

MINUTES OF THE HOUSE FEDERAL AND STATE AFFAIRS COMMITTEE

The meeting was called to order by Chairman Arlen Siegfried at 1:30 P.M. on March 21, 2007 in Room 313-S of the Capitol.

All members were present.

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:

Ed Van Petten, Executive Director, Kansas Lottery
Ron Hein, Prairie Band Potawatomi Nation
Glenn Thompson, Stand Up for Kansas
Lana Oleen, Prairie Band Potawatomi Nation

Others attending:

See attached list

The Chairman announced the continuation of the hearing on **HB 2478** - concerning the problem gambling grant fund was canceled. The testimony by Ray Dalton, Deputy Secretary of Social Rehabilitation Services, submitted on March 20th was considered as written.

The Chair opened the meeting for bill introductions, hearing none, the Chair opened the floor for public hearing on **SB 66** - Concerning the lottery; amending K.S.A. 74-8705 and 74-8708 and repealing existing sections.

Ed Van Petten, Executive Director, Kansas Lottery was recognized to give testimony in favor of **SB 66**. Mr. Van Petten related that they have three proposals. Proposal 1 eliminates the sunset provision altogether. Proposal 2 is to remove a clause that prohibits them from renewing any contracts. Proposal 3 gets rid of the requirements of the retailers certificates. (Attachment 1)

There was no other person who wished to speak to **SB 66** and the Chairman closed the hearing.

The Chair opened the floor for public hearing on **HCR 5022** - Authorizing privately-owned and operated destination casino locations.

Mike Heim, Office of the Revisor, gave an explanation of **HCR 5022** which would amend Article 15, Section 3c of the Constitution. The purpose is to allow privately owned casinos and destination casinos.

There were no proponents to **HCR 5022** and the Chair recognized Ron Hein who represents the Prairie Band Potawatomi Nation as an opponent. Mr. Hein stated that he has four main objections as to why he doesn't think this legislation goes far enough.

- 1) It allows an unlimited number of convenience casinos
- 2) Feasibility studies
- 3) Restraints on casino owners and operators
4. Experience

Mr. Hein explained his reasons in his testimony. (Attachment 2)

Glenn Thompson, Executive Director, Stand Up For Kansas, presented testimony in opposition to **HCR 5022**. Mr. Thompson states that he opposes the expansion of gambling in Kansas. He voiced the opinion that the legal wording of a constitutional amendment is extremely important because of the legal ramifications. He stated that if a bill contains legal flaws or deficiencies, the bill can be revised in the next legislative session to incorporate corrections, but not so with constitutional amendments. (Attachment 3)

CONTINUATION SHEET

MINUTES OF THE House Federal and State Affairs Committee at 1:30 P.M. on March 21, 2007 in Room 313-S of the Capitol.

No other person wished to address the bill, and the Chair closed the hearing on HCR 5022.

Chairman Siegfried opened the floor for public hearing on HCR 5023 - Kansas commission on expanded gaming; membership; scope of study and HB 2588 - Commission on expanded gaming; membership; scope of study. The Chair requested an explanation which was given by Mike Heim, Office of the Revisor stating that HCR 5023 is not amendable and cannot be used as a vehicle, however, HB 2588 can be used as a vehicle to create a commission or it can be used as a vehicle to create a casino.

Representative Terrie Huntington addressed the Committee as the author and proponent of HCR 5023. The bill would provide a feasibility study by an oversight committee. The Representative gives the opinion that additional study might be prudent. (No Written Testimony) Representative Huntington also provided an article entitled *Will Kansas Take A Chance In 2007*. (Attachment 4)

Glenn Thompson representing Stand Up For Kansas came before the committee to support HCR 5023 relating that the organization opposes expanded gambling in Kansas, however, they are in favor of adding a task to study the impact of problem gamblers. (Attachment 5) Mr. Thompson also submitted articles *Social Cost One-Half Of Casino Revenue* for Committee review (Attachment 6), and HB 2055 *Would Destroy destination Casinos*. (Attachment 7)

Lana Oleen, representing the Prairie Band Potawatomi Nation, presented observations of HCR 5023. Ms. Oleen spoke on light versus dark, constitutionality vs. non-constitutionality, study approach vs. sneak approach, and impact vs. impulse. (Attachment 8)

With no other person wishing to speak to HCR 5023, Chairman Siegfried closed the hearing.

The Chairman directed the Committees' attention to SB 66 - Lottery; repeal of sunset; contract renewals; retailer requirements.

Representative Huebert made a motion to pass SB 66 favorable for passage with a second by Representative Peterson.

Representative Swenson made a motion to amend HB 2055 into SB 66. Representative Dillmore made a second. Motion failed.

Returning to the motion by Representative Huebert, vote was taken and SB 66 was moved favorable for passage.

The Chair opened the floor for action on HCR 5022 - Authorizing privately-owned and operated destination casino locations.

Representative Swenson moved to table HCR 5022 with a second by Representative Peterson. Motion passed.

Chairman Siegfried opened the floor for consideration of HCR 5023 - Kansas commission on expanded gaming; membership; scope of study.

Representative Swenson made a motion to table HCR 5023. Representative Peterson seconded the motion. Motion failed.

Representative Mah made a motion to strike lines 29 through 31 of HCR 5023 and make the commission purely legislative. Lines 36 through 41 of the bill will also be deleted. Representative Peterson made a second to the motion. Motion passed.

Representative McCray-Miller moved an amendment to include a study of problem gaming, the impact, and associated costs. This was seconded by Representative Huebert. Vote not taken as this was already included

CONTINUATION SHEET

MINUTES OF THE House Federal and State Affairs Committee at 1:30 P.M. on March 21, 2007 in Room 313-S of the Capitol.

in **HCR 5023**.

Representative Kinzer made a motion to table **HCR 5023** as amended with a second by Representative Olson. Motion passed.

Chairman Siegfroid opened the floor for consideration of **HB 2588** - Commission on expanded gaming; membership; scope of study.

Representative Mah made a motion to amend **HB 2588** stating the commission expires at the end of 2007 and they have to make a recommendation to the legislature by December 31, 2007. Representative Swenson made a second to the motion. Motion passed.

Representative McCray-Miller made a motion to add a study of adverse problems to **HB 2588** with a second by Representative Huebert. Motion passed.

Representative Dillmore moved that **HB 2588** be sent to the Register as soon as possible with a second by Representative Peterson. Motion passed.

Representative Miller moved **HB 2588** favorable for passage as amended. Representative Peterson made a second to the motion. Motion passed.

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



KANSAS LOTTERY

ED VAN PETTEN, EXECUTIVE DIRECTOR

KATHLEEN SEBELIUS, GOVERNOR

Testimony Before The
House Federal and State Affairs Committee
S.B. 66

Presented By:
Ed Van Petten, Executive Director
Kansas Lottery

Mr. Chairman and members of the Committee:

Thank you for giving me the opportunity to address this legislation, which has been requested by the Kansas Lottery. Senate Bill 66 in its present form proposes one amendment to an existing statute and the repeal of another. We requested two amendments in the initial version of the bill, with one being deleted in the Senate committee. I will address all three issues separately and welcome any questions during this discussion. Proposal #2 is the issue deleted in the Senate.

Proposal #1:

Repeal **K.S.A. 74-8723**, "Abolition of lottery."

1. Summary:

As presently enacted, this statute abolishes the Kansas Lottery, the office of Executive Director of the Kansas Lottery, and the Kansas Lottery Commission on July 1, 2008. An "automatic" abolition of the Lottery has been contained in this statute from inception of the Lottery, after which time the date of abolition has been extended several times by the Kansas Legislature.

2. Fiscal Impact:

The Kansas Lottery is aware of no direct fiscal impact from this amendment; however, indirect fiscal benefits are likely. Vendors may be reluctant to enter into a multi-year contract with the Lottery beyond the "sunset" date in this statute. Without this hindrance

the Lottery will be free to negotiate contracts with vendors in a more businesslike manner, likely with terms and conditions more favorable to the Lottery and the State of Kansas. Furthermore, from past experience, renewal of the Lottery often takes inordinate amounts of the Legislature's limited time and resources, the fiscal impact of which is difficult to determine.

The Kansas Lottery Personnel Director has reported that some applicants for employment have voiced concern regarding the potential for abolition of the lottery; however it is not known if anyone has failed to apply for employment because of this provision.

3. **Background:**

This is the 20th year for sales by the Kansas Lottery. Many years ago the Kansas Lottery ceased being an "experiment" or "temporary" program that should be subject to automatic termination. Instead, it is a vital state agency that generates substantial and reliable streams of revenue for the worthwhile State programs to which its revenues are dedicated. If the Legislature sees fit it could terminate the Lottery at any time, with or without the abolition clause contained in K.S.A. 74-8723.

These periodic renewal exercises are antiquated and serve no meaningful purpose. This is especially true considering the substantial oversight that has been quite effectively built into the system, including the following: the five-member Lottery Commission meets monthly and oversees operation of the Lottery; annual reports by the Lottery to key Legislative committees, along with ad hoc reports whenever so requested; annual financial audits by an independent auditing firm, contracted and coordinated by the Division of Legislative Post Audit; and security audits of the Lottery statutorily required at least every three years, also contracted and coordinated by the Division of Legislative Post Audit. In addition, The Multi-State Lottery Association (MUSL) conducts a separate security audit as a condition of membership. This was completed last month with no findings.

The automatic abolition clause probably served a legitimate purpose when the Lottery was initially approved, but that is no longer the case. To the contrary, today that clause is a relatively useless impediment that may actually do more harm than good.

4. **Impact on other State agencies:**

None known.

Proposal #2

Amend K.S.A. 74-8705, "Major procurement contracts."

1. Summary:

"Major procurement contracts" are specifically defined in the Kansas Lottery Act to mean "any gaming product or service, including but not limited to facilities, advertising and promotional services, annuity contracts, prize payment agreements, consulting services, equipment, tickets and other products and services unique to the Kansas Lottery, but not including materials, supplies, equipment and services common to the ordinary operations of state agencies" (K.S.A. 74-8702(g)). The award and administration of major procurement contracts entered into by the Lottery are further limited by K.S.A. 74-8705, including subsection "e" therein which states: "The executive director shall not agree to any renewal or extension of a major procurement contract unless such extension or renewal is awarded in the manner provided by this section." This provision was not included in the original Lottery Act, but instead was added by a floor amendment offered during the 2001 Session of the Kansas Legislature. Thus, the amendment did not go through the committee process.

2. Fiscal Impact:

Potential beneficial impact on contract negotiations.

3. Background:

To the best of our knowledge and belief, this provision is unique to Kansas and no other lottery in the nation has a similar provision. Furthermore, to the best knowledge of the Lottery, there are no such restrictions placed upon similar contractual relationships entered into by any other agency of the State of Kansas. To the contrary, most major procurement contracts in the State of Kansas as well as other states include standard clauses allowing discretionary renewal or extension of a contract for one or more years – as did virtually all contracts into which the Kansas Lottery entered prior to 2001.

There are valid business reasons for renewal clauses, and in the long run statutory prohibition of such clauses may in fact do more harm than good. "New" is not necessarily "better." Although it may certainly make sound economic sense to go out to bid for a new vendor, the Lottery must be operated like a business and its managers should be given the latitude and discretion to operate that business in the event the studied business decision is to "stay the course." Furthermore, considering the fiscal necessity faced by vendors requiring a contract run long enough to recapture their initial capital investment, arbitrarily created termination dates without the possibility of extension may at times dictate that the initial term of the contract be extended for a longer period than would normally have been negotiated.

4. **Impact on other State agencies:**

None known.

I have included information on our second proposal to let the committee know of our initial request, however to avoid the necessity of a conference committee, I do not ask that the proposal be amended back into our legislation.

Proposal #3

Amend K.S.A. 74-8708(e), (f) and (l) repealing the requirement of issuing and displaying lottery retailer certificate, and related provisions.

1. **Summary:**

Only those retailers specifically approved by the Kansas Lottery may sell Kansas Lottery products; each retailer must enter into a written contract with the Lottery; all authorized retailers are presently issued a certificate that must be "conspicuously displayed"; and, all Lottery products may only be sold at the location stated on the certificate. The proposed amendment would not alter the requirement that Lottery products only be sold by those retailers approved by the Lottery, but the technical requirement of issuance and display of a "certificate" would be repealed.

2. **Fiscal Impact:**

The Kansas Lottery is aware of no significant fiscal impact from these amendments, but there will be some minor savings of time and money by making the issuance of retailer authorizations more efficient.

3. **Background:**

Requirements of issuance and display of a Kansas Lottery Certificate have been included in the Kansas Lottery Act since inception; however, as a practical matter the only entities actually able to sell Lottery products are those specifically outfitted and supplied by the Kansas Lottery (e.g., supplies of tickets, the electronic on-line terminal, ticket scanners, play slips, point of sale materials, and so forth). There is very little, if any, likelihood that unauthorized retailers will attempt to sell Kansas Lottery products (and in any event, it is unlikely that mere lack of a certificate would actually deter those who would attempt to sell without proper authority). On the other hand, in these times of increased competition for the physical space for advertising and other "point of sale" materials, retailers have repeatedly expressed displeasure over the necessity to "conspicuously display" their Lottery certificate. In addition, for the Lottery it is administratively burdensome to actually issue approximately 1,900 certificates and update them annually. Furthermore, each retailer must enter into a written contract with the Lottery, so the issuance of a certificate is duplicative, inefficient, and otherwise unnecessary. In that same vein, all other provisions of the Lottery Act speak to the **contractual** relationship between the

Lottery and its retailers as opposed to “certification,” thus; deleting all references to certification/certificates would render the Act more internally consistent.

4. **Impact on other State agencies:**

None known.

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**Testimony re: HCR 5022
House Federal and State Affairs Committee
Presented by Ronald R. Hein
on behalf of
Prairie Band Potawatomi Nation
March 21, 2007**

Mr. Chairman, Members of the Committee:

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

PBPN opposes HCR 5022.

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.]

Federal and State Affairs

Attachment 2

Date 3-21-07

HCR 5022 Is a Constitutional Way To Expand Gambling, But Can Be Improved

Governor's Gaming Committee Compliance HCR 5022 meets the findings or the recommendations of the Governor's Gaming Committee by utilizing a constitutional amendment to authorize and legalize privately owned and operated gambling in Kansas. HCR also reflect the Committee's findings by utilizing a feasibility study before casinos are located and established.

However, the Governor's Gaming Report is not followed in many ways which are problematic for the policy issues facing the state of Kansas:

1. **Number of Casinos** The Governor's Gaming Committee clearly found that a single destination casino in Wyandotte County was the best policy for the state, while this constitutional amendment allows the legislature to establish an unlimited number of casinos, although limiting destination casinos to four locations. I think most experts would agree that four destination casinos may be too many for Kansas, and additional stand alone non-destination casinos will only do two things: a) they will constitute convenience casinos which will not bring any new economic development to an area, and b) such casinos will detract from the destination casinos.

The Constitutional Amendment should allow only for **destination** casinos. Smaller, convenience casinos will not create economic development and should not be permitted. I would normally recommend that the legislature utilize an expert to advise them how many casinos should be allowed in the state, but in light of the need to proceed with a constitutional amendment, the constitutional amendment should not allow more than 3 destination casinos in Kansas, which I think is fairly commonly accepted as a maximum number of destination casinos in Kansas which can actually bring **new** economic development to the state..

2. **Feasibility Studies** The Governor's Gaming Committee also noted that other casinos should be established in locations other than Wyandotte County only if they could establish their feasibility. Although HCR 5022 provides for a study, no criteria is set out in the constitution, so the criteria can be reduced or increased at the pleasure of the legislature.

If the legislature is serious that gambling is necessary for economic development purposes, than the constitution should contain at least general guidelines for accomplishing that broad goal. HCR 5022 already recognizes that concept by containing a requirement that destination casinos be of at least \$250 million in value. That is a good first step.

However, if the legislature is serious that casinos should only be located where they can provide economic development to the state, than the Constitutional Amendment should also contain a requirement that no casino can be established unless the feasibility study concludes to the satisfaction of the Legislature that the casino will attract at least 60% revenue from out of state, If the new casino is proposed for a locale where that threshold can not be met, than the legislature should avoid the establishment of such a facility, because it will only compete with existing businesses, and will not generate **new** economic development.

3. Restraints on Casino Owners and Operators In states where gambling is permitted, the influence of the gambling profession is well noted. It is important that the constitutional amendment approving privately owned and operated gambling contain a provision that a gambling casino can not be established until the legislature has enacted legislation prohibiting authorized casino operators and their agents can not make political contributions. That is the only way to avoid any undue influence by such casino operators, and also is the only way to avoid the appearance of undue influence by such interests.

4. Experience The constitutional amendment should contain a requirement that the legislature shall not contract with any inexperienced casino operators. Although previous legislation on gambling has required three years experience operating class III gambling, the constitution should contain a minimum requirement of 5-10 years experience operating class III gambling in order to be picked as a state authorized casino. As I have testified before, generally the state can expect the best and most capable vendors, and a minimum experience requirement in order to operate casinos would permit the state to deal with only the best of the best. To do otherwise is to invite incompetence in an operation which is designed to promote economic development for the state. You do not need to serve as a training ground for some start up company.

Constitutional Amendment Is the Way to Expand Gambling Legally

Every gambling expansion in the history of the state has been done by constitutional amendment. Bingo was approved by constitutional amendment, and when instant bingo was approved by the legislature, the Supreme Court declared the act unconstitutional, and the legislature subsequently submitted a second constitutional amendment just to authorize instant bingo. Parimutuel gaming was approved by constitutional amendment, and vote of the public and the state lottery was also approved by constitutional amendment.

All four of Kansas' surrounding states have utilized constitutional amendments as the way to address the issue of gambling. Kansas can utilize this approach as well. All of the privately-operated bills which have been submitted by the gambling industry during these past 13 years have been unconstitutional. A constitutional amendment would address this important public issue in a legal and constitutional manner.

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 Governors Gaming Committee also stated that the casino must be "owned and directly managed" 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.

HCR 5022 would clearly meet the constitutional requirements and would be the legal and constitutional way to expand gaming.

Three Options To Expand Gambling

As I have said numerous times before, 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]. HCR 5022 represents one manner of legally expanding 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.



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**Testimony To House Federal and State Affairs Committee
On HCR 5022**

Glenn O. Thompson
Executive Director, Stand Up For Kansas
March 21, 2007

Introduction

Good afternoon Chairman Siegfried and members of this committee. Thank you for this opportunity to speak at this public hearing.

I am Glenn Thompson, executive director of Stand Up For Kansas, a state-wide coalition of grassroots citizens who oppose the expansion of gambling in Kansas.

As you know, this is the first constitutional amendment on casinos the legislature has considered in many years and with a good reason. The legal wording of a constitutional amendment is extremely important because of the legal ramifications. If a bill contains legal flaws or deficiencies, the bill can be revised in the next legislative session to incorporate corrections. Not so with a constitutional amendment. The process is so prolonged and the bar so high, the wording must be, or at least should be, correct the first time. There is no “do over.”

One classic example of this problem is the word “lottery.” The legislature passed and a majority of the electorate approved a constitutional amendment in 1986 establishing a state-owned and operated lottery. Few, if any, legislators and citizens realized, at the time, that the amendment would open the door for the state to own and operate casinos.

In fact, former Senate President Dick Bond stated, “I honestly believe that the Kansas voters in 1986 had no idea they were voting some kind of language into the constitution that would permit casino gambling.” (Topeka Capital-Journal, Jan. 24, 1992)

So, some of my comments may seem to be trivial or “nit picking.” This may be true, but only because I am paranoid on the legal meaning of each word in a proposed amendment

Federal and State Affairs
Attachment 3
Date 3-21-07

Suggestions

Now, with that background, I would offer several comments.

1. Let's start with the definition of a "casino." This is the most difficult part of the amendment. The meaning of "casino" must be clear, unambiguous and legally sound, since the remainder of the amendment hinges on this definition.

Sec. 1(h)(1) states, "*Casino' means a building or portion of a building used for the purpose of operating, managing and maintaining electronic gaming machines, other gambling devices, activities and games and any ancillary facility of such building.*"

Note this definition is a problem, since (1) privately-owned buildings of retailers, such as grocery stores and convenience stores, in which lottery tickets are sold would qualify as casinos, and (2) the bill states, in Sec. 1(c), "*the state shall not have an ownership interest in any privately-owned casino or privately-owned destination casino.*" So, this definition would shut down the Ks. lottery.

Furthermore, you will notice that the definition includes "and any ancillary facility of such building." So, an ancillary hotel, swimming pool or restaurant would, under this definition, be part of the casino. If implementing legislation prohibits anyone under 21 from entering a casino, no one under 21 could enter the hotel, swimming pool or restaurant.

So, I would suggest, the definition of a casino be very limited in scope to include only the room or rooms in which gambling machines or gambling devices may be operated.

2. Sec. 1(a) of the amendment authorizes the legislature to provide both **privately-owned casinos** and **privately-owned destination casinos**. The amendment imposes a \$250 million minimum investment constraint on privately-owned destination casinos but no constraint on privately-owned casinos. So, this amendment would permit numerous small privately owned casinos, such as convenience store casinos and truck stop casinos, all over the state. We strongly oppose such casinos and believe most citizens would also. Therefore, we recommend the amendment permit **only privately-owned destination casinos** with a \$250 million investment requirement.
3. Finally, referendums are expensive, both for proponents and opponents. Putting millions of dollars into advertising is a good investment for a casino investor who may gain millions of dollars on the passage of a casino referendum. But, grass-roots opponents, with limited financial resources, can not match that level of advertising. In fact, in Missouri, Las Vegas investors spent thirty times as much on advertising for the riverboat referendum as opponents (\$10 million vs. \$300,000).

Therefore, we suggest the amendment include a minimum time of no less than ten years if a referendum fails in a county, before the same or a similar referendum can be repeated in the county.

Inside Business



Department makeovers
Kohl's Corp. will test remodeling its accessories, handbags and jewelry departments this year to increase sales in those categories.

WILL KANSAS TAKE A CHANCE IN 2007?

The annual brouhaha in Topeka over whether to legalize casino gambling is under way.

Casino gambling, of course, has been legally under way in the Sunflower State since 1996 at four tribal reservations just a few rural miles north of the state Capitol.

Because of feeble negotiating on the part of state officials a decade ago, however, Kansas reaps absolutely zero gambling tax dollars from this activity, which experts conservatively estimate enriches tribal treasuries by more than \$170 million a year.

Kansas loses more tax dollars every time a Kansan crosses a state line to gamble at privately owned, state-regulated casinos in Missouri, Iowa and Colorado and tribal reservations in Oklahoma.

Kansas is on the outside of this tax bonanza because its constitution "forever" prohibits gambling — unless the people say otherwise.

For more than a decade now, lawmakers have annually considered but rejected legislation to allow casinos to be either regulated or owned outright by the Kansas Lottery. This veneer of lottery management supposedly would skirt the constitutional obstacle.

That is arguable. Gambling foes have long vowed a court fight if such legislation ever passes.

The easy answer is to change the constitution, and this year legislation has been proposed to do just that. But it takes a two-thirds vote by both chambers to put a constitutional amendment

RICK ALM



GAMBLING & TOURISM

on the state ballot, and this is a formidable hurdle.

The Kansas Legislature has never mustered a simple majority in favor of traditional commercial casino gambling. More recent proposals for unprecedented state-owned gambling parlors have collapsed of their own weight trying to accommodate too many geographic and special interests.

House Concurrent Resolution 5021, like past gambling legislation in Kansas, offers a similar mash of ideas.

The proposed constitutional amendment would authorize commercial casinos but also the worrisome notion of state ownership entwined with state regulation.

In either case, casinos would be permitted only in border counties where the neighboring state already had casinos. This might sound like a good idea — unless you're from Wichita or Dodge City, where officials long have longed for casinos to enhance their tourism industries.

If approved by voters, would-be Kansas casino operators would have to compete for state licenses, with minimum bids at \$250 million for capital investment, \$35 million up front for a state license, and at least 28 percent of net paid in state



KANSAS CITY STAR FILE PHOTO

Harrah's Prairie Band Casino near Mayetta, Kan., is one of the tribal reservations where casino gambling is legal in the Sunflower State.

ALM: Second task force just might get it right

FROM D9

gaming taxes.

Bidding isn't a bad idea, but the process could tie the state's hands and force a deal for top-dollar with a bottom-shelf operator.

Meanwhile, basing a tax on often-slippery net income data is probably not a good idea. Almost every gambling jurisdiction in the world taxes more easily and precisely monitored gross.

On the up side, the amendment would prohibit casinos from cashing payroll, business or public assistance checks while barring casino credit to gamblers, including use of debit cards.

But it also would require lawmakers to devise an unspecified "weekly loss limit" for gamblers. That sounds too much like Missouri's well-intentioned but historically ineffectual \$500-every-two-hours loss limit, which works out to \$6,000 a day, or \$42,000 a week.

What happens next is anybody's guess. Olathe Republican and House Federal and State Affairs Committee Chairman Arlen Siegfried promised it would happen this week with debate on the House floor.

"We're running out of time," he said.

Measures that could catch lawmakers' fancy include the usual collection of competing casino bills favored by various gambling industry interests, a new offer this year from two Kansas tribes to operate a state-owned casino in the shadow of **Kansas Speedway**, the constitutional amendment option, and another new twist that surfaced late last week that calls for yet another statewide gambling study commission.

More study might be prudent.

In 2003 Gov. Kathleen Sebelius' hand-picked task force issued a report that offered a little something for everybody. It unleashed three years of failed legislation that has variously called for as many as five state-owned casinos, at least one additional tribal-owned casino, and thousands of state-owned slot machines at racetracks and private clubs statewide.

Given a second chance, a task force that better represents all of the state's regions and special interests — including gambling foes and the casino industry this time — might get it right.

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

SEE ALM | D14

Federal and State Affairs

Attachment 4

Date 3-21-07



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

**Testimony To House Federal and State Affairs Committee
On HCR 5023**

Glenn O. Thompson
Executive Director, Stand Up For Kansas
March 21, 2007

Introduction

Good afternoon Chairman Siegfried and members of this committee. Thank you for this opportunity to speak at this public hearing.

I am Glenn Thompson, executive director of Stand Up For Kansas, a state-wide coalition of grassroots citizens who oppose the expansion of gambling in Kansas.

Testimonies you have heard during the past week have shown the many issues and questions associated with expanding gambling in Kansas. Therefore, we support the proposed study.

However, we would like to offer several comments on the bill for your consideration.

1. Add a task to study the impact of problem gamblers.

As discussed in exhibit 1, research studies indicate the social cost of pathological gamblers is approximately one-half of the revenues of a casino. These costs must be paid by families, friends, employers, local governments and the state.

Therefore, a task needs to be added to the study to answer specific questions related to the additional social costs created by new casinos in Kansas: How many persons will become pathological gamblers and problems gamblers as a result of the casinos? What will be the social cost of these addicted gamblers? What will be the cost to local governments? What will be the cost to the state? How much of the casino revenue should be distributed to local governments and the state for these additional costs?

2. Page 1, lines 39-41: Who will select these persons?

Thank you.

Federal and State Affairs
Attachment 5
Date 3-21-07

STAND UP FOR KANSAS



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

Casino Alert

A Newsletter for Kansas Legislators

January 30, 2007

Social cost one-half of casino revenue!

Casino proponents often promote the revenue of casinos but seldom discuss the social costs – the burden on local governments, families, friends, employers and businesses.

Baylor economics professor Earl Grinols, a nationally recognized authority in casino economics, has performed extensive research on the social costs of casinos. In 2001 he and Prof. David Mustard published an in-depth analysis of eight original research studies on the relationship between social costs and pathological gamblers.¹ **They determined the average cost to society to be \$13,586 per pathological gambler per year, broken down as follows:**

1. **Crime:** Costs for the apprehension, adjudication, incarceration, and rehabilitation of criminals; police costs resulting from the need for increased police presence.....\$3998 (29%)
2. **Business and Employment:** Costs of lost productivity, lost time and unemployment; sick days off for gambling, arriving late after gambling, extended lunch hours, and leaving early to gamble; hiring and training new employees after firing addicted employees for poor performance.\$3995 (29%)
3. **Abused dollars:** Money obtained from family, friends, and employers under false pretenses.\$3834 (28%)
4. **Illness:** Treatment costs for gambling related sicknesses, such as depression, stress, chronic or severe headaches, anxiety, moodiness, irritability, intestinal disorders, asthma, and cardiovascular disorders.....\$700 (5%)
5. **Social services:** Government costs for therapy, treatment, unemployment and other social service costs, including welfare and food stamps.\$631 (5%)
6. **Bankruptcy:** Lawsuits, legal costs, and bill collection.....\$316 (2%)
7. **Family costs:** Costs related to divorce, separation, spousal abuse and child neglect.....\$111 (1%)

Since approximately 1.0 % to 1.5% of adults living in the area surrounding a casino become pathological gamblers after the casino becomes operational, the annual social cost of the casino is about one-half of the casino revenue.

For example, a study commissioned by the Wichita Downtown Development Corporation estimated a casino in Wichita would produce an annual revenue of \$182 M; between 5,200 and 7,800 persons in the surrounding area would become pathological gamblers; and resulting social costs would be between \$71 million (39% of revenue) and \$106 million (58% of revenue).²

Social costs of a casino are a significant burden on surrounding communities!

¹ Earl L. Grinols and David B. Mustard, "Business Profitability versus Social Profitability: Evaluating Industries with Externalities, The Case of Casinos, Managerial and Decision Economics, Vol. 22, 1

² "Economic & Social Impact Analysis for a Proposed Casino & Hotel," GVA Marq Federal and State Affairs

Attachment 6

For additional information, contact Glenn Thompson

Date 3-21-07

STAND UP FOR KANSAS

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

Casino Alert

A Newsletter for Kansas Legislators

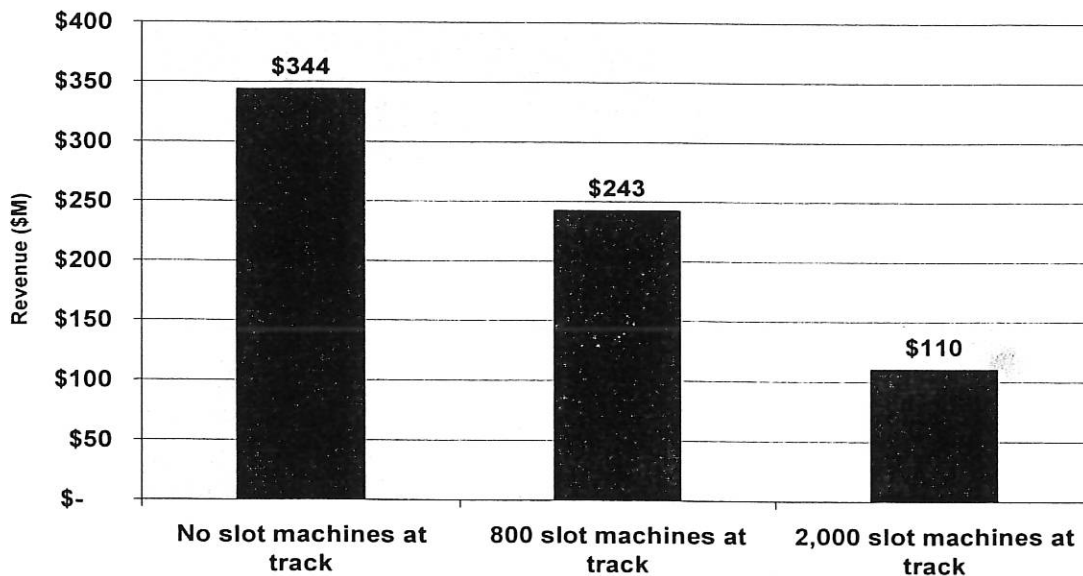
March 26, 2007

HB 2055 would destroy destination casinos!

The final report of the CCA study commissioned by the Ks. Lottery states slot machines at racetracks do “little to increase market demand” and “limit the amount of capital that can responsibly be invested in destination casinos that share these markets. ... Smaller capital investment translates into a less attractive facility with a smaller geographic reach.”¹

The updated (2006) report concludes that a destination casino in Kansas City with no slot machines at the Woodlands racetrack would have \$344 million in revenue. (Scenario 3B, p. 63) But, the revenue drops off drastically as slot machines at the Woodlands increases, as illustrated in the chart below.

Kansas City Destination Casino Revenue



Scenario 3A in the study assumed 800 slot machines at the Woodlands, reducing the revenue at the destination casino to \$243 million. (p. 55) **House Bill 2055 permits 5,000 slot machines at the Woodlands, Wichita Greyhound Park and Camptown. If the Woodlands has 2,000 of these machines, the so-called “destination casino” would have a revenue of only \$110 million, making it one of the smallest casinos in the Kansas City market.**

We urge you to oppose HB 2055

Federal and State Affairs

Attachment 7

Date 3-21-07

¹ “The Feasibility of Electronic and/or Casino Gaming in Kansas, Final Report,” CCA, Ma

For additional information, contact Glenn Thompson, (316) 634-2674, or 1

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Observations of HCR ~~2053~~⁵⁰²³
House Federal and State Affairs Committee
March 21, 2007

My name is Lana Oleen, representing the Prairie Band Potawatomi Nation (PBPN), and I appreciate the opportunity to appear before the committee briefly today. I would like to share some observations on HCR 2053 and the legislative process.

- Light vs. Dark
- Constitutionality vs. Non-Constitutionality
- Study Approach vs. Sneak Approach
- Impact vs. Impulse

Federal and State Affairs

Attachment 8

Date 3-21-07