	4.2%	\$ 43,896	4.2%
41	Local Sales Tax			\$ 3,346		\$ 3,454		\$ 3,593		\$ 3,735		\$ 3,856		\$ 3,980		\$ 21,963	
42	Total Local Revenue/Sales Tax			\$ 10,151		\$ 10,260		\$ 10,728		\$ 11,213		\$ 11,570		\$ 11,937		\$ 65,860	
43	Cumulative Local Revenue			\$ 10,151		\$ 20,411		\$ 31,139		\$ 42,353		\$ 53,923		\$ 65,860			
44																	
45	Total State & Local Revenue			\$ 37,508		\$ 37,935		\$ 39,661		\$ 41,447		\$ 42,765		\$ 44,122		\$ 243,437	
46	Cumulative State & Local Revenue			\$ 37,508		\$ 75,443		\$ 115,104		\$ 156,550		\$ 199,315		\$ 243,437			
47																	
48																	
49																	
50	State and Local Revenue																
51	Direct Impact			\$ 24,305		\$ 24,305		\$ 25,484		\$ 26,709		\$ 27,551		\$ 28,418		\$ 156,773	
52	Indirect Impact			\$ 13,203		\$ 13,629		\$ 14,177		\$ 14,737		\$ 15,214		\$ 15,704		\$ 86,665	
53				\$ 37,508		\$ 37,935		\$ 39,661		\$ 41,447		\$ 42,765		\$ 44,122		\$ 243,437	38.2%
54																	
55	Tribal Revenue			\$ 16,039		\$ 31,962		\$ 34,887		\$ 37,632		\$ 39,362		\$ 41,172		\$ 201,054	31.5%
56																	
57	Revenue Retained in Kansas			\$ 53,547		\$ 69,896		\$ 74,548		\$ 79,078		\$ 82,127		\$ 85,295		\$ 444,491	
58																	
59	Debt Service (Bond Reserve / Interest)			\$ 18,330		\$ 18,052		\$ 37,487		\$ 39,229		\$ 39,902		\$ 40,597		\$ 193,596	30.3%
60																	

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- Scenario 1 – Slots at Tracks Only
- Scenario 2 – Consortium Casino
- Scenario 3 – Out of State Tribal Casino
- Scenario 4 – State/Developer Casino
- Combination of Slots at Tracks and Consortium Casino
- Combination plus Tribal Revenue Staying in Kansas

7 YEAR CUMULATIVE				
	Direct Benefit	Indirect Benefit	Total Benefit	Feasibility
Scenario 1	363,009	N/A	363,009	High
Scenario 2	164,873	90,471	255,344	High
Scenario 3	92,329	113,553	205,882	Low
Scenario 4	57,756	109,706	167,462	Low

Combination of 1 and 2	519,782	86,665	617,136
Tribal Revenue Staying in KS	201,054		818,190

YEAR 3			
	Direct Benefit	Indirect Benefit	Total Benefit
Scenario 1	55,848	N/A	55,848
Scenario 2	25,655	14,268	39,923
Scenario 3	14,367	18,868	32,935
Scenario 4	9,059	17,261	26,275

Combination of 1 and 2	80,153	13,629	93,782
Tribal Revenue Staying in KS	31,962		125,744

Summary

	A	B	C	D	E	F	G	H	I	J	K	L	M	N	O	P	Q	R
			YEAR 1	YEAR 2	YEAR 3	YEAR 4	YEAR 5	YEAR 6	YEAR 7	7 YR TOTAL								
80																		
81		(Dollars in Thousands)																
82																		
83		KC Consortium with Slots @ Tracks																
84																		
85																		
86																		
87		Tracks Impact - 500 Slots Each																
88		Wichita (\$245 wpu)	\$ 11,308	\$ 22,616	\$ 22,616	\$ 22,616	\$ 22,616	\$ 22,616	\$ 22,616	\$ 22,616	\$ 22,616	\$ 22,616	\$ 22,616	\$ 22,616	\$ 22,616	\$ 22,616	\$ 147,004	
89		Pittsburg (\$200 wpu)	\$ 9,231	\$ 18,462	\$ 18,462	\$ 18,462	\$ 18,462	\$ 18,462	\$ 18,462	\$ 18,462	\$ 18,462	\$ 18,462	\$ 18,462	\$ 18,462	\$ 18,462	\$ 18,462	\$ 120,003	
90		KC (\$180 wpu)	\$ 7,385	\$ 14,770	\$ 14,770	\$ 14,770	\$ 14,770	\$ 14,770	\$ 14,770	\$ 14,770	\$ 14,770	\$ 14,770	\$ 14,770	\$ 14,770	\$ 14,770	\$ 14,770	\$ 98,002	
91		Revenue Retained in Kansas	\$ 27,924	\$ 55,848	\$ 55,848	\$ 55,848	\$ 55,848	\$ 55,848	\$ 55,848	\$ 55,848	\$ 55,848	\$ 55,848	\$ 55,848	\$ 55,848	\$ 55,848	\$ 55,848	\$ 363,009	
92																		
93																		
94		State and Local Revenue - Consortium																
95		Direct Impact	\$ -	\$ 24,305	\$ 24,305	\$ 25,484	\$ 26,709	\$ 27,581	\$ 28,418	\$ 29,290	\$ 30,162	\$ 31,034	\$ 31,906	\$ 32,778	\$ 33,650	\$ 34,522	\$ 201,054	
96		Indirect Impact	\$ -	\$ 13,203	\$ 13,629	\$ 14,177	\$ 14,737	\$ 15,214	\$ 15,704	\$ 16,204	\$ 16,704	\$ 17,204	\$ 17,704	\$ 18,204	\$ 18,704	\$ 19,204	\$ 118,000	
97																		
98		Tribal Revenue	\$ -	\$ 16,039	\$ 31,962	\$ 34,887	\$ 37,632	\$ 39,362	\$ 41,172	\$ 43,000	\$ 44,828	\$ 46,656	\$ 48,484	\$ 50,312	\$ 52,140	\$ 53,968	\$ 320,000	
99																		
100		Revenue Retained in Kansas - Consortium	\$ -	\$ 53,547	\$ 69,896	\$ 74,848	\$ 79,078	\$ 82,127	\$ 85,295	\$ 88,463	\$ 91,631	\$ 94,799	\$ 97,967	\$ 101,135	\$ 104,303	\$ 107,471	\$ 644,491	
101																		
102		Revenue Retained in Kansas - Total	\$ 27,924	\$ 109,395	\$ 125,744	\$ 130,395	\$ 134,926	\$ 139,457	\$ 143,988	\$ 148,519	\$ 153,050	\$ 157,581	\$ 162,112	\$ 166,643	\$ 171,174	\$ 175,705	\$ 1,047,500	
103																		
104																		
105																		
106																		

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Maximizing Revenue Opportunity in Kansas - Considerations

One Large Scale KC Casino will be better than Multiple KC Casinos

Building one large scale Kansas City casino will generate more gaming revenue than several smaller casinos in the same market

- Ability to grow the KC market
- Greater profitability attracts flow of capital
- Contain regulatory costs
- No market dilution effect (see below)

Ability to Grow the KC Market

Scale matters in terms of attracting gaming patrons (*see Biloxi study below*)

- One large-scale, land-based, destination resort will grow the market faster than several smaller scale casinos
- Size allows diversity of gaming (variety of gaming machines, table game offerings) and non-gaming amenities
- Diversity of gaming and non-gaming amenities attract a broader demographic and extend the length of patron stays.

Greater Profitability Attracts Flow of Capital – A single property will have a lower cost structure than several smaller casinos

- Fixed overhead costs at each casino (cashiers, slot attendants, security, compliance officers, management teams, computer systems, etc.)
- Lower marketing and promotional costs; will not be competing with Kansas casinos in addition to Missouri casinos
- Greater profitability will increase investor appetite
 - Lower borrowing costs due to reduced risk of failure
 - Greater willingness to make the initial casino investment and / or further reinvestment

Regulatory costs – In addition, several smaller casinos translates into higher regulatory costs for the State (must monitor multiple locations)

Summary

	A	B	C	D	E	F	G	H	I	J	K	L	M	N	O	P	Q	R
80																		
81		(Dollars in Thousands)																
82			YEAR 1		YEAR 2		YEAR 3		YEAR 4		YEAR 5		YEAR 6		YEAR 7		7 YR TOTAL	
83		KC Consortium with Slots @ Tracks																
84																		
85																		
86																		
87		Tracks Impact - 500 Slots Each																
88		Wichita (\$245 wpu)	\$ 11,308		\$ 22,616		\$ 22,616		\$ 22,616		\$ 22,616		\$ 22,616		\$ 22,616		\$ 147,004	
89		Pittsburg (\$200 wpu)	\$ 9,231		\$ 18,462		\$ 18,462		\$ 18,462		\$ 18,462		\$ 18,462		\$ 18,462		\$ 120,003	
90		KC (\$180 wpu)	\$ 7,385		\$ 14,770		\$ 14,770		\$ 14,770		\$ 14,770		\$ 14,770		\$ 14,770		\$ 98,002	
91		Revenue Retained in Kansas	\$ 27,924		\$ 55,848		\$ 55,848		\$ 55,848		\$ 55,848		\$ 55,848		\$ 55,848		\$ 363,009	
92																		
93																		
94		State and Local Revenue - Consortium																
95		Direct Impact	\$ -		\$ 24,305		\$ 24,305		\$ 25,484		\$ 26,709		\$ 27,561		\$ 28,418		\$ 156,773	
96		Indirect Impact	\$ -		\$ 13,203		\$ 13,629		\$ 14,177		\$ 14,737		\$ 15,214		\$ 15,704		\$ 86,665	
97																		
98		Tribal Revenue	\$ -		\$ 16,039		\$ 31,962		\$ 34,887		\$ 37,632		\$ 39,362		\$ 41,172		\$ 201,054	
99																		
100		Revenue Retained in Kansas - Consortium	\$ -		\$ 53,547		\$ 69,896		\$ 74,548		\$ 79,078		\$ 82,127		\$ 85,295		\$ 444,491	
101																		
102		Revenue Retained in Kansas - Total	\$ 27,924		\$ 109,395		\$ 125,744		\$ 130,395		\$ 134,926		\$ 137,974		\$ 141,142		\$ 807,500	
103																		
104																		
105																		
106																		

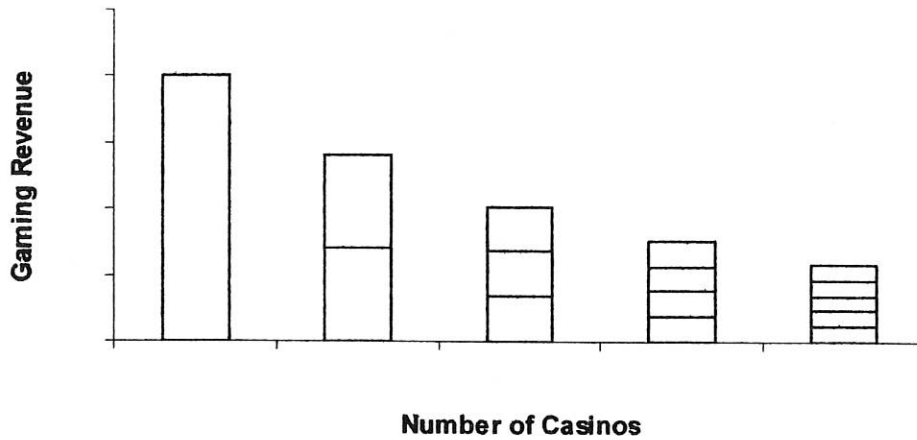
3-28

3-30

Market Dilution Effect

Given a finite gaming market, there are diminishing returns from building multiple casinos rather than building a single large-scale casino

- Assuming an efficient flow of capital, each casino will be scaled to meet return expectations
- The greater the market dilution, the smaller the size and scale of the casinos, the lower the overall gaming revenue in the market



Conclusion – Allow a Single Large-Scale Casino to be Built in KC

The State will benefit more from building a single, large-scale casino rather than multiple casinos in the Kansas City market.

Case Study: Beau Rivage, Biloxi Mississippi: Between 1994 and 1998, the Gulf Coast of Mississippi showed modest gaming growth, increasing from \$691 million to \$813 million, or approximately 4% annually. In 1999, the year that the Beau Rivage (Biloxi's large-scale "must see" casino) opened, total Gulf Coast gaming revenue increased 27% for the overall market and 35% for the Biloxi market. In 2000, gaming revenue grew 8% for the overall market and 10% for the Biloxi market. In 2001, gaming revenue leveled off, growing only 3% for both the overall market and the Biloxi market. Between 1998 and 2002, the Biloxi share of the market increased from 70% to 76% of the overall market.

	Gaming Revenue		Biloxi Market Share
	Biloxi Market	Total Gulf Coast	
1994	\$449 NA	\$691 NA	65.0%
1995	\$483 7.6%	\$694 0.4%	69.6%
1996	\$509 5.4%	\$746 7.5%	68.2%
1997	\$527 3.5%	\$761 2.0%	69.3%
1998	\$576 9.3%	\$813 6.8%	70.8%
1999	\$775 34.5%	\$1,030 26.7%	75.2%
2000	\$848 9.4%	\$1,117 8.4%	75.9%
2001	\$877 3.4%	\$1,151 3.0%	76.2%
2002	\$886 1.0%	\$1,174 2.0%	75.5%

Observations:

- Although 2 new riverboat casinos were opened in 1997, it wasn't until the Beau Rivage, a large-scale, land based casino was introduced to the Biloxi market that the market experienced significant growth
- The quality and diversity that the Beau Rivage brought to the Biloxi market was a large factor in explaining the overall growth in the market
- The Biloxi market grew faster than the rest of the Gulf Coast market after the opening of the Beau Rivage

Indian Gaming Regulatory Act

There seems to be some confusion and a diversity of opinions among various parties regarding the Indian Gaming Regulatory Act (IGRA) and whether the Kickapoo Tribe and the Sac and Fox Nation joint proposal can receive approval from the U. S. Department of Interior for the development of a casino off of their current reservations in Wyandotte County.

The Tribes concur with the analysis and opinions presented to the Committee by the Governor's Chief Counsel, Mr. Matt All, when he noted that although this kind of project does not have an exact parallel example at Interior, it clearly does not have any specific legal impediments to approval. Mr. All further stated that Interior will give deference to state and local opinions, including whether the Governor is supportive and will accept the Land-in-Trust and if the project has received the support of the local community.

The Tribes have consistently maintained that for their project to succeed, they will need the collective support of the Governor of Kansas, the Kansas Legislature, the Unified Government of Wyandotte County/Kansas City, Kansas, the Congressional Delegation, the Secretary of Interior and the other two resident tribes. The Tribes continue to work diligently to earn favorable consideration of their proposal by these entities and individuals as well as other parties of interest.

Activities To Date Include:

- The Tribes have been in discussions with Governor Sebelius (through her Chief Counsel and others) since late 2002 in regard to a compact for the Wyandotte County project and continue to meet on a regular basis with representatives of the Governor and the Attorney General in this regard.
- The Tribes have maintained a regular dialogue with House and Senate leadership and general membership of the Kansas Legislature to keep them apprised of their project and its progress.
- The Unified Government has approved a Memorandum of Agreement with the Tribes that delineates a sizeable revenue sharing agreement for the Unified Government, including verification of revenue streams, outlines the delivery of governmental services (police, fire, public safety, utilities) and generally defines the working relationship between the Unified Government and the Tribal Governments. The Unified Government has also adopted a resolution in support of the Consortium proposal.

- Tribal representatives maintain an active dialogue with members of the Kansas Congressional Delegation and their key staff members.
- The Tribes have met with key staff members of the Department of Interior, including one meeting in June that included Mr. Matt All, Chief Counsel to the Governor. As noted, Interior expressed appreciation to the Tribes for keeping Interior apprised of their progress and reiterated the position there was no legal impediment to their proposal succeeding. Tribal representatives maintain an active dialogue with key interior staff.
- The Tribes have held periodic and regular meetings with the other two resident tribes to keep them apprised of their progress for their Wyandotte County project (Iowa Tribe and Prairie Band Potawatomi Nation).

State Revenues from the Tribal Casinos.

It is a disservice to the tribes to criticize them for failing to share revenues with the state from existing casinos. When compacts for the four resident tribes were negotiated in the early 1990's, the issue of revenue sharing was a subject of negotiation, but ultimately rejected by the State due to opposition to inclusion of market protections for those facilities. The Tribes were willing to negotiate a revenue contribution to the State. Absent market protection, it is highly unlikely Interior would have approved revenue sharing agreements between the tribes and the State for casinos located on recognized reservations and tribal lands. However, it is quite obviously another matter when the tribes are seeking to develop a casino off-reservation, as in this instance.

First of all, there is consideration by the State for allowing the Tribes to develop a casino off-reservation. The Governor has discretion to take land-in-trust as does the Secretary of the Interior. Wyandotte County also has a relevant opinion in the eyes of Interior. As a result, the State and Wyandotte County have standing to require a significant revenue sharing agreement with the Tribes for this project. Local revenue sharing is specifically recognized in IGRA.

Several committee members have expressed skepticism whether tribal revenue sharing will meet or even come close to non-tribal gaming proposals. We believe it will and those revenue proposals will be a matter of negotiation and public information during the compact consideration process. As we have discussed, such issues are a matter of negotiation. However, here are several points that may help clarify the potential amount of revenues available for distribution to the State:

- The Tribes have negotiated a Memorandum of Agreement with the Unified Government that sets initial revenue payments to the local government at 4.2 percent of Adjusted Gross Gaming Revenues, increasing up to 6.5 percent after the gaming casino indebtedness has been eliminated or 7 years from the date of opening, whichever occurs first (Memorandum of Agreement, Section 5 {Contribution to Unified Government}, Subsection (a)).
- "Adjusted Gross Gaming Revenues" are defined to be the gross gaming receipts less deductions for prizes or payouts and less payments to Federal, State and Tribal Regulatory Agencies (i.e. enforcement costs).
- The Consortium estimates annual payment under this agreement to the Unified -Government to be \$6+ million in the first year of operation and increase to \$11+ million annually when the accelerator clause is triggered.
- State revenues will likely be significantly more than the local contribution, given revenue sharing agreements approved in other states.

\$54M-annual

Included with this section is information obtained from the National Indian Gaming Association (NIGA) that outlines gaming revenue sharing agreements between states and Native American Tribes. As discussed by the Tribes, the revenue sharing agreement is subject to negotiation between the State and the Tribes, but we fully expect any agreement to be near the higher end of agreements reached in other states.

A number of other jurisdictions have no revenue sharing agreements between states and Native American Tribes, including Colorado, Idaho, Iowa, Kansas, Minnesota, Montana and Nebraska. However, most of these states have agreements with the Native American Tribes for the reimbursement of the cost of regulation and state oversight (including Kansas).

Finally, it should be noted the compact will carefully outline the regulatory framework that will be implemented by the State of Kansas, Wyandotte County and the Tribes that will insure the integrity of the game and the entire development. The State will have full and unfettered access to all aspects of the casino to insure the State and Wyandotte County are receiving appropriate revenues from the tribal casino.

As a side note, some members of the Committee have expressed concerns that the Tribes hide revenues from the State of Kansas and the public. It should be noted, the State of Kansas, through the Kansas State Gaming Agency, knows exactly how much is wagered at the four resident tribal casinos. The State receives complete outside annual audits. Such information is proprietary and not subject to the Kansas Open Records Act, but certainly the State of Kansas is able to adequately investigate the financial practices and revenues of the existing casinos.

IMPORTANT DISTINCTION BETWEEN TRIBAL AND NON-TRIBAL REVENUE SHARING PROPOSALS

The Consortium proposal is based upon a percentage of "Adjusted Gross Gaming Revenues", which as described earlier in this section is a percentage of receipts from all gaming at the facility remaining after prizes are paid out and costs of regulation are subtracted. All other free-standing casino proposals have suggested a revenue sharing scheme that would divide revenues with the state ***AFTER ALL EXPENSES OF OPERATION ARE DEDUCTED!***

It is noteworthy that the Tribes have provided the Committee with copies of all pertinent documents, including a complete copy of its market analysis and feasibility study prepared by GVA Marquette Advisors, Inc. In addition, the Consortium obtained additional market analysis following the meeting in Kansas City and has provided that information to the Committee.

The Consortium has made no claim of proprietary information regarding these materials. The Tribes stand behind their credentialed professionals and will readily make these individuals available to the Committee in a public forum to discuss their findings and recommendations.

At each and every step of this process, dating back to 2002 and before, the Tribes have endeavored to conduct themselves in a professional and straightforward manner regarding their interests in the Kansas City, Kansas gaming market as evidenced by the quality of their proposal and project members. The Consortium has enlisted the assistance of leading professionals from the beginning of its project and their work product is above and beyond anything all other gaming proponents have put forth.

The Consortium is setting the standard for professional work product that should be demanded by the State of Kansas of all proponents of expanded gaming.

Why does the Tribal Proposal Make the Best Sense for Expanded Gaming in Kansas?

- The Kickapoo Tribe and the Sac and Fox Nation have successfully constructed, owned and operated their own casinos in Kansas since the mid-1990's.
- Revenues from a Tribal Casino will inure to the benefit of its Kansas employees and vendors, the State of Kansas, Wyandotte County and Kansas Tribes. Profits and revenues will not leave the state for use in developments elsewhere, whether that is to Las Vegas, the Bahamas, Arizona or any other locale beyond our state borders. Revenues staying in Kansas will be reinvested in Kansas.
- The Kansas Constitution requires any non-tribal gaming to be State Owned and Operated. Are Kansans truly ready to become the first state in the country to own its own casino?
- Are Kansans ready to assume the risk of head-to-head competition with Missouri gaming interests who will not remain static when faced with competition from Kansas? Kansas will incur significant financial risk if it is compliant with State Owned and Operated language contained in our Constitution.

Annualized Revenue Sharing

Prepared by Shawn Johns, Director of Research National Indian Gaming Association

Indian Gaming Revenue Sharing States

STATE	REVENUE SHARING
Arizona	1% of the first \$25 million dollars 3% of the next \$50 million dollars 6% of the next \$25 million dollars 8% of Class III Net Win in excess of \$100 million dollars plus costs of state oversight
California	0 to 13%
Connecticut	25% or \$80,000,000/year includes state oversight
Louisiana	6% to Local Parish plus costs of state oversight
Michigan	2% plus cost of state oversight
Mississippi	\$250,000 per casino plus cost of state oversight
New Mexico	3% of first \$4 million and 8% thereafter
New York	10 to 25% of net win plus costs of state oversight
Oregon	3 to 6% of net win to local communities plus costs of state oversight
Rhode Island	16.5% of gross gaming revenue
Washington	1.5% plus costs of state oversight
Wisconsin	\$8,000,000 plus costs of state oversight

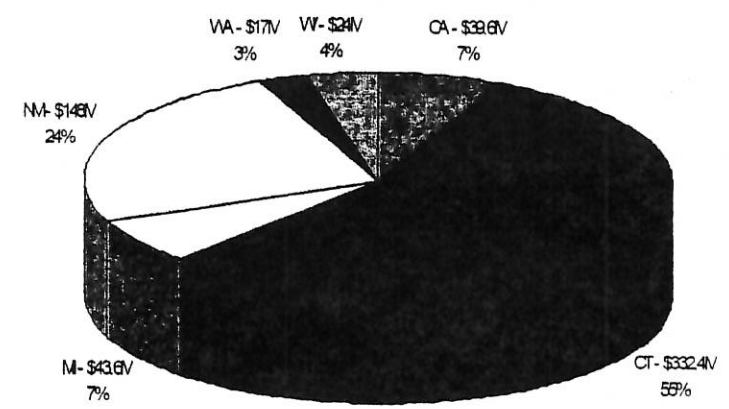
Annualized Revenue Sharing & State Oversight

- **California** - 0% of average gaming device net win if tribe has less than 200 devices in operation, up to 13% of average net win from gaming devices in excess of 1,000 a tribe has in operation. Costs of state oversight paid from revenue sharing.
- **Connecticut** - Tribes pay 25% of their net revenues on slot machines or \$80M per year.
- **Michigan** - Was 8% of net win to state w/exclusivity and an additional 2% of next win to local governments. After casinos were allowed in Detroit, reduced to 2% for local impacts and cost of state oversight.
- **New Mexico** - If tribe has less than \$12M in net win, revenue sharing is 3% of first \$4M and 8% thereafter. If tribe has over \$12M in net win, revenue sharing is 8%. Additional revenue to state of \$100k increasing by 3% annually for cost of state oversight.
- **Washington** - 1.5% plus costs of state oversight.
- **Wisconsin** - Up to \$8M by 2004, plus funds to local governments for impacts and costs of state oversight.

State	State Oversight	Annualized Revenue Sharing	
CA	0	39,612,434	CA Gambling Control Commission (Fund condition statement as of 03/31/01)
CT	8,146,355	332,418,314	State of CT Division of Special Revenue
IA	63,000	0	Iowa Department of Inspections & Appeals
KS	1,089,012	0	Kansas State Gaming Agency
LA	2,064,724		Office of State Police Indian Casino Gaming Unit
MI	400,000	43,571,348	Michigan Gaming Control Board
MN	271,000	0	State of Minnesota Gambling Control Board
NM	1,000,000	148,000,000	State of New Mexico Gaming Control Board
OR	6,000,000	0	
SD	5200	0	South Dakota Gaming Commission
WA	2,242,950	17,000,000	Washington State Gambling Commission
WI	350,000	24,040,412	Wisconsin Department of Administration Division of Gaming
	21,632,241	604,642,508	

Total Tribal Revenue Sharing by State

- For fiscal year 2001, Tribes from California, Connecticut, Michigan, New Mexico, Washington and Wisconsin paid these states a total of \$604.6M in revenue sharing.
- The Mashentucket Pequot Tribe and Mohegan Tribe of Connecticut accounted for \$332.4M or 55% of the total for 2001. Both Tribes have agreed to pay 25% of their net win from slots.



U. S. Department of the Interior Consideration; Letters of Importance.

During the 2003 legislative session and during meetings of the Governor's Committee on Gaming, opponents and skeptics of the Consortium's project have cited the Seneca Letter and more recently the Speaker Hastert Letter as reasons the Tribal proposal will never succeed with Interior. Included within this section you will find copies of both of those letters and letters of response written by Mr. Paul Alexander, General Counsel to the Sac and Fox Nation.

Mr. Alexander is a principal in the law firm of Alexander, Berkey, Williams and Weathers, LLP, which specializes in Indian interests. Mr. Alexander has over 30 years of experience in tribal law including service as staff director for the U.S. Senate Committee on Indian Affairs and was an integral participant in the drafting of the Indian Gaming Regulatory Act (IGRA). He is nationally recognized as an expert on Indian law and IGRA matters. The firm has offices in Washington, D.C. and Berkeley, California.

Seneca Letter.

The Seneca Letter is correspondence from U.S. Secretary of the Interior Gale Norton to New York Governor George Pataki expressing concerns over lack of involvement by Interior in the review process for tribal gaming compacts in New York. Specifically she requests that Interior be kept informed of negotiations between states and tribes so as to better maintain the consistency of IGRA. What is generally forgotten or left unsaid regarding this letter is the fact that Secretary Norton allowed these compacts to be approved, albeit absent her signature.

The Secretary's clearly-stated position on such proposals has led the Consortium to keep Interior informed of its proposal. When questions were raised in the 2003 Legislature and from the Office of the Governor, Mr. Alexander drafted a memorandum for Mr. Matt All on regarding this letter and the issues it raised (Dated 11/07/03).

Speaker Hastert Letter.

The Hastert letter was signed by the U. S. House of Representatives Speaker of the House and three other members of Congress urging the Secretary of the Interior to carefully consider any off-reservation expansion of tribal gaming on post-IGRA lands (after-acquired lands). The letter was specifically written to address a situation in Louisiana where a tribe had recently been granted restored tribal status and was seeking to site a casino in that state over the objections of state and local officials. Mr. Alexander's letter (Dated 11/14/03) is illustrative of the process involved and differentiates between those kinds of actions contrasted with the proposal by the Kickapoo Tribe and the Sac and Fox Nation.

In summary, each application for an off-reservation Land-in-Trust application for gaming purposes is considered by Interior on a case-by-case basis. The Tribes are encouraged that their proposal will be approved by Interior with the support of the State of Kansas, Wyandotte County, the Congressional Delegation and the two remaining resident tribes. The success of their efforts to date leads them to believe this consensus can be achieved and approval ultimately granted by Interior.



THE SECRETARY OF THE INTERIOR
WASHINGTON

NOV 12 2002

The Honorable George E. Pataki
Governor of New York
Albany, New York 12224

Dear Governor Pataki:

We have completed our review of the Tribal-State Gaming Compact (Compact) for the conduct of Class III gaming activities between the Seneca Nation of Indians (Nation) and the State of New York (State), executed on August 18, 2002, and received by the Department on September 10, 2002. Generally, the Compact authorizes the Tribe to conduct Class III gaming at three sites: an identified area within the City of Niagara Falls, or an alternative site within the County of Niagara; an unidentified area within the County of Erie or the City of Buffalo; and an on-reservation site. The Compact requires that the Tribe pay the State a percentage of the Tribe's gaming revenue in exchange for several benefits including an exclusive 10,500 square-mile area in Western New York and start-up benefits, provided by the State. The Tribe agrees to purchase the gaming sites with funds from the Seneca Nation Settlement Act of 1990, 25 U.S.C. § 1774 (Settlement Act) reserving five million dollars for housing adjacent to the gaming sites.

Under the Indian Gaming Regulatory Act (IGRA), 25 U.S.C. § 2710(d)(8)(C), the Secretary may approve or disapprove the Compact within forty-five days of its submission. If the Secretary does not approve or disapprove the Compact within forty-five days, IGRA states that the Compact is considered to have been approved by the Secretary, "but only to the extent the compact is consistent with the provisions of [IGRA]." Under IGRA the Department must determine whether the Compact violates IGRA, any other provision of Federal law that does not relate to jurisdiction over gaming on Indian lands, or the trust obligations of the United States to Indians.

As part of the Department's review of the Compact, on September 30, 2002, we sent a letter to the parties seeking clarification of various provisions of the Compact. The responses we received from the State and the Nation have resolved most of our questions, as well as resolving some additional issues raised by non-compacting parties. We have also held several meetings and conference calls with the parties to discuss the Compact and our concerns.

I have decided to allow this Compact to take effect without Secretarial action. I use this approach reluctantly. In enacting IGRA, Congress provided limited reasons for Secretarial approval or disapproval. However, because I want to express my views on important policy

concerns regarding the Compact, concerns that fall outside of the limited reasons in IGRA for Secretarial disapproval, I must avail myself of the opportunity to do so. I believe the State and Nation negotiated in good faith, however, I could not affirmatively approve the Compact, because of the effect it is likely to have on future compacts.¹

General Observations

Since taking office, I have had the opportunity to review and decide a number of Indian gaming-related matters. I do not have the luxury of reviewing any compact without considering the trends that will emerge with each successive compact. As I have reviewed this and previous compacts, my concerns regarding IGRA and the interplay with other aspects of Indian policy have become sufficient to warrant this explanation.

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

Even with this concern in mind, I have concluded that this Compact appropriately permits gaming on the subject lands because Congress has expressly provided for the Nation to acquire certain lands pursuant to the Settlement Act. I am nevertheless concerned that elements of this Compact may be used by future parties to proliferate off-reservation gaming development on lands not identified as part of a Congressional settlement but instead on lands selected solely based on economic potential, wholly devoid of any other legitimate connection. Thus, to the extent that other states and tribes model future compacts after this one, and seek to have the United States take land into trust for these gaming ventures, they should understand that my

¹ It seems to me that the Department and compacting parties could work more closely on an informal basis to improve the compact development and review process. While I do not want to intrude into the parties' arms-length negotiations, I am concerned that the Department receives a compact that is a fait accompli without much opportunity for the Department to express its policy views, except as part of the 45-day review process. Thus, as the process currently works, compacting parties have only the guidance of previous compacts as a starting point for the parameters of their negotiations. I believe that the process would be enhanced if both parties availed themselves of the Department's informal guidance prior to the delivery of their finalized compact to my desk for review. At times, parties have been able to make changes during the 45-day review process, however, the parties here informed the Department that it would be impossible to make changes to this Compact within the review period. Departmental input, prior to the compact being submitted, might have been extremely helpful here

views regarding land acquired through a Congressional settlement are somewhat different from my views when a tribe is seeking a discretionary off-reservation trust acquisition or a two-part determination under IGRA. While I do not intend to signal an absolute bar on off-reservation gaming, I am extremely concerned that the principles underlying the enactment of IGRA are being stretched in ways Congress never imagined when enacting IGRA.

Revenue Sharing and Geographic Exclusivity

Section 12(a) of the Compact grants the Nation the exclusive right to operate specifically defined gaming devices within a 10,500 square-mile, geographic area in Western New York.² In exchange for this geographic exclusivity right, Section 12 requires the Nation to make graduated revenue-sharing payments to the State (from 18% to 25% of net drop, less a local share) over the course of the 14-year duration of the Compact. If the State violates the exclusivity provision in Section 12(a)(1), the payment to the State ceases as to the particular category of gaming device for which exclusivity no longer exists. If the State violates the exclusivity provision in Section 12(a)(2), the payment to the State ceases altogether.³

The Department has sharply limited the circumstances under which Indian tribes can make direct payments to a state for purposes other than defraying the costs of regulating Class III gaming activities. To date, the Department has approved payments to a state only when the state has agreed to provide the tribe with substantial exclusivity for Indian gaming, *i.e.*, where a compact provides a tribe with substantial economic benefits in the form of a right to conduct Class III gaming activities that are on more favorable terms than any rights of non-Indians to conduct similar gaming activities in the state. The payment to the state must be appropriate in light of the exclusivity right conferred on the tribe.

The Nation and the State have advanced arguments that the geographic exclusivity defined in Section 12(a)(1) of the Compact is substantial and meaningful, pointing out that this zone of exclusivity is a 10,500 square-mile area in Western New York that, based on professional analysis of the market from which the Nation's gaming facility would draw, includes primary (up to 50 miles), secondary (51-99 miles), and tertiary (100-150 miles) customer markets for any

^{2/} Section 12(a)(1) of the Compact provides the following description of the geographic area: "(i) to the east, State Route 14 from Sodus Point to the Pennsylvania border with New York; (ii) to the north, the border between New York and Canada; (iii) to the south, the Pennsylvania border with New York; (iv) to the west, the border between Pennsylvania and New York."

^{3/} The Department asked if the Nation's exclusive right to operate slot machines within the zone of exclusivity was lost and the Nation therefore ceased making revenue payments, whether it would violate the provision of New York law permitting the possession of slot machines only pursuant to a gaming compact where the State receives a negotiated percentage of the net drop. The State has argued that by negotiating this Compact with the Nation that includes the receipt of a negotiated percentage of the net drop, it has met its obligation under the law, even if revenue payments decline to zero. We concur with the State's interpretation of the meaning of its law and conclude that the State has met its legal obligation.

established Buffalo and Niagara Falls gaming facility. According to the economic analysis provided by the Nation, the total revenues currently anticipated from the gaming operations over the term of the Compact, exceed five billion dollars, of which the State would receive less than one billion dollars, and a portion of those State funds would go to local governments. The Nation estimates its anticipated return after all expenses to significantly exceed two billion dollars over the fourteen-year term of the Compact

The Nation argues that exclusivity in a gaming market of this size is extremely valuable and justifies on its own the average seventeen percent revenue share that the State will receive under the Compact after the local payment. However, the Nation and the State argue that the State is also providing the Nation with other substantial benefits in exchange for the revenue share. Section 11 of the Compact commits the State to transfer the Niagara Falls Convention Center for the sum of one dollar, which will enable the Nation to realize substantial savings, approximately forty million dollars, on otherwise significant development and start-up costs. Other forms of State assistance that the Nation bargained for and obtained are the State's agreement to use its sovereign power of eminent domain to acquire other parcels of land required for the project. Finally, Section 11 of the Compact secures for the Nation the opportunity to operate two off-reservation gaming facilities within the populous and well-visited geographic markets of Buffalo and Niagara Falls.

While I believe that the Nation is receiving a substantial economic benefit that justifies the revenue sharing, I am very troubled that the parties have chosen to exclude other tribes within the area of geographic exclusivity. The Compact creates two areas of exclusivity - one the entire Western portion of New York and another a twenty-five-mile radius of any gaming facility authorized under this Compact. Those provisions support my conclusion that the revenue sharing is justified. However, the drafters of this Compact have excluded Indian gaming from most of the area of exclusivity. The choice to specifically deny other tribes gaming opportunities is the primary reason I have chosen not to affirmatively approve this Compact.

It is worth noting, however, that the Compact does create an exception for two non-compacting tribes, the Tuscarora Indian Nation and the Tonawanda Band of Seneca Indians, in both of these areas of exclusivity. Without violating the terms of the Compact, the State may negotiate with these Tribes to establish a gaming facility either on federally-recognized Indian lands existing on the effective date of this Compact or outside of the twenty-five-mile radius within Western New York.

The Tonawanda Band and the Tuscarora Nation have notified us that they strongly object to approval of the Compact because, in their view, it violates the trust obligation of the United States to the two Nations by including provisions that explicitly restrict the economic opportunities that would otherwise be available to them under federal law, without their consent. There is no question that in approving the Compact, the Department would essentially ratify an agreement that has the effect of restricting the economic opportunities of the Tonawanda Band and the Tuscarora Nation because the State has a strong incentive not to permit these two Nations

to conduct gaming off-reservation within the twenty-five mile (exclusivity) radius, to avoid losing revenue-sharing payments to which it is otherwise entitled from the Nation.

I have reviewed whether this provision violates our trust obligation to Indians, and I conclude that it does not. Under the terms of the Compact, the State does not violate the exclusivity provision of the Compact if the Tonawanda Band and the Tuscarora Nation game on existing federally-recognized Indian lands. Thus, there is no disincentive to the State to negotiate for on-reservation gaming activities. The remaining question is, therefore, whether any tribe enjoys a legal right to off-reservation gaming under IGRA. I believe that Congress in enacting IGRA, struck a delicate balance between State and tribal interests that did not create an absolute right to off-reservation gaming.

Even though this provision does not violate my trust obligation to Indians, I am still troubled that parties in future compacts may pit tribe against tribe. While I believe that it was unintentional here, especially because both the Tonawanda Band and the Tuscarora Nation are regarded as traditionally opposed to gaming, I do not welcome the prospect of future compacts pitting tribes against one another. While I understand that the State is required to negotiate in good-faith with all Indian tribes and it has assured us that it understands its obligation under law, I still find a provision excluding other Indian gaming anathema to basic notions of fairness in competition and, if pushed to its extreme by future compacts, inconsistent with the goals of IGRA.⁴

To summarize, this Compact provides for substantial geographic exclusivity coupled with other valuable consideration. It is for this reason that I believe this revenue-sharing arrangement is consistent with IGRA.

Lands Acquired through the Seneca Nation Settlement Act

Subsections 11(b)(4) and (c) of the Compact provide for the use of settlement funds derived from the Seneca Nation Settlement Act of 1990, 25 U.S.C. § 1774 (Settlement Act) to "acquire the parcels in the City of Niagara Falls and the City of Buffalo" for the purpose of gaming. Under the terms of the Settlement Act, the Nation may use settlement funds to acquire "land within the aboriginal area in State or situated within or near proximity to former reservations lands." The Settlement Act also provides that unless the Secretary determines that lands acquired pursuant to the Act should not be subject to 25 U.S.C. § 177, such lands shall be held in "restricted fee" as opposed to being held in trust by the United States.

In reviewing whether the proposed gaming parcels meet the Settlement Act's requirement that the lands are "situated within or near proximity to former reservations lands," the Nation has

^{4/} Moreover, notwithstanding this or any other provision of this Compact, the Department will continue to entertain any Section 20 two-part determination applications submitted by an Indian tribe within the State of New York pursuant to IGRA.

provided sufficient documentation demonstrating that the exterior boundaries of the Nation's former Buffalo Creek Reservation overlap a portion of the present day boundary of the City of Buffalo and is within fourteen miles of the City of Niagara Falls exterior boundary. Moreover, the exterior boundary of the Nation's former Tonawanda Reservation is within fourteen miles of the City of Buffalo and within twenty-two miles of the City of Niagara Falls. While the Settlement Act does not define "within or near proximity" and there is no legislative history for guidance, it is our opinion that the two cities of Niagara Falls and Buffalo are "situated within or near proximity to" the Nation's former Buffalo Creek and Tonawanda reservations for purposes of the Settlement Act.

I want to emphasize, however, that the analysis regarding off-reservation land as part of a Congressionally-approved settlement greatly differs from the analysis the Department engages in when the issue is simply a trust acquisition for off-reservation gaming. Here, Congress tied the acquisition of lands through the Settlement Act to lands in "near proximity" to the Nation's former reservation. This decision rests squarely on a Congressionally-approved settlement of a land claim. Consequently, my analysis of "within or near proximity" should be understood as limited to the interpretation of the Settlement Act alone.

Indian Lands under IGRA

IGRA permits a tribe to conduct gaming activities on Indian lands if the tribe has jurisdiction over those lands, and only if the tribe uses that jurisdiction to exercise governmental power over the lands. There is no question that the Settlement Act requires the parcels to be placed in "restricted fee" status. As such, these parcels will come within the definition of "Indian lands" in IGRA if the Nation exercises governmental power over them. The Department assumes that the Nation will exercise governmental powers over these lands when they are acquired in restricted fee. It is our opinion that the Nation will have jurisdiction over these parcels because they meet the definition of "Indian country" under 18 U.S.C. § 1151. Historically, Indian country is land that, generally speaking, is subject to the primary jurisdiction of the Federal Government and the tribe inhabiting it. As interpreted by the courts, Indian country includes lands which have been set aside by the Federal Government for the use of Indians and subject to federal superintendence. In this regard, it is clear that lands placed in restricted status under the Settlement Act are set aside for the use of the Nation, and that such restricted status contemplated federal superintendence over these lands. Finally, the Settlement Act authorizes lands held in restricted status to expand the Nations' reservation boundaries, or become part of the Nation's reservation. Accordingly, we believe that the Settlement Act contemplates that lands placed in restricted status be held in the same legal manner as existing Nation's lands are held and thus, subject to the Nation's jurisdiction.

Application of Section 20 of IGRA

Section 20 of IGRA, 25 U.S.C. § 2719 contains a general prohibition on gaming on lands acquired in trust by the Secretary for the benefit of an Indian tribe after October 17, 1988, unless

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one of several statutory exceptions is applicable to the land. Under the Compact, the Nation plans to use the provisions of the Settlement Act to acquire the land in restricted fee, rather than in trust. The Department has examined whether Section 20 of IGRA applies to the Compact. We have reviewed whether Congress intended, by using the words "in trust" in Section 20 of IGRA, to completely prohibit gaming on lands acquired in restricted fee status by an Indian tribe after October 17, 1988. I cannot conclude that Congress intended to limit the restriction to gaming on after-acquired land to only *per se* trust acquisitions. The Settlement Act clearly contemplates the acquisition of Indian lands which would otherwise constitute after-acquired lands. To conclude otherwise would arguably create unintended exceptions to the Section 20 prohibitions and undermine the regulatory regime prescribed by IGRA. I believe that lands held in restricted fee status pursuant to an Act of Congress such as is presented within this Compact must be subject to the requirements of Section 20 of IGRA.

The legislative history to the Settlement Act makes clear that one of its purposes was to settle some of the Nation's land claim issues. Thus, the Nation's parcels to be acquired pursuant to the Compact and the Settlement Act will be exempt from the prohibition on gaming contained in Section 20 because they are lands acquired as part of the settlement of a land claim, and thus fall within the exception in 25 U.S.C. § 2719(b)(1)(B)(i).

Use of Remaining Settlement Act Funds for Housing

Section 11(c) of the Compact provides for the "acquisition of parcels to meet the housing needs of the Nation's members." IGRA provides that a gaming compact will govern gaming activities on Indian lands of the Indian tribe and "may include provisions relating to . . . any other subjects that are directly related to the operation of gaming activities." It has been the policy of the Department that a Class III gaming compact can only include provisions that are "directly related" to the operation of gaming activities, and cannot include provisions that are not germane to gaming activities. The Department has taken this position because it represents a common sense approach to the interpretation of IGRA.

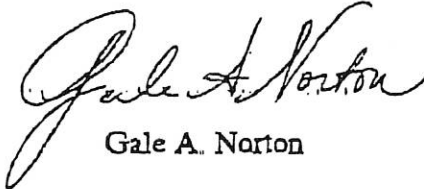
In response to our inquiry, the Nation has advised us that land acquired for housing under Section 11(c) of the Compact is directly related to the operation of gaming activities because the primary purpose in acquiring such parcels is to provide housing for tribal members next to the Nation's gaming facilities. However, because Section 11(c) of the Compact does not require any relation to the gaming activities, we believe that the Nation's argument that this provision is directly related to gaming is tenuous and strains the directly related criterion required by IGRA.

Conclusion

In conclusion, while I believe that the Nation and the State worked hard to negotiate a Compact that met the parties' immediate needs, I believe the policy considerations outlined above counsel against an affirmative approval. Since I did not approve or disapprove the Compact within 45 days, the Compact is considered to have been approved, "but only to the

extent the compact is consistent with the provisions of [IGRA].” The Compact takes effect when notice is published in the *Federal Register* pursuant to Section 11(d)(3)(B) of IGRA, 25 U.S.C. § 22710(d)(3)(B).

Sincerely,


Gale A. Norton

Identical letter sent to:
The Honorable Cyrus Schindler
Seneca Nation

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PAUL ALEXANDER (D.C.)

MEMORANDUM

To: Matt All
Chief Counsel to Governor Sebelius

Re: Kansas City/Wyandotte County Kansas Destination Resort and Gaming Casino
of the Sac and Fox Nation and Kickapoo Tribe

From: Paul Alexander
General Counsel to the Sac and Fox Nation

Date: March 7, 2003

This memorandum is to confirm our several conversations concerning the potential for approval of a combined application under the Indian Gaming Regulatory Act (IGRA), as amended, 25 U.S.C. section 2701 et seq. of a State-Tribal Class III Gaming Compact and an off-reservation land-in-trust application for purposes of gaming for the Tribal casino site in Wyandotte County. You and others have indicated that it has been asserted that the above referenced joint tribal project cannot be approved and that the State would just be wasting its time and resources to pursue the joint tribal project. These assertions are false; there is no legal impediment to project approval. Each trust application and attendant Compact is evaluated on its individual merits pursuant to the standards contained in IGRA by the Secretary of the Interior. The Secretary will use her discretion under the IGRA in a reasonable manner to achieve the purposes of the Act and her action is subject to review by the federal courts.

It has also been asserted that the November 12, 2002 letter from Interior Secretary Norton to New York Governor Pataki (Norton letter) declining to approve, but allowing New York State's Class III Gaming Compact with the Seneca Nation to take effect, expresses Secretary Norton's iron clad opposition to off reservation proposals. This asserted reading of the Norton letter is both superficial and inaccurate. First off, as you are aware, IGRA provides the Secretary with 45 days from submission of the State-Tribal Compact to approve or disapprove the Compact; if the Secretary does not specifically disapprove the submitted Compact within the 45 days, the compact is by statutory designation deemed approved (to the extent consistent with IGRA) and the Secretary has a mandatory obligation to publish notice of either approval of the Compact in the Federal

Register (25 USC section 2710(d)(3)(b)). It is the notice in the Federal register that makes a Compact legally effective. This is what happened with the Seneca Compact.

Secretary Norton explains that her reluctance to approve the New York State-Seneca Nation Compact affirmatively was based on the fact that the "exclusivity" clause in that Compact excluded other New York State resident Tribes from gaming within the Compact's area of geographic exclusivity. "The choice to specifically deny other tribes gaming opportunities is the primary reason I have chosen not to affirmatively approve this Compact (Norton letter, at page 4).

The Norton letter also contains discussions pertaining to off-reservation gaming, revenue sharing and geographic exclusivity, the Seneca Nation Settlement Act, Indian Lands, Section 20 of IGRA, and the acquisition of lands for housing under the Compact. Several of these discussions provide some guidance with respect to the joint Tribal project.

Perhaps, the most quoted and misunderstood portion of the Norton letter is the statement in the General Observations section of the letter relating to off-Reservation land in trust applications. The Secretary in distinguishing between the selection of lands in a congressionally mandated land settlement¹ and other off-reservation trust applications stated: "While I do not intend to signal an absolute bar to off-reservation gaming, I am extremely concerned that the principles underlying the enactment of IGRA are being stretched in ways that Congress never imagined when enacting IGRA." (Norton letter, at page 3). I would agree that Congress did not contemplate extensive off-Reservation land acquisitions for the purposes of gaming after the passage of IGRA. In fact, Congress, as the Secretary indicates, makes after acquired off-reservation "Indian lands" an exception rather than the rule in IGRA. Congress knew exactly what it was doing in this regard and attention to legislative history, as the Secretary also recommends, is instructive. IGRA took several congresses and many legislative changes before its eventual passage in 1988. As reflected in a thorough reading of the Act, IGRA had four fundamental goals: the primary goal was to preserve Indian gaming for the economic benefit of Indian tribes²; to protect Indian tribes from unscrupulous developers and managers, to provide for State participation and agreement for Class III Tribal casinos; and to insure a regulatory system to protect the public and the Tribes.

¹ The Seneca Nation's Land Settlement is an outgrowth of litigation under the Trade and NonIntercourse Act of 1790 against New York State for taking the Seneca's land, and the United States for failing to supervise the land transaction under the Trade and NonIntercourse Act as it was required to do. (After the adoption of the Constitution only the United States, not States nor individuals, could legally negotiate and contract (treaty) with Tribes for land acquisitions) The Seneca Nations claim is different from that asserted by the Wyandotte Nation of Oklahoma against landowners in Kansas City Kansas; the Wyandotte claim should have been brought against the United States (who is alleged to have taken the Wyandotte land by treaty). Limited jurisdiction for Tribes to sue the United States for old land claims was granted to the Indian Claims Commission and then the federal Claims Court; however a statute of limitations was provided for claims and it has now run and the Wyandotte claim is now barred; see, Navajo Nation v. New Mexico, 809 F2d 1455, 1472 (10thCir 1987).

² See, section 2701 Findings and section 2702 Declaration of policy, e.g. section 2702(1) The purpose of this Act is - to provide a statutory basis for the operation of gaming by Indian tribes as a means of promoting tribal economic development, self sufficiency, and strong tribal government;"

The issue of off-reservation land acquisitions arose from congressional representatives from urban areas, usually from States without Indian Reservations or distant from Indian reservations, who feared the potential unilateral ability of a Tribe to locate a casino in their district. In response to this concern, Chairman Moe Udall of the then House of Representative's Interior Committee added a requirement to the "Indian lands" provision that required the consent of the Governor of the State where the trust lands were to be located, and required the Secretary of the Interior in the trust application process to determine that the acquisition "would be in the best interest of the Indian tribe and its members, and would not be detrimental to the surrounding community" (quoting section 2719 (b)(1)). These requirements reflect all of the fundamental goals of IGRA. The consent of the Governor reflects the participation and consent of the State to Class III gaming; the requirement of a finding that the Tribe and its members benefits reflects both the economic goals of IGRA and the protection of Tribes from unscrupulous deals; and the requirement that the trust status not be to the detriment of the local community reflects both the requirement for State consent and congressional concern that the general public be protected. Chairman Udall's "Indian lands" provisions, and the after acquired trust lands requirements survived the various revisions and remain today in IGRA.

It is important to note that Congress could have simply barred after acquired off-reservation lands from ever being placed in trust for purposes of gaming. It surely had and has that authority. In fact, periodically annual appropriations statutes have placed moratoriums on the taking of such lands into trust. Congress, however did not bar such off reservation acquisitions. Congress did, what Secretary Norton referred to as, "struck a delicate balance between State and tribal interests" (Norton Letter, at Page 5). In evaluating her obligation as Trustee to the Seneca Nation and Tribes affected by the Seneca Compact, but not party to it, she concluded that her obligations were not breached to the other Tribes because no tribe has absolute right to off-reservation gaming. This is correct, however, it is also correct that there is no legal bar to off-reservation trust acquisitions, and the Tribes must make their case within the IGRA statutory frame-work, as described above, to the Secretary.

It is our view, that the Project proposed by the Tribes, in response to former Governor Graves' offer to the Tribes, contains the key elements necessary to win federal approval. We have consistently maintained that a mutual and cooperative effort by the State of Kansas, the Unified Government and the Tribes are critical for success. As you may be aware, the Tribes have a historical relationship dating to the early nineteenth century to the Kansas City metropolitan area. They have key support from the local government and adjacent property owners. There are no outside managers or developers. We also believe that the request of the Governors and the legislature for the Tribes to, in effect, trade in their unlimited rights under their existing compacts for this Kansas City Gaming site is a key element that distinguishes this Project from other proposals.

As noted above, off Reservation site acquisitions in trust are not the norm, nor were they intended to be the norm. But, in addition to being legally permissible, they have, in fact, occurred. The first example is pre-IGRA but it reflects some of the elements in

IGRA; local and state support. The joint Project of the City of Duluth and Fond du Lac Band in Minnesota located an Indian Gaming Casino in downtown Duluth. Since IGRA, an off reservation Casino has been approved in Milwaukee, Wisconsin under IGRA for the Forest County Potowatomie. The Kalispell Tribe in Washington State received off-reservation trust land under IGRA for its casino, near the Spokane Airport. The Sioux St. Marie Band of Chippewa Indians obtained an off-Reservation Casino on a commercial basis in Detroit, Michigan utilizing its on Reservation gaming revenues for its ongoing venture. All of these projects had state and local support. Congress has also through the passage of Settlement Acts authorizing or directing that lands be taken in trust, and through direct legislation taking lands in trust, permitted gaming on what had been off-Reservation sites. (See, e.g. Lytton Band of Indians, California, obtained a direct acquisition of off-reservation trust lands by statute, and Seneca Nation, through authorization in Settlement legislation obtained off-reservation lands that the Secretary placed in trust.) It should be noted that Gaming on off-reservation sites acquired pre-IGRA have also been fairly routinely approved where a State has consented to the off-Reservation site in the State-Tribal Compacts. (See, e.g. the coastal Casino/Resort site of the Quinalt Indian Nation in Ocean Shores, Washington (a resort town on the Pacific Ocean) was and is off-Reservation; and the Highway 75 Casino site of the Sac and Fox Nation, in Horton, Kansas was and is off-Reservation).

In order to move forward with the joint Project, the Governor and the Tribes must in good faith negotiate a Compact. As you are aware, although we have been in substantive discussions since before the Governor took office, we have not yet "formally" requested Compact negotiations. However, since the Tribes have now obtained a clearly defined site, the Section 20 land-in-trust process will begin, and a formal request to Compact will be provided in the near term. Please note that we intend to pursue the dual process of a Compact and land-in trust application under Section 20 referred to by Secretary Norton.

Once the Tribes and the Governor have agreed on the terms of Compact, which we anticipate should not take long, as we have had sufficient "discussions" to be clear on what the issues are, the Governor, in consultation with the Attorney General, under state law, provides the Compact to the Legislature, where the Joint Committee on State – Tribal Affairs, will review and approve or reject the Compact, once approved it is submitted to the Legislature for an up or down vote of both houses. Once approved, and signed by the Governor and the Tribes, the Secretary of the Interior will have the 45 days statutory review period under IGRA, as discussed earlier, available for her review. As Secretary Norton has indicated³, she wants to have an earlier involvement with Compacts, and the Interior Department has agreed to meet with the Tribes in the next two weeks to begin these consultations. We extend to you the invitation to join us at subsequent meetings.

The land to trust application process, as noted, will shortly begin. There are existing federal regulations under 25 C.F.R. section 151 regarding the taking of land into Trust but no specific regulations for off-reservation gaming. These regulations require an accurate land description, clear title, compliance with the National Environmental

³ See footnote 1 on Page 1 of the Norton letter.

Protection Act (NEPA), local consultation, and a determination of economic impact/ tax loss to local government. For most trust applications, the local and regional Bureau of Indians offices are delegated decision-making responsibility. For gaming off-reservation trust acquisitions, responsibility resides in Washington, D.C. and the Secretary has to determine under the standards in IGRA, referenced previously, whether to take the land into trust for purposes of gaming for the benefit of the Indian tribes. Per IGRA, the Governor's consent needs to be made clear. You should be aware that in the identified gaming site, we already have had a title search performed and title is clear. We have had a Phase I Environmental review conducted which found no environmental issues of any sort and therefore more extensive reviews are not required under NEPA. We are in the final stages of negotiations of an agreement with the Unified Government that will reflect their considerable support for the joint Tribal Project. As you may be aware there is considerable local community and business support for the Project. These are factors that bode well for the land-in-trust application.

It is our hope and desire that the Governor, and as well as you, Matt, will continue to be true friends to the Tribes.

J. Dennis Hastert
Fourteenth District
Illinois

(202) 225-0600



Office of the Speaker
United States House of Representatives
Washington, DC 20515

June 10, 2003

The Honorable Gale A. Norton
Secretary
United States Department of Interior
1849 C Street, N.W.
Washington, DC 20240

Dear Secretary Norton:

We write to express our concerns over recent attempts of certain Indian tribes to develop off-reservation casino sites. We strongly believe that these attempts run counter to Congressional intent and pose a serious threat to the current regulatory scheme that governs Indian gaming.

When Congress passed the Indian Gaming Regulatory Act ("IGRA") in 1988, they did not intend to authorize "reservation shopping" by Indian tribes. Indeed, IGRA presumptively prohibits gaming on all after-acquired lands and only permits off-reservation gaming under extremely limited circumstances. However, some Indian tribes are apparently attempting to take advantage of IGRA's provisions and move into lucrative casino markets far from their reservations and lands where they have a historical connection.

This problem is not new to the Interior Department. During the negotiation for the tribal-state compact between the State of New York and the Seneca Tribe, you stated, "Tribes are increasingly seeking to develop gaming facilities in areas far from their reservations, focusing on selecting a location based on market potential rather than exercising governmental jurisdiction on existing Indian lands...IGRA does not envision that off-reservation gaming would become pervasive...I am extremely concerned that the principles underlying the enactment of IGRA are being stretched in ways Congress never imagined when enacting IGRA." We agree with your statement; "Congress in enacting IGRA, struck a delicate balance between State and tribal interests that did not create an absolute right to off-reservation gaming."

The delicate balance of which you spoke is now being tested. We strongly urge the Department of Interior to enforce IGRA and to carefully scrutinize all efforts to acquire off-reservation land to acquire a favorable casino location. This matter has received a great deal of attention recently because of the ongoing attempt by the Jena

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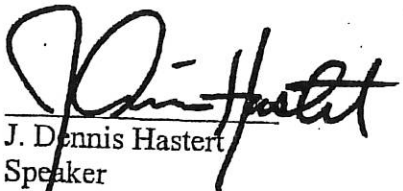
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Band of Choctaw Indians to take off-reservation land into trust for gaming, but there are many similar attempts already in force across the country with more certain to come.

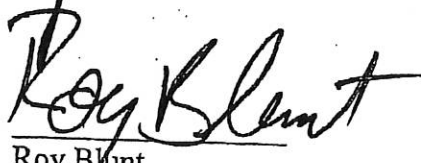
If the Department of Interior permits Indian tribes to establish a reservation, take lands into trust and build a casino in areas with little or no present or historical connection, the Department of Interior will effectively sanction reservation shopping. This would establish a dangerous precedent whereby tribes could, and would, locate casinos in any state where gaming is allowed.

We strongly urge you to consider the consequences of allowing tribes to construct gaming facilities in areas where they have no historical connection. Thank you for your time and consideration of this important matter.

Sincerely,


J. Dennis Hastert
Speaker


Tom DeLay
Majority Leader


Roy Blunt
Majority Whip


Eric Cantor
Chief Deputy Whip

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PAUL ALEXANDER (D.C.)

MEMORANDUM

To: Whitney Damron
Re: Issues from State Gaming Committee meetings
From: Paul Alexander
Date: November 14, 2003

You have inquired about two issues that appear to place barriers to obtaining success for our client's Kansas City Project: one is the question of whether a Tribe(s) with an existing Casino within its current Reservation can secure an additional Casino on an Off-Reservation location; the second is whether a June 10, 2003 letter from Speaker Hastert and various members of the Republican leadership in the House of Representatives to Secretary Norton opposing the Jena Band of Choctaws' attempt to secure lands for a Casino in Vinton, Louisiana near the Texas border, indicates a firm congressional policy or prohibition against off-reservation land acquisitions for gaming.

With respect to the ability of the Kansas Tribes to obtain approval of a land-in-trust application for the purposes of gaming for their site in Kansas City, it is important to note that our view, as stated at the joint legislative hearing in January 2003, has always been that this can be done. In order to make this Indian Gaming Regulatory Act (IGRA) provided for approval to happen, the Tribes have to come to Washington with the support of the local communities and governments, the Governor, the legislature and the congressional delegation. Republican and Democratic support across Kansas is also important.

In effect, the process for land in trust for gaming approval is politically much the same as that required for successful Indian legislation pertaining to a single state or Tribe. Indian legislation is usually not subject to floor debate and recorded votes in Congress, most legislation is passed on the consent calendar, which means no one objects and the legislation passes in a summary manner. This process requires significant state and local political support, with no meaningful opposition and with either the support or the neutrality of the Administration. Our discussions with Interior officials indicate that a similar showing of State and delegation support, particularly from those members of the delegation from the same party as the Administration, plays an important role in the

discretionary judgment that IGRA grants the Secretary of the Interior with respect to off-reservation trust applications for gaming post 1988 (the date of enactment of IGRA).

As you are aware, the Tribes have worked very hard to put these elements together and believe that they can bring overwhelming support to bear in the Interior decision-making process. Also, as we have confirmed in several visits with the staff at the Department of the Interior, our analysis is that there is no legal barrier to the approval of a proposed Compact or the approval the land-in-trust application by the Secretary of the Interior. As you know, the after acquired lands provision of the IGRA, 25 USC section 2719 (b) (1) requires the concurrence of the Governor and a determination by the Secretary that the acquisition "would be in the best interest of the Indian tribe and would not be detrimental to the surrounding community".

Although it is certainly true that Off-Reservation compacts are not the norm and certainly not automatically approved, Off-Reservation Compacts, and Land-in-Trust Applications that meet the standard land in trust regulatory requirements (e.g., clean title), plus the statutory test described above, have been approved in a variety of circumstances. In Kansas, the Sac and Fox Nation's Casino in northeast Kansas is located on trust lands acquired pre-IGRA some twenty miles outside of the Nation's Reservation boundaries. The Quinault Indian Nation's approved Compact specifies a gaming location on trust lands that is south of its rural and remote Reservation in an ocean resort community on the Olympic Peninsula in Washington State. In eastern Washington, the Kalispel Indian Community utilizing the 2729(b) (1) process for post 1988 land acquisitions located a Casino closer to population centers, a distance away from its rural mountainous Reservation. Prior to IGRA but with federal approval the Fond du Lac Band of Chippewa Indians located a joint Casino venture with the City of Duluth, Off-Reservation in Duluth, Minnesota. Fond du Lac also has a Casino on its Reservation lands. The Keweenaw Bay Indian Community in Michigan has both an On-Reservation Casino and an Off-Reservation Casino approved pursuant to the 2729(b)(1) process for post 1988 off reservation land-in-trust acquisitions. Also in Michigan, the Sault St. Marie Tribe of Chippewa Indians has four casinos in Michigan On- and Off-Reservation under IGRA, as well as a commercial established Casino in Detroit Michigan. In nearby Wisconsin, the Forest County Potawatomi Community have a Reservation based Casino, as well as a 2729(b)(1) Off-Reservation Casino on post 1988 land-in-trust in Milwaukee.

In the now famous "Seneca" letter it should be noted that the Secretary approved two tribal Off-Reservation Casinos where the post 1988 after acquired lands for casinos were provided as part of congressionally approved land Claim Settlement agreements.

The Torres-Martinez Band recently signed a Compact for two sites in California, one On-Reservation and the other on an Off-Reservation site not yet in trust and to be determined with the consent of local communities as part of a congressionally approved land acquisition process. Two casino sites are provided for in 1999 California compacts and several tribes, such as the Aqua Caliente Band (Palm Springs), have developed two very successful casinos, one in downtown Palm Springs and the other near an interstate

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Highway outside of Palm Springs. The point being that a variety of different off-Reservation sites have been approved pre and post IGRA, including post 1988 land acquisitions which require discretionary approval of the Secretary even where Tribes already had existing reservation casinos, e.g., in Michigan, Wisconsin and Washington state. As noted above, although not the norm but allowed if the right circumstances are shown, these acquisitions have and can occur in limited circumstances. As indicated in an earlier memorandum to Matt All, Congress early on was concerned about the effort of various developers and promoters to try to locate Indian casinos in off reservation areas, usually in States, where Tribes had no connections. Rather than barring all such Casinos, Congress choose to give Governors and local communities a significant say in the process; a say that Governors and local communities do not otherwise have in land-in-trust applications.

Not surprisingly, the only Off-Reservation land-to-trust applications that have never been approved for gaming for post 1988 acquisitions, to date, are proposals of out-of-state Tribes. According to the Department of the Interior no such proposals have been approved.

With respect to Speaker Hastert's letter pertaining to the Jena Band, it is important to note that even though the Hastert letter has very broad language given its objective, the letter neither represents a congressional policy on gaming land acquisitions, nor is it applicable outside of the particular Jena issue that was then pertinent. The Jena Band of Choctaw issue was not a section 2729(b)(1) land acquisition issue. The Jena Band was not requesting an off-reservation land-in-trust for gaming determination by the Secretary of the Interior subject to the Louisiana Governor's concurrence authority under the IGRA. The Jena band was attempting to put land-in-trust under a different IGRA provision based on the Band's status as a restored or newly acknowledged Tribe and where the Governor has no say on the Trust application. In other words, if the Jena Band could have gotten land-in-trust under its restoration status, without state consent it could have operated a Class III casino.

The Jena Band is a restored Tribe. As part of the restoration process, either by statute or by the Federal Acknowledge process, the Tribe has to establish by comprehensive evidence what its territories were and where it retained a continuing presence. Out of those identified territories, a defined geographic area is identified in which either a reservation is established or in which the Tribe may acquire lands for the Secretary to put into trust status.

The Jena Bands attempted to put land-in-trust in Vinton Louisiana, which was not in its identified territories. After opposition arose (including the Hastert letter) to the Band's land-in-trust application, the Jena Band withdrew its trust application. The Jena Band now has a section 2729(b)(1) application pending relative to lands in Loganport, Louisiana.

It should be noted that although both the Sac and Fox Nation and the Kickapoo Tribe have a historic relationship to parts of Kansas City adjacent to their proposed

casino site, they will pursue the section 2729(b)(1) process for their land-in-trust for gaming application which requires both local support and the Governor's concurrence.

As noted previously, congressional policy relative to off-reservation land acquisitions for Indian casinos is reflected in IGRA with its approach that allows an exception for after acquired lands to be placed-in-trust for gaming with the discretionary approval of the Secretary and the concurrence Governor; two factors missing in the Jena's initial application relative to Vinton, Louisiana.

What does "State-Owned and Operated" Mean?

Absent a change in the Kansas Constitution, it is clear that any non-tribal lottery (gaming) in Kansas must be "state-owned and operated". There are a variety of opinions concerning how narrow or liberal Kansas courts will interpret Article 15, Subsection 3 (c) of the Kansas Constitution, but it is likely any legislation that delegates significant authority to a third party will be challenged in the courts.

Constitution of the State of Kansas

Article 15 –Miscellaneous

Subsection 3 (c):

State-owned and operated lottery. Notwithstanding the provisions of section 3 of article 15 of the constitution of the state of Kansas, the legislature may provide for a state-owned and operated lottery, ...

There have been several attorney general opinions on the subject of expanded gaming, but most, if not all were written in the early 1990's by Attorney General Robert Stephan, including Opinion 94-26, which states:

"Clearly, the more control the state retains, the easier it will be to determine that the operation is state-owned and operated. On the other hand, the fewer hands-on roles the state takes, the closer it comes to being state-regulated rather than state-owned and operated."

Key quotes from Attorney General Opinion 94-26 include:

- *...ownership and sufficient control and responsibility over the business as a whole remains with the state (Point No. 3).*
- *the State must own and operate the business (Point No. 4).*
- *...sensitive positions should be held by state employees... (Point No. 5)*
- *The state of Kansas may license private entities to place and maintain privately-owned casino gaming equipment as long as the state retains ownership and control of, and responsibility for, the gaming operation (Point No. 6).*
- *An arrangement whereby the state agrees to permit a private entity to operate a casino in exchange for a set percentage of the take comes very close to regulation with a tax... (Point No. 7).*

federal oversight

Analysis and Points to Consider:

The information provided in this section was prepared with the assistance of Mr. Robert Winter, Special Counsel to the Kickapoo Tribe. Mr. Winter has served as vice president and general counsel to the Native American Foxwoods Resort Casino in Connecticut, the world's largest gaming enterprise. In that capacity, he developed regulatory, compliance and employee procedures for the prevention of fraud and waste of enterprise assets. He also functioned as legal counsel to Foxwoods Resort Development Company in conducting feasibility studies and securing financing agreements for resort developments throughout North America, including sites in Arizona, Washington and Alberta, Canada.

Mr. Winter is well-experienced in the enforcement of gaming regulations. He has served as head of the New Jersey State Organized Crime Task Force, where he developed procedures for investigation and prosecution of casino-related crimes. He has investigated and convicted the leaders of the five organized crime families in New Jersey; investigated and prosecuted fraud and corruption statewide, including incidents involving the gaming industry; and served as Chief Law Enforcement officer for the New Jersey Attorney General. Mr. Winter's experience with enforcement and regulatory matters provide him with a unique and qualified perspective on the issues outlined in this section.

General Observations.

- The public would likely assume that "State-Owned and Operated" would require the state receive the bulk of the profits from the gaming enterprise.
- The development, management and operation of a true destination resort casino is significantly different that the operation and management of lottery terminals.
- If a non-tribal casino is truly "state-owned and operated", the state will very likely incur some degree of risk regardless of contractual limitations to the contrary.
- For a casino to compete in the Kansas City market, management will have to be able to respond to market demands on a daily and weekly basis. Of note, the Kansas City gaming market is nearly 10 years old and the casinos in operation in that market and will be an aggressive competitor to any Kansas casino.

Mr. Winter has used his career experience in gaming and gaming enforcement to outline examples of decisions that are routinely made by key gaming management. These duties and obligations include:

- The need to build new restaurants, change menus, alter the buffet and other food service issues.
- Build or restructure high roller lounge.
- Increase bus market, requiring need for external and internal structural changes.
- Expand or reconfigure gaming floor, including gaming machines and other gaming options.
- The casino resort hotel is managed and operated by casino executive staff since the hotel is primarily used to satisfy gaming patron needs. There is often the need to upgrade or build additional suites.

Key Employees.

The individuals who make all of the key business decisions with respect to the operation of a true casino resort are industry experienced management staff. All such individuals are in "sensitive Positions" as set forth in Attorney General Opinion 94-26.

Casino resort executive staff is primarily composed of the following positions.

- Chief Executive Officer (CEO)
- Chief Financial Officer (CFO)
- Chief Operating Officer (COO)
- Vice President/Slots
- Vice President/Table Games
- Vice President/Marketing
- Vice President/Food & Beverage
- Vice President/Human Resources
- Vice President/Hotel Services


Below the CEO/CFO/COO/Vice President level there is the need for additional experienced casino executives at the Director level. All of these personnel will be required to hold "key employee licenses". There is little doubt that all of these individuals should be state employees under the Attorney General Opinion 94-26. They all hold "sensitive" positions and are responsible for the operation of the facility.

The following is a list of some of the day-to-day functions of these executives:

- Daily review of departmental net win and expenses.
- Review and approval of major marketing and promotional activities.
- Credit and comp review and approval.
- Major contract review and approval.
- Allocation of hotel rooms and amenities.
- Capital expenditures and gaming floor configuration.
- Table game limits.
- Chip control as it relates to slot odds.
- Compliance issues and related problems.
- Cage related issues.
- Compliance with Federal and Department of Treasury regulations.
- Change in types of games.
- Labor Union issues.
- Employee relations/discipline.
- Compliance with OSHA and other Federal and State regulations (liquor).
- Participation in charity and community projects (contributions).
- Changes in employee benefits to remain competitive in the industry.

Management also participates in extensive long-term planning for the resort as well as constant monitoring of the competition. Top gaming management in a major resort casino can be expected to earn in excess of \$250,000 per year. These are the kinds of professionals the state will have to hire, which will place them in direct competition with other casinos both in the Midwest and throughout the country for the hiring and retention of quality employees.

Other points to consider:

- There is significant Federal monitoring and oversight with respect to casino gaming. State and non-state employees will be held responsible for any violations of Federal laws, rules and regulations (i.e. financial transactions, money laundering statutes, etc.) as well as state laws and regulations.
-  The casino may be required to follow competitive bidding requirements, thus placing the facility at a competitive disadvantage to other regional gaming operations that are not required to follow such procedures when implementing capital improvement changes.
- The state generally is self-insured. Is the state prepared to accept the specialized risk and general liabilities involved with owning and operating a business that has revenues in excess of \$170 million per year?

All of the preceding points and so much more will require the state to spend hundreds of millions of dollars in order to operate a competitive facility in the KC market. Gaming proponents suggest they will be willing to make these investments. However, with the constitutional requirement of "state-owned and operated", particularly the control of pay out percentages of gaming machines, who will finance these operations absent some state guarantees? Which translates into a significant, yet undefined financial risk for the state.

Compact Process.

Several committee members have expressed questions and concerns regarding the compacting process. This section will clarify the process for negotiating a compact with the Tribes and how both the integrity of the game and significant revenues for the state will be insured.

K.S.A. 46-2301 – 2303 are the Kansas statutes that contain compacting language. Copies of those statutes are included in this section for your reference. However, to summarize:

- The Governor negotiates a compact between the State and the Tribe or Tribes (in this case, the Kickapoo Tribe and the Sac and Fox Nation).
- The Kansas Attorney General provides legal representation to the State during this process.
- Once the State and the Tribes reach agreement on a compact, it is submitted to the Joint Committee on State-Tribal Relations for consideration. This committee is comprised of selected members of the House and Senate.
- If the Joint Committee approves the compact, the document is forwarded directly to the House and Senate floor (separately) in the form of a resolution for floor debate and final action on an up or down vote, with no amendments permitted. If the Joint Committee rejects the compact, it is returned to the Governor for further negotiations.
- To be approved and take effect, the compact must be approved by a majority vote of both the House and the Senate.
- If the Legislature is not in session, the Joint Committee on State-Tribal Relations can refer a compact to the Legislative Coordinating Council for consideration and approval.



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46-2301

**Chapter 46.--LEGISLATURE
Article 23.--STATE-TRIBAL RELATIONS**

46-2301. Definitions. As used in this act:

- (a) "Class III gaming" has the meaning provided by the Indian gaming regulatory act (25 U.S.C. 2701 *et seq.*).
- (b) "Gaming compact" means a tribal-state compact regarding class III gaming as provided by section 11 of the Indian gaming regulatory act (25 U.S.C. 2710).
- (c) "Committee" or "joint committee" means the joint committee on state-tribal relations.

History: L. 1993, ch. 4, § 1; L. 1999, ch. 139, § 3; May 20.

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[Home](#)[Bill Search](#) | [Current Happenings](#) | [Listen In Live!](#) | [Helpful Hints](#) | [Site Index](#)[Home](#) > [Kansas Statutes](#) > [Kansas Statute No. 46-2302](#)**46-2302****Chapter 46.—LEGISLATURE
Article 23.—STATE-TRIBAL RELATIONS**

46-2302. Negotiation of compacts; submission to legislature; approval or rejection; attorney general as legal counsel; compact provisions; report of governor to legislature. (a) Any request by a tribe for negotiation of a gaming compact with the state of Kansas, including a request for renegotiation of an existing gaming compact, received on or after the effective date of this act shall be submitted in writing to the governor.

(b) The governor or the governor's designated representatives are authorized to negotiate gaming compacts on behalf of the state of Kansas. At the conclusion of negotiations, the governor shall submit the proposed compact to the joint committee on state-tribal relations for the committee's recommendations as to approval or modification of the proposed compact.

(c) If the joint committee recommends modification of a proposed compact submitted by the governor, the governor or the governor's representatives may resume negotiations in accordance with the joint committee's recommendations and the modified proposed compact shall be submitted to the joint committee in the same manner as the original proposed compact. Within 5 days after receiving the joint committee's recommended modifications, the governor shall notify the joint committee, in writing, as to whether or not the governor has resumed negotiations. Within 10 days after receipt of notice that the governor has not resumed negotiations, or if the governor fails to notify the joint committee that the governor has resumed negotiations, the joint committee shall vote to recommend approval or rejection of the proposed compact or shall vote to make no recommendation on the proposed compact.

(d) (1) If the legislature is in session when the joint committee votes to recommend approval or rejection of a proposed compact or votes to make no recommendation on a proposed compact, as authorized by this section, the joint committee shall introduce in each house of the legislature, within five days after the joint committee's vote, a resolution approving the proposed compact as submitted by the governor. Each resolution shall be accompanied by the report of the joint committee recommending that the resolution be adopted or not be adopted or reporting the resolution without recommendation. If, within 10 days after introduction of the resolutions, a majority of the members of each house votes to adopt the resolution introduced in such house, the proposed compact shall be considered to have been approved by the legislature and the governor is authorized to execute the compact on behalf of the state. Each house of the legislature shall vote on the resolution introduced in such house within 10 days after introduction unless the other house has already voted against adoption of the resolution introduced in such other house.

(2) If the legislature is not in session when the joint committee votes to recommend approval or rejection of a proposed compact or votes to make no recommendation on a proposed compact, as authorized by this section, the joint committee shall notify the legislative coordinating council of the joint committee's action within five days after such action. If, within 30 days after receiving such notice, the legislative coordinating council votes, by a vote of five members of the council, to approve the proposed compact, the compact shall be considered to have been approved by the legislative coordinating council and the governor is authorized to execute the compact on behalf of the state.

(3) Neither the legislature nor the legislative coordinating council has the authority to amend or otherwise modify any proposed gaming compact.

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(e) The attorney general shall be the legal counsel for the governor or the governor's representatives in negotiating a gaming compact under this section and for the joint committee in reviewing proposed compacts.

(f) A gaming compact negotiated on behalf of the state under this section shall contain:

(1) A provision recognizing the right of each party to the compact to request that the compact be renegotiated or replaced by a new compact, including the right of the legislature by concurrent resolution to request renegotiation or replacement of the compact, and providing the terms under which either party, including the legislature, may request a renegotiation or the negotiation of a new compact; and

(2) a provision that, in the event of a request for a renegotiation or a new compact, the existing compact will remain in effect until renegotiated or replaced.

(g) The governor or the governor's designated representatives and the attorney general shall report to the joint committee, at such times as requested by the joint committee, regarding gaming compacts negotiated and prospective negotiations.

History: L. 1993, ch. 4, § 2; L. 1999, ch. 139, § 4; May 20.

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46-2303

Chapter 46.—LEGISLATURE Article 23.—STATE-TRIBAL RELATIONS

46-2303. Joint committee on state-tribal relations. (a) The joint committee on gaming compacts is hereby reconstituted as the joint committee on state-tribal relations. The joint committee shall consist of 12 members as follows: (1) Five members of the senate and five members of the house of representatives; and (2) the governor or the governor's designee and the attorney general or the attorney general's designee. Of the members appointed from the senate, three shall be appointed by the president of the senate and two shall be appointed by the minority leader of the senate. Of the members appointed from the house of representatives, three shall be appointed by the speaker of the house of representatives and two by the minority leader of the house of representatives. Such members shall be selected only from the membership of the standing committees on federal and state affairs, judiciary, taxation and assessment and taxation. All legislative members of the joint committee shall serve for terms ending on the first day of the regular legislative session in odd-numbered years.

(b) At the commencement of each regular session of the legislature, the governor or the governor's designee shall call an organizational meeting of the joint committee. The governor or the governor's designee shall serve as a temporary chairperson at the organizational meeting until a chairperson is elected as provided by this subsection. The members of the joint committee shall organize by electing from its membership a chairperson and a vice-chairperson. During odd-numbered years, the chairperson shall be a member from the senate and the vice-chairperson shall be a member from the house of representatives. During even-numbered years, the chairperson shall be a member from the house of representatives and the vice-chairperson shall be a member from the senate. The vice-chairperson shall exercise all of the powers and duties of the chairperson in the absence of the chairperson. The ranking minority member of the joint committee shall be the ranking minority member of the senate when the chairperson is a member of the senate or the ranking minority member of the house of representatives when the chairperson is a member of the house of representatives.

(c) A quorum of the joint committee on state-tribal relations shall be six. Actions of the joint committee recommending that a resolution approving a proposed compact be adopted or not be adopted shall be only on the affirmative vote of eight or more members of the joint committee, at least four of whom shall be senators and at least four of whom shall be members of the house of representatives. Action of the joint committee to report without recommendation a resolution approving a compact may be on the affirmative vote of any five or more legislative members of the committee. The governor or the governor's designee and the attorney general or the attorney general's designee shall not have the power to vote on an action approving or disapproving a compact or an action to report without recommendation a resolution approving a compact. All other actions of the joint committee may be taken by a majority of those present when there is a quorum.

(d) The joint committee may meet at any time and at any place within the state on the call of the chairperson. The joint committee may appoint subcommittees as deemed appropriate. Members of the joint committee and subcommittees thereof, shall receive compensation, travel, subsistence allowance and mileage as provided by K.S.A. 75-3212, and amendments thereto, when attending meetings of the joint committee or subcommittee thereof.

(e) The provisions of the acts contained in article 12 of chapter 46 of the Kansas Statutes Annotated, and amendments thereto, applicable to special committees shall apply to the joint committee to the extent that the same do not conflict with the specific provisions of this act applicable to the joint committee.

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(f) In accordance with K.S.A. 46-1204, and amendments thereto, the legislative coordinating council may provide for such professional services as may be requested by the joint committee on state-tribal relations.

(g) The joint committee:

(1) May establish and transmit to the governor proposed guidelines reflecting the public policies and state interests, as embodied in the constitution, statutes and case law of the state of Kansas, consistent with the Indian gaming regulatory act (25 U.S.C. 2701 et seq.), that the joint committee will consider in reviewing proposed compacts;

(2) may recommend to the governor that any gaming compact provide for the imposition and collection of state sales and excise taxes on sales of nongaming goods and services to persons other than tribal members and imposition and collection of state income tax on revenues derived from sales of nongaming goods and services;

(3) may hold public hearings on proposed gaming compacts submitted to the joint committee by the governor;

(4) shall recommend modification of proposed gaming compacts submitted by the governor and introduce resolutions approving proposed gaming compacts submitted by the governor and recommend that such resolutions be adopted or be not adopted, or report such resolutions without recommendation, and notify the governor, in writing, of the joint committee's action;

(5) shall meet, discuss and hold hearings on issues concerning state and tribal relations;

(6) may make recommendations on issues concerning state and tribal relations; and

(7) may introduce such legislation as deemed necessary in performing its functions.

History: L. 1993, ch. 4, § 3; L. 1999, ch. 139, § 5; L. 2001, ch. 72, § 1; July 1.

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Economic Development/Feasibility Study.

As noted by the Tribes in previous presentations, the Consortium contracted with a leading economic development, gaming and hospitality research firm for a thorough review and analysis of the Kansas City gaming market. That firm is GVA Marquette Advisors, Inc., with offices in Minneapolis, Minnesota and Issaquah (Seattle), Washington. Mr. Steve Sherf appeared before the Committee in both Kansas City and Topeka.

Included in this section is the Executive Summary from the Marquette Advisors Market Study, conducted in April, 2003 that highlights their comprehensive market research performed on behalf of the Consortium.

Also, at the Kansas City meeting of the Committee, a question was asked of the Consortium to what extent our proposal would increase repayment of STAR Bonds used to finance the Kansas Speedway and Village West redevelopment area. We did not have an opportunity to respond to the inquiry due to time constraints, but the Tribes' feasibility study did address this issue and we wanted to call attention to that section of their feasibility study.

We believe this information is noteworthy for two reasons:

First of all, Marquette's report indicates the tribal casino and related development will conservatively generate an additional \$350,000.00 per year in sales tax revenues that will be applicable to the retirement of STAR bonds issued to finance infrastructure in the Village West/Kansas Speedway area. That is not an insignificant sum of money.

Secondly, this information is illustrative of the thoroughness of the Consortium proposal and the work product of their consultants (GVA Marquette Advisors, Inc., in this instance). No other proposal or proponent has made this kind of detailed information available to the Committee nor given the indication they have ever evaluated this Kansas City gaming market to this extent.

GVA Marquette Advisors
Real Estate Counselors

FILE COPY

**KANSAS CITY INTERTRIBAL
GAMING MANAGEMENT CONSORTIUM**

**PROPOSED GAMING FACILITY
AND HOTEL**

**WYANDOTTE COUNTY,
KANSAS**

MARKET STUDY

April 2003

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EXECUTIVE SUMMARY

SECTION II: EXECUTIVE SUMMARY

This section describes, in brief, the findings and conclusions derived from our study of the market for the proposed Consortium gaming complex. This overview includes our estimates of prospective utilization and prospective financial performance for the proposed casino and hotel. The estimates presented, along with the information in this section as a whole, are meant as a summary of, not a substitute for the body of the report, which contains additional information and detail critical to a full understanding of the basis for the estimates made and the context within which they were formed.

BACKGROUND

Casino gaming is relatively new to the Kansas City area. Riverboat gaming was legalized in Missouri in 1992 and by 1997, four riverboat casinos were in operation near downtown Kansas City, Missouri. Native American casino gaming began to develop in Kansas with the opening of a casino near Mayetta in 1994. There are now four Indian casinos operating in the northeast corner of the state with more than 2,500 gaming devices.

All of the Indian casinos are located in rural areas and are distant from the large population base of Kansas City. Seeking to develop and operate a casino in the Kansas City area, the Sac and Fox Nation of Missouri in Kansas and Nebraska and the Kickapoo Tribe of Indians of the Kickapoo Reservation in Kansas formed an entity known as the Kansas City Intertribal Gaming Management Consortium. Both tribes are federally recognized and currently operate casinos within the state. The Consortium is considering a site within the Village West project as a casino location that may be acceptable to the Governor and the state legislature. Village West is an economic development zone adjacent to the Kansas Speedway, located on the western edge of Kansas City, Kansas.

RECOMMENDED FACILITIES

Our recommendation of facilities for the casino has been developed from the results of the market study described in this report.

The casino should initially offer approximately 2,500 slot machines and 60 table games, with the gaming areas designed to allow for later expansion if suitable market conditions exist. We suggest that approximately 1,000 restaurant seats be developed to support this size facility, within venues that include a 24-hour coffee shop, a fine dining outlet, at least two casual restaurants, a buffet and a snack bar. We have assumed that liquor will be served on the casino floor and recommend that a quiet bar and a lounge with entertainment be provided.

We recommend that a hotel of approximately 250 rooms be constructed adjacent and connected to the casino. Approximately 25 of the lodging units should be two-room suites with a high level of finish for special players, and two of these suites should be luxuriously furnished to accommodate special occasions. A conference center is recommended in conjunction with the hotel to accommodate social functions as well as meetings and other group functions. The conference facility should be approximately 12,000 to 16,000 square feet and include a divisible ballroom of at least 8,000 square feet.

SITE ANALYSIS

The site for the proposed Consortium casino is located in the western suburbs of the Kansas City metropolitan area, within the city of Kansas City, Kansas. The site lies in the northwest quadrant of the intersection of Interstates 70 and 435 and is within the Village West development, a master-planned retail and entertainment destination that is planned for 4.6 million square feet of retail, entertainment, hotel and office space development. The existing components to date include the following:

- Kansas Speedway
- Great Wolf Lodge Resort and Water Park
- Cabela's World Famous Outfitter
- Nebraska Furniture Mart
- Kansas City T-Bones Baseball Stadium

The proposed gaming complex will be highly visible from both the I-435 beltway and from I-70. Access to the Village West development and the subject casino is available from both interstates. The casino site is considered to have excellent highway access.

REGIONAL CHARACTERISTICS

Based on our analysis of the region and the locations of other casinos in Kansas, Missouri and Iowa, we have identified the surrounding 100-mile area to be the relevant range for the subject casino's primary market area. This area includes the entire metropolitan area, Lawrence and Topeka, Kansas, and St. Joseph, Missouri. The casino's secondary market will extend out 200 miles for occasional patronage. Within 200 miles of the site lie Wichita, Omaha and Jefferson City.

Economic and demographic data was obtained from ESRI, a national econometric forecasting firm, for concentric rings with radii of 50, 100 and 200 miles. The following tables present a summary of population and income by age for these selected areas surrounding the site.

Table 1

Population by Age and Distance (2001)			
Age	50 Miles	100 Miles	200 Miles
Under 21	662,194	850,683	2,416,546
21-34	413,871	522,202	1,438,799
35-54	675,264	847,876	2,352,952
55-74	309,314	409,900	1,303,663
75 & Over	121,983	171,260	524,645
Total	2,182,628	2,801,921	8,036,604

Note: figures for smaller radii are included in greater radii.

Source: ESRI

Table 3

Households by Incomes and Distance (2002)						
Income Level	50 Miles	%	100 Miles	%	200 Miles	%
Under \$25,000	230,519	26.8%	338,498	30.7%	1,088,822	34.9%
\$25,000 - \$49,999	263,940	30.7%	338,498	30.7%	976,508	31.3%
\$50,000 - \$99,999	265,654	30.9%	312,035	28.3%	779,958	25.0%
\$100,000 & Higher	98,549	11.5%	113,568	10.3%	277,665	8.9%
Total	858,663	100.0%	1,102,598	100.0%	3,122,953	100.0%
Market Average	\$ 54,891		\$ 51,590		\$ 48,027	
National Average	\$ 58,900		\$ 58,900		\$ 58,900	

Note: figures for smaller radii are included in greater radii.

Source: ESRI

Kansas City functions as a business center for a large, mostly rural surrounding area. As a result it is the 30th largest metropolitan market for retail sales in the United States. The area enjoys both an excellent highway system and excellent air service.

Kansas City successfully markets itself as a friendly, economical and convenient city for conventions and attracts more than 770,000 attendees annually. The area also has a number of attractions that make the area a popular tourist destination.

COMPETITIVE ENVIRONMENT

According to statistics published by Gaming & Wagering Business, the total gross win (or money lost) at legal gaming operations in the United States equaled \$64.3 billion in 2001 or over \$300 for every adult in the country. This represents a 4.3 percent increase over 2000 gambling volume. Casino gaming accounted for \$40.3 billion. Casino gaming volume was up 6.5 percent in 2001. Once the sole province of Nevada and New Jersey, casino gaming began to be legalized in various other states beginning in the late 1980's. Significant casino style gaming opportunities are now available in 27 states and six Canadian provinces, with smaller scale versions available in several other states. Nevada and New Jersey account for only 21 percent of the annual gambling revenues in the US and 34 percent of US casino revenue.

REGIONAL GAMING INDUSTRY

The area within 100 miles of the proposed casino, approximating the most competitive market, includes the greater Kansas City metropolitan area and extends west to Lawrence, Topeka and Manhattan, Kansas, south to Fort Scott, Kansas, east to Boonville, Missouri, and north to St. Joseph, Missouri. The casino is expected to occasionally draw from greater distances, particularly given the attractions that exist in the Kansas City area as well as those being developed in the immediate vicinity of the site. Therefore the subject casino's regional competitive market includes the 200-mile surrounding area. This market area extends almost to Tulsa, Oklahoma, and includes Wichita and Salina, Kansas, Omaha, Nebraska, and Columbia and Jefferson City, Missouri. There are nearly 9 million people residing within 200 miles of the subject casino

There are four Indian casinos in Kansas, all located in the northeast corner of the state. Indian casinos are permitted to operate 24 hours a day and offer slot machines, video poker, blackjack, craps, roulette, poker and bingo. The four casinos have a total of 2,482 slot machines and 72 table games.

Legislation legalizing riverboat gaming was approved by Missouri voters in 1992. Slot machines, video poker, video keno and all of the typical Las Vegas table games are allowed. The enabling legislation placed no limits on the number of gaming licenses available, however a moratorium on new license approvals went into effect in 1995. The state has imposed a loss limit on casino patrons which tends to restrict gaming win at the riverboats. It also has imposed a relatively high tax on gaming operations which has the result of limiting the capital investment in the gaming operations. There are four riverboat casinos operating in the Kansas City market area, with a total of approximately 7,900 gaming devices.

COMPETITIVE SUPPLY OF GAMING FACILITIES

The existing primary gaming competition for the subject site in Wyandotte County consists of four riverboat casinos with 9,400 gaming positions located in the Kansas City metropolitan area. Secondary competition for the proposed casino will include the four Indian casinos located in

northeastern Kansas and the St. Jo riverboat casino in St. Joseph. These five gaming establishments are between 50 and 60 miles from the subject site and have a total of approximately 1,500 gaming devices. Finally, limited competition will be provided by the Isle of Capri riverboat casino in Boonville, approximately 100 miles to the east of the metropolitan area and by the Lakeside Casino Resort in Osceola, Iowa and by two riverboat casinos and the Bluff's Run racino in Council Bluffs, both located approximately 150 miles to the north of the Kansas City area. These facilities have a total of approximately 7,600 gaming devices.

PROPOSED GAMING ADDITIONS

It is likely that the existing casinos in the market area will expand in the future if market conditions are positive. At the present time, the Argosy Casino is expanding its amenities and will be adding approximately 600 more slot machines. Also, Harrah's Prairie Band Casino is contemplating a major expansion of its amenities which could eventually lead to an expansion of its gaming.

The most significant potential gaming expansion exists at the Woodlands racetrack, a horse racing facility located approximately one mile north of the subject site along I-435. In recent years, several groups have tried to obtain necessary legislation to develop a casino at the track. This project continues to face numerous hurdles. Accordingly, we have not included any gaming activities at the racetrack in our analysis and projections of the Consortium casino's performance. If a large racino were to be developed at the track, it would seriously impact the performance of the subject casino. A second large casino in the immediate area that would be competing for the same players would have a highly dilutive effect on the Consortium casino's level of operations. For the purposes of our analysis we have assumed the following scale of gaming supply for competitive gaming operations on a stabilized basis during the period under analysis:

Table 12

PROJECTED COMPETITIVE MARKET		
Gaming Positions*	Current	Projected
50 Miles	10,935	14,655
100 Miles	12,743	16,463
Population per Position		
50 Miles	199	155
100 Miles	220	177
*one table equals 7 positions		
Source: GVA Marquette Advisors		

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LODGING ANALYSIS

Both the hotels in the immediate area as well as the hotels located at three local casinos are relevant to the analysis of the proposed Consortium Casino hotel. There are presently four nationally franchised lodging establishments in the immediate area of the site. These hotels accommodate primarily interstate traffic, supplemented with lodging demand generated from area businesses and residents.

Table 13

AREA HOTELS						
Hotel	Location	Date of Opening	Number of Rooms	Estimated Occupancy	Estimated ADR	Type of Hotel
Comfort Inn	Kansas City	1998	45	51%	\$ 52.00	Limited Service
Microtel	Kansas City	2001	78	67%	\$ 89.00	Limited Service
Holiday Inn Express	Bonner Springs	1998	63	56%	\$ 77.00	Limited Service
Hampton Inn	Shawnee Mission	n.a.	127	68%	\$ 80.00	Limited Service
Total			313	63%	\$ 78.60	

Source: GVA Marquette Advisors

Two of the four riverboat casinos in Kansas City have attached hotels and a third casino has a hotel across the street. Both the Ameristar and Harrah's casino actively utilize their hotels to promote casino play, comping or discounting approximately one-half of their rooms. Consequently, the hotels operate at very high occupancies.

Table 15

CASINO HOTEL DEVELOPMENT			
Casino	Number of Position(1)	Number of Hotel Rooms	Positions per Hotel Room
Ameristar	4,059	184	22
Harrah's	2,490	200	12
Argosy	1,271	48	26
Isle of Capri	1,339	0	na
Total	9,159	432	21

(1) 1 Table counts as 7 positions

Source: GVA Marquette Advisors

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PROPOSED HOTELS

There are two hotels proposed in the Village West development: the **Anniversary Inn**, an all-suite 62-room independent themed hotel and a 76-room **Hampton Inn** limited service hotel.

Among the casinos, both Harrah's and Ameristar are contemplating hotel expansions. However, both companies explained that further expansion would be unlikely in the near future, unless the loss limit regulation was eliminated.

LODGING DEMAND ANALYSIS

The lodging demand in the area is presently composed primarily of tourist/leisure, commercial and limited group segments. Our market research indicates that the four hotels in the immediate vicinity the site achieved a combined average annual occupancy of 63 percent in 2002. The average annual room rate for the hotels ranged from \$52 to \$89, with a combined average rate of about \$79. Area hotels achieve their highest occupancy levels during the summer months of June, July and August, when area tourism and leisure travel peaks and they sell out most weekends during the summer and during the six major race events held each year.

Hotels affiliated with casinos operate in a different manner from conventional hotels. The hotels function primarily as support facilities – they exist to serve casino patrons and boost casino demand. As a result, casino hotels do not necessarily compete for the lodging demand present in the market area for other reasons. Our market research indicates that the casino hotels at Harrah's and Ameristar in Kansas City are running at extremely high occupancies, supported by the casinos' comping and discounting activities, along with a high level of consumer demand.

UTILIZATION

Any projection of future market performance involves comparisons, either with existing market performance or other gaming markets. There are two primary methods for making the necessary comparisons to develop future market projections. Both methods rely upon key demographic information and other market factors to identify those comparisons most relevant and to adjust the input to reflect the unique characteristics of the subject market. One method relies primarily on comparisons to actual gaming win statistics in the existing market or in other comparable markets. The other common method is a comparison of the underlying factors that drive market performance: frequency, propensity and average expenditure (win per patron).

As explained in detail in the Utilization section of this report, we have reached a similar stabilized projected market performance under both methods. Consequently, we project that the total gaming market win within a 50-mile radius in the third (stabilized) year of the subject casino's operation will equal between **\$722 and \$752 million**.

Based upon an assessment of the market demand and support for the proposed Consortium gaming complex, we have estimated its potential utilization for the first five years of full-scale operation. All figures for gaming represent the net win after distribution of prizes but before deduction of coupons or comps. Projections of revenue from food & beverage sales and other revenue sources are based upon available information on the performance of other casinos of comparable size and utilization.

The following tables present a summary of estimated revenue by category for the proposed development.

Table 26

Consortium Casino Projected Revenue (\$000)					
	Year 1	Year 2	Year 3	Year 4	Year 5
Gaming	\$171,035	\$178,890	\$187,063	\$192,674	\$198,454
Hotel	8,447	8,996	9,445	9,729	10,021
Food & Beverage	19,310	20,197	21,120	21,754	22,407
Gift Shop	513	537	561	600	600
Other (net)	1,710	1,789	1,871	1,900	2,000
Total Revenue	\$201,015	\$210,409	\$220,060	\$226,657	\$233,482

Source: GVA Marquette Advisors

FINANCIAL ANALYSIS AND PROJECTIONS

Estimates of cash flow from operations before debt service, fees and distributions have been prepared for the first five years of operation for the gaming complex. The estimates and assumptions used were derived from the analyses performed in this study along with analyses of the historic operations of comparable operations.

Table 29

Consortium Casino Projected Cash Flow(1) (\$000)					
	Year 1	Year 2	Year 3	Year 4	Year 5
Revenue	\$201,015	\$210,409	\$220,060	\$226,657	\$233,482
Departmental Expenses	(59,055)	(61,584)	(64,155)	(66,078)	(68,060)
Undistributed Expenses	(45,136)	(46,424)	(47,756)	(49,190)	(50,665)
Cash Flow Before Debt Service	\$96,824	\$102,401	\$108,149	\$111,389	\$114,757

1. Excludes state revenue sharing

Source: GVA Marquette Advisors

Please note that the above projected cash flow does not include any estimates of state revenue sharing components.

3-84

It is important to note that the projected market performance under both methods is based upon the level of development projected. If more gaming were to be developed, the market potential and participation rates would increase, but the average win/patron would decrease somewhat.

Kansas City riverboat casinos experienced average wins per gaming position ranging from \$133 to \$223 per day in fiscal year 2002, for an average of \$178 per position. Anticipated expansions in the near future, when added to the 2,920 positions recommended for the subject casino, will result in a 40 percent increase in the number of gaming positions in the Kansas City market. Based on the results of our market analysis, we project that the combination of the new gaming facilities and their respective marketing programs, and the area's projected population growth will result in about a 21 percent increase in the market's gaming win. Consequently, we project that the overall market's average win per position will decline to about \$154.

The Consortium Casino will be the only land-based casino in the Kansas City market. As such, it will be able to present all of its gaming devices on one continuous floor and disperse its restaurants and other amenities throughout the gaming area. This layout will be superior to the riverboat casinos whose gaming floors are multi-level and amenities are separated from the gaming areas. The site also has some unique characteristics that will result in the subject casino capturing a significant number of tourists and other people who live outside of the local market area.

If the new Consortium casino was to capture its fair share of the identified market potential, based on the ratio of its gaming positions to the projected future total number of gaming positions in the primary market, it would capture 22.7 percent of the area's gaming patrons. Based on our analysis, we have estimated that the new casino should capture 26.4 percent of the potential market, which represents a 16.8 percent premium above its fair share. This market share translates to an estimated 3,353,000 patron visits per year.

The subject casino is projected to experience an average daily win per position ranging from \$160 to \$186 over the first five years of its operation.

We estimate that a 250-room hotel located at the Consortium casino and supported by an effective marketing program utilizing its player club, could achieve a 90 percent annual occupancy by its third year of operation.

The planned hotel should be able to achieve room rates equivalent to the rates charged by the two competitive casino hotels, ranging from \$89 to \$99 on weekdays and \$159 to \$199 on weekends in current dollars. The hotel's overall average rate will be affected by its market mix and the rate that the casino reimburses the hotel for its comped rooms.

The hotel's average daily room rate is estimate to be about \$105 in its third and stabilized year of operation.

STAR Bonds

Indirectly, the proposed complex will also have some level of impact on neighboring businesses. Based on our evaluation of the planned businesses and entertainment venues in the area, we expect that casino patrons are likely to have the most significant impact on Cabela's, The Legends at Village West Shopping Center, Great Wolf Lodge and Anniversary Inn, as well as the Kansas Speedway and Kansas City T-Bones Baseball Team. The increase in sales at these businesses will be subject to sales tax, resulting in an increase in sales tax revenues and having a positive impact on the STAR Bonds program established to support development of the Entertainment District.

It is very difficult to predict the future expenditure behavior of projected casino patrons. However, utilizing a conservative approach, we have derived an estimated total impact of the casino facility on these selected Village West businesses of approximately \$4.75 million per year. Multiplying this amount by the sales tax rate of 7.3 percent results in a projected \$350,000 per year in new sales tax revenue in support of STAR Bonds. Our estimate is based on an approach which estimated the casino's impact on roomnights and revenues at the nearby hotels, as well as a capture rate and average-spend estimate applied to casino visitors for Cabela's and the Legends Shopping Center. For a detailed outline of our approach and calculations, please refer to the table provided in the addenda at the end of the report.

Labor Issues.

The Tribes have envisioned construction of a leading destination resort that will attract patrons from throughout the Midwest. However, they have not forgotten about their responsibility to the 2,500 men and women who will build this facility and 1,500 or more who will find employment opportunities of significance at the tribal casino and hotel development.

The facility will be constructed with 100% union labor paid prevailing wages. Minority hiring practices will be instituted with an emphasis placed upon hiring local subcontractors and recruiting workers from Wyandotte County.

Illustrative of the importance of this commitment are two letters written to Governor Sebelius from Mr. Garry Kemp of the Greater Kansas City Building and Construction Trades Council, AFL-CIO and a related newspaper article from the *Kansas City Star*. The Tribes initiated a dialogue with labor leaders early in this project and continue to keep in contact with these individuals as this project moves forward.

While other gaming proponents have paid lip service to union labor or remained silent on this important issue altogether, the Tribes have actively sought the support and input of key labor leaders for this project and are proud of their strong support. These commitments are embodied in the agreements between the Unified Government, their construction contractor (J.E. Dunn Construction) and in their continued demonstrated actions supportive of union and local citizen involvement with this project.

KansasCity.com

Posted on Tue, Nov. 04, 2003

LABOR SCENE: Union group backs tribes' casino plans

By RANDOLPH HEASTER
The Kansas City Star

The umbrella group for the area's construction unions has endorsed the Kansas casino-resort development proposed by the **Kickapoo Tribe** and the **Sac and Fox Nation**.

Garry Kemp, business manager and executive secretary of the **Greater Kansas City Building and Construction Trades Council**, recently sent a letter to Kansas Gov. Kathleen Sebelius asking her to make the project a priority in her administration.

Earlier this year, the two tribes unveiled the proposal for a \$175 million casino-resort complex to be located near **Kansas Speedway** that would include a 250-room hotel. It is one of four competing casino proposals for Wyandotte County being examined by a state committee.

Other casino projects have been proposed by **The Woodlands**, the **Wyandotte Tribe of Oklahoma** and the **Delaware Tribe of Indians**.



Although Kemp said the labor council did not oppose any casino project proposals, the group thought the plan presented by the Kickapoo and the Sac and Fox had the best chance of succeeding and generating revenue for the county and state.

The two tribes are indigenous to Kansas and already operate casinos in the state, Kemp noted.

In addition, their proposal is close to the speedway as well as the **Village West** development, where tourist-friendly retail outlets such as **Cabela's** and **Nebraska Furniture Mart** are located.

"This project would truly make it a destination package for the Midwest," Kemp said. "It would be far more than just a casino. There would be a full complement of things to do."

Of course, the prime reason for the council's endorsement is the potential for new construction jobs. Kemp estimated that the area jobless rate for construction workers was between 11 percent and 15 percent.

"Quite honestly, for the building trades, these are jobs we need in a down construction economy," he said.

In his letter to Sebelius, Kemp described the council's top three priorities as ``jobs, jobs and jobs."

Another key factor for the council backing the Kickapoo-Sac and Fox project is that the tribes have an agreement that union contractor **J.E. Dunn Construction Co.** be the lead builder.

3-88

"We want to do everything by union labor," said Emily Conklin, vice chairwoman for the Kickapoo Tribe. "That's what we want to see in this project."

Kemp said he did not know whether such a commitment to use organized labor was made by any of the other competing proposals.

"You could say we have a great deal of interest in all of the projects, but we think this one by the two tribes has the most likelihood of making its way through the entanglements of the local, state and federal bodies," he said.

But Kemp and other observers acknowledged that building a casino-resort anytime soon in Wyandotte County remained a long shot. Lawmakers serving on the **Governor's Gaming Committee** have stated that the lack of unity behind a single plan most likely will derail the prospects of a new gaming facility in Kansas.

"My fear is that there are so many competing interests that in the short term we may not see any type of legislation going forward in Kansas," Kemp said.

Nursing careers

Area residents interested in nursing careers are invited to a panel discussion on the profession at **Maple Woods Community College**.

The program will be from 2 to 3:30 p.m. Wednesday in Room 132A of the college's Campus Center, 2601 Barry Road.

The panel will provide information about the nursing profession, including requirements for entering nursing school, admissions procedures, financial aid options, salaries and employment opportunities.

Panelists will include nurses and educators from area nursing schools, such as **William Jewell College; Research College of Nursing; St. Luke's College of Nursing; Avila College; Central Missouri State University; Missouri Western State College** and **Penn Valley Community College**.

The program, sponsored by the **Maple Woods Student Development Center**, is free. Registration is not required. For more information, call (816) 437-3126 or (816) 437-3056.

To reach Randolph Heaster, call

(816) 234-4746 or send e-mail to

rheaster@kcstar.com

Greater Kansas City Building and Construction Trades Council, AFL-CIO

Affiliated With The Building and Construction Trades Department
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September 19, 2003

Boilermakers No. 83

Bricklayers No. 15

Carpet & Linoleum
Layers No. 1179

Cement Masons &
Plasterers No. 518

Electricians No. 124

Elevator Constructors No. 12

Glaziers No. 558

Heat and Frost Insulators No. 27

Insulation Production
Workers No. 1

Laborers No. 264

Laborers No. 663

Laborers No. 1290

Operating Engineers No. 101

Painters D/C No. 3

Pipe Fitters No. 533

Plumbers No. 8

Roofers No. 20

Sheet Metal Workers No. 2

Sign Painters No. 820

Sprinklerfitters No. 314

Sprinklerfitters No. 669

Teamsters No. 41

Teamsters No. 541

Honorable Governor Kathleen Sebelius
300 SW 10th Avenue Suite 212S
Topeka, KS 66612

Dear Governor Sebelius,

The State of Kansas faces serious economic challenges in the next few years. With this economic uncertainty, it is imperative that we vigorously pursue revenue enhancement and job creation opportunities.

Clearly the Intertribal Gaming Management Consortium proposal for a destination resort hotel and casino near the Village West development in Wyandotte County represents the only compelling and proven revenue opportunity for the State.

First and foremost, this proposal is the only one substantiated by a comprehensive market analysis of the Kansas City area gaming market by a nationally recognized firm GVA Marquette Advisors of Minneapolis. This market study utilizes a long used and reliable economic forecasting model developed by the Federal government. In fact the nation's leading financial institutions have concurred with the conclusions of this analysis and its potential for revenue for the tribes and the state. All other proposals for commercial gambling in Kansas are not supported by such a market study and all claims of revenue enhancement for the State are speculative or perhaps even wildly inaccurate.

The Intertribal proposal is ideally situated in an area adjacent to the Kansas Speedway. The destination resort and casino will be a perfect "hand in glove" development for the area and will greatly enhance the ability of the State to attract out of state patrons and tourist

dollars.

The entire area and the State will benefit from the development of this proposal. As the market study confirms it will in fact create an enviable regional and national tourist destination. Economic growth will inevitably be exponential, and the economic benefits will be immediate for Wyandotte County and the taxpayers of the State.

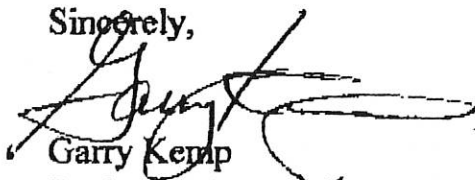
Given the current economic downturn it is incumbent upon state governments to maximize revenue enhancement opportunities. This proposal will enhance and accelerate the economic rebirth of Wyandotte County. The benefit will be immediate for the taxpayers who have long endured high property taxes because of a depressed and dwindling tax base.

Unlike other proposals, the Intertribal partners proposal is by Kansans and for Kansans. All the gaming profits will stay in Kansas, and it is owned and operated by Kansas Kickapoo Tribe and the Sac and Fox Nation. This is not a proposal by a corporation with out of state stockholders or owners with no commitment to the future of Kansas. It is a proposal by people who are deeply committed to their community and their future for the benefit of the state in which they live and work.

The three top priorities of the Greater Kansas City Building & Construction Trades are jobs, jobs and jobs. Our support for this project is based on the fact that this is the best and only proposal which will continue economic revitalization. Under your leadership this project will put people back to work in construction initially, but will also create jobs with a future.

As Governor, you have proven yourself as an effective leader and spokesperson for the working people of Kansas. This project has the potential with job creation and revenue enhancement opportunities of being another innovative Sebelious success story. We urge you to accelerate this project as a top priority of your administration.

Sincerely,



Garry Kemp

Business Manager/Executive Secretary

GK/sjo
opeiu 320
afl-cio

Greater Kansas City Building and Construction Trades Council, AFL-CIO

Affiliated With The Building and Construction Trades Department

400 SOUTH MAIN
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President
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Vice President
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Boilermakers No. 83

April 2, 2003

Bricklayers No. 15

Carpet & Linoleum
Layers No. 1179

Cement Masons &
Plasterers No. 518

The Honorable Kathleen Sebelius
Governor of Kansas
State Capitol Building, Room 212-South
Topeka, Kansas 66612

Electricians No. 124

Elevator Constructors No. 12

Dear Governor Sebelius,

Glaziers No. 558

Heat and Frost Insulators No. 27

On behalf of the Greater Kansas City Building & Construction Trades Council, it's affiliated craft locals and thousands of organized craft persons in Eastern Kansas this communication is regarding the important issue of gaming in Wyandotte County.

Insulation Production
Workers No. 1

Laborers No. 264

As you are well aware, organized labor has been a proponent of expanded gaming in Kansas for a number of years. For years, many of our colleagues have lent their support to legislation authorizing slot machines at pari-mutuel tracks in Kansas. And for the past decade or more, each and every year the Kansas Legislature has rejected those proposals.

Laborers No. 663

Laborers No. 1290

Operating Engineers No. 101

When first proposed, slot legislation was intended to provide purse supplements to horse and greyhound owners and increase patronage for the tracks. Sometime during the past ten years the debate has transitioned from a means to supplement breed purses to a way to enrich track owners who purchased their facilities in bankruptcy or at the low end of pari-mutuel popularity in Kansas for pennies on the dollar. It is time to take a closer look at expanded gaming and reevaluate the options available to Kansas.

Painters D/C No. 3

Pipe Fitters No. 533

Plumbers No. 8

Roofers No. 20

Sheet Metal Workers No. 2

Members of the Greater Kansas City Building and Construction Trades Council would urge you to give serious consideration to the proposal before you from the Kickapoo Tribe and the Sac and Fox Nation for a \$175 million destination resort, spa and casino to be located near the Kansas Speedway in Wyandotte County. Their proposal is the only gaming proposal that can provide true destination resort amenities and compete for tourism dollars throughout the Midwest United States. Slot machines at pari-mutuel tracks cannot compete against Missouri river boats and certainly will not attract patrons from beyond the greater Kansas City area. Other freestanding casino proposals presently before the 2003 Kansas Legislature

Sign Painters No. 820

Sprinklerfitters No. 314

Sprinklerfitters No. 669

Teamsters No. 41

Teamsters No. 541



lack constitutional authority for their grandiose plans and have questionable financing.

Although the tribes have agreed to share revenues from this project with the State of Kansas and Wyandotte County, the most important aspect of this project is the jobs it will create, both construction jobs and permanent employment after the project is completed as well as ancillary development surrounding the tribes' development. Construction employment is estimated to peak at 1,500 workers during the three-year construction phase. The facility will employ over 3,000 people once the doors open to the public.

A development such as this will also be a tremendous boost to the local economy of Wyandotte County and the State of Kansas through ongoing purchases of goods and services, significant tax revenues, payroll, additional construction and other economic benefits associated with a development of this magnitude.

The size and quality of the tribes' proposal is uniquely designed to compliment other development in the area of the Village West properties of Eastern Wyandotte County, including the Kansas Speedway, Cabela's, Great Wolf Lodge, the T-Bones Baseball, Nebraska Furniture Mart and others either under construction or in planning stages. Anything less in quality of design will be a step backwards for the most powerful economic development engine in the Midwest.

Finally, we would be remiss if we did not offer a few comments on the potential impact of other gaming proposals for this area. We have read comments attributed to your office indicating you are not supportive of "exclusivity" for gaming proposals in Kansas. Comments from a representative of The Woodlands recently disclosed to a Senate Federal and State Affairs Subcommittee that their pro forma indicated the Kansas City, Kansas gaming market could sustain only one major gaming facility in that area. Other independent analyses of the Kansas City market support that statement. That statement from The Woodlands would seem to indicate they believe there should be exclusivity in the Kansas City, Kansas market. We agree. However, we do not agree that it should be slot machines at the local pari-mutuel track.

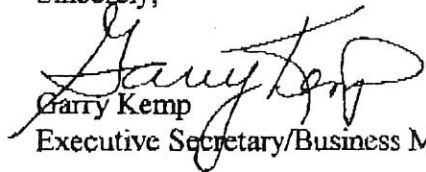
Kansas will have but one opportunity to authorize expanded gaming "the right way". Approving slot machines at pari-mutuel tracks virtually assures the Legislature will have to revisit expanded gaming in the years to come as track owners seek to obtain legislative approval for additional games of chance at their facilities, further pushing the bounds of the Kansas Constitution and its requirement for non-tribal gaming in Kansas to be "State Owned and Operated".

The Kickapoo Tribe and the Sac and Fox National have the legal ability, the gaming experience and the financial means to develop expanded gaming in Wyandotte County "the right way". On behalf of the Greater Kansas City Building and Construction Trades Council, I urge you to work with the tribes to develop their project in our state, not slots at pari-mutuel tracks.

Please do not hesitate to contact me if I can provide you with additional information on the importance of this project for the workers of Kansas.

Thank you.

Sincerely,


Garry Kemp
Executive Secretary/Business Manager

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afl-cio

Kansas Racing and Gaming Commission
Live Horse - Greyhound Handle 1990-2006

Calendar Year	Woodlands		Wichita		Camptown		Eureka		Anthony		Total		Total Live Handle
	Live Horse	Live Greyhound	Live Horse	Live Greyhound	Live Horse	Live Greyhound	Live Horse	Live Greyhound	Live Horse	Live Greyhound	Live Horse	Live Greyhound	
1990	42,152,428	155,200,855	-	74,280,861	-	-	1,721,494	-	-	-	43,873,922	229,481,716	273,355,638
1991	34,502,525	135,237,464	-	77,231,583	-	-	-	-	-	-	34,502,525	212,469,047	246,971,572
1992	11,695,835	133,833,288	-	68,706,091	-	-	-	-	-	-	11,695,835	202,539,379	214,235,214
1993	7,021,825	130,807,474	-	65,861,755	-	-	-	-	125,456	72,026	7,147,281	196,741,255	203,888,536
1994	6,273,623	104,360,787	-	62,923,902	-	-	615,901	-	113,623	56,615	7,003,147	167,341,304	174,344,451
1995	2,843,882	48,441,680	-	52,091,546	-	11,806,117	358,496	-	100,136	45,069	3,302,514	112,384,412	115,686,926
1996	1,885,916	29,612,132	-	38,864,774	-	-	361,044	-	86,505	48,674	2,333,465	68,525,580	70,859,045
1997	1,521,808	20,420,020	-	28,749,148	-	-	367,567	-	117,853	64,628	2,007,228	49,233,796	51,241,024
1998	1,461,998	18,071,004	-	29,508,617	-	-	319,214	-	99,426	61,634	1,880,638	47,641,255	49,521,893
1999	1,301,648	18,137,794	-	23,815,171	-	-	347,034	-	100,079	41,895	1,748,761	41,994,860	43,743,621
2000	1,279,216	17,032,112	-	16,961,518	-	1,958,151	308,087	-	100,252	59,029	1,687,555	36,010,810	37,698,365
2001	1,266,964	12,477,138	-	12,204,006	-	-	349,440	-	94,044	49,299	1,710,448	24,730,443	26,440,891
2002	1,444,487	13,636,774	-	11,610,357	-	-	291,934	-	88,261	80,136	1,824,682	25,327,267	27,151,949
2003	1,849,327	14,880,892	-	9,436,065	-	-	306,606	-	112,788	69,011	2,268,721	24,385,968	26,654,688
2004	1,842,343	13,325,192	-	8,103,935	-	-	290,208	-	155,358	92,219	2,287,909	21,521,346	23,809,254
2005	1,458,278	11,751,730	-	6,654,562	-	-	281,529	-	103,081	56,547	1,842,888	18,462,838	20,305,726
2006	1,518,298	10,052,098	-	4,922,320	-	-	260,538	-	58,640	68,825	1,837,476	15,043,242	16,880,718

HEIN LAW FIRM, CHARTERED

5845 SW 29th Street, Topeka, KS 66614-2462

Phone: (785) 273-1441

Fax: (785) 273-9243

Ronald R. Hein
Attorney-at-Law

Email: rhein@heinlaw.com

Testimony re: HB 2569
House Federal and State Affairs Committee
Presented by Ronald R. Hein
on behalf of
Prairie Band Potawatomi Nation
March 13, 2007

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

PBPB opposes HB 2569.

PBPB Position and IGRA

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

Tribal Gaming Generates Tax Revenue and Economic Development

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

The myth that no taxes are generated from Tribal gaming exists because some people believe that Native Americans do not pay taxes. So there is no misunderstanding, all Tribal members pay federal income taxes. Regarding state income tax, only those Tribal members who both work and live on the reservation are exempt from state income taxes. Any Tribal member who lives off the reservation but works on the reservation and any Tribal member who lives on the reservation but works off the reservation pays state income taxes. A very small percentage of Tribal members both live and work on the reservation. Lastly, Tribal members pay sales taxes on purchases made off the reservation, which are virtually all purchases by tribal members.

Gaming is one of the few tools provided by federal and state law for Indian reservations to generate economic development and revenue necessary to run gov
Other communities have expressed a need for gaming in order to help development. The areas being served by Tribal gaming and the reser

FEDERAL AND STATE AFFAIRS

Date 3-14-07

Attachment 5

severely economically disadvantaged before Tribal Gaming. Prior to IGRA gambling, unemployment ran as high as 78% on the PBPB reservation. Today it is 6%, with most of the vast majority of the jobs being non-casino jobs.

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

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

Gambling History and the Slippery Slope

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

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

Gambling Expansions Effect upon Economic Development and the State

In estimating revenue benefits to the state of Kansas from gambling, 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 gambling. Also, our own studies show that the economy of our Tribes will be seriously impacted by expanded gambling.

Our studies also indicate that of the total market for gambling 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 gambling without determining how much of the revenue generated by expanded gambling will come from dollars already being spent at other businesses within the state, and how much state and local tax revenues will be lost from those businesses.

Governor's Gaming Committee Findings

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

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

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

The Governor's Gaming Committee also noted the following:

"Because the Kansas Constitution generally prohibits gambling, 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 **gambling 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 gambling presents the state with significant ethical and economic risks. The state should thus enter this territory with extreme caution.**" [Emphasis applied.]

HB 2569 Is Not the Way To Expand Gambling

1. **Governor's Gaming Committee** HB 2569 does not meet the findings or the recommendations of the Governor's Gaming Committee. The Governor's Gaming Report clearly supported a single destination casino in Wyandotte County.
2. **Economic and Ethical Risks** HB 2569 is dangerous because of the economic and ethical risks that are created by gambling, as noted by the Governor's Gaming Committee, [which found such risks with only **one** state-owned casino, let alone with the plethora of casinos and slots provided for in this bill]. This bill will allow for an unknown number of casinos.
3. **Lost State Revenue** You have all heard the proponents boast about how much revenue will result from expanded gambling. 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 gambling. Previous calculations on bills similar to HB 2055, which you heard yesterday, have indicated that \$727 million, or **three quarters of a billion dollars** would be taken out of the existing economy. 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 would this legislature be in a position to determine how many casinos and where they should be located in the state of Kansas.

I am unclear of the numbers for HB 2569, but the message of economic development is still the same. Some protection needs to be incorporated to insure that gambling casinos bring in new revenue from out of state. I would recommend that casinos be required to provide at least 60% of their revenue from out of state money, or return of existing Kansas money which is currently going out of state. With a requirement lower than that, you are simply replacing existing economy dollars into gambling dollars. And, by its nature, as pointed out by professor Bill Thompson, the gambling business already exports a lot of money. Money will be exported by the purchase of slots machines, all of which are built only in Nevada, and much of the revenue diverted to private operators, many of whom are from out of state, will also be diverted away from the Kansas economy.

For Kansas to have any net gain from gambling will necessitate requirements in the legislation, or in the constitution, that the gambling casino be big enough to attract out of state revenue, and that the location of the casino be such that out of state revenue will result.

4. Experience In previous bills, the Senate unanimously adopted an amendment that any company seeking to operate any of the gambling facilities needs to have at least three years experience in operating Class III gambling. That policy makes 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.

Any gambling bill should require that class III gambling operators, whether the state or not, have at least three, or even preferably five or ten years experience, in operating a Class III casino. Any bills which provide for slots at the tracks, or for a new parimutuel track, should require either experience in operating Class III gambling or experience in operating parimutuel tracks, as the case may be.

HB 2569 Provision Necessary If Kansas Is Ever to Approve Legal Gambling

1. No Slots at Tracks HB 2569 properly recognizes that slots at the tracks detract from the success of destination casinos, and create the risk that a large enough and attractive enough casino will not be built in order to attract economic development from out of state.

2. Market survey HB 2569 provides for a market study. It is ludicrous for the legislature to entertain any legislation drafted by lobbyists for gambling operators who are representing the selfish interests of their clients. I testified before the legislature 10 years ago, that if the legislature and the state is going to be serious about expanding gambling, the legislature should hire some experts on gambling, and seek their private advice and

counsel on how the state should go about conducting gambling in the state, both from an economic standpoint as well as from a social policy standpoint. Thus far, the legislature has hired no experts of their own, and has entertained legislation drafted by gambling promoters who have written the most self serving legislation this or any legislature has ever seen on this or any other subject. This legislature needs to know what the approach should be, how many casinos should be built, how many slots at each location, and what the amount of take to the state should be before making political decisions on where you want casinos. You also need to be apprised of all of the economic impact of expanded gambling, and all of the social costs of expanded gambling, so that you, as legislators, can look at all of the governmental costs that will be involved. For those of you not on the Judiciary Committee, that committee now gets a prison bed count for every criminal sentencing or criminal punishment bill which is considered. You do that much for simple criminal bills. You should do that much or more for the social and economic costs that will be generated by expanded gambling.

Constitutionality—State-Owned and Operated

The Kansas Constitution is very clear that any casino must be “state owned and [state] operated”. The Governor’s gaming committee was also very clear that the state must “own and operate” the casino as required by the Kansas Constitution. The Kansas Constitution clearly states that casino gambling, as a lottery, must be owned and operated by the state of Kansas. This is to be distinguished from parimutuel racing which can be conducted constitutionally by private operators because the language authorizing parimutuel wagering in the Constitution clearly refers to parimutuel being “licensed and regulated by the state”, not “owned and operated” by the state.

HB 2569 does not utilize as much smoke or as many mirrors as HB 2055 to attempt to obfuscate the simple fact that private operators are being contracted to operate these gambling facilities, but HB 2569 clearly uses a licensing mechanism to establish the destination casinos, which, again, is clearly unconstitutional.

The oath of office sworn by every legislator on this committee and in the legislature reads as follows:

We, and each of us, do solemnly swear or affirm, that we will support the constitution of the United States and the constitution of the State of Kansas, and faithfully discharge the duties of the office of Representative of the State of Kansas, so help us God.

It would be a violation of your oath of office to vote for an unconstitutional bill such as HB 2569, which clearly establishes privately operated casinos in the state, contrary to the Kansas Constitution.

All of the references to management contracts and to the privilege of winning these contracts makes clear that all the state is doing is licensing and regulating these privately operated casinos. The state is not owning and operating these casinos. If the state owns and operates the casino, the state would be realizing all of the revenue which is being deferred to private operators under this bill.

This committee and this legislature have three options available to you if you want to expand gambling in this state: 1) you can establish a truly state owned and operated casino, which would meet constitutional muster, but which the public does not really

support; or 2) the Governor can approve off reservation casinos for native American Indian Tribes pursuant to the federal Indian Gaming Regulatory Act [which, would require legislative approval by concurrent resolution and approval of the Bureau of Indian Affairs, at the Department of Interior] or 3) the legislature can approve a constitutional amendment to allow the development of privately operated casinos [which, of course, would have to be voted on and approved by the voters of the state].

Passing a simple bill which provides for privately operated casinos is not an option, and the fact that the legislature has even entertained such an option for 13 years is, in my opinion, simply a matter of the public not being adequately informed by the Governor, the news media, or others, of the requirement that casinos be state owned and operated. Numerous media and numerous public officials have surveyed the public if they support gambling or not, but the media and those pushing gambling for their own selfish monetary interests have not done anything to educate the public about the Kansas Constitution, or the fact that these types of bills are clearly unconstitutional.

From a policy perspective, if the state is going to initiate state-owned and operated gambling, why doesn't it simply establish state-owned and operated gambling, 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.

Problem Gambling

It is well accepted that approximately 2-3 % of the public are either problem gamblers or compulsive gamblers. But, what is not realized, is that problem and compulsive gamblers can account for as much as 63 % of gaming revenue. So although many policy makers think that problem gambling addiction disorders are simply a problem with a limited number of people, policy makers have yet to come to the realization of the scope of the problems associated with gambling addiction. I will not review all of the studies here today, but I urge this committee and the full legislature to further explore the issues with problem gambling, and if that is done, I am confident that the legislature will be less excited about increased gambling in Kansas.

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

If gambling is to be expanded in Kansas, it should involve a constitutional process, either legislation must be purely state owned and operated casinos, or the legislature must approve a constitutional amendment allowing privately operated casinos. And if a constitutional amendment is to be passed, the legislature should look at the policy issues. Last year, Bill Thompson, an internationally recognized expert of gambling, and a professor at the University of Las Vegas, testified to the Senate Commerce Committee and stated that if the state is going to expand gambling, the state should focus on destination casinos only, because slots at the tracks draw away from the quality of destination casinos. Destination casinos are the appropriate way to attract economic development. Otherwise, all you have is a bunch of slot machines sucking money out of the existing economy of the area and the state. So, the legislature should establish a minimum amount to be spent on the destination casino, and it should be at least \$250 million.

Professor Thompson also noted that putting gambling facilities everywhere does not work, and that economic development results from placing the destination casinos in areas which will draw new revenue to the state. So the legislature should ensure that a certain percentage of revenue for any casino to be built, should come from out of state. Otherwise, the casino is simply hurting existing businesses, and not providing any economic development. Gambling should not be omnipresent, nor should it be substituted for or operated to the detriment of other businesses which have made Kansas great.

Lastly, the policy goal of the legislature should be to maximize revenue to the state, both from the taxes paid by the gambling operation, but also by the attraction of new revenue and/or businesses to Kansas. The goal should definitely not be to maximize revenue to a few individuals who privately operate the casinos. And, any legislation should be drafted by the state, AFTER retaining qualified experts, to benefit the state, not to benefit the clients of any gambling lobbyists who have drafted past proposed legislation.

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

Lana Oleen Consulting Services LLC
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Manhattan, KS 66502
Phone (785) 341-3623
Fax (785) 537-9198

Comparisons / Observations of HB 2569
House Federal and State Affairs Committee
March 13, 2007

My name is Lana Oleen, and I serve as a consultant for the Prairie Band Potawatomi Nation (PBPN). In my 16 years in the Kansas Senate, I served as chair of the Senate Federal and State Affairs Committee for 8 years and Senate Majority Leader for 4 years. In addition, I was a founding member and the elected National Vice President of the National Council of Legislators from Gaming States (NCLGS) for 9 years. I offer these observations and comments relative to today's hearing.

- Committee responsibility – awesome task
- Components of bill – definitions, allocations
- New, smarter generation model of gaming
- Executive Director/Regulation and Oversight critical
- Feasibility / Research Essential
- Border Wars – check them out
- Destination Casino(s) – Don't dilute (\$250 million-limited)
- Meet "State-owned and, state-operated" requirement for constitutionality, or change Kansas Constitution by vote of the people of Kansas

Thank you for allowing me to share my perspective and experience with you today.

FEDERAL AND STATE AFFAIRS

Date 3-14-07

Attachment 6

KANSAS RACING, L.L.C.
d/b/a The Woodlands
9700 Leavenworth Road
Kansas City, KS 66109
913/299-9797 ~ Fax: 913-299-9804

March 13, 2007

Representative Arlen Siegfried
The Honorable Chairman of the House
Federal & State Affairs Committee
State of Kansas
Topeka, KS 66612-1590

Dear Representative Siegfried:

This letter is to inform you that the Woodlands Racetrack opposes any gaming bill that does not include slots at pari-mutuel facilities.

In view of the fact that we will have to close if we are not included in any gaming legislation, the economic advantages to the State of Kansas of allowing only destination casinos would be off-set by the loss of jobs, tax revenues and the horse and dog industries in Kansas. This development would greatly reduce or eliminate any economic development that two destination casinos would bring to Kansas.

We strongly encourage the committee to favor legislation that would include the tracks.

Very truly yours,

KANSAS RACING, L.L.C.
d/b/a The Woodlands

Larry Seckington
Legal Counsel

LS/pjm

FEDERAL AND STATE AFFAIRS
Date 3-14-07
Attachment 7



COUNTY MANAGER'S OFFICE

Sedgwick County Courthouse
525 N. Main, Suite 343
Wichita, KS 67203
Phone (316) 660-9393
Fax (316) 383-7946
aschlapp@sedgwick.gov

Andrew J. Schlapp
Director, Government Relations

TESTIMONY HB 2055, 2568, and 2569
House Federal and State Affairs Committee
March 13, 2007

Chairman Siegfried and members of the committee, my name is Andy Schlapp, Director of Government Relations for Sedgwick County. Thank you for the opportunity to provide written testimony. Harvey, Sedgwick, and Sumner Counties have created the South Central Coalition for Fair Play to work for the inclusion of South Central Kansas in any state legislation on expanded gaming and destination resort casinos.

The Board of County Commissioners of Sedgwick County passed a resolution on February 28, 2007, that I have included as back up. The resolution urges legislators to recognize this Coalition as a strong voice for the inclusion of South Central Kansas counties in any legislation that offers the opportunity for expanded gaming in Kansas, subject to a county referendum.

Sedgwick County's legislative platform continues to be: in the event the State approves expanded gambling, in any form, such as but not limited to casinos, Sedgwick County citizens deserve and should be afforded the opportunity to vote on whether said expanded gambling is appropriate in Sedgwick County. The Board of County Commissioners strongly supports allowing the citizens to vote in a binding election on the question of whether or not expanded gaming should be allowed in Sedgwick County. Furthermore, any legislation that is enacted for expanding gambling must, at a minimum, provide sufficient revenue to Sedgwick County to offset increased social costs to our community.

Thank you again for the opportunity to testify on behalf of the citizens of Sedgwick County and South Central Kansas.

FEDERAL AND STATE AFFAIRS

Date 3-14-07

Attachment 8

"...Working for you."

Feb. 27, 2007

**RESOLUTION IN SUPPORT OF
THE FORMATION OF THE
SOUTH CENTRAL COALITION FOR FAIR PLAY
TO WORK FOR THE INCLUSION OF SOUTH CENTRAL KANSAS IN ANY
STATE LEGISLATION ON
EXPANDED GAMING AND DESTINATION RESORT CASINOS.**

WHEREAS, the 2007 session of the Kansas Legislature is considering a bill that would renew the Kansas Lottery; and

WHEREAS, the 2007 session of the Kansas Legislature is considering a bill that would allow destination casinos in Southeast and Northeast Kansas counties that border Missouri and at the same time place a non-gaming moratorium on all other Kansas counties, including those in South Central Kansas, and

WHEREAS, two South Central Kansas counties have had an advisory vote expressing their desire to locate a destination casino in their respective Counties; and

NOW, THEREFORE, BE IT RESOLVED, the Sedgwick County Commission agrees to the formation of and participation in the South Central Coalition for Fair Play to work for the inclusion of South Central Kansas in any state legislation on expanded gaming and destination resort casinos. The Commission also urges Sedgwick County legislators to recognize this coalition as a strong voice for the inclusion of South Central Kansas counties in any legislation that offers the opportunity for expanded gaming in Kansas, subject to a county referendum.

**Park Lanes
Family Fun Center**

7701 Renner Road
Shawnee, Kansas 66217
Phone: 913-248-1110
Email: rbjohannes@aol.com

**Ranch West
Bowling Center**

8201 State Ave.
Kansas City, Kansas
Phone: 913-299-1110

March 14, 2007

Good Afternoon:

Mr. Chairman and members of the committee, thank you for allowing me to speak before you today. My name is Bob Johannes, owner of Park Lanes and Ranch West Bowl in Shawnee and Kansas City. I am a second generation bowling proprietor in the State of Kansas completing our 50th year in October serving family entertainment to Kansans. I am testifying in opposition to House Bill 2568 concerning expanded gaming in the state of Kansas.

The main issue for the opposition is the fact that this proposal limits gaming to a few casino and or race track facilities. This in effect is a government-supported monopoly. I believe any type of business, large or small, would like to have the government protect them from competition. This bill ignores the impact that these types of facilities have on small entertainment businesses such as bowling centers, movie theaters, and restaurant and bar facilities, which have been a major part of the entertainment industry in the state of Kansas. The fact of the matter is that if the destination casinos or tracks wanted to add a bowling venue to attract additional customers they could. Would bowling centers be allowed to add a gaming venue to compete with them, **NO** they could not. I do not see how any of you as trusted guardians of our state economy can not see that helping create a monopoly with expanded gaming is **WRONG**.

There are 112 bowling centers in the State of Kansas with a combined investment in excess of \$150,000,000. My two centers alone pay over \$140,000 in real estate and personal property taxes each year and an additional \$200,000 plus in sales and liquor taxes.

Bowling centers also have long been a source of fund raising throughout the state. Hundreds of thousands of dollars are raised annually for organizations each year, from little league baseball and football teams to large scale fund raisers such as El Centro in Kansas City, Kansas. Just last week El Centro held their annual fundraiser at our facility and raised in excess of \$35,000 for their organization.

FEDERAL AND STATE AFFAIRS

Date 3-14-07

Attachment 9

Kansas bowling centers are now providing our high schools with the playing field for varsity bowling at NO COST to the schools. There were 62 high schools participating in high school bowling this year, making bowling the fastest growing new high school sport in not only Kansas but the United States. The cost for a center to provide this is between \$10,000 and \$12,000 per school which includes practice, matches and regional and state finals. Our two centers hosted 7 schools this year at a cost of over \$84,000 for my two centers. State wide the cost is over \$700,000 per year that the schools or the State of Kansas do not have to pay. At our state bowling proprietors meeting held last October, representatives from KHSAA spoke to our organization and relayed several inspiring stories where a students participation in high school bowling had turned them from a failing student in to passing "C" level student or better on their way to a much brighter future.

As you listen to all the testimony on how good expanded gaming would be for Kansas, I ask you to remember that there are other businesses who have contributed to Kansan's entertainment for many years and have supported Kansas with millions of dollars in taxes and charitable contributions long before gambling came on the scene.

Keep the playing field level, please do not give special consideration to a few gaming locations and control or limit their competition. To allow a few "destination" casinos and or race tracks with slot machines to operate as a state controlled monopoly protected from competition is wrong. If too much gambling is bad for Kansas society, then we should not have any additional gaming facilities. If you believe it is right for Kansas then regulate it and allow other entertainment facilities to participate on a level playing field.

I ask you to diligently consider the impact on long standing businesses in Kansas that will be greatly impacted by additional state controlled gaming.

Please do not move forward with House bill 2568.

Thank you for your time.

Bob Johannes

House Federal and State Affairs Committee

Testimony of Kenneth G. Lynch, Jr.
Owner of Holiday Lanes, Pittsburg, Kansas

Re: House Bill No. 2568

March 14, 2007

Mr. Chairman and Members of the Committee,

I thank you for giving me the opportunity to speak to you today. My name is Kenny Lynch, owner of Holiday Lanes in Pittsburg, Kansas. I am also the current President of the Kansas State Bowling Proprietors Association.

As a representative of all the small bowling centers in Kansas, the majority being located in small towns, I come here today in opposition to House Bill No. 2568, **in its present form**. I am here to talk about fairness, and the effects of this bill, in its current form, would have on existing businesses in the recreation and hospitality industry in Kansas.

My wife and I have owned and operated the bowling center in Pittsburg for 23 years. As members of a small community, we have done community service in many ways. We are contributors to many local charities, including Big Brothers and Big Sisters of Crawford County. We host the Bowl-a-Thon, which is their major fund-raising opportunity each year. Holiday Lanes also hosts fundraisers for the Chamber of Commerce, the Humane Society, Relay for Life, and on the corporate side, Employees Association for Superior Industries. We support our area school systems, with numerous donations of funds for various projects. Many area schools have a reading program that rewards the students through bowling. This involvement in our communities is repeated in every community across Kansas, by bowling centers and other recreation and hospitality businesses, as we try to make our towns a good place to live.

We are also taxpayers. Every year, our bowling center sends more money to the State of Kansas and local government, than we make in salary for ourselves. This is in the form of beverage taxes, property and income taxes, and lottery profits. We employ 20 to 30 people, who then pay Kansas Income Tax, making our small business a heavily taxed contributor, with over \$120,000 paid directly to the state.

We are not unique. This same scenario applies to every recreation business in Kansas, making the total dollar impact to our communities and Kansas significant. This participation is accomplished by people who have lived and worked in Kansas for many years, and mostly their entire lives. There are 112 bowling centers with 1,800 lane beds in Kansas; subsequently, the economic impact to charities, communities, and the State of Kansas reaches many millions of dollars.

FEDERAL AND STATE AFFAIRS

Date 3-14-07

Attachment 10

House Bill No. 2568 allows certain organizations to have video lottery machines and destination casinos to be put in place with full casino operations. This proposal is just a “feel good” approach to expanded gaming opportunities in Kansas, but it will be extremely harmful to independent recreation businesses, which pay full taxes to the State of Kansas. We are already faced with competition by the various bingo nights operated by the fraternal and religious organizations. The recreation business depends on discretionary spending. At a time when we face 15% to 20% annual increases in utilities, property insurance, and healthcare insurance, it is impossible to increase our prices at the same pace.

House Bill No. 2568 would mean that the Kansas Lottery would be coming to my community, **to directly compete with my recreation business**. At the same time, my taxpaying, lifelong business is prohibited, by Kansas law, to have the same opportunity. House Bill No. 2568 also **requires** destination casinos to develop entertainment facilities, i.e. bowling centers. The State of Kansas should not be in the business of picking economic winners and losers. The State of Kansas should not be competing with its own citizens in the recreation business. Instead, the State of Kansas should let us participate.

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

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

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

Members of the Committee, thank you for hearing us.