

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 20, 2007 in Room 313-S of the Capitol.

All members were present except:

Representative Steve Brunk- excused
Representative Forrest Knox- 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:

Phil Bradley, Executive Director, Kansas Licensed Beverage Association
Chuck Mageral, Free State Brewing Company
Denny Burgess, Thoroughbred Association
Jean Holthaus, Kansas Coalition on Problem Gambling
Duane Olberding, Kansas Coalition on Problem Gambling

Others attending:

See attached list

The Chairman opened the meeting requesting a motion for approval of the minutes from March 9th, 12th, 13th, and 14th.

Representative Ruiz moved the minutes of March 9th, 12th, 13th, and 14th be approved as read with a second by Representative Dillmore. Motion passed.

The Chair opened the floor for continuation of the hearing on **HB 2568** - Kansas destination casino act; destination casino commission; state owned and operated.

Denny Burgess, representing the Kansas Thoroughbred Association, presented testimony opposing **HB 2568**. Mr. Burgess opined that this bill would allow even more unfair competition for the racing industry which competes with other states that have slots at their tracks. It is his opinion that this bill should be amended by striking the entire bill and substituting **HB 2055**. (Attachment 8 turned in on March 19th)

Ron Hein, representing the Prairie Band Potawatomi Nation, again approached the Committee to speak in opposition to **HB 2568**. Mr. Hein related that expanded gambling would have a serious impact on the Tribes. He further stated that 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. They feel that 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. (Attachment 9 turned in on March 19th)

Mr. Hein also submitted a copy of an article from the Kansas City Business Journal entitled *Butler National Will Develop Dodge City Casino*. (Attachment 1)

With no other person wishing to speak to the bill, Chairman Siegfroid closed the hearing on **HB 2568**, and opened the public hearing on **HB 2555** - Microbrewery; farm winery; license changes.

Phil Bradley, Executive Director of the Kansas Licensed Beverage Association, spoke in support of **HB 2555**. This bill would remove the restriction to only one license for microbreweries. (Attachment 2)

Chuck Magerl of the Free State Brewing Company, Lawrence, Kansas gives the opinion that by approving the provision of **HB 2555**, it would extend the opportunity for business growth to his company and others like

CONTINUATION SHEET

MINUTES OF THE House Federal and State Affairs Committee at 1:30 P.M. on March 20, 2007 in Room 313-S of the Capitol.

them that see reason for good future in the Kansas market. (Attachment 3)

There were no opponents to the bill and the Chairman closed the hearing on **HB 2555**.

The Chair opened the public hearing on **HB 2478** - Problem gambling grant fund; increase in annual transfer.

Jean Holthaus, representing the Kansas Coalition on Problem Gambling, provided testimony in favor of **HB 2478**. Ms. Holthaus stated that the fastest growing addiction among youth in America is gambling. Gambling is the most frequently identified social activity among persons age 65 and older. Ms. Holthaus also reported that military personnel are vulnerable to problem gambling, and that financial institutions have expressed dismay about the devastating consequences they observe with customers suffering from pathological gambling. These are the reasons for her supporting **HB 2478** which increases the funds available to address problem gambling. (Attachment 4) Also submitted for Committee review was information regarding how Kansas compares with other Midwest states for problem gambling funds. (Attachment 5)

Duane Olberding, President of Kansas Coalition on Problem Gambling (KCGC), as a proponent to **HB 2478**. Mr. Olberding voiced the opinion that Kansas is not adequately supporting its citizens that are affected by problems associated with the legalized gambling that the State created and promoted. Kansas has benefitted from the proceeds of legalized gambling for years without correcting the mistake of not setting aside monies for the problems from the onset of legalized gambling. He further stated that it is time to correct this mistake and that the passage of **HB 2478** would provide financial support primarily for prevention and awareness efforts. (Attachment 6) Presented for Committee review was a chart showing the Kansas problem gambling grant fund - state lottery - 2007 legislative proposal. (Attachment 7)

With no further time left for the committee meeting, Ray Dalton, Deputy Secretary of the Social and Rehabilitation Services will be heard as neutral to **HB 2478** on Wednesday, March 21st. (Attachment 8)

Meeting adjourned.

Butler National will develop Dodge City casino

Kansas City Business Journal - 2:48 PM CDT Monday, March 19, 2007

Butler National Service Corp., the gaming management subsidiary of Butler National Corp., has won a contract to help Boot Hill Gaming Inc. develop and manage a potential destination casino in Dodge City, Kan.

The destination casino would provide more than \$20 million in new taxes annually, based on estimated gross annual gaming revenues of \$54 million, Olathe-based Butler National Corp. (Bulletin Board: BUKS) said in a release Monday, citing testimony given by Jeff Thorpe, president of Boot Hill Gaming, on March 12 before the Kansas House Federal and State Affairs Committee.

"We believe the majority of this revenue should come from tourists traveling from all over the world to visit western Kansas sites and the Boot Hill destination," Clark Stewart, Butler National's president, said in the release.

Using an economic multiplier of five, Stewart said, the casino could create more than \$500 million of economic activity in the region.

Development, construction and equipment costs are estimated at \$50 million.

Under proposed legislation, the establishment of the Boot Hill Destination Casino requires authorization for casino gaming in Dodge City, the approval of gaming in Ford County, Kansas, by the citizens of the county and the formal selection and approval of Butler National Service as the manager by the state of Kansas.

Federal and State Affairs

Attachment 1

Date 3-20-07



*Kansas
Licensed
Beverage
Association*

President
James "Jim" Fager

Vice Presidents
Tammy Davis
Tom Intfen
Robert Farha
Jim Hendricks
Curt Melzer
Richard Markle
Paul Boone
Billy Long
Leigh Watkins
Drew Mullen
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Testimony on HB 2555, Tuesday March 20, 2007
House Federal & State Affairs Committee

Chairman Siegfried and Members of the Committee,

I am Philip Bradley representing the Kansas Licensed Beverage Assn., a group of men and women, in the hospitality industry, who own and manage the bars, clubs, caterers, restaurants, brewpubs and hotels where beverage alcohol are served. Thank you for the opportunity to speak today.

When the statutes allowing the development of farm wineries and microbreweries originally passed, Farm wineries were allowed multiple outlets and microbreweries were allowed to obtain catering licenses. At that time in the infancy of these new businesses that seemed appropriate. These businesses have evolved, as you have heard and approved of in HB 2202 earlier this year and now in HB 2555. This change will remove the restriction to only one license for microbreweries. ***As DE's, Club's and Winery retail outlets already have this ability, this measure adds microbreweries to that group.***

This issue has been addressed in the Senate Federal and State Affairs Committee by amending HB 2202 with the following provision.

AN ACT concerning alcoholic liquors; relating to farm wineries and microbreweries; amending K.S.A. 2006 Supp. 41-2623, *41-312* and repealing the existing sections....

...Sec 3 K.S.A. 41-312 is hereby amended to read as follows: 41-312. No person holding a manufacturer's or distributor's license shall be permitted to receive any retailer's, microbrewery or farm winery license. No person holding a retailer's, microbrewery or farm winery license shall be permitted to receive any manufacturer's or distributor's license or another retailer's, ~~microbrewery~~ or farm winery license.
Sec. 4. K.S.A. 2006 Supp. 41-2623 *and K.S.A. 41-312* are hereby repealed.
Sec. 5. This act shall take effect and be in force from and after its publication in the statute book.

HB 2202 was on General Orders yesterday and is on final action today. With affirmative action, you will be seeing it in a motion to concur or a conference committee report. Thank you to the Chair, for allowing this hearing as I wanted to make sure you had an opportunity to review this before then.

Thank you for your time and consideration.

Philip Bradley, Ph.D.



Federal and State Affairs
Attachment 2
Date 3-20-07



Dear Committee Members,

Thank you for considering HB 2555. The intent of HB 2555 is to allow Kansas microbreweries to have more than one location.

Currently, Kansas is one of only a handful of states that restrict microbreweries to only one location. The less restrictive regulatory practices of the other states have not resulted in an unruly industry, and have, in fact, fostered an increased sophistication and quality to the businesses.

Our business, Free State Brewing Company has operated in Kansas for over 18 years at one location in Lawrence. We have received numerous awards for our quality products, and have been approached by economic development representatives from several Kansas communities, asking us to expand to their towns. Even though we have years of experience in operating a respected business, we have honored the intent of the current law, and turned down opportunities for growth. We would like to build on our expertise and expand our business beyond this single location. The provisions of HB 2555 would provide us that opportunity to develop our homegrown Kansas business.

There is an out of state company that has established multiple microbrewery locations in Kansas, so the reality of this proposed change in the statute already exists. By approving the provisions of HB 2555, you would extend the opportunity for business growth to our company and others like us that see reason for a good future in the Kansas market.

I welcome any questions you may have on this proposal. Thank you.

Chuck Magerl
Free State Brewing Company
Lawrence, Kansas

Federal and State Affairs
Attachment 3
Date 3-20-07



*"The Mission of the Kansas Coalition on Problem Gambling
is to reduce the onset and progression of problem gambling."*

Testimony by Jean Holthaus to the House Federal and State Affairs Committee
March 20, 2007

Thank you Chairman Siegfried and members of the committee for the opportunity to speak about problem gambling. My name is Jean Holthaus and I am a member of the Kansas Coalition on Problem Gambling. I am also one of the Kansas trainers contracted by SRS Addiction and Prevention Services, through my employer, Prevention and Recovery Services, to provide trainings to Kansas professionals regarding problem gambling.

I would like to explain how prevention efforts could be improved in Kansas with the passage of HB 2478, especially among the following high risk populations:

- The fastest growing addiction among **youth (including college age)** in America is gambling. Television has catapulted Texas Holdem into the mainstream. Recent research shows that 30 to 45% of college students gamble on a weekly basis. Youngsters who gamble are 2-4 times more likely to become obsessed with betting than adults. Prevention dollars could assist with school and college based prevention, policy development and early identification.
- Gambling is the most frequently identified social activity among persons **age 65 and older**. "Senior friendly" marketing contributes to the attraction, such as free van and bus rides to casinos. Older adults are vulnerable because they have the time on their hands, but they are the least likely age group to recoup serious gambling losses. Some older adults use gambling as an escape, from physical and emotional pain. In addition, older adults are often targeted for "bail out" money from family members who are addicted to gambling, sometimes ending in elder abuse. With increased prevention dollars, education could be provided to older adults, their adult children and individuals working with older adults. Providing guidelines for responsible gambling, educating about problem gambling warning signs and offering helpful resources are among the suggested strategies for prevention.
- Internet gambling is on the rise. Most internet gambling takes place between 9 am and 5 pm, when Americans are working. Some Kansas employers have shared that they are seeing problems with **employees gambling on-line** during work hours. Prevention dollars could provide education to Kansas businesses, collaboration with employee assistance programs and assistance with policy development regarding internet gambling during work hours.
- Kansas **military personal** are vulnerable to problem gambling, often as a way to deal with the stress of deployment and combat. Providing technical assistance for prevention and early identification to Kansas military personal is a key strategy for prevention.
- **Financial institutions** have expressed dismay about the devastating consequences they observe with customers suffering from pathological gambling. Bankruptcy is often a result. Building and maintaining strategic alliances and partnerships with Kansas financial institutions could benefit both customers and staff.

For these reasons, I support HB 2478 which increases the funds available to address problem gambling. \$80,000 is simply inadequate to sustain a meaningful problem gambling program.

Thank you for your attention to this matter. Please support House Bill 2478.

Jean Holthaus, M.Ed., LSCSW, KS Certified Gambling Counselor 785-266-8666 jholthaus@parstopeka.com

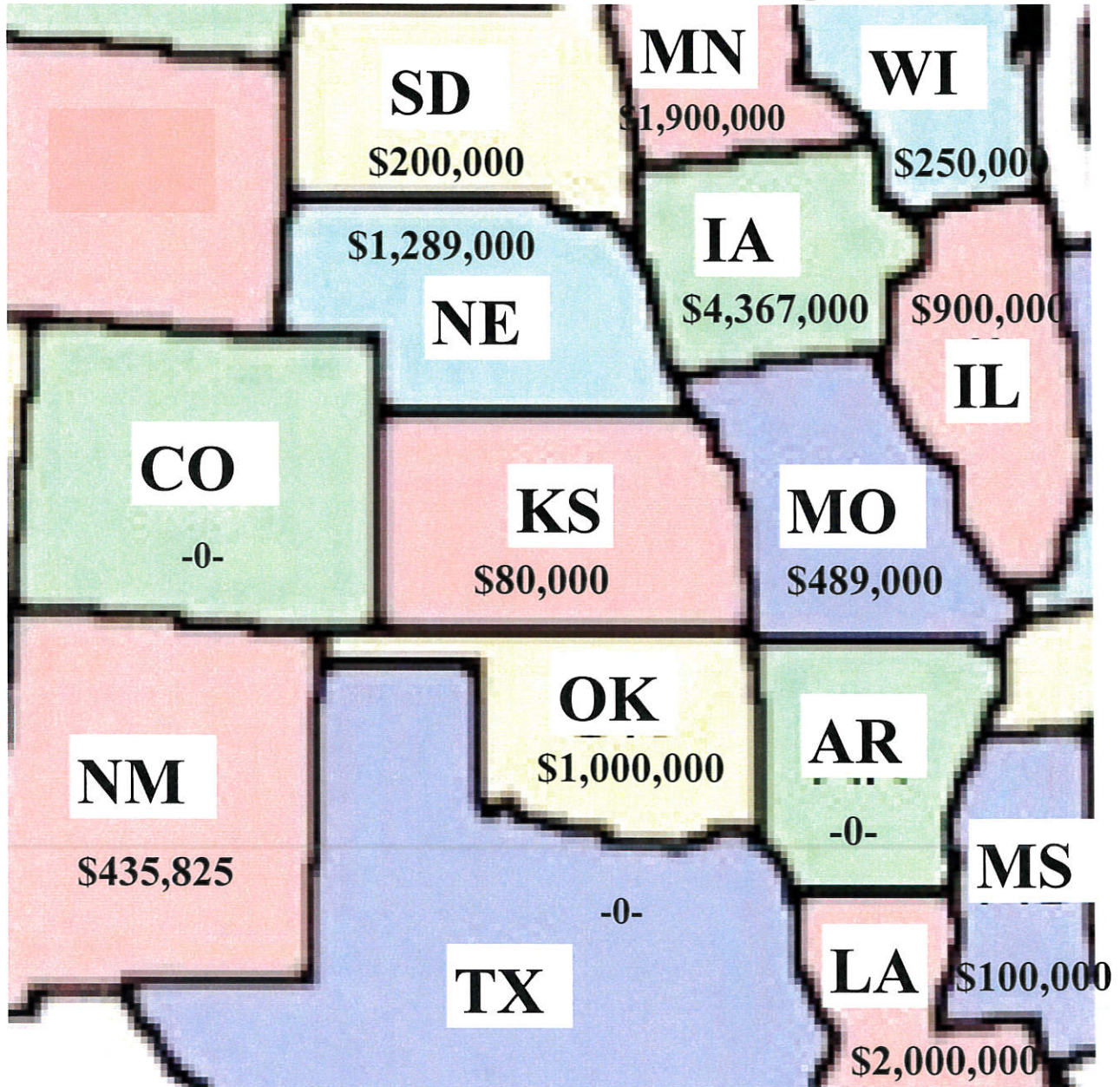
Federal and State Affairs

Attachment 4

Date 3-20-07



How Kansas Compares to other Midwest States for Problem Gambling Grant Funds



Of the 26 U.S. states who have problem gambling grant funds, Kansas ranks 25th. Only Virginia is lower.

Kansas Gross Gambling Revenues	\$262,200,000
.0305% is spent on problem gambling	80,000



Kansas Problem Gambling News

District Attorney Robert Hecht stressed that his office “deals regularly with crimes committed by gambling addicts” (Topeka Capital Journal, August 10, 2006).

A jury found Nam Nguyen guilty of first-degree murder in **Finney County**, KS. Nam said he gambled in Garden City, Liberal and Wichita, playing cards, and soon fell into gambling debt. In an attempt to pay back one debt, he confessed to involvement in the home invasion robbery where a family of six was forced into their living room, had their wrists bound and had more than \$11,000 of jewelry stolen from their home. One family member was shot and killed. Nguyen’s conviction carries a minimum sentence of life in prison with possibility of parole after 25 years (The **Garden City** Telegram, 4/24/2003).

A Court Services Supervisor for Shawnee County District Court was accused of paying off a gambling debt by using his elderly aunt’s savings. The **Shawnee County** jury in the case, couldn’t reach a verdict on the 51 theft counts (Topeka Capital Journal, February, 2005).

Kathy Bassett, **Topeka**, KS, testified in February, 2005, that gambling pulled her mother into bankruptcy and landed her son in prison. It plunged her brother, David, into a death spiral. “David took the money he was holding for our mother to keep her from gambling. He gambled and he lost. In a desperate state of mind, he put a gun in his mouth and pulled the trigger,” said Bassett.

A woman with gambling debt exceeding \$100,000, attempted robbery of an **Olathe**, Kansas bank. She held bank employees for more than eight hours (Associated Press, 1/6/2000).

11.3 percent of **college-age adults** are known to be pathological gamblers (M. Steinberg, 2003). Six casinos are within an hour’s drive of the **University of Kansas**. The campus now holds regular Gamblers Anonymous meetings (John R. Hill, Ph.D., February 2004).

A mother was sentenced to probation for escorting her 16 year old daughter to a **Kansas City** casino and allowing her to gamble. Station Casino and Harrah’s have been fined \$250,000 for allegedly not preventing the daughter from gambling (9/28/2000).

While bankruptcy filings increase each year, bankruptcies citing gambling as a contributing factor increased at a much faster rate. In 1998, Kansas bankruptcies due to gambling listed unsecured debts of more than \$7.5 million, much of it to credit card companies.

A **Kansas City** woman murdered her husband for life insurance money to cover her gambling debt (Kansas City Star, 3/10/1997).

An **Overland Park**, KS woman was sentenced to 15 years in prison after she admitted stabbing her husband 75 times for not giving her more gambling money (Associated Press, 12/27/1999).



*"The Mission of the Kansas Coalition on Problem Gambling
is to reduce the onset and progression of problem gambling."*

Testimony 3-20-07 to Legislature

First I would like to thank the Chair of this Committee, Representative Siegfried, and other members of the House Federal and State Affairs for the opportunity to speak on behalf of citizens of Kansas affected by problem gambling. I would also like to state that the Kansas Coalition on Problem Gambling, a volunteer, unfunded, non-profit organization of which I am president takes a neutral stand on legalized gambling. We are neither for nor against legalized gambling.

Addiction to gambling is a very real disease. Suicide rates for people afflicted to this disease are over 10 times the national average. Family members of the addicted gambler suffer stress related illness and psychological problems that without treatment lead to continual costs paid for by health insurance and/or state social services.

Research has indicated that there are between 6000 and 10000 pathological gamblers in the State of Kansas. Each year 300 to 500 people in Kansas seek help for gambling problems without the resources to pay for treatment. Many of the people calling for help are the family members of the problem gambler. It is very difficult to tell them how little services there are.

Kansas is not adequately supporting its citizens that are affected by problems associated with the legalized gambling that the State created and promoted. Kansas is in the bottom five for funding support of prevention and treatment efforts of the States having legalized gambling. The Kansas Lottery sales in 2006 were 236,000,000 and of that amount only \$80,000 went to the Problem Gambling Fund. That is only 4 cents per adult in Kansas. By comparison our neighbor states do much more. Iowa set aside \$4,367,000; Missouri set aside \$489,000; and, Oklahoma set aside \$1,000,000 (CNHI News Service study, 2006).

Kansas has benefited from the proceeds of legalized gambling for years without correcting the mistake of not setting aside monies for the problems from the onset of legalized gambling. It is time to correct that mistake. House Bill 2478 will provide financial support primarily for prevention and awareness efforts. These efforts will ultimately lead to less stress and psychological problems in families and so will save the State of Kansas money in the future. It is a worthwhile investment.

Thank you for your attention to this matter. I urge the members that if House Bill 2478 does not come out of committee that it be added to list of subjects to discuss at end of session.

Duane L. Olberding, President of KCGC; Phone 785-246-3100 or 785-249-8477

Federal and State Affairs

Attachment 6

Date 3-20-07

**KANSAS PROBLEM GAMBLING GRANT FUND - STATE LOTTERY
2007 LEGISLATIVE PROPOSAL**

	<u>Typical Budget</u>	<u>FY07</u>	<u>%</u>	<u>Proposed Increase</u>	<u>%</u>
Early Intervention:					
Helpline Telephone Counseling	\$12,500	\$7,200	4.39%	\$15,200	4%
Initial Free Assessment	0	7,500	4.58%	7,600	2%
Follow Up Survey for Free Assessment	0	5,000	3.05%	0	0%
Treatment	0	0	0.00%	87,400	23%
Prevention	5,000	22,000	13.42%	76,000	20%
Public Awareness Campaign	24,500	77,950	47.56%	76,000	20%
Professional Training	18,000	11,160	6.81%	15,200	4%
Conferences	0	9,400	5.74%	11,400	3%
Administration	20,000	11,680	7.13%	22,800	6% #
Create KCGC Standards	0	12,000	7.32%	0	0%
Evaluation and Prevalence Study	0	0	0.00%	45,600	12%
Housing and Credit Counseling	0	0	0.00%	11,400	3%
Kansas Legal Services	0	0	0.00%	11,400	3%
TOTAL	\$80,000	\$163,890	100.00%	\$380,000	100%
				\$380,000	

FY07 utilizes carry over dollars
#Includes .5 FTE

Revised 2/7/2007

F Federal and State Affairs
A Attachment 7
C Date 3-20-07

Kansas Department of

Social and Rehabilitation Services

Don Jordan, Secretary

House Federal and State Affairs

March 20, 2007

HB 2478 - Problem Gambling Grant Fund

Health Care Policy

Ray Dalton, Deputy Secretary

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Federal and State Affairs

Attachment 8

Date 3-20-07

**Kansas Department of Social and Rehabilitation Services
Don Jordan, Secretary**

House Federal and State Affairs
March 20, 2007

HB 2478 - Problem Gambling Grant Fund

Chair Siegfried and Committee members, I am Ray Dalton, Deputy Secretary of Social and Rehabilitation Services for the Division of Health Care Policy. Thank you for this opportunity to speak about HB 2478.

For most adults, gambling is a source of entertainment, a chance to socialize with others in a fun and safe atmosphere. However, a Harvard Medical School study estimates that 1.6% of adults have experienced serious problems associated with compulsive gambling. They further estimated that an additional 4% of adults had experienced mild to moderate problems with gambling at some point in their lives.

Based on these national estimates, 44,000 to 106,000 Kansas adults may have moderate to serious problems with compulsive gambling at some point in their lifetime. It is also believed that up to 60% of this population may also have co-occurring issues of substance abuse or mental health issues. The data collected by SRS for the Addiction and Prevention Services funded consumers supports this estimate. Based on a screening instrument given to 15,678 consumers assessed for substance abuse, 573 indicated a past or present problem with compulsive gambling. This number correlates with the national estimates of 4 %.

The social cost of compulsive gambling is significant. Compulsive gamblers are more likely than other gamblers or non-gamblers to have been on welfare, declared bankruptcy, and to have been arrested or incarcerated. As gambling losses mount, some compulsive gamblers turn to crimes such as embezzlement or writing bad checks. The impact on the family is no less significant, especially on the children who report their own reactions of depression, anger and sadness and who are at greater risk for abuse and neglect.

The funds provided to SRS through K.S.A.79-4806 (\$80,000 lottery and \$20,000 bingo) are currently utilized for the following initiatives:

- 24 hour helpline which provides crises intervention, assessment, and consultation
- No cost assessments for consumers
- Community information and referral
- Distributing problem gambling information and brochures
- Advertising and public awareness campaigns
- Professional development of the workforce
- Prevention programs targeting at-risk populations such as youth and older adults.

Any additional funds, such as those proposed in this bill, would be utilized by SRS to expand services to cover treatment, especially for the poor. Workforce development would be enhanced by requiring advanced training and education focusing, in part, on improving and expanding the services available for co-occurring consumers. Credentialing, professional standards and best practices of care would be further developed and implemented to improve services to those Kansas residents and their families experiencing compulsive gambling.

Of the 26 States that dedicate funds for the prevention and treatment of compulsive gambling, Kansas ranks 25th. Neighboring states have already legislated similar commitments to this issue: Nebraska (\$1.2 million), Oklahoma (\$1 million) and Missouri (\$489,000).

This concludes my testimony and I stand ready for questions.