

MINUTES OF THE SENATE FEDERAL AND STATE AFFAIRS COMMITTEE

The meeting was called to order by Chairman Pete Brungardt at 10:30 a.m. on March 11, 2009, in Room 136-N of the Capitol.

All members were present.

Committee staff present:

Jason Long, Office of the Revisor of Statutes
Julian Efirid, Kansas Legislative Research Department
Dennis Hodgins, Kansas Legislative Research Department
Connie Burns, Committee Assistant

Conferees appearing before the Committee:

Ted Smith, Department of Motor Vehicles
Doug Lawrence, Executive Director, Kansas Greyhound Association
George Wingert, Ruffin & Company
Pam Davis, Kansas Thoroughbred Association
Mark Guy, Iowa Quarterhorse Association Board of Directors
Brian Krenzin, President and Owner, Midwest Greyhound Supply
Bruce Schmitter, Woodlands
Mayor Dee Stuart, Park City, Kansas
Jeff Rutland, Rutland Ranch
Ed Van Petten, Executive Director, Kansas Lottery
Senator Kelsey
Mark Kahrs, Chairman, Stand Up for Kansas
Ron Hein, Prairie Band Potawatomi Nation
Mike Taylor, Unified Government Wyandotte County Kansas City Kansas
Gus Collins, City Manager, City of Wellington
Janis Hellard, Director, Sumner County Economic Development Commission

Others attending:

See attached list.

Ted Smith, Legal Counsel to the Director of Motor Vehicles, provided an update on **SB 9** from 2007. (Attachment 1) The biggest changes for the Division have been generated by the following:

1. Removal of the social security affidavit alternative
2. Formalization of the naming, address, and Kansas resident requirements
3. Requirement for higher standards in the establishment of lawful presence

The legislation gives drivers license examiners the tools and knowledge to make a more precise determination concerning identity documents and what qualifies applicants to obtain a Kansas identity document and gives clear instructions to individuals making application for identity documents, what is acceptable to prove identity. There has been major improvements in security requirements for examiners; ability for data sharing, enhanced law enforcement capabilities, and the continued refinement of the process and systems allows Kansas to have a more secure Identity Management System.

SB 273 - Kansas expanded lottery act; electronic gaming machine income distribution, election to allow electronic gaming machines in Sedgwick county.

Chairman Brungardt opened the hearing on **SB 273**.

Staff provided an overview of the bill. (Attachment 2)

The Chairman requested a motion to amend the bill in Section 1, striking lines 14-43.

Senator Reitz moved the amendment. Senator Owens seconded the motion. The motion carried.

CONTINUATION SHEET

Minutes of the Senate Federal and State Affairs Committee at 10:30 a.m. on March 11, 2009, in Room 136-N of the Capitol.

Doug Lawrence, Executive Director, Kansas Greyhound Association, spoke in favor of the bill. ([Attachment 3](#)) The bill would change the distribution of electronic gaming machine income from a racetrack gaming facility by increasing the amount from 25.0% to 43.0% of income to be received by the racetrack gaming facility manager; and remove the earnings caps on both the Live Horse Racing Purse Supplement Fund and the Live Greyhound Racing Purse Supplement Fund.

George Wingert, Ruffin & Company, appeared in favor of the bill. ([Attachment 4](#)) The bill would enable the track to reopen with slots and dramatically improve the employment situation in that area.

Pam Davis, Kansas Thoroughbred Association, spoke in favor of the bill. ([Attachment 5](#)) The racing industry has had a positive impact on education and research at Kansas universities; over 2.6 million dollars has been spent since 1990 on equine and canine research. Labor is one of the most expensive parts of getting the animals trained and ready to start a career at the race track; stallions were brought into the state with the anticipation of a growing breeding program being developed for the expanded gaming. Those horses that were foaled here are not worth what they should be because of loss of Kansas racing opportunities. Ms. Davis urged the committee to vote yes on the bill.

Mark Guy, Iowa Quarterhorse Association Board of Directors, testified in favor of the bill. ([Attachment 6](#)) Mr. Guy stated that the horse racing and slots at the racetrack has truly become a big boost to Iowa. Kansas, by not having slots at the tracks; means a loss of jobs, agriculture products and economy.

Brian Krenzin, President and Owner, Midwest Greyhound Supply, appeared in favor. ([Attachment 7](#)) The bill provides an opportunity to rejuvenate live greyhound racing in Kansas, and build upon greyhound racing's economic impact to the Kansas economy.

Bruce Schmitter, Woodlands, testified in favor of the bill. ([Attachment 8](#)) The passage of the bill will save Kansas industries, increase employment, provide a stimulus to the economy, and generate needed revenues for the state. A letter was provided endorsing the bill.

Mayor Dee Stuart, Park City, Kansas, spoke in favor of the bill. ([Attachment 9](#)) Mayor Stuart was in favor of the portion of the bill which calls for another referendum in Sedgwick County; that portion of the bill was stricken.

Jeff Rutland, Rutland Ranch, spoke in favor of the bill. ([Attachment 10](#)) Mr. Rutland stated that this bill is not about gambling, it is about re-directing a revenue stream from gambling; it is about rural Kansas and allowing the racetracks to get back in business to raise horses, attract new investment, stimulate spending, and create jobs.

Tom Burgess, International Game Technology, provided written testimony in support of the bill. ([Attachment 11](#))

Ed Van Petten, Executive Director, Kansas Lottery, was available for questions from the committee.

Senator Kelsey appeared in opposition to the bill. ([Attachment 12](#)) Senator Kelsey opposed the re-vote in Sedgwick County; also provided a letter signed by legislators from south east Kansas in opposition to the re-vote.

Mark Kahrs, Chairman, Stand Up for Kansas, spoke in opposition to the bill. ([Attachment 13](#)) They oppose not only another referendum in Sedgwick county, but oppose the bill in its entirety because of the economic and social impact the slot machine casinos would have on Kansas families.

Ron Hein, Prairie Band Potawatomi Nation, (PBPN) testified in opposition to the bill. ([Attachment 14](#)) The PBPN opposes the bill; the Federal Indian Gaming Regulatory Act was enacted in order to provided economic development opportunities to native American Indian Nations. The passage of expanded gaming legislation threatens the progress made in northeast Kansas, and the relationship between the state and the Tribal communities.

CONTINUATION SHEET

Minutes of the Senate Federal and State Affairs Committee at 10:30 a.m. on March 11, 2009, in Room 136-N of the Capitol.

Mike Taylor, Unified Government Wyandotte County Kansas City Kansas, appeared in opposition to the bill. (Attachment 15) The Unified Government opposes attempts to change the law before approved casinos are built and operating; this presents a risk to the future of casino gaming in Kansas, and threatens the chances of Wyandotte County receiving destination casino proposals.

Janis Hellard, Director, Sumner County Economic Development Commission, spoke in opposition to the bill. (Attachment 16) Ms. Hellard opposed the re-vote in Sedgwick county as it could potentially ruin the opportunity for a casino in the South Central Gaming Zone, and thanked the committee for removing that language from the bill.

Board of County Commissioners, Sumner County, (Attachment 17) and Gus Collins, City Manager, City of Wellington, (Attachment 18) provided written testimony in opposition to the bill.

Chairman Brungardt closed the hearing on **SB 273**.

Final Action:

SB 75 - Municipalities; consolidation and reorganization; political and taxing subdivisions.

Senator Faust-Goudeau being on the prevailing side of the Senator Abrams amendment, made a motion to reconsider the vote on the amendment. Senator Owens seconded the motion. The motion carried.

Division was called, and the motion passed. Senator Abrams requested to be recorded as voting no.

The next meeting is scheduled for March 12, 2009. The meeting was adjourned at 11:53 am

SENATE FEDERAL AND STATE AFFAIRS COMMITTEE

GUEST LIST

DATE 3-11-09

NAME	REPRESENTING
MIKE Taylor	Unifed Gov/Wyandotte County
Sylvia Chapman	CWA
Matt Casey	BIA
Jesse Hein	Hein Law Firm
Patrick Duhell	Woodlands
Chris Glgstad	Federico Consulting
Nick Jordan	Capitol Strategies
Kevin Berore	Capitol Lobby Group
Koa Hein	Prairie Band Potawatomi Nation
Pattie Stalder	KS Horse Council
Pam Davis	Thoroughbred Racing Assoc.
SHELBY SMITH	Self
Janis Hallard	Summer Co Eco Dev Comm
Stuart Little	Sedgwick County
Joyce GUERREMO	PRAIRIE BAND POTAWATOMI NATION
CARRIE OTOOLE	PBBN
J Hale Jr.	Prairie Band Potawatomi Nation
Frank Sturley	GTECH
Algo Talan...	COTECH
Bob Heptig	GTECH
J.P. SMALL	KS Quarterhorse Racing Assn
Leigh Keck	Hein Law Firm
Gene Wenzel	Puffin Company
Denny Burgess	KTA
DAVE HEINEMANN	STAND UP FOR KANSAS
MARK LAHRS	STAND UP FOR KANSAS

To: Senator Pete Brungardt, Chairman, and members of the Senate Federal and State Affairs Committee.

From: Carmen Alldritt, Director of Vehicles, and Ted Smith, attorney for the Director.

Date: March 11, 2009

Subject: Report on SB 9 (2007) Implementation

Mr. Chairman and distinguished members of the committee, thank you for giving us the opportunity to report on our efforts to implement Senate Bill 9 (2007) and improve driver's license and identification card security throughout the State of Kansas.

Senate Bill 9 was passed during the 2007 session to deter identity fraud and provide and ensure a secure identity management system. We are now more than a year into the implementation of Senate Bill 9, and I am here today to inform that the State has taken great strides in identity security. Furthermore, the Division has learned much in its efforts to prevent driver's license fraud and maintain a secure identity system as a result of the 2007 legislation.

The biggest changes for the Division have been generated by the following:

- 1 Removal of the social security affidavit alternative.
- 2 Formalization of the naming, address, and Kansas resident requirements.
- 3 Requirement for higher standards in the establishment of lawful presence.

Presently, all new applicants are required to provide a valid birth certificate, verifiable social security number, proof of lawful presence and proof of address. Prior to SB 9, hundreds of individuals were issued drivers license and identification card documents based on the submission of social security affidavits. Senate Bill 9 explicitly removed the Division's authority to rely on affidavits and there has been a dramatic decline in applications from foreign applicants as a result.

In calendar year 2008, there were 625,210 applications for Kansas drivers' licenses and identification cards with approximately 520,000 licenses/cards actually issued. During 2008, the Division checked approximately 102,938 social security numbers through the SSOLV database, Social Security Online Verification System. The SSOLV system returned 7078 of those checks as unacceptable. The following table contains a break down of the various reasons why the social security numbers were denied:

Impossible or invalid SSN	660
Name did not match, DOB matches	3221
Name matches, DOB did not match	781
No match (on Name and DOB)	2369
SSA, DOB and name matches, SSA records indicate person is deceased	14
System Error: Request unable to be processed at this	33

time	
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Based on training requirements mandated by SB 9 the Division now has better trained examiners for stopping the applications of those who are not entitled to drivers' licenses and identification cards, and speeding up the process when dealing with legitimate foreign applicants. Because of SB 9, non citizen applicants that provide legitimate documentation will find the process for securing drivers' licenses and identification cards to be quicker and more convenient.

SB 9 requires that non-immigrant, foreign applicants be issued a temporary drivers' licenses and identification cards that are limited in duration to the stay documented on the travel documents. 2008 was the first full year that temporary document were issued and we printed and mailed 13,078.

Foreign professors teaching at our Universities have offered another challenge. Even though travel documents expire on a given day the federal government allows a 30 day grace period for departure from the United States. (or renewal of lawful status). The professors' lawful status is linked to his or her employment contract. If the employment contract expires, the professors still need to close their offices, pack, raise their children, etc. Under limited circumstances, an individual with a temporary driver's license can request an extension that grants driving privileges only. This extension does not extends the identity credentials, nor mandate new credentials. Our experience with this 30 day grace period is a good example of how the Division is learning the nuts and bolts of the Federal immigration procedure, and incorporating those rules, exceptions, and regulations into the Division's procedure on a daily basis.

The Division of Vehicles supervises 135 state driver's license examiners. Based on requirements in SB 9, each one of our examiners has been fingerprinted and required to attend annual mandatory fraud document training. The examiners are tested and required to score 100%. We have also mandated additional training and competence from subject matter experts that are located in each region of the State.

Well trained examiners have the benefit of being able to identify questionable documents at the time of application. Some applicants are asked to bring further documentation, or in some cases we retain documents for further examination and can be referred to KDOR Identity Security Unit for resolution. The Fraud unit conducts extensive research to determine if the application should be processed or denied. In some cases an existing driver's license or identification card is cancelled for fraud. During 2008, this unit conducted nearly 300 investigations and averaged 2-10 referral cases per week. Many more cases were referred directly from law enforcement or anonymous tips. Our statistics show most attempted fraudulent attempts for drivers' licenses occur on late Friday afternoons when our offices are at their busiest. I have attached a document that breaks down the number of referrals by area of the State.

The KDOR Identity Security Unit not only conducts its own internal investigations, but also assists all levels of law enforcement when requested. Recently an officer in SE Kansas, who had taken the KDOR fraud document training, requested assistance verifying ID cards. As events unfolded, an individual was taken into custody by the Secret Service for alleged counterfeiting ID cards, disabled placards, and currency. This example underscores the trend we're seeing wherein identity fraud will normally be connected with tax fraud, benefit fraud, vehicle title fraud, and theft.

10% of our customers give incomplete or undeliverable addresses. SE and SW Kansas have more applicants turned away for failure to provide proof of address. The Division suspects that individuals in SE Kansas tend to move often between Kansas, Missouri, Oklahoma and Arkansas, and that SW Kansas movements seem to be influenced by the livestock and agriculture industries.

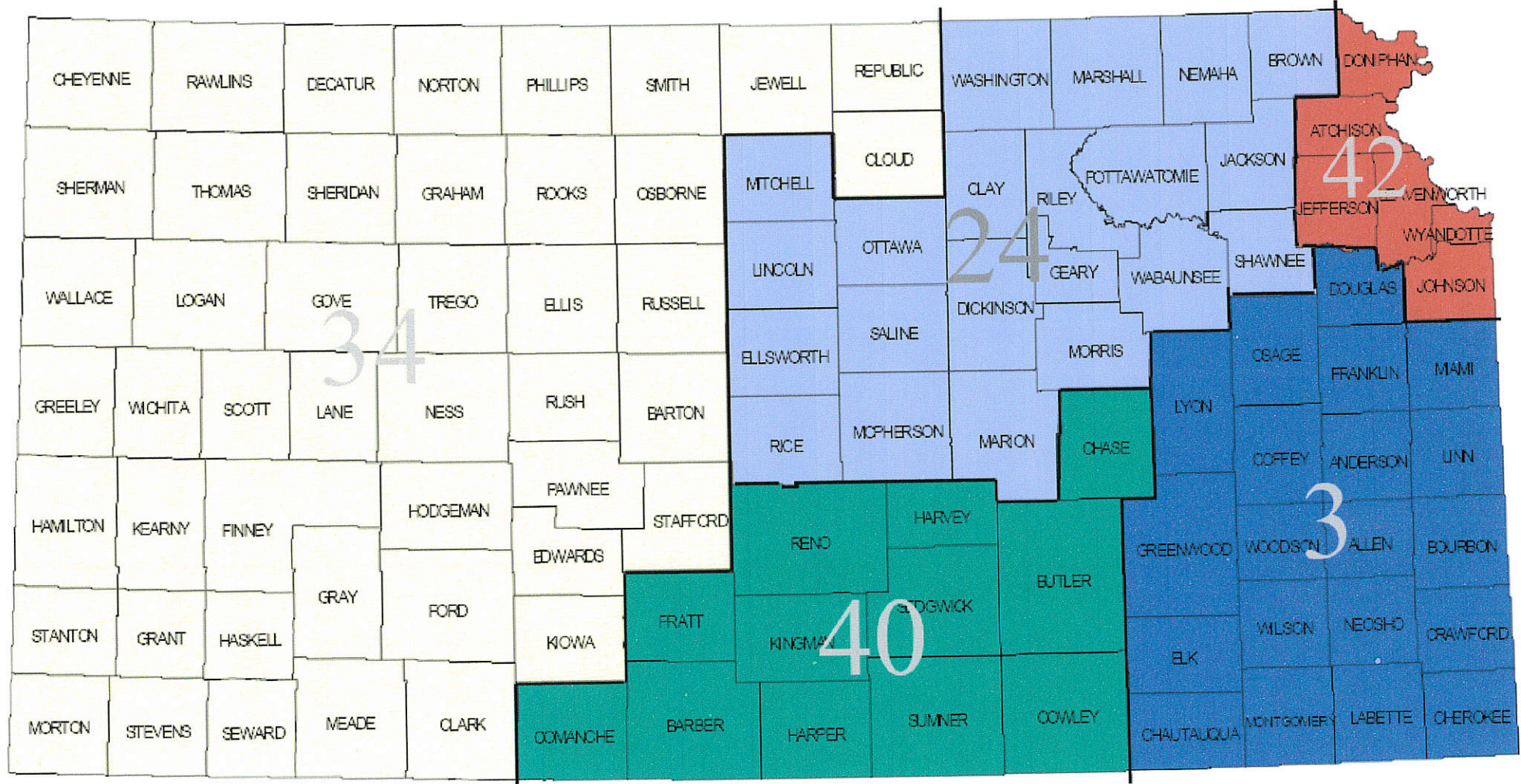
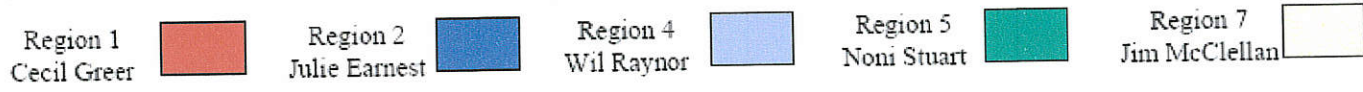
Applicants providing proof of address is a daily challenge. Since adding this requirement to the renewal card and the county treasurers notifying their constituents we have noticed more people arriving prepared. The most common complaint we receive is from individuals claiming no license was ever received in the mail. Recently a woman contacted us very upset. She had been to the exam station 3 times and never received anything in the mail. Terry Mitchell, DL Chief, hand delivered her drivers license. She realized she had thrown all previous envelopes in the trash. She thought they were credit cards.

So in answer to the question "Where are we today?" SB 9 gives drivers license examiners the tools and knowledge to make a more precise determination concerning identity documents and what qualifies applicants to obtain a Kansas identity document and gives clear instructions to individuals making application for identity documents what is acceptable to prove identity.

2009 brings us to the next phase of implementation. KDOR received a DHS/FEMA grant which enables Kansas to build a Model Office/Photo First process. Currently a photo is taken at the end of the application process. Grant funds are being used to re-configure the entire system and process which includes a total upgrade of the Photo Verification System currently in use. Photo, signature and documents will be electronically captured and attached to the driver record at the beginning of the process. If the application is terminated before completion all information is stored. If the individual visits any office in the future the stored images will be displayed to the examiner. Each image will be compared at the time 1 to 1 for possible matches, ensuring the most accurate "current applicant to previous photo" verification process. This will allow for detection of attempted fraud early in the process. The 1 to many photo verification process will be performed at the end of the day as a secondary means to detect attempted fraud. Checking the photos captured each day against the more than 9 million photos in our database will detect previous attempts by the applicant using different identities, and /or multiple attempts by the applicant visiting various offices during the same day. Birth certificates will be electronically verified through EVVE (Electronic Verification of Vital Events) and alien status will be verified through SAVE (Systematic Alien Electronic Verification for Entitlement). US passports will be verified through federal systems. The Model Office will be located in Topeka at our existing location and will run through 2009. 2010 will begin the roll out to all driver's license offices. Digital Image Exchange went live January 26, 2009. 15 states are now able to share or query photo images to verify identity. More states continue to move into production.

SB 9 allows agencies to share information for identity verification, and one of our most crucial partners is law enforcement. In addition, KDOR and the Bureau of Vital Statistics are working together to share data. Vital Statistics will share death data which will electronically attach to a drivers record and "close" it. KDOR has been sharing images with Vital Statistics which has proven useful at detecting attempted benefit fraud. Currently we are working together to achieve birth certificate verification. SB 9 has made major improvements in security requirements for examiners; ability for data sharing, enhanced law enforcement capabilities and the continued refinement of process and systems allows Kansas to have a more secure Identity Management system. The Division of Vehicles thanks the Committee for its assistance in working and passing this legislation in 2007, and the Division asks for your continued support in 2009

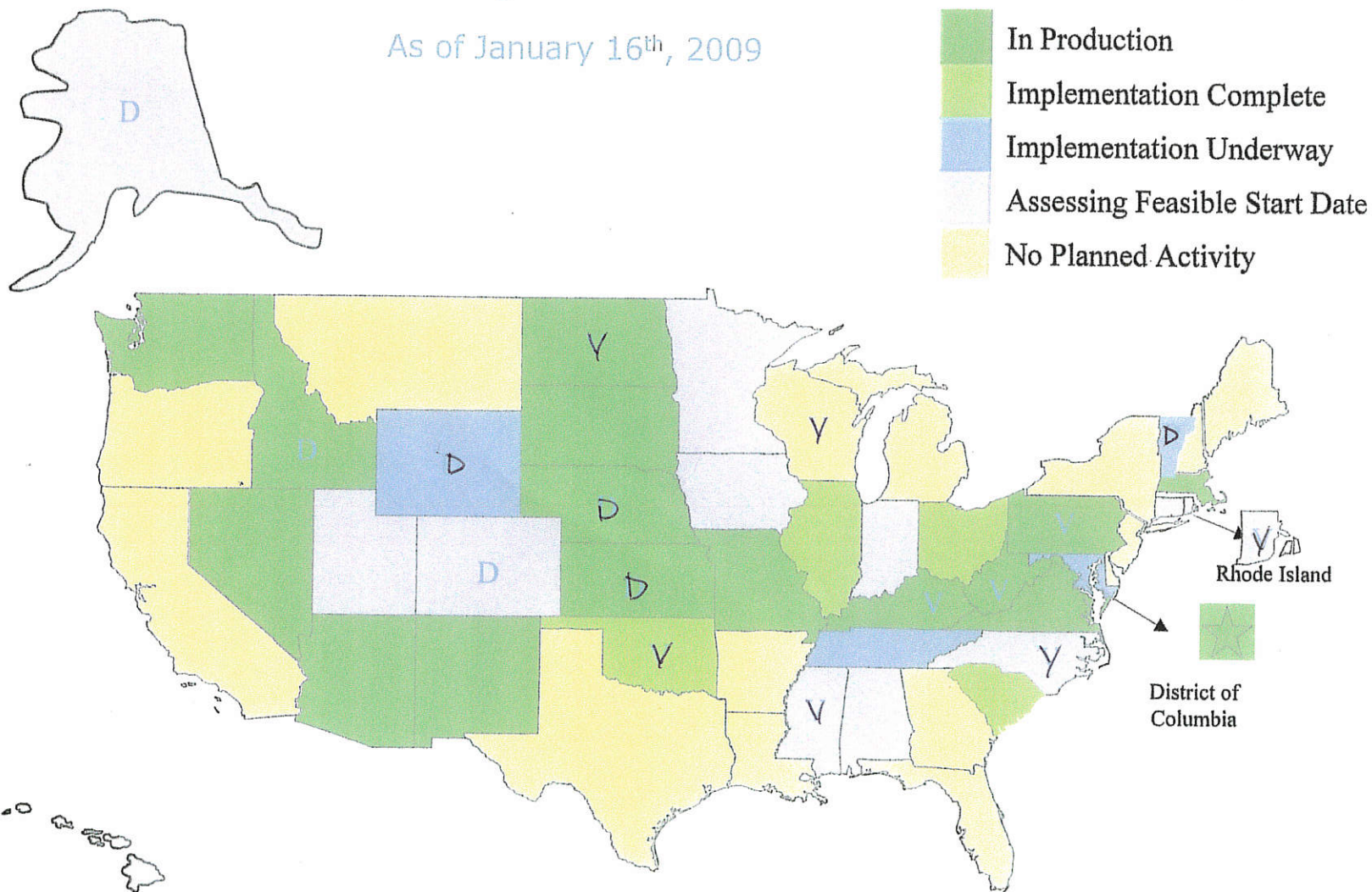
Fraud Referrals for 2008 by Region



Referrals for Suspect documents, Suspect applicants and Possible Identity theft

DIAEP Implementation Status

As of January 16th, 2009



Collaborations: ViiSAGE (V) and Digimarc (D)

SB9 – Effective July 1st 2007

1. Requires KDOR to subject driver's license examiners and anyone else involved in the manufacture, production or issuing of Kansas driver's licenses and identifications cards to "appropriate security clearance requirements."
2. All examiners will need to successfully complete training on driver's license fraud (including document fraud and imposters) as well as federal rules used to determine lawful presence in the U.S.
3. Examiners have specific authority and responsibility to retain breeder documents whenever there are reasonable grounds to believe the documents are fraudulent or the applicant is an imposter. These documents are to be referred to Identity Security Unit.
4. All applicants must provide proof of age and identity, proof of residency, and address of principle residence. Applicants shall provide a photo identity document or a non-photo identity document if it includes both the applicant's full legal name and date of birth, and documentation showing the applicant's name, address of principle residence and social security number. We will not issue any driver's license, instruction permit or ID card to any person that fails to provide proof that the person is lawfully present in the United States.
5. Defines "Address of principal residence" means: (A) The place where a person makes his or her permanent principal home; (B) place where a person resides, has intention to remain and where they intend to return following an absence; or (c) place of habitation to which, whenever the person is absent, the person intends to return. If a person eats at one place and sleeps at another, the place where the person sleeps shall be considered the person's address of principal residence. *Applicants who participate in the substitute mailing address program may use an address approved by the Secretary of State's Office rather than their residential address. This program is available to persons who are the victim of domestic violence, sexual assault, trafficking or stalking.*
6. A social security number is required. If one can not be provided, the applicant will have to provide proof of legal presence and proof of Kansas residency. The signing of an SSN waiver is no longer required.
7. Examiners must ensure that the expiration date of a DL or ID card corresponds with the mandated departure date for non-immigrant visitors. If a departure date is 60 days or less, we will not issue anything. If a departure date is not specified the DL/ID card is to be issued for one year. (See Interim Procedures)
8. We will no longer issue ID cards to persons that hold an out of state driver's license or ID card unless they surrender said license or ID card.
9. We will no longer issue a driver's license or ID card to persons that hold an out of country driver's license or ID card unless they surrender said license or ID card.
10. All applicants must agree to have their face photographed – No Valid without Photos (no more exceptions for religious reasons)
11. Examiners must record the applicant's full legal name (not initials for middle names)
12. Examiners will no longer accept foreign birth certificates when processing applications for a replacement DL or ID card.
13. We will no longer renew by mail for anyone except Active Duty military.
14. We will no longer accept a Common Law Marriage affidavit as a legal document to change a person's name on their driver's license or ID card.

MARY ANN TORRENCE, ATTORNEY
REVISOR OF STATUTES
JAMES A. WILSON III, ATTORNEY
FIRST ASSISTANT REVISOR
GORDON L. SELF, ATTORNEY
FIRST ASSISTANT REVISOR



OFFICE OF REVISOR OF STATUTES
KANSAS LEGISLATURE

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Interstate Cooperation
Kansas Statutes Annotated
Editing and Publication
Legislative Information System

Overview of Senate Bill 273
Amendments to the Kansas Expanded Lottery Act

Jason B. Long
Assistant Revisor
Office of Revisor of Statutes

March 11, 2009

SB 273 makes various amendments to the Kansas Expanded Lottery Act. First, the bill creates a new section of law that would require the board of county commissioners of Sedgwick County to submit a proposition to the voters of that county on whether electronic gaming machines should be operated by the Kansas Lottery at the Wichita Greyhound Park.

Section 2 of the bill amends K.S.A. 74-8734 to clarify the type of central computer software used to control and monitor gaming that the State will own.

Section 3 of the bill amends K.S.A. 74-8744 regarding the privilege fee to be paid to operate an electronic gaming machine at a racetrack gaming facility. Currently, the Kansas Lottery is only permitted to allocate 2,200 machines until all of the lottery gaming facility contracts become binding. After that the remaining 600 machines are to be allocated based on privilege fees paid by the racetrack facility managers. SB 273 eliminates this two-step allocation process. Under the bill there is a maximum of 2,800 machines that can be allocated, and there is a \$2,500 privilege fee for each machine that is to be paid by the racetrack facility manager.

Section 4 of the bill amends K.S.A. 74-8747 regarding the distribution of net electronic gaming machine revenues. The bill shifts 18% of the revenues from the State to the racetrack

gaming facility manager. The bill also eliminates the caps on the amounts distributed to the live horse and greyhound racing purse supplement funds.

Section 5 of the bill amends K.S.A. 74-8751. This statute requires the Kansas Racing and Gaming Commission to establish certification requirements to certify that the officers, directors, key employees and substantial owners of the facility managers, and vendors contracting with such managers, do not pose a threat to the public interest of the State, or the operation and control of the facilities by the State. SB 273 would increase the minimum ownership interest of a substantial owner from 0.5% to 5%. The bill adds a provision that in the case of a publicly traded company the certification is for the officers, directors, key gaming employees and substantial owners of such entity, and that such entity is required to annually provide a list of identifiable shareholders. There is also an added provision that requires a procedure for a certification waiver by the executive director of the commission in the event the entity is an institutional investor in a publicly traded company.

If enacted SB 273 will become effective upon publication in the Kansas Register.

Kansas Greyhound Association
711 Old HWY 40
Abilene, KS 67410

Testimony in support of SB 273

Doug Lawrence
Executive Director
Kansas Greyhound Association

The Kansas Greyhound Association SUPPORTS SB 273 in the form it was introduced. In the past several years, our members have been part of a broad coalition that worked together to pass legislation aimed at recapturing lost revenues to nearby states, as well as to benefit the live racing industry.

It was a collaborative effort that culminated in the passage of SB 66 in 2007. Unfortunately, for technical reasons, and equity reasons, we believe that parts of SB 66 must be changed. Uncomfortable as it may be, failure to make changes will leave the state with an implementation that may not be economically feasible for any gaming development in the state, not just the pari-mutuel facilities.

The Greyhound Industry

Attached to my testimony is a map of Kansas which shows the distribution of greyhound owners, breeders and trainers across the state. Our business is national in scope, as our operators are the best in the business and compete in every jurisdiction where greyhound racing is authorized. And We WIN! Winning is the key part of our business, because high performance pays. Where there are big purses, Kansas Greyhounds are racing.

I have also attached information about the economic value of the Wichita Greyhound Park and Camptown Greyhound Park if this legislation were to pass. Reopening each track, with enhanced purses generated by the addition of slot machines means more jobs, additional income throughout the region, and millions of dollars in new investment (both at the track and on the greyhound farm).

Racetracks are important to our industry. It is a symbiotic relationship, greyhound operators are independent businesses which provide greyhounds to the tracks for racing. The better the greyhounds, the better the racing – and wagering. If purses are low, the quality of greyhounds decreases – and wagering decreases. Both the tracks and the greyhound operators are dependent on the wagering dollars.

That relationship carries back to the farm where greyhounds are bred and trained. Greyhound values increase when higher purses are available. The addition of purse supplements generated by slot machine revenues increases the economic value of greyhounds being produced at greyhound farms.

Interestingly, slot machine revenues are higher at a racetrack when greyhounds are running. High quality racing makes a difference in the revenues generated at slot machines as well. Several years ago, an outbreak of Kennel Cough at Wheeling Downs shut down live racing unexpectedly. The daily handle in the slot machines at that greyhound track dropped \$200,000 per day while the track was idle. A similar beneficial relationship is found in the horse racing industry as well. In fact, several economic impact studies have found that the positive benefit of live racing on slot machine revenues exceeds the amount of supplements added to purses.

We believe SB 273 will generate approximately \$36 Million in economic benefit from the greyhound purses alone, while generating millions of dollars in revenues for the state of Kansas.

Key Provisions of SB 273

Slot machine issues:

SB 273 has benefits for all parts of the gaming industry. In the case of track operators, and destination casino operators, Sections 2 and 5 make important technical changes to the law to make sure that gaming operators have access to the best gaming machines, from the best gaming operators.

Written testimony has been submitted by electronic gaming machine manufacturers detailing the specifics of those sections. The Kansas Greyhound Associations believes it is crucial that the all gaming operators have a competitive range of the latest gaming technology, and are not limited as to game selection or vendor choice.

Competitive gaming tax rates:

Legislation passed in 2007 created a significant disparity between the tax rates paid by the pari-mutuel operators and the destination casino operators.

Destination casino operators were required to give the state 22% of the gross gaming revenues, in addition to paying 3% to local units of government, and 2% to fund programs for gambling addiction. Put another way, the casino operators were allowed to keep **73%** of the gross revenues to pay operating costs, debt service.

For track operators, the amount of money left to fund operations is **40%** of gross revenues.

Changes to the state's share of gaming revenues from the pari-mutuel facilities found on page 10 (line 14) would increase the amount of money kept by the track to pay expenses to **58%**, still significantly less than the revenues allowed for the destination casino developers.

It is important to understand, that in both the South Central and North East Zones, destination casino developers proposed extremely large developments, which were more than twice the minimum investment requirements under the law. In the North East Zone, the developer called their project a "category killer" aimed at maximizing revenues for their facility. With the Woodlands facility limited by high tax rates, and restrictions on the number of machines at the

facility, the revenue projections were significantly lower than expected. Lower revenues means margins are extremely small, if the facility is profitable at all.

Clarity on the number of gaming machines available to the tracks:

In current gaming law, destination casino developers have no limits on the number of machines and types of games that can be offered at their facilities. Track operators are limited to slot machines, and the total number available are further limited through a complicated cap and bidding structure that doesn't start until management contracts are binding in all gaming zones. As you are aware, there may never be a destination casino development in southeast Kansas, which means the tracks in other zones will not be allowed to have a full complement of slot machines for an undetermined period of time – if ever.

Changes made on page 8, establish a fixed limit on the number of machines allowed at all track at 2,800. That limit is for all locations, with the number of machines to be allocated by the lottery.

Caps on breed participating in gaming revenues:

Current gaming law places a “per machine cap” on breed participation in revenues. That cap (\$3,750 per machine) means that a racetrack facility with 600 machines would limit purse supplements from slots to \$2.2 million dollars per year. By comparison, in most states purse supplements for greyhound races exceed \$12 million dollars per year (per track). As I mentioned earlier, the higher the purses – the better the racing – the better the attendance – the better the slot machine revenues. The cap also creates an incentive to keep the number of machines at a facility artificially low, because cap revenues would go to the track operator under current contracts.

More importantly, purse revenues are distributed back into the rural economy through increased value of greyhounds, more breedings, and more services. Capping purses – caps the benefits that flow back into rural Kansas and cut deeply into the benefit and value of the live racing operations to the rest of the state.

Changes on page 9 removes the cap.

Authorization of a second election in Wichita:

Section 1 of SB 273 requires Sedgwick County to hold another election on the question relating to authorizing electronic gaming machines at the Wichita Greyhound Park. The mandatory nature of the language is nearly identical to the requirement included in the original gaming legislation. It was mandatory at that time.

The significant difference between the previous language and that proposed in this bill is the question that voters are asked to approve.

In the original question, voters were asked “Shall the Kansas Lottery be authorized to place electronic gaming machines in Sedgwick County?”

This question made no reference to where in the county, these machines would be operated. Opponents incorrectly claimed this question would authorize slot machines convenience stores, restaurants, bars and taverns.

On page 1, lines 23-24 the new question is specific:

“Shall the operation of electronic gaming machines at the Wichita Greyhound Park by the Kansas Lottery be permitted in Sedgwick County?”

The question failed by less than 250 votes out of 100,000 cast. Time after time we were told by voters they were confused by the question, and couldn't find the question relating to games at the racetrack.

Indeed, the Friday before the election a poll of voters found that approval of the racetrack provision was leading by 18 percentage points. The poll question asked whether the voter supported placing slots at the racetrack. Four days later, as voters went to the poll and had to look at the question, it wasn't clear which question approved the racetrack provision.

Some may see this as simply a “do over” on a lost election. The failure of this election, by the narrowest of margins over a confusing ballot question costs the greyhound and horse industry millions of dollars. Counties, school districts and cities frequently offer propositions to raise taxes and issue bonds a multitude of times. The questions are clarified, proposals are changed, and voters are given a chance to make a decision based on new information.

If the voters really were opposed to authorizing slots at the Wichita Greyhound Park, the outcome would likely be no different. We believe that confusion created the outcome, not voter intent.

Summary

The Kansas Greyhound Association supports SB 273. Waiting another year, with closed racetracks to fix flaws in current law hurts our industry, and greatly impairs the competitiveness of all gaming facilities. With bids pending in three zones, and one casino under construction, it is important to resolve issues with the availability of all gaming machines and a broad selection of manufacturers.

Key points of SB 273

Prepared by the Kansas Greyhound Association

SB 273 would reopen the three closed pari-mutuel racetrack facilities in Kansas, and allow the continued operation of two existing tracks at Eureka and Anthony.

In the case of the Camptown Greyhound Park in Crawford County this legislation would generate:

- 1.) 200-300 new jobs in Crawford County
- 2.) \$50 Million dollars in new investment in Crawford County
- 3.) A significant increase in assessed valuation, and new property tax revenues for Crawford County, City of Frontenac and local schools.
- 4.) \$300,000 each in direct payments to Crawford County, Cherokee County and the City of Frontenac.
- 5.) \$2.1 Million in special purse supplements for the Greyhound Industry
- 6.) \$2.1 Million in special purse supplements for the Live Horse Racing industry
- 7.) \$300,000 for live racing at Eureka Downs, in Greenwood County and Anthony Downs, in Harper County

Bringing the Greyhounds back to Camptown Greyhound Park would touch nearly every county in Kansas through its support of the live racing industry.

- 1.) Greyhound operators breed and train their dogs all over Kansas. More than half of the total \$3 million in purses at Camptown Greyhound Park would flow back to the farms and training facilities spread across our state. The rest would be spent in the general area of the track in goods and services to support the racing activities at the racetrack, creating additional jobs in the state.
- 2.) Horse operators all over the state will benefit from more than \$2.4 million in revenues generated at a greyhound track to enhance purses and make live horse racing in Kansas competitive with Iowa, Oklahoma and New Mexico. Allowing Horsemen to continue breeding and training their horses in Kansas and keep their operations local.

Doug Lawrence,
Executive Director, Kansas Greyhound Association
Contact: (620) 203-0625

Key points of SB 273

Prepared by the Kansas Greyhound Association

SB 273 would reopen the three closed pari-mutuel racetrack facilities in Kansas, and allow the continued operation of two existing tracks at Eureka and Anthony.

In the case of the Wichita Greyhound Park this legislation would generate:

- 1.) 300-500 new jobs in Sedgwick County
- 2.) \$50 Million dollars in new investment in Sedgwick County
- 3.) A significant increase in assessed valuation, and new property tax revenues for the County and local schools.
- 4.) \$1 Million in direct payments to Sedgwick County, and \$500,000 to Sumner County
- 5.) \$3.5 Million in special purse supplements for the Greyhound Industry
- 6.) \$3.5 Million in special purse supplements for the Live Horse Racing industry
- 7.) \$500,000 for live racing at Eureka Downs, in Greenwood County and Anthony Downs, in Harper County

Bringing the Greyhounds back to Wichita Greyhound Park would touch nearly every county in Kansas through its support of the live racing industry.

- 1.) Greyhound operators breed and train their dogs all over Kansas. More than half of the total \$6 million in purses at Wichita Greyhound Park would flow back to the farms and training facilities spread across our state. The rest would be spent in the general area of the track in goods and services to support the racing activities at the racetrack, creating additional jobs in the state.
- 2.) Horse operators all over the state will benefit from more than \$4 million in revenues generated at a greyhound track to enhance purses and make live horse racing in Kansas competitive with Iowa, Oklahoma and New Mexico. Allowing Horsemen to continue breeding and training their horses in Kansas and keep their operations local.

Key points of SB 273

Prepared by the Kansas Greyhound Association

SB 273 would reopen the three closed pari-mutuel racetrack facilities in Kansas, and allow the continued operation of two existing tracks at Eureka and Anthony.

In the case of the live greyhound racing, approval of SB 273 would generate:

\$ 8.4 Million in special purse supplements

\$ 4 Million in reinstated purses from wagering and simulcast wagering

Total:

\$12 Million dollars a year in new and reinstated revenues for the agriculture side of greyhound racing.

A 2004 study of the impact of the Kansas Greyhound Industry on the local Kansas economy found that for every \$1 paid in live greyhound racing purses generated more than \$3 in economic impact through payroll, good and services purchased and taxes paid.

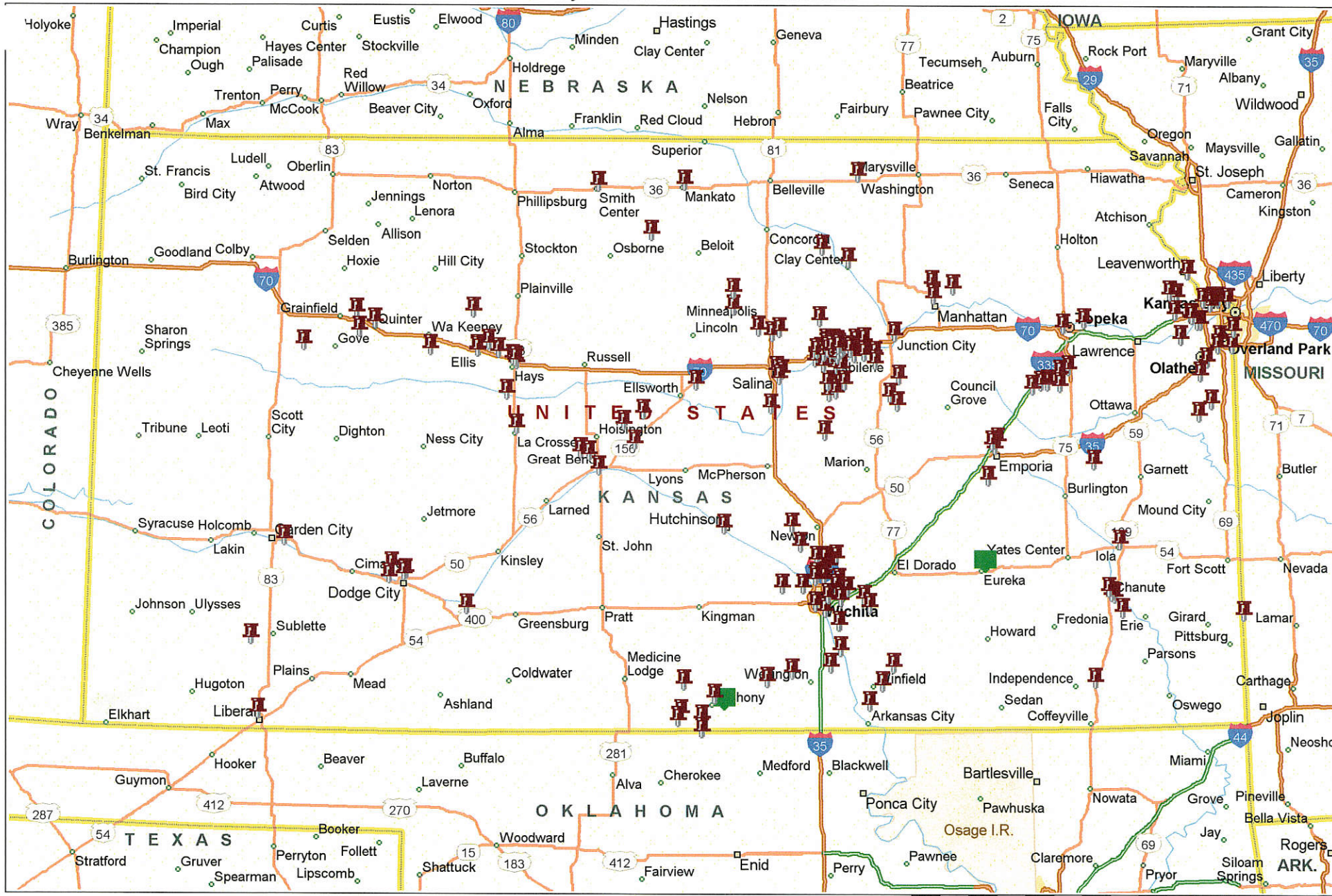
The bottom line: \$36 Million dollars to the Kansas economy from purses alone.

Bringing the Greyhounds back would touch nearly every county in Kansas through its support of the live racing industry.

- 1.) Greyhound operators breed and train their dogs all over Kansas. More than half of the total \$12 million in purses at the three existing tracks would flow back to the farms and training facilities spread across our state. The rest would be spent in the general area of the track in goods and services to support the racing activities at the racetrack.

Doug Lawrence,
Executive Director, Kansas Greyhound Association
Contact: (620) 203-0625

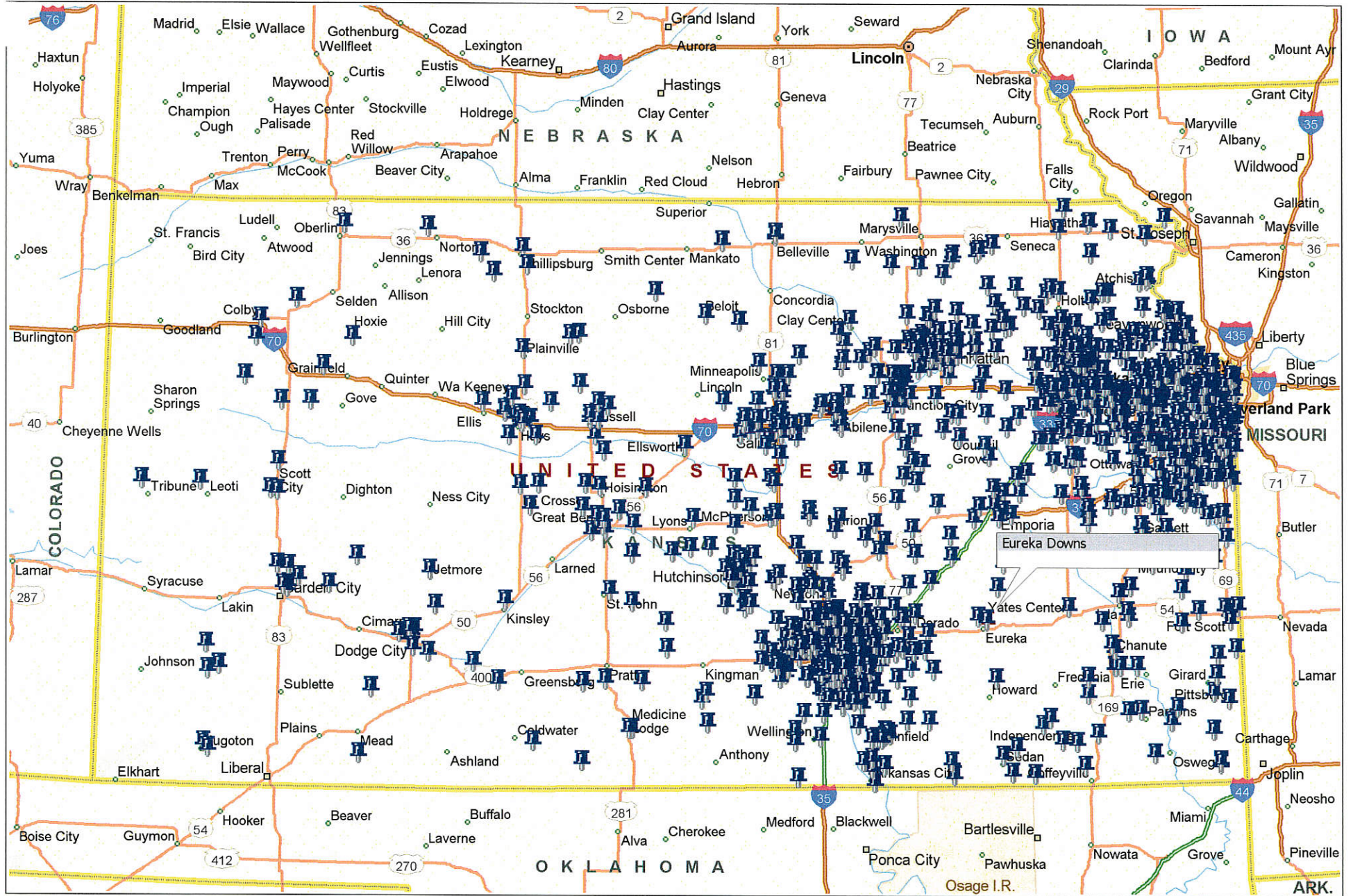
KS Greyhound owners locations



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KS Horse data

3-9



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March 4, 2009

Dear Committee Members:

I would like to thank the Chairman and Associate Members for holding this hearing. As you are probably aware, I own two of the Kansas race tracks that are involved in this legislation. While the citizens of Frontenac Kansas overwhelmingly approved the opening of the Camptown Race Track, the substance of the bill that was presented would have made it impossible to open this race track.

This new bill in front of you would change the economics and without any major changes of the bill, that would enable the track to reopen with slots and dramatically improve the employment situation in that area.

The bill would allow us to go for a revote of the citizens in Wichita Kansas for a revote at the track. While the bill was murky and didn't specifically state slots at the Wichita Greyhound Park, the opposition implied that slots would be in every convenience store, bowling alley, etc. Given this misrepresentation, we still only lost by some 200 votes out of 100,000 voters.

We would like to try again with this specific bill. The passage of this amendment would force a revote in Sedgwick County which we think would be successful. This bill is primarily about jobs in Kansas.

The combination of both tracks would employ about 400 to 500 people. The ripple effect with breeders, stockmen, farmers, etc., would also employ many additional people and have a strong economic effect on those parties. This amendment is about jobs which we are in need of.

We would appreciate an affirmative vote out of this Committee. While I cannot speak for the Woodland Race Track, I believe that the track would reopen either by the Grace Company or another entity.

Thank you for your consideration.

Phil Ruffin Sr.

316 543-7940
FAX 316-942-0216
18223 FLORENCE
WICHITA, KANSAS 67209

P.O. BOX 17087
WICHITA, KANSAS 67217

Sn Fed & State
Attachment 4

3-11-09

Kansas Horse Racing Industry



- 270 Million Dollar Investment
- 103 Million Dollar Annual Economic Impact
- 1300 Jobs
- 1600 Kansas Owners

"IT'S AS BIG AS YOU THINK!"

POPULATION SURVEY OF THE
KANSAS RACE HORSE INDUSTRY

INTRODUCTION

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

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

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

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

SURVEY RESULTS

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

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

Kansas Horse Racing Property Value:

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

Annual Kansas Horse Racing Expenditures:

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

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

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

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

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

Table #2 Application of IMPLAN Economic Multipliers:

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

THE KANSAS HORSE RACING INDUSTRY

IT'S AS BIG AS YOU THINK

Compiled and Distributed by
 WEELBORG FARM
 CANTON, KS.
 MEMBER OF: KANSAS QUARTER HORSE RACING ASSOCIATION
 KANSAS THOROUGHBRED ASSOCIATION
 KANSAS HORSEMEN'S ASSOCIATION



Kansas Thoroughbred Association presentation to the Kansas Legislature

The equine industry of Kansas is very diverse. Our presentation is really only about the racing industry as it related to Thoroughbreds and Thoroughbred racing. The agricultural economics will be the areas that will be sited. The purposes of this presentation is to tell you a story about our industry.

Breeding and foaling and raising the young athlete to be ready to compete at the race track and all that it entails.

The racing industry has had a positive impact on education and research at our universities. Over 2.6 million dollars has been spent since 1990 on equine and canine research . This is a huge benefit to our students and our animal athletes. This dollar amount has been reported by the KS Racing Commission's annual report.



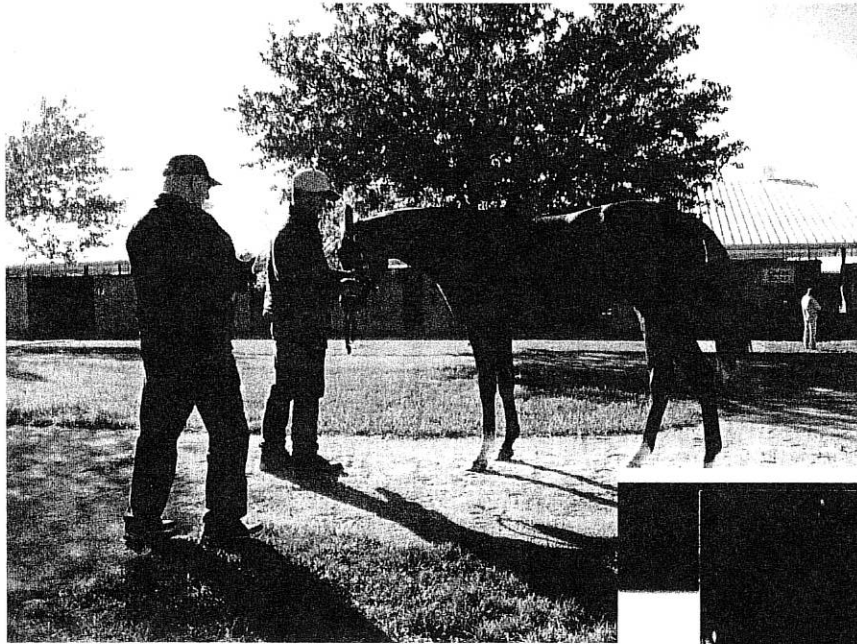


The investment is great to raise a foal to racing age.

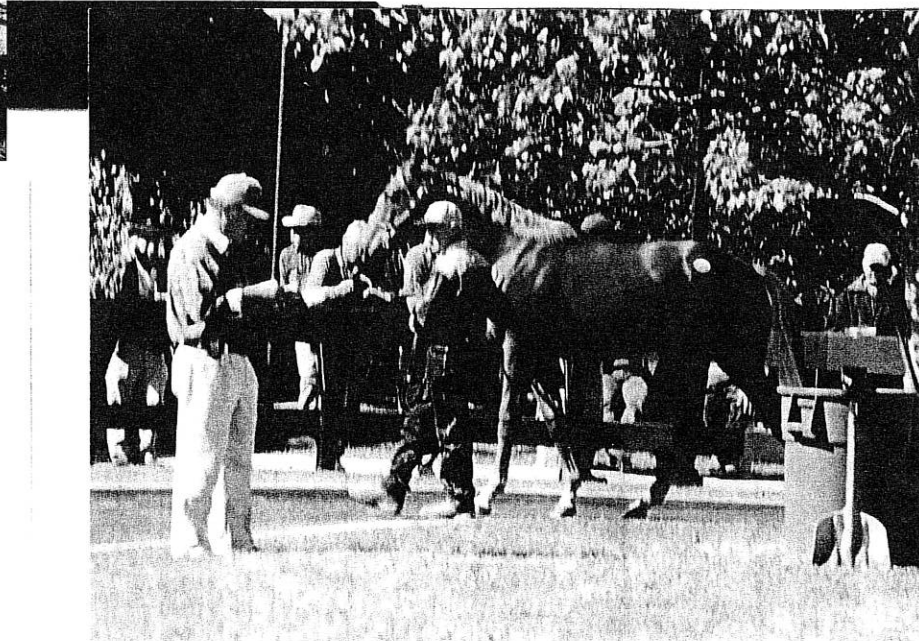
Feed costs as reported in the KS Survey was 35.5 million dollars for horses.

Labor costs were over 14 million dollars as reported in the survey.





The sales company entry fees and commissions paid to the sales company and commission to the agent that handles the horse at the sale. This gives jobs to many people involved with selling young race horses.



Preparing a yearling for a sale- preparation at the farm \$25.-50. per day/ labor and cost of feed and maintenance of the farm. Transportation costs 58.5 cents/ mile just for gas. To haul a horse usually \$1.00/ mile expenses of truck and trailer. Just think of all the gas taxes and tolls that are paid to the state.

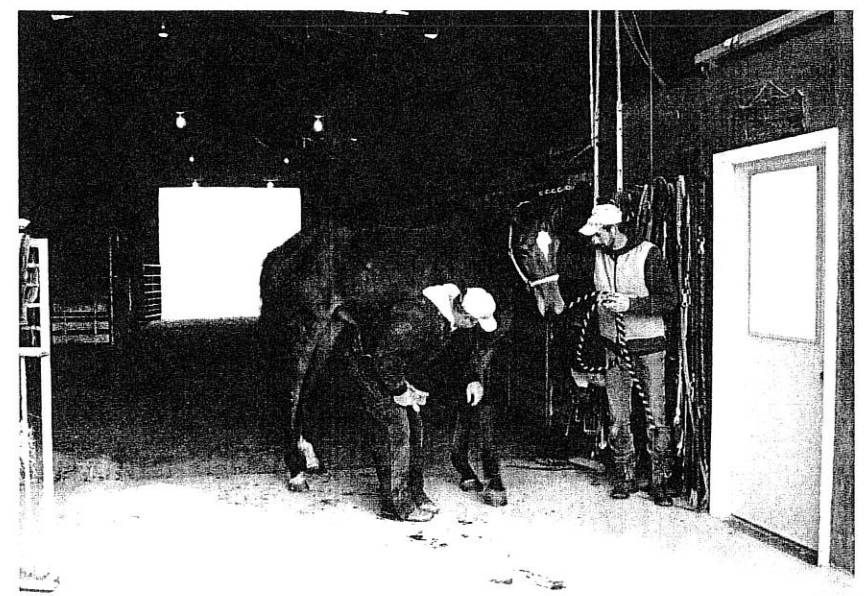


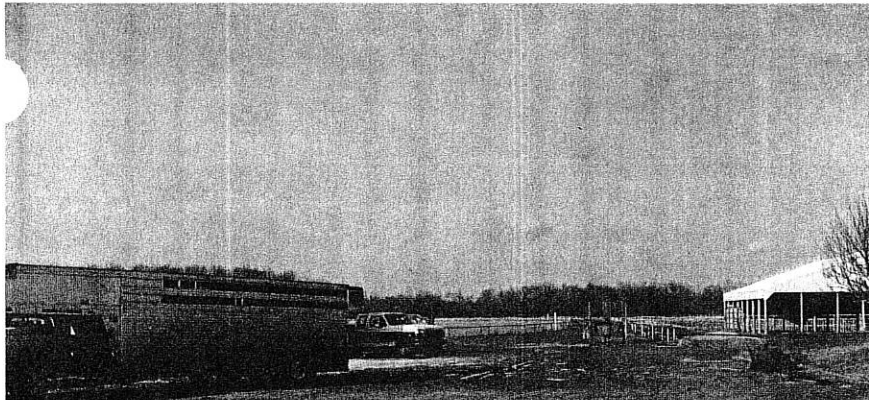
Labor is one of the most expensive parts of getting the animals trained and ready to start their career at the race track.

Who is involved: veterinarians, farriers, trainers, exercise riders, groom s, breeders and finally an owner. All these people are an integral part of a horse's life.

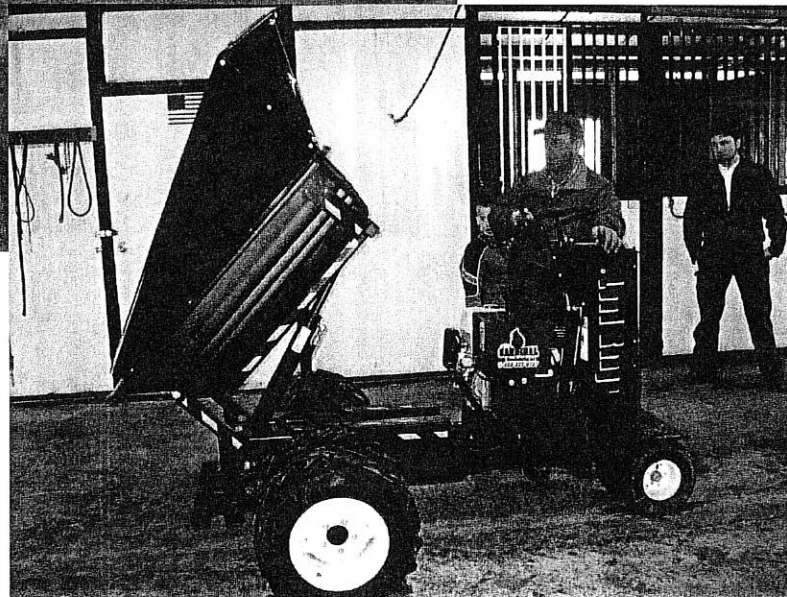


Having the whole family involved is very important and they spend money to be a part of all the fun and action at the track.



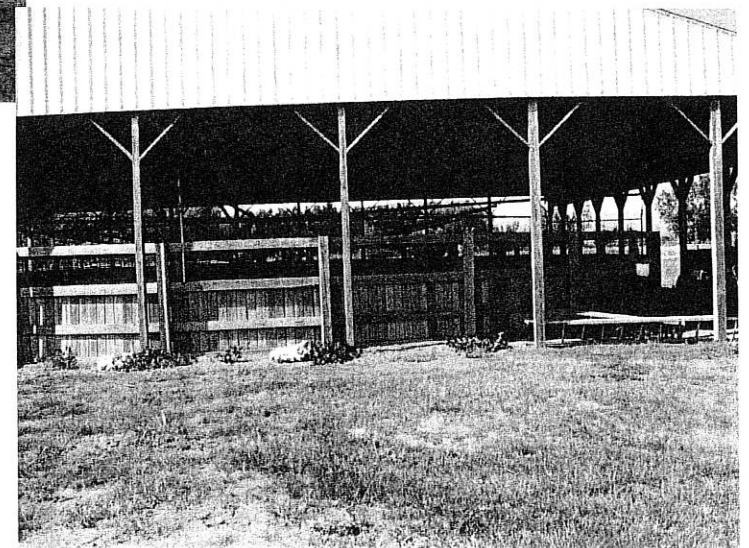


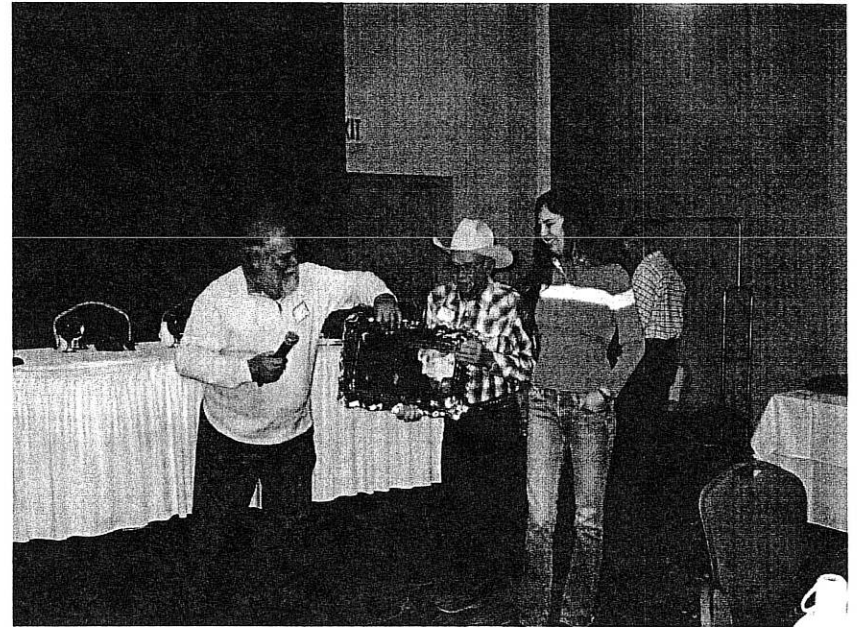
Land, boarding and training facilities number 960. These operations encompass over 960 thousand acres devoted to horse operations.



Industries cause people to think outside the box. This is a prototype for a manure hauler used inside a barn.

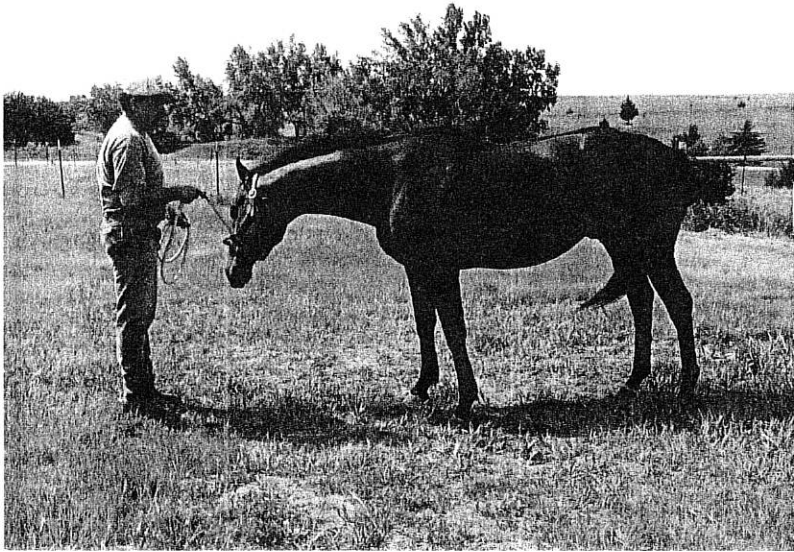
Equipment purchased was reported to be 15.6 million. Just think of the dollars generated in property and sales tax. These dollars support local communities and the state.





The members of the racing industry are interested in continuing education and investing in organizations, seminars , breed conventions and networking with each other, no matter what breed of horse we are learning about. Millions of dollars are spent for hotels, convention sites, food, gas and other equine related items.

At the recent Equifest held at the coliseum in Wichita this past month , Feb.14th and 15th,2009. Brought in millions to the surrounding area , food, motels, gas etc.



Stallions were brought into the state of Kansas with the anticipation of a going breeding program being developed because of expanded gaming. There are many breeders who are now without a place to race the horses they produce. The horses that were foaled here are not worth what they should be because of loss of Kansas racing opportunities.

Vote yes on Senate Bill #273



March 11, 2009

2-5
5-12

Dear Chairman Brungardt and members of the Senate Federal and State Affairs Committee:

Please accept our report and published information. Our association is behind the proposed SB.No.273. Please consider the tremendous impact that the gaming at the race tracks will have on the agribusiness in our state. For every dollar that is spent on the racing industry it grows 7 times, \$1.00 to \$7.00. Our neighboring states are enjoying the benefits of the slots at the race tracks. Their breeding industries are growing. This is a great state to expand the equine industry. We have the land and the agricultural infrastructure to really become a player in the race horse industry. The income from the race tracks into the state treasury will be beneficial to all of us.

Please help pass this bill. Help us help the state of Kansas.

Sincerely,
Kansas Thoroughbred Association



(6)

MARK GUY
12847 S. 52nd Avenue West
Mitchellville, Iowa 50169

March 11, 2009

Kansas Legislature

Testimony for Senate Fed and State Affairs

Chairman and Committee Members:

My name is Mark Guy from Mitchellville, Iowa. In 1976 I started purchasing and breeding running quarter horses. At that time, Kansas was considered one of the premier running quarter horse states. I purchased race prospects and bred my mares right here in your state for a number of years, until Prairie Meadows began operating slot machines that completely turned around the value of an Iowa bred foal. Now, the trend has reversed. Kansas people are bringing their horses to Iowa to foal to be eligible for the bonus money that Iowa-bred foals can earn, spending good old Kansas money in my great state of Iowa as they buy gas to bring their horses to the state, paying good prices for boarding and feeding their horses, buying stud fees, paying for Iowa veterinarian services, and so on. Without slots, none of this would be possible to attract these horses to our state.

While I am from Iowa, my trainer is from Kansas but comes to Iowa to race his horses each year. He also has brought several mares for the past few years to Iowa to foal. I see many other Kansas trainers and breeders come to Iowa because of the money we can offer. All of this just adds to the economy of Iowa.

Studies that have been done in Iowa show the horse racing and breeding industry in the state creates over 3200 jobs in the state. It also accounts for over a quarter a billion dollars in sales in Iowa. Investment by Iowa horse producers is valued at well over \$300 million. Horse racing, because of slots at the racetrack, has truly become a big boost to our state in recent years.

Another interesting point that should be understood is the clean and family oriented environment that Prairie Meadows exhibits. It is really a neat place to come and enjoy family entertainment. We've heard the talk how a casino distracts from downtown businesses and doesn't actually stimulate the local economy. That couldn't be further from the truth. The area within 5 miles of Prairie Meadows has been developed with new homes, businesses, schools and restaurants that feed off of the visitors of the racetrack. It is a very clean community and expanding every day.

My advice to you – Keep your horses in Kansas. Give your people jobs. Use your agriculture products that are produced here. Allow your economy to benefit from a great industry.

Mark Guy
12847 S. 52nd Avenue West
Mitchellville, Iowa 50169

**Midwest
Greyhound
Supply, Inc.**

1-800-221-9552

*America's Premier Kennel Supply Company
Serving Professional Kennels Since 1988*

March 11, 2009

Testimony in Support of SB 273

Mr. Chairman and members of the committee:

Thank You for the opportunity to appear before you today. My name is Brian Krenzin. My wife Becky and I own and operate Midwest Greyhound Supply, Inc. in Abilene.

Becky and I were raised in Eureka and Chanute. We are Kansas State University Alumnus. Careers took us away from Kansas for several years. Eight years ago we returned to Kansas to raise our family of three boys. Four years ago we invested in Kansas when we became small business owners. Today Midwest Greyhound Supply provides an impact to the Kansas economy of several million dollars.

I serve on the Abilene Economic Development Board, am a member of the Abilene Area Chamber of Commerce and am active in coaching youth athletics.

I am here to offer support of this legislation and the economic opportunity it represents for Kansas. The economic impact of Senate Bill 273 will be far reaching. Affecting communities from Kansas City to Pratt, from Ellis to Pittsburg, and many communities in between.

\$12 Million in new and reinstated revenues will be earned by the racing greyhounds. If we use a conservative impact multiplier of 3, the Kansas economy will realize a positive economic impact of \$36 million. It is important to note that this is the economic impact from purses alone.

This \$36 Million will flow through our State economy in many different ways and impact many different businesses along the way. In addition to payroll and taxes, some obvious examples are: feed stores and veterinarians. More obscure examples are: fencing supply companies, plumbers, electricians, gas stations, grocery stores, hardware and lumber companies, doctors, lawyers, and accountants. These are a few examples of the many different Kansans that will realize SB 273's positive impact.

713 Old Highway 40

Abilene, KS 67410

1-800-221-9552

www.petandkennelsupply.com

Sn Fed & State
Attachment 7

3-11-09

**Midwest
Greyhound
Supply, Inc.**

1-800-221-9552

*America's Premier Kennel Supply Company
Serving Professional Kennels Since 1988*

Much of the discussion regarding Live Greyhound Racing in Kansas has focused on the racetracks. I am a business owner in Abilene. We service the greyhound industry. I have seen firsthand the impact that this industry has all across our state.

In Abilene, greyhounds are a big agricultural business. Our state is the largest single provider of greyhounds for the live racing industry, and Abilene is a hub for that business.

Kansas is to greyhounds, what Kentucky is to Thoroughbreds.

With the passage of SB 66 in 2007, there was a rush of enthusiasm only to be tempered by the reality that the track portion of that bill was not economically feasible given the addition of large destination casino developments in the same regions of each track facility. The ultimate closure of the racetrack facilities has rippled through Kansas communities.

SB 273 provides an opportunity to rejuvenate live greyhound racing in Kansas and build upon greyhound racing's economic impact to the Kansas economy. With SB 273's passage Kansas' greyhound industry will grow, flourish and continue its contribution to our local and state economies.

713 Old Highway 40
Abilene, KS 67410
1-800-221-9552
www.petandkennelsupply.com

Kansas Racing, LLC d/b/a The Woodlands

Support of Senate Bill 273

March 11, 2009

Introductions

- Howard Grace, President
Kansas Racing, LLC
 - Larry Seckington, Secretary
Kansas Racing, LLC
 - Bruce Schmitter, Vice President
Kansas Racing, LLC
-

Why We Have Been Unable to Proceed

- Economic Viability

- **Significant Decrease to Projected Revenues Since Passage of Senate Bill 66**
 - Investment Required in Relationship to Revenues
 - Negative Return on New Capital Requirements
 - No Return on Current Investment
 - **Significant Increase to the Scope of the Destination Casinos**
 - Anticipated \$250 to \$350 Million
 - Actual \$650 Million
-

Revenues in Millions				
Consultant	Date	Woodlands with Destination		
		Low	Mid	High
Christiansen Capital Advisors, LLC - Supplemental	March 2006		107.5	
Christiansen Capital Advisors, LLC - Update	March 2008		64.6	
Wells Gaming Research	May 2008	31.5	28.7	24.9
Cummings Associates	May 2008		25.1	
Innovation Group	April 2007		31.9	

Why We Have Been Unable to Proceed

- Economic Viability (continued)

- **Loss of Competitive Advantage over Missouri Casinos, Removal of Loss Limits in Nov. 2008**
 - **Anticipated Terms of the Lottery Contract**
 - **Cost of Regulation vs. Projected Revenues**
 - **Cost of Central System and Redundant Property System**
 - **Market Conditions**
 - **Credit Market Crunch**
 - **Reduction in Disposable Income, Caused by the Recession**
-

We Support Senate Bill 273

- Increasing the Percentage Available to the Operator Significantly Improves the Economic Viability of the Pari-Mutuel Tracks
 - Helps Mitigate the Declining Revenues
 - Improves the Relationship Between Capital Investment and Revenues
 - Improves the Opportunity to Realize a Return on Current Investment
 - Allows Us to Effectively Compete, Especially with Missouri Casinos
-

We Support Senate Bill 273

- Provides Meaningful Revenues to the State and Local Governments
 - Provides First Class Racing Opportunities for the Greyhound and Horse Racing Industries in the State of Kansas
 - Funds Charitable Causes Through the Non-Profits
 - Provides Significant Employment to Kansas
 - Bolsters Agriculture Industries Throughout the State
-

Conclusion

We ask for your support of Senate Bill 273

- Save Kansas Industries
 - Increase Employment
 - Provide a Stimulus to the Economy
 - Generate Needed Revenues for the State
-



March 11, 2009

Senator Pete Brungardt
Senate Federal & State Affairs Committee

Dear Chairman Brungardt:

This letter will serve as our endorsement of Senate Bill 273.

The passage of this legislation is critical to our efforts to re-open the Woodlands.

Although we have a number of other issues to resolve, without this legislation the prospects of re-opening are non-existent.

We look forward to presenting to the Committee.

Sincerely,

A handwritten signature in black ink, appearing to read "Bruce Schmitter". The signature is fluid and cursive, with a large, sweeping flourish at the end.

Bruce Schmitter, Vice-President
Kansas Racing, L.L.C.

P.O. Box 12036, 9700 Leavenworth Road, Kansas City, Kansas 66109
(913) 299-9797, FAX (913) 299-9804 www.woodlandskc.com

From the Office of Park City Mayor Dee Stuart

Good morning Chairman and members of the committee. I am Dee Stuart, Mayor of Park City and I thank you for hearing my testimony. I truly appreciate your considering the proposed Senate Bill 273.

Towards the north end of Park City, there sits, or maybe I should say lies, an empty facility. A facility that once provided entertainment, excellent dining, charitable contributions, and above all, jobs, jobs, jobs, jobs.

Whether the Wichita Greyhound Park is actually within the city limits is, as you may know, a bone of contention. The impact of the park on Park City is not.

That entire facility is deteriorating more daily. It's an eyesore for the entire county, and mostly for Park City, which takes pride in maintaining and improving the appearance of the City. We enforce our structure code and rental housing ordinances, but there's not much we can do about this eyesore, working alone.

The entire county has lost significant tax revenue and jobs. Jobs, jobs, jobs.

The Wichita Greyhound Charities contribution to the community amounted to \$5.5 million dollars over the years. The Wichita Symphony received \$115,000. Park City Pride, of which I am a member, received a grant that paid for the computers and cabinets in the volunteer library we ran until the City organized its own library. Those cabinets now reside in the Park City Public Library. And future grants are gone.

It's true that Sedgwick County had the opportunity to vote on this issue in 2007. It's also true that there was a concerted campaign to defeat expanded gaming of any kind. Sedgwick County Commissioner Kelly Parks told me that he received a call from someone asking him if he really wanted slots at the Laundromat, at the swimming pool where his kids swim. The issue was not worded well, but the lies and insinuations from those opposing the measure certainly added to the confusion.

Park City voters passed the referendum, Sedgwick County voters defeated it by 246 votes out of over 103,000 cast. Yes, we know the whole state laughed at us, but the loss of an entire industry and the elimination of 250 jobs is not funny. And it's even less funny now when the Wichita area has seen the loss of 7,000 jobs in only a few months, with more to come.

At the time of the referendum, cars streamed out of Sedgwick County to the south, heading for the slots in Oklahoma. Cruise through the parking lots of the casinos down there and you will see literally hundreds of Kansas license plates. Senators, that's money flowing out of Kansas into another state – at a time when we need all the revenue we can get! And jobs, jobs, jobs.

I apologize for the repetition – but jobs, jobs, jobs is what this is really all about for us. The City of Park City will deal with many of the issues attending expanded gaming, as will Sedgwick County, but the whole area needs help with jobs. I urge you to pass that portion of SB273 which calls for another referendum in Sedgwick County and thank you for providing the wording.



Rutland Ranch
Jeff & Laurie Rutland
1047 East College Avenue
Independence, KS 67301-7140
(620) 331-2485 ~ Fax (620) 331-2235



Date: March 11, 2009

To: Senate Federal and State Affairs Committee

Re: Support of SB 273

From: Jeff Rutland

Chairman Brungardt and Committee Members:

Throughout the past several years, I have offered testimony to this committee depicting the horse racing industry of Kansas. Now, it seems that the entire nation finds itself in a similar situation....less demand for products, less spending on resources, workers without jobs, businesses closing and relocating to other areas where a demand still exists. Today, you have the opportunity to reverse this trend and truly stimulate the economy all over the state.

Kansas sits between two very successful horse racing states, made so thru the addition of slot machines at the racetracks. Iowa will offer nearly \$20 million to horsemen this year and Oklahoma has over \$50 million to award to horses and breeders that race in their state in 2009. These figures balloon into hundreds of millions of dollars as the impact of racing is realized in the states' economies, while a majority of this is circulated thru agriculture. We are losing our horse farms all across Kansas to these other states that have implemented gaming. It's simple, industry will relocate to areas they are most profitable. But we can get these operations back. There are good reasons why, at one time, Kansas ranked 5th in the nation in the production of racing quarter horses and high in the production of thoroughbreds. Those reasons are natural resources. We have the ideal elements to raise horses....ample supplies of grain, hay, good pasture land at reasonable prices, great climate and laborers that need jobs. We have the infrastructure to make Kansas a leading producer of race horses, once again. The key is right in front of you.

We are not here today to debate whether slot machines should be legal in Kansas. You may choose to vote to defeat this bill that would allow the racing industry to survive here, but you will still be faced with the destination casinos...that do little for the economy outside of the direct share of gaming revenue that goes to the state treasury. While on the other hand, racing involves all segments of agriculture. I am asking that you allow the corrections to our gaming act to benefit all of Kansas the way it was intended when SB 66 was passed by the legislature in 2007.

For the past several months we have heard of many ideas to bail out this economic downturn the nation is in. Nearly all of these ideas have a few things in common: creation of jobs, increase spending by creating a greater demand for our own natural resources and get the money to the rural part of the country. I contend that we are giving you the opportunity to create one of the greatest economic stimulus plans this state could have...and implement it WITHOUT ANY NEW TAXES!!!

It's not about gambling. Gambling is all around us. This is about re-directing a revenue stream from gambling, one that already exists but is all currently leaving the state. This is about rural Kansas. Allowing the racetracks to get back in business will bring back the incentives to raise horses in Kansas, attracting new investment and re-generate the spending on feed, hay, land, equipment, buildings, veterinarian services, truck and trailer dealerships, tire shops, hardware stores, lumber yards, etc., etc.....AND IT CREATES JOBS!

How will you respond to the press as you leave this room if they ask you "How did YOU vote for the 2009 Economic Stimulus Plan of Rural Kansas?" I hope your constituents back home will be proud of your response.

Respectfully,

Jeff Rutland

11

Senate Federal and State Affairs Committee
Testimony in support of SB 273

My name is Tom Burgess, I represent IGT (International Game Technology) and appear in support of SB 273. We believe this bill addresses several important issues including availability of a complete range of slot machines and machine manufacturers that is critical to the success of any gaming operation. Gaming operators must be able to offer a competitive mix of gaming technology to provide the best customer experience.

Two sections of SB 273 address areas of concern regarding the availability of gaming machines under Kansas law. Those changes are important to ensure that Kansas is successful in maximizing revenues from its new gaming operations.

Section 2, Software ownership and Licenses

In Section 2, language relating to license and ownership of software on page 7 lines 12-14 resolves a problem which greatly limits the availability of electronic gaming machines in the state. The existing language, as approved in 2007 uses broad language in its requirement that the Lottery be the licensee and owner of all software programs used at a lottery gaming facility for any lottery facility game. Because of the nature of the new gaming technology, and the use of software for nearly every function on the machine, including graphics, the requirement that the state be the owner and licensee of all software is an impossible requirement to meet. Machine manufacturers themselves don't own all aspects of the software in some cases, and are prohibited from licensing, assigning or otherwise transferring any rights in the intellectual property to another party. This is generally the case in the most popular gaming machines. In most cases the software that cannot be licensed, has nothing to do with the outcome of the game itself.

To meet constitutional requirements, the state needs to monitor and control each electronic gaming machine. That monitoring and control element is actually part of the central computer system which is being installed at the lottery, rather than at the machine itself. Through the central system, the state retains the ability to deactivate any machine, as well as receive accounting and security monitoring capability.

The changes made in Section 2 (n)(1) give the state complete control over each machine without limiting the types of games that can be offered at these facilities.

Section 5, Background investigation requirements

Amendments proposed in Section 5, beginning on page 10 at line 25, are intended to bring the background investigation thresholds in line with other jurisdictions nationwide in the gaming industry. The current threshold of .5% creates an impossible standard for any publicly traded company. Under current law companies are obligated to ensure all of their shareholders comply with the background requirements, and are responsible to making sure those shareholders meet the background standards, and report any change in status.

The problem comes with the nature of how shareholders are tracked. Shares trade every day, in large volumes. When traded through brokerage accounts, the shares are kept in the name of the broker rather than the shareholder. Companies have no way to know who holds their shares at any instant in time. At least once a year, companies can receive a snapshot in which all share owners are identified at a specific point in time. This information is typically used for proxies and annual meeting obligations. It is a common requirement in the gaming industry for publicly traded companies to be required to provide such a list once a year.

Generally, gaming jurisdictions require background investigations on shareholders who hold a level of shares that allow them to exercise some level of control over the organization. Amongst jurisdictions throughout the country, that level ranges from 5% to 15%. The 0.5% standard creates a burden on shareholders and publicly traded companies, and could well discourage shareholders from buying a company's stock or cause shareholders to sell stock off if faced with background investigations. Most likely institutional investors would divest their stock interest in a company instead of going through a background investigation.

Because the Destination Casino developments proposed in Kansas generally involve creation of a local LLC which would own the facility and hold the contract. In the case of an LLC, all shareholders are known to the organization, and any transfer or sale of the stock is tightly controlled.

These two sections make changes which are important to ensuring that gaming operators have access to the best gaming equipment provided by a broad range of quality operators. Passage of this legislation is important for all gaming interests in Kansas. Please vote yes on SB 273.

STATE OF KANSAS

DICK KELSEY
STATE SENATOR, 26RD DISTRICT
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TOPEKA

SENATE CHAMBER

COMMITTEE ASSIGNMENTS
COMMERCE
FINANCIAL INSTITUTIONS AND INSURANCE
PUBLIC HEALTH AND WELFARE

Senate Federal and State Committee:

Testimony on SB 273

By: Senator Dick Kelsey

Committee:

I stand in strong opposition to SB 273. The people of Sedgwick County have recently voted on the gambling issue and their vote should stand. Hundreds of thousands of dollars were spent by both sides on this issue and they should not be asked to have to spend that money again going over the same issue.

Sincerely,

Senator Dick Kelsey


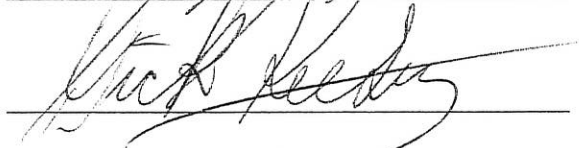
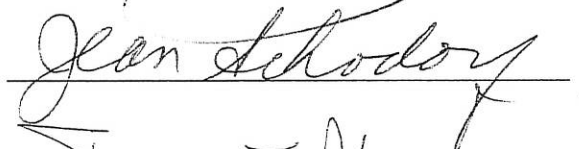
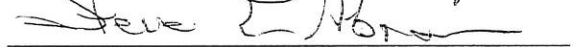
To: The Honorable Pete Brungardt, Chairman, the Senate Federal and State Affairs Committee, and committee members.


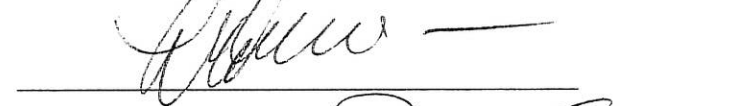


RE: Senate Bill 273

We respectfully request that Senate Bill 273 which would mandate that the Sedgwick County Commission at public expense hold another election to allow slots at the Wichita Greyhound Park be not passed.

Our constituents have spoken on this issue and their wishes must be honored.

Respectfully submitted:

STAND UP FOR KANSAS

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

Testimony to Senate Federal and State Affairs Committee on Senate Bill 273

Mark A. Kahrs
Chairman
March 11th, 2009

Good morning Chairman Brungardt and members of the committee. I thank you for this opportunity to speak on behalf of Stand Up For Kansas, a state-wide coalition of grassroots citizens who oppose the expansion of gambling in Kansas. I also appear on behalf of NO CASINOS in Sedgwick County which is a division of Stand Up For Kansas, a South-Central Kansas coalition of business, community and religious leaders who successfully defeated two ballot initiatives in August of 2007 that would have allowed a state run and operated casino in Sedgwick County and state run and operated slot machines at the Wichita Greyhound Park.

We urge you to VOTE NO on Senate Bill 273.

1. Sedgwick County Has Already Voted:

After a lengthy and hearty debate two summers ago, expanded gambling lost at the polls in Sedgwick County, **fair and square**. We experienced a record turnout of over one hundred thousand voters with the expenditure of over \$1.5 million dollars. On election day quality of life along with higher quality of economic development won. Only the casino gambling industry has the arrogance to believe that they alone have the right to come back again to the voters of Sedgwick County and seek another vote on the issue until they secure the vote they desire. If they had won, would they support an effort on our behalf to have another vote? Or, if another vote was granted and they won, would we get a chance to ask for a best two out of three? On special ballot initiatives proponents get one vote and if they lose it's decided. Kansas has a long history of declaring finality in elections. Let's respect the will of the voters.

2. No Confusion With The Original Ballot Initiative Language:

The proponents will no doubt argue that the original ballot language was confusing and voters didn't know what they were voting for, an argument often made by the losing side of any initiative. The facts are that the gambling industry wrote the bill and knew exactly what they were doing when they prescribed the ballot language. To argue now that the average voter was confused on the ballot initiative question is a smoke screen and an insult to Sedgwick County voters.

3. Please Leave Sedgwick County Alone:

With the utmost deference to the members of this committee I ask that you respect the wishes of the voters in Sedgwick County and not allow another vote to take place. There was broad community-wide opposition to the ballot initiatives two summers ago. Opposition from the grassroots, the religious community **which included a diversity of protestant churches, the Catholic Bishop, and our Jewish and Muslim communities**, the small-business industry, the local aviation industry, the local Chamber, local school board members including then USD 259 Superintendent Winston Brooks, the Fine Arts Community and our local newspaper The Wichita Eagle. And nothing has changed. The Wichita Eagle editorial board recently stated their opposition to any effort for another vote on this issue (*see attached Op. Ed.*).

4. Sedgwick County Commissioners Oppose Another Vote:

Before the gambling lobbyists introduced S.B. 273 they first tried to persuade the Sedgwick County Commission to place another ballot initiative allowing slot machines at the track to voters in our upcoming April election, an election that would have been advisory at best. The Sedgwick County Commission wisely didn't take the bait and rebuffed the gambling industry's request.

Conclusion:

The voters of Sedgwick County have already **debated, voted on and wisely rejected** slot machines at the Wichita Greyhound Park. The county has moved on, the people have spoken. We urge you to oppose Senate Bill 273. Thank you.

Addition to Testimony

We not only oppose another referendum in Sedgwick County, we oppose SB 273 in its entirety because of the economic and social impact the slot machine casinos would have on Kansas families.

Economic Impact

Numerous studies show slot machines at the racetracks would be regional casinos, not destination casinos, sapping millions of dollars in wealth from the surrounding area.

A study commissioned by the Kansas Lottery showed over 80 % of the slot machine revenue would come from the surrounding 25 mile radius region.¹

An independent study conducted by the Wichita State University shows public benefits of a casino in Sedgwick Co. would be \$107 million over a 20-year period, but public costs would be \$1.6 billion over this same period. Public costs would be 15 times as much as public benefits.²

Since discretionary money would be spent at the casino rather than at local retail businesses, retail sales would be reduced \$176 million (2.5%).³

In 2005, a study was conducted on the impact of casinos on retail sales in ten Iowa cities – six of the cities had no casino and four of the cities had one or more casinos. During 1996 to 2004, the six cities without casinos showed an annual growth rate of 3.4%. During the same time period, the four cities with casinos had only a 0.7% annual growth rate in retail sales.

Social Impact

Slot machines at parimutuel racetracks in Kansas would destroy thousands of families in the surrounding areas, because of the accessibility of the casino.

A study commissioned by the Wichita Downtown Development Corporation estimated a casino in Sedgwick Co. would create **5,200 to 7,800 new pathological gamblers**.⁴ And, for each of these pathological gamblers, 7 to 10 other persons would be injured – spouse, children, parents, friends and employer.

This same study estimated the social cost burden of these new pathological gamblers would be \$71 million to \$106 million.⁵

1 “The Feasibility of Electronic and/or Casino Gaming in Kansas,” Christiansen Capital Advisors LLC, March 9, 2004, Exhibit 4.33, page 84

2 “Fiscal and Economic Impact of Casino Gaming – South Central Kansas,” Center for Economic Development and Business Research, Wichita State University, June 2007, Table 18, p 16

3 *Ibid*, “Frequently Asked Questions”, p. 4

4 “Economic & Social Impact Analysis For A Proposed Casino & Hotel,” GVA Marquette Advisors, April 2004, p VII-9, study commissioned by Wichita Downtown Development Corp.

5 *Ibid*

Settled

Voters have spoken on slots at track

After a hearty debate two summers ago, expanded gambling lost at the polls in Sedgwick County, fair and square. Quality of life won, as did a higher quality of economic development.

Those who wanted to gamble still could look forward to a promised Sumner County casino — which, though in limbo, seems likely to find a developer and site as the economy rebounds. And despite all the 2007 gambling expansion's problems around the state, including racetrack closings and casino developer pullouts, the Boot Hill Casino and Resort in Dodge City is still expected to open its first phase later this year.

In short, legislators should leave gambling alone this year, and Wichita

Greyhound Park owner Phil Ruffin should take Sedgwick County voters' "no" for an answer.

Instead, Ruffin's attorney recently tried unsuccessfully to persuade the Sedgwick County Commission to put another question about allowing slot machines at the track to voters in April — an election that would have been advisory at best, because the 2007 law required a countywide vote within 180 days of its passage.

Plus, Senate Minority Leader Anthony Hensley, D-Topeka, is offering a bill that would allow a Sedgwick County revote and give track owners around the state a greater share of slots revenue. Another legislator wants to cut the required developer investment in a proposed Cherokee County gambling zone from \$225 million to \$50 million.

Ruffin and other gambling proponents may think it can't hurt to ask

Topeka for these do-overs. But they can't be sure.

Many legislators are still steaming over how pro-gambling colleagues prevailed two years ago. House Speaker Mike O'Neal, R-Hutchinson, recently said that if a new gambling bill reached the floor, he "would be interested in repealing" the 2007 law.

It's true that the Sedgwick County ballot language was confusing, especially on the question regarding whether to allow slots at the dog track. But gambling advocates wrote the law, so they get the blame for the wording.

They also defined the terms of revenue disbursement in the law, which were viewed by many as uncommonly generous to developers. It's difficult to feel much sympathy

for them now, especially as the Legislature struggles to close a 2009 budget shortfall and get to work on the worse one promised for 2010.

"I don't want to get the debate bogged down again over gaming, and I would remind folks that the gaming bill that passed and the courts upheld was exactly the way the industry wrote it," O'Neal said.

It made sense to let Sedgwick County voters decide whether they wanted a casino within the county, slot machines at the dog track, or both. It also made sense for voters to reject both proposals, deciding that the revenue wasn't worth the social and economic costs.

The county has moved on.

As Ruffin said upon closing Wichita Greyhound Park in October 2007, "The people have spoken."

Eagle 02/10/09
— For the editorial board, Rhonda Holman



Legislators should leave gambling alone this year, and Wichita Greyhound Park owner Phil Ruffin should take Sedgwick County voters' "no" for an answer.

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Ronald R. Hein
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Testimony re: SB 273
Senate Federal and State Affairs Committee
Presented by Ronald R. Hein
on behalf of
Prairie Band Potawatomi Nation
March 11, 2009

Mr. Chairman, Members of the Committee:

My name is Ron Hein, and I am legislative counsel for Prairie Band Potawatomi Nation. The Prairie Band Potawatomi Nation is one of the four Kansas Native American Indian Tribes.

PBPN opposes SB 273. The PBPN has traditionally opposed expansion of state gaming, in light of the fact that the Federal Indian Gaming Regulatory Act was enacted in order to provide economic development opportunities to native American Indian Nations. When the Governor refused to negotiate with the Kansas federally recognized native American Indian Nations to provide expanded gaming in Wyandotte County and Southeast Kansas, and instead opted for the State to conduct such gaming, the net affect was to deprive the Native American Tribes of the economic development granted by the federal government. Our Tribe has been a stellar example of what can occur when Tribes were given the opportunity to engage in Tribal gaming. The Tribal unemployment rate dropped from as high as 78% to as low as 6-7%. The Tribe established a Head Start program, developed a law enforcement center, EMS services, a fire department, housing, an elderly program, and numerous other programs beneficial not only to the Tribal members, but to the community and citizens of Northeast Kansas.

The passage of the expanded gambling act by the legislature threatens the progress made in northeast Kansas, and represents a backward step not only in the progress of Native Americans, but in the relationship between the state and the Tribal communities.

When the expanded gaming legislation has been considered over the years, I have had an opportunity to testify on numerous occasions. I have cited what has occurred with gambling historically, and I made some predictions for the future. Many of those predictions are now proving to be accurate.

Ten years ago I predicted that if gambling expansion passed, it would be a slippery-slope, and that the gambling promoters would always need more. Gambling is an insatiable addiction, and gambling legislation results in the Legislature also being addicted to the money from gambling. My specific prediction was that if gambling passed, the promoters of gambling would be BACK to the legislature within years, seeking tweaks in the rules to permit them a larger share of the pie-higher takes, and giving government a smaller share of the take, and seeking reductions in their responsibilities under the enactment.

And what do we have today? The gambling promoters are back—seeking a larger share of the take, asking the state to take a smaller share of the take. They are also asking to

reduce THEIR responsibilities pursuant to the act THEY wrote. They also want a “do over” on the election in Wichita. They didn’t want a chance for re-votes when the bill was being enacted, because they were afraid that the anti-gambling folks would keep wanting another vote to take away the casinos. Once they “won” the vote, they didn’t want to have another election. But what happened? They LOST. So now, the gambling promoters want to change the rules. Now, let’s have a re-vote. The gambling promoters WROTE the law, they lobbied for this law (bad as it is), and they should now have to live with this law.

I am also intrigued by the requested change in Section 2(n) of SB 273. That change, appears to eliminate the requirement that the State Lottery actually control the computer software managing the gaming activities. This section changes the law to permit the Lottery to only monitor (“monitor or control”) the software. What is intriguing about this change is that the Kansas Supreme Court relied heavily on the Lottery’s operational control in upholding the act as being Constitutional. The Court found the gaming to be “state-owned and operated” and not “licensed and regulated”, primarily because the state controlled the computer software. It appears that the promoters of gambling want to now negate that state control, and instead reinforce the argument that many of us have made that the Kansas Expanded Lottery Act is nothing more than monitoring of private gambling, rather than truly state owned and operated gambling.

It is time to tell the gambling promoters that they do not OWN this state or this legislature. They do NOT have the right to change the rules whenever THEY want to change the rules.

The old adage “Fool me once, shame on you; fool me twice, shame on me” is totally applicable here. The Legislature failed to stand up for the taxpayer-citizens of the state and adopt a gambling bill which made sense for Kansas. Instead, the Legislature let the gambling interests call ALL of the shots. They let the gambling interest WRITE the bill; the legislature failed to accept any amendments to the bill that might have made it better legislation; the legislature let the gambling interests set the percentages of distribution of funds from gambling. The legislature let the gambling interests set the rules.

This committee should take a stand that this legislature is NOT going to be run by the gambling companies.

This legislature should stand up for the majority of the citizens of Sedgwick County who voted no. If this legislature approves this bill, they will be telling the citizens of this state “your vote doesn’t count”.

On behalf of the PBPN, I respectfully request that this committee vote No on SB 273.

I have attached to my testimony a copy of testimony which I gave years ago, predicting how the gambling interests would continue to come back to the legislature seeking more and more, once the state began on this slippery slope. I encourage you to read my predictions, and I think you will find that what I predicted the gambling promoters would do has indeed come true.

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

Prediction Excerpts from Previous Ron Hein Testimony on Behalf of Prairie Band Potawatomi Nation (2002 and Prior) Regarding the Slippery Slope of Gambling

It has been said before that if we do not learn from history, we will be doomed to repeat it. We have much to learn from the history of gaming from what has occurred with parimutuel gambling in Kansas, and with gaming in Missouri. This history should help us predict what will happen with gaming in Kansas should this legislation be enacted.

First of all, once the state legislature starts down the slippery slope of gaming expansion, it becomes a slope upon which the legislature cannot dig in its heels and stop itself from falling further.

It would be to the committee's benefit to review the history of parimutuel gaming in Kansas. I was around when the legislature approved parimutuel gaming with a combined dog and horse track proposal. At that time, the experts were all contending that such a track would be doomed to failure. That was the experience of other tracks throughout the nation. However, the promoters of gaming who were going to build the track argued that was not the case, and this was the one track that was going to be successful. Within a year or two, reality began to set in. The bill of goods that everyone had been sold suddenly needed to be changed a little bit in order for parimutuel gaming to survive. What followed was a number of years of additional requests to the legislature to change the rules because otherwise parimutuel gaming was not going to be able to remain successful.

Over the years, the legislature responded by changing this and that, tweaking the percentages of distribution of funds, and other items at the request of the parimutuel track owners. I can't remember all the changes, but I believe there were changes to the distribution percentages, changes on the number of days horse racing had to occur, and eventually in the approval of simulcasting. Today, we are hearing the same verse. Deja you. If the state is to save parimutuel gaming, they have to have slot machines at the tracks.

During this same period of time, there has been an on-going reduction in the amount of revenue generated for the state of Kansas. (From approximately \$9.5 million in FY 1991 to approximately \$425,000 in FY 2001.)

So given the slippery slope of gaming, the question should be asked, "If legislation being considered by the committee is passed this session, how quickly will it be changed, and how will it be changed?"

One of the other observations that can be made of this slippery slope of state gaming is how quickly other groups are interested in participating if you are going to have two individuals who happen to own parimutuel tracks benefit from such legislation. Their first question, and it is a good one, is: "Why should only the two individuals who own the

parimutuel tracks be permitted to benefit economically from gaming?" They also ask, "Why should our businesses, or our fund-raising programs be forced to suffer from this additional competition?"

The end result: the legislature is presented proposals by the bowling proprietors, the veteran's organizations, the convenience store owners, and others who argue, "If the state is going to authorize slots, then give us the opportunity to operate slot machines as well. Why just grant a state monopoly to two individuals?" Those issues may be decided this session, but they will continue on into the future. The slippery slope continues.

The other phenomenon of the slippery slope is that the competition will not stand still. If legislation is passed to allow slots in Wyandotte County, is Missouri simply going to stand still and not respond to the competition? Once again, looking at the history of Missouri gaming: there have been repeated changes in the Missouri law at the request of gaming operators in order to insure that gaming continues to exist in Missouri. The legislature has continually been asked to change the rules. Nobody believes that the rules are set in concrete. If Kansas is successful in getting gaming approved, Missouri will, possibly before the end of the legislative session, but probably before a Kansas casino would actually be built, review their options to insure that their casinos are at a competitive advantage to those in Kansas. What will happen in Kansas if that occurs?

One logical prediction based upon the past history of parimutuel gaming in Kansas and of gaming in Missouri, is that the gaming operators will be back before the Kansas Legislature seeking "tweaking" of the Kansas statutes so that they are able to "compete" and to be able to continue to exist. The slippery slope continues.



Testimony

Unified Government Public Relations
701 N. 7th Street, Room 620
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Mike Taylor, Public Relations Director
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Senate Bill 273 Kansas Expanded Lottery Act

Delivered March 11, 2009
Senate Federal and State Affairs Committee

The Unified Government opposes Senate Bill 273 and all other attempts by the 2009 Kansas Legislature to amend, alter or otherwise change the provisions of Senate Bill 66 which allows casino gaming.

The reason is simple. Attempts to change the law before approved casinos are built and operating presents a risk to the future of casino gaming in Kansas.

The deadline for receiving casino proposals for Wyandotte County is April 1. This bill, or others, which re-open the expanded gaming debate will create uncertainty and concern which makes casino companies, developers and their investors nervous about investing in Kansas. In this economy, they are nervous enough. Advancing this bill before the April 1 deadline could threaten the chances of Wyandotte County even receiving destination casino proposals.

The citizens of Wyandotte County approved slot machines at The Woodlands Racetrack with 82% of the vote and construction of a destination casino with 80% of the vote. It is regrettable that Sedgwick County citizens might have been confused about what they were voting on. Wyandotte County citizens studied the issue and knew exactly what they were voting on. This is the wrong time to re-open the issue so Sedgwick County voters can have a second shot at getting it right.

While the Unified Government has always been supportive of The Woodlands and wants to see the track re-open with a full slate of greyhound and horse racing and slots in a "racino," this is not the time. The Unified Government urges the committee to reject this bill and perhaps reconsider such a proposal in 2010.



Sumner County Economic Development Commission

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To: Honorable Senator Brungardt, Chairman
Members of the Committee on Federal and State Affairs

From: Sumner County Economic Development Commission, Janis Hellard, Director

2009
BOARD OF
DIRECTORS

Date: March 11, 2009

◆◆◆ Re: SB 273

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Thank you for allowing us to testify before you regarding Senate Bill 273. We are here to present our objections to this bill as it is currently written. Our objection relates to the portion that provides for another vote in Sedgwick County regarding slots at the race track.

If this bill is enacted as written or even comes out of this committee, it could potentially ruin the opportunity for a casino in the South Central Gaming Zone. Proposals are due April 1. How will casino developers know how to design their projects or make their projections of revenue not knowing what their competition in the area will be? Anyone putting in a proposal for a casino in the South Central Gaming Zone has already designed their project, figured their projections and spent thousands of dollars on the opportunity to bid this project basing their proposals on legislation you enacted in Senate Bill 66 and the votes that have already occurred. If there is a possibility that the Race Track in Sedgwick County could have slots in the near future, it changes the whole dynamics and viability of their projects. We have already heard from potential developers that they are rethinking whether or not they will submit for the South Central Zone if this bill comes out of committee. Developers can not submit proposals or sign contracts with the State of Kansas when they do not know if they will be able to fulfill what they put forth in those proposals. With these economic times, if we have developers who can get the financing to do these projects, we certainly do not want to discourage them by putting obstacles in their path such as this.

The financial impact of this bill to the State of Kansas will be huge. A race track in Sedgwick County does not have the potential to generate the total gaming revenue for the State that a Casino in the South Central Gaming Zone does. Besides the gaming revenue, the **total economic impact** of the Race Track project is far less than a Destination Resort Casino in terms of items such as new construction, job creation – 1,000's of jobs compared to 100's, property taxes, sales taxes, bed taxes, and additional development around and in support of the casino. Plus people who want to go to a casino will still be taking their money out of state to Oklahoma. We don't believe the State can afford to suffer the financial loss that would occur if

SCEDC
Committed to Improving the Economy of Sumner County

March 10, 2009

Page 2

a Race Track in Sedgwick County opens with slots instead of a Destination Resort Casino in the South Central Gaming Zone.

The citizens of Sedgwick County had their opportunity to vote on this issue and they voted **NO**. The race track owners had their opportunity to present their case to the voters and did so with huge ad campaigns. The voters said **NO**. **Are you now going to come back to those voters and tell them their vote did not count because the race track owners did not like the results? And are you going to tell the voters in Sumner County that they have no say in this either?**


If Senate Bill 273 is enacted with a revote in Sedgwick County it does not follow the intent of Senate Bill 66 which referred to the projects that provide the greatest economic impact and promote the greatest amount of tourism. We do not believe the Race Track has the potential to bring in the tourism that a Destination Resort and Casino has.

One of the great things that evolved from the results of Senate Bill 66 was the potential to help rural Kansas Counties. In three of the gaming zones, economic development opportunities were going to take place in rural counties that would not normally have these opportunities. Not only did it have the potential to help the host counties but the surrounding rural counties as well. How often does that happen? How often does an opportunity like this come along for rural counties? Not often! With the revote in Sedgwick County this opportunity could be lost for the South Central Region rural counties.

In closing we believe if you allow this bill to go forward without deleting the section regarding the revote in Sedgwick County, you strongly suggest to the Citizens of Kansas that what is good of one individual, the race track owner in Sedgwick County, is more important than the will of the people, the voters of Sedgwick County. It also shows a disregard for what is best for the citizens of the State of Kansas because it will not provide for the greatest possible revenue to the State. In these economic times we do not believe that is a loss the State can afford.

Thank you for your time this afternoon. We hope this testimony has been helpful to you in understanding our concerns regarding the revote in Sedgwick County and the consequences we foresee should this be allowed to happen.

Sincerely,


Janis Hellard, Director

Phil Ruffin wants voters in Sedgwick County to weigh in again on slot machines at Wichita Greyhound Park.

His lobbyist called Sedgwick County Commission chairman Kelly Parks on Monday night to ask if commissioners would support putting slots on the April ballot, The Eagle reported first on Kansas.com on Tuesday.

Commissioners discussed the request at a staff meeting Tuesday and agreed the issue was better suited for Topeka.

The 2007 state law authorizing expanded gambling required a public vote on the issue within 180 days of its passage.

But if legislators approved a new vote, the county would hold one, Parks said.

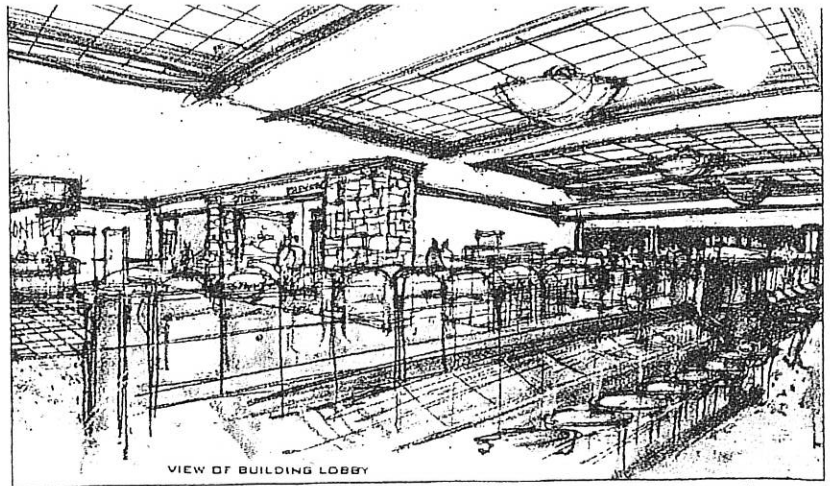
The lobbyist, George Wingert Sr., said later Tuesday that it appeared the county is not open to the idea so his next step is the Legislature.

Wingert said Ruffin's group will push for a vote only on slots at the Wichita dog park, not statewide.

Sedgwick County voters said "no" to slots in 2007 by a narrow margin — at the same time they rejected a casino in the county. Parks said some voters were

KANSAS.COM

Would you vote to allow slots at Wichita Greyhound Park? Take our survey attached to this story at Kansas.com.



VIEW OF BUILDING LOBBY

Courtesy illustration

Before Sedgwick County voters first rejected allowing slot machines, the Wichita Greyhound Park had plans to add space for dozens of machines.



"I don't think that our constituency here would appreciate the fact that we throw it on the ballot suddenly and give them two months to prepare for such a vote again."

Commissioner Gwen Welshimer

Please see **SLOTS**, Page 3A

SLOTS

From Page 1A

confused because the ballot about slots did not specify the slots would be at the dog track.

Ruffin paid for an unsuccessful recount, then closed the park north of Wichita off of I-135.

At a news conference Tuesday, Parks said he knew one Valley Center resident who travels to Oklahoma City to play slots but voted against machines here because he thought slots could go in at "QuikTrips across from schools."

Commissioner Gwen Welshimer agreed the ballot was confusing, but she said placing slots on the April 7 ballot wouldn't give opponents and supporters enough time to organize.

"I don't think that our constituency here would appreciate the fact that we throw it on the ballot suddenly and give them two months to prepare for such a vote again," she said. "It would just take too much education for the public about the issue."

Wingert declined Tuesday to go into specifics about plans for the park. But Parks said Wingert had alluded to some revenue coming back to the county.

Parks said he would be hesitant to say the Legislature would give Ruffin the go-ahead

for a new vote by the April election. Legislators are dealing with a budget deficit and an ailing economy.

"Anytime you can get an empty building back in business, of course, it's good," Parks said, adding he was speaking for himself and not the commission.

He noted that about 250 people lost their jobs when the park closed after the failed bid for slots.

Kansas' expanded gambling law authorizes a maximum of 2,800 slot machines at state racetracks and requires managers to give 40 percent of revenue from the slots to the state. It also requires them to give 20 percent to local governments and a variety of funds, including one to help people addicted to gambling.

The track owners say that doesn't allow them to keep

enough money to earn a profit. They have been lobbying legislators to change the law this session to allow them to keep more slots revenue. However, lawmakers have been reluctant to deal with gambling legislation, saying it is not a priority for this session.

All three tracks — the Woodlands in Kansas City, the Wichita track and Ruffin's Camptown Greyhound Park in Frontenac — are closed.

Parks said any new ballot question would need to be clear. Commissioners said they don't plan to put the issue on their agenda.

"I don't think we ought to be involved in that until the state Legislature tells us what they want us to do and how they might handle it, especially in this economic environment," Commissioner Dave Unruh said. "I think we need to let the

state take leadership."

Contributing: Fred Mann of The Eagle

Reach Deb Gruver at 316-268-6400 or dgruver@wichitaeagle.com.

Posted on Tue, Feb. 10, 2009

Voters have spoken on slots at track

After a hearty debate two summers ago, expanded gambling lost at the polls in Sedgwick County, fair and square. Quality of life won, as did a higher quality of economic development.

Those who wanted to gamble still could look forward to a promised Sumner County casino -- which, though in limbo, seems likely to find a developer and site as the economy rebounds. And despite all the 2007 gambling expansion's problems around the state, including racetrack closings and casino developer pullouts, the Boot Hill Casino and Resort in Dodge City is still expected to open its first phase later this year.

In short, legislators should leave gambling alone this year, and Wichita Greyhound Park owner Phil Ruffin should take Sedgwick County voters' "no" for an answer.

Instead, Ruffin's attorney recently tried unsuccessfully to persuade the Sedgwick County Commission to put another question about allowing slot machines at the track to voters in April -- an election that would have been advisory at best, because the 2007 law required a countywide vote within 180 days of its passage.

Plus, Senate Minority Leader Anthony Hensley, D-Topeka, is offering a bill that would allow a Sedgwick County revote and give track owners around the state a greater share of slots revenue. Another legislator wants to cut the required developer investment in a proposed Cherokee County gambling zone from \$225 million to \$50 million.

Ruffin and other gambling proponents may think it can't hurt to ask Topeka for these do-overs. But they can't be sure.

Many legislators are still steaming over how pro-gambling colleagues prevailed two years ago. House Speaker Mike O'Neal, R-Hutchinson, recently said that if a new gambling bill reached the floor, he "would be interested in repealing" the 2007 law.

It's true that the Sedgwick County ballot language was confusing, especially on the question regarding whether to allow slots at the dog track. But gambling advocates wrote the law, so they get the blame for the wording.

They also defined the terms of revenue disbursement in the law, which were viewed by many as uncommonly generous to developers. It's difficult to feel much sympathy for them now, especially as the Legislature struggles to close a 2009 budget shortfall and get to work on the worse one promised for 2010.

"I don't want to get the debate bogged down again over gaming, and I would remind folks that the gaming bill that passed and the courts upheld was exactly the way the industry wrote it," O'Neal said.

It made sense to let Sedgwick County voters decide whether they wanted a casino within the county, slot machines at the dog track, or both. It also made sense for voters to reject both proposals, deciding that the revenue wasn't worth the social and economic costs.

The county has moved on.

As Ruffin said upon closing Wichita Greyhound Park in October 2007, "The people have spoken."

For the editorial board, Rhonda Holman

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Tuesday, Mar 10, 2009

Posted on Mon, Feb. 09, 2009

Bill seeks revote on Wichita Greyhound Park slots

BY JEANNINE KORANDA AND DEB GRUVER
The Wichita Eagle

A Topeka senator plans to introduce a bill that would, in part, allow Sedgwick County residents to vote again on slots at the Wichita Greyhound Park.

But many south-central Kansas lawmakers say they are not interested in revisiting the issue for a number of reasons.

George Wingert, a lobbyist for Phil Ruffin, owner of the closed track, said last week he would turn to the Legislature for permission to hold a new vote on slots after Sedgwick County commissioners indicated they weren't interested in putting it on the April ballot.

Commissioners said supporters and opponents wouldn't have time to prepare for the election.

Senate Minority Leader Anthony Hensley, D-Topeka, plans to introduce a bill that would have two main parts: It would nearly double the percentage of slot machine revenue that goes back to track owners. It also would allow for a second vote on slots in Sedgwick County by special election up to 120 days after the bill is enacted.

"I would like to see all three tracks become viable again," Hensley said.

Kansas' expanded gambling law, passed in 2007, authorizes a maximum of 2,800 slot machines at state racetracks and requires managers to give 40 percent of revenue from the slots to the state. It also requires them to give 20 percent to local governments and a variety of funds, including one to help people addicted to gambling.

Track owners have said they are not allowed to keep enough money to earn a profit. All three tracks -- the Woodlands in Kansas City, the Wichita track and Ruffin's Camptown Greyhound Park in Frontenac -- have closed.

The draft version of Hensley's bill would allow track owners to keep 78 percent of the slots' revenue and send 22 percent to government.

It also would allow a revote in Sedgwick County. The 2007 ballot question was narrowly defeated, and some people have told commissioners the wording was confusing because it did not specify the slots would be at the track.

Sen. Susan Wagle, R-Wichita, predicted there would be little interest in reopening the debate.

"We had a vote in '07, and it was defeated and there is a real hesitancy to open up the issue right now until we see if more bids are coming in for Sumner County and southeast Kansas," she said.

Senate Majority Leader Derek Schmidt, R-Independence, said he didn't think it would be wise to reopen the issue.

"My own view is we have plenty of things to do this year without injecting a gambling debate into the mix," Schmidt said.

Assistant Minority Leader Rep. Jim Ward, D-Wichita, said that it's always a worry to reopen gambling "because you never know what will happen."

"There are probably 62 people in this room who hate gaming and they are always looking for that additional vote," he said.

Sedgwick County made its decision, said Rep. Nile Dillmore, D-Wichita, who supported the previous effort to give voters the chance to cast a ballot on the issue.

"I don't have any appetite for doing that," Dillmore said of a second vote.

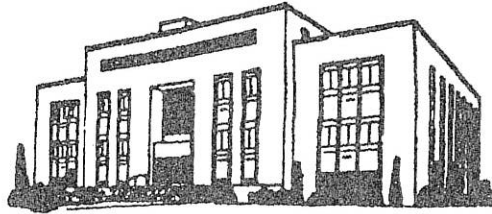
He said it was "unfortunate that Mr. Ruffin feels like now is the time to open that back up again. I don't think it is time to do that."

Said Rep. Brenda Landwehr, R-Wichita: "The people voted on it."

Reach Jeannine Koranda at 785-296-3006 or jkoranda@wichitaeagle.com.

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Wellington, KS 67152
620-326-5121; 326-3395
Fax 620-326-2116



Garey Martin
1st District
Jim D. Newell
2nd District
Eldon B. Gracy
3rd District

BOARD OF COUNTY COMMISSIONERS

To: Honorable Senator Brungardt, Chairman
Members of the Committee on Federal and State Affairs

From: Board of County Commissioners, Sumner County

Date: March 11, 2009

Re: Senate Bill 273

Thank you for the opportunity to submit this written testimony regarding Senate Bill 273.


The Board of County Commissioners strongly oppose the portion of Senate Bill 273 that allows Sedgwick County to conduct another vote regarding the proposition to permit the operation of electronic gaming machines at an existing pari-mutuel racetrack within that county. The many reasons SB273 is detrimental to the process already enacted by the legislature are effectively outlined by the Sumner County Economic Development Commission. The reasons SB273 is harmful, financially and in several economic areas, is also sufficiently addressed by Economic Development Commission Director Janis Hellard. We concur with all of the reasons provided by Director Hellard as to why the bill is both detrimental and harmful for the South Central Gaming Zone and the State of Kansas.

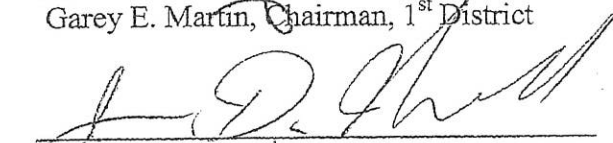
We strongly urge you to not allow this bill to move forward.


Thank you.

Sincerely,

Board of County Commissioners


Garey E. Martin, Chairman, 1st District


Jim D. Newell, 2nd District


Eldon Gracy, 3rd District



Date: March 11, 2009
 To: Senate Federal and State Affairs
 From: Gus Collins, City Manager- City of Wellington
 Re: SB 273- Written Testimony for the City of Wellington

Mr. Chairman and members of the Committee:

Thank you for the opportunity to provide written testimony in opposition to SB 273. I am Gus Collins, City Manager of Wellington Kansas.

The city of Wellington understands revisions may be needed to the Kansas Expanded Lottery Act especially with the unprecedented times the nation and state are experiencing.

We believe there are provisions of SB 273 that are not “fine tuning” but could better be described as changing the rules in the middle of the game. In particular, allowing Sedgwick County another opportunity to vote.

As you know the south central gaming zone is made up of two counties, Sedgwick and Sumner. The vote that was required in the original bill was to be held not more than 180 days after the effective date of the act. Not only is it well past 180 days, Sedgwick County already had a vote and it failed. The affirmative vote in Sumner County allowed our developers to submit an application with Kansas Racing and Gaming for this zone.

The passage of SB 273 would completely change the dynamics of the south central zone. Wellington and developers for the lottery gaming facility have spent considerable time, money and effort with the understanding of what the competition would be in Oklahoma as well as Kansas. With the economic situation, all of the gaming regions with the exception of the south west region are rethinking their proposals. This bill would be one more hurdle in the way of Wellington and its partners being able to resubmit a proposal for a lottery gaming facility. The gaming environment for the south central zone would be unknown for another 120 days after the effective date of this new piece of legislation. The State’s financial crisis does not allow for any future delay.

Additionally, the carefully crafted balance between destination attractions and preserving the ability of the pari-mutuel facilities to remain competitive and viable would be compromised. SB 273 reduces the state’s share of net gaming machine revenue from

40% down to 22% changing that balance significantly. **The state gets at least 22% of lottery gaming facility revenue and developers will still pay \$25,000,000 for the privilege fee and have an investment of \$225,000,000.** A pari-mutuel facility pays \$2500 per machine with no required investment. In other words, a pari-mutuel facility could get 1000 machines for a \$2,500,000 privilege fee, an unfair advantage.

In conclusion SB 273 not only seeks to change the environment in the south central zone but creates uncertainty in the short term. It also changes the balance created in the original legislation in every region with a parimutuel facility by unilaterally giving the parimutuel facilities more flexibility. The City of Wellington respectfully opposes SB 273. Thank you for the opportunity to submit this testimony.